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COUNTRY PARTNERSHIP STRATEGY

FOR

SOLOMON ISLANDS

FOR THE PERIOD FY2013 - 2017

May 15, 2013

**Timor-Leste, Papua New Guinea, and Pacific Islands Country Management Unit
East Asia and Pacific Region**

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

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ABBREVIATIONS AND ACRONYMS

AAA	Analytic and Advisory Activities	J4P	Justice for the Poor
ADB	Asian Development Bank	MDGs	Millennium Development Goals
AusAID	Australian Agency for International Development	NDS	National Development Strategy for Solomon Islands 2011 – 2020
CDD	Community Driven Development	NGO	Non-Governmental Organizations
CO	Community Officer	NPS	National Payment Systems
CEWG	Core Economic Working Group	PAPRI	Pacific Payment, Remittances and Securities Settlement Initiative
CPS	Country Partnership Strategy	PCRAFI	Pacific Catastrophe Risk Assessment and Financing Initiative
CRISP	Increasing Resilience to Climate Change and Natural Hazards Project	RDP	Rural Development Program
DHS	Demographic and Health Survey	REP	Rapid Employment Project
DPO	Development Policy Operation	PFM	Public Financial Management
DV	Domestic Violence	PFTAC	IMF Pacific Technical Assistance Facility
EDF	European Development Fund	PIAC	Pacific Infrastructure Advisory Center
EITI	Extractive Industries Transparency Initiative	PIFS	Pacific Islands Forum Secretariat
EU	European Union	PPCR	Pilot Program for Climate Resilience
FAO	Food and Agriculture Organization of the United Nations	PRIF	Pacific Regional Infrastructure Facility
GBV	Gender Based Violence	PROP	Pacific Regional Oceanscape Program
GDP	Gross Domestic Product	RAMSI	Regional Assistance Mission to Solomon Islands
GEF	Global Environment Facility	RSE	New Zealand Recognised Seasonal Employment Scheme
GFDRR	Global Facility for Disaster Reduction and Recovery	RSIPF	Royal Solomon Islands Police Force
GFPR	Global Food Crisis Response Program	SIEA	Solomon Islands Electricity Authority
GNI	Gross National Income	SMEs	Small and Medium Enterprises
HIES	Household Income and Expenditure Survey	SOE	State Owned Enterprise
IBRD	International Bank for Reconstruction and Development	SPC	Secretariat to the Pacific Community
ICT	Information and Communications Technology	SPF	State and Peace Building Trust Fund
IDA	International Development Association	UNDP	United Nations Development Programme
IDF	Institutional Development Fund	UNEP	United Nations Environment Programme
IFC	International Finance Corporation	UNICEF	United Nations Children's Fund
IFAD	International Fund for Agriculture Development	VDS	Vessel Day Scheme
IMF	International Monetary Fund	WBG	World Bank Group
ISN	Interim Strategy Note	WHO	World Health Organization
JDL	Justice Delivered Locally	WIM	Women In Mining

	IDA/IBRD	IFC
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**FY2013 – 2017 COUNTRY PARTNERSHIP STRATEGY
SOLOMON ISLANDS**

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EXECUTIVE SUMMARY

This Country Partnership Strategy (CPS) is the first full country strategy prepared for Solomon Islands, following an Interim Strategy Note (ISN) in 2010. The World Bank Group has been scaling up its assistance in the Pacific and is moving to individual country strategies, to better acknowledge country-specific challenges and priorities, while also ensuring that individual strategies are placed within a coherent broader framework for engagement with the Pacific islands given common challenges as well as differences.

This CPS is being presented within a more stable political, security and economic context than that which accompanied the ISN. Solomon Islands has made significant progress in restoring stability following conflict, known locally as the “tension”, from 1998 to 2003. Macroeconomic and fiscal stability has been restored since a fiscal crisis in 2009 precipitated by the global economic slowdown, development gains have been achieved in many areas, key government functions have been reestablished, and Solomon Islanders are increasingly taking leadership of government programs. During the last year, Solomon Islands effectively managed a range of high profile events, including the Festival of Pacific Arts, demonstrating an important level of cohesion and capability. Reflecting a confidence in the overall security environment, the Regional Assistance Mission for Solomon Islands (RAMSI), with the agreement of Solomon Islands Government, is about to undertake a transition, reducing its military presence, retaining a police advisory team and transitioning civilian assistance to regular bilateral and multilateral development programs.

At the same time, Solomon Islands remains a fragile country; deep development challenges persist and some of the stresses that contributed to the tension a decade ago could potentially resurface without sustained effort to address them by the government and its partners. Youth unemployment, thin 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 – as with many of the small and remote Pacific island countries - presents significant challenges of diversity, geographic dispersion with a largely rural population, and vulnerability to natural hazards. Delivering the services necessary to meet the Millennium Development Goals (MDGs) in such a situation is both challenging and costly. The sources of revenue to help address these challenges have typically been dependent upon the exploitation of a limited range of natural resources and small holder agriculture; the returns to which are vulnerable to ongoing resource availability, volatility in global prices and external and internal shocks. Sustained external financing over the long term is likely to remain important in order to address vulnerabilities and provide the additional impetus necessary to overcome major constraints.

Building on the relative stability of the recent years and embedding gains achieved to date, will be key to creating the economic incentives, social cohesion and improved state-society relationships that are essential to avoiding future conflicts and reducing fragility and poverty. These objectives are fully consistent with the World Bank Group's emphasis to eliminate extreme poverty by 2030 and promote shared prosperity. The government's own strategy focuses on building a vibrant and united Solomon Islands with better livelihoods for all. Pursuing sustainable and inclusive growth, increasing social and economic opportunities and maintaining peace and stability are key elements of this strategy. This CPS is intended to support Solomon Islands in this process. In particular, the World Bank Group will support Solomon Islands in: (i) strengthening economic resiliency through programs that maximize sustainable growth and returns in agriculture, mining and fisheries while addressing key constraints to inclusive growth, particularly in the provision of power; and (ii) supporting improvements in the equitable and accountable delivery of basic services across the country. In each of these areas the Bank Group will be guided by two cross cutting principles: (i) supporting government and its partners to embed the

institutional gains achieved to date – particularly those that promote inclusion and cohesion - into the overall development effort; and (ii) ensuring that gender is mainstreamed through the portfolio with a view to one hundred percent gender informed operations. Efforts will be made to strengthen economic opportunities for women, while reducing negative impacts and harm for women in Solomon Islands. This is part of a wider WBG effort across the Pacific to enhance women’s economic empowerment, reduce gender based violence and build a stronger voice for women in business.

The World Bank Group’s value added in Solomon Islands comes primarily from the expertise and experience of working in other fragile and capacity-constrained environments and the ability to leverage the engagement of other public and private resources and expertise. In this context, the Bank Group will work to underpin the larger investments of government and its partners in key service delivery sectors to explore, pilot and monitor efforts to improve the sustainable and accountable delivery of key public services and livelihoods across the country. The Bank Group will also draw together its global knowledge and capacity to manage the technical, social, environmental and commercial requirements – through both IDA and IFC engagements – of some key high risk-high return programs where alternative expertise is limited and where the returns may be transformational for the country and for local communities involved, particularly in the mining and energy sectors. We will also continue to monitor Solomon Islands as a fragile and conflict affected situation (FCS) to ensure relevant Bank flexibilities for FCS are applied and to mobilize additional implementation support as needed.

Given the relative stability of recent years and the expertise and experience the World Bank Group has gained in Solomon Islands over the last three years, moving from an ISN to a CPS is appropriate. In that context, this CPS will: (i) provide an update on the country context and its implications for the Bank Group’s operations; and (ii) reconfirm and deepen the Bank Group’s strategy in the context of a more stable but continuing high-risk operating environment.

I. RATIONALE FOR A COUNTRY STRATEGY FOR SOLOMON ISLANDS

1. ***This is the first full individual Country Partnership Strategy (CPS) prepared for Solomon Islands, following the preparation of an Interim Strategy Note (ISN) in 2010.*** Since preparing the ISN, the World Bank Group (WBG) has amassed a considerable body of analytical work, institutional knowledge, and in-country experience. Additionally, the Bank Group has established clear areas of expertise and traction upon which it can build. At the same time, Solomon Islands has demonstrated increasing resilience in several key areas, following the conflict from 1998-2003 including: recovering from the fiscal and economic crisis of 2009; addressing key structural problems especially in major utilities; demonstrating a commitment to improved transparency in the extractive sectors; and managing political transitions without recourse to significant violence. Solomon Islands is moving into its second decade since the end of conflict in 2003 in a much more stable and robust condition, although it remains vulnerable to setbacks that could undermine objectives of stability and poverty reduction. In this context, a CPS is the appropriate strategy instrument going forward, reflecting both the Bank's enhanced understanding of, and engagement in, Solomon Islands and the country's greater confidence in leading its own development agenda. This CPS for Solomon Islands builds upon the engagement and experiences of the prior ISN. It has been prepared in coordination with the Government of Solomon Islands and key development partners to reflect the specific challenges – especially related to geographical constraints, sustainable growth and state building – that the country is attempting to address.

II. COUNTRY CONTEXT: UNIQUE CHALLENGES

A Transition from Stabilization to Stability

2. ***As a relatively young, remote, widely dispersed, and linguistically disparate country, Solomon Islands faces considerable development and state building challenges.*** An archipelago of 997 islands, Solomon Islands has a total land area of 29,900 km² spread over 1.34 million km² of ocean (an area larger than France, Germany and Poland combined). The population of 550,000 is dispersed across 90 inhabited islands and has among the lowest population densities (18 persons/km²) and urbanization rates (17 percent) in the world. Distances between islands are significant: the north western Choiseul group is approximately 1,500 kilometers from the south-eastern Santa Cruz Islands – a distance equivalent to that between London and Rome. Distances to major export markets are even greater – with the capital Honiara over 2,000 kilometers from urban centers in Australia.

3. ***The island geography presents formidable and in some cases immutable challenges to service delivery, infrastructure, and economic integration.*** There are only 5 kilometers of roads per square kilometer, the lowest ratio in the Pacific, and travel in many areas is only 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. Poor development choices that are seen as widening gaps between and across provinces and islands potentially undermine broader state building efforts.

4. ***Like other countries in the region Solomon Islands has undergone enormous social and economic change over the past 50 years.*** This includes the introduction of the cash economy in what was previously a largely subsistence system. Social transactions and relationships were previously based on systems of exchanges and reciprocal obligation, largely rooted in kinship or other local affiliations. Monetization has qualitatively changed these relationships. These dynamics create strain

in general at the local level, but particularly affect intergenerational relationships. The traditional hierarchies, based generally around age and status, have been stressed in many instances.

5. ***Solomon Islands has made significant progress in restoring stability following conflict from 1998 to 2003.*** The conflict, known locally as the “tension”, 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 deaths, displacement, and the widespread destruction of property¹. While often characterized as an ethnic conflict, the tension 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 tension, however, elections have been successfully held in 2006 and 2010, and the country has been largely peaceful, except for one bout of unrest when parts of Honiara’s Chinatown were destroyed following the 2006 elections.

6. ***Engaging at the request of Solomon Islands’ Prime Minister, the Regional Assistance Mission to Solomon Islands (RAMSI) played a critical role in restoring security and core state functions (Box 1).*** The RAMSI intervention occurred at a time when the integrity of formal state structures in Solomon Islands had been severely compromised and many technical functions had largely collapsed. By 2003, the state was virtually bankrupt, most large scale commercial enterprises had closed, government services were severely affected and public funds rapidly depleted as a result of the manipulation of the compensation process, the corrupt use of ex militants’ demobilization and rehabilitation funds, and the direct theft and extortion of government finances. Fear and intimidation paralyzed the courts, prisons were emptied and the police force effectively collapsed. RAMSI moved with impressive speed to restore security and basic state functions, particularly law and order and fiscal stability. RAMSI’s presence is widely seen within Solomon Islands as the guarantor of stability, and a 2011 survey found that approximately 86 percent of Solomon Islanders continued to support the mission.

7. ***Since the tension, the country has made a relatively successful recovery and the government continues to make progress in key areas of reform.*** The economy has grown relatively strongly since the end of the tension, based predominantly on commodities such as logging and mining. Institutional functionality has been restored in many areas and social indicators are improving. Several major investments have come on line or expanded, notably the Gold Ridge mine which began production after ten years of closure, and in 2011, the government successfully raised the determined price of logs to reflect international prices, a reform that had previously proved politically intractable. Financial management and budgetary processes have been much enhanced following a significant fiscal and balance of payments crisis in 2009 and improved tax collection and compliance have generated strong increases in revenues. After the challenges of the tension era, media and civil society are playing a much more robust role in public debate. Nevertheless, and as is the case with many countries, there is a need to continue building institutional capability to manage

¹ While estimates of deaths and casualties vary, it is estimated that between 100 and 200 people were killed as a direct result of fighting between late 1998 and late 2000. Around 35,000 people were displaced from their usual places of residence during this period. The Townsville Peace Agreement of October 2000 effectively ended organized military style fighting around Honiara. It is estimated that a further 50 people were killed between late 2000 and the deployment of RAMSI in July 2003. Fighting on the Weather Coast of Guadalcanal during this period saw the displacement of a further 1500 to 3000 people. (Allen, M. 2007, *Greed and Grievance in the Conflict in Solomon Islands, 1998-2003*, PhD thesis, The Australian National University)

the inevitable stresses and challenges that emerge in the transition from fragility and conflict to resilience and stability.

Box 1: Regional Assistance Mission to Solomon Islands (RAMSI)

RAMSI is a partnership between Solomon Islands and fifteen contributing countries from the Pacific region, led by Australia. RAMSI arrived in Solomon Islands in July 2003 at the request of the Solomon Islands Government and with the unanimous endorsement of Solomon Islands Parliament, and the countries of the Pacific Islands Forum. With a mission to help restore stability, RAMSI supported efforts to improve justice and security; more effective governance; stronger economic growth; and improved service delivery. RAMSI's capacity building strategy has moved through three phases over the last ten years: the first stabilization phase from 2003-04 focused on restoring law and order and stabilizing government finances. RAMSI technical advisers assumed line functions as a gap-filling measure. The second phase, throughout 2004-09, emphasized the consolidation of the rule of law, the beginning of public sector reform and measures to improve the economy as well as institution building. The third phase from 2009 to date has emphasized capacity development with a reduction in the number of advisers, and the transition of Solomon Island counterparts to in-line positions. Reflecting these changes, RAMSI has moved from an initial presence of 330 police officers supported by a contingent of 1800 military personnel and a significant number of in-line civilian positions, to a much smaller police presence of 146, a military presence of 160 with approximately 70 civilian advisers. Given recent stability and following Cabinet endorsement, RAMSI is again in transition. Its police component will remain until 2017. From 1 July 2013, its military component will withdraw and remaining development activities will transfer to the bilateral aid programs of Australia and New Zealand and multilateral programs of the World Bank, the ADB and the EU.

8. *The political environment in Solomon Islands remains fluid.* The electoral system introduced at independence in 1978 is based upon a Westminster Parliamentary system. The National Parliament consists of 50 Members of Parliament (MPs) elected from single-member constituencies. A first past the post system in a country of very small constituencies (between 2,000 and approximately 20,000 in size) and great ethno-linguistic diversity means narrow margins of victory, contest, and that elected members do not necessarily represent an aggregate of public interests in their home areas. Lack of established political parties has led to regular floor crossings, votes of no confidence and uncertainty. Only one government and Prime Minister has ever served a full term. And since independence, only two women have served in the National Parliament. The impacts of high levels of political uncertainty on the reform context and on the implementation of development programs are substantial as a result.

9. *Access to the legal system is extremely difficult for many Solomon Islanders.* Over the period of the tension, Solomon Islands' state justice system was barely functioning. The Royal Solomon Islands Police Force, the most visible organ of state power, was severely undermined by the partisan role played by elements of the force during the conflict. Following the RAMSI intervention in July 2003, external support to the state justice system and the Royal Solomon Islands Police Force increased to unprecedented levels. While RAMSI assistance has been critical to reviving security and justice agencies that had largely disintegrated during the conflict, the scale and form of assistance involved has raised questions about long-term sustainability. RAMSI is acutely aware of these issues with the focus now shifting from post-conflict stabilization to a longer-term development approach. State security and justice service delivery to the rural populace remains a challenge, with the vast majority of the population simply unable to access effective state, non-state or hybrid justice mechanisms (Box 2). At the same time, respect for the judiciary overall remains high.

Box 2: Justice at the Local Level

The World Bank's recent study on Justice Delivered Locally (JDL) identified four broad areas of disputation in the sites studied: (i) social order problems arising principally from substance abuse; (ii) domestic violence (DV) and family disputes; (iii) land/natural resource related grievances; and (iv) those arising from the management of development projects at the community level. Neither state, non-state, nor hybrid justice systems has been able to address these issues effectively and legitimately. Police and courts have a limited reach outside provincial centers, while lower local courts rarely sit due to a variety of structural problems and resourcing constraints. While citizens often prefer to use non-state systems to settle disputes, these mechanisms are under immense stress due to larger processes of change, as well as newer types of stresses due in part to the involvement of local leaders in logging or other poorly managed development schemes.

10. *There have been real improvements in development outcomes in Solomon Islands, particularly during the past decade; yet partly because of the tension, progress toward most MDGs remains off track², and has been more limited than in some neighboring countries.* The paucity of data however, may well hide more recent improvements in some areas, particularly child mortality and maternal health.

- *Poverty* remains a concern (showing mixed progress in MDG reporting), although there are indications of improvements in recent years. Poverty in the Solomon Islands context does not generally mean hunger or destitution, but rather households facing increasing hardship i.e. some may struggle to meet daily/weekly living expenses, particularly those that require cash payments. There are also households that experience difficulties in accessing basic social services and employment opportunities. Solomon Islands' GNI per capita has increased from about US\$800 in 2003 at the end of the tension to slightly over US\$1,100³ in 2012, but has yet to recover to the level of US\$1,450 reached in the late 1990s. UNDP, drawing on survey data from FY06, estimated that approximately 22.7 percent of people in Solomon Islands suffered basic needs poverty⁴ while food poverty was 10.65 percent. Solomon Islands, like several other Pacific Island countries, has not been part of the surveys conducted by the International Comparison Project (which computes Purchasing Power Parities) until the most recent round (ICP 2011) for which results are not yet available. Initial calculations suggest that, a \$1.25 poverty line (averaged over the country) will result in a poverty head count ratio lower than the one obtained from the national food poverty line. The profile of poverty differs by geography. Peri-urban households around the capital of Honiara suffer from disproportionate levels of poverty, with almost one in three people unable to afford a basic minimum standard of living. In contrast, 19 percent of people in rural areas are poor. Analysis of provincial data, suggested that provinces with the highest proportion of poor households were either those which are most remote or are the most densely populated. A new household survey to update poverty measures is being conducted and a much stronger baseline on poverty dynamics is expected to be available by early 2014. In parallel, other indicators suggest broad improvements in living conditions, with commensurate reductions in poverty, since 2006. Non-extractive real production (one-quarter of which is non-logging agriculture) is expected to have grown by 17 percent between 2006 and 2013 after accounting for population growth, and urban living costs grew less rapidly than in the early 2000s. Service delivery and outcomes have generally improved, as discussed below. In addition, the

² 2012 Pacific Regional MDG Tracking Report. Pacific Islands Forum Secretariat, October 2012

³ Atlas method, constant US dollars.

⁴ Final report on the Estimation of Basic Needs Poverty Lines, and the Incidence and Characteristics of Poverty in Solomon Islands, Solomon Islands National Statistics Office and UNDP Pacific Centre Suva, Fiji, July 2008.

Rural Development Program, operating since 2009, has provided 300,000 beneficiaries across all the rural wards (apart from Renbel) with improved access to water supply, health posts, education, and energy services while, its extension services have helped as many as 120,000 people across 80 percent of Solomon Islands' rural wards directly benefit from improved agricultural productivity. These factors are expected to have improved livelihoods and human development outcomes.

- *Education* has seen recent progress, although Solomon Islands is likely to fall slightly short of the MDG target of achieving universal primary education by 2015. Net primary enrolment rates have increased significantly over the past decade – from about 75 percent to 90 percent – although this follows limited growth in the early 1990s and a decline during the tension. Each year Solomon Islands allocates between 20 and 25 percent of the government budget to education, higher than most other countries at comparable income levels. Despite strong recent gains in access to primary education, the quality of learning outcomes remains of concern, with only about 30 percent of students completing primary school being functionally literate⁵. Secondary education enrollments have increased from about 20 percent during the midst of the tensions to over 40 percent. Still secondary education remains out of reach for many, with children in poor households half as likely to have received secondary schooling as the rest of the population. A large proportion of the government's investment in enhancing skills benefits a small number of tertiary students, with little support for those Solomon Islanders who need to gain or regain basic literacy, numeracy and livelihoods skills to increase their employability and productivity both at home and abroad⁶.
- *Health* outcomes have improved significantly, as a result of free healthcare and relatively strong service provision, but Solomon Islands, like many other developing countries, will not meet ambitious MDG targets. In the two decades since the early 1990s, the proportion of children dying before their fifth birthday has almost halved, from 42 to 22 per 1,000 births – a figure below the average for all lower middle income countries – although this will fall short of MDG targets to reduce child mortality by two thirds. Similarly, maternal mortality has fallen from 150 per 100,000 live births in 1990 to about 90 in 2010, but still remains higher than most other Pacific island countries. Malnutrition rates have also fallen. Life expectancy has increased from 58 in the early 1990s to 68 years; as with other Pacific Island countries, however, a rapid increase in non-communicable diseases such as diabetes and cardiovascular disease could erode these gains over the next decade unless urgent attention is given to early prevention and treatment options. Outreach efforts have especially helped to reduce the incidence of malaria, although as the cause of 10 percent of all under 5 deaths, the disease still remains a bigger health care risk in Solomon Islands than any country outside of Africa. Despite overall gains, there are some concerns that recent spending decisions will increasingly focus service delivery on higher level health care facilities in Honiara rather than primary health care in rural areas.
- *Gender inequality* remains a serious issue. Gains have been made in educational access, with about 95 girls now attending primary school for every 100 boys – but this drops away to about 80 girls for every 100 boys at the secondary level. Despite some modest improvement in maternal mortality, women's access to family planning services and the capacity to choose

⁵ Asia Pacific Bureau of Adult Education. *Educational Experience Survey; Education, language and Literacy Experience in Solomon Islands*. October 2007.

⁶ *Skills for Solomon Islanders, Opening New Opportunities*, World Bank, October 2012

the timing and number of children they would like is limited. This is reflected in the high fertility rate (4.2) and relatively low contraceptive prevalence (35 percent). This has an impact on the work, study and other life choices women can realistically make. While women have historically played important roles within the family and community and in dispute resolution during the tension, participation in formal institutions and employment is low. An estimated 54.3 percent of women over 15 are ‘economically active,’ but are concentrated in informal businesses, such as selling cooked food, handicrafts, or running micro-businesses, such as kiosks. Only 38 percent of public service positions are occupied by women, of which only 12 percent are senior positions. Women play a significant role in agriculture, but have less access than men to formal agricultural extension services. Gender based violence is endemic, with the most authoritative survey suggesting that almost two thirds of women had suffered some form of violence⁷. Formal services to support women in such situations are limited and often difficult to access.

- *Access to basic services* is very low, although this varies by location. Nationally, less than 20 percent of the population has access to electricity. However, in Honiara, this figure is over 63 percent. In many of the outer islands, less than 5 percent have access to electricity. Similarly, national figures show that only 9 percent of the population (with almost 40 percent in Honiara) has access to modern cooking fuels, with extremely low numbers in rural areas. Access to improved water sources is unequally distributed throughout the country, with over 78 percent of Honiara households having access to water piped either into the home or the neighborhood, compared to 33 percent nationally. Approximately 62 percent of Honiara households have access to flush toilets, compared to 15 percent nationally.

11. ***Limited employment opportunities in urban areas and a sizable youth bulge present a persistent risk.*** Only about 50,000 people out of a working population of over 250,000 are employed in the formal economy, with the bulk of the remaining population engaged in subsistence agriculture with periodic cash incomes. Rapid population growth – 2.3 percent per year⁸ – with 44 percent of the population below 15 years of age has outstripped job creation in the formal economy. An estimated 7,500 young people enter the workforce each year, but only one among every six school leavers will find paid employment. Unlike a number of other countries in the Pacific region, Solomon Islands has very low rates of migration to regional job centers. Many young people make their way into the urban and peri-urban areas particularly around Honiara, which have been growing at an average rate of 4.7 percent per year for the last ten years. The Bank’s Justice Delivered Locally (JDL) study documents the strain placed on many communities by these dynamics. In many areas, the research found that alcohol and drug production, consumption and anti-social behavior among youth was seen as among the biggest “justice” problems facing communities – but one which neither the customary nor formal systems were able to effectively address. Youth dynamics are a challenge for many developing countries but are rendered more acute in Solomon Islands due to its small size, remoteness, and lack of opportunity.

12. ***Government capacity is improving and attention has turned to enhancing performance within parts of the civil service.*** Performance contracts have been put in place at the Permanent Secretary level and the Public Service Commission is beginning a review of remuneration levels across the public service given the decline in real public sector wages over the past decade. A

⁷ Secretariat of the Pacific Community (SPC). *Solomon Islands Family Health and Safety Study, A Study on Violence Against Women and Children*. 2009

⁸ World Development Indicators, 2009

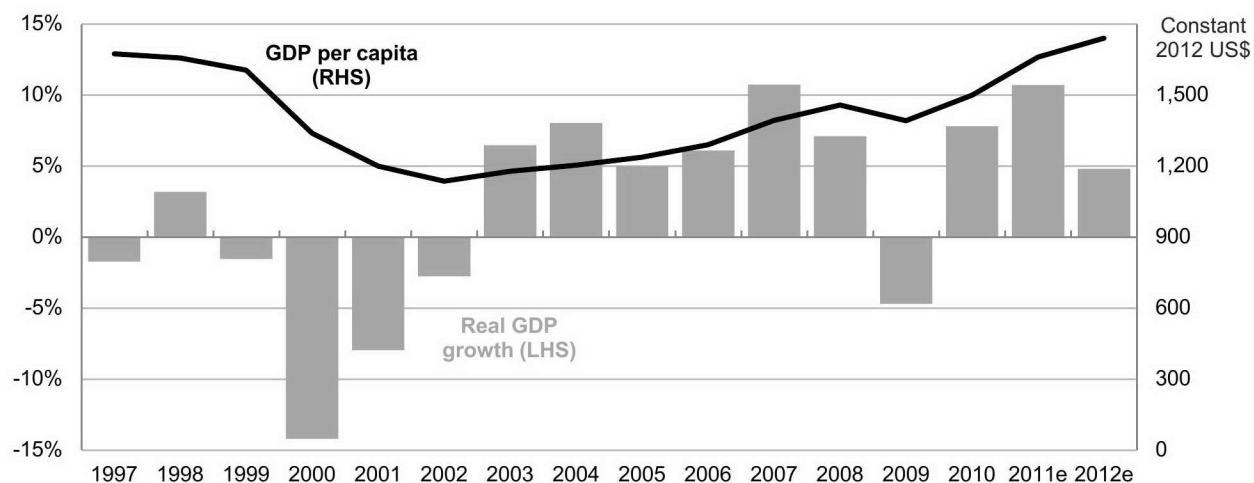
particular challenge will be to strengthen institutions which, despite some notable exceptions such as the Central Bank of Solomon Islands, had virtually collapsed during the tension, following an incremental process of degradation during much of the post-independence period. State structures and functions remain poorly defined and understood, and were previously seen as incapable of stemming the conflict that befell Solomon Islands during the tension. The results of capacity building efforts under a decade of RAMSI support, with an early focus on capacity substitution, remain unclear. In key central agencies, capacity among civil servants, though growing, remains thin and centered upon donor-supported high performing units. Service delivery through government systems has been improving, although institutional arrangements to support local level delivery remain weak.

13. ***Further improvements in service delivery across a widely dispersed population will be critical to build confidence in the legitimacy of state institutions.*** Building on the relative stability of recent years, improved local level service delivery will be vital to build social cohesion and address underlying grievances which are a result of enclave economic activity, spatial inequalities brought about by longstanding patterns of uneven development, rapid social change, and perceptions of patronage in public spending. Partly in response to challenges to service delivery that a difficult geography presents, and the frustrations arising from the slow pace at which government capacity is increasing, the government has taken a high risk approach to basic service delivery at local levels. Constituency Development Funds provided to each national Member of Parliament to encourage local level investments were increased significantly in 2012, and a new Constituency Development Fund Act, passed by Parliament in 2013, institutionalized constituency development offices as parallel local development structures to provincial government. While potentially helping to ensure services in rural areas, these funds are often disbursed narrowly, opaquely, and with limited oversight.

Economic Development and Outlook

14. ***Solomon Islands' economy has grown relatively strongly since the end of the tension, but population growth means average per capita incomes have only now recovered to the levels of the mid 1990s.*** After a steep contraction in economic output of 24 percent during the tensions, overall economic growth has rebounded (Figure 1). In 2010 and 2011, a surge in logging, the restart of gold mining operations, support from development partners, improved external conditions, and gains in macroeconomic management lifted growth rates. Foreign exchange reserves and government cash reserves were rebuilt, and retail price increases moderated. These conditions contrast sharply with conditions in 2009, when Solomon Islands was hit hard (more so than other Pacific island countries) by the global economic crisis, with output contracting sharply, the government running short of cash to meet recurrent obligations, and foreign exchange reserves being depleted. Still, even with the recovery in the Solomon Islands economy in the post-tension period, incomes have barely kept pace with population growth. The latter averages almost 2.3 percent a year, according to the 2009 census, meaning that by the end of 2012 per capita incomes were only slightly higher than their pre-tension level.

Figure 1: Solomon Islands: GDP Growth and GDP per Capita: 1997 - 2012 (est.)



15. *Gains in macroeconomic conditions slowed in 2012, as logging and mining activity stabilized and agricultural production declined in response to weaker prices.* Stronger government spending provided some offset. GDP growth slowed in 2012 to around 4.5 percent, following growth near 10.5 percent in 2011. The slowdown in aggregate growth was due to flat or lower production across a range of major commodities, especially agricultural exports. Agricultural commodities such as copra, cocoa and palm oil are important sources of cash income to smallholder farmers in rural areas. Volatility in commodity prices at the global level can therefore have an important impact on farmers. Other key drivers of economic growth and government revenue stabilized in 2012. Mining, which contributed as much as 2 percentage points to 2012 growth, is now likely to have stabilized. Log production was affected by rains early in the year and prices weakened slightly with slower construction activity in the main Asian markets. Nevertheless, reported log exports of 1.9 million m³ in 2011 and 2 million m³ in 2012 were at record highs. With a total value of about US\$190 million in 2011, logging made up almost 20 percent of GDP and 30 percent of all exports by value. Fisheries make an important contribution to the economy, with exports, primarily of tuna, amounting to about US\$20 million, or about 5 percent of GDP. With the softening in external conditions, the number and scale of applications for foreign direct investment retreated in 2012 from recent record highs. Domestic demand remained robust through 2012. A notable boost to private consumption and government spending came from the Festival of Pacific Arts, which was held around Honiara in July, while implementation of donor-funded projects also added to domestic demand. This demand appears to have translated into more job opportunities, with the Central Bank's preferred employment indicator rising by 9 percent over 2012 (to over 46,000 people).

16. *Recent macro-economic management has been essentially sound, following a severe fiscal crisis in 2008/09.* The macroeconomic framework implemented by the authorities has been adequate to provide an acceptable level of price stability, maintain internal and external balances, reduce the stock of debt, and build reserves to cushion shocks. This broad framework is expected to be maintained in the coming years. An IMF review of the current Standby Credit Facility undertaken in December 2012 concluded that the Solomon Islands Government was making good progress against the program's structural benchmarks, albeit with some delays. The government has had significant fiscal surpluses (6 percent of GDP in 2010, 9 percent in 2011), due largely to improved revenue

collection, the commodities boom and to restrained growth in realized spending. The fiscal situation deteriorated somewhat in 2012 with increased spending and lower revenue growth leading to the overall surplus falling to 4 percent of GDP. This was due in part to one-off spending related to the Festival of Pacific Arts, as well as a significant increase in spending through constituency funds (from 2 percent to 4 percent of GDP). The 2013 budget anticipates a surplus of 0.8 percent of GDP, and balanced budgets are projected through 2015. Non-food and fuel inflation has been moderate. International reserves have been rebuilt to US\$460 million (8 months of exports). The net present value of external debt fell to 13 percent of GDP in 2012.

17. ***In the medium-term, higher agricultural productivity, greater opportunities in urban areas, and improved public service delivery are likely to be the key sources of improvements in living standards and shared prosperity.*** The factors driving strong aggregate growth in economic activity over 2010 and 2011 appear to have abated, and growth is likely to return to a medium-term trend approaching 4 percent per year in the non-extractive economy. Mining and logging are expected to subtract slightly from aggregate growth, as the rate of logging is expected to decline slowly through this decade while Gold Ridge production remains near 2012 levels, which are around one fifth below expectations at the time the mine was re-opened. Agricultural production is expected to contribute to growth as various cash crop sectors revive, extension services improve, and improved intermediation by trading companies facilitates farmers' access to markets. Gradually expanding access to regional labor markets for Solomon Islanders combined with various low-cost innovations in financial services is likely to complement improved agricultural productivity to support rural incomes. In urban areas, less expensive and more reliable public utilities, and stronger human capital through investments in education and health are likely to support urban business. In addition to overall growth, these drivers are likely to support improved living standards for the bottom 40 percent of the population.

18. ***Solomon Islands' medium term outlook is subject to considerable risks inherent in a small, isolated and geographically dispersed economy.*** External developments provide the main source of macroeconomic risk. The Solomon Islands are particularly susceptible to natural disasters, which can disrupt fragile transport and production infrastructure and place additional demands on public finances to support recovery. Risk modeling under the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI), supported by Japan, the Secretariat of the Pacific Community (SPC), and the World Bank, suggests that disasters are on average likely to cost the country 3 percent of GDP per year. In addition, the 'economic geography' of Solomon Islands puts communities significantly at risk to climate change. Sea level rise, soil and fresh water lens salination, increased flooding and coastal erosion are already being experienced, with some communities experiencing food shortages as crops previously grown to sustain them are no longer viable. Declines in global commodity prices also have a dampening influence on real activity, and slow the development of participation in the market economy. A deeper or more protracted global slowdown than currently anticipated, or sustained declines in gold and other commodity prices, could adversely affect exports, growth, incomes and reserves. Similarly, fuel price shocks have a significant impact upon Solomon Islands given the heavy dependence upon fossil fuels for electricity generation and for the transport of people and goods across a widely dispersed archipelago. The transition from the RAMSI program to more traditional bilateral support is expected to have limited overall impact on domestic demand, although it does present some downside risks. Conversely, there are also notable positive risks, especially from 2015, with significant investments proposed in nickel mining pending clarity on the mining tax and land access regimes, while various proposals for new fish canning operations are also under development.

19. ***Government debt has continued to decline over the last few years, and the country's risk rating improved to 'yellow light' status from 'red light' status under the Honiara Club Agreement (HCA) in 2012.*** This allowed the HCA to be revised, and Cabinet endorsed a debt management strategy (DMS) in May 2012. Under the DMS, the government sets a yearly borrowing limit as part of the annual budget, based on a debt sustainability assessment. The debt limit covers external borrowing by the government and all forms of SOE borrowing and guarantees (both domestic and external). The government entered its first loan under the revised HCA late in 2012, with the ADB financing a submarine fiber optic cable. The November 2012 joint IMF-World Bank debt sustainability analysis (DSA) concluded that Solomon Islands remained at a moderate risk of debt distress. Containing the risk of debt distress will require continued efforts to maintain fiscal buffers, and strengthening the budgetary process to improve fiscal discipline and the quality of spending.

20. ***The government continues to make progress on structural reforms to encourage investment.*** Perhaps the most noticeable reforms have been the liberalization of the telecommunications market, with the introduction of competition resulting in significant reductions in prices, and the number of people with mobile phones increasing from about 50,000 in 2008 to over 300,000 in 2012. Over the past few years, reforms have significantly improved the overall environment for *Doing Business*. In 2010, the government made it easier for firms to get credit, including the establishment of a unified credit registry, expanding the range of assets able to be used as collateral, and allowing out-of-court enforcement of creditors' rights. During 2011, Solomon Islands was one of the leading reformers globally, strengthening protection for investors and streamlining insolvency. The implementation of the 2009 *Companies Act* and the establishment in 2011 of an online company registry has also reduced the time required to register a company from over 50 days in 2009 to 9 days. Despite these gains, there is limited dialogue between the local private sector and the government on key constraints to broader economic development.

21. ***Administration of urban and peri-urban land constrains growth, fuels communal tensions, keeps standards of living low, inhibits growth of the middle class, and costs government revenue, which could otherwise support service provision.*** Less than 15 percent of land in Solomon Islands is registered and therefore within the formal land tenure system. The other 85 percent remains under customary tenure systems which vary from place to place. The registered land is the most commercially valuable and strategically located. It is technically owned by the government, administered by the Office of Land Commissioner and the Ministry of Lands, Housing, and Survey, and leased to individuals or commercial entities under fixed or perpetual term estates. Lack of a modern cadaster, under-valuation, negligence in collections of rents and taxes, and corruption in land titling and assignments constrain both the supply of land and the revenue collected by government. This has fueled a cycle of inflated land prices, lack of housing for Honiara's increasing population, and deteriorating infrastructure. These factors in turn constrain incomes, and place families and communities under stress.

22. ***Infrastructure bottlenecks present a major obstacle for further economic development, contributing to a very high-cost operational environment.*** Electricity costs in Solomon Islands are amongst the highest in the world with current average rates at US\$0.82/kWh, compared to the US average of US\$0.12/kWh. According to an enterprise survey conducted by the Solomon Islands Chamber of Commerce and Industry (2011), a majority of respondents identified rising utility costs as one of the major constraints limiting further investment. Of a total estimated road network of 1,694km, only 126 km are sealed and primarily on Guadalcanal and Malaita. Only two international ports serve the country (Honiara and Noro), with Honiara port traffic growing five percent per annum

and struggling to cope with the existing throughput of vessels and cargo. Its capacity is expected to be reached within the next 5-10 years.

Government Development Strategy

23. ***The government's National Development Strategy (NDS) 2011-2020 sets out a vision of a united and vibrant Solomon Islands with an overarching theme of building better lives for all Solomon Islanders.*** The NDS sets out three broad goals:

- *Increasing social and economic opportunities* – through efforts to alleviate poverty; providing targeted programs to assist the vulnerable; and encouraging equitable distribution of public resources and economic benefits across the country, including the proposed development of outer island growth centers.
- *Securing sustainable growth* – by facilitating private sector development; diversifying the economy, including new mining sector investments to replace the traditional reliance on logging for export revenue; and improving management of environmental issues and climate change adaptation.
- *Maintaining stability and peace* – including a focus on ensuring security, law and order; and securing international partnerships.

24. ***Alleviating poverty and improving the lives of Solomon Islanders in a peaceful and stable society is the first objective of the NDS.*** In this context, the NDS focuses primarily upon addressing income poverty, through efforts to increase employment and income earning opportunities in urban and rural areas. Facilitating infrastructure development for improved service delivery in rural areas, and ensuring effective partnerships between investors and resource owners to ensure fair benefits accrue to each, are important features of the government's poverty reduction strategy in rural areas. With regard to addressing extreme poverty and hunger (MDG 1), the government plans to focus upon strengthening the subsistence sector to better achieve food security, reduce hunger and facilitate marketing of surpluses from subsistence as well as income generation from smallholder production.

25. ***Solomon Islands has successfully formulated several gender policies, although implementation remains a work in progress.*** National and political awareness of the importance of gender equality is increasing and gender disaggregated data collection is improving. Efforts to mainstream gender across the government's policies and activities including in health, education and agriculture, are beginning, and efforts to increase women's political leadership are underway. Recent performance contracts for Permanent Secretaries include requirements to oversee gender mainstreaming within their ministries. Domestic violence (DV) is now more openly discussed and the government is increasingly aligned with partners in efforts to improve services for victims of domestic violence and to understand how to work with men and women to prevent violence.

26. ***A key theme running through the NDS is the emphasis placed on improving the quality of public sector governance.*** The strategy highlights the importance of increasing the efficiency, effectiveness, and accountability of public service delivery, with a particular focus on policing, health, education, and infrastructure. Accountability institutions, including the Auditor General's office, will be strengthened to ensure compliance with laws and regulations, and public tendering and procurement procedures modernized. Following the release of the NDS, the government is now preparing a series of sectoral and provincial strategies, which are intended to set out prioritized, costed activities linked to a monitoring and evaluation framework.

27. ***Solomon Islands is a participant in the International Dialogue on State Building and Peace Building and a member of the g7+ group of countries***⁹. Although not formally a pilot country under the g7+ “New Deal for Fragile States”, Solomon Islands has prepared a Country Report¹⁰ that details some of the challenges that have faced state building and peace building efforts and is actively engaged in the various discussions including state and peace building indicators. The Government has expressed interest in pursuing national level implementation of g7+ initiatives.

Donor Engagement

28. ***Per capita aid flows to Solomon Islands are among the highest for any country in the world.*** Solomon Islands receives approximately US\$300 million in official development assistance annually. This is equivalent to almost US\$550 per capita, or approximately one third of annual GDP.

29. ***Australia is by far the largest donor to Solomon Islands, and anticipates providing about US\$230 million in FY13.*** Of this, slightly over US\$100 million funds the Australian Federal Police contribution as part of RAMSI. Other main partners include Japan, New Zealand, Taiwan China, the Asian Development Bank, the IMF, the EU, and the United Nations system. In addition, church and community groups play a significant role in delivering services, as across most of the Pacific islands, particularly in the provision of primary education. Donor programs are summarized in Annex 4.

30. ***Aid coordination is improving, particularly through regular policy discussions between the government and partners through the Core Economic Working Group (CEWG).*** The CEWG was launched in 2009 to ensure coordinated, government-led, policy dialogue to underpin flexible budget support, and to assist Solomon Islands to respond to the global economic crisis. This has been an effective coordination mechanism, and now includes the major development partners who are providing budget support. Both sector based and general budget support have been increasing in Solomon Islands (from 7 percent of recurrent budget in 2009 to 13 percent in 2012) although significant non-appropriated development expenditures remain (equivalent to approximately one quarter of the total consolidated budget). Australian and New Zealand led sector dialogue in health and education has been important, given external financing makes up a very significant portion of total spending in these sectors. Australian support to the recurrent budget for Ministry of Health and Medical Services was budgeted at 37 percent for 2012 (actuals were lower at around 33 percent) and is anticipated to increase to over half the recurrent budget in 2013. In education, New Zealand and Australian budget support provided about 12 percent of total recurrent expenditures in 2012 (lower than the 20 percent budgeted) with a little over 20 percent budgeted for 2013. The Ministry of Development Planning and Aid Coordination is attempting to improve aid coordination through efforts to incorporate the non-appropriated budget as part of the integral budget process through the introduction of medium term forecasting of the development budget. This will require all line ministries to produce a pipeline for both government-funded and donor funded projects as part of the 2013 budget process. A Donor Coordination Group also facilitates regular information exchanges among a broader group of partners. Nevertheless, aid coordination and management places considerable strain on government with over 100 separate donor financed programs spread across 26

⁹ The g7+ is a group of 18 fragile and conflict affected countries from across Africa, Asia and the Pacific. The group has championed the New Deal for Engagement in Fragile States as establishing new principles for development architecture and calls for new ways of working that better respond to the needs and challenges faced by fragile countries.

¹⁰ Peacebuilding and Statebuilding in Solomon Islands: Country Report for International Dialogue on Peacebuilding and Statebuilding, Dili, Timore-Leste, 9-10 April, 2010, Prepared by the Ministry of National Unity, Reconciliation and Peace

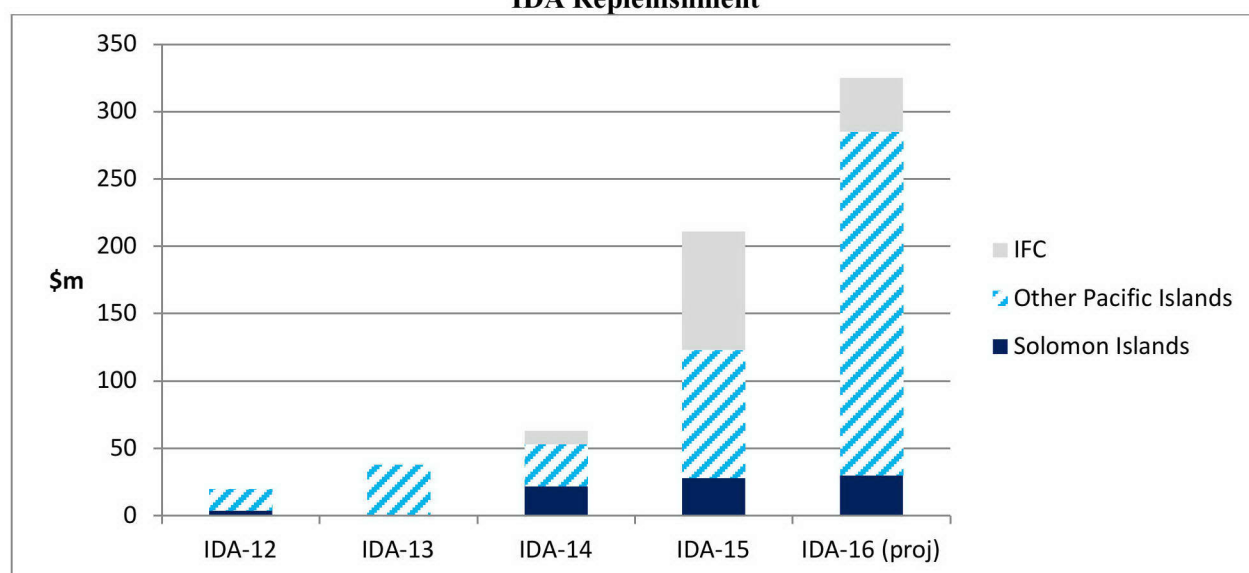
government agencies, and a limited amount of bilateral assistance directed through government budget processes.

III. WORLD BANK GROUP ENGAGEMENT

World Bank Group Engagement in Solomon Islands

31. *The World Bank Group is continuing to scale up its engagement with the Pacific Island member countries¹¹, including Solomon Islands, as part of a renewed longer-term commitment.* World Bank IDA and trust fund commitments to the Pacific, of almost US\$300 million since the beginning of the IDA15 period in FY10, have been more than IDA resources in all prior years, and are expected to increase by a further US\$100 million by the end of IDA16 (Figure 2). Similarly, IFC investments of over US\$90 million in the same period have been more than in prior history.

Figure 2: World Bank Group IDA, Trust Fund and IFC Commitments to the Pacific Islands by IDA Replenishment



Outcomes and Lessons from the 2010 Solomon Islands Interim Strategy Note

32. *The World Bank Group has significantly scaled up its engagement during the ISN period. While IDA commitments to Solomon Islands have grown moderately, this has been leveraged by Trust Fund resources significantly larger than IDA commitments.* The ISN highlighted three areas of strategic engagement for the World Bank Group:

- (i) Addressing barriers to growth;
- (ii) Enhancing the benefits of global and regional integration; and
- (iii) Supporting improved public administration and management.

¹¹ Fiji, Kiribati, Palau, Republic of the Marshall Islands, Federated States of Micronesia, Samoa, Solomon Islands, the Kingdom of Tonga, Tuvalu and Vanuatu.

33. *World Bank Group engagement in Solomon Islands has been highly selective, combining the strategic use of relatively modest IDA resources with trust funds and with IFC investments also encouraging responsible growth.* As set out in Table 1 below, the current portfolio includes activities with a total of approximately US\$20 million in IDA commitments, mobilizing almost US\$36 million in trust fund resources which have been fully integrated into all aspects of strategy, planning, portfolio management, and results measurement. In 2010, IFC also made its first direct investment in Solomon Islands, a US\$35 million loan to support the re-opening of the Gold Ridge mine, which was subsequently repaid in 2012.

Table 1: World Bank Group Portfolio in Solomon Islands as of March 2013

Activity	Year	IDA (\$m)	TF (\$m)	TF Source
<u>Approved Prior to ISN</u>				
Rural Development Program (RDP)	FY08	3.2	5.9	Australia
Health Sector Support ¹²	FY08	1.5		
Sustainable Energy	FY09	4.0		
<u>Approved During ISN Period</u>				
Tina River Hydropower TA	FY10		3.5	Australia (PRIF) ¹³
Mining Sector TA	FY10		0.8	SPF ¹⁴
Rapid Employment Project	FY10	3.2	3.8	Australia, SPF
Telecoms and ICT Development	FY10	3.3	4.2	Australia (PRIF)
RDP Additional Financing	FY11	3.0	14.6	IFAD, GFRP
Development Policy Operation	FY12	2.0		
Increasing Resilience to Climate Change and Natural Hazards Project (CRISP)	FY13		2.7	Japan (PHRD)
Total		20.2	35.5	
<u>IFC Investments</u>		IFC		
Gold Ridge Mining Ltd ¹⁵	FY10	35.0		

34. *The growing program has been supported by a strengthened in-country presence.* In 2008, the World Bank Group opened a joint office with the ADB in Honiara, which has allowed a robust engagement with government, development partners, and civil society. IFC has also hired a dedicated IFC Resident Representative, to be based in Honiara, and additional staff to support a growing business pipeline and portfolio including engagement in the fisheries, mining and economic infrastructure sectors.

35. *A strategically focused program and analytical work have enabled the Bank Group to play an instrumental convening and coordinating role.* While the Bank Group financing is modest compared to the significant amounts Solomon Islands receives from other donors, the Bank is valued by client, partners, and civil society for its convening power, technical expertise, and high quality analysis. The most prominent example of this role is the CEWG. The group is widely viewed as

¹² Project closed December 2011.

¹³ Australian trust fund financing provided through the Pacific Regional Infrastructure Facility (PRIF).

¹⁴ State and Peace Building Fund.

¹⁵ Repaid 2012.

having transformed the relationship between donors and government, providing a forum for substantive policy dialogue, deepening the reform agenda, and improving overall donor collaboration. The associated reform program has been central to the turnaround in Solomon Islands' macro-economic and fiscal situation since 2009.

36. ***The World Bank Group's financing and analytical engagement over the ISN period made a real contribution to the gains that Solomon Islands has achieved over the past few years.*** Given the delicate post-conflict environment, the World Bank's engagement was designed to generate direct benefits to poor rural and urban communities through the Rural Development Program (RDP) and the Rapid Employment Project (REP). This was balanced with more technically challenging investments that encouraged broader policy reform (such as the introduction of competition in telecommunications, improving the functioning of the electricity utility, encouraging adherence to Extractive Industries Transparency Initiative (EITI) principles, and public financial management reform to improve the quality of government expenditures). Key outcomes are set out in Box 3 below, with further details on outcomes against ISN indicators and lessons in Annex 2. Among the key lessons from the ISN that will be built upon in the CPS are: the need to play to our areas of strength; engage where an in-country presence is able to provide hands-on and constant implementation support; and, ensure project/program design addresses the long term nature of thin capacity in Solomon Islands.

Box 3: Key Results from the 2010 ISN

Addressing barriers to growth

- Investment climate reforms in Solomon Islands, supported by IFC technical assistance and ADB's Private Sector Development Initiative, have improved the enabling environment for private sector development with Doing Business 2012 listing Solomon Islands as one of the leading reformers globally. Solomon Islands has improved access to credit through the establishment of a unified credit agency, expanding the range of assets able to be used as collateral, and allowing out of court enforcement of contracts. Similarly, the time required to register a company has fallen from 50 days in 2009 to 9 days.
- IFC's US\$35 million investment in Gold Ridge Mining Ltd. supported the reopening of this mine, directly creating 600 jobs, and playing a role in the increase in mineral exports from 0.5 percent of GDP in 2009 to almost 14 percent of GDP in 2012.
- Technical Assistance from the World Bank assisted the government to become an EITI candidate country in 2012.
- The number of female owned businesses has increased from about 130 to over 180 between 2012 and 2013.
- The Solomon Islands Electricity Authority has significantly improved the quality of services, and moved from a SBD 70 million loss in 2010 to a SBD 53 million profit in 2012.

Enhancing the benefits of global and regional integration

- The number of mobile phone subscribers increased from 50,000 in 2008 to over 300,000 in 2012 (55 percent of the population) due to the introduction of competition in the telecoms market, supported by the World Bank.

Supporting improved public administration and management

- The REP has provided 324,000 person days of work for the urban unemployed. Women make up 57 percent of the beneficiaries, and youth 51 percent.
- The RDP has supported over 200 community infrastructure projects in rural areas, including classrooms, health clinics, and water supply systems, reaching over 300,000 people, more than half the entire country.
- Health sector expenditure on primary health services and provincial health programs almost doubled – from an estimated base of 17% in 2008 to 29% in 2011.

IV. THE WORLD BANK GROUP'S COUNTRY PARTNERSHIP STRATEGY

Building on Gains for a Stable Solomon Islands

37. *Since the end of the tension in 2003, Solomon Islands has made important development gains, and progress in developing key institutions for political and economic governance, provision of citizen security and service delivery.* Resilience has been built in several key areas, most notably fiscal and economic management. The country came successfully through several political transitions and the media and civil society are playing a more robust role. However, as the violence that arose following the elections in 2006 demonstrated and consistent with other post conflict and fragile countries, Solomon Islands remains vulnerable to setbacks that could potentially undermine these important gains, which of themselves have been substantively supported by considerable injections of international assistance. Some of these may be sustainably addressed through policy efforts, such as urban development, while others are rooted in the immutable challenges of size and distance, and can only be effectively managed.

38. *Enhancing shared prosperity in fragile and conflict affected states requires institutions that support both inclusion and cohesion.* Building these institutional capabilities inevitably takes time. A key lesson of the 2011 World Development Report on Conflict Security and Development is that countries face multiple transitions on the pathway out of fragility or conflict. Pathways are often non-linear, with initial solutions often begetting new challenges. Successfully navigating these transitions distinguishes those that become more resilient from those that fail. As Solomon Islands enters its second decade after the tension, building on the relative stability of recent years while embedding and building upon gains achieved to date will be key to creating the economic incentives, social cohesion and improved state-society relationships that are essential to avoiding future conflicts and reducing poverty.

39. *Solomon Islands' focus on social cohesion and improved livelihoods for all is well aligned with the World Bank Group's dual emphasis on eliminating extreme poverty by 2030 and encouraging shared prosperity, especially for the bottom 40 percent of the population.* Pursuing the goals of poverty reduction and shared prosperity in Solomon Islands - in line with the Government's own objectives - will mean: ensuring that new opportunities for growth generate jobs and benefits that are equitable and inclusive of all segments of society, and particularly the poor; ensuring development expenditures and essential services reach a wide section of the population, with a focus upon the poor; and, addressing particular groups that are vulnerable to falling into poverty and potentially exacerbating tensions, including the youth in urban areas and those in rural areas far from markets. Underpinning this is the need to build a stronger analytical and evidence base of poverty within Solomon Islands so as to best target resources to addressing particular needs. Two inter related areas are key in this regard and mirror the government's own areas of priority: (i) on economic foundations, by managing a transition from an economy and public finances heavily dependent upon a limited range of depleting or non-renewable resources and a high level of aid to one that can facilitate enhanced livelihoods and jobs for a growing population and; (ii) in service provision, by improving access and transitioning from a focus on central agency functionality to delivery modalities that demonstrate quality, equitable and accountable provision.

40. *The Bank Group's value-added in the Solomon Islands comes not from the financial resources it brings to the table, but primarily from the expertise and experience of working in other fragile and capacity-constrained environments* and the ability to leverage the engagement of other public and private resources and expertise. The WBG strategy for the coming period will focus on a *consolidation and deepening of the gains made so far*, helping translate them into improved

economic and social well-being for a wider group of Solomon Islanders, and assisting the country in managing the challenges inherent in size, geography and thin capacity. The overall partnership strategy is focused around two broad themes:

(i) *Strengthening economic resiliency.* As the scope for growth in the forestry sector declines, the country needs to maximize the return from other sources, to provide revenues for public services and development, and opportunities for its increasing population. These new economic activities need to be fostered in a way that provides local communities with a stake in natural resource development so as not to exacerbate tensions and conflicts over the medium term. The World Bank Group will focus on programs that support job creation, including through agriculture, fisheries and the private sector¹⁶. At the same time, the Bank will support the government in building institutional capacity for inclusive growth, particularly in the natural resource sectors by: helping the government to adequately shape and manage the regulatory environment; develop innovative approaches to land management and benefit sharing; ensure effective management of critical supporting utilities and infrastructure; use environmental and social safeguards effectively; and engage and support the private sector.

(ii) *Improved service provision.* Solomon Islands faces a range of challenges in delivering effective local governance and services to its widely dispersed population. The reach of formal state institutions remains limited. Provincial governments have few resources and less capacity – and are dwarfed by constituency funds. 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 different provinces, central government and different interest groups. This suggests that a focus on institutions, systems and programs that can support the equitable delivery of basic services across the country is necessary. In this context, the Bank will work to underpin the larger investments of government and its partners in key service delivery sectors (both public and private) to improve efficiency, equity and quality of expenditure, and explore, pilot and monitor efforts to improve the sustainable and accountable delivery of key public services and livelihoods across the country. In particular, the Rural Development Program and the closely aligned Rural Community Infrastructure and Service Delivery activity focus on enhancing the delivery of basic services in rural areas.

Box 4: Joint WBG Program on Women's Empowerment in the Pacific

A joint WBG Program on gender empowerment in the Pacific includes parallel and joint World Bank and IFC activities to help improve equality for women in the Pacific. The program is looking to:

- Promote women's migration to formal sector employment;
- Improve women's access to public services and financial services;
- Enhance women's security and safety, in private and public spaces; and
- Increase the number of women in positions of leadership in business and society.

For Solomon Islands this will ensure a joint focus upon generating opportunities and minimizing harm from core sectors of growth in fisheries and mining and increasing women's voice, representation and benefits in mining. It will also support efforts to address safety and security issues around major employment areas, such as fish processing, as well as increasing employment opportunities.

¹⁶ This work will build upon earlier analysis undertaken by the World Bank: Solomon Islands Growth Prospects, Constraints and Policy Options, October 2010.

41. ***Bank engagement across these themes will be underpinned by two cross cutting policy areas – embedding institutional resilience and addressing gender inequalities.*** The WBG will support government and its partners to embed the institutional gains achieved to date into the overall development effort. The WBG will also ensure that gender is mainstreamed through the portfolio with a view to one hundred percent gender informed operations. Efforts will be undertaken to strengthen economic opportunities for women, while reducing negative impacts and harm for women in Solomon Islands. This is part of a wider WBG effort across the Pacific to enhance women's economic empowerment, reduce gender based violence and build a stronger voice for women in business (Box 4).

42. ***In preparing this strategy, the World Bank Group engaged with a range of stakeholders through formal and informal consultations over the past year.*** Discussions with private sector, civil society, government representatives, and development partners, offered views on priority areas of World Bank Group engagement, including:

- The merits of Bank Group support for encouraging a growth strategy that supplements the logging and mining sectors and supports private sector development;
- The importance of rationalizing urban land management so as to avoid potential conflicts and support development and service delivery improvements;
- Encouragement that benefits from Bank Group engagement should extend beyond the main island of Guadalcanal;
- The value of the Bank Group's convening power and policy dialogue capacity across a range of areas, particularly in supporting the CEWG collaboration and the government's efforts to improve the quality of spending;
- The need to consolidate gains from current areas of engagement, and further strengthen the impact of continuing programs, including with the private sector;
- The relevance of the Bank Group's engagement improving the performance of key economic infrastructure, including telecommunications and electricity.

Strengthening Economic Resilience

43. ***Solomon Islands must find new areas of economic activity to support its growing population and to underpin poverty reduction.*** Current annual population growth of approximately 2.3 percent per year, with non-extractive GDP growth rates of around 3.5 to 4 percent, would mean only gradual improvements in average per capita incomes, continuing high rates of underemployment, and limited scope to reduce poverty and inequities. The Bank Group's engagement will support the government to maintain macroeconomic stability, strengthen the enabling environment for inclusive growth, and address key constraints. In particular, Bank Group engagement will support opportunities for new economic activity in mining, fisheries and agriculture, while enhancing the efficiency of supporting infrastructure including energy and telecommunications, and managing the impacts of natural disasters. Job creation is particularly challenging in Pacific Island Countries (Box 5) and requires innovative solutions. The Bank Group will promote a broader dialogue within the region on the likely challenges and potential opportunities. IFC will also target investments that have scope to generate significant economic opportunities and leverage IFC's experience and relationships with the private sector elsewhere in the Pacific and particularly, PNG.

Box 5: Job Growth in Pacific Island Countries

Creating more and better jobs is a priority for small Pacific Island Countries given slow economic growth, rapid population growth and accelerating urbanization. A clear message from the 2013 *World Development Report on Jobs* and the IFC 2013 *Jobs Study* is that policy makers interested in development outcomes should be concerned about the number and types of jobs available in any economy, and that the Private Sector is the key to job creation. This focus upon jobs reinforces the 2011 *World Development Report on Conflict, Security and Development* as an important precursor to reducing fragility and the likelihood of a return to conflict. Work within the Pacific region points to a number of priority issues for policy makers in regard to job growth:

- The need for realistic expectations regarding the trajectory of job creating economic growth;
- The need for improved international labor mobility through erosion of regulatory barriers and investment in transferable human capital;
- Making the most of urbanization through investment in connective infrastructure, urban services and agricultural productivity;
- Ensuring that public spending – including development assistance delivers good jobs and efficient services; and,
- Generating sustainable jobs from natural resource industries and linkage opportunities with local businesses.

Across the CPS period, the World Bank Group will explore these and other options with Solomon Islands and its partners to maximize job opportunities for its growing labor force.

44. ***Outcome 1: Strengthened public expenditure and fiscal management.*** Maintaining macroeconomic and fiscal stability is critical to economic resilience. Progress has been made and core capacity built in key areas including budget, debt management, domestic revenue collection and financial management with the support of RAMSI advisers. The Bank Group will support the government in embedding macro-economic resilience through: (i) regular economic monitoring and analysis; (ii) ongoing participation in the policy dialogue around the CEWG, (iii) a continuing Development Policy Operation (DPO) series; and, (iv) building fiscal resilience to natural disasters into overall budgetary planning. The CEWG provides a means for coordinating budget support across donors. This engagement will be supported by a DPO¹⁷ designed to support the government's efforts to improve the quality of public financial management; strengthen financial management of key State Owned Enterprises; and generate transparency around extractive revenue. Through the PCRAFI, and potential follow on regional initiatives, support is available to the government to improve fiscal and budgetary procedures for disaster management. As government's familiarity with the DPO instrument grows, and as the CEWG moves into a new phase of policy dialogue, a future DPO series may expand beyond the current Public Financial Management (PFM) focus to other areas of high priority to the government.

45. ***Outcome 2: Enhanced regulatory framework, public sector capacity and community benefits in the mining sector.*** The mining sector is likely to play a key role in the future of the Solomon Islands economy and is expected to replace forestry as the main source of export earnings in the years to come. Regional and international experience has demonstrated the risks associated with large scale mining developments, including for women and the environment. Local economic benefits may be limited unless Solomon Islands is able to effectively enforce tax and benefit sharing regimes. The government has undertaken several initiatives to pave the way for the reform of the

¹⁷ The DPO scheduled for FY14 will be the second of a two operation series begun in FY13.

mining sector, including being accepted as a candidate country under the EITI. The government has requested support from the WBG for a package of reforms, including: (i) updating the mineral development policy; (ii) overhauling the legal and regulatory framework (new mining law and regulations); (iii) establishing the Mineral Development Authority; (iv) institutional capacity building for policy and sector management; and (v) a community development framework to address landowner issues, women in mining, and regularization of artisanal mining. IFC will continue to engage in the mining sector, drawing on expertise in community development around mining areas, particularly women in mining, as part of IFC's global financial sector leadership on environmental and social standards.

46. ***Outcome 3: Increased local economic benefits from the fishing industry by increased on-shore production capacity.*** There is scope for greater returns from the fisheries sector, an important source of livelihoods, revenue, biodiversity and sustenance for the people of Solomon Islands. The Western and Central Pacific tuna fishery is the source of approximately 60 percent of the total global tuna catch. Sustaining and increasing public revenues from tuna harvests while maintaining a business environment that supports a regionally and globally competitive tuna processing industry is a high priority. In addition, development of local capacity to manage coastal fisheries for food security and to increase household income levels in rural communities is a focus of attention. IFC is proposing a strategic investment in the Solomon Islands sole tuna loining and canning processor, SolTuna Ltd, based in Noro, Western Province. SolTuna is the largest employer in Noro with approximately 1,500 workers and provides jobs and training to a mostly rural area, including a high proportion of women (62 percent of the labor force). IFC's investment is expected to contribute to the improved management of the Pacific tuna fishery through better compliance with regional tuna management measures and adoption of IFC's Environmental & Social Performance Standards. IFC will support Solomon Islands to improve capacity and processes for investment analysis and approvals of new onshore tuna processing facilities. To complement the proposed SolTuna investment, IDA will provide support to Solomon Islands (along with other Pacific Island Countries) to gain a better return from fisheries and in the sustainable management of the region's oceanic fisheries, coastal fisheries and the critical habitats that support them. Support will be provided through the Pacific Regional Oceanscape Program (PROP) in coordination with other partners in the sector, to strengthen and extend a recently introduced Pacific Vessel Day Scheme (VDS) – a tradable rights based quota system intended to regulate total fishing efforts and improve returns for island countries. Analytical work to support the effective engagement of women in the fisheries sector, including female employees at the SolTuna operation, will be supported and may well be a model that can be implemented regionally.

47. ***Outcome 4: Increased productivity in key cash crops (cocoa and coconut) while maintaining food security.*** As the most important, and often sole, source of income for the rural population, the agriculture sector offers opportunities for improvements in incomes to be more inclusive. Tree crops (oil palm, coconut and cocoa) are the dominant source of agricultural income, with an estimated 60 percent of rural households growing coconuts and 40 percent growing cocoa. Export earnings from these crops have also grown significantly over the past five years, with cocoa in particular seeing a four-fold increase in export value. This trend of growth remains vulnerable to declines in global prices, however, as evidenced by a significant drop in both cocoa and copra production in 2012. Food security and nutrition remain a concern, particularly for isolated island communities, and those vulnerable to extreme weather events. Through the RDP, the World Bank Group has helped to revitalize the Ministry of Agriculture and Livestock from its debilitated state after the tension, including developing a wide-reaching program of extension services active in most wards of the country. Building upon the current RDP, a second phase project will be developed with

a focus on productivity and income improvements in selected crops, as well as strengthening food security in vulnerable areas. IFC will engage the private sector in partnerships around specific crops, particularly in the major export crops of cocoa and coconut (copra and coconut oil). IFC will leverage its global experience working with agribusiness companies in these particular commodity groups and will evaluate opportunities to leverage innovation in other markets to the needs of the commodity value chain in Solomon Islands.

48. **Outcome 5: Lower cost and more reliable electricity from cleaner energy sources.** A reliable and affordable power supply is necessary to support growth, improve living standards and reduce vulnerability to external shocks. Electricity consumption in Solomon Islands is lower than in any other Pacific Island Country and more expensive than regional comparators and many small island states. Virtually all grid electricity is generated with diesel fuel. Businesses outside the capital are generally forced to rely upon costly generators using imported diesel. Technical assistance and advisory services will be provided to the Solomon Islands Electricity Authority (SIEA) to continue improving performance. There is scope to expand this assistance to SIEA to incorporate grid extensions in and around SIEA's existing service areas, incorporate bulk metering on SIEA's network to assist in reducing electrical losses, and to provide support for power system planning, performance monitoring and investment project management capacity, including the ability to negotiate a power purchase agreement with the developers of the proposed Tina River Hydro project on Guadalcanal, the country's first hydro-power scheme. Complementing this, support will be provided to the design and engagement of a private sector investor to build and operate Tina River, with the potential to significantly reduce the price of electricity, and replace a large share of Solomon Islands' diesel fuel imports. These engagements will draw together the Bank Group's best knowledge and capacity to manage technical, social, environmental, and commercial requirements – through both IDA and IFC – for these important investments.

49. **Outcome 6: Improved access to Information and Communication Technology (ICT) services and efficient ICT policy framework.** Deregulation in the telecommunications sector has allowed for a rapid expansion of coverage and a dramatic drop in prices¹⁸. The market is growing and diversifying, although access to the internet remains low. The main constraints to further subscriber growth, particularly for broadband Internet, include the high-cost of international bandwidth and of end-user devices, making the total cost of ownership expensive. The WBG will build upon the early engagements in the sector, through support for the broadband enabling environment and e-Government applications that support use of ICT for development purposes.

50. **Outcome 7: Strengthened business climate.** In spite of recent progress improving the business enabling environment, significant challenges remain. Improvements in the *Doing Business* indicators have been largely concentrated around a decrease in company registration times and improved creditor rights and access to credit, with other indicators showing limited progress. There is a need to improve public-private dialogue to raise awareness and understanding of issues that limit the ability of the private sector to increase investments in their existing or new businesses. IFC is well positioned to help reconstitute the previous Public-Private Dialogue platform, building on the successful models in Timor-Leste and Papua New Guinea. Across the Pacific, the WBG will continue to engage with financial authorities in both sending and receiving countries, as well as

¹⁸ The cost of a one minute local mobile call has fallen from US\$1.20 in 2009 to between US\$0.13 and US\$0.27 per minute in 2012.

commercial financial institutions, to encourage further reductions in the costs of sending remittances to Pacific islands and the use of innovative new financial products such as mobile money, which build on the rapid expansion of mobile phone access throughout the region (Box 6).

Box 6: Pacific Payment, Remittances and Securities Settlement Initiative (PAPRI)

In 2010 the WB and the IFC began a collaborative effort to assist with reforms to the National Payments System (NPS) in Fiji, PNG, Samoa, Solomon Islands, Tonga and Vanuatu. The objective of the PAPRI is to identify strategies to improve the safety, efficiency and integrity of the individual NPSs. The project also seeks to promote policies and actions for the harmonization of payment systems throughout the region and in line with international standards and best practices.

Since the launch of the PAPRI, the WB and IFC have undertaken assessments of the NPS in Samoa, Solomon Islands, Tonga and Vanuatu and have started to work with countries to implement the reforms identified. Currently the major ongoing TA efforts under the PAPRI umbrella are focused on supporting Central Banks in the region in drafting the National Payment System Acts and the relevant regulation. In FY14 the TA will be expanded to include a study to launch the adoption of modern payment systems infrastructure in Samoa, Solomon Islands, Tonga and Vanuatu.

PAPRI, combined with associated TA to improve transparency of remittance costs in the Pacific (with information now available at www.sendmoneypacific.com) has helped to reduce the average cost of sending remittances to the Pacific islands from Australia and New Zealand by a third. Given the rapid increase in mobile phone use in the Pacific, PAPRI will help to provide a foundation for innovative new financial transaction methods, including the use of mobile money. In addition to PAPRI, IFC is supporting development of a new credit bureau in Solomon Islands as part of a Pacific regional project and is engaged with two financial institutions who are interested in expanding their mobile banking platforms to the Solomon Islands.

51. ***Outcome 8: Greater resilience of rural communities to climate change, natural hazards and catastrophic disasters.*** Solomon Islands' macroeconomic and growth outlook remains highly vulnerable to extreme climate and natural hazard shocks. The economic impacts of disasters in Solomon Islands are high while climate change represents a huge potential challenge to multiple sectors, including: health, the economy, food security, water resources, agriculture, fisheries, security and land use. The government has developed a National Disaster Risk Management Plan and a National Climate Change Policy to guide its efforts. Both policies reference the importance of gender in managing risk. The Bank has supported the development of a 'Gender and Protection in Emergencies' training and Solomon Islands was one of the five Pacific countries to join the PCRAFI pilot project, funded by the Japanese Government. The Japanese financed Increasing Resilience to Climate Change and Natural Hazards Project and the Increasing Resilience to Climate Change and Natural Hazards Project (CRISP) will support more resilient development in the context of climate and hazard risks, through support to policy implementation, institutional capacity building, emergency communication and data management systems, and community driven investments to build climate and disaster resilience. Initiatives are also underway to identify tools and methods for engaging Pacific Island women in community-based resilience building.

Underpinning Improvements in Public Service Provision

52. ***Improving access to services across the country is important for alleviating complex and periodically tense relations between the center and provinces.*** Solomon Islands faces multifaceted constraints to service delivery including: weak institutional capacity inside formal structures; a concentration of limited capacity in well financed parts of central ministries; varied, uneven and competing capacities and modalities across provinces and local levels; and high costs associated with challenging geography.

53. ***The Bank will work to underpin the larger investments of government and its partners across the service delivery sectors*** so as to understand service delivery constraints and failures, explore, pilot and monitor efforts to improve the sustainable, accountable and more equitable delivery of key public services and livelihoods across the country. Where opportunities arise, the Bank will build upon and expand existing platforms and programs, and in particular the RDP and the REP (both of which constitute more than half of the Bank's current portfolio) to extend the reach and impact of various activities, e.g. using the RDP platform to engage in climate change or early childhood activities at the community level or the REP platform to scale up skills training opportunities for the youth.

54. ***Outcome 9. Improved policy and budgetary processes to support poverty reduction and service delivery.*** Compared with many lower-middle income countries, Solomon Islands has reasonable health and education outcomes. Nevertheless, with an increasing population and modest economic growth, fiscal space will remain limited for expanding key service delivery and poverty reduction efforts over the coming years. Enhancing the efficiency, equity and quality of expenditures to achieve better services and system performance will therefore be essential. At the policy level, the Bank and partners will widen the economic dialogue with government from a focus upon short term stabilization and PFM infrastructure issues to one addressing improved service delivery outcomes. This will be supported by: (i) strengthening the capacity of selected ministries and the central finance agencies to analyze spending patterns relative to budget allocations and government priorities; (ii) implementation support to the household income and expenditure survey (HIES) and technical assistance on poverty measurement and analysis to better inform planning and policy (Box 7); (iii) support to the Ministry of Health and Medical Services (MHMS) to improve public expenditure management and essential service delivery over the next 3 years, and (iv) possible programmatic analytical work in the education sector to cover a range of areas designed to improve quality and targeting of expenditures including in the tertiary and vocational education areas. As government engages with RAMSI and donors over the transition of civilian capacity to bilateral programs, there is scope to explore key elements of civil service performance. This may be through the review of formal and informal incentives and alleviating bottlenecks in key service delivery areas.

Box 7: Improving Data Analysis

Data analysis in Solomon Islands, as in many Pacific Island countries, is challenging given limited capacity within national statistics offices (NSOs) and the cost of surveying across vast geographical distances. The SPC has been leading support to national statistics offices, including with preparation of HIES, while the IMF supported Pacific Financial Technical Assistance Facility has supported balance of payments and national accounts data analysis. The Bank is supporting both of these initiatives across the region with quality control and technical advice. In Solomon Islands the Bank will specifically support the government with the analysis and application of data arising from the HIES.

UN agencies and SPC are supporting the government in various other survey efforts, including WHO engagement with the MHMS on the Health Information System and the SPC with NSO on the Demographic and Health Survey (DHS). The last DHS was undertaken in 2007/8 and the next one will be in 2014. As with most population based surveys, conducting a quality DHS is a substantial and costly piece of work; for this reason they are generally conducted every 5-10 years. For the HIES, WHO with others are supporting MHMS to streamline data collection on health information and to report on this in a more timely way (quarterly) to inform implementation and management. The Bank will complement this by supporting MHMS (including at provincial level) to improve their financial reporting (at least on a quarterly basis) to again inform ongoing activity implementation and broader management of resources (e.g. seeing where there are underspends and overspends and helping to address this where needed).

55. **Outcome 10: Capacity for collective action and increased access to services for rural communities.** Over the past five years, increased investments in rural development have flowed through three main channels: provincial governments, the community level, and especially constituency accounts (managed by Members of Parliament). While there are various linkages across these channels of funding, greater efforts are needed to enhance their efficiency and effectiveness as a whole and ensure they are driven by community needs and held appropriately accountable. Through analytical work and its support for the RDP, the Bank will contribute to the strengthening of rural service delivery and local governance systems in Solomon Islands. As one of the Bank's first major projects following the "tension", RDP's highly participatory design was intended to increase community capacity to take collective action. As recognized by the Peace-building and State-building Indicators, building trust and social cohesion within communities diminishes the risk of inter-group conflict.¹⁹ In the planned second phase of RDP, the Bank will apply lessons learned and the results of a planned impact evaluation to improve upon the community-driven development (CDD) design rolled-out under the first phase. In addition to continued financing from Australia and the International Fund for Agricultural Development (IFAD), government budget allocations, which started in 2013, are expected to continue and will help ensure the sustainability of such CDD mechanisms following the end of RDP II. Analytical work will respond to the evolving landscape of rural/local development financing, including drawing on global lessons about Constituency Development Funds to guide reforms in this area, as well as potential changes in center-periphery governance arrangements.

56. **Outcome 11: Increased access to skills and employment opportunities for the urban population.** Government concerns about youth unemployment led to the development of a jobs program targeting the urban poor as a response to both unemployment and poverty. The REP provides vulnerable communities, particularly youth (who were key actors in the previous violence) and women (who were negatively impacted), basic employment skills and work to improve their employment prospects and cash incomes. Building on this foundation, the Bank will support the government in exploring options for a social protection policy. This will include a continuation and expansion of the workfare program supported under the REP. The REP will expand its focus on basic skills for the urban poor through non-formal training and on-the-job training opportunities linked to basic infrastructure needs in urban communities, and the creation of livelihood opportunities. Bank engagement will build upon earlier work in addressing the skills mismatch between employer demand and households and supporting the transition from school to employment opportunities at home and potentially abroad. Complementing this support, the Bank will explore opportunities through analytical work, policy dialogue and partnerships with others such as UNHABITAT to engage with stakeholders on options to address the poor management of urban land which has fueled a cycle of inflated land prices, lack of housing for Honiara's increasing population, deteriorating infrastructure and lost revenue for government.

57. **Outcome 12: Government support for establishment of functioning local justice mechanisms.** The World Bank through its Justice for the Poor Program (J4P), and with the support of the RAMSI Law and Justice Program has been involved in the Justice Delivered Locally (JDL) initiative of the Ministry of Justice and Legal Affairs. This work has been critical to building an understanding of justice issues and state-citizen interaction at local levels. While carrying out further

¹⁹ *Peace-building and State-building Indicators – Progress, Interim List and Next Steps, Document 3 – For Discussion*, report produced from the "Third International Dialogue Global Meeting, "The New Deal: Achieving Better results and Shaping the Global Agenda, 19 April 2013, Washington, DC.

analytical work (including a possible focus on justice issues pertinent to the peri-urban areas of Honiara), the Bank will support government in undertaking a pilot project supporting local level functionaries called “community officers”. This responds to the demand for a state presence in community governance and service delivery at the village level, in particular for the quasi policing and enforcement function played by such officers. The project builds on the recommendations contained in both an evaluation of a previous pilot of Community Officers (CO), carried out under the previous ISN and the broader empirical work undertaken of local justice and community governance. The small-grant, recipient-executed operation will be implemented by the Ministry of Provincial Government and Institutional Strengthening.

58. ***Outcome 13: Enhanced access to services for survivors of Gender Based Violence (GBV).*** Both GBV and DV have widespread negative implications for a country’s economic and social development, as affecting the health, well-being, social engagement and labor integration of women and the health, nutrition, well-being and education of their children, and that of future generations. There is a strong commitment in Solomon Islands to improve gender equality and eradicate gender based violence. In 2007, the government created the Ministry for Women, Youth, Children and Family Affairs (MWYCFA) to elevate gender issues in the country. Although small and new, MWYCFA has embarked on an ambitious policy agenda to empower women through the Gender Equality and Women's Development Policy and a national sub-policy to eliminate violence against women. The World Bank will support MWYCFA to undertake a diagnostic study on capacity constraints in institutions and services to protect and support women who are vulnerable or victims of GBV or DV. This will be followed-up by at least one sub-project to strengthen core capacity by frontline responders, in particular focused on developing a standardized provision of services; strengthening co-ordination and referral services and training responders in responding sensitively and in a timely fashion to the needs to victims.

Addressing Gender Across the WBG’s Program

59. ***Ensuring that the WBG delivers improved outcomes for both men and women is a priority of this CPS.*** In this context, the CPS will focus upon several key areas: (i) demonstrating concrete additional impact in our portfolio including strengthening extension services to women in rural areas and involving women in community decision making on major developments; (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; and, (iii) identifying and delivering selective 'niche' interventions that address significant problems such as the challenge of gender-based violence. A Gender Profile has been prepared as part of preparation of this CPS and as a contributor to completion of a Country Gender Action Plan.

60. ***The WBG program to date has included a strong focus on gender.*** 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. Similarly, IFC, through the gender and investment climate reform assessment, has worked closely with the Solomon Islands’ Women in Business Association to improve the number of female owned businesses from 130 to over 180 in the last year alone. In partnership with AusAID, IFC is supporting the establishment of a Pacific Business Coalition for Women which will include Solomon Islands. This Coalition, is first to be developed in PNG and then expanded to other countries as the private sector interest and demand grows. It will focus on promoting women as employees particularly in management and leadership roles, as well as women as customers and suppliers of goods and services. It will also play an important advocacy

role within the community by leading and demonstrating the economic benefits of increased gender equity in business.

61. ***Looking forward, the WBG will focus on improving women's economic empowerment.*** Building on the experience from RDP and the government's own Women in Agriculture program, opportunities to expand extension and other services to women will be explored to enable women to improve productivity and expand engagement in small holder cropping as feasible. In the mining, fisheries and energy sectors, the WBG will build on the approach used in other parts of the Pacific (Box 8), particularly the experience from the PNG Women in Mining initiative to increase women's voice and benefits from these developments and minimize harm for women and children in the process. IFC will work with IDA to support the engagement of women in the fisheries sector, and will pilot the use of the ILO's Better Work Program to identify interventions to address potential social issues that might arise in relation to a concentrated female work force at SolTuna. In the service delivery area, the Bank will use sex-disaggregated data to monitor and promote participation and to identify and respond to constraints for greater access. For example, the CO pilot project, currently under design, will include gender specific M&E and activities to capture information around women's utilization of services and women's experiences more broadly with government service delivery at the local-level. The RDP and REP will continue to ensure women as well as men engage in the planning and implementation of activities including relevant training. In response to the limited range of services available to victims of gender based or domestic violence, the Bank is supporting the government through an Institutional Development Fund (IDF) grant in identifying gaps in service provision and piloting new delivery approaches.

Box 8: The Women in Mining Initiative in PNG

The PNG Women in Mining (WIM) initiative was developed based on evidence that women do not get a fair share of mining benefits, because they have no voice and little capacity. The initiative sought to address both the lack of voice and capacity challenges faced by women by offering women from mining areas a safe space to discuss issues and a platform for dialogue with the other relevant stakeholders – including government and private industry. This process has empowered women to have a stronger voice and ensured more equitable participation in benefit sharing arrangements, as well as enhancing the role of women in planning decision-making processes. The WIM Initiative helped to

- a) build the self-esteem and confidence of local women by allowing them to design and participate in training programs to increase their skills, contributing to the creation of several women micro-businesses in food processing and sewing uniforms to sell to companies. Training programs, although targeting women, were also open to men, which helped to strengthen the role of women as partners to their male counterparts;
- b) establish and strengthen linkages among women in the community and within women's associations, to recognize their legitimacy in shaping resource allocation and development decisions locally;
- c) increase the effectiveness and equity of community development in mining, providing a model for corporate social investment activities and helping to mitigate negative effects of the industries on women; and,
- d) highlight nationally how activities within a particular sector (extractives) can have an impact on women's social and economic empowerment, and raised the profile of gender issues in the national development dialogue.

The WIM Initiative was extended to women in the petroleum areas, showing a potential for replication in other natural resources sectors where women are the major beneficiaries and can play a significant role.

Partnerships, Flexibility and Selectivity

62. ***The WBG is committed to working very closely with partners in Solomon Islands.*** This reflects the priority Pacific Island leaders placed on the 2009 Cairns compact to make better use of all resources available for development. Flexible bilateral support for the WBG's operations in Solomon Islands, and elsewhere, has been instrumental in allowing the scale up that has occurred. A partnership approach has been critical to supporting the government through the CEWG and close collaboration has enabled results to be achieved in areas such as health sector policy and education. The WBG is working very closely with the UN system in aligning support to rural communities through the RDP and the UN supported Provincial Government Strengthening Program. Collaborative efforts across the WBG under the prior ISN engagement have demonstrated the added impact of a selective program of engagement that builds upon the respective strengths of both IDA and IFC. This collaboration will continue across the CPS period (Box 9).

63. ***The proposed WBG program for the CPS period is focused and selective; it builds on success in areas of previous engagement and is limited to where the Bank has a distinct comparative advantage.*** There are no proposed investment operations in areas with significant other donor financing, (e.g. education, health, transport, water and sanitation, forestry, public administration), although the government and development partners have requested the Bank to provide targeted analytical work in areas such as health that brings in the Bank's access to global knowledge and experience in order to complement donor and government programs, with a particular focus on improving the management of public resources for improved service delivery. Reflecting good progress with much of the current program, the CPS will build upon current activities through additional financing and "repeater" operations that expand current operations. IDA investments will continue to focus on areas where the Bank has deep operational and analytical experience (e.g. community driven development, and performance of utilities), and where it can leverage donor financing and/or IFC investments (e.g. urban employment and fisheries).

64. ***The WBG's engagement will need to remain flexible given the generally fluid political environment and some uncertainty about the longer term donor landscape.*** In the context of its Debt Management Strategy, the government is discussing with IDA how to make use of IDA credits in addition to IDA grants. The Bank program will consequently need to remain flexible, and to explore co financing options in many areas. More broadly, in a highly fluid environment, WBG's engagement will need to be sufficiently flexible to accommodate internal and external changes affecting Solomon Islands and its development needs.

Box 9. IDA and IFC Collaboration

Mining: IFC investment in the Gold Ridge Mine in 2010 enabled it to reopen after 10 years of inactivity following the tension. IFC also supported capacity building to Gold Ridge Mining Limited with regard to payments to communities, environmental and social issues, and management and establishment of a Chamber of Mines for Solomon Islands. IFC engagement was reinforced by Bank support under a mining sector technical assistance, financed by the State and Peace Building Fund, to strengthen the mining regulatory environment. Additional complementary support has been provided to support Solomon Islands EITI candidacy application to improve overall transparency in the sector.

Energy: Early IFC engagement supported preparation of the international tender process and investor identification for the proposed Tina River Hydro scheme. This has been complemented by IDA support to strengthening the capacity and financial viability of the Solomon Islands Electricity Authority and for the preparation of feasibility studies, environmental and social assessments and community benefit sharing regimes for the proposed development of the Hydro project. The WBG is also engaged with a number of other parties who are undertaking feasibility studies for additional and alternative renewable energy developments in the country.

Fisheries: IFC's proposed investment in fisheries (SolTuna) processing will be supported by a complementary IDA investment in the regulatory environment and associated offshore and coastal fisheries management under the Pacific Regional Oceanscape Program (PROP). Through IFC's engagement with the previous investors in SolTuna, the WBG was able to provide advice to the SolTuna Board, and share knowledge on how to encourage and structure foreign investment in the sector.

65. *The WBG will aim to streamline implementation modalities, which can be burdensome for small countries with thin capacity.* Moving as much as possible towards a programmatic approach, exploring options for consolidation of implementation capacity, and the scope for using and strengthening government systems over time will be important. The East Asia and Pacific Region of the Bank has recently introduced “A New Way of Working in the Pacific” to respond to the demands of clients and partners for a more flexible and tailored approach to fiduciary management. The objectives are to make procurement and financial management for Bank financed projects more efficient and less costly and to build sustainable capacity in implementing agencies. To complement this, the Pacific department is exploring options to assign more implementation support staff to cover critical portfolios in the region.

Financing Envelope and Program

66. *The CPS integrates IDA financing, donor trust funds and co-financing, and IFC investments (Table 2).* Financing will be deployed in a flexible and selective manner to address the country's needs and maximize development impact. The CPS period spans two IDA replenishment periods (IDA16 covering FY12-14, and IDA17, covering FY15-17). The indicative IDA16 allocation is SDR13.5 million for three years, and the CPS assumes a similar allocation for IDA17²⁰. In addition, there is scope for Solomon Islands to access additional resources from the IDA regional program to finance eligible regional investments with cross country spillovers such as the Pacific Regional Oceanscape Program (PROP), and potentially programs in maritime safety, aviation or

²⁰ The estimate of the IDA envelope is based on available resource from the IDA16 replenishment, and it is updated annually and may vary depending on: (i) total IDA resources available and the IDA17 allocation framework; (ii) the country's performance rating, GNI per capita, and population; (iii) the terms of IDA assistance (grants/credits); (iv) the performance, other allocation parameters, and IDA assistance terms for other IDA borrowers; and (v) the number of IDA-eligible countries.

disaster resiliency following up on the PCRAFI pilot. The latest debt sustainability analysis in 2012 indicates that Solomon Islands has a moderate risk of debt distress. This has enabled Solomon Islands to move from being eligible for IDA grants only to a mixture of grants and credits with the current IDA allocation being approximately 45 percent grant and 55 percent credit²¹. The Bank will work with the authorities to fully explore the flexibility in IDA financing, including using the Immediate Response Mechanism that allows the inclusion of emergency related contingent components in selected investment operations, to support rapid response in eligible crisis and emergency situations when needed. Furthermore, in case of severe economic shocks and natural disasters, Solomon Islands could potentially access the IDA Crisis Response Window.²² Finally, other financing sources, including trust funds, partnerships with other donors and the private sector, or government inputs are highly anticipated across the portfolio and will be firmed up during project preparation throughout the CPS period.

Table 2: Tentative World Bank Group Pipeline in Solomon Islands, March 2013²³

Activity	Year	IDA (\$m)	TF (\$m)	TF Source
<u>Proposed Additional Financing</u>				
Rural Development Program (RDP)	FY14	3.5	5.0	Australia, SIG
Rapid Employment Program (REP)	FY14		1.5	Australia
Increasing Resilience to Climate Change and Natural Hazards Project (CRISP)	FY14		8.4	GEF/GFDRR
Sustainable Energy	FY14		1.9	Australia, GEF
<u>Pipeline</u>				
Development Policy Operation	FY14	2.0		
Community Officers (CO)	FY14		1.0	AusAID
Mining Sector Support Phase II	FY14	4.0		
Pacific Regional Oceanscape Program (PROP)	FY15	1.0		
Rural Development Program II	FY15	4.0		
Telecoms and ICT Development	FY15	3.0		
Tina Hydro Partial Risk Guarantee	FY15	4.0		
Rapid Employment Project II	FY16	3.0		
Sustainable Energy II	FY16	2.0		
Total		26.5	17.8	
<u>IFC Investments</u>		IFC		
SolTuna	FY13	10.0		

67. *IFC is expanding its areas of work in the Solomon Islands.* Building on IFC's lessons learned over the last five years in the Pacific region (specifically in PNG and Timor-Leste), IFC is scaling up its presence and activities in Solomon Islands to explore opportunities beyond fisheries,

²¹ IDA's terms of assistance (grant or credit) is based on a recipient country's debt sustainability position, and these terms are updated annually based on the latest Debt Sustainability Analysis. Currently, IDA credits have a zero interest rate, a 10 year grace period, and a 40 year maturity.

²² For details of the eligibility criteria, see Annex 3 of IDA (2011) "Additions to IDA Resources: Sixteenth Replenishment," available at http://siteresources.worldbank.org/IDA/Resources/IDA16_Report-English-Final.pdf.

²³ Potential activities, particularly in outer CPS years are tentative and subject to change. Activities in the IDA 17 period will be further defined in the CPS progress report in the latter part of FY15.

including in the agribusiness commodity value chains (e.g. cocoa and possibly palm oil). IFC will closely follow the developments in the mining sector (e.g. Sumitomo nickel project), as well as the major infrastructure investments, such as the Tina River Hydro project. The IFC value proposition is greatly enhanced by the Bank Group leverage and there are opportunities to enhance this further across potential growth opportunities in Solomon Islands. In addition, analytical work and technical assistance will improve transparency and public sector capacity in the investment approvals process, along with expanded access to finance through better financial infrastructure (credit bureaus and payment systems) and a strong focus on local SME development (mobile banking and local supply chains). IFC will also engage existing private sector partners and relationships in other countries across the Pacific to identify their business interests and risk appetite for entering the market or expanding into new markets in Solomon Islands.

68. *A selective but strategic program of analytical work and dialogue is proposed in sectors where the WBG has global expertise.* Given both the staffing constraints and the approach of the CPS, it is essential that analytic support be prioritized in those sectors where the demand from government is clear, and where significant existing or new investments, financed by IDA or others, potentially exist. An indicative analytical and advisory program is set out in Table 3 below. Over the course of the CPS, the Bank will increasingly move to programmatic analytical pieces, providing just in time policy notes and technical guidance in key thematic areas.

Table 3: Proposed World Bank Analytical and Advisory Services

Economic Resilience	Economic Dialogue and Core Economic Working Group	Ongoing
	Agriculture commodity scoping and options	FY14
	EITI Implementation technical assistance	FY14-15
	Tina Hydro Benefit Sharing	FY14
	Women in Mining and Fishing TA	FY14-15
	Urban Land Governance TA	FY14-15
Service Delivery	Justice Delivered Locally Report and Policy Note	FY14
	Rural Community Infrastructure and Service Delivery Report and TA	FY14
	Solomon Islands Line Ministry Expenditure Analysis	FY14
	Health Facility Costing Study	FY14
	Health Sector PFM TA	FY14-15
	Portfolio Gender Review	FY15
	Social protection options	FY15
	Household Income and Expenditure Analysis and poverty mapping	FY14-15

V. RISKS AND MITIGATION MEASURES

69. *Risks to the effective implementation of a growing World Bank portfolio and deepened policy dialogue in the Solomon Islands are significant, and will be addressed in the CPS systematically.* Risks entail both *country risks* – including the possibility of a resurgence in unrest, political volatility and the combination of thin capacity and vulnerability to external macro-economic uncertainty or disasters – as well as *implementation risks*, especially for those activities that involve sensitive reforms and complex social and economic issues.

70. *Risks of a resurgence in unrest have declined over the past few years, but remain present.* The transition of RAMSI reflects a broader judgment by key partners that risks of instability have fallen, although a continuing RAMSI police presence will remain. Risks to security are posed by

continuing inter-island migration, the breakdown of social systems, and significant numbers of unemployed and under-educated youth in urban areas. Poor service delivery particularly in rural areas, demographic changes, and perceptions about benefit sharing from resources potentially heighten these risks. The WBG will work carefully with government and partners to mitigate risks. Additional financing proposed for the RDP and REP investments are intended to address underlying inequalities. Similarly, the J4P program is principally aimed at better understanding these risks, and providing guidance for how grievances might be addressed. The Bank will engage as requested in areas that contribute to this risk, including in the area of urban land governance and gender. In the event that these risks re-emerge, the program is likely to have to be re-balanced to further strengthen the focus on directly improving livelihoods.

71. *The fluid political situation in Solomon Islands means that there are risks to reform progress during the course of the CPS period.* The CPS period will cover at least one election in Solomon Islands, and experience suggests that governments can often change between elections. Risks associated with political volatility are likely to especially impact on sensitive reforms underpinned by budget support, as well as socially and environmentally complex operations such as the proposed Tina River Hydro scheme. In the event that policy performance mean reform objectives are unlikely to be met, the WBG would potentially step back from budget support modalities or complex and sensitive investments – potentially with some reduction in the resources the Bank could make available for Solomon Islands – and rebalance engagement to core service delivery investments.

72. *Political economy risks are compounded by thin capacity.* Capacity constraints can impact on performance, even when there is strong political will for reform. Although the current portfolio is performing reasonably well, achieving outcomes from Bank investments in Solomon Islands has historically been challenging. Capacity constraints will be mitigated by efforts to carefully calibrate engagement according to existing capacity and, the provision of extensive capacity building as part of investments, and strong portfolio oversight. Nevertheless, continued engagement by the Bank and partners over the past several years on the overall reform dialogue, as well as in energy sector reform, does provide a firm basis for making a considered judgment in the CPS to pursue a limited set of such “high risk – high reward” activities in areas where there has been good experience to date.

73. *Implementation risks will be managed at both the program design level and through focused activity design and enhanced implementation support.* Thin capacity and broader uncertainty means implementation risks in Solomon Islands remain high. The current program is generally performing well, with 3 out of 4 investments rated satisfactory. Portfolio performance since re-engagement in the mid-2000s has similarly been reasonable, in part due to the stronger on the ground presence from a country office, with IEG confirming the single project exit in the past five years as satisfactory. Nevertheless, portfolio performance during the 1980s and 1990s highlights risks, with over half of all exits in this period rated U by IEG (as outlined in Annex B2). As noted above, these risks will be mitigated at the program design level by a focus on continuing engagement in areas in which the WBG has a strong track record, with a limited number of carefully selected “high risk-high reward” areas. At the activity level, investments will be designed with a tight focus, avoiding complex designs and “Christmas trees”. Implementation support will also be further enhanced. The WBG already has a significant on the ground presence in Honiara, which has expanded considerably since 2009, and this will allow strengthened day to day engagement on implementation issues. A willingness to restructure activities if needed will also allow flexibility. Intensive supervision and training to meet Bank fiduciary and procurement standards will also be undertaken, alongside broader policy engagement through the DPO series to improve public financial management and Solomon Islands’ procurement system.

74. ***Macroeconomic volatility and risks of exogenous shocks are inherent in a small, fragile, isolated, geographically dispersed, and largely subsistence economy.*** In recent years, the Pacific Islands have been subject to a range of exogenous shocks, being especially hard hit by fuel price spikes, as well as weather and seismic events. Risks of shocks to macroeconomic stability are mitigated by evidence of government commitment and action in building up external and internal buffers as part of the dialogue with the IMF, the World Bank and the multi donor budget support group over the last three years. During the CPS period, the Bank will continue to monitor the impact of global economic developments. Over the past few years, the Bank has been able to move quickly in collaboration with partners to provide assistance to support governments with strong policy settings faced with macro-economic volatility. Similarly, across the Pacific, the Bank has worked with the IMF to closely monitor debt sustainability in the event of shocks, and calibrate terms if required and justified. While catastrophic damage from cyclones has been more limited than in most other Pacific Island countries (since the destruction wrought by Tropical Cyclone Namu in 1986, which killed over 100 people) regular cyclones and flooding undermine development gains, particularly at the household level where they repeatedly affect the most vulnerable groups - the poor, the elderly, people living with disabilities, female headed households, and those without land entitlements. Increased support, as part of the CPS, for climate change adaptation and disaster risk reduction in Solomon Islands, as well as the introduction in 2013 of a pilot catastrophic risk insurance scheme for five Pacific island member countries, including Solomon Islands, will help to mitigate, although not remove, these risks.

Annex 1: Solomon Islands Results Matrix

(G) = Gender-disaggregated data

National Development Strategy Objectives

NDS 1: To alleviate poverty and provide greater benefits and opportunities to improve the lives of Solomon Islanders in a Peaceful and Stable Society

NDS 2: To provide support to the vulnerable

NDS 3: To ensure that all Solomon Islanders have access to quality health care and to combat malaria, HIV, non-communicable and other diseases

NDS 4: To ensure that all Solomon Islanders have access to quality education and for the country to adequately and sustainably meet its manpower needs

NDS 5: To increase the rate of economic growth and equitably distribute the benefits of employment and higher incomes across all the provinces and people of Solomon Islands

NDS 6: To build and upgrade physical infrastructure and utilities to ensure that all Solomon Islanders have access to essential services and to markets

NDS 7: To effectively manage and protect the environment and eco systems and protect Solomon Islanders from natural disasters

NDS 8: To improve governance and order at national, provincial and community levels and strengthen links between them.

Medium-term Country Goals	Key Issues	CAS Outcomes Expected (FY13 – FY17)	Milestones	WBG Instruments and International Partners
Strategic Area 1: Strengthening Economic Resilience				
Macro-fiscal stability and quality of spending (NDS 5, NDS 8)	<ul style="list-style-type: none"> Weak macro-economic management and pro cyclical spending has contributed to fiscal gap and deteriorating balance of payments. Poor link between appropriation/allocation and outputs 	Outcome 1: Strengthened public expenditure and fiscal management as indicated by: <ul style="list-style-type: none"> The number of ministries that do not deviate by more than 10% from original allocations approved by Parliament. (Baseline is 9 target is 14). 	<ul style="list-style-type: none"> CEWG sustains Govt-donor dialogue on economic and PFM reforms linked to budget support. Line ministry expenditure analysis completed for at least 2 additional ministries (from 2 current) 	Operations: DPO (P126740) AAA: CEWG dialogue, economic monitoring, Line Ministry Expenditure Analysis, Health Sector Support Program TA Donor Partners: IMF, AusAID, New Zealand, EU
Economic Diversification for job growth (NDS 5)	<ul style="list-style-type: none"> Over dependence upon limited non-renewable resources; Poor returns to govt and weak community engagement in natural 	Outcome 2: Enhanced regulatory framework, public sector capacity and community benefits in the mining sector <ul style="list-style-type: none"> EITI certification achieved 	<ul style="list-style-type: none"> First EITI report produced by May 2014 Establishment and initial staffing of a Mining Development 	Operations. IFC investment in SolTuna Pacific Regional Oceanscape Program (PROP) (FY14) new Mining TA second phase (FY14)

Medium-term Country Goals	Key Issues	CAS Outcomes Expected (FY13 – FY17)	Milestones	WBG Instruments and International Partners
	<ul style="list-style-type: none"> resource developments;. Semi-subsistence agriculture provides the food and income basis for most of the population. 	<p>(baseline is candidate status, target is certification)</p> <ul style="list-style-type: none"> Updated mineral dev., law and regulations in place (baseline – outdated law, title management, fiscal regime and landowner engagement mechanisms) <p>Outcome 3: Increase local economic benefits from fishing industry by increased on-shore production capacity</p> <ul style="list-style-type: none"> SolTuna processing plant from 7,223 to 20,465 metric tons per year SolTuna taxes paid increase from \$0 to US\$2.1 million per year SolTuna wages and benefits paid increase from US\$3.3 million to US\$6.2 million (G) <p>Outcome 4: Increased productivity in key cash crops (cocoa and coconut).</p> <ul style="list-style-type: none"> Increased cocoa production from 6,000 to 8,000 metric tons/ year 	<ul style="list-style-type: none"> Authority Regulations that require Community Development Agreements with indigenous landowner SolTuna employees increase from 1,473 to 2,000, 65% of which are women (G) Data collection on economic opportunities for women in fisheries (G) Agriculture extension services for cash crops provided by Ministry of 	<p>AAA: IFC Public-Private Dialogue, Women in fisheries and Mining, Agriculture sector scoping</p> <p>Donor and Private Sector Partners: SolTuna/Tri-marine, AusAid, IFAD, State and Peace-building Fund</p>

Medium-term Country Goals	Key Issues	CAS Outcomes Expected (FY13 – FY17)	Milestones	WBG Instruments and International Partners
		<ul style="list-style-type: none"> A 20% increase in the number of households who have received and found agriculture advice useful (baseline is 0, impact evaluation will measure response to advice provided) 30% increase in total value of turnover of (58) RDP-supported rural businesses 	<p>Agriculture and Livestock increased from 7800 to 10,000 farmers, 40% of which are women (G)</p> <ul style="list-style-type: none"> Agriculture extension services for food crops increased from 8100 to 10,000 farmers, moving from 60% of which are women (G) 	
<p>Improving infrastructure and lowering costs</p> <p>(NDS 6)</p>	<ul style="list-style-type: none"> Low rates of access to and high costs of telecommunications, and electricity. Engagement between public and private sectors does not effectively address constraints to developments. 	<p>Outcome 5: Lower cost, more reliable electricity, from cleaner energy sources</p> <ul style="list-style-type: none"> Average outage for each customer served on the Honiara grid reduced from 10 to 3 hour Maintain or reduce domestic tariffs (US85c/kwh). Power Purchase Agreement signed between hydropower developer and SIEA <p>Outcome 6: Improved access to and reduced cost of ICT services</p> <ul style="list-style-type: none"> Increase in mobile penetration from 55% to 80% of population 	<ul style="list-style-type: none"> SIEA system losses reduced from around 20% to 12% Electricity tariffs reviewed in FY14 and new tariffs implemented by FY15. Construction begins on Tina River Hydropower generation facility <ul style="list-style-type: none"> New ICT policy framework formulated and adopted Independent telecommunications regulator maintained and 	<p>Operations: Solomon Islands Sustainable Energy and Additional Financing (SISEP - P100311) (AF SISEP - P120781) Tina River Hydropower Development Project and PRG (113417) and (P114317) (FY15) IFC Transaction Advisory for Tina River Hydro Project</p> <p>Telecommunications and ICT Development Project ongoing and new</p> <p>Donor Partners: Pacific Regional Infrastructure Facility Trust Fund (PRIF), AusAid</p>

Medium-term Country Goals	Key Issues	CAS Outcomes Expected (FY13 – FY17)	Milestones	WBG Instruments and International Partners
		<ul style="list-style-type: none"> Decrease in tariffs for local mobile calls, calls to Australia and 128kpbs internet access (baseline Feb. 2010 tariffs TBD) <p>Outcome 7. Strengthen the business climate through: .</p> <ul style="list-style-type: none"> Implementation of additional 3 (from baseline of 5) doing business regulatory reforms. 	<p>financed</p> <ul style="list-style-type: none"> E-Government regulatory framework developed Public – private Dialogue platform with Dept. of Commerce constituted 	
<p>Strengthen resilience to impact of natural hazards and climate change</p> <p>(NDS 7)</p>	<ul style="list-style-type: none"> Climate change and disaster risks have serious impact on economy and livelihoods 	<p>Outcome 8: Improved resilience of rural communities to climate change, natural hazards and catastrophic disasters</p> <ul style="list-style-type: none"> DDR/CCA incorporated into national and provincial planning in at least two provinces (baseline is 0) Budget and financial regulations accommodate disaster risk provisions (baseline is 0). 	<ul style="list-style-type: none"> 18 Resilient Community-Led Rural Pilot Investment projects completed (G) Establishment of a climate and disaster risk information system (G) 	<p>Operation: Increasing Resilience to Climate Change and Natural Hazards Project (CRISP-P129375)</p> <p>AAA: Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI)</p> <p>Donor Partners: Japan (PHRD); Global Environment Fund (GEF); GFDRR</p>
Strategic Area 2: Improving Public Service Provision				
<p>Improved targeting and management of government resources.</p>	<ul style="list-style-type: none"> Budget allocations and processes within line ministries not supporting sectoral priorities. 	<p>Outcome 9. Improved expenditure management and poverty focus in key sectors, including health and</p>	<ul style="list-style-type: none"> Results of HIES, HIES poverty profile, line ministry expenditure analysis, and health 	<p>AAA: CEWG Dialogue, HIES Technical Assistance, Poverty Mapping and Poverty Profile, Line Ministry</p>

Medium-term Country Goals	Key Issues	CAS Outcomes Expected (FY13 – FY17)	Milestones	WBG Instruments and International Partners
(NDS 3, NDS 4, NDS 8)	<ul style="list-style-type: none"> Outdated poverty data upon which to base policy decisions No systematic budget process for planning, execution, and reporting in key ministries. 	<p>education.</p> <ul style="list-style-type: none"> Number of budget submissions and ministry expenditure reports that use new data analysis tools (baseline is 0, target is 3) 	sector financing analysis fed into government policy and budget planning processes.	Expenditure Analysis, Health Sector Support Program TA, Education Programmatic TA (TBC)
<p>Improve access to services and living conditions in rural areas</p> <p>(NDS 1, NDS 5)</p>	<ul style="list-style-type: none"> Provincial governments lack sufficient resources and capacity to respond to community service delivery needs Community infrastructure provided by external agencies is often poorly maintained by communities Geography makes it difficult to provide services to large parts of the country, and for those areas, the cost is high 	<p>Outcome 10: Capacity for collective action and increased access to services for rural communities.</p> <ul style="list-style-type: none"> 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 (G) At least a 5% increase in capacity for collective action At least a 5% increase in pre-primary and primary school attendance (G) At least a 10% increase in participation in community decision-making on projects (G) 	<ul style="list-style-type: none"> 300,000 beneficiaries (50% women) of completed community development sub-projects (G) Community sub-projects completed in all rural wards, except in Renbel Province Participatory planning incorporated into provincial planning system in 5 provinces 	<p>Operations: Solomon Islands Rural Development Program and Additional Financing (RDP – P089297) (AF RDP – FY14) (RDP II – FY15)</p> <p>Donor Partners: Australia (AusAID), EU, International Fund for Agricultural Development (IFAD), FPCR Core Multi-donor Trust Fund.</p>
<p>Increase employment opportunities for the urban poor, especially youth and</p>	<ul style="list-style-type: none"> Limitations in the formal labor market; Disconnects between skills outcomes from education and labor market needs in 	<p>Outcome 11: Increased access to employment opportunities for urban population</p>	<ul style="list-style-type: none"> At least 5,000 beneficiaries reached, averaging at least 30 days of employment per year. (G) 	<p>Operations: Rapid Employment Project (REP - P114987) (REP – AF – FY14) (REP II –FY15)</p>

Medium-term Country Goals	Key Issues	CAS Outcomes Expected (FY13 – FY17)	Milestones	WBG Instruments and International Partners
women. (NDS 1, NDS 2, NDS 5)	both the formal and informal economy <ul style="list-style-type: none"> Urban poor, especially youth and women, are disconnected from the economy and society. 	<ul style="list-style-type: none"> At least 300,000 additional labor days completed (in addition to 324,000 completed by 2012); 50% of beneficiaries are women, 33% youth. (G) 		AAA. Youth diagnostic Social protection note J4P conflict risks and dispute management in urban areas. Donor Partners: Pacific Regional Infrastructure Facility Trust Fund (PRIF), State and Peace Building Fund (SPBF)
Improved responsiveness of law and justice, and protection of women (NDS 1, NDS 2, NDS 8)	<ul style="list-style-type: none"> Weak state and non state dispute resolution and conflict management capabilities. Unresolved grievances potentially manifesting as conflict. Limited capacity across service providers to address GBV/DV. 	Outcome 12: Government support for establishment of functioning local justice mechanisms. <ul style="list-style-type: none"> Support for community officers reflected in provincial government budget (baseline is 0). Outcome 13: Enhanced access to services for survivors of GBV <ul style="list-style-type: none"> Pilot delivery modality completed and scaled up (baseline and targets TBD based on GBV service gap analysis – see milestone) 	<ul style="list-style-type: none"> Community officer pilot established in 4 provinces. GBV Service gaps identified, agreed and communicated across relevant agencies and at least one pilot delivery modality underway. 	Operations. Community Officers (CO) program, Improving Services for Victims of Gender Based and Domestic Violence (P143772) AAA: Justice Delivered Locally (JDL) further work on sources of conflict and grievance, dispute resolution and conflict management capabilities Donor Partners: AusAID, Institutional Development Fund (IDF)

Annex 2: Outcomes and Lessons Learned from the 2010 Solomon Islands ISN

1. As the World Bank Group's 2010 strategy was specifically designed as an interim strategy rather than a full country partnership strategy, a full completion report was neither required nor prepared. Nevertheless, outcomes and lessons learned during the ISN period have been carefully reviewed in preparing the current Solomon Islands CPS.

ISN Engagement

2. The ISN highlighted three areas of strategic engagement for the World Bank Group:

- (iv) Addressing barriers to growth;
- (v) Enhancing the benefits of global and regional integration; and
- (vi) Supporting improved public administration and management.

3. *World Bank Group engagement in Solomon Islands has been highly selective, combining strategic use of relatively modest IDA resources with trust funds and with IFC investments.* The current portfolio includes activities with a total of around \$20 million in IDA commitments, mobilizing almost \$36 million in trust fund resources which have been fully integrated into all aspects of strategy, planning, portfolio management, and results measurement. In addition, IFC investments have totaled \$35 million.

World Bank Group Portfolio in Solomon Islands as at March 2013

Activity	Year	IDA (\$m)	TF (\$m)	TF Source
<u>Approved Prior to ISN</u>				
Rural Development Program (RDP)	FY08	3.2	5.9	Australia, EU
Health Sector Support TA ²⁴	FY08	1.5		
Sustainable Energy	FY08	4.0		
Tina River Hydropower TA	FY10		3.5	Australia (PRIF) ²⁵
Mining Sector TA	FY10		0.8	SPF
Rapid Employment Project	FY10	3.2	3.8	Australia, SPF
Telecoms and ICT Development	FY10	3.3	4.2	Australia (PRIF)
RDP Additional Financing	FY11	3.0	14.6	IFAD, GFRP
Development Policy Operation	FY12	2.0		
Increasing Resilience to Climate Change and Natural Hazards Project (CRISP)	FY13		2.7	Japan (PHRD)
Total		20.2	35.5	
<u>IFC Investments</u>		IFC		
Goldridge Mining Ltd	FY10	35.0 ²⁶		

²⁴ Project closed in December 2011

²⁵ Australian trust fund financing provided through the Pacific Regional Infrastructure Facility (PRIF)

²⁶ Repaid in 2012.

4. ***Investments were supported by carefully focused technical assistance and analytical work,*** as set out below. Bank analytical work has not only provided advice to government and a basis for reform dialogue but also, in the absence of local universities or think tanks, contributed to better informed and increased public debate on economic issues.

World Bank Group Analytical and Advisory Work 2010 - 2013

Addressing Barriers to Growth

Core Economic Working Group Dialogue
Solomon Islands Growth Prospects, Constraints and Policy Options
IFC Regulatory Simplification and Investment Policy Promotion (RSIPP) TA
IFC Access to Finance and Payment Systems Reform
IFC Gender and Investment Climate Reform Assessment
IFC MSME Enterprise Study
IFC Tourism Impediments Diagnostic Study
Extractive Industries Transparency Initiative Implementation TA
Tina River Hydropower benefits Sharing Analysis

Enhancing the Benefits of Global and Regional Integration

Labor Mobility TA (Pacific Wide)
Fisheries Engagement Strategy/ Pacific Regional Oceans Initiative (Pacific Wide)
IFC Strategic Community Investment Analysis – Gold Ridge Mining Ltd.
IFC Telecom Impact Study

Supporting Improved Public Administration and Management

Household Income and Expenditure Survey (HIES)
Public Expenditure Review
Line Ministry Expenditure Analysis
Rural Community Infrastructure and Service Delivery Analysis
Health Financing Options Note
Justice Delivered Locally (JDL)
Gender Institutional Development
Health Sector Public Financial Management Technical Assistance

5. Key lessons learned from World Bank Group engagement during the ISN period include:

- ***Playing to the Bank's strengths.*** By being selective and choosing *not* to be engaged in certain sectors, the Bank was able to address key issues, especially given the thin capacity in Solomon Islands. This was particularly important in a donor-rich context, where funds are not necessarily the main limitation. In such a context, the Bank Group was able to add value by focusing on core institutional strengths, including technical know-how (economy and finance, extractive industries, telecommunications), and extensive operational experience (community-driven development, energy, telecommunications).
- ***Given the central role the Bank has played in improved coordination and dialogue, Bank in-country presence and engagement was important.*** An “on the ground presence” was vital to support the scaling up of financing and analytical engagement, deepen coordination, ensure successful project implementation, and engage in policy dialogue. Investing in donor coordination at the project level from the outset is also important, and allows for trouble-shooting and creates ownership and relationships that facilitate follow-on investments.

- ***“Face time” with clients and donors is expensive but essential.*** Successful engagement with clients in Solomon Islands, as in other fragile contexts, is time-consuming, labor-intensive and relationship based. Prioritizing implementation support builds capacity, provides incentives to clients, and creates a platform for problem solving. This means that staff costs are disproportionate to program size and population.
- ***Communication is vital.*** National institutions and counterparts have limited experience of effective institutional communication. Communication 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.
- ***Project management units have helped achieve results although there are risks in hollowing out government capacity.*** In a small civil service in which key individuals have multiple roles, depending on ministry staff alone to implement is not pragmatic. Leadership and continuity is central to successful project implementation. In the Solomon Islands context, however, political fluidity and rapid turnover in senior official appointments means the Bank needs to plan for unexpected changes. Regular fiduciary training has helped strengthen national capacity. Efforts should be made to reinvent and alter these trainings, as well as introducing other innovations in implementation support.
- ***The success of community focused projects depends on the quality of the relationship with the community.*** A generic feature of small traditional societies as in Solomon Islands is that property rights, individual and community entitlements need to be understood in their localized context shaped by customary laws and practices and community specific perceptions. This requires intense, continuous and a specific type of engagement. If the community does not support or understand the project, it will not move forward. At the same time, interventions that do not have high levels of local ownership may lead to conflicts and tensions.
- ***Private sector investments must address challenges of inclusive growth and integration with the local economy.*** Private investments, and in particular foreign direct investment, is generally viewed with suspicion by local communities, where the legacy of logging has translated into the capturing of natural resources without any meaningful benefits flowing to the broader population. New investments (and in particular those related to natural resources) must carefully take into consideration strategies to engage with local communities and landowner groups, the fragility of the State to manage and mediate between the various interest groups, and a general lack of understanding of how the private sector operates.

6. ***Despite the risks associated with a significant scale up in a fragile situation, the portfolio is generally performing satisfactorily, and is achieving results.*** Especially given country environment risk flags, difficulties in obtaining audits across the portfolio due to limited capacity, and effectiveness delays, three out of four current IDA investments are classified as being at risk. Of these, only the RDP is considered a problem project, with community projects projected to benefit 165,000 people by the planned closing date in late 2013, rather than the 300,000 originally anticipated. Disbursements remain strong across the portfolio with a current disbursement ratio of 27%. Details of performance against the ISN results matrix is provided in the outcomes table below; of 13 expected ISN outcomes, 8 have been achieved, 4 partly achieved, and only 1 not achieved.

Medium Term Country Goals	ISN Expected Outcomes	ISN Expected Milestones	Lending/Non-Lending Activities Intended to contribute to outcome	Status and Evaluation Summary
Strategic Area I: Addressing Barriers to Growth				
Improved policy and regulatory environment leading to increased private sector growth	Government includes policy measures to address constraints to growth in next national strategy	Sources of Growth identifies binding constraints to inform Government's policy agenda and dialogue with public, private sector, and donors	AAA/TA: Sources of Growth, PER, J4P, IFC Advisory Services (RSIPP, SME study) TA: Mining TA Operations: IFC investments	Partly Achieved <ul style="list-style-type: none"> • Growth performance averaged over 7% between 2010 and 2012, although based on commodities. • Policy changes included in NDS but uneven. • Between 2010 and 2012, SIG funded development expenditures more than doubled.)
	Increase in women entrepreneurs		AAA: Women and Sources of Growth IFC: Gender and Investment Climate Reform Assessment.	Achieved <ul style="list-style-type: none"> • The number of female owned businesses has increased from about 130 to over 180 between 2012 and 2013
	Improved Doing Business indicators	Reforms implemented for: starting a business; Alternative Dispute Resolution for commercial disputes; promoting investment; registering property transactions	IFC: RSIPP, Tourism impediments diagnostic study	Achieved <ul style="list-style-type: none"> • Improved access to credit (<i>Doing Business</i> 2010). Reforms included: (i) a unified credit registry established, (ii) expanded range of assets able to be used as collateral, and (iii) out of court enforcement of creditors rights. • Doing Business 2012 listed Solomon Islands as one of the leading reformers globally, strengthening protection for investors and streamlining insolvency. Solomon Islands improved its Ease of Doing Business Rank from 113 to 92 for the period of 2010-2012. • The implementation of the 2009 <i>Companies Act</i> and the establishment in 2011 of an online company registry has reduced the time required to register a company from over 50 days in 2009 to 9 days.

Fiscal Stability	Key 2010 – 2011 actions in GoSI PFM reform plan completed (budget system, forecasting, procurement)	<ul style="list-style-type: none"> • Public expenditure review completed • CEWG sustains GoSI-donor dialogue on economic and PFM reforms linked to budget support 	<p>AAA: PER, Debt Management Assessment, Line Ministry Expenditure Analysis</p> <p>Operations: DPO</p>	<p>Achieved</p> <ul style="list-style-type: none"> • Government maintained a positive overall budget balance between 2009 and 2012, although significant fiscal consolidation in 2011 was relaxed in 2012. • Overall NPV of external public debt reduced from 23% of GDP in 2009 to a projected 13% in 2012. • 95% of reform actions under EFRP progressing (52% accomplished). • Improved consultation between MoF and line ministries, based on WB analysis.
	Improved cash flow management such that GoSI consistently able to meet commitments	<ul style="list-style-type: none"> • Public expenditure review completed • CEWG sustains GoSI-donor dialogue on economic and PFM reforms linked to budget support 	<p>AAA: PER, Debt Management</p> <p>Operations: DPO</p>	<p>Achieved</p> <ul style="list-style-type: none"> • Budget formulation now linked to expenditure outcomes from previous years. 2010, 2011, 2012 budgets fully funded. • Payroll execution strengthened through separate accounting warrants for each ministry, introduced in April 2011, with the number of ministries over-spending on payroll declining from 24 to 18 • Community Service Obligation policy for SOEs adopted in 2011, with explicit budget allocation of SBD 24m • Publication of all contracts awarded by Central Tender Board, including name of bidder and amount of bid .
Improving infrastructure and lowering costs	50% mobile phone coverage	<ul style="list-style-type: none"> • Telecommunications commissioner appointed 	<p>AAA: Energy Strategy</p> <p>Operations: Telecom Reform</p>	<p>Achieved</p> <ul style="list-style-type: none"> • Second telecoms license awarded. • Telecoms commissioner appointed. • Mobile phone coverage increased from 50,000 people in 2008 to over 300,000
	Tina River Independent Power Producer mobilized	<ul style="list-style-type: none"> • SIEA moves from loss-making to break even • WBG TA for development of rural electrification strategy 	<p>AAA: Energy Strategy</p> <p>Operations: SISEP, SEFP, TRHDP, IFC Tina River Transaction Advice</p>	<p>Outcome Not Achieved, Milestone Met</p> <ul style="list-style-type: none"> • Financial performance of SIEA has improved. From a loss of SBD70m in 2010, SIEA made an audited profit of SBD53m in 2012, exceeding project targets of a profit of SBD 25m by 2012. • Steps to mobilize an IPP for Tina River are proceeding, although estimated conclusion not before FY15.

Strategic Area II: Enhancing Benefits of Regional and Global Integration				
Strengthening regional ties and optimizing benefits from trade, investment, and labor migration	New socially and environmentally responsible investor(s) enter market	<ul style="list-style-type: none"> • IFC investment transaction (s) • WBG TA supports establishment of PNA secretariat 	AAA: Labor Migration advice, Operations: IFC investment	Achieved <ul style="list-style-type: none"> • IFC investment in Goldridge Mining Ltd. supported the reopening of the mine in March 2011, consistent with IFC's Environmental and Social Performance Standards. • Substantial increase in mining output (mining exports increased from 0.5% GDP in 2010 to 14% in 2012. • Over 600 jobs created directly from Goldridge • New environmentally and socially responsible investors attracted: <ul style="list-style-type: none"> - Fisheries: TriMarine International taking over the Soltai tuna cannery and National Fisheries Development (NFD) operations. - Palm Oil: New Britain Palm Oil /Guadalcanal Plains Palm Oil Ltd (GPPOL) achieved RSPO sustainable palm oil certified status in 2010. - Plantation Forestry: Nien Made Enterprises, FSC (Forest Stewardship Council) certified.
	Mining sector policy, regulatory, and institutional review completed	<ul style="list-style-type: none"> • WBG mobilizes mining sector TA 	TA: Mining Sector	Achieved <ul style="list-style-type: none"> • Solomon Islands accepted as EITI candidate in June 2012, and is disclosing revenues from extractive industries as required • Mining TA supported participatory stakeholder engagement process to inform policy decisions and strengthen MMERE Solomon Islands participation in Australian Seasonal Workers scheme started in December 2012. Participation in NZ RSE scheme increased to 400 people in 2012. • Solomon Islands complying with hard limits under Vessel Day scheme, closing tuna fishery temporarily in 2011 when VDS days used.

Strategic Area III: Supporting Improved Public Administration and Management				
Effective delivery of core services	Improved expenditure management in health and education	<ul style="list-style-type: none"> • New National Health Strategic Plan and Monitoring Framework, and Health MTEF completed • NEAP Costing complete 	<p>AAA: NEAP Costing, Education PER, Health Financing Options Study</p> <p>TA: HSSP-TA, Operations: RDP Component I & II, Fast Track Initiative</p>	<p>Partly achieved</p> <ul style="list-style-type: none"> • Under the HSSP-TA the proportion of health sector expenditure on primary health services and provincial health programs has increased from 17% (estimated base at appraisal) to 29% for FY11 (target 22) • Health costing study initially planned was delayed, although now underway, and will inform budget preparation and execution for delivery of essential health services.
	Improved systems and infrastructure for delivery of some agricultural extension services	Provincial agriculture offices equipped to conduct training and outreach activities	Operations: RDP Component I & II,	<p>Partly Achieved</p> <ul style="list-style-type: none"> • The Ministry of Agriculture and Livestock has upgraded equipment, buildings, and human resources, and is delivering on monthly activity plans in each province. • Increase in proportion of villagers with improved access to effective agriculture services from 2009 baseline of 2% will need to be confirmed through surveys. • RDP likely to directly benefit 165,000 people rather than the 300,000 originally planned.
Addressing urban unemployment	Increased state capacity to address urban unemployment through public works	40,000 labor days created, gender disaggregated	Operations: Rapid Employment Program	<p>Achieved</p> <ul style="list-style-type: none"> • 324,000 person days of work generated through REP as at March 2013. Women make up 57% of participants, youth 51% • Approximately 5,000 trainees graduated from Pre-Employment Training
Improved sub-national governance	Policy options for local level justice services submitted to Ministry of Justice and Legal Affairs	<ul style="list-style-type: none"> • Justice Delivered Locally research delivered • AAA delineates options and consultation process on sub-national governance 	AAA/TA: J4P Justice Delivery Locally, PER, Center-Sub-National Options Paper, State Land Inventory	<p>Partly Achieved</p> <ul style="list-style-type: none"> • Rolling research and analytical activities undertaken on local justice and policy options. • Dialogue with the Ministry of Justice and Legal Affairs, judiciary and other ministries, led to a pilot activity on a local level governance mechanisms (community officers). • Task Force on Urban Public Land established.

Annex 3: Standard CAS Annexes

Standard CAS Annex A2: Country At A Glance

Solomon Islands at a glance

3/15/13

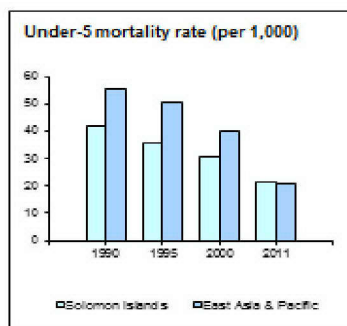
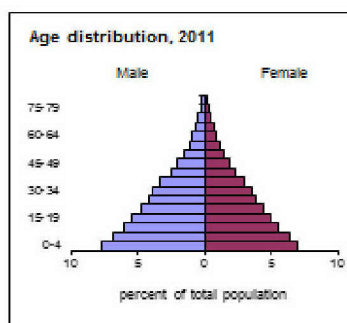
Key Development Indicators

(2011)

	Solomon Islands	East Asia & Pacific	Lower middle income
Population, mid-year (millions)	0.55	1,974	2,533
Surface area (thousand sq. km)	29	16,302	20,842
Population growth (%)	2.6	0.7	1.6
Urban population (% of total population)	20	49	39
GNI (Atlas method, US\$ billions)	0.6	8,387	4,488
GNI per capita (Atlas method, US\$)	1,110	4,248	1,772
GNI per capita (PPP, international \$)	2,350	7,266	3,837
GDP growth (%)	9.0	8.3	5.5
GDP per capita growth (%)	6.2	7.6	3.9

(most recent estimate, 2005–2011)

Poverty headcount ratio at \$1.25 a day (PPP, %)	..	14	30.2
Poverty headcount ratio at \$2.00 a day (PPP, %)	..	33	59.5
Life expectancy at birth (years)	68	72	66
Infant mortality (per 1,000 live births)	18	17	46
Child malnutrition (% of children under 5)	12	5	24
Adult literacy, male (% of ages 15 and older)	..	96	80
Adult literacy, female (% of ages 15 and older)	..	91	62
Gross primary enrollment, male (% of age group)	146	110	106
Gross primary enrollment, female (% of age group)	144	112	102
Access to an improved water source (% of population)	70	90	87
Access to improved sanitation facilities (% of population)	32	66	47



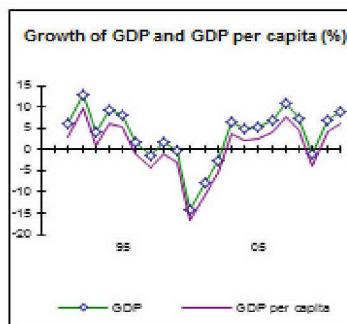
Net Aid Flows

	1980	1990	2000	2011
<i>(US\$ millions)</i>				
Net ODA and official aid	45	46	68	340
<i>Top 3 donors (in 2011):</i>				
Australia	6	11	13	254
New Zealand	1	2	5	25
European Union Institutions	9	6	44	25
Aid (% of GNI)	41.3	22.0	15.7	61.4
Aid per capita (US\$)	194	148	167	633

Long-Term Economic Trends

Consumer prices (annual % change)	13.1	8.7	7.1	6.2
GDP implicit deflator (annual % change)	..	7.2	10.7	7.3
Exchange rate (annual average, local per US\$)	0.8	2.5	5.1	7.6
Terms of trade index (2000 = 100)	..	..	100	..

Population, mid-year (millions)	0.2	0.3	0.4	0.6
GDP (US\$ millions)	169	303	435	838
		<i>(% of GDP)</i>		
Agriculture	..	28.9	34.7	33.9
Industry	..	5.0	12.7	6.1
Manufacturing	..	2.4	8.0	3.9
Services	..	66.1	52.6	55.0
Household final consumption expenditure	..	..	89.3	81.9
General gov't final consumption expenditure	..	..	25.2	39.2
Gross capital formation	25.1	20.3	6.6	14.6
Exports of goods and services	36.9	30.1	24.1	25.8
Imports of goods and services	79.3	64.7	38.6	49.6
Gross savings	..	..	..	..



1980–90 1990–2000 2000–11
(average annual growth %)

3.0	2.8	2.7
..	3.4	4.9

..	3.1	3.3
..	5.3	0.2
..	2.8	-1.8
..	3.9	3.8

Note: Figures in italics are for years other than those specified. .. indicates data are not available.

Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade	2000	2011
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	65	145
Total merchandise imports (cif)	98	322
Net trade in goods and services	-18	-199
Current account balance	-30	-194
as a % of GDP	-7.0	-23.1
Personal transfers and compensation of employees (receipts)	4	2
Reserves, including gold	6	///

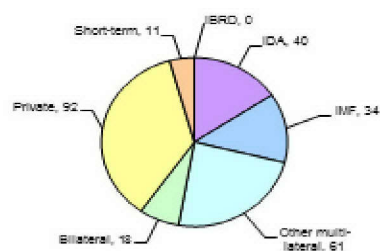
Central Government Finance

<i>(% of GDP)</i>		
Current revenue (including grants)	13.1	34.7
Tax revenue	11.6	24.8
Current expenditure	17.1	27.2
Overall surplus/deficit	-5.1	2.5
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

External Debt and Resource Flows

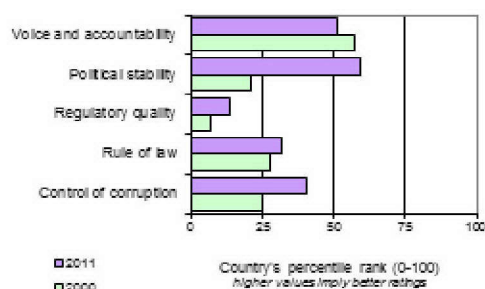
<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	156	256
Total debt service	9	15
Debt relief (HIPC, MDRI)	-	-
Total debt (% of GDP)	35.9	30.5
Total debt service (% of exports)	7.8	7.1
Foreign direct investment (net inflows)	13	146
Portfolio equity (net inflows)	0	0

Composition of total external debt, 2011



Private Sector Development	2000	2011
Time required to start a business (days)	-	42
Cost to start a business (% of GNI per capita)	-	54.5
Time required to register property (days)	-	87
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2011
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	..	..

Governance indicators, 2000 and 2011



Source: Worldwide Governance Indicators (www.govindicators.org)

Technology and Infrastructure	2000	2011
Paved roads (% of total)	2.4	..
Fixed line and mobile phone subscribers (per 100 people)	2	51
High technology exports (% of manufactured exports)	..	11.8

Environment

Agricultural land (% of land area)	3	3
Forest area (% of land area)	81.0	78.9
Terrestrial protected areas (% of land area)	0.1	0.1
Freshwater resources per capita (cu. meters)	88,447	80,939
Freshwater withdrawal (% of internal resources)	..	..
CO2 emissions per capita (mt)	0.40	0.38
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	..	88.0
Energy use per capita (kg of oil equivalent)	..	12.9

World Bank Group portfolio

<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	0	0
Disbursements	0	0
Principal repayments	0	0
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	38	40
Disbursements	1	0
Total debt service	0	2
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	-	35
Disbursements for IFC own account	-	35
Portfolio sales, prepayments and repayments for IFC own account	-	0
MIGA		
Gross exposure	-	-
New guarantees	-	-

Note: Figures in *italics* are for years other than those specified.
.. Indicates data are not available. - indicates observation is not applicable.

3/15/13

Development Economics, Development Data Group (DECDG).

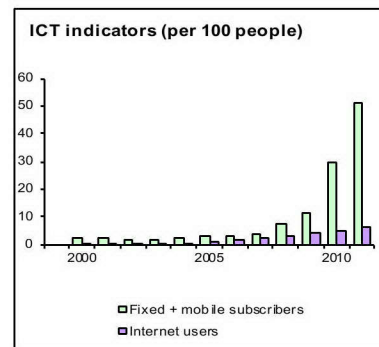
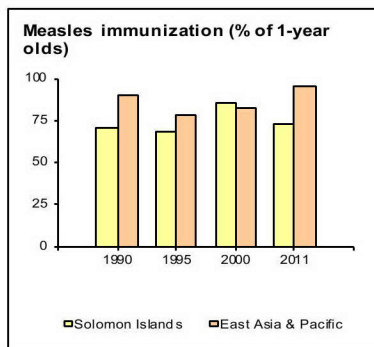
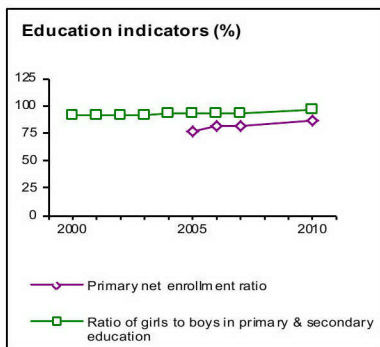
Millennium Development Goals

Solomon Islands

With selected targets to achieve between 1990 and 2015

(estimate closest to date shown, +/- 2 years)

Solomon Islands				
	1990	1995	2000	2011
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest quintile (%)	..	..	..	..
Prevalence of malnutrition (% of children under 5)	16.3	..	..	11.5
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	..	87
Primary completion rate (% of relevant age group)	60	73	..	..
Secondary school enrollment (gross, %)	14	18	21	48
Youth literacy rate (% of people ages 15-24)	..	..	85	..
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	84	85	90	96
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	..	31	..
Proportion of seats held by women in national parliament (%)	0	..	2	0
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	42	36	31	22
Infant mortality rate (per 1,000 live births)	34	29	25	18
Measles immunization (proportion of one-year olds immunized, %)	70	68	85	73
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	150	120	120	93
Births attended by skilled health staff (% of total)	..	85	85	86
Contraceptive prevalence (% of women ages 15-49)	..	11	7	35
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	312	240	185	103
Tuberculosis case detection rate (% of all forms)	40	41	40	70
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	..	69	70	70
Access to improved sanitation facilities (% of population)	..	30	31	32
Forest area (% of total land area)	83.0	..	81.0	78.9
Terrestrial protected areas (% of land area)	0.1	0.1	0.1	0.1
CO2 emissions (metric tons per capita)	0.5	0.5	0.4	0.4
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	13.6	..	..	18.0
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	1.5	1.8	1.9	1.5
Mobile phone subscribers (per 100 people)	0.0	0.1	0.3	49.8
Internet users (per 100 people)	0.0	0.0	0.5	6.0
Households with a computer (%)	..	..	..	..



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

3/15/13

Development Economics, Development Data Group (DECDG).

Standard CAS Annex B2: Selected Indicators of Bank Portfolio Performance and Management

Solomon Islands
Selected Indicators* of Bank Portfolio Performance and Management
As Of Date 4/30/2013

Indicator	2010	2011	2012	2013
Portfolio Assessment				
Number of Projects Under Implementation ^a	5	5	5	4
Average Implementation Period (years) ^b	1.5	2.5	2.7	4.1
Percent of Problem Projects by Number ^{a, c}	0.0	0.0	20.0	25.0
Percent of Problem Projects by Amount ^{a, c}	0.0	0.0	21.4	37.2
Percent of Projects at Risk by Number ^{a, d}	40.0	60.0	80.0	75.0
Percent of Projects at Risk by Amount ^{a, d}	36.3	47.9	89.3	80.5
Disbursement Ratio (%) ^e	14.0	26.2	53.1	33.5
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	9	1
Proj Eval by OED by Amt (US\$ millions)	45.2	1.3
% of OED Projects Rated U or HU by Number	55.6	0.0
% of OED Projects Rated U or HU by Amt	68.5	0.0

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress(IP)
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- * All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Standard CAS Annex B5: Poverty and Social Development Indicators

Solomon Islands Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-95	2004-10	East Asia & Pacific	Lower-middle-income
POPULATION					
Total population, mid-year (millions)	0.3	0.4	0.5	1,961.6	2,518.7
Growth rate (% annual average for period)	3.2	2.8	2.7	0.7	1.6
Urban population (% of population)	12.4	14.7	18.6	45.9	39.4
Total fertility rate (births per woman)	6.3	5.2	4.2	1.8	2.9
POVERTY					
<i>(% of population)</i>					
National headcount index	..	..	..
Urban headcount index	..	..	..
Rural headcount index	..	..	..
INCOME					
GNI per capita (US\$)	..	910	1,030	3,696	1,623
Consumer price index (2005=100)	13	43	152	131	140
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	..
Lowest quintile (% of income or consumption)	..	..	..
Highest quintile (% of income or consumption)	..	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	3.6	5.1	2.2	1.7
Education (% of GDP)	4.5	..	..	3.8	4.0
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	..	..	82	93	85
Male	..	..	83	93	87
Female	..	..	81	94	83
Access to an improved water source					
<i>(% of population)</i>					
Total	..	69	70	90	87
Urban	..	94	94	97	93
Rural	..	65	65	84	83
Immunization rate					
<i>(% of children ages 12-23 months)</i>					
Measles	..	68	68	95	80
DPT	38	69	79	94	79
Child malnutrition (% under 5 years)	..	..	12	6	25
Life expectancy at birth					
<i>(years)</i>					
Total	57	60	67	72	65
Male	57	59	66	70	64
Female	58	60	69	74	67
Mortality					
Infant (per 1,000 live births)	41	32	23	20	50
Under 5 (per 1,000)	52	39	27	24	69
Adult (15-59)					
Male (per 1,000 population)	..	..	202	157	244
Female (per 1,000 population)	..	..	161	105	175
Maternal (modeled, per 100,000 live births)	..	110	100	89	300
Births attended by skilled health staff (%)	..	85	70	91	57

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

World Development Indicators database, World Bank - 17 April 2012.

Standard CAS Annex B6: Key Economic Indicators
Table 1: Selected Economic Indicators, 2009-15 ^{1/}

	2009	2010	2011	2012	2013	2014	2015
	Actual	Est.	Est.	Est.	Proj.	Proj.	Proj.
Output and Prices 1/							
Nominal GDP (millions SBD)	4,815	5,498	6,637	7,331	8,099	8,883	9,681
Nominal GDP (millions US\$)	598	682	915	997	1,067	1,136	1,205
Real GDP (% change)	-4.7	7.8	10.7	4.8	4.0	3.5	3.7
Real GDP, excl. logging and mineral sectors (% change)	-2.6	5.4	7.3	3.5	5.5	3.8	4.0
Consumer price index (% change, period average)	7.1	0.9	7.4	5.9	6.0	5.0	4.7
Government Operations (percent of GDP) 2/							
Revenues and grants	55.2	62.6	60.3	54.2	53.3	50.8	50.0
Revenues	30.5	32.0	33.1	34.6	33.4	32.9	32.0
Grants	24.7	30.6	27.1	19.6	19.9	17.9	18.0
Expenditures	53.5	56.4	51.2	50.3	52.5	50.2	49.6
Recurrent	28.6	28.2	25.6	28.5	28.2	26.8	26.6
Development	25.6	27.9	25.5	21.8	24.3	23.4	23.0
Other	-0.7	0.3	0.0	0.0	0.0	0.0	0.0
Government budget balance 3/	1.8	6.2	9.0	3.9	0.8	0.6	0.4
Non-commodity primary balance	-0.7	-1.3	-1.4	-4.3	-4.0	-3.7	-2.8
Public debt	33.9	28.5	22.2	17.9	16.0	13.9	13.8
Of which, dominated in foreign currency	23.2	19.8	15.2	13.0	11.4	11.1	11.3
Balance of Payments (US\$ millions) 4/							
Current account balance	-128	-210	-59	-1	-22	-77	-66
(% GDP)	-21.4	-30.8	-6.7	-0.1	2.0	-6.5	-5.3
Goods trade balance	-74	-137	-5	47	0	-7	-18
Exports	165	224	418	493	489	526	536
o/w Logging	88	125	191	180	170	158	145
Imports	239	360	423	446	488	533	554
Services balance (Net)	-35	-81	-49	-58	-66	-95	-83
Income balance (Net)	-166	-173	-178	-111	-123	-150	-154
Current transfers (Net)	147	181	173	120	167	175	188
Foreign direct investment	117	236	141	67	27	34	36
(% GDP)	19.5	34.6	16.2	6.7	2.4	2.9	2.9
Exports G&NFS (US\$, % change)	-12.9	40.6	68.6	14.9	0.4	7.3	2.6
o/w Logging (US\$, % change)	-20.2	42.0	53.2	-8.2	-3.3	-6.9	-8.4
Imports G&NFS (US\$, % change)	-15.8	59.2	11.4	6.6	8.9	11.6	2.2
Foreign exchange reserves	146	266	412	480	530	560	590
(months of forward imports)	4.1	6.4	7.6	8.5	8.4	8.6	8.6
Financial indicators 5/							
Domestic credit to private sector (% change)	-4.1	-4.7	4.7	4.0	6.0	7.0	7.0
Lending rate (%)	15.4	13.5	11.5	11.4	11.0	10.0	10.0
Exchange rate (SBD\$/US\$, eop)	8.06	8.06	7.25	7.3	7.59	7.82	8.03
Real effective exchange rate Index (2005=100)	120.6	112.0	124.5	125.4	125.4	125.4	125.4
Percent change (%)	6.9	-7.1	11.2	0.7	0.0	0.0	0.0

1. Data and projections are from IMF recent mission to Solomon Islands April 2013 and prior Country Reports No. 12/156 and No. 11/359, Central Bank of Solomon Islands publications and World Bank staff projections. 2. Includes SDR allocations made by the IMF to the Solomon Islands in 2009.

Standard CAS Annex B7: Key Exposure Indicators
Solomon Islands - Key Exposure Indicators

Indicator	Actual			Estimated			Projected		
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total debt outstanding and disbursed (TDO) (US\$m) ^a	177	166	156	139	130	121	113	104	96
Net disbursements (US\$m) ^a	0	0	0	0	0	0	0	0	0
Total debt service (TDS) (US\$m) ^a	3	4	2	3	3	3	2	2	2
Debt and debt service indicators (%)									
TDO/XGS ^b	..	..	..	..	..	..	..	..	..
TDO/GDP	30.2	25.7	25.9	20.5	15.5	..	..	..	..
TDS/XGS	..	..	..	..	..	..	..	..	..
Concessional/TDO	82.1	81.3	83.9	89.2	90.3	91.3	92.1	93.5	94.1
IBRD exposure indicators (%)									
IBRD DS/public DS	..	..	..	..	..	..	..	..	..
Preferred creditor DS/public DS (%) ^c	..	..	..	..	..	..	..	..	..
IBRD DS/XGS	..	..	..	..	..	..	..	..	..
IBRD TDO (US\$m) ^d	..	..	..	..	..	..	..	..	..
Of which present value of guarantees (US\$m)	..	..	..	..	..	..	..	..	..
Share of IBRD portfolio (%)	..	..	..	..	..	..	..	..	..
IDA TDO (US\$m) ^d	46	44	44	42	41	40	39	37	36
IFC (US\$m)									
Loans	..	..	..	..	..	..	..	..	..
Equity and quasi-equity /c	..	..	..	..	..	..	..	..	..
MIGA									
MIGA guarantees (US\$m)	..	..	..	..	..	..	..	..	..

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

Standard CAS Annex B8: Statement of IFC's Held and Disbursed Portfolio

Solomon Islands: IFC Investment Operations Program

	2010	2011	2012	2013*
<u>Original Commitments (US\$m)</u>				
IFC and Participants	35.00			
IFC's Own Accounts only	35.00			
<u>Original Commitments by Sector (%) - IFC Accounts only</u>				
OIL, GAS AND MINING	100			
Total	100	0	0	0
<u>Original Commitments by Investment Instrument (%) - IFC Accounts only</u>				
Loan	100			
Total	100	0	0	0

* Data as of March 01,2013

Standard CAS Annex B8: Operations Portfolio (IBRD/IDA and Grants)

CAS Annex B8 - Solomon Islands

Operations Portfolio (IBRD/IDA and Grants)

As Of Date 4/30/2013

Closed Projects 10

IBRD/IDA *

Total Disbursed (Active)	12.89
of w hich has been repaid	0.00
Total Disbursed (Closed)	6.00
of w hich has been repaid	10.62
Total Disbursed (Active + Closed)	18.90
of w hich has been repaid	10.62
Total Undisbursed (Active)	3.88
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	3.88

Active Projects

Active Projects										Difference Between Expected and Actual	
Project ID	Project Name	Last PSR			Fiscal Year	Original Amount in US\$ Millions				Disbursements ^{a/}	
		Supervision Rating		IBRD		IDA	GRANT	Cancel.	Undisb.	Orig.	Frm Rev'd
		Development Objectives	Implementation Progress								
P114987	SB - Rapid Employment Project	S	S	2010		3.2				1.30085	-0.243429
P089297	SB-Rural Development Program	MU	MU	2008		6.2		0.00179192	0.358493	-2.930628	-1.73875
P100311	SB-Solomon Islands Sustainable Energy	MS	MS	2009		4			1.185897	1.3538659	0.293866
P113148	SB: Telecommunications & ICT Project	S	MS	2010		3.25			1.036853	-0.02897	
Overall Result						16.65		0.00179192	3.882093	-1.849162	-1.44489

Annex 4: Donor Coordination

Australia is Solomon Islands' largest development partner, with assistance of over A\$220m (US\$230m) million in FY13. Approximately A\$100m of this amount supports the police component of RAMSI. Since 2003, Australian assistance has been made up of its bilateral cooperation (governed by the *Solomon Islands – Australia Partnership for Development 2009*) and its contribution to RAMSI. Australian bilateral and RAMSI support will be combined from 1 July 2013. Australia's future funding will support four priority areas: (i) improved service delivery in health and education; (ii) improved justice services, (iii) improved broad-based economic growth (including market access, transport, energy and telecommunications), and (iv) improved governance (including economic, public sector and democratic governance). Australia will continue to provide significant technical assistance including around 25 advisers in the Ministry of Finance and Treasury, 30 across the justice institutions and 10 across health, education, infrastructure and agriculture. Consistent with the focus on improved economic infrastructure, Australia financed the maintenance of over 400km of roads in 2012 enabling improved access to services and markets and providing over 200,000 person days of employment. Australia is the lead donor in the health sector, helping to significantly reduce the incidence of malaria and supporting immunization of children and maternal and child health improvements, as well as providing clean water and sanitation to 15,000 people in 2012. Australian support for education has facilitated the removal of school fees, ensuring approximately 150,000 children now attend primary school, as well as providing over 50 scholarships per year for tertiary education in Australia. Across the region, Australia is now placing a major focus on gender through the *Pacific Women Shaping Pacific Development* initiative announced by the Prime Minister in 2012. The Solomon Islands component is currently being designed and is likely to focus on prevention of violence against women in rural areas. The Australian Government is co-financing the World Bank's RDP and REP, supporting the J4P work program, as well as Bank-led efforts to introduce competition in the telecoms market.

Japan has provided assistance to Solomon Islands since independence. 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 \$12.5million in grant aid and technical assistance to Solomon Islands per year since 2005. Major current investments include water supply in Honiara and Auki (total value Yen 2.1 billion or \$23m), the reconstruction of Gizo hospital (Yen 1.9 billion, \$21million), and disaster preparedness (Yen 860 million, \$9million). Japan is financing the World Bank climate change adaptation and disaster risk management project as well as the Pacific Catastrophe Risk Insurance Scheme, for which Solomon Islands is one of five pilots.

New Zealand (NZ) and Solomon Islands signed a Joint Commitment for Development in September 2011. NZ's aid allocation for Solomon Islands in FY12 was NZ\$38m (US\$32m), including support through RAMSI. NZ is the lead donor in education, as a building block for sustainable economic development. Almost 30 percent of NZ financing goes to education, helping to train over 1,700 teachers and contributing to successful improvements in primary school access and enrolments. NZ assistance also includes a strong focus on transport infrastructure, including a NZ\$25m investment to rehabilitate Munda airport in Western Province. NZ support for fisheries is aimed at helping Solomon Islands improve management of this important resource. Current technical assistance to the Ministry of Finance and Treasury in revenue collection will transition from RAMSI into the bilateral program from 1 July 2013.

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** endorsed a new 2012-2016 Country Partnership Strategy (CPS) in February 2012. The CPS focuses on four priority areas: (i) gender equity; (ii) governance and capacity development; (iii) environmental sustainability and climate resilience; and (iv) encouraging private sector development. Over this period, ADB expects to be able to make available about \$40m in grants and concessional credits (current ADB financing for Solomon Islands is 50/50 grants and credits). ADB is working with Solomon Islands to establish a public-private partnership to land a broadband cable to improve connectivity and reduce the price of bandwidth. ADB finance is also focused on improving transport infrastructure, including roads and domestic ports, improving access to electricity (with the aim of connecting over 2,000 new households in provincial centers to the grid by 2016). ADB is a key partner in the CEWG and is providing budget support to encourage public financial management reforms. Technical assistance is being provided to support the business enabling environment, SOE reform and the National Development Strategy formulation and implementation.

The **European Union's** *Country Strategy for Solomon Islands 2008-2013* sets out a framework for engagement under the 10th European Development Fund (EDF). The EC anticipates making approximately EUR 13.2 million (US\$17 million) available during this period, focused primarily on macroeconomic support, and rural development (including co-financing of the World Bank Rural Development Program. A further EUR 3.3 million (US\$4 million) is to cover unforeseen needs such as emergency assistance. The European Investment Bank has also provided financing to encourage private sector investment to reopen the Gold Ridge mine (in collaboration with IFC) and for renewable energy Technical Assistance. The EU is looking to consolidate its activities in a planned 2014 strategy.

The **International Monetary Fund** is a key partner in leading dialogue on overall macro-economic reforms. In December 2012, the IMF's Board approved a three year Extended Credit Facility (ECF) arrangement for Solomon Islands, in an amount equivalent to SDR 1m (US\$1.6 million). This followed an IMF program supported by a Standby Credit Facility arrangement. The IMF program will be instrumental in tackling deep institutional and structural issues and is seen by the authorities as critical for supporting Solomon Islands, which remains vulnerable to external shocks associated with its undiversified export base, strong dependence on aid, and frequent natural disasters

The **United Nations** system is active in Solomon Islands, with UNDP, UNICEF, UNFPA, UNEP, FAO, and WHO all implementing programs. UNDP has especially played a key role coordinating partners following disasters, including the recent 2013 tsunami that hit Santa Cruz. UNDP is also assisting Solomon Islands in climate change adaptation, as well as strengthening of aid coordination, provincial governments, and parliamentary exchanges. The UN is proposing a new 'One UN' US\$2 million gender program (2013-2017) focussing on formulating and implementing laws and policies, women's political leadership, eliminating violence against women and children, and peace-building.

Current assistance by individual donors is set out in the attached matrix, using relevant heads of expenditure in the Government of Solomon Islands' own budget framework for reporting on donor engagement by sector.

Donor Engagement Matrix by Sector

	Australia	Japan	New Zealand	ADB	EU	IMF	UN	WBG
Macro-economic Reform	x		x	x	x	x		x
Agriculture/ Livestock Development	x							
Commerce, Industry, and Employment	x							x
Communication and Aviation			x	x				x
Education and Human Resource Development	x	x	x				x	
Energy and Rural Electrification				x				x
Environment, Climate Change, Disaster Risk Reduction	x	x			x		x	x
Health and Medical Service	x	x					x	X
Infrastructure Development (Transport)	x			x				
Fisheries			x					
Forestry								
Police and Correctional Services	x		x					
Poverty Measurement and Analysis	x						x	x
Public Administration and Provincial Governments	x		x	x			x	
Rural Development	x						x	X
Water and Sanitation		x			x			
Women, Youth, and Children	x			x			x	

