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Report No: PAD4728

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT
IN THE AMOUNT OF SDR 4.4 MILLION
(US\$6 MILLION EQUIVALENT)

A PROPOSED GRANT
IN THE AMOUNT OF SDR 9.5 MILLION
(US\$13 MILLION EQUIVALENT)

AND A PROPOSED GEF GRANT IN THE AMOUNT OF
US\$4.57 MILLION FROM THE LEAST DEVELOPED COUNTRIES FUND

TO

SOLOMON ISLANDS

FOR AN

INTEGRATED ECONOMIC DEVELOPMENT AND COMMUNITY RESILIENCE PROJECT

MAY 18, 2022

Social Sustainability And Inclusion Global Practice
East Asia And Pacific Region

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CURRENCY EQUIVALENTS

Exchange Rate Effective March 31, 2022

Currency Unit =	Solomon Islands Dollar (SBD)
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SBD8.05 =	US\$1
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US\$1.3824 =	SDR 1
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FISCAL YEAR

January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

APA	Annual Performance Assessment
BCR	Benefit-Cost Ratio
CAPEX	Capital Expenditure
CAUSE	Community Access and Urban Services Enhancement
CBA	Cost Benefit Analysis
CBSI	Central Bank of Solomon Islands
CCA	Climate Change Adaptation
CCARR	Climate Change Adaptation and Risk Reduction
CCP	Climate Change Policy
CGGM	Community Governance and Grievance Management Project
CO	Community Officers (Community Governance and Grievance Project)
COVID-19	Novel Coronavirus 2019
CQS	Selection Based on the Consultants' Qualifications
CRISP	Community Resilience to Climate and Disaster Risk in the Solomon Islands Project
DA	Designated Account
DCGA	Democratic Coalition Government for Advancement
DFIL	Disbursement and Financial Information Letter
DRM	Disaster Risk Management
E&S	Environmental and Social
eIRR	economic Internal Rate of Return
eNPV	economic Net Present Value
ESCOP	Environmental and Social Code of Practice
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESS	Environmental and Social Standards
EU	European Union
FBS	Fixed Budget Selection
FM	Financial Management
FMO	Financial Management Ordinance
FSG	Fixed Services Grant
FUS	Follow-Up Survey
GEF	Global Environment Facility
GRM	Grievance Redress Mechanism
HH	Household
ICT	Information and Communications Technology
IDA	International Development Association
IEDCR	Integrated Economic Development and Community Resilience
IFR	Interim Unaudited Financial Reports
IPCC	Intergovernmental Panel on Climate Change
IPF	Investment Project Financing
IPSAS	International Public Sector Accounting Standards
ISP	Implementation Support Plan
IRIs	Intermediate Results Indicators
ISM	Implementation Support Mission

IRR	Internal Rate of Return
JOC	Joint Oversight Committee (of the PCDF)
LCS	Least-Cost Selection
LDCF	Least Developed Country Fund
LMP	Labor Management Procedures
LoCAL	Local Climate Adaptive Living Facility
M&E	Monitoring and Evaluation
MECDM	Ministry of Environment, Climate Change, Disaster Management and Meteorology
MIS	Management Information System
MNPDC	Ministry of National Planning and Development Coordination
MOFT	Ministry of Finance and Treasury
MPGIS	Ministry of Provincial Government and Institutional Strengthening
MTR	Mid-Term Review
MYOB	Mind Your Own Business
NAPA	National Adaptation Program of Action
NDC	National Determined Contribution
NDRMP	National Disaster Risk Management Plan
NDS	National Development Strategy
OAG	Office of the Auditor General
OHS	Occupational Health and Safety
OPEX	Operating Expenditure
OSR	Own Source Revenue
PBGs	Performance-Based Grants
PCDA	Provincial Capacity Development Advisor
PCDF	Provincial Capacity Development Fund
PCRAFI	Pacific Catastrophe Risk Assessment and Financing Initiative
PDO	Project Development Objective
PEM	Public Expenditure Management
PFGCC	Provincial Fiscal Grant Coordination Committee
PFM	Public Financial Management
PG	Provincial Government
PGSP	Provincial Government Strengthening Program
PMU	Project Management Unit
PNG	Papua New Guinea
PO	Provincial Officer
POM	Project Operations Manual
PP	Procurement Plan
PPC	Provincial Program Coordinator
PPSD	Project Procurement Strategy for Development
RETF	Recipient Executed Trust Fund
RCDF	Rural Constituency Development Funds
RDP II	Rural Development Project II
SDR	Special Drawing Rights
SEP	Stakeholder Engagement Plan
SIG	Solomon Islands Government
Sq. Km	Square Kilometers

TOC	Theory of Change
TOR	Term of Reference
ToT	Training of Trainers
UNFCCC	United Nations Framework Convention on Climate Change
VSAT	Very Small Aperture Terminal
WDC	Ward Development Committee
WSO	Ward Development Committee Support Officer

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DATASHEET

BASIC INFORMATION				
Country(ies)	Project Name			
Solomon Islands	Integrated Economic Development and Community Resilience Project			
Project ID	Financing Instrument	Environmental and Social Risk Classification		
P173688	Investment Project Financing	Moderate		
Financing & Implementation Modalities				
<input type="checkbox"/> Multiphase Programmatic Approach (MPA)		<input type="checkbox"/> Contingent Emergency Response Component (CERC)		
<input type="checkbox"/> Series of Projects (SOP)		<input checked="" type="checkbox"/> Fragile State(s)		
<input type="checkbox"/> Performance-Based Conditions (PBCs)		<input checked="" type="checkbox"/> Small State(s)		
<input type="checkbox"/> Financial Intermediaries (FI)		<input type="checkbox"/> Fragile within a non-fragile Country		
<input type="checkbox"/> Project-Based Guarantee		<input checked="" type="checkbox"/> Conflict		
<input type="checkbox"/> Deferred Drawdown		<input type="checkbox"/> Responding to Natural or Man-made Disaster		
<input type="checkbox"/> Alternate Procurement Arrangements (APA)		<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)		
Expected Approval Date	Expected Closing Date			
01-Jun-2022	31-Jul-2027			
Bank/IFC Collaboration				
No				
Proposed Development Objective(s)				
To increase access to economic and social infrastructure in rural wards, deliver climate and disaster resilience actions and enhance Provincial Governments' accountability to citizens.				
Components				
Component Name		Cost (US\$, millions)		
Performance-Based Grants		10.40		



Support to Subnational Entities	8.70
Project Management	4.46

Organizations

Borrower: Solomon Islands

Implementing Agency: Ministry of Provincial Government and Institutional Strengthening
Ministry of Environment, Climate Change, Disaster Management and Meteorology

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	23.57
Total Financing	23.57
of which IBRD/IDA	19.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	19.00
IDA Credit	6.00
IDA Grant	13.00

Non-World Bank Group Financing

Trust Funds	4.57
Least Developed Countries TF for Climate Change Activities	4.57

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Solomon Islands	6.00	13.00	0.00	19.00
National PBA	6.00	13.00	0.00	19.00



Total	6.00	13.00	0.00	19.00
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Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2022	2023	2024	2025	2026	2027	2028
Annual	0.22	2.44	3.42	4.29	4.63	3.50	0.50
Cumulative	0.22	2.66	6.08	10.37	15.00	18.50	19.00

INSTITUTIONAL DATA**Practice Area (Lead)**

Social Sustainability and Inclusion

Contributing Practice Areas

Climate Change, Governance, Urban, Resilience and Land

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Moderate
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Low
9. Other	● Moderate
10. Overall	● Moderate



COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[] Yes [✓] No

Does the project require any waivers of Bank policies?

[] Yes [✓] No

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description



The Recipient shall carry out the Project in accordance with the Implementation Arrangements set out under Section I of Schedule 2 to the Financing Agreement.

The Recipient shall vest the responsibility for the overall management and implementation of the Project in accordance with Section I.A.1 of Schedule 2 to the Financing Agreement and Section I of Schedule 2 to the Grant Agreement.

Sections and Description

Financing Agreement. Schedule 2, Section I.A.7. Project Management Unit: Without limitation to the generality of the foregoing, no later than sixty (60) days after the Effective Date (or such later date as may be agreed with the Association in writing), the Recipient shall recruit, with terms of reference, qualifications and experience satisfactory to the Association, and thereafter maintain, throughout the Project implementation period: (a) a Project manager; and (b) the following specialists: information and communications technology, monitoring and evaluation, financial management, procurement, environment and social risk, media and communications, climate change adaptation and resilience, and engineering.

Sections and Description

Financing Agreement. Schedule 2, Section I.E.1. Sustainability of the PCDF: Without limitation to the provisions of Section 5.03 of the General Conditions, the Recipient, through MOFT, shall:

- (a) by no later than April 29 of each year commencing in 2023 (or such other date as may be agreed with the Association in writing) appropriate a budget amount for the PGSP to ensure the sustainability of the PCDF; and
- (b) by no later than October 31 of each year commencing in 2023 (or such other date as may be agreed with the Association in writing), submit evidence in form and substance satisfactory to the Association to confirm that such budget amount has been disbursed.

Sections and Description

Financing Agreement. Schedule 2, Section II.1. Mid-Term Review: The Recipient, through MECDM and MPGIS, shall carry out, jointly with the Association, not later than three (3) years after the Effective Date, or such other period as may be agreed with the Association, a mid-term review of the Project ("Mid-Term Review") to assess the status of Project implementation, as measured against the Project indicators acceptable to the Association, and compliance with the legal covenants included or referred to in this Agreement. Such review shall include an assessment of the following: (i) overall progress in implementation; (ii) results of monitoring and evaluation activities; (iii) progress on procurement and disbursement; (iv) progress on implementation of safeguards measures; (v) implementation arrangements and Project staff turnover; and (vi) the need to make any adjustments to the Project to improve performance.

Sections and Description

Financing Agreement. Schedule 2, Section I.F.1. Annual Work Plans and Budgets: The Recipient, through MECDM and MPGIS, shall prepare and furnish to the Association, by not later than three (3) months after the Effective Date and November 30 of each subsequent year during the implementation of the Project (or such later interval or date as the Association may agree), for the Association's review and no-objection, an Annual Work Plan and Budget, which shall include, inter alia: (a) a list of all activities (including costs) proposed to be implemented under the



Project during the following fiscal year of the Recipient; (b) provide a budget for their financing; and (c) describe the measures and actions taken or planned to be taken in accordance with this Agreement.

Sections and Description

Financing Agreement. Schedule 2, Section II.1. Project Monitoring, Reporting and Evaluation: The Recipient, through MECDM and MPGIS, shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the calendar quarter.

Conditions

Type	Financing source	Description
Effectiveness	IBRD/IDA	The LDCF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled (Section 4.01 of the Financing Agreement).
Effectiveness	Trust Funds	The Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled (Section [4.01] of the Grant Agreement).
Disbursement	Trust Funds, IBRD/IDA	No withdrawal shall be made for Performance-Based Grants under Category (1) of the Project, unless and until the Recipient has adopted a Project Operations Manual in form and substance satisfactory to the Association.



I. STRATEGIC CONTEXT

A. Country Context

1. Solomon Islands is a small, fragile, remote archipelago of 997 islands in the South Pacific with a dispersed population of less than one million.¹ Following civil conflict, which ended in 2003 after a regional intervention, real Gross Domestic Product (GDP) growth averaged 7.3 percent between 2003 and 2009. Following a modest contraction during the Global Financial Crisis (GFC), GDP grew on average by 5 percent between 2010 and 2016. Since 2003, measures of health and education have improved. Poverty rates have declined by about eight percentage points between 2005/06 and 2012/13.² However, this growth performance and restoration of economic and social stability since the civil conflict masks some key problems. *First*, the population has continued to expand at 2.5 percent each year and per capita real GDP remains below its pre-conflict peak. *Second*, logging, which has been the main driver of growth, continues to decline overtime. *Third*, approximately 13 percent of the population live below the national basic-needs poverty line, with the incidence of poverty higher in rural areas where more than 75 percent of the population resides.³ There are also many more households and individuals who have expenditure only just above the basic needs poverty line and are vulnerable to rising prices and/or declining incomes/expenditure. With a per capita gross national income of roughly US\$2,020 per annum,⁴ Solomon Islands is classified by the United Nations as a ‘least developed country.’ Its ranking is 151 out of 189 countries based on the 2020 United Nations Human Development Index, placing it in the ‘low human development’ category. This is similar to Papua New Guinea (PNG at 155) but below the other Melanesian countries (Vanuatu at 141 and Fiji at 98). Most people engage in subsistence farming or informal sector economic activities, such as small-scale farming, market gardening, fishing, handicrafts, and petty trading. A small share of the population work in the formal sector as wage employees or employers. *Fourth*, providing access to basic services is extraordinarily challenging given the small, dispersed nature of the population. *Fifth*, there are major sources of fragility arising from the limited reach and effectiveness of the state, limited economic development opportunities, uneven development across locations, gender inequalities, and effects of weather and climate change. Between 1998 and 2003 the country underwent a period of conflict, known as the ‘Tensions,’ with additional violent riots in 2006. Armed conflict between militant groups from Guadalcanal and Malaita led to deaths, displacement, and widespread destruction of property. Many state functions collapsed as the Treasury was repeatedly raided and the police force was drawn into the conflict. An analysis of the underlying causes of these tensions carried out by the United Nations Development Programme in 2004 points to a combination of issues, including: increased inter-island migration leading to tensions over land access;⁵ friction between traditional versus non-traditional authority structures; unequal access to services, resources, and information; and unequal economic and employment opportunities. As such, there remains long standing and unresolved disputes which have the potential to reignite conflict and cause insecurity as evidenced by the recent period of unrest.

2. At the end of November 2021, a period of civil unrest revealed the country’s protracted institutional and social fragility. As the most recent manifestation of the country’s underlying fragility dynamics, the November civil unrest was

¹ Solomon Islands is categorized as both a “fragile” and “small” state because it: (a) currently has a harmonized average Country Policy and Institutional Assessment (CPIA) rating of 3.2 or less; and (b) is an IDA eligible country with development challenges related to both its small size and geography.

² World Bank Solomon Islands Systematic Country Diagnostic, Report No.:115425-SB, June 1, 2017.

³ UN-CDP (2018). Vulnerability Profile of Solomon Islands.

⁴ World Bank national accounts data, and OECD National Accounts data files, 2018.

⁵ Land disputes, particularly in the rural context, are also an issue recognized by the SIG. Its ‘National Adaptation Programme of Action’ (2008: 39-42) states that land ‘is a very sensitive cultural and identity issue.’



contained after the arrival of police and soldiers from Australia, Fiji, New Zealand and PNG. What started as political demonstrations escalated quickly into wider social unrest, driven by a complex web of local grievances, perceptions of elite capture, longstanding tensions between rivaling geo-ethnic groups, and a lack of economic opportunities set against a backdrop of broader geopolitical tensions. During the unrest, East Honiara and Chinatown became the focus of looting of shops, burning of buildings and violence. In addition to three deaths, widespread damage and loss to the local economy is estimated to be around SBD 227 million⁶ (approximately US\$28 million) with further negative impacts on employment and job losses. According to a Damage, Loss and Needs Assessment, a total of 76 buildings were damaged, of which 59 would require full reconstruction. At least 137 businesses were affected – by arson and/or looting – in various parts of Honiara. The total reconstruction cost is estimated at 5.2 percent of GDP, while the total loss in the value of goods is estimated at 1.7 percent of GDP. In the aftermath of the civil unrest, a Motion of No Confidence was tabled against the government, which was defeated on December 6, 2021 allowing the government to remain in power. Yet, the situation remains strained. The civil unrest has also compounded the impacts of the COVID-19 crisis, which has disproportionately impacted marginalized people, young people, and women and has further undermined people's confidence in public institutions.

3. The island geography and ‘tyranny of distance’ presents formidable and immutable challenges to service delivery, infrastructure, and economic integration. This is a critical issue especially in rural areas. The country is spread over 1.34 million square kilometers (sq. km) that lie east of PNG and north of Vanuatu. There are nine provinces spread across six major mountainous islands. The total land area is approximately 29,900 sq. km and distances between islands are significant. For example, the northwestern Choiseul group of islands is approximately 1,500 km from the southeastern Santa Cruz Islands—a distance equivalent to that between London and Rome. The difference in access to services between urban and rural areas is particularly stark. There are only five kilometers of roads per 100 sq. km, the lowest ratio in the Pacific, and travel in most rural areas is only by motorboat. Nationally, less than 20 percent of the population has access to electricity. However, in Honiara, this figure is over 63 percent.

4. Solomon Islands is in the ‘Pacific Ring of Fire’⁷ and within the cyclone belt, making it highly prone to natural hazards and climate change. It is one of the most exposed and vulnerable countries affected by natural hazards, and climate change impacts, ranked sixth out of 171 countries based on the World Risk Index. Its capacity to cope with climate-related shocks in the present and adapt to stressors and changing conditions over time is weak. Solomon Islands is amongst the 20 countries with the highest economic risk exposure to two or more geological, hydrological, and climatic hazards that include tropical cyclones, volcanic eruptions, earthquakes, tsunamis, landslides, floods, and droughts. Over the past 30 years there have been seven major disasters triggered by natural hazards, resulting in loss of life and severe adverse economic impacts.⁸ Volcanic eruptions have caused the largest number of deaths because of associated pyroclastic flows that travel at high speed and cover a wide area. Modelling suggests that due to natural hazards and climate change, in the next 50 years Solomon Islands is likely to incur an average direct loss of US\$20.5 million per year (three percent of GDP). It has a 50 percent chance of experiencing an event causing a loss exceeding US\$240 million and casualties larger than 1,650 people, and a 10 percent chance of incurring a catastrophic event causing a loss exceeding US\$527 million and casualties larger than 4,600 people.⁹

⁶ <https://www.solomontimes.com/news/cbsi-estimates-sbd227-million-loss-due-to-the-unrest/11308>

⁷ The Pacific Ring of fire is a region of high volcanic and seismic activity that surrounds most of the Pacific Ocean Basin. It stretches over 40,000 km and includes volcanoes, earthquake prone areas, deep sea trenches, and major fault zones.

⁸ The 1986 tropical cyclone Namu claimed more than 130 lives, with landslides and flooding causing damages of between US\$30-60 million. The 2007 earthquake that struck Western and Choiseul provinces killed 52 people and caused damage of about US\$100 million. See Annex 5 for historic disaster events and the impacts.

⁹ Probabilistic risk analysis based on simulated potential losses to buildings, infrastructure and crops from earthquakes, tsunami and tropical cyclones, carried out as part of the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI), September 2011, <http://pacrisk.sopac.org>.



5. **Women and girls in Solomon Islands face multiple gender-based constraints to their wellbeing, disproportionate vulnerability to climate change impacts, as well as access and participation in all aspects of civic, political, and economic life.** In terms of health, Solomon Islands has one of highest fertility rates, youngest populations and highest rates of maternal mortality in the region, with women having limited access to equipment and medicines for safe deliveries, especially in rural areas.¹⁰ The 2015 Solomon Islands Demographic and Health Survey reveals that 93 percent of women in rural areas (compared to 79 percent in urban areas) report problems with accessing health services, with lack of medications, providers and access to transport cited as the most common constraints. Educational attainment of the adult population (aged 15 and above) is relatively low, with only 20 percent of women and 29 percent of men having at least some secondary schooling.¹¹ Women are nearly twice as likely as men to have no schooling at all (21 percent vs. 12 percent), and in rural areas only 14 percent of women have functional literacy, compared with 21 percent of men.¹² Furthermore, violence against women and girls is normalized and widespread.¹³ The patriarchal nature of Solomon Islands society and gender norms further constrain women's abilities to participate in social, political and economic life. Current social norms and customary values establish a hierarchy in which women often play a subservient role and where men often make decision on behalf of women.¹⁴ A World Bank study in Solomon Islands identified that gendered differences in the following four key areas limited women's meaningful participation in rural development: (i) access to resources (especially land and credit); (ii) production decisions (lacking decision-making power or appropriate skills to inform production); access to and control over income and expenditures; (iii) group participation and leadership (limited participation in economic and social groups); and (iv) time allocation (limited due to heavy workloads, unpaid care work and health issues).¹⁵ Women's political representation on a national and subnational level is low, with only eight percent of Members of Parliament and five out of 39 Provincial Assembly members being women (12.8 percent of seats) across all nine provinces.¹⁶ Women are also constrained by domestic responsibilities, poor numeracy and literacy skills, and lack of access to information and financial services.¹⁷ Furthermore, rural women are only half as likely as rural men to engage in paid work (only 19 percent of rural women compared to 41 percent of men).¹⁸ A main source of income for rural women is the sale of lower value crops such as peanuts and vegetables at roadside stalls or markets. However, their access to markets is often constrained by time, safety, and mobility barriers.¹⁹ Patriarchal gender norms, poverty, lack of opportunities and access to resources also make women more vulnerable to the current and future impacts of climate change and natural hazards. Yet evidence shows that women have generated a wealth of traditional knowledge and lead resilience strategies help their communities build resilience and adapt to climate-related shocks and stresses, especially at the local level.²⁰

6. **Solomon Islands has been hit hard by the Novel Coronavirus 2019 (COVID-19) pandemic due to an unprecedented level of economic disruption on the movement of people, goods, and services put in place by the Solomon Islands Government (SIG), exacerbating climate change vulnerability and disrupting progress on poverty**

¹⁰ Ministry of Health and Medical Services (2020). *Descriptive Health Core Indicator Report Solomon Islands 2019* (16 July 2020).

¹¹ Asian Development Bank (2015). *Solomon Islands Country Gender Assessment*.

¹² As above.

¹³ Secretariat of the Pacific Community (2009). *Solomon Islands Family Health and Safety Study*. Approximately two-thirds of women (between the ages of 15-49) reported having experienced physical or sexual abuse by an intimate partner, and more than one third of women (37 percent) report being sexually abused before the age of 15, often by a male acquaintance.

¹⁴ Australian Government Department of Foreign Affairs (2020). *Gender Equality Plan for Solomon Islands* (2020-2022).

¹⁵ World Bank (2018). *Gender Inclusive Value Chains: Improving Women's Participation in Solomon Islands*.

¹⁶ Pacific Women in Politics (2021).

¹⁷ Asian Development Bank (2015). *Solomon Islands Country Gender Assessment*.

¹⁸ <https://www.adb.org/sites/default/files/institutional-document/176812/sol-country-gender-assessment.pdf>

¹⁹ <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/353911538724168885/gender-inclusive-value-chains-improving-women-s-participation-in-solomon-islands>

²⁰ Asian Development Bank (2020). *Enhancing Women-Focused Investments in Climate and Disaster Resilience*.



reduction with demand for services and food security in rural areas increasing.²¹ Up until December 2021, health risks were reasonably well contained but the economic impact has been significant. SIG's GDP for 2020 contracted by 4.3 percent (SIG 2020). This compares to the 2.5 percent growth using a pre-pandemic baseline. The economic contraction reflects a decline in log and fish output, delays in infrastructure projects, and impacts related to the ongoing travel ban and physical distancing measures affecting the services sectors, resulting in hardships for the poor and other marginalized groups, whose already disproportionately high levels of vulnerability to climate-related shocks and stresses are further exacerbated (unemployed youth, women, elderly, indigenous peoples, disabled and residents of urban settlements). SIG's economic stimulus package amounted to SBD 309 million (US\$ 36.6 million) and focused on propping up primary production sectors (agriculture and fisheries). This included an SBD5 million (US\$ 600,000) injection into SolTuna to continue production and sustain employees.²² However, the economic slowdown has led to further increases in unemployment as businesses lost capacity to produce, transport goods and provide services to consumers whose purchasing power had declined. For rural areas, two of the biggest changes to date have been an increased circulation of people—those who moved out of Honiara and back to the provinces, putting pressure on service delivery in rural communities—and reduced cash flow impacting food trade.²³ Apart from cash crop harvesting, agriculture activities have been temporarily suspended or delayed, with food security issues increasing due to supply chains being disrupted.²⁴ Poor communities and households will continue to bear a major share of the economic costs as incomes dry up, and access to healthcare, childcare, and services decline from an already low level. In January 2022, community transmission was reported and lock down orders imposed in Honiara.²⁵ From January 3, 2020 to May 5, 2022, there have been 15,881 confirmed cases of COVID-19 with 141 deaths. Whilst the lockdown orders have been lifted in Honiara, a curfew remains in place, and SIG has encouraged public servants to work from home until further notice and food security remains a risk with the transport systems and markets constrained. SIG is also boosting Provincial Health Centers with medical supplies in response to COVID-19 as cases continue to increase in various provinces. Preliminary findings from the Central Bank of Solomon Islands (CBSI) estimated that the impact of the county-wide lockdown on the economy was around approximately SBD 25 million per day, with the output loss for Honiara alone, estimated at around SBD 14 million per day.

B. Sectoral and Institutional Context

7. **Even at pre-pandemic levels, Solomon Islands faced major gaps in infrastructure and services across the country, especially at provincial and community levels in the rural areas, which have contributed to the country's institutional and social fragility.** Rates of access to clean water, roads, and basic education and health services remain low, even in areas close to Honiara, but especially in rural areas and more remote islands. In many of the outer islands, less than five percent have access to electricity. 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.²⁶ The availability of services exist to varying degrees and at varying levels of quality. As outlined in recent surveys,²⁷ Solomon Islanders living outside Honiara are much less aware of SIG's socio-

²¹ World Bank (2021), *Solomon Islands High Frequency Phone Survey on COVID-19: Results from Round 2*.

²² Solomon Islands Government, May 8, 2020. Solomon Islands Government Economic Stimulus package to address the impacts of the COVID-19 pandemic. Honiara: Solomon Islands Government.

²³ Eriksson H, Ride A, Boso D, Sukulu M, Batalofo M, Siota F and Gomese C. 2020. *Changes and adaptations in village food systems in Solomon Islands: A rapid appraisal during the early stages of the COVID-19 pandemic*. Penang, Malaysia: WorldFish. Program Report: 2020-22.

²⁴ World Bank (2020), *Solomon Islands High Frequency Phone Survey on COVID-19: Results from Round 1*.

²⁵ <https://solomons.gov.sb/wp-content/uploads/2022/01/Gaz-No.-1-Sup-No.-1-Monday-3rd-January-2022.pdf>

²⁶ Rural Development Program II Project Appraisal Document, October 22, 2014.

²⁷ Both the WB/UNICEF High Frequency Poverty Survey (forthcoming) and NDI/USAID Survey (2021) observed these.



economic support package for COVID-19, to say nothing of their ability to access such social protection measures.

8. The key sources of funding for capital investments and services involve a range of devolved and deconcentrated government arrangements or through partnerships with non-state authorities. Some functions are devolved to Provincial Governments (PGs) under the Provincial Government Act of 1981 and 1997; others—in particular, sectors—are transferred to particular PGs through agreements with relevant line ministries. In many sectors, national line ministries retain responsibility for the services but their deconcentrated staff work under sectoral directors supervised by the heads of provincial administrations, who are in turn answerable to Provincial Assemblies. The resultant complicated patchwork of responsibilities and resource allocations makes accountability for service delivery difficult to achieve, in turn, reducing the potential effectiveness of representative structures at both provincial and national level. At national level, this is due to political economy dynamics that do not provide elected representatives with the incentive to invest in service delivery through the public administration, but instead to channel public resources directly to their support bases through a parallel system of Rural Constituency Development Funds (RCDFs). Over time, the RCDFs resources have grown as a share of the budget, to now be the second highest in the world behind PNG. Due to a lack of reliable options in the earlier years, donor and Non-Governmental Organization projects created arrangements to direct and spend funds in parallel to government programs, further exacerbating the fragmentation of service delivery and undermining prospects for government accountability to citizens. In many ways, national and provincial politicians are engaged in a contest over responsibilities, resources, and the ability to best access communities. The abolition in 1998 of what was then the third tier of government (Area Councils) left a significant vacuum in social order regulation, some aspects of economic regulation (particularly logging), and the broader connection between communities and the state. The consequences of this vacuum were evident in the subsequent ethnic tensions (which the abolition of Area Councils was one contributing factor to), and the unconstrained rise of logging with deleterious implications for social cohesion, gender relations, the environment, and political integrity.

9. According to SIG's National Development Strategy (NDS) 2016–2035, achieving sustained and inclusive economic growth and development, poverty alleviation, climate and disaster resilience, stable good governance, gender equality and improved access to service delivery are key priorities for the country. SIG is prioritizing investments in large scale economic infrastructure, including transport, energy, telecommunications, agriculture, and utilities, aimed at promoting economic development, increased productivity, and employment. While these investments are expected to yield a positive economic dividend for the economy, they have been delayed due to COVID-19 and will only bear fruit if community level obstacles to access these services are also addressed (i.e., the 'last mile'). However, household incomes are insufficient to finance the construction of small-scale infrastructure and improve protection against climate change and extreme events due to the excessive cost of operating in highly dispersed island communities. Except for locations that show tourism potential, there is no private sector interest in providing such services. Therefore, communities need the public sector to provide or supplement financing and build capacity to construct, operate, and maintain these investments. In the meantime, rates of access to clean water, roads, and basic education and health services remain low, especially in rural areas and more remote islands.

10. Climate change is impacting climatological and hydro-meteorological trends, compounding the negative effects of climate and geo-hazards on communities and their livelihoods. Annual surface temperature for the western, central, and eastern regions of Solomon Islands have increased during the last 30 to 50 years and general trends show that in the central region there was a decrease in rainfall and a slight increase for the western and eastern regions in the past 30-50 years.²⁸ An increasing number of people in rural communities, where of most of the population resides, are struggling to

²⁸[https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Solomon%20Islands%20First/NDC%20Report%202021%20Final%20Solomon%20Islands%20\(1\).pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Solomon%20Islands%20First/NDC%20Report%202021%20Final%20Solomon%20Islands%20(1).pdf)



manage and cope with the negative effects of climate change. Extreme weather conditions such as intense tropical cyclones, heavy rainfall, extreme high tides exacerbated by sea level rise²⁹ and prolonged periods of drought have affected food production, water supply systems and livestock production systems, which are critical for community livelihoods and wellbeing, causing significant damage to economic and social infrastructure, such as roads, bridges as well as hampering the delivery of critical services provided by clinics and schools etc.³⁰ A growing population living on low lying islands or coastal areas are also struggling to cope with abnormally high tides and intensifying storm surges which have decimated their livelihood systems and water quality.³¹

11. Solomon Islands Climate Change Policy (2012) identifies the following projected trends in climate conditions by 2055: (i) daily temperatures will increase from by 0.7-1.5 degrees centigrade; (ii) sea level will rise by 10-26 centimeters; (iii) extreme weather events, including cyclones³² and storms, will increase in intensity; (iv) dry periods will last longer; (v) extreme rainfall will be more frequent and intense; and (vii) ocean acidification will continue to increase and affect the health of reefs. The Climate and Risk Screening Report for the Project shows the following similar trends for the year 2059.³³ New global climate projections from the Intergovernmental Panel on Climate Change Sixth Assessment report (2021) reported a higher rate of warming for the 2010-2020 period compared to past projections making climate trends irreversible until the mid-century even if the global target to keep warming below 1.5° centigrade is achieved. With the new climate data, the projections under both the low and high emissions scenarios for 2030 have been exceeded and will highly likely exceed the 2055 projections by 2030s. With this climate trend, sea level will continue to rise by between 4-14cm under a high emission scenario by 2030 and 20-26cm by 2050, leading to coastal inundation and loss of land; and ocean acidification will continue to rise under all three emissions scenarios. For tropical cyclones, although projections show a decrease in the frequency by end of the 21st century, the proportion of more intense and severe storms will increase, and the average maximum wind speed will increase by between 2 and 11 percent with an increase (20 percent) rainfall intensity within 100 km of the cyclone center. Although seasonal rainfall varies from year to year, climate change effects on the El-Nino Southern Oscillation is expected to exacerbate El-Nino and La-Nina events, causing severe and prolonged droughts during dry seasons impacting water security of the rural communities and bringing extreme rainfall during wet seasons leading to severe flooding and damages to infrastructure and livelihoods. The effects are profound given the country's high exposure and vulnerability due to the low elevation of its islands, its climate sensitive ecosystems and natural resources and limited levels of resilience and adaptive capacity.³⁴ See ANNEX 5 for more details.

12. The Ministry of Environment, Climate Change, Disaster Management and Meteorology (MECDM) has the

²⁹ Study using time series aerial and satellite imagery from 1947 to 2014 of 33 islands (focused on Isabel and Roviana) identified five reef islands on the north coast of Isabel that had disappeared and a further six islands off Isabel which had experienced severe shoreline recession (Albert et al. 2014). Since 1993, sea level rose by 7-10mm per year, almost 3 times above the global average (Albert S. University of Queensland, 2019)

³⁰ Increasing climate variability and climate change have caused damages and reduce the lifespan of infrastructure, especially those located in areas exposed to strong winds during tropical cyclones and flooding during heavy rainfall. Soil run offs also reduces the lifespan of the infrastructure as well as corruptions caused by high water and air temperature. Lack of infrastructure have already affected the ability of PGs to deliver services to rural communities, a challenge that is further exacerbated by the negative effects of climate change on existing small and vulnerable infrastructure.

³¹ Since 1935 sea level rise have led to the relocation of Nuatambu Village in Choiseul Province and Mararo Village in Eastern Malaita (Albert et al. 2016; <https://par.nsf.gov/servlets/purl/10074112>). Some communities in low lying atolls of the Reef Islands and Java have also relocated due the threat of climate change (Birk and Rasmussen, 2014: Birk, T. and K. Rasmussen. 2014. Migration from atolls as climate change adaptation: Current practices, barriers and options in Solomon Islands)

³² Cyclones are expected to be more severe with windspeed of 99-130mph (category 4) and at least 157mph (category 5). These wind speeds are expected to increase by 2 to 11 percent by 2100.

³³ The mean temperature will increase by 1.24°C, with a similar projected rate of warming for all seasons; the number of heatwaves will increase by 31 to 80 percent, while the number of cold surges will decrease by 2 percent; there will be a substantial increase in the frequency of days and nights that are considered 'hot' and decrease in the number of days and nights considered 'cold'; and (iv) rainfall will increase by 59.25 millimeters.

³⁴ Alexandre K. Magnan et al. (2020) Special Report on Ocean and Cryosphere in Changing Climate, Intergovernmental Panel on Climate Change.



national mandate to coordinate and establish the policy framework to guide and implement climate change adaptation and mitigation activities in Solomon Islands. Its broader mandate includes overseeing sustainable environment management, disaster risk management and meteorological services. It is organized into four divisions: Environment and Conservation; Climate Change, Disaster Management and Meteorology. The divisions are established separately under various legislations³⁵ and were gradually brought under one ministry between 2007 and 2010, and later the creation of the Climate Change Division. The arrangement is part of SIG's broader institutional and policy reforms to improve coordination and take an integrated multi-hazard approach towards building resilience and to meet its obligations under the various international treaties that Solomon Islands is a party to.³⁶ MECDM decentralizes its services through its provincial disaster and meteorology offices. However, limited staffing and technical capacities coupled with policy gaps and financial constraints continue to pose a challenge for MECDM to execute its core functions and respond to the resilience needs of both urban and rural communities.

13. To address infrastructure service delivery gaps at the provincial level, SIG established the Provincial Capacity Development Fund (PCDF) under the Provincial Governance Strengthening Program (PGSP), implemented by the Ministry of Provincial Government and Institutional Strengthening (MPGIS). MPGIS is responsible for Solomon Islands' nine PGs.³⁷ The PCDF was initially funded by SIG (50 percent and the remaining by European Union). Subsequently, additional funding was provided by a range of donors.³⁸ PCDF aims at developing the capacity of the provincial system of governance and public administration to improve service delivery and promote local development focusing initially on public expenditure management systems and public financial management. The stated objectives of the PCDF are to: (i) promote and stimulate PG public financial (PFM) or expenditure management (PEM) systems, procedures and practices by enhancing the PG incentives to improve performance; (ii) provide funds for investments in needed infrastructure and service delivery within the core mandatory PG functions; and (iii) Improve provincial capacity in PFM/PEM and good governance and accountability.³⁹ It is aligned with the NDS 2016-2035 (and Medium-Term Development Plan (MDTP), 2017-2021, which includes the PGSP under Medium-Term Strategy 12). PCDF commenced operation in 2008/09 and is now mainstreamed into SIG's budget process with funds appropriated to MPGIS recurrent and capital budget. Before the funds are transferred, the qualifying PGs are required to budget and appropriate the funds in accordance with the Provincial Government Act 1997, Section 34 and section 36. Only when the funds are appropriated by their respective assemblies, the Central Bank releases the funds in two tranches of 60:40 percent to qualifying provinces. Support to the PCDF is small relative to national SIG expenditure (approximately 1 percent) and is much smaller than RCDF (10-25 percent of the size, depending on the year). It is, however, a very significant part of PG spending, representing 25-33 percent of provincial expenditure and 85-98 percent of provincial capital expenditure. Upon authorization from Ministry of Finance and Treasury (MOFT), grants are subsequently released into the PG-level PCDF accounts. MOFT releases funds based on the approval of PGSP Joint Oversight Committee.

14. PCDF is a performance-based grant system of inter-governmental financing for service delivery and small and medium-scale infrastructure provision. The average PCDF and Fixed Service Grant (FSG) transfers to the nine provinces

³⁵ The Environment Act of 1998 establishes the Environment and Conservation, Disaster Management Office and Meteorology Division are formally established respectively through; The Environment Act of 1998, the Meteorology Act of 1995 and the National Disaster Council Act of 1989

³⁶ See paragraph 3, Annex 5 of the PAD for the different international treaties that SIG is a signatory to.

³⁷ MPGIS draws this administrative mandate from the Legal Notice 165 of February 2007 and the Provincial Government Act 1997.

³⁸ United Nations Development Program (UNDP), UN Capital Development Fund (UNCDF), RAMSI and EU.

³⁹ The current PCDF Minimum Conditions mainly focus on PFM, Procurement and Accountability aspects. They are largely consistent with the IDA's financial management and procurement requirements and but may need to be strengthened in some areas. However, the 10th Condition specifically addresses 'Participatory Planning,' which is an important principle underlying the Project's design. Additionally, the PDO and associated indicators are closely aligned with new Performance Measures used in the PCDF such as: 'Gender analysis and gender balance;' 'Resilience built into infrastructure;' 'Climate Change & Risk Reduction;' and 'Support to Ward Development Committees.'



for the past six years comprises about 2.65 percent of the national budget. Funds are used for capital expenditure on new assets and the upgrading of existing ones (of both social and economic infrastructure) as well as for investment servicing costs.⁴⁰ To date, some 1,306 subprojects (creating over 7,000 jobs in the communities) have been implemented with a total value of approximately SBD 271 million (US\$33 million). The average value of subprojects is approximately SBD 210,000. Investments to date, have been heavily oriented towards higher value sector projects and the largest share of subprojects consist of education followed by administrative buildings and health. PCDF expenditure on education to date totals SBD 84 million (260 projects), health expenditure is SBD 34 million (119 projects) and productive sectors like agriculture, fisheries and small scale local economic development activities had expenditure of SBD 25 million (88 projects) whilst water, sanitation and waste management expenditure is to the tune of SBD 19 million (468 projects).⁴¹ PG access to the PCDF grant each year is dependent on compliance with each of the minimum conditions for PCDF,⁴² and triggers for release,⁴³ which have been continually refined and adjusted overtime. In addition, PGs are assessed annually against a set of performance measures, covering various aspects of planning, procurement, financial management, human resource management, transparency, governance, and accountability. Their performance on these annual assessments determines their share of the performance component of the PCDF grant for the following year. The performance component accounts for 70 percent of PCDF funds (with a basic criteria accounting for the other 30 percent).⁴⁴ Initially funds are allocated on 40:60 basis where 40 percent is divided equally amongst the nine PGs and the 60 percent is allocated based on population factor. The fixed allocation of 40 percent takes into the remoteness, cost of service delivery and distance from Honiara etc.

15. While certain areas of audit, accounting and internal controls of PGs require improvement, PCDF, overall, has performed reasonably well as a PFM and expenditure system. Improvements have been made to the PFM systems of the nine provinces compared to the baseline situation of 2007 before PCDF was officially launched. Prior to it, the PGs from 1993-2008 only produced two Financial Statements out of the 135 Financial Statements required (1.5 percent). Out of SBD 222 million disbursed by the SIG during this period, the PGs were able to account for only SBD 14 million. The PGs could not produce credible budgets, had no proper planning processes and they lacked the ability to procure goods and services. Provinces were in a vicious circle of limited capacity, limited functions, and limited resources and few staff with limited capacity. With the establishment of PGSP and the provision of PCDF resources, all provinces have produced Financial Statements on or before the PGA deadline of December 31st, and the sum of SBD 271 million disbursed to the nine provinces have all been reported and audited. Through the continuous capacity building process, provinces have been able to plan, design, procure and implement infrastructure projects. The nine provinces are now producing their Financial Statements using International Public Sector Accounting Standards (IPSAS) Cash Basis. Within 10 years, some provinces have started to have unqualified and qualified audit reports (Isabel, Central, Choiseul and Western) whilst others are making efforts to reduce their audit queries. That said, the disclaimed audit opinions that the other five provinces continue to receive signal the considerable work yet to be done, and concerns have remained about the transparency of provincial prioritization processes for PCDF investments, with no requirement for citizen engagement or to screen investments for climate and disaster risk and incorporate climate resilience measures in the prioritization process until

⁴⁰ Investment Servicing Costs. E.g., For planning, appraisal, costing, M&E as part of the capital expenditures as it is an integrated package related to each investment.

⁴¹ To compare, as of December 2019, RDP II has completed more than 600 subprojects (200 more are expected to be completed by 2021) and the average value of subprojects is approximately SI\$200,000. The largest share of investments includes Water Supply (49 percent) comprising wells, rainwater tanks, boreholes, gravity-fed and piped water systems; Education (21 percent) comprising classrooms, libraries, youth centers, and teacher housing; Community halls (16 percent); Health (5 percent) comprising clinics, aid posts, staff housing; Other (9 percent) including solar charging stations, internet access points, high frequency radio facilities, and cyclone shelters.

⁴² Within areas such as planning, PFM, staffing etc. See Annex 4 for details.

⁴³ Typically, in areas such as planning, reporting, and use of funds. See Annex 4 for details.

⁴⁴ See Annex 4 for details.



now. In addition, a key factor for PG performance is the limitation of a predictable level of financing for PCDF, which has been further impacted by budget constraints and COVID-19 as SIG redirects financing elsewhere.

16. PGs are now seeking to strengthen connections with communities through Ward Development Committees (WDCs), which will play a key role in engaging with communities and supporting the provision of climate resilient infrastructure and services. For decades, the communities have often been side-lined in provincial level development planning and local development management decision making to the extent that it almost erodes the ties between the communities and their representatives in the PGs. Communities felt that they were not part of the main decision-making process though they support the development projects being undertaken by the provinces in their communities. In accordance with MPGIS' recently approved *Policy Blueprint on Participatory Planning and Ward Development Committees for Provinces*, ('Policy Blueprint,' April 2020), and the experience of the Rural Development Project II (RDP II, P149282) in strengthening Ward-level structures, there are moves by MPGIS to institutionalize WDCs and provide additional resources, including personnel at each of the Wards. The Policy Blueprint provides the basis for the entire community living in a Ward to participate in the planning and decision-making process for local development and provincial level planning, and to build the capacity of communities and PGs to undertake participatory climate risk assessments as part of the process for identifying investment priorities. It is implemented by the PGs through WDCs that are responsible for preparing three-year rolling plans and Annual Work Plans that feed into the PG's development planning and budgeting.⁴⁵ WDCs have established their own bank accounts, have been made responsible for aggregating and channeling community demands for services and infrastructure to PGs, and will oversee small Ward Development Grants based on Ward-level plans. The Executive Committee of the WDCs cannot include the elected members of the provincial assemblies. The WDC members themselves select their own chairpersons and signatories to the accounts. However, there is a lack of qualified and capable personnel at the PG and Ward levels to support key functions. This has represented a key constraint to facilitating effective citizen engagement, and the inclusion of vulnerable segments (women, youth and the disabled) in the development and resilience planning and prioritization of investments and service delivery outcomes at the community level. So far, MPGIS has recruited 54 qualified advisors (9), engineers 18 (2/PG) and accounting specialists (9), Procurement Specialists ((9), Planning Specialists (9), Provincial Capacity Development Advisors (9) to support the PGs and to strengthen the WDCs in terms of capacity building. Recently it has supported the PGs to recruit 9 Provincial Public Accounts Secretaries (all with accounting background) to support PACs. These 63 officers are in addition to the 45 core officers seconded to the PGs by the Ministry of Public Service through MPGIS. In total there are 108 qualified officers currently based in nine provinces. this figure excludes those recruited directly by the PGs are per section 19 of the PGA 1997.

17. The proposed Project will support SIG to operationalize its Policy Blueprint on the WDCs (2020), CCP (2012),⁴⁶ and medium-term measures outlined its fiscal stimulus package.⁴⁷ The Project will stimulate inclusive growth and support the resilience to the current and future impacts of climate change and economic recovery of rural communities and address SIG's longer-term objective of strengthening and improving the reach and accountability of central agencies and PGs to local communities through the PCDF. Expected areas of reform include: (i) the delivery of climate resilient investments in core economic and social sectors at provincial and Ward levels, promoting inclusive and sustainable growth; (ii) improving participatory and climate science-informed planning, inclusion and related social accountability measures under the PCDF, strengthening the linkages between the PGs and communities at the Ward level; and (iii) mainstreaming climate and disaster risk planning in the PCDF, and increasing the focus on specific climate adaptation

⁴⁵ Ward development priorities are funded through three streams of funding: Fixed Service Grants, Provincial Capacity Development Fund and Own Source Revenue.

⁴⁶ Solomon Islands Climate Change Policy 2012-2017, Ministry of Environment, Climate Change, Disaster Management and Meteorology, 2012.

⁴⁷ Solomon Islands Government, 2020. Solomon Islands Government Economic Stimulus package to address the impacts of the COVID-19 pandemic. Honiara: Solomon Islands Government.



infrastructure at provincial and Ward level, which would reduce communities' exposure and vulnerability to climate change and build their adaptive capacity, and contribute to mitigation, where possible. SIG and IDA have financed a range of rural development programs that have established a foundation for the proposed Project, including RDP II,⁴⁸ Community Resilience to Climate and Disaster Risk Project (CRISP [P112613])⁴⁹ and Community Governance and Grievance Management Project (CGGM [P147005]).⁵⁰ The Project would aim to consolidate and build on a range of core functions and strengths developed under these projects and complement the Agriculture and Rural Transformation Project (ART [P173043]).

C. Relevance to Higher Level Objectives

18. **The Project is consistent with the World Bank Group's Country Partnership Framework (CPF) for Solomon Islands for FY2018–2023 (Report 122600), supporting the CPF's key three areas:** (i) strengthening the foundations of well-being; (ii) promoting inclusive and sustainable growth; and (iii) managing uneven development. The Project will support the second and third areas of engagement and IDA's COVID-19 strategy for 'Saving Lives and Livelihoods while Supporting Green, Resilient and Inclusive Development.' Specifically, two pillars (protecting the poor by improving economic opportunities for the rural poor and securing foundations of the economy through infrastructure and social services development). It also supports IDA-19 priorities in the areas of governance and institutions, gender and climate change—all of which underscore key drivers of vulnerability related to the climate-Fragility Conflict and Violence (FCV) nexus, which have shaped the country's institutional and social fragility.

19. **Promoting inclusive economic growth in rural areas, reducing the impacts of climate change and environmental hazards, keeping the economy afloat, and accelerating recovery are among key priorities for SIG.** The theme of SIG's 2021 Budget is 'Towards a Path to Economic Recovery: Advancing Growth and Service Delivery Through Better Partnerships.' The Project will complement the priorities and actions specified in SIG's Democratic Coalition Government for Advancement ("DCGA") Policy Redirection,⁵¹ which lays out plans to address constraints to growth and prioritizes investments in the productive and resource sectors. In accordance with the DCGA Policy, the Project will focus on: (i) Strengthening SIG's COVID-19 response and mitigation strategy [5.1.2 (e)] by improving the delivery of essential services and cushioning the effects of the pandemic on the local economy and vulnerable populations; and (ii) Promoting investment in strategic economic infrastructure to support growth and development [5.1.5 (e)]. In addition, SIG's CCP identifies the multidimensional effects of climate change and requires the integration of climate risk management in all sectors, particularly in agriculture, infrastructure, and rural development.⁵² In 2018, SIG approved the revised National Disaster Management (NDM) Plan, under the National Disaster Council Act of 1989 to address the management of disasters. The NDM Plan focuses on building the country's capacity to prepare and respond to natural hazards, including health emergencies such as COVID-19. SIG's strategy to address climate change and natural disasters is outlined in its CCP, the NDC 2021, National Disaster Risk Management Plan (NDRMP) of 2018, the National Adaptation Plan of Action (NAPA) of 2008 and the National Energy Policy 2014. These policies are reflected in the NDS 2016-2035 and are aligned with the 2017 National Communications to the UNFCCC and regional framework for Resilient Development in the Pacific 2017—

⁴⁸ Scheduled to close in February 2022.

⁴⁹ Closed in May 2020.

⁵⁰ Closed in June 2021.

⁵¹ *Draft Democratic Coalition Government for Advancement Policy Redirection, Policy Statements & Matrix, January 2021.*

⁵² In March 2013, SIG concluded that an Integrated National Framework (INaF) would be developed to support mainstreaming of resilience across sectors, and that MECDM and the Ministry of National Planning and Development Coordination (MNPDC, formerly MDPAC) will take the lead in developing this framework.



2030 (FRDP),⁵³ which SIG has adopted.

20. **The Project is aligned with Objectives 1, 2 and 3 of the Least Developed Countries Fund (LDCF) strategy**, which are to '*reduce vulnerability and increase resilience through innovative and technology transfer for climate change adaptation,' 'mainstream climate change adaptation and resilience for systematic impact' and 'foster enabling conditions for effective and integrated climate change adaptation.'* Specifically, it will finance Climate Change Adaptation (CCA) and disaster resilience investments; augment SIG's planning and risk management capacities at the subnational level; raise awareness of current and future climate impacts and risks; mainstream climate and disaster risk reduction into the PCDF's planning process; and implement a minimum set of construction standards for climate and disaster resilience of infrastructure in accordance with existing standards already adopted in key sectors. Priority climate change adaptation and risk reduction (CCARR) interventions in the CCP to be financed by the Project, will include, *inter alia*: supporting SIG and the PGs to review sector strategy programs and strategies to include climate adaptation and disaster risk reduction measures; building the capacity to plan, and implement adaptation programs and undertake participatory climate risk assessments. The type of CCARR investments that are likely to be supported by the Project and financed by IDA and the LDCF includes: water supply systems, coastal protection sea walls, run-off drainage systems and solar power systems in addition to the implementation of climate smart economic and social infrastructure. The PCDF investment menu will be amended to ensure that PGs prioritize climate adaptation measures, and at the local level, Ward Development Plans will be informed by participatory climate risk assessments, made available by the Project through the provision of additional technical assistance and resources provided in Subcomponent 2(b). Details are contained in ANNEX 5.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

To increase access to economic and social infrastructure in rural wards, deliver climate and disaster resilience actions and enhance Provincial Governments' accountability to citizens.

PDO Level Indicators

21. **The performance of the project will be measured by a set of indicators contained in the Results Framework.** Key Project Development Objective (PDO) and Intermediate Results Indicators (IRI)s will be disaggregated by gender.⁵⁴ Indicators tracking achievement of the PDO are:

- a. Percentage of beneficiaries reporting increased access to economic or social infrastructure (of which are female, of which are youth);
- b. Percentage of investments focused on climate change adaptation or disaster resilience;⁵⁵ and

⁵³ The FRDP 2017-2030 is a regional framework which provides guidance and support for building resilience to climate change and disasters in an integrated approach in the Pacific Island region and a framework for the Pacific Resilience Partnership.

⁵⁴ The MIS will disaggregate all results by gender for analysis but for the Results Framework will only disaggregate select indicators.

⁵⁵ LDCF requires that at least 50 percent of the LDCF's US\$4.57 million grant (approximately US\$2.25 million) is used on disaster and/or CCA investments. On average between 2008/09-2020/21, approximately 1.1 percent of PCDF grants have been used for environment or climate change investments (source: *PGSP and PCDF presentation material*). The Project's target will improve on this. This indicator will measure the PGs' resilience



- c. Percentage of beneficiaries that report that project investments reflected their needs (of which are female, of which are youth).
- d. Number of Provincial Governments achieving increased Accountability Score.⁵⁶

B. Project Components

22. **The Project will be designed as an Investment Project Financing (IPF) operation in the amount of approximately US\$19 million, of which US\$13 million (SDR 9.5 million) will be Grants and US\$6 million (SDR 4.4 million) Credit, with an additional grant of US\$4.57 million from the LDCF.**⁵⁷ LDCF resources, will be distributed across components 1 and 2 to finance climate and disaster resilience outcomes and strengthen the climate resilience and adaptation of communities.⁵⁸

23. **The Project will be implemented over a five-year period from 2022-2027, supporting four PCDF performance-grant cycles.**⁵⁹ MPGIS and MECDM will serve as the Implementing Agencies. The Project will operate in accordance with the Project Operations Manual (POM), which will incorporate the relevant institutional arrangements and requirements of the existing PCDF Operational Manual.

24. **The Project will focus on two primary areas.** First, providing grants to the PGs on an annual basis to finance a range of economic and social infrastructure at provincial and Ward level in accordance with the PCDF procedures and cycle; and Second, improving the capacity of subnational entities at the PG and Ward levels to support economic development and climate change adaptation, mainstream climate and disaster resilient measures into Ward development planning and the design of investments,⁶⁰ and support the development of an integrated bottom-up planning process to execute climate science and community-informed planning of subprojects. The Project will help SIG to implement its Policy Blueprint, by building PG capacity to better manage Ward Development Grant and support the implementation of PCDF resources to respond to community-level demands and reduce climate and disaster risks and support adaptation, in a systematic, sustainable, and accountable way. This will impact all PCDF resources and investments, and not only IDA and LDCF-financed investments. While fiscal transfers to the provinces have increased over time, the PGs need additional resources and mechanisms to undertake participatory climate risk assessments and to consolidate and prioritize local needs, and the adequate administrative and technical capacity to monitor, account and report on the resources that are used to meet these needs as well as deliver outputs and outcomes. *In addition, the Project will seek to promote the engagement of women and other vulnerable groups through improved voice and agency, in the planning, prioritization, design, implementation and evaluation of subprojects.*⁶¹ This is required so that both men and women can contribute to

focus and is aligned with community resilience aspect of the PDO. Mainstreaming of CCA and DRM into sectoral plans is a critical strategy outlined in the national framework for CC and DRM which is also reflected in both MPGIS and MECDM's Corporate Plans. The strategy promotes greater mainstreaming of climate and disaster risk into sectoral planning as well as construction standard designs of investments to make them resilient against impacts of climate change and natural hazards. This indicator is also well aligned with the GEF LDCF Objective Co-indicator 11.

⁵⁶ A composite score comprising PG performance on: (a) the new minimum condition on audit [MC#6]; and (b) key minimum conditions and performance measures corresponding to the additional social accountability mechanisms being implemented with support from the Project, appropriately revised following technical assistance from IDA – provisionally consisting of a revised minimum condition on Public Accounts Committee follow-up actions [MC#7], a revised minimum condition on participatory planning [MC#9], a revised performance measure on gender inclusion in project workplans [PM#1.5] and a revised performance measure on community monitoring [PM#6.5].

⁵⁷ LDCF allocation is subject to confirmation and approval. LDCF resources will be pooled together with the IDA resources. The final amount to be confirmed with approved GFR.

⁵⁸ LDCF normally requires that at least 50 percent of the LDCF grant is used to support on-the-ground adaptation measures or investments.

⁵⁹ Sub-projects supported by PCDF grants need to be completed prior to the closing date of the project and any unutilized sub-grant funds will need to be refunded back to IDA.

⁶⁰ This will be done in collaboration with LoCAL supported by UNCDF and other programs focusing on local level disaster risk and CCA.

⁶¹ This also represents one of the four main pillars under the Bank's Gender Strategy FY16-23.



inclusive and climate resilient socioeconomic development, and their implementation should also be based on a robust understanding of climate and disaster risk.

25. While MPGIS and MECDM will be responsible for coordinating Project implementation, the bulk of IDA and LDCF resources will be invested at the Provincial and Ward levels. The funding will represent a 75 percent increase in both investment and, in particular, technical resources for the PCDF and WDCs. IDA's value proposition would not just be in the provision of resources to finance the expansion of the PCDF but in developing PG capacity to increase economic development, mainstream disaster and climate resilience across the PCDF and oversee the provision of investment and other technical resources at the Provincial and Ward levels. IDA will support SIG to ensure that Ward priorities are informed by community demands, which is now going to be a requirement under PCDF, and to strengthen social accountability in the investment cycle. Processes to ensure that newly constituted WDCs can effectively aggregate and prioritize community demands in an inclusive manner need to be built, which IDA is well-placed to assist with. The prioritization of investments will be coordinated by Wards and decided by PGs following PCDF procedures. This approach is consistent with the way the PCDF is now going to be implemented following SIG's Policy Blueprint (2020) and CCP (2012).⁶² Implementation of these policies represent a significant step forward from the way the PCDF has been operating, by developing the implementation structure, capacity, and engagement mechanisms between the Provincial Governments (PGs), Wards and communities. Given the prohibitive cost of village development committees, the planning process will be at Ward and provincial level with the involvement of village representatives in each committee. The procedures and details of the planning processes at these two levels will be fine-tuned during preparation.

26. The Project will optimize the development impact of the PCDF in four areas:

- i. **Expand the scope, scale, and sustainability of the PCDF:** It will build on country systems, augmented as necessary for the execution of the grants and other requirements of the Project, as a key implementation modality, thereby upscaling and strengthening the sustainability and impact of the PCDF. It will also strengthen core features of PCDF, including monitoring and reporting and other performance outcomes (see below).
- ii. **Increase the focus on economic infrastructure:** It will support PGs with additional funding through the PCDF, and incentives in the investment menu as well as in performance measures to focus attention on core economic sectors. However, the Project will not finance private goods or livelihood activities as these types of interventions would require a different approach that is not currently supported under the PCDF, and SIG plans to support these types of activities under the ART project. Such activities will be specified in the negative list of the PCDF investment menu.
- iii. **Support the operationalization of SIG's Policy Blueprint and strengthening community input into the PCDF and related accountability activities:** It will strengthen linkages between communities, Wards and PGs by incorporating participatory and climate science-informed planning approaches,⁶³ and social accountability measures at the Ward-level and scale up the impact of the PCDF through the provision of additional resources (personnel and training) that are intended to strengthen both the capacity of the PGs and WDCs.
- iv. **Leverage the LDCF to mainstream SIG's CCP into the PCDF and support climate and disaster resilience**

⁶² The CCP is currently under review and SIG confirmed that the approach will remain consistent with the revised policy.

⁶³ Participatory planning is a widely accepted concept of planning that involves the entire community in the planning and decision-making processes at the community level. It is a process where the community level plans are fed into the provincial level planning where you also have integrated planning involving sectors and other key players.



measures: It will increase PG and community awareness of climate change issues, mainstream participatory disaster and climate risk planning processes into the PCDF's investment cycle and integrate disaster preparedness and response planning into Ward development planning activities,⁶⁴ improving communities' adaptative capacity to climate change and disaster risks and reducing their overall exposure and vulnerability.

27. **The Project will have three components:** Component 1: Performance-Based Grants; Component 2: Support to Subnational Entities, of which there are two subcomponents: Subcomponent 2(a): Improving Frontline Services; and 2 (b): Building Resilient Communities; and Component 3: Project Management. Table 1 provides a summary of the Project's components and financing sources.

28. **Component 1: Performance-Based Grants (PBGs, US\$10.40 million)**⁶⁵ will be implemented by MPGIS in coordination with MECDM and the PGs. IDA and LDCF will jointly finance PBGs over four annual cycles,⁶⁶ in accordance with the POM, which reflects the institutional arrangements of the existing PCDF System. Through these PBGs, this component will deliver a range of economic and social infrastructure at provincial and Ward level, supporting market access and local economic development, human capital development, and community resilience to climate change and disaster risks.⁶⁷ PG access to the PBGs each year will be dependent on their compliance with the minimum conditions of PCDF,⁶⁸ with the release of tranches within the year dependent on their compliance with the triggers of PCDF as set out in the PCDF Operational Procedures Manual.⁶⁹ The allocation of the PBGs among provinces will depend on a formula consisting of a basic allocation of 30 percent and a performance-based component (70 percent). The latter will be determined by the annual performance of PGs against a set of performance measures covering various aspects of planning including performance measures around use of a climate risk assessment approach, procurement, FM, human resource management, transparency, governance, and accountability. By working through PCDF, IDA and LDCF financing will reinforce and leverage a well-functioning country system that has a track record of delivering good quality infrastructure, providing capacity building support and incentivizing improved governance at provincial level. The Project will strengthen the existing PBG mechanism in line with good practice by improving the adequacy, predictability, and reliability of the overall resources for PCDF and the resources for the PGSP that maintains and improves the institutional framework for PCDF over time. This will occur through the IDA and LDCF financing under Component 1 and a Legal Covenant for SIG to provide recurrent funds to PGSP annually in a timely manner,⁷⁰ which will ensure that sufficient counterpart funds are committed to ensure the financial sustainability of the PCDF. The Project's funding will increase PCDF resources by about

⁶⁴ Integrating disaster preparedness and response planning into the Ward Development Planning activities will optimize the use of the limited funding and technical resources available and will help SIG mainstream disaster risk management activities at the ward level to strengthen the focus of the PCDF's program on resilience. This aligns with the NDS 2016-2035 Objective Four: resilient and environmentally sustainable development with effective disaster risk management response and recovery and the revised NDM Plan 2018.

⁶⁵ It is expected that a minimum US\$6 million will be used on economic infrastructure.

⁶⁶ The Provincial Government's fiscal year starts from April 1-March 31 each year.

⁶⁷ At least 50 percent of the LDCF grant will be used to support on-the-ground adaptation measures or investments. See paragraph 31 for more information on how this component will contribute to increasing resilience to climate change.

⁶⁸ The 10 Minimum Conditions pertain to (i) core staffing (HR requirements), (ii) natural justice, (iii) PCDF account management, (iv) submission of financial statements for audit, (v) compliance with core PFM procedures and reporting, (vi) presentation of audit reports to the Provincial Assembly, (vii) funding for Public Accounts Committee meetings and follow-up, (viii) procurement compliance, (ix) participatory planning process compliance, and (x) economic infrastructure investment threshold and sector coordination. The 30/70 split of funds between basic and performance based allocation applies to PGs who comply with the Minimum Conditions. PGs that do not meet the Minimum Conditions are still provided with 20 percent of the PCDF allocation they would otherwise have received, which is held in trust, to encourage continued engagement and enable the completion of partially completed projects from the previous fiscal year.

⁶⁹ The triggers pertain to annual planning and budgeting, asset management, quarterly financial reporting, PCDF budget execution, eligibility of expenditure, management of imprests, management of PAYE tax and provident fund contributions, and PCDF account management. There are two tranches of PCDF disbursements (60 percent and 40 percent).

⁷⁰ Extract Conclusion C, 28 [2013] 4, dated 26/09/2013.



55 percent from their current level and enable around 159 additional PCDF projects to be implemented over the four annual cycles. While this is a significant increase, SIG financing for PCDF has been as high as this in previous years, and since then additional staffing capacity has been provided at provincial level in planning, engineering, procurement, and accounting, suggesting substantial absorptive capacity exists. Nonetheless, capacity limits may become binding, particularly if SIG's proposed increase in its PCDF financing and other donor programs working through PCDF proceed; under the other components, the Project's resources are targeted at mitigating these in critical areas. As well as this capacity building through other components, the Project will also strengthen the existing PCDF system at the outset of the Project through the reform of key aspects of its minimum conditions, triggers, and performance measures – for instance raising the bar on audit quality and integration of a climate risk assessment process. In addition, IDA will support the continuous improvement of PCDF through an independent evaluation of the Annual Performance Assessment (APA), which will be executed by IDA as part of its own supervision resources. The independent evaluation will both validate the integrity of the APA and provide a basis for recommendations to SIG to streamline and simplify PCDF's minimum conditions, triggers, and performance measures over time.

29. A key area of reform to PCDF, supported by the US\$6 million Credit, will be an increased emphasis placed on infrastructure that supports economic activity at provincial and Ward levels. This is to accord with SIG's objective of stimulating a greater level of economic activity in rural areas, supporting rural economies to recover from the impacts of COVID-19. To date, a small share of PCDF projects have focused on supporting economic activity. For instance, connective infrastructure and infrastructure supporting agricultural, fisheries, tourism and other income-generating activity has amounted to only 13 percent of PCDF spending historically. However, through the Project, the allocation of a minimum share of PCDF grants⁷¹ to economic infrastructure like feeder roads, bridges and culverts, pedestrian bridges and footpaths, jetties, storage facilities for markets for fisheries and agricultural produce, agro-processing infrastructure, and infrastructure to support tourism, will become a minimum condition of access to PCDF. Key economic sectors initially identified through the WDCs' three-year rolling plans and discussed with the nine Provincial Government Executives include Works and Transport (approximately 24 percent of total); Commerce and Investment (approximately 21 percent of total), Agriculture and Livestock (approximately 18 percent of total), and Water Supply and Sanitation (approximately 9 percent). Other critical infrastructure such as Health and Education facilities that contributes to human capital development, resilience to climate and disaster risks, and inclusive growth—which have made up 41.1 percent of PCDF spending historically—are also expected to remain an important focus area under PCDF— including the upgrading/rehabilitation of quarantine centers.

30. A second area of reform will be to improve participatory planning, inclusion, and related social accountability measures under the PCDF. Following the introduction of SIG's *Policy Blueprint*, MPGIS has worked with PGs to support the formation of WDCs in all Wards. The establishment and basic operation of participatory planning by WDCs is now a minimum condition of access to PCDF. In 2021, WDCs engaged in a participatory planning process to establish their priorities for PCDF projects, as well as for microprojects that PGs will fund and support WDCs to execute. Over the coming years, MPGIS and PGs will work through PCDF to progressively strengthen this participatory planning process, social inclusion of disadvantaged groups, in particular women and youth, and introduce related social accountability measures to increase the accountability of PGs and WDCs to citizens. IDA is providing technical assistance to SIG on the selection and design of these social accountability measures, which are proposed to include measures to strengthen disclosure and accountability at Ward level, increase social inclusion in project execution, and close the grant cycle accountability loop at provincial level. The implementation of these reforms will be financed by other components of the project and other SIG resources, but the PBGs will themselves play a critical role in this process—by financing the infrastructure prioritized according to a bottom-up, climate science-informed planning process and by rewarding PGs for various aspects of

⁷¹ The precise threshold is still under deliberation, but the indicative level is 42 percent.



participatory and climate science-informed planning and social accountability through the revised APA. Key aspects of the establishment and operations of WDCs are now a minimum condition for PCDF. Points in the performance assessment – and thereby additional PCDF resources – are now provided to PGs if the WDCs have met in all Wards during the year, and if at least 60 percent of PCDF projects approved by the Provincial Assembly were identified by WDCs. Points in the performance assessment are also provided if user/citizen surveys are conducted during the year, and if there is ready public access to provincial plans, budgets, annual financial statements, audit reports and PCDF project implementation details. Revisions to the performance measures will also be made to strengthen incentives for the additional social accountability and inclusion measures that this Project will support. For more details, see paragraphs 3-7 of ANNEX 1.

31. A third area of reform supported both by the IDA Credit, IDA Grant and LDCF grant, will be to strengthen the climate and disaster resilience of all PCDF investments and result in an increase in the number of climate adaptation infrastructure at provincial and Ward level.⁷² Rural communities are vulnerable to an array of climate and disaster risks, including sea level rise, coastal erosion, flooding, landslides, tsunamis, drought, severe heat, cyclones, earthquakes, and volcanos. Climate change impacts affect the operations and performance of infrastructure, and lead to a demand for climate proof designs and adaptation in management strategies. The Project's approach to climate science and risk informed planning, consolidating vulnerability assessments, screening tools and standard designs together with other core strengthening activities and increasing the average monetary allocation for each subproject through the IDA Grant by 15 percent (for a total estimated US\$1.35 million over the life of the Project) will allow for the integration of climate resilient design measures, resulting in improved design standards. This provision will encourage the prioritization of climate adaptation investments and ensure that *all* (IDA and LDCF funded) PCDF investments meet appropriate climate and disaster resilience standards and the mainstreaming of these activities that will support the longevity of all PCDF investments. Examples of climate 'smart' resilience measures that are aligned with the LDCF's strategy include the adoption of: (i) climate and disaster risk-informed infrastructure planning for multi-purpose use,⁷³ and (ii) resilient construction standards for school buildings, health clinics, markets and other facilities using weather-resistant materials that can withstand strong winds, heavy rainfall and severe heat and developing guidelines on the construction of drains and culverts to accommodate heavy precipitation. The vulnerability assessments together with improved integrated planning tools, a revised investment menu and new performance measures will inform and encourage a greater focus on specific climate adaptation infrastructure at provincial and Ward level.⁷⁴ E.g., tanks as integral components of facilities to provide water security, and the installation of solar panels⁷⁵ to increase use of sustainable energy. Climate adaptation investments, such as water supply, drainage systems, seawalls, bridges, and solar energy have made up less than eight percent of PCDF spending historically. However, through the Project, CCA investments are expected to increase to at least 20 percent of the total number of subprojects financed,⁷⁶ which represents approximately US\$1.64 million of the total IDA allocation of US\$8.2 million for this component. For more details, see paragraphs 9-10 of ANNEX 1 and ANNEX 5.

32. In addition, the PCDF will benefit from the adoption of IDA's Environmental and Social Framework (ESF), which the SIG has indicated will be adopted for all PCDF investments.⁷⁷ Compliance with the Environmental and Social Standards (ESS), including an ineligible activity list are set out in the Environment and Social Management Framework

⁷² Scaled up by the LDCF. US\$2.2m of the LDCF Grant will finance approximately 34 CCA subprojects over the life of the Project.

⁷³ See paragraph 35 for examples.

⁷⁴ Apart from climate adaptation infrastructure, the climate awareness activities will also encourage and promote nature-based solutions through the PCDF programs. E.g., microplanting of mangrove trees to protect coastlines instead of constructing a sea wall, conservation of trees to reduce erosion

⁷⁵ Although solar panels are not considered to be core to the Project's design.

⁷⁶ Based on investments proposed in the three-year Ward Development Plans.

⁷⁷ The scope of IDA's supervision and fiduciary responsibilities will be limited to investments financed by the Project, tagged and monitored through the chart of accounts. Other activities financed by SIG or other donors are not assessed to be associated facilities and will be separate to the Project, are not essential for Project implementation and therefore excluded from IDA's fiduciary obligations



(ESMF) and will be incorporated into the POM, which will be annexed to the existing PCDF Grants Manual (PCDF Operational Procedures Manual) and shall apply exclusively to IDA and LDCF funding activities. While SIG has indicated that aspects of the ESF shall be mainstreamed into the PCDF Operations Manual and apply to non-IDA or non-LDCF funded activities, such activities do not meet the definition of associated facilities for the purposes of the ESF, given they are not necessary for the Project to be viable and would likely have been constructed, expanded, or conducted even if the Project did not exist. The application of the ESF and the ineligible activity list in the ESMF will therefore not be required for these investments. The annual work plan and budget for the Project, approved by November 30 each year, for the following calendar year, will provide the control mechanism for the scope of subprojects financed by IDA. This will enable the PGs to better assess manage and monitor Environmental and Social (E&S) risks.

33. **Component 2: Support to Subnational Entities (US\$8.7 million)** will be implemented by MPGIS and MECDM in coordination with the PGs. Apart from funding, a lack of qualified and capable personnel to support implementation is a major constraint to effective citizen engagement, service delivery and reducing community vulnerability to climate change and disaster impacts. Increased attention to these activities is only made possible through financing from IDA and LDCF. The Component will build the capacity that is needed at the local level for the PGs to effectively execute the grants; give the Implementing Agencies the opportunity to incubate additional positions within their respective mandates to support the delivery of the Project at the provincial level; and support other non-investment activities required for implementation at the provincial and Ward level.⁷⁸ In accordance with the Policy Blueprint, it will: (i) improve opportunities for community participation in the PCDF decision-making process; (ii) improve gender and social inclusion (women, youth and other vulnerable groups); (iii) improve the PG's and WDCs' capacity to make informed decisions on social and economic infrastructure investment and manage climate and disaster risks; and (iv) improve PG and WDC accountability and reporting to citizens on its investments.

34. **Subcomponent 2(a): Improving Frontline Services (US\$6.9 million)** will be implemented by MPGIS in coordination with MECDM and the PGs. It will support the implementation of key provisions in the Policy Blueprint focusing on improving community participation, inclusion, and social accountability in the PCDF. It will finance the appointment of nine *Provincial Program Coordinators (PPCs)*; a *National Engineer*; *Ward Development Committee Support Officers (WSOs)*;⁷⁹ *ICT Assistants*; goods; technical assistance (e.g., drafting and design technicians) and incremental operating costs to support the coordination, planning and implementation of investments under Component 1. The PPCs (and existing Provincial Planning Specialists) will socialize the Policy Blueprint and Project activities with PG officials, the PCDF Coordinator,⁸⁰ Provincial Planning Officers, Provincial Engineers, frontline staff from other sector ministries and WDC representatives. The National Engineer will develop and deliver training, work with the existing Provincial Engineers to harmonize approaches and climate resilient standards for construction and infrastructure works and work with the CCASR officers (engaged under subcomponent 2(b)) to deliver relevant training to PGs and the WDCs, facilitated by the WSOs on climate and disaster risk management standards on climate resilient construction. The WSOs will have five broad areas of responsibility. *First*, they will support the WDC and its Executive to carry out their responsibilities under the Policy Blueprint (including facilitating WDC training by PG officials and PPCs, supporting WDCs to carry out their responsibilities for participatory planning, project supervision and reporting, and providing capacity building to women, youth, and other disadvantaged groups to improve their ability to engage in participatory planning processes). *Second*, they will facilitate the work of the PG and WDC in increasing climate and disaster resilience in the Ward, (including facilitating the work of PG officials and WDCs as they undertake risk profiling, disaster preparedness and disaster response activities in the Ward). *Third*, they will support community authorities in the Ward to strengthen community governance and grievance

⁷⁸ This support will supplement the current funding that the Implementing Agencies and PG receive from the PGSP.

⁷⁹ The Project will only be financing these positions for the first 12 months. It is expected that SIG will continue to finance the WSOs after this period.

⁸⁰ The PCDF Coordinator is expected to work closely with PPCs, WSOs and WDCs to coordinate all the training activities.



management (including supporting them to play their roles in governance and grievance management at community level and to refer grievances and disputes they cannot resolve to relevant state authorities). *Fourth*, they will facilitate social accountability for PCDF and WDC grants in the Ward (including supporting WDCs and other community actors to fulfil their responsibilities under social accountability mechanisms, and reporting complaints and grievances raised by community members on PCDF and WDC grants to the relevant authorities). *Fifth*, they will facilitate engagement between communities in the Ward, the WDC, PG and national line ministries. The appointment of WSOs under the Project will address a critical constraint in the implementation of the Policy Blueprint, of not having qualified and trained officials at Ward level to facilitate effective, ongoing linkages between PGs and WDCs and support WDCs to carry out their responsibilities under the Policy Blueprint, including for participatory planning, social inclusion, and social accountability—all of which are important reform areas being supported under the Project—as well as reporting to the implementing agencies. For more details, see paragraphs 3-9 of ANNEX 1. Among a few expected intermediate outcomes include the percentage of WDCs meeting the minimum representation requirements for women and youth as well as in WDC planning meetings. The ICT Assistants will work with the ICT Officer at the PMU on the Project's monitoring, data entry and reporting.

35. **Subcomponent 2(b): Building Resilient Communities (US\$1.8 million)** will be implemented by MECDM in coordination with MPGIS and the PGs.⁸¹ In accordance with LDCF priorities, it will support the implementation of key provisions in the CCP by mainstreaming climate and disaster risk into awareness and planning at the subnational level and enhance the capacity of the PGs and Wards to prepare and respond to disasters and manage the impacts of climate change. The subcomponent will finance: (i) the appointment of a *Climate Change Resilience Expert* who will be responsible for: (a) consolidating risk and vulnerability assessments and data used to inform Ward development planning and the preparation of resilient construction designs financed by the PCDF; and (b) compiling and delivering training⁸² to: raise awareness of climate and disaster risks at the National and Provincial levels; enhance capacities of Wards and stakeholder groups (including private sector) to adapt and mainstream climate resilience in their various activities; and inform the planning and selection of investments so that they are climate and risk informed; (ii) the appointment of five *CCARR Officers* to travel and train PG (and sector) officers, PPCs and WDCs, facilitated by WSOs, to improve their understanding and capacities to better manage climate and disaster risks and prepare for natural disasters; (iii) the development of Ward level risk profiles for planning activities; (iv) development of a simplified site risk-assessment template to inform decision making, planning, designs and safe location of investments; and (v) development of climate 'smart' and resilient standards for the selection, siting, design and construction of infrastructure investments to increase their sustainability and resilience against extreme weather conditions and natural hazards. These investments upon completion will be certified by the Provincial Engineers. A technical audit assessing the quality of infrastructure and maintenance arrangements will be conducted. Among a few expected intermediate outcomes include improved awareness of Project supported investments by citizens and training of local government officials on climate change adaptation and disaster resilience measures.

36. **The Project's focus on generating positive climate co-benefits for multi-purpose use will limit the negative effects of climate change and disasters on economic and social infrastructure and minimize the effects on poverty alleviation and livelihoods.** E.g., the use of buildings for rainwater catchment systems, use of solar power for energy source and use of feeder roads and jetties for disaster evacuation and response activities, etc. The environment standards

⁸¹ Scaled up by the LDCF.

⁸² Training materials will be tailored towards climate adaptation needs of all the sectors, e.g., information on livestock management practices to protect animals against heat, irrigation and crop planting techniques etc. Awareness and outreach activities will build on the Climate change communication strategy developed by MECDM with support of the USAID to ensure consistencies and standard messaging on climate change and disaster risk management issues.



developed under the Project will also promote environmentally safe and sustainable practices to protect biodiversity and minimize the impacts of construction activities on the eco-system. The Project will equip WSOs with climate and disaster risk assessment tools, information, and guidelines to mainstream resilience into Ward development planning activities. The WSOs will use these resources to inform community consultations and training activities, including through a participatory climate risk assessment process; increase the level of knowledge and awareness around the impacts of climate change and natural hazards; and enhance the capacity of village communities to manage and adapt to future climate change trends and prioritize climate adaptation measures in the Ward Development Plans.

37. **Component 3: Project Management (US\$ 4.46 million)** will be jointly implemented by MPGIS and MECDM. IDA will finance project management support to monitor and report on the Project, including the establishment of a joint Project Management Unit (PMU), with a Project Manager reporting to the Permanent Secretaries MPGIS and MECDM, located at MPGIS' headquarters in Honiara. The PMU will support the Implementing Agencies to implement and monitor the Project, including on financial management, procurement,⁸³ work planning, consolidated reporting, Monitoring and Evaluation (M&E), gender and inclusion and oversee the Grievance Redress Mechanism (GRM) for the Project. Staffing for each of these core functions will be appointed. It will also finance the preparation of a POM⁸⁴, satisfactory to IDA, for the implementation of the IDA and trust fund resources and this will form a disbursement condition for the release of subgrant funds under Category 1.⁸⁵ This component also includes the activities under the Preparation Advance (PA),⁸⁶ which was countersigned on February 8, 2022. In addition, the PMU will support project media and communications activities, oversee the Project's compliance with IDA's ESF standards, the commission of beneficiary and stakeholder surveys, and build, operate, and maintain a Project Management Information System (MIS). The Implementing Agencies will prepare joint and consolidated annual work plans and budgets in addition to quarterly progress and Interim Unaudited Financial Reports (IFRs). Expected intermediate outcomes include the percentage of beneficiaries who report that communities are better able to resolve the main types of grievances and disputes at community level.

Table 1. Project Summary by Component and Source of Financing (USD)

Component		IDA Grant	IDA Credit	LDCF Grant
1	Performance-Based Grants	2,647,886	5,500,000	2,216,225
2	Support to Subnational Entities	6,266,227	-	2,349,986
2a	<i>Improving frontline services</i>	6,266,227		609,986
2b	<i>Building resilient communities</i>	-		1,740,000
3	Project Management (incl. contingency)	4,085,887	500,000 ⁸⁷	
Total		13,000,000	6,000,000	\$4,566,211

⁸³ Procurement handled by the PMU will be limited to goods and services required for MPGIS's and MEDCM's direct inputs into the projects, including personnel and other resources under Component 2. Goods and works procurement under Component 1 will be managed directly by the provinces funded by the subgrants that pass through the PCDF in the normal way.

⁸⁴ The POM is expected to be completed two months after effectiveness as it will be financed under the PA.

⁸⁵ A separate subgrant manual is not required as the procedures for implementing the PBGs are already described in the main PCDF Operations Manual and will be updated on a regular basis, as required, with any changes to the PCDF Operations Manual (and POM) to be prior reviewed by IDA. In the event there is a contradiction between the PCDF Operations Manual and POM, IDA's POM will apply and take precedence.

⁸⁶ The Advance finances key preparatory activities required for the Project's approval. This will involve the procurement of goods, key consultants and experts with qualifications and experience under terms of reference acceptable to IDA as well as eligible incremental operating costs.

⁸⁷ This amount represents the PA.



C. Project Beneficiaries

38. It is expected that 159 subprojects will be financed across the nine provinces,⁸⁸ equating to approximately 250,520 people or 37 percent of the total population.⁸⁹ In each Ward, it is assumed that on average, 40 percent of the population benefit. The Project will also benefit the capabilities of national, PGs and local government authorities such as the WDCs, with the objective of expanding on and improving their infrastructure and service delivery capacity, which increases confidence to consolidate development expenditure through local government systems.

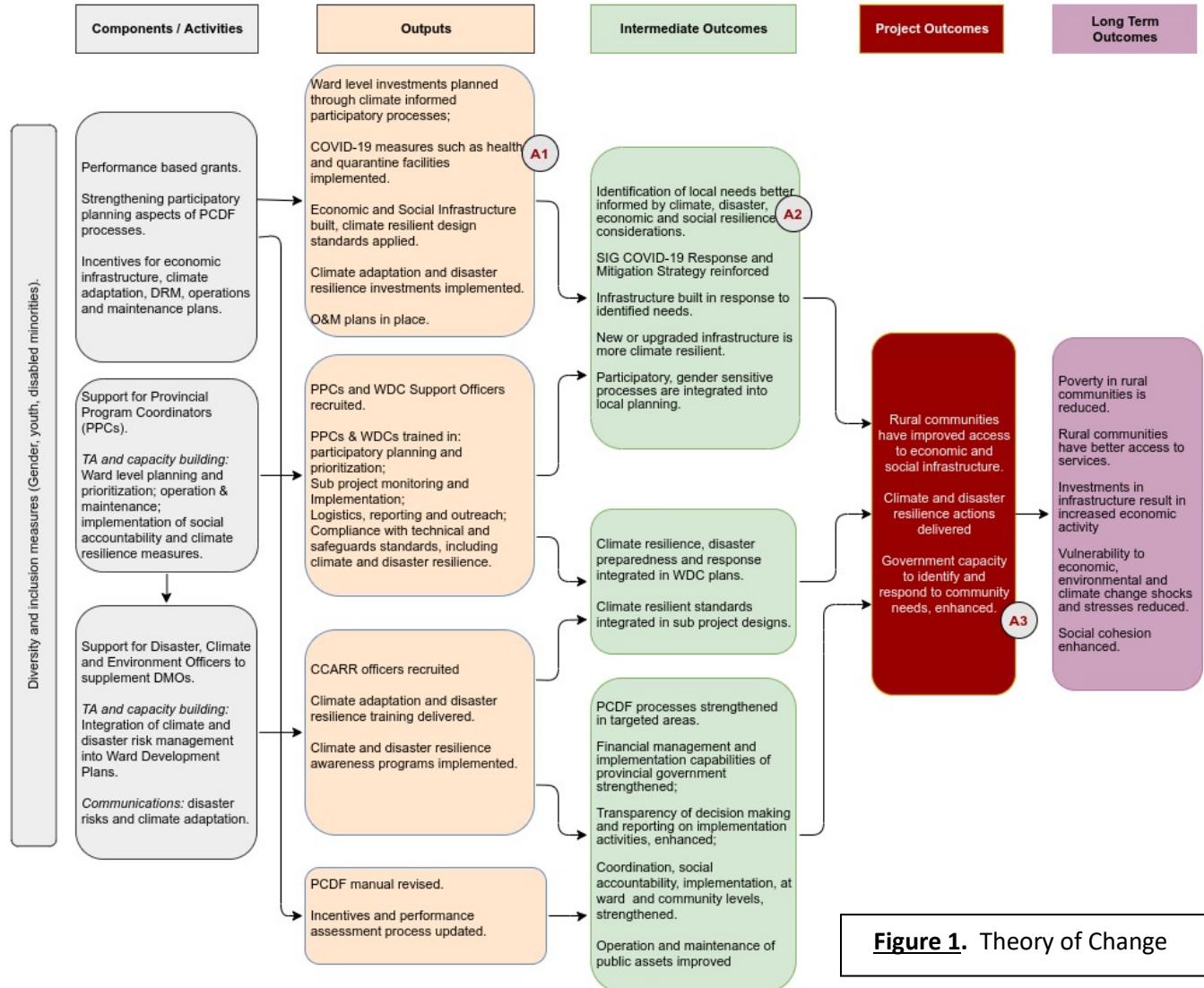
39. **Theory of Change (TOC).** The TOC depicted in [Figure 1](#) responds to the following problem statement: Solomon Islands has major gaps in infrastructure and services and is affected by natural hazards and the impacts of climate change, especially on rural communities. Vulnerable groups (women, youth, disabled) are disproportionately affected, including by climate change impacts due to pre-existing inequalities. Opportunities for community participation in PG planning and decision making are limited, as are mechanisms to promote increased engagement between citizens and the PGs in the selection, implementation and monitoring of infrastructure and services.

⁸⁸ The total number of rural Wards to benefit from the Project is limited by the financing envelope. According to the 2019 Census, there are 672,348 individuals across the 172 Wards outside of Honiara (3,909 individuals per Ward). However, the Census estimates are an under-estimate of the current population (because of population growth and the possibility that some households being missed in the Census). Therefore, the beneficiary estimates that follow consider a lower bound.

⁸⁹ To obtain the number of beneficiaries per Ward, an estimate of the rate of use of subproject infrastructure by the Ward is applied to the average Ward population (as not everyone in the ward will benefit from the subproject infrastructure). This rate of use is based on a combination of PCDF records and CRISP records of actual beneficiary numbers. This is conservatively estimated to be 40 percent. It is an average across different types of infrastructure with actual rate of use being difficult to estimate without detailed information on the subprojects. Given that some Wards may have more than one subproject, it is important to not double count beneficiaries of additional subprojects..



D. Results Chain



E. Rationale for Bank Involvement and Role of Partners

40. IDA will apply its experience and knowledge in carrying out community empowerment and rural development projects in Solomon Islands (RDPII, CRISP, CGGM and Community Access and Urban Services Enhancement [CAUSE, P161320]), and globally, to the Project, including experience supporting local government performance-based grants in more than 15 countries and implementation of the ESF. IDA's value proposition is to assist SIG in the progressive upscaling



and strengthening of the qualitative features of the PCDF, which would, over time, enable the SIG—through the PGs—to become an enabler of community-driven development and strengthen the linkages between the PGs and citizens. The provision of funds to highly dispersed rural communities also present significant challenges in ensuring that funds are used effectively and for their intended purposes. IDA's fiduciary oversight provides a high degree of confidence that funds will be used effectively, and for their intended purposes. Furthermore, IDA funding is a draw card for other donor funds, including through the LDCF and could potentially open other channels of donor funding.

F. Lessons Learned and Reflected in the Project Design

41. **Given the Project's limited financing and the complexity of having multiple actors involved in delivering a range of programs and services at the subnational level,⁹⁰ there is a need to harmonize programs through the coordination of resources (both TA and investments), to optimize impact and avoid overwhelming the workload and coordination capacity of the Implementing Agencies and PGs.** In addition to building on a well-established system, the Policy Blueprint (2020) provides a framework for institutionalizing good lessons that have been tested under other community development programs implemented by IDA. They include: (i) assessing core functions, including leveraging existing personnel but also identifying key gaps and additional fiduciary and technical resources that are required to execute the Project; (ii) adopting or developing standard construction designs to reduce disaster and climate risks that can be replicated and scaled; (iii) strengthening facilitation and trained officers with contextual knowledge and practical experience to assist with implementation and improve opportunities for engagement between communities and the WDC and PG authorities; (iv) sensitizing PG officials on the importance of community engagement, including *inter alia*, institutionalizing provisions that require a minimum representation of women, youth, and where available, civil society groups in the WDCs and training, including adequate resources for community consultations and meetings and collecting regular feedback from community members as part of the Project cycle. In fragile and conflict-affected contexts, complaint and grievance mechanisms have been found to be especially important in strengthening state legitimacy and thereby contributing to peacebuilding—society relations and accountability;⁹¹ and (vii) mapping out and understanding the formal and informal accountability relationships—that is, who is responsible for what. Developing a deep understanding of local political and economic conditions to identify which tools are feasible and desirable to use is of particular importance in countries that have undergone decentralization reform, and where service delivery responsibilities are shared. Lessons on climate change adaptation programs in Solomon Islands, which the LDCF has financed can be found in ANNEX 5.

42. **Important gender and inclusion lessons from the RDP II, CRISP and the CAUSE projects have been used to inform activities undertaken in this Project,** including: adopting a Training of Trainers (ToT) approach on gender and inclusion; hiring female staff/trainers; scheduling community meetings/training at locations and times that are convenient for women and people with disabilities; providing on-site child care arrangements and ensuring adequate breaks during community meetings and training; using infographics, video, music, storytelling and other low literacy friendly communication methods; liaising with women/youth/disability organizations as part of project outreach strategies; incorporating messaging encouraging vulnerable groups to join the project into community outreach strategies and communication brochures; using communication and social networks (such as church and sports) to socialize and disseminate messages to community leaders and vulnerable groups; providing translation services for people with speech/hearing impediments during training if required; incorporating minimum quotas for women and youth community training and committees; and the mainstreaming of disability considerations into infrastructure design (i.e., building

⁹⁰ EU through UNICEF and UNDP are planning to finance a new Provincial Services Delivery Program through the PCDF. Likewise, the EU and New Zealand High Commission is planning to fund LOCAL through the PCDF (with latter focusing on investments related to CCA).

⁹¹ Denney, Lisa, Richard Mallett and Dyan Mazurana, 'Thematic Paper on Peacebuilding and Service Delivery', United Nations University Centre for Policy Research, February 2015.



sidewalks, hand-railing installed on pedestrian footsteps, ramp access for footbridges and ablution blocks, building larger toilets with rails for wheelchair access). Evidence⁹² also shows that women have a deeper understanding of vulnerability, largely due to the role they play in the household and the community. Because vulnerability links closely to livelihoods and well-being, tapping into that knowledge is critical for identifying the most suitable intervention to address risk. Thus, involving women in the design of resilience interventions becomes critical.

43. Incorporating ICT enabled systems is also found to be an effective way of disseminating information and monitoring and reporting on the Project's activities. Key lessons in the design of the MIS are to: (i) select technologies and design systems that can operate effectively within the constraints of the local environment; (ii) use open-source platforms for in the interests of sustainability and re-use of components. Open-source software already deployed in other IDA financed projects in the Solomon Islands and PNG may be adapted with some modification, delivering considerable cost and time savings; and (iii) design systems to gather and report information through regular work processes, minimizing the extra work and potential errors that accompany off-line data entry.

44. In addition to the LDCF, IDA has been able to leverage additional (Bank-executed trust fund) resources through the Papua New Guinea and Pacific Islands Programmatic Governance Advisory Services and Analytics Trust Fund (P174416) to support knowledge and dissemination activities along a range of thematic areas (see 'Cross-Cutting Issues,' ANNEX 1). The outputs will be used to inform other projects being prepared in country and in other FCV contexts.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

45. MPGIS and MECDM will serve as Implementing Agencies and operate a joint a PMU. MPGIS will be responsible for Component 1, coordinating with MECDM and the PGs. Component 2 will be implemented by MPGIS (leading Subcomponent 2a) and MECDM (leading Subcomponent 2b) in coordination with the PGs.⁹³ MPGIS and MECDM will be jointly responsible for Component 3. As the majority of the Project's funds will benefit the PGs, each PG will enter a Performance-Based Grant Agreement with MOFT. The Project will operate within existing institutional arrangements under the PCDF (see Diagram 1). The Project will report to a Steering Committee being, the standing PGSP Joint Oversight Committee (JOC), with support and input from the Provincial Fiscal Grant Coordination Committee (PFGCC). The JOC is: (a) co-chaired by the Permanent Secretaries of MOFT and MPGIS; and (b) includes the following members: (i) the Permanent Secretaries of MECDM, MPGIS, MOFT, Ministry of Infrastructure Development, Ministry of National Planning and Development Coordination, Ministry of Public Service, Ministry of Justice and Legal Affairs, Ministry of Women, Children, Youth and Family Affairs, Ministry of Rural Development, Ministry of Education and Human Resources, and Ministry of Health and Medical Services; (ii) the Secretary to the Prime Minister; and (iii) Provincial Secretaries of three Provinces.⁹⁴ The composition and TOR for the JOC is already specified in the PCDF Operational Procedures Manual. However, any Project specific requirements for the JOC will be specified in the POM.

46. The PFGCC shall continue to act as a technical sub-committee of the JOC. The committee is co-chaired by MOFT and MPGIS according to PCDF Operations. The PFGCC is co-chaired by the Deputy Secretaries of MPGIS and MOFT, and

⁹² <https://development.asia/explainer/enhancing-women-focused-investments-climate-and-disaster-resilience>.

⁹³ no additional formal arrangements are required between the two IAs and the PGs with respect to the implementation of component 2 as the proposed interventions under the Project fall within MPGIS's existing mandate and/or MPGIS and PG's existing institutional arrangements.

⁹⁴ IDA would not be represented on the JOC but given an observer status. However, the PMU will be required to report to IDA on a periodic basis. The details are contained in Annex 1.



include the following representatives: (a) Deputy Secretaries of the Recipient's ministries represented at the JOC; (b) Group Director from the Office of the Auditor General; and (c) the provincial secretary of each of the Participating Provinces. The PFGCC was created by the JOC in 2009 as a technical committee to review the provincial fiscal grant allocation systems, provincial resourcing, review of PCDF assessment report and other PEM and PFM reforms on behalf of the steering committee (see terms of reference of the committee in the PCDF Operations Manual. The PFGCC will also act as a technical advisory body for the core ministries within the intergovernmental fiscal framework and the JOC. Terms of Reference for the PFGCC are included in the PCDF Operational Procedures Manual.

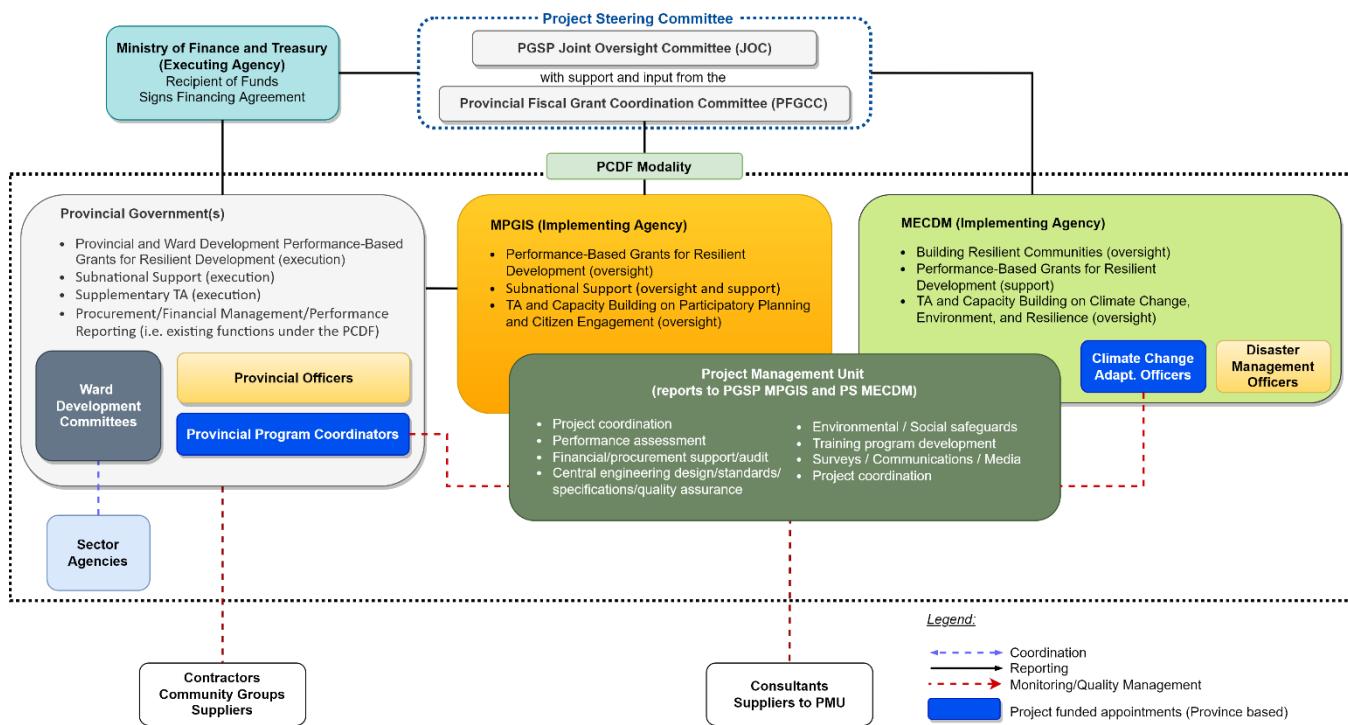


Diagram 1. Institutional Arrangements

47. A PMU jointly managed by MPGIS and MECDM (although the PMU Project Manager will report to the MPGIS Deputy Secretary, Operations) will implement and oversee the Project on behalf of the agencies. The functions of the PMU are described in Diagram 2. However, most Project activities will be implemented in the PGs. Infrastructure investments will be identified, designed, procured, and managed by the provinces using local procurement systems and local contracting resources. SIG has recently hired engineers for each province and is planning to hire Ward Support Officers (WSO) for each Ward. The Project will supplement capacity by hiring Provincial Program Coordinators (reporting to the Provincial Capacity Development Officers), and Environment and Climate Change Officers under MECDM located at Provincial headquarters. These positions will be absorbed as permanent staff before the Project closes. The Project will also hire other specialists to be based out of the PMU covering training design M&E, FM, procurement specialist, media and communications, and engineering oversight and coordination. The PMU will be expected to provide Quarterly Progress Reports to IDA on Project implementation. Further details on the Project's institutional and implementation arrangements and cross-cutting issues are provided in ANNEX 1: Implementation Arrangements and Support Plan.



B. Results Monitoring and Evaluation Arrangements

48. **The Project will collect quantitative and qualitative data for M&E purposes. The primary goals will be to inform operations and measure the progress and impact of the Project, in reference to the PDO and Results Framework.** The Results Framework requires subjective data collected directly from Project beneficiaries. This includes whether beneficiaries report increased access to infrastructure and services. Baseline information about the infrastructure and service needs of potential beneficiaries will be collected at the Ward level across all nine provinces, at the start of the Project. A Follow Up Survey (FUS) of beneficiary households will be timed according to the completion of Project infrastructure (prior to the Project's Mid-Term Review and closing). This timing may be staggered to reflect the timing of the roll-out of the Project across Wards. The FUS will ask retrospective questions about beneficiary needs and infrastructure use prior to the completion of subprojects and ask questions about beneficiary experience, post sub-project completion. Within each province, Wards and households will be randomly selected to ensure representativeness of beneficiaries, as it would not be cost-effective to conduct data collection across all Wards. For both the Baseline and FUS, in person interviews are preferable but may not always be practical or cost effective given COVID-19 restrictions and risks. A TOR for the Survey Firm will ask for flexibility with data collection, so that phone surveys may be used as an alternative. A pilot of phone survey interviews can be conducted to establish the effectiveness and appropriateness of this as an alternative to in person interviews. WDC's may be engaged to help with community outreach to increase the chances of obtaining representative samples. The sample size for the Baseline and FUS will depend on budget constraints and mode of data collection but each round of the baseline and follow up survey is expected to be at least 2500 households, following the example of the World Bank's High Frequency Phone surveys of the social and economic impact of COVID-19 in Solomon Islands, which aim to be nationally representative. Ideally, a second FUS would be conducted to measure medium to long term impacts of the Project, but this would depend on cost of conducting the first FUS. An M&E and MIS officer will be hired by the project to co-ordinate M&E activities and manage project data. Budget permitting, a survey of community leaders will also be conducted, some of whom are directly involved in WDC decision making. The Project's quarterly progress reports will be informed by the project surveys, and the MIS.

49. **Additional M&E data will be collected as part of the PCDF's existing institutionalized processes at the PG and WDC levels, complemented by Project design elements that embed the collection of objective indicators in these processes.** One element will be monitoring of the inclusion of youth and women in the WDCs with data collected by each WDC. The Project's Results Framework requires that 100 percent of the WDCs meet inclusion requirements. This reinforces Minimum Condition #11, which addresses minimum representation. As the PCDF did not have any minimum requirements for the participation of women and youth prior to this, the data collection and reporting will need to be systematized by the project. The PCDF supports monitoring activities that are already institutionalized, such as the APA of PGs which will continue as is. The Project will identify specific indicators from these Assessments to inform M&E- in particular, the composite indicators on accountability and engagement of PGs.

50. **In addition, social accountability activities financed by the Project to strengthen the institutionalization of citizen engagement in local and provincial planning will provide further data collection opportunities, including the Provincial Performance Forums⁹⁵ and Technical and Social Audits⁹⁶, which will be implemented to assess the quality of**

⁹⁵ The Performance Forums will create a high visibility venue for the collective review by officials from provincial and Ward level, together with CSOs with significant service delivery responsibilities. These two-day events provide provincial PACs with a vehicle to promote review of key accountability instruments, including the APA report; the PPDC's proposed annual workplan and review of past year performance; the findings and lessons from the Ward 'Before and After' Forums; and the PG's management response to reports from the Auditor General.

⁹⁶ The audit will provide independent verification of technical standards, as well as social audit review by the intended beneficiaries of subprojects of their inclusion in each stage of project planning and execution.



infrastructure and maintenance arrangements and gauge community perceptions about the investments. These activities will: (i) enable citizens to assess and rank the performance of all parties to public spending during the previous year – whether they be contractors, PG staff, MPAs, WDC officials or the community-based organizations responsible at the facility level (e.g., clinic or school management committee, the subproject CMG); and (ii) seek the views of stakeholders at community level to engage in monitoring the performance of contractors and those responsible to supervise them. This is intended to have positive effects on the quality of subprojects executed and the timeliness of completion and the useability of the assets produced. The technical and social audit results would feature in three accountability venues: the Province Performance Forum, the PCDF APA, and Mid-Term Review (MTR) of the I Project. Potential synergies with the existing FUS to be explored, including subjective information that would benefit from systematic collection across a representative sample of project beneficiaries.

51. The MIS is designed to gather and report information through regular work processes, minimizing the extra work and potential errors that accompany off-line data entry. Complementing the periodic surveys, it will be designed to support the indicators of the Results Framework, as well as many of the overall information needs of the PCDF and associated government processes and to assist work processes wherever possible through automation of reporting and verification. There have been sustained efforts to improve monitoring and reporting under the PCDF, with a specified set of monitoring processes and reporting templates. The MIS will seek to complement and enhance these systems by: (i) adopting an integrated approach that aims to collect and verify data within the regular work processes as far as possible; (ii) introducing software and databases at provincial and central level, that are capable of operating within the constraints of the environment; (iii) interfacing with existing accounting systems for consolidation and monitoring of financial management; and (iv) progressively extending mobile digital devices for field data collection. There will be support for participatory planning processes at Ward and provincial levels, facilities to monitor the implementation of sub projects, to manage training activities and to conduct surveys. Customized mobile apps are proposed for monitoring of community level infrastructure projects and open-source platforms for digital surveys.

52. The constraints of the Information and Communications Technology (ICT) environment in Solomon Islands will be addressed by a pragmatic approach and specific interventions. The Solomon Islands is constrained by limited data communications services and ICT support services, especially in the provinces. PGs currently use the MYOB accounting system, with more sophisticated systems (Dynamics365) at MPGIS and other line Ministries. There is only partial access to the SIG-Connect network at provincial level, due to data connectivity limitations. A few provinces have access to fiber-optic cable services and, as there are no immediate plans to extend the service to the remaining provinces, Very Small Aperture Terminal (VSAT) remains the only viable solution. This is currently available to PGs but bandwidth is limited. Connectivity in rural communities is patchy and limited to basic cellular services. The MIS will seek to adapt and utilize software components already deployed in the Solomon Islands and elsewhere to leverage available resources and technical support and use open-source platforms wherever possible in the interests of sustainability. To address the constraints of data communications and support, the project will finance data communications links to facilitate the deployment of a reliable MIS using VSAT services, as well as significant capacity enhancements. This includes an M&E/MIS Specialist and an ICT Officer based in the PMU and a Junior ICT Assistant in each of the nine provinces. The M&E/MIS Specialist will have overall responsibility for M&E activities, including the various sources of data and their verification; overall integrity of information; reconciliation and report generation; reporting to management and stakeholders; oversight of MIS operation and the follow up surveys and oversight of service providers and contractors. The PMU based ICT Officer will be responsible for the management of technology components and providing support to users; the technical aspects of deployed software and their proper functioning within workflows; liaising with technical service providers; and ensuring that provincial offices receive adequate technical support. The Junior ICT Assistants will be trained by the M&E/MIS Specialist and the ICT Officer and deliver services under the guidance of these officers at provincial level.



This will include managing the day-to-day operation of the MIS and related activities; providing user support; ensuring that linkages with the PMU are maintained so that relevant databases are up to date and accurate at each level; providing support to users in the field (e.g., WDCSOs); and providing ICT support to PG's, including generation of reports as required. The key work processes from which data will be obtained include the annual WDC planning process, periodic field assessments of M&E officers, the field operations of PPCs and/or Engineers based in the provinces, APAs and other reports required under the PCDF.

C. Sustainability

53. To ensure sustainability, the Project design:

- (i) Builds on country systems, augmented as necessary for the execution of the grants and other requirements of the Project, as a key implementation modality, thereby upscaling and strengthening the sustainability and impact of the PCDF. It will also strengthen qualitative and core aspects of the PCDF, including monitoring and reporting and thereby improving its administrative efficiency and sustainability prospects over time.
- (ii) Includes an assessment of core functions that would be required to execute the Project, leveraging MPGIS' and MECDM's existing personnel. Salaries for national consultants financed by the Project have been compared with SIG's public service grades and salaries. It is expected that these positions will eventually be absorbed by the respective organization during the life of the Project.
- (iii) Supports an approach whereby standards construction designs to reduce disaster and climate risks that can be replicated and/or scaled will be adopted. The Project's National Engineer shall work with asset management teams in sectoral ministries to fine-tune their standardized designs that are being shared with the provinces.
- (iv) Recognizes that the full and timely release of the PGSP is critical to ensuring that the Project becomes sustainable. IDA included a Legal Covenant requiring SIG to provide recurrent funds to PGSP annually in a timely manner, which aims to ensure that sufficient counterpart funds are committed to ensure the financial sustainability of the PCDF.⁹⁷ Adequate financing of the PGSP is essential as it supports the institutional backbone of the PCDF and training of key provincial personnel.

54. In addition to the PCDF, the Project recognizes that PGs have two additional sources of funding provided by SIG, which form the basis of their recurrent and capital development budget. These are: Fixed Service Grants (FSG) and Own Source Revenue (OSR), which provide the basis for the repairs and maintenance of infrastructure investments. Further, while not essential for the implementation of the Project, a significant increase in donor financing is expected downstream through LoCAL (UN Capital Development Fund) and the Provincial Services Delivery Programme (UN Development Programme and UN Children's Fund), which will help to strengthen the Project's sustainability prospects overall. All donors will also be using country systems so each of the programs will be effectively streamlined and coordinated through existing institutional arrangements (through the JOC).

⁹⁷ The Recipient, through MOFT, shall: by no later than April 29 of each year commencing in 2023 (or such other date as may be agreed with the Association in writing) appropriate a budget amount for the PGSP to ensure the sustainability of the PCDF.



IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

55. **Technical.** The mechanisms for implementing small-scale community infrastructure have been tested and refined over the course of PCDF implementation, which has been operating since 2008 and RDP I (2007-2015) and II (2014-2022). The Project builds on an existing system, which has proven to be effective and is supported by SIG. The main technical features of the Project are: (i) the application of minimum conditions and triggers, which helps to ensure implementation readiness of the PGs to receive grant funding; (ii) the application of performance measures and an APA,⁹⁸ which effectively incentivizes PGs to perform, change their behaviors and help WDCs to prioritize economic and climate adaptation investments in their Ward Development Plans and provides the basis for technical discussions with the PGs to identify ‘under performers,’ and the reasons for poor performance as well as remedial measures that may need to be applied (e.g., additional capacity building, resourcing and dialogue). IDA’s independent evaluation of the APA will help to quality assure and validate the integrity of the APA, and provide a basis for recommendations to SIG to streamline and simplify PCDF’s minimum conditions, triggers and performance measures over time; (iii) the introduction of minimum thresholds, incentives and expanding the investment menu under PCDF to prioritize economic and climate change adaptation and disaster resilience investments, among other areas; (iv) improving procedures to enhance participatory planning outcomes, including the appointment of the WSOs and key specialists at the subnational level, which will provide more support to the WDCs – whose capacity is in the early stages of development – on key reform areas and strengthen linkages between the PGs and communities. The effectiveness and impact of WSOs on WDCs and on PG-WDC relations will require careful monitoring in the early stages of project implementation, to identify any adjustments that may be needed to the scope of work and supervisory arrangements for these new roles; (v) adopting standard construction designs and developing procedures and training for integrating climate and disaster risk management into Ward level planning activities and raising community awareness on climate change and disaster.⁹⁹ The updated procedures and tools will benefit from the accumulated cost information and design practice used in the RDP II, CRISP and CAUSE projects; and (vi) adopting a cascade training approach and augmenting the PCDF modality with additional social accountability measures, underscoring the importance of holding PGs accountable to citizens for investment decisions and outcomes. Training activities will also be made available to all Project staff, PGs and the WDCs to improve gender and social inclusion (women, youth, and other vulnerable groups) outcomes. IDA is providing technical assistance to SIG to inform the design and implementation arrangements for these additional social accountability measures.

56. **Economic and Financial Analysis.** The economic analysis quantified the Project benefits and costs for a range of tangible infrastructure subprojects that will potentially be implemented through the PGs under Component 1 of the Project. In keeping with practice in the Pacific Region, the social discount rate used was six percent, over a reasonable project horizon of 20 years. A standard Cost Benefit Analysis (CBA) was conducted, including conversion of financial prices to economic prices to reflect true values to the economy. Detailed ex-ante analysis was not carried out with limited data availability and other constraints during Project preparation. However, consultations were undertaken with the Implementing Agencies and key local resource persons for credibility. Out of some 700 projects proposed by the WDCs in their three-year rolling plans, nine key sectors were identified. Representative subprojects, which were the most common per key sector were subjected to CBA. These were feeder roads, markets, storage facilities, piped water supply systems, staff housing, classroom buildings, rural health units (units)/clinics, and boreholes. The anticipated investments on various

⁹⁸ IDA and MPGIS have agreed that the APAs will be shared with IDA for review and feedback prior to finalization.

⁹⁹ The Project will build on the Communication Strategy for climate change and disasters that MECDM is currently developing with the support of USAID to roll out the community outreach activities.



economic infrastructure and climate change adaptation measures returned robust economic indicators with Internal Rates of Return (IRRs) ranging from 19 to 49 percent in the economic analysis. Overall, the Project has an economic net present value of at least SBD 157 million (US\$18.9 million), and IRR of 28 percent. Sensitivity analysis showed that even in the extreme scenario of combining up to 20 percent decrease in benefit, and 20 percent increases in capital and operational fund requirements. On this basis, the Project is viewed as a sound investment that will benefit the entire country. Further details of the analysis are given in ANNEX 2.

B. Fiduciary

(i) Financial Management (FM)

57. The FM arrangements satisfy the requirements as stipulated IDA's Policy 'Investment Project Financing' subject to implementation of agreed actions and mitigating measures. A FM capacity assessment of MPGIS and MECDM was carried out to determine whether the existing FM arrangements correctly and completely record all transactions and balances; facilitate the preparation of regular, timely and reliable financial statements; safeguard the Project's assets; have reasonable controls; and that independent and competent audit arrangements are in place. The main FM risks and mitigating actions are described in paragraph 64 and more details on the funds flow and disbursement arrangements can be found in ANNEX 1.

(ii) Procurement

58. Procurement for the Project will be carried out in accordance with the World Bank Procurement Regulations for Investment Project Financing (IPF) Borrowers dated November 2020 (referred as Procurement Regulations), as well as the provisions stipulated in the Financing Agreement and Project's Procurement Plan. Under the Project, IDA's 'Systematic Tracking of Exchanges in Procurement (STEP)' will be used to prepare, clear, and update procurement plans and conduct all procurement transactions for the Project, except for the PBGs under the Component 1, which will be implemented by the PGs. As allowed by the paragraph 5.3 of the Procurement Regulations, the country's own procurement procedures may be used for the packages procured through the national market approach subject to requirements stipulated in the paragraph 5.4-5.6 of the Procurement Regulation. Procurement activities under the Component 2a and 2b will be implemented by MPGIS and MECDM. Similarly, procurement activities under the Component 3 will be implemented by MPGIS and MECDM, jointly. A joint PMU will be established to conduct and to monitor the procurement activities under the Project. MPGIS will be responsible for Component 1, coordinating with MECDM and the PGs. However, the sub-grants, including the procurable activities under the Component 1 will be implemented by PGs in accordance with PCDF's current institutional arrangements. The main Procurement risks and mitigating actions are described in paragraph 63 and more details on the Project's procurement arrangements, including a summary of the initial procurement plan, can be found in ANNEX 1.

C. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No



D. Environmental and Social

59. The Project's E&S risk rating is *Moderate*, and any subprojects assessed as 'Substantial' or 'High-Risk' will not be eligible for IDA or LDCF financing. Component activities will require minimal amounts of communal or privately used land. In addition, when land is acquired, there are established procedures in place to allow for its usage for Project purposes in a way that is compatible with the requirements of ESS5. Due to the likely involvement of community labor, community and occupational health and safety risks will need to be monitored and managed, with appropriate training programs rolled out prior to the commencement of works. To meet ESS2 requirements, a Labor Management Procedures (LMP) has been prepared which includes identification of worker types, a summary of labor laws in Solomon Islands, and outline the working conditions to be applied on the Project. To minimize the risk of sexual exploitation and abuse or sexual harassment occurring due to Project activities, an ESMF and associated documents including measures such as awareness raising, and a code of practice, has been prepared. In addition, to complement the bottom-up and community informed approach adopted by the Project, a Stakeholder Engagement Plan (SEP) has been prepared and includes a list of stakeholders at all levels including national, provincial, Ward levels, including public officials that represent the nine provinces selected. These documents were reviewed and discussed in detail with national stakeholders at a consultation meeting on December 2, 2021. The ESMF and LMP were disclosed on the Bank's website on April 27, 2022. The SEP was disclosed on the Bank's website on March 4, 2022. The ESCP was disclosed on the Bank's website on April 28, 2022.

60. Environmental impacts of Infrastructure construction/rehabilitation are likely to be temporary, reversible, and manageable via conventional E&S risk management approaches. Construction impacts may include waste and hazardous materials handling and disposal (e.g., asbestos), community and worker health and safety risk and the risk of COVID-19 to workers and the community, should an outbreak occur. Water sources could be contaminated by the project activities due to poor drainage and management of storm water causing erosion. Construction works may result in dust and noise nuisance and, in extreme cases, injuries to community members. Construction could result in soil erosion. Operational impacts could include degradation of habitats due to increased access because of the construction of feeder roads/ jetties and occupational health and safety impacts through the operation of some infrastructure or facilities. Off-site activities include quarrying operations, which if not managed properly, may cause localized adverse impacts such as unsustainable material sourcing. Project activities will result in resource consumption during both construction and operational phases. Examples include construction materials; aggregates; water; and energy. An ESMF has been prepared which assesses the risks and impacts associated with the subprojects. The ESMF includes the principles, rules, guidelines, and procedures to assess the E&S risks and impacts of the various project activities, including an appropriate screening process and measures and plans to reduce, mitigate and/or offset adverse risks and impacts. It incorporates an Environmental and Social Code of Practice (ESCOP) and Environmental and Social Management Plan (ESMP) template and provides mitigation measures proportional to the scale of impacts and risks for both construction and operational impacts. The ESMF also includes an assessment of the most appropriate sources for construction materials as well as mitigation measures to minimize the consumption of these resources. It includes information on the Implementing Agencies, including an assessment of their capacity to manage E&S risks and impacts. It outlines procedures for screening and managing technical assistant activities for social and environmental risks and includes a list of activities ineligible for financing. The POM will require ESMF screening requirements for subprojects. Other PCDF investments not funded by IDA or LDCF that do not meet the definition of associated facilities under the ESF are not subject to this ineligible activity list.

V. GRIEVANCE REDRESS SERVICES

Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project



may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address Project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

VI. KEY RISKS

61. The overall risk rating of the Project is assessed as Moderate. Key risks to the Project's PDO are Institutional Capacity and Fiduciary risks.

62. **Institutional Capacity for Implementation and Sustainability.** This risk is rated as *Substantial* due to the institutional and technical capacity constraints of the Implementing Agencies, the weak capabilities of WDCs, and funding limitations for the PGSP and the Project. The Project is being supported by Implementing Agencies that led the design and implementation of the PCDF since 2008/09 and have experience working on other IDA-financed projects.¹⁰⁰ The appointment of WSOs is intended to strengthen WDCs by facilitating effective, ongoing linkages between PGs and WDCs and supporting WDCs to carry out their responsibilities but does pose a risk of demotivating WDCs whose members are not remunerated whereas the WSO members are. This risk will be carefully monitored through the M&E system, including via information from social accountability mechanisms and the GRM, to inform the design of responses to it, if necessary. In addition, to partly offset funding risks: (i) the Project budget includes a rationalization of costs, and the design consists of a Legal Covenant for SIG to provide recurrent funds to PGSP (from 2023) annually in a timely manner, which will ensure that sufficient counterpart funds are committed to ensure the financial sustainability of the PCDF. This aims to ensure the predictability and sustainability of funding for the institutional infrastructure of PCDF and provide a more solid foundation for building PG effectiveness; and (ii) IDA will provide additional quality assurance/oversight on the PCDF APA findings, which provides the basis for verifying Project activities and a dialogue to discuss changes to streamline and simplify the minimum conditions, triggers and performance measures. It also enables the identification of areas of lagging performance in particular provinces, as a basis for analyzing the causes of performance gaps and formulating remedial strategies, which PGSP and Project resources can help to address.

63. **Fiduciary Risk.** This risk is rated as *Substantial*. Although PFM systems are adequate, there are weaknesses identified in the audit, accounting, budget control, financial reporting, and internal controls processes at the PGs level. A further key FM risk is the overdue audits for FY19 and FY20 that MECDM is yet to provide for CRISP, which closed on May 28, 2020. However, an exception to proceed to negotiations notwithstanding overdue audits was granted by Bank management on December 22, 2021. Actions are in place to ensure the outstanding audits are completed. Mitigation measures include: (i) the appointment of a Senior Finance Officer and an Accounts Officer; (ii) increasing FM capacity of staff at the Office of the Auditor General (OAG) to timely complete the Project and PGs audits; (iii) increasing FM capacity of MPGIS' internal audit division and staff at PGs to improve internal controls processes and systems, to timely prepare budgets, to prepare auditable financial statements, and to manage Project funds effectively; (iv) raising the bar on PG

¹⁰⁰ MECDM implemented the CRISP from 2015 to 2020; MPGIS implemented the CGGM Project from 2014 to 2021.



audit quality by prohibiting those PGs with disclaimer or adverse audit opinions from accessing PBGs for the following year; (v) adding codes under the PCDF accounts within the chart of accounts of the PGs' accounting system to identify IDA receipts, use of funds as well as the carry forward balance for activities under Component 1; (vi) IFRs to be prepared for the full scope of the Project and submitted to the Bank on a quarterly basis; (vii) submission of the Project's audited financial statements to be conducted by the OAG, and submission of a copy of the nine PGs audited financial statements, conducted by the OAG, which will include activities under Component 1; and (viii) submitting to IDA on an annual basis, internal audit reports from MPGIS' Internal Audit Division, including responding to the audit recommendations of internal controls on the PCDF. Additionally, the Results Framework includes indicators on audit quality and tracking audits with unqualified opinions to improve PFM aspects of the PCDF, and the PCDF Operational Procedures Manual/Performance Assessment Manual contains relevant performance indicators regarding points penalties to be applied to those PGs with qualified audit opinions.

64. A procurement risk assessment has been carried out. The overall procurement risk rating is *Substantial*. Whilst the Implementing Agencies have prior knowledge and experience with IDA implementation procedures, key procurement risks include: (i) limited internal procurement capacity; (ii) limited national and local market to meet the demands of the Project; and (iii) a lack of interest from qualified consultants and qualified contractors/suppliers to the low value bidding opportunities under the Project and predictability of funds flow from MOFT. To mitigate these risks, the Project will: (i) establish a PMU, which will include a qualified procurement specialist to assist the Implementing Agencies in conducting procurement activities under the Project; (ii) organize procurement training, including STEP training to be provided before and during Project implementation; (iii) include a section in the POM to be prepared and used by the Implementing Agencies, summarizing the thresholds and procedures for procurement; and (iv) disseminate procurement opportunities under the Project in order to attract interest and attention from potential consultants/contractors/suppliers. The Project Procurement Plan, except for the PBGs, has been prepared and is detailed in the Project Procurement Strategy for Development (PPSD).

**VII. RESULTS FRAMEWORK AND MONITORING****Results Framework****COUNTRY:** Solomon Islands**Integrated Economic Development and Community Resilience Project****Project Development Objectives(s)**

To increase access to economic and social infrastructure in rural wards, deliver climate and disaster resilience actions and enhance Provincial Governments' accountability to citizens.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	End Target
Increase access to economic & social infra in rural wards, deliver climate and disaster resilience			
Percentage of beneficiaries reporting increased access to economic or social infrastructure (Percentage)	0.00		70.00
- of which are female (Percentage)	0.00		50.00
- of which are youth (Percentage)	0.00		30.00
Percentage of investments focused on climate change adaptation or disaster resilience (Percentage)	0.00		20.00
Percentage of beneficiaries that report Project investments reflected their priority needs (Percentage)	0.00		70.00
- of which are female (Percentage)	0.00		50.00
- of which youth (Percentage)	0.00		30.00
Number of Provincial Governments achieving increased Accountability Score (Number)	0.00		9.00

**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	End Target
Performance Based Grants			
Total number of direct beneficiaries of climate resilient infrastructure (Number)	0.00		250,000.00
of which female (Number)	0.00		125,000.00
of which male (Number)	0.00		125,000.00
of which youth (Number)	0.00		75,000.00
Percentage of grants focused on economic infrastructure (Percentage)	0.00		42.00
Number of infrastructure sub-projects completed (Number)	0.00		130.00
Number of COVID response and mitigation investments completed by the Project (Number)	0.00		18.00
Value of investments focused on climate change adaptation or disaster resilience (Number)	0.00		2,200,000.00
Percentage of assets funded by project assessed with a satisfactory Operations and Maintenance Plan (Percentage)	0.00		75.00
Percentage of PCDF funded projects that were identified by WDCs (Percentage)	0.00		60.00
Percentage of WDCs that meet the minimum representation requirements for women and youth (Percentage)	0.00		100.00
Percentage of WDC Chairs present at Provincial Planning and Development Committee meetings (Percentage)	0.00		100.00
Number of Wards achieving minimum levels of community participation, including women and youth, in Ward planning meetings (Number)	0.00		159.00
Support to Sub-National Entities			



Indicator Name	PBC	Baseline	End Target
Number of Provincial Governments receiving an unqualified audit. (Number)	2.00		6.00
Number of PGs that resolve at least 50 percent of findings reported in audit management letter within the fiscal year following its issuance. (Number)	2.00		8.00
Number of executive members / MPAs and provincial officers trained in public expenditure management systems and/or financial reporting. (Number)	0.00		620.00
Number of people trained on climate change adaptation or disaster resilience. (Number)	0.00		1,700.00
of which female (Number)	0.00		850.00
Percentage of beneficiaries reporting awareness of climate change impacts, appropriate adaptation responses and disaster risk management. (Percentage)	0.00		50.00
-of which are female (Percentage)	0.00		50.00
- of which are youth (Percentage)	0.00		30.00
Number of Wards implementing training on climate change adaptation or disaster resilience (Number)	0.00		159.00
Number of Ward Development Plans that will mainstream climate and disaster resilience (Number)	0.00		125.00
Percentage of beneficiaries that report awareness of PCDF supported investments (Percentage)	0.00		70.00
- of which female (Percentage)	0.00		50.00
- of which youth (Percentage)	0.00		30.00
Percentage of beneficiaries who report that communities are better able to resolve the main types of grievances and disputes at community level. (Percentage)	0.00		70.00
Percentage of beneficiaries who report improvements in engagement with government. (Percentage)	0.00		70.00



Indicator Name	PBC	Baseline	End Target
Project Management			
Percentage of grievances addressed within one month through the IEDCR Grievance Redress Mechanism (Percentage)		0.00	90.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Percentage of beneficiaries reporting increased access to economic or social infrastructure	This indicator measures the percentage of the target beneficiary population that reports having actually benefited as opposed to the number estimated at planning stage. Measures percentage as it will depend on a sample survey. “Youth” - defined as those between 15-34 years in accordance with the National Youth Policy 2017-2030. Baseline is reported as zero as the Project has not	Baseline, mid-term and end of project.	Follow-Up Survey	Sample Surveys	Contracted survey firm.



	commenced.				
- of which are female	This indicator measures the percentage of the target population that reports having actually benefited as opposed to the number estimated at planning stage. Measures percentage as it will depend on a sample survey	Baseline, mid-term and end of project	Follow-Up up Survey	Sample surveys	Contracted survey firm. .
- of which are youth	'Youth' - defined as those between 15-24 years of age in accordance with the National Youth Policy 2017-2030.	Baseline, mid-term and end of project	Follow-Up up Survey	Sample surveys	Contracted survey firm.
Percentage of investments focused on climate change adaptation or disaster resilience	Percentage based on \$ value of grants approved that are focused specifically on climate change adaptation or disaster resilience. Computed as a proportion of PCDF funds. (The number of sub-projects focused on climate change will also be tracked separately). Baseline is reported as zero as the Project has not	Semi-annual	MIS	From proposal documents of projects selected for financing at PG level.	PG Officials, MECDEM, PMU



	commenced.				
Percentage of beneficiaries that report Project investments reflected their priority needs	<p>'Project' here effectively means PCDF (i.e. the whole of the program to which IEDCR is contributing). 'Beneficiaries' are the individuals potentially served by investments.</p> <p>Baseline is reported as zero as the Project has not commenced.</p>	Baseline, mid-term and end of project.	Follow-Up Survey	Sample surveys	Contracted survey firm.
- of which are female	<p>'Project' here effectively means PCDF (i.e. the whole of the program to which IEDCR is contributing). 'Beneficiaries' are the individuals potentially served by investments.</p>	Baseline, Mid-term and end of Project	Follow-Up Survey	Sample surveys	Contracted survey firm
- of which youth	<p>'Project' here effectively means PCDF (i.e. the whole of the program to which IEDCR is contributing). 'Beneficiaries' are the individuals potentially served by investments.</p>	Baseline, mid-term and end of project	Follow-Up up Survey	Sample surveys	Contracted survey firm.
Number of Provincial Governments achieving increased Accountability Score	Indicator tracks the number of PG's achieving an	Annual	MIS	PCDF Performance Assessment process.	Entity contracted to conduct performance



	<p>improved score over the baseline.</p> <p>A composite score comprising PG performance on: (a) the new minimum condition on audit [MC#6]; and (b) key minimum conditions and performance measures corresponding to the additional social accountability mechanisms being implemented with support from the Project, appropriately revised following technical assistance from IDA – provisionally consisting of a revised minimum condition on Public Accounts Committee follow-up actions [MC#7], a revised minimum condition on participatory planning [MC#9], a revised performance measure on gender inclusion in project work plans [PM#1.5] and a revised performance measure on community monitoring [PM#6.5]</p>				assessment.
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	Baseline is reported as zero as the Project has not commenced.				
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Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Total number of direct beneficiaries of climate resilient infrastructure	GEF Core Indicator No. 1 Estimated number of Individuals in project areas benefiting from improved climate resilient infrastructure. Estimated during preparation of infrastructure investments; reported based on completed sub projects. Baseline is reported as zero as the Project has not commenced.	Semi-annual	MIS	WDC to provide specific estimates with project proposals; Numbers to be confirmed at PG level based on projects selected for financing	WDC; PG officials, PMU
of which female	GEF Core Indicator No. 1 Estimated number of Individuals in project areas benefiting from improved	Semi-annual	MIS	WDC to provide specific estimates with project proposals; Numbers to be confirmed at PG	WDC; PG officials, PMU



	climate resilient infrastructure. Estimated during preparation of infrastructure investments; reported based on completed sub projects.			level based on projects selected for financing	
of which male	GEF Core Indicator No. 1 Estimated number of Individuals in project areas benefiting from improved climate resilient infrastructure. Estimated during preparation of infrastructure investments; reported based on completed sub projects	Semi-annual	MIS	WDC to provide specific estimates with project proposals; Numbers to be confirmed at PG level based on projects selected for financing	WDC; PG officials, PMU
of which youth	GEF Core Indicator No. 1 Estimated number of Individuals in project areas benefiting from improved climate resilient infrastructure. Estimated during preparation of infrastructure investments; reported based on completed sub projects	Semi-annual	MIS	WDC to provide specific estimates with project proposals; Numbers to be confirmed at PG level based on projects selected for financing	WDC; PG officials, PMU



Percentage of grants focused on economic infrastructure	Percentage of overall PCDF budget allocated to performance based grants that focus on economic infrastructure. Baseline is reported as zero as the Project has not commenced.	Semi-annual	MIS	From proposal documents of projects selected for financing at PG level.	PG Officials, MECDEM, PMU .
Number of infrastructure sub-projects completed	Data will be additionally be categorized by type, such as: economic, social (including schools and health facilities), climate adaptation and disaster resilience; and tracked according to status: Approved / in progress / completed. Baseline is reported as zero as the Project has not commenced.	Semi-annual	MIS	From proposal documents of projects selected for financing at PG level and records of implementation progress.	PG Officials, MECDEM, PMU.
Number of COVID response and mitigation investments completed by the Project	The number of health clinics, quarantine facilities and other activities that support the government's COVID-19 Response and Mitigation Strategy.	Semi-annual	MIS	From proposal documents of projects selected for financing at PG level and records of implementation progress.	PG Officials, MECDEM, PMU
Value of investments focused on climate change adaptation or disaster resilience	Number - US\$ Amount	Semi-annual	MIS	From proposal documents of projects	PG Officials, MECDEM,



	Responds to GEF RF Output 2.2.4 Measures PCDF investments focused on climate change or disaster resilience, during IEDCR period. (funds will not be distinguishable as currently planned)			selected for financing at PG level and FM systems	PMU
Percentage of assets funded by project assessed with a satisfactory Operations and Maintenance Plan	Based on evidence of O&M plan being in place.	End of Project.	Follow-Up Survey	Survey of all assets resulting from project investments.	Contracted survey firm.
Percentage of PCDF funded projects that were identified by WDCs	Tracks outcomes of participatory planning at Ward level.	Annual	MIS	From proposal documents of projects selected for financing at PG Level.	PG Officials, MECDEM, PMU
Percentage of WDCs that meet the minimum representation requirements for women and youth	Tracks quality of participation at community level. The Policy Blueprint includes provisions for minimum representation in several committees, including two women's group and one youth group representative as voting members in the WDCs	Annual	MIS	From WDC minutes and records.	WDC Support Officers, PMU
Percentage of WDC Chairs present at Provincial Planning and Development Committee meetings	Tracks level of community representation in Provincial planning process.	Annual	MIS	From minutes of Provincial planning meetings	PG officials, PMU.



	Baseline value to be determined with survey.				
Number of Wards achieving minimum levels of community participation, including women and youth, in Ward planning meetings	A composite indicator based on agreed targets for: - number of community participants - percentage of female participants - percentage of youth Baseline value to be determined with survey.	Annual	MIS	From minutes of ward planning meetings	WDC Support Officers, PMU
Number of Provincial Governments receiving an unqualified audit.	Basic accountability measure. Targets an annually increasing number of PG's achieving unqualified audits. Two provinces achieved unqualified audits in 2019. Targets will be 3 PG's in Year 2 rising annually to 6 PG's in Year 5.	Annual	MIS	From Audit reports	PG officials, PMU
Number of PGs that resolve at least 50 percent of findings reported in audit management letter within the fiscal year following its issuance.	Additional accountability measure that indicates the extent to which PG's have acted on auditors comments.	Annual	MIS	From Audit Reports and Management Letters	PG officials, PMU



	Annually increasing targets from 3 in Year 2 to 8 in Year 5.				
Number of executive members / MPAs and provincial officers trained in public expenditure management systems and/or financial reporting.	Measures training outputs designed to address issues that typically lead to disclaimer audit reports.	Semi-annual	MIS	Training records	PMU
Number of people trained on climate change adaptation or disaster resilience.	GEF Core indicator #4 Includes persons at various levels who receive training under the project, as per GEF RF outcome 2.3.1 / 3.3.1 <ul style="list-style-type: none">- People at line ministries- Community members- extension service officers- DRM agency staff- small business owners- schoolchildren, university students or teachers- other categories.	Semi-annual	MIS	Training records	PMU
of which female	GEF Core indicator #4 Includes persons at various levels who receive training under the project, as per GEF RF outcome 2.3.1 / 3.3.1 <ul style="list-style-type: none">- People at line ministries- Community members	Semi-annual	MIS	Training records	PMU



	- extension service officers - DRM agency staff - small business owners - schoolchildren, university students or teachers - other categories.				
Percentage of beneficiaries reporting awareness of climate change impacts, appropriate adaptation responses and disaster risk management.	Measures the effect of training and awareness activities. Measured as percentage improvement over baseline as it will be measured through a sample survey Responds to GEF RF outcome 2.3.2/3.3.2 Baseline value to be determined with survey.	Baseline, Mid-term and end of Project	Evaluation Survey	Sample surveys	Contracted survey firm.
-of which are female	Measures the effect of training and awareness activities. Measured as percentage improvement over baseline as it will be measured through a sample survey. Responds to GEF RF outcome 2.3.2/3.3.2 Baseline value to be determined with survey.	Baseline, Mid-term and end of Project.	Evaluation Survey	Sample surveys	Contracted survey firm.



- of which are youth	Measures the effect of training and awareness activities. Measured as percentage improvement over baseline as it will be measured through a sample survey. Responds to GEF RF outcome 2.3.2/3.3.2 Baseline value to be determined with survey.	Baseline, Mid-term and end of Project	Evaluation Survey	Sample surveys	Contracted survey firm
Number of Wards implementing training on climate change adaptation or disaster resilience		Semi-annual	MIS	Training records	WDC Support Officers, PMU
Number of Ward Development Plans that will mainstream climate and disaster resilience	Responds to GEF RF Core Indicator #3 Number. Based on the number of Ward Development Plans that show evidence of being informed by climate and disaster risk considerations (Target f- 129 Wards)	Annual	Ward Development Plans	MIS	WDC Support Officers, PMU
Percentage of beneficiaries that report awareness of PCDF supported investments	Definition of 'beneficiaries' and 'project' as for Indicator 4. Helps track the gap between	Baseline, mid-term and end of project	Evaluation Survey	Sample surveys	Contracted survey firm.



	those aware of investments and those saying those investments reflect their needs. Baseline value to be determined with survey.				
- of which female	Definition of 'beneficiaries' and 'project' as for Indicator 4. Helps track the gap between those aware of investments and those saying those investments reflect their needs. Baseline value to be determined with survey.	Baseline, mid-term and end of project	Evaluation Survey	Sample surveys	Contracted survey firm.
- of which youth	Definition of 'beneficiaries' and 'project' as for Indicator 4. Helps track the gap between those aware of investments and those saying those investments reflect their needs. Baseline value to be	Baseline, mid-term and end of project	Evaluation Survey	Sample surveys	Contracted survey firm.



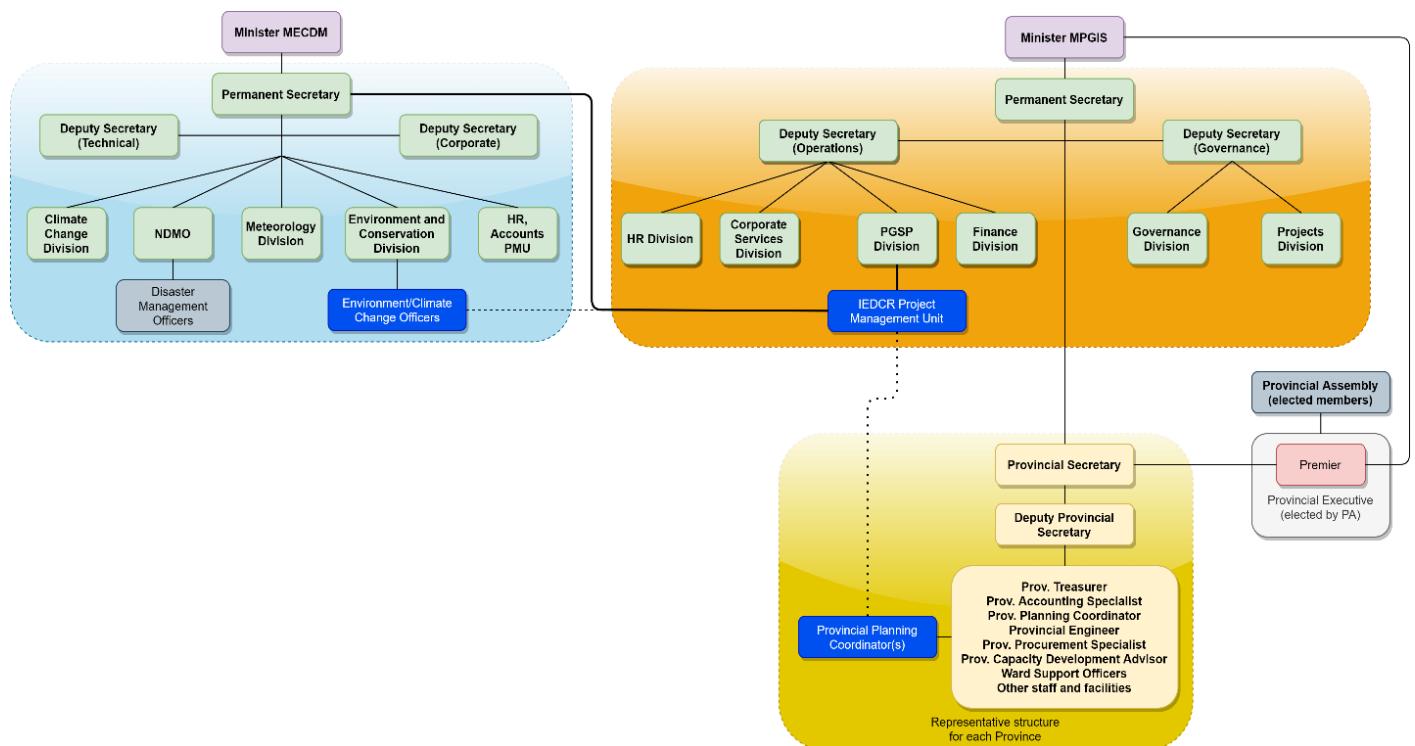
	determined with survey.				
Percentage of beneficiaries who report that communities are better able to resolve the main types of grievances and disputes at community level.	Measures the effectiveness of WDC Support Officers role in supporting local authorities to manage grievances and disputes. 'Main types' is a composite of five areas (drug and alcohol related disputes; domestic and family related disputes; serious crime; development related disputes; and land related disputes) as used in CGGM.	Baseline, Mid-term and end of Project	Evaluation survey	Sample surveys	Contracted survey firm
Percentage of beneficiaries who report improvements in engagement with government.	Attempts to measure "Engagement" defined as a composite score based on results of several identified activities which would increase information flows between PGs and communities, including the participatory planning process for PCDF and WDC grants. Based on survey questions that mirror similar indicator in CGGM.	Baseline, Mid-term and end of Project	Evaluation survey	Sample surveys	Contracted survey firm.



Percentage of grievances addressed within one month through the IEDCR Grievance Redress Mechanism	Measures grievances recorded in the GRM and formally addressed by the PMU, including responding to the complainant(s). Does not require that the grievances were resolved to the satisfaction of the complainant(s).	Semi-annual	GRM	Data recorded as part of the GRM, possibly within the MIS	PMU
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**ANNEX 1: Implementation Arrangements and Support Plan****COUNTRY: Solomon Islands
Integrated Economic Development and Community Resilience Project****Implementation Arrangements**

1. The Project's governance and management structure is described in Section III.A. Institutional and Implementation Arrangements. Diagram A.1.1 illustrates the organizational structure within MPGIS, MECDM, and the Provincial Governments (PGs), and the roles and responsibilities of their respective divisions/units, which the Project will augment. Component 1 and Subcomponent 2(a) will be implemented by MPGIS; Subcomponent 2(b) by MECDM; and Component 3, jointly by both ministries. To ensure effective communication and coordination, a joint Project Management Unit (PMU) will be established in Honiara at the MPGIS with adequate staff. At the provincial level, dedicated staff will be trained on the Project's reporting processes. Project funded positions shown in Diagrams 1 and A.1.1, such as the Provincial Program Coordinators, and the Environment and Climate Change Officers under MECDM but located at Provincial headquarters, will be absorbed as permanent staff before the Project closes. MPGIS will need to main core positions including the Provincial Capacity Development Advisors (PCDA). There will also be some funding for technical assistance, and this would be requested through the PMU. The PCDF Operational Procedures Manual will need to potentially harmonize the different funding regimes to incorporate several well-defined funding streams to avoid confusing the provinces and the communities as the main beneficiaries.

**Diagram A.1.1. MPGIS, MECDM, and Provincial Organizational Structure**



Role of the Provincial Governments

2. Project implementation will be closely coordinated with Provincial Governments (PGs). In accordance with the PCDF guidelines, PGs will participate in the approval of subprojects (at the expressions of interest and final proposal stages), to ensure that they are coordinated with the PG development plans and link them to recurrent avenues of funding for maintenance. In addition, to ensure the concerned agencies' commitment to staff the facilities constructed by the project (e.g., health workers for aid posts or clinics and teachers for classrooms), the PGs will be required to coordinate with relevant sector agencies such as the Ministries of Education and Health and Medical Services and in the review of final subproject designs and budgets. These arrangements will be incorporated into Performance-Based Grant Agreements to be signed between MOFT and the PGs.

Cross-Cutting Issues

3. **Citizen Engagement and Participation.** The Policy Blueprint provides the basis for the entire community living in a Ward to participate in the planning and decision-making process for local development and provincial level planning. It is implemented by the PGs through WDCs that are responsible for preparing three-year rolling plans and Annual Work Plans that feed into the PG's development planning and budgeting.¹⁰¹ It also provides a framework for institutionalizing good practices and lessons on community participation, inclusion and social accountability practices that have been acquired and established under other community development programs, including the RDP II and CGGMP, such as: (i) the need to strengthen facilitation and trained officers to not only assist with implementation but improve linkages between rural communities and the WDC and PG officials; (ii) sensitizing PG officials on the importance of community engagement through the establishment of new provisions such as requiring minimum representation of women, youth, and where available, civil society groups in the WDCs and training; (iii) including resources for community consultations, meetings and training; and (iv) monitoring and collecting regular feedback from community members as part of the project cycle, including the establishment of a grievance system.

4. While the Policy Blueprint has created an enabling environment to mainstream well tested approaches on citizen participation, inclusion and social accountability implemented in Solomon Islands, its impact will depend on the provision of adequate support¹⁰² for communities in the formation of WDCs, so that the WDCs can carry out their new mandates specified in the Policy Blueprint. To date, PGs have established WDCs in all 172 Wards in the country,¹⁰³ and provided training to WDC executive members.¹⁰⁴ WDCs have produced three-year plans and annual work plans for 2020-21. WDCs will be expected to review their priorities on an annual basis and submit their work plans to the Provincial Assemblies. As the WDCs are in their early years of operation, the APA of PCDF, will provide quality of progress on implementation of Minimum Condition (#9) and related performance measures (e.g., 1.8 on PG support for WDC planning, 6.5 on community feedback and grievance mechanism, 8.8 on WDC and NGO representation in PPDC, and WDCs' contributions to provincial planning performance measures such as 1.5 on climate change, 1.9 on maintenance of assets, and 5.6 on

¹⁰¹ Ward development priorities are funded through three streams of funding: Fixed Service Grants (FSG), Provincial Capacity Development Fund (PCDF) and OSR.

¹⁰² The PGs' Planning, Treasury and Works Divisions are responsible for providing facilitation, training and supervision support to the WDCs in carrying out their administrative and project activities.

¹⁰³ As there is no baseline data on the composition of WDCs and its conformity with the provisions in the Policy Blueprint, the project as part of the baseline will collect such data and link it to the MIS system so that the changes and improvements can be captured on an annual basis through the implementation of the Ward-level 'Before and After' forums and Provincial Performance Forums proposed as additional social accountability mechanisms (see below).

¹⁰⁴ Some provinces have provided training reports that provide information on training content, duration, and coverage, but it needs to be integrated with the PCDF/Provincial MIS for improved monitoring, reporting and management decision making for the first year.



asset registration). To improve opportunities for community participation and inclusion, the Project will finance: (i) the appointment of WSOs¹⁰⁵, (ii) the development of communication materials on PCDF and Policy Blueprint to improve awareness and the participation of village communities with support from the PPCs and WSOs; (iii) the implementation of participatory planning through community consultations/meetings with a focus on gender, social inclusion to contribute to the development of WDC Annual Work Plans and the Ward Development Plans; (iv) the development of a training strategy, curriculum and learning materials and resources; (v) the delivery of a ToT, adopting a cascade approach to train PG officials and staff, Project officers (PPCs, CCA and WSOs Officers) and the WDCs. The training will also include refresher training in succeeding years in line with the annual planning cycle. Training resources will be reviewed and updated before the next three-year planning cycle, which may provide the basis for additional specialized training on climate-informed planning; and (vi) related monitoring and reporting.

5. Gender and Inclusion. PCDF has made some initial developments towards enhancing gender and inclusion in its programming but there is evidence that implementation of guidelines/requirements for women and youth representation has been slow and targets in most Wards have not been reached yet. *First*, the Policy Blueprint includes provisions for minimum representation in several committees, including two women's group and one youth group representative as voting members in the WDCs; one woman and youth representative as voting members in the Provincial Planning and Development Committee (PPDC); and at least two women members in each Community Monitoring Group.¹⁰⁶ However, no provisions were made to monitor and ensure compliance. The Project's Results Framework requires that 100 percent of the WDCs will be required to meet inclusion requirements, which will help to progress gender and inclusion outcomes overall. This is reinforced by Minimum Condition #11, which requires that all the WDCs meet minimum representation to meet compliance standards,¹⁰⁷ and in Performance Measure (8.5),¹⁰⁸ which awards two points if the PPDC is established according to the Policy Blueprint guidelines. Prior to this, PCDF did not have any minimum requirements for the participation of women and youth. *Second*, PGs are scored against performance assessment measures which contain provisions to incentivize and promote the inclusion of gender considerations in provincial development plans.¹⁰⁹ *Third*, analysis and planning is conducted for the most vulnerable Wards.¹¹⁰ *Fourth*, the job description of MPGIS' PCDA includes ensuring gender issues are mainstreamed into provincial plans and budgets and contains corresponding job performance indicators.¹¹¹ All the PCDAs have received basic gender training on sectoral

¹⁰⁵ Minimum Condition #8 will include this and the role of the WSOs will be reflected in the POM (and PCDF Operations Manual).

¹⁰⁶ Provincial Government Procurement and Contract Administration Manual (Revised 2011-12), p.13.

¹⁰⁷All minimum conditions must be met for a province to access the PCDF. Minimum Condition #11 ensures that the participatory planning process is complied with as required by section 9 of the FMO (New) and the Minister's Operational Policy Guidelines, including minimum representation standards for the WDCs membership.

¹⁰⁸ Annex 3 to the PCDF Operational Procedures, September 2020, p.42-43.

¹⁰⁹ This includes Performance Measure 1.3 and 1.4 Gender Issues (which awards 1 point if analysis and concern for gender issues is clearly reflected across all sectors in the 3-year rolling provincial development plan) and Performance Measure 1.4 Gender Balance (which awards 1 point if specific analysis of how to ensure gender balance is addressed by each sector in the development plans). Annex 3 to the PCDF Operational Procedures, September 2020, p.32-33.

¹¹⁰ Situation analysis conducted with profile, development trends and sectors included and with a specific strategy to tackle poverty through review of vulnerable wards and identified needs and visions, goals and objectives clearly stated and related to the Sustainable Development Goals and the National Development Strategy (both to obtain points) – This is done by reviewing the development plans.

¹¹¹ Part of the role of the PCDA is to '*Carry out quarterly monitoring of all PCDF infrastructure projects, produce quarterly Newsletters and maintain the website of the province, ensure gender issues are mainstreamed into the provincial plans and budgets and capacity of provincial officers are developed.* The position also has the following linked performance indicators; *Carry out gender analysis by sector by coordinating with all provincial sectors in identifying main areas of gender concerns; Advise the Provincial Secretary on key issues on gender for incorporation in the three-year investment plan of the province by November each year; Develop/update annually the PG gender policy by incorporating sector gender analysis; Coordinate with the Accountable and Accounting Officers for incorporation of gender in the PG annual work plan and budget in November each year; Set a provincial target that at least 10 percent of the provincial recurrent and development budget is spent on issues relating to development*



gender mainstreaming in October 2018.¹¹² However, the Policy Blueprint standards, the revised Minimum Conditions and Performance Measures outlined above is only now being assessed for the first time,¹¹³ so a baseline of their achievement is not yet known although the Consolidated PCDF annual Assessment report 2019-2020 (v2)¹¹⁴ notes that basic gender analysis in development plans remains very problematic for more than half of the provinces. In addition, apart from the mention of one youth representative in the WDC committees, there are no other measures or provisions to outlined in PCDF processes for the inclusion of youth, people with disabilities or other vulnerable groups.

6. To address identified gender gaps women face in contributing to the PCDF and expressing their voice and agency in the planning, prioritization, design and implementation of subprojects, the Project will support the following activities:

- (i) *Monitor, report and progressively increase the minimum representation standards* for women and youth in the WDCs and PPDCs. This will include the development and implementation of provisions, strategies, and enforcement mechanisms to ensure the minimum standards are achieved in all locations. These activities will be carried out by a Gender and Inclusion Support Officer and the WSOs with support from the PPCs and the PG planning team. This will ensure that women and youth are not only consulted but are key players in the decision-making process of identifying climate risks and community development priorities, more generally. Thus, involving women in designing investment projects for resilience becomes crucial.
- (ii) *Consider specific factors affecting women's vulnerability to climate change.* In the context of the Solomon Islands this relates to two key factors. The first relates to settlement close to fragile ecosystems that are likely to be climate-change affected. The second considers the likelihood of increased frequency of adverse climatic events. In relation to improving the resilience of settlements, it is important that women are engaged in the planning processes and implementation of the proposed economic and social infrastructure. IDA's ongoing social accountability technical assistance has identified significant but currently unexploited opportunities to promote social inclusion in PCDF and WDG sub-project execution that will substantially benefit women resident in communities where these projects are implemented. Proactive measures have been proposed to enhance the competitiveness of province-based contractors, and to increase the share of local employment and to introduce performance benchmarks for women's employment, in categories of sub-projects requiring unskilled labor (see social accountability discussion below). As with other initiatives to promote gender inclusion and benefits, if these measures are agreed by SIG they would be incorporated into the appropriate minimum conditions and performance measures. In relation to disaster preparedness, response and recovery, the ongoing climate and disaster resilience activities implemented through MECDM, and sector ministries would include gender awareness raising and capacity building activities incorporated into the community-based climate and disaster risk management planning. The proposed provincial level vulnerability risk assessments will include specific consideration of gender aspects to inform planning and climate change adaptation interventions. At the local level, women will be supported to voice their concerns and experience in previous disasters to improve preparedness in line with the specific needs of each location and the specific community profile, particularly identifying households with particularly vulnerable families. Through community meetings, the Project will support local women's groups to meet to prepare plans that can be considered as integral to wider whole-of-

of women and youths; Take the technical lead in the implementation of gender equality policy in the province.' (Towards Performance Management Systems: A Policy for Provincial Governments (Final Version), p.31-34.

¹¹² Gender Mainstreaming Training Module for Provincial Government.

¹¹³ Results not yet available.

¹¹⁴ Pages 19-21.



community plans and resourced accordingly. This will require support for representation of women's groups during decision-making meetings. In this way, the Project will assist in resource mobilization for activities requested by both men and women and support their capacity development to improve response and recovery. To further enhance this outcome, the Project will work towards ensuing 30 percent of the 172 WSOs are women (current baseline is zero), and ensure that all PPDCs and WSOs are trained in gender and inclusion approaches to ensure meaningful participation and inclusion of vulnerable groups; and

- (iii) *Establish transparent, participatory planning processes as part of updating the WDC's annual work plans to ensure that community needs and the priorities of vulnerable segments are represented and coordinated in an inclusive manner in the committee decision-making process, including resources for the WDCs to plan and implement the annual meeting; and (iii) monitor gender and youth disaggregated indicators and targets into the Results Framework so that Project impacts can inform program interventions and ensure they are responsive to the differing needs of vulnerable groups.* Another key gender gap identified is women's limited time and mobility as disproportionate barriers to accessing education, income generating activities and health services (refer to paragraph 5 in the main text). The Project's focus on supporting investments in improved economic and social infrastructure (such as markets, roads, and health facilities), is expected to help address these constraints and improve women's access to economic opportunities and key services. The PDO level indicator measuring progress is already in the Results Framework: *Percentage of beneficiaries reporting increased access to economic or social infrastructure (Percentage): Baseline 0, Target 70 percent; of which are female (Percentage): Baseline 0, Target 50 percent; of which are youth (Percentage): Baseline 0, Target 35 percent.* If additional funding were to become available, the Project could also consider: (i) financing Ward Development Grants (WDG) and stipulating that these micro-grants (or a portion thereof) be used to support vulnerable groups to maximize economic benefits to the local population; and (ii) delivering additional gender and inclusion training (i.e., for the Annual Work Plan process and sectoral gender mainstreaming into the development of the Provincial and Ward Development Plans). These provisions will be updated in the PCDF Operational Procedures Manual. Additional lessons found in Paragraph 42 of the main section will be incorporated during implementation.

7. **Social Accountability.** SIG has introduced the Policy Blueprint to strengthen the institutionalization of citizen engagement in local and provincial planning and development in the context of the existing PCDF performance framework. The Project will support MPGIS and the PGs to progressively strengthen participatory planning, social inclusion, and social accountability measures through the PCDF. During Project preparation, IDA undertook an assessment has been made of the social accountability mechanisms likely to have the greatest potential to improve PGs' accountability to citizens (including via improving WDCs' accountability to citizens), when implemented in connection with PCDF and/or WDC grants. The assessment report includes a mapping of: (i) policy priorities that SIG aims to achieve by improving participatory planning, social inclusion, and social accountability; and (ii) existing mechanisms already in place (including both the PCDF performance management systems and regulations on public investment management).



This mapping identified three priorities in the Policy:¹¹⁵[OBJ]¹¹⁶[OBJ]¹¹⁷[OBJ] ¹¹⁸Across these three priority areas, three sets of corresponding social accountability mechanisms have been identified for implementation through the Project. A phased approach will be adopted to mitigate the risks of overloading PGs and nascent Ward-level bodies and officials.

- (i) The *first* set of social accountability mechanisms targets inclusive planning and allocation and includes Ward disclosure protocols and ‘Before and After’ Forums, both intending to foster increased responsiveness by Ward and PG officials to citizen demands and interests. The purpose will be served by formally clarifying the obligations of WDCs to pro-actively disclose information to the public about decisions made at provincial and Ward level, and to respond to grievances, whether these arise as a result of misunderstanding, or failure to observe new rules that require officials to pay much more attention to the interests of the areas and sections of the community vulnerable to exclusion. Annual ‘Before and After’ Forums open to all residents in the Ward will enable citizens to review the proposals the WDC intends to carry to provincial meetings (e.g., the PPDC) as well as assess and rank the performance of all parties to public spending during the previous year – whether they be contractors, PG staff, MPAs, WDC officials or the community-based organizations responsible at the facility level (e.g., clinic or school management committee, the subproject CMG).
- (ii) The *second* set of social accountability mechanisms targets inclusion in subproject execution and includes two initiatives. One will focus on improving community awareness and understanding of the contract management process, along with specific opportunities for project stakeholders at community level to engage in monitoring the performance of contractors and those responsible to supervise them. This will help improve subproject execution by WDCs and PGs. At the same time, improved community, WDC and CMG knowledge of the ‘rules of the game’ will help reduce opportunities for frivolous claims and harassment of contractors by communities with unrealistic expectations. This is intended to have positive effects on the quality of subprojects executed and the timeliness of completion and the useability of the assets produced. A *second* mechanism also targeting social inclusion in subproject execution, will directly increase opportunities for local communities to benefit from projects implemented in their localities. This aspect of social inclusion has two features. Incentives will be created to enable local contractors to be more competitive in bid selection processes, thus increasing the share of benefits from project implementation that are retained locally. The APA performance measures would also incentivize PGs to achieve agreed percentage benchmarks on employment by contractors of local unskilled labor. Additional benchmarks would encourage more equitable sharing of construction job opportunities between men and women.
- (iii) The *third* set of social accountability mechanisms targets transparency and accountability province-wide through an annual Province Performance Forum, informed by, amongst other things, biennial technical and social audits of PCDF sub-projects. Two initiatives have been proposed to help ‘close the grant cycle accountability loop at provincial level. First, an annual Province Performance Forum, convened in each province by the provincial Public Accounts Committee (PAC), will create a high visibility venue for the collective review by officials from provincial

¹¹⁵ Ensuring that decisions made during the planning and allocation of PCDF and WDG funded investments are better attuned to priorities of: (i) vulnerable Ward/areas; (ii) disadvantaged groups; (iii) Ward level government actors; and (iv) communities and non-government actors.

¹¹⁶ Ensuring that when executed, PG and WDC development projects are: (i) adequately designed and costed, including attention to recurrent cost obligations; (ii) contractors and vendors deliver value for money; (iii) relevant sector standards are complied with; and (iv) procurement and contract management provide for clear links between PG Works supervision and communities (via WDC and CMG).

¹¹⁷ Citizen engagement promoted by: (i) disclosure of timely, relevant and accessible information on performance; and (ii) confidence in responsiveness of Wards and PGs to independent audit and to public accounts committee review.

¹¹⁸ These mechanisms could be complementary to the project financing on PG staffing support, WDC training and capacity building, and supporting WDC-Community processes for participation and inclusion.



and Ward level, together with CSOs with significant service delivery responsibilities. This two-day event would capitalize on several years of investments in capacitating provincial PACs by providing them with a substantial vehicle to promote review of key accountability instruments, including (but not necessarily limited to) the APA report; the PPDC's proposed annual workplan and review of past year performance; the findings and lessons from the Ward 'Before and After' Forums; and the PG's management response to reports from the Auditor General. The Forum would be incentivized through revisions to the APA minimum condition relating to provincial PACs. The second measure proposed would complement the province-wide orientation of the Forum by providing granular, empirical technical and social audits of a representative sample of PCDF-financed projects. Conducted every second year, this would provide independent verification of technical standards, as well as social audit review by the intended beneficiaries of subprojects of their inclusion in each stage of project planning and execution. The technical and social audit results would feature in three accountability venues: the Province Performance Forum, the PCDF APA, and Mid-Term Review (MTR) of the I Project. In addition to these three sets of social accountability mechanisms, two analytic studies are identified to support adaptive learning and design of social accountability mechanisms over the life of the Project, including: (i) a comparative social and technical value for money analysis of alternative subproject procurement and delivery modalities; and (ii) a novel form of expenditure tracking to assist in building effective and durable multi-stakeholder commitments in health and education services delivery. The 'value for money analysis' – conducted during the second and fourth annual cycle of IECDR's support to PCDF – would help determine the comparative technical, financial and social merits of different procurement modalities, notably, 'community based' procurement, and local competitive bidding, recognizing different thresholds for province and national contracting. A second analytic study – proposed to be conducted after the third PCDF cycle supported by IECDR – would focus on the challenges associated with health and education service delivery. Both sectors feature prominently in PCDF outlays but ensuring that PCDF's capital investments in infrastructure result in sustained improvements in health and education services is challenged by weak coordination between central line ministries, provincial authorities and the churches/CSOs at the facility level. It is intended that the understanding of the 'on ground' reality provided by this study could help PGs, backed by MPGIS at the national level, to broker multi-agency agreements (line ministry, PG, CSO) to underwrite more durable commitments across the kinds of funding required to deliver the service (capital, non-wage and wage recurrent).

8. Community Governance and Grievance Management. MPGIS has emphasized the importance of incorporating the key duties and functions of Community Officers (COs) previously supported by the former CGGM Project into the IEDCR Project. There is agreement that integrating the key functions that COs have played into the duties of the new WSOs would also bring important benefits to the IEDCR Project's objective of supporting the operationalization of the Policy Blueprint. Given the relationship between governance and development at local level, MPGIS and IDA have agreed there would anyway be commonalities between some of the functions of COs and WSOs, and that integration of CO functions into the WSO duty statements would offer improved prospects for sustainability of these functions. At the same time, several risks need to be mitigated for the integration to be successful. These include: (i) ensuring the workload for the position is feasible and does not duplicate roles played by other actors at local level; (ii) ensuring that the WSO responsibilities are not incompatible with each other; and (iii) ensuring that the tasks of the position are aligned with the mandate of PGs and the relevant national ministries with which they will work and are commensurate with the resources available to implement these tasks. MPGIS has drafted a TOR for the integrated position of WSO, with inputs from IDA, as a basis for consulting with key stakeholders including Provincial Secretaries. The draft TOR stipulates that WSOs will have five broad areas of responsibility, supporting WDCs and other community authorities to undertake their responsibilities in relation to the Policy Blueprint, policy on climate and disaster resilience, community governance and grievance management, social accountability mechanisms, and articulating linkages between citizens, PGs and national



line ministries. In relation to the existing CO responsibilities, the new WSOs will support community authorities in the Ward to strengthen community governance and grievance management (including supporting them to play their roles in governance and grievance management at community level and to refer grievances and disputes they cannot resolve to relevant state authorities). MPGIS, together with the provinces where COs are already operational, are embarking on a piloting of the integration of CO into WSO functions. This piloting, amongst other things, is intended to test the assumption in the draft WSO TOR that CO and WSO responsibilities are mutually reinforcing and compatible, and thus to inform the finalizing of the WSO TOR and associated WSO reporting, training, and support arrangements, both at PG level and within MPGIS. The Project provides adequate financing for the development of training modules for the WSO (including community governance-related components), training of WSOs, supervision of WSOs for the life of the Project (particularly via PPCs), and for the incubation of WSOs in the first year of the project. The availability of financing from SIG to continue the employment of WSOs following the first year remains a risk to the sustainability of these arrangements.

9. Climate Change Adaptation and Disaster Resilience. The ongoing climate and disaster resilience activities implemented through MECDM and sector ministries with the support of external donor partners include the following: awareness raising and capacity building activities; community-based climate and disaster risk management planning; community resilience investments, strengthening emergency preparedness and response systems including early warning systems for disasters; and strengthening risk information management system hosted within MECDM to store and share risk information across sectors. MECDM is also conducting provincial level vulnerability risk assessments to inform planning and climate change adaptation interventions. However, most CCA and disaster resilience programs are project based and with limited funding and it is challenging to sustain and scale up the programs to all vulnerable communities across all the provinces. There is also lack of risk data for planning purposes at all levels and efforts to mainstream climate and disaster resilience into sectoral ministries work plans, budgets and decision-making process is a challenge due to the lack of support, coordination and understanding on sectoral impacts of climate change and disasters, as well as funding constraints.

10. The Project will help to build subnational capacity through the PCDF. The Project will support this by improving awareness of CCA and disaster risk related issues; providing training to a range of stakeholders; mainstreaming climate and disaster risk planning into PCDF investment cycle, including the integration of disaster preparedness and response activities into subnational planning activities; and strengthening the focus on climate and disaster resilient measures and the development of resilient standard designs in the implementation of investments. The systematic integration of resilience into PG activities and the PCDF mechanism will help sustain and scale up resilience programs over time, ensure better coordination across sectoral ministries and maximizing the use of the limited number of officers and resources available at the sub-national level to implement the national resilience priorities set out in the CCP and the NDRM Plan.

11. Training Delivery. Capacity building is included as one of the core objectives of the PCDF performance assessment system. The APA informs the development of a capacity building plan. Rather than conducting a full-scale capacity needs assessment exercise, the PCDF annual assessments aim to provide valuable information about Provincial Officer (POs)' strengths and weaknesses and use it for better targeting of future assistance to build provincial capacity. The implementation of the capacity building and social accountability activities are coordinated through the PCDF National Coordinator, while the PCDAs in the Provinces manage the coordination of planning and delivery of these activities under the supervision of the Provincial Secretary and the Deputy Provincial Secretary. The job descriptions of the POs include, along with other tasks, planning, budgeting, and delivery training for POs and WDCs, and reporting as key performance indicators that are assessed annually through the individual performance appraisal. Roles include training of POs, providing on-the-job coaching and mentoring, training reporting on a quarterly basis and carrying out



an annual evaluation. Job descriptions have been updated to reflect the provincial support to the WDCs to implement the Policy Blueprint. The job descriptions and KPIs also need to be updated to reflect social accountability-related responsibilities.

12. A mapping of provincial training activities in the PCDF performance management manual confirms a range of training activities for POs¹¹⁹ on the following topics: (i) PCDF Grant Manual, (ii) budget controls and financial reporting, (iii) project monitoring, (iv) procurement training, (v) climate change vulnerability and resilience with support from MEDCM, (vi) water-sanitation planning with support from the Ministry of Health and the Ministry of Education, (vii) upgrading (provincial) engineering skills, and (viii) website training. While training is expected to be provided on a quarterly and half yearly basis, all were conducted on an annual basis due to the lack of adequate budget for the period of 2020-2021 and the training under (v) and (vi) is yet to be implemented. The mapping of provincial training support to WDCs under PCDF includes: (i) formation and Training of the WDC, (ii) annual planning and budgeting, (iii) climate change and vulnerability, (iv) procurement, and (v) sub-project planning and implementation. As the implementation of these provisions is in its first year of operation without any full-time presence of provincial staff in the Wards, quality has varied in terms of curriculum, duration, training capacity and reporting. Further, such data is not part of an integrated MIS system and hence cannot be reported with consistency unless it is collected from each province and consolidated at the national level.

13. To support training delivery, the Project will finance the (i) revision and development of an integrated trainers' manual for WDC training, (ii) training of WSOs and WDCs (including community monitoring groups) using a ToT cascade approach, (iii) skills development of Master Trainers from the provinces, (iv) materials development for upgrading the skills of provincial engineers and works officers including environmental and social risks. The Project will support the development of thematic training materials and delivery capacity on participatory/inclusive planning, gender and social inclusion, climate change vulnerability, disaster reduction and adaptation, grievance management, and social accountability. Based on experience to date, the Project will integrate the training packages used for POs and align delivery with existing training programs. The implementation of the ToT cascade approach will include monitoring by trainers, feedback from participants at the end of the training, coaching and mentoring support by Master Trainers and other provincial trainers.

Financial Management

14. The FM arrangements prioritizes the use of country systems and satisfies the requirements as stipulated in Bank Policy 'Investment Project Financing,' subject to implementation of agreed actions and mitigating measures. The FM arrangements are detailed below:

15. **Budgeting:** Annual budgets are prepared by the Implementing Agencies based on their annual work plan. Budgets are prepared annually and submitted to the Ministry of Finance and Treasury by September each year for approval. They are revised by December each year after the SIG passes the budget in Parliament. The PGSP and PCDF budgets and work plans are prepared by the MPGIS on multi-year basis and submitted to the MNPDC. For the IEDCR, the PMU will prepare the Project budget based on the Annual Work Plans and will be cleared by IDA.

16. **Accounting:** Implementing Agencies operate on the SIG accounting system (AX accounting) and the Provincial Governments use Mind Your Own Business (MYOB). Both SIG and the PGs use International Public Sector Accounting

¹¹⁹ The job descriptions of provincial officers with key performance indicators, "Towards Performance Management Systems – A policy for Provincial Governments, PGSP, pp.16-38, January 2020.



Standards (cash basis IPSAS) for annual financial reporting. Provincial Governments use the dedicated PCDF account only for the purpose of the PCDF grant utilization and not for other transactions in compliance with the PCDF Operational Procedures and codes to identify donors' funds. Therefore, for Component 1 of the Project, the same dedicated PCDF accounts will be used with a specific code assigned to identify IDA and LDCF funds. The PMU Senior Finance Officer will use an accounting software to record the Project transactions, including those under Component 1 related to transfers from the DA to the PGs PCDF accounts and the corresponding use of funds based on the PGs quarterly expenses reports. The PMU will ensure maintenance of accurate and complete accounting records of the use of IDA funds supported by relevant documents and following SIG's financial regulations. Due to the three financing sources available (IDA Grant, IDA Credit and LDCF), a financing split will be applied, and the accounting software shall facilitate such split for the Senior Finance Officer to maintain accurate accounts records, with disbursements properly claimed, reconciled, and accounted for. Details of the financing split will be provided in the Disbursement and Financial Information Letter (DFIL).

17. Internal Controls: Government agencies in Solomon Islands are required to comply with financial management processes and procedures to ensure segregation of duties, regular bank reconciliations, relevant approval for payments, recording assets, cash, revenue, contracts management, etc. Relevant legislation includes the Public Finance and Management Act and the accompanying Financial Instructions and the Anti-Corruption Act 2018. Other legislation includes the General Order, which guides all public officers, the Financial Instructions that provide guidelines on public finances and the Code of Conduct, which covers conflicts of interest. PGs are required to comply with SIG's Public Financial Management Ordinance and PG Financial Management Instruction, the Provincial Government Act 1997; the Provincial FMO 2018; the Provincial Financial Instructions 2018; the Provincial Assembly Members Salaries and Allowances Determination; the Provincial Procurement Manual; and the PCDF Operations and Procedures Manual that includes penalties when PCDF funds are mismanaged, e.g. the funds to be repaid into the CBSI Account for re-distribution to qualifying provinces the following year. While relevant legislation is considered satisfactory for this Project; there is low capacity in PFM/PEM at the PG level, for which the PGSP through the PCDF performs continuous on the job training and mentoring by skilled officers to increase staff capacity and promote good governance and accountability. Further, the MPGIS is amongst the three ministries of SIG that has Internal Audit Division. There are two officers in the division who report to the Internal Audit Division of MOFT and to the Permanent Secretary of MPGIS. The internal audit division reviews PCDF expenditures and other capital payments. For the Project, it is proposed that MPGIS increases their internal audit division capacity to monitor PGs compliance with FM regulations, strengthen PGs internal controls systems and processes, and ensure preparation of quality auditable PGs financial statements. Such activities will support PGs in reducing the disclaimer of opinion audits and increasing the unmodified opinion audits. MPGIS will submit to IDA the reports from the Internal Audit Division on an annual basis or as mutually agreed between IDA and MPGIS to monitor progress on improving internal controls systems and staff capacity at the PGs.

18. Financial Reporting: Unaudited Interim Financial Reports (IFRs) for the full scope of the Project will be prepared by the PMU on a quarterly basis. The IFRs will include an analysis of the quarter, year to date and Project to date of the Project source of funds, expenditure plus outstanding commitments, compared against total Project budget, and the closing cash balance as required under SIG Financial Regulations. The information for Component 1 will be based on the current PCDF financial reports being prepared by the PGs, consolidated by MPGIS. The IFR template will be agreed between the Implementing Agencies and IDA. The IFRs will be submitted to the World Bank within 45 days after the end of each calendar quarter, including supporting information such as contracts register, assets register and bank statements. PGs will continue reporting to MPGIS on a quarterly basis the PCDF financial situation, outputs reports, bank reconciliations supported by bank statements, as part of the PCDF assessment process in place.

19. External Audit: SIG financial year is from 1 January to 31 December, and the PGs' financial year is from 1 April



to 31 March. SIG financial statements are submitted to the Auditor General within six months after the end of the financial year (by 30 June each year) and the Auditor General shall complete the audit report within twelve months after the end of the financial year. The PGs' financial statements are submitted to the Auditor General within nine months after the end of the financial year (by 31 December each year), and there is no deadline by law for the Auditor General to finalize the Provincial Governments audits. For this Project, it is proposed that the Implementing Agencies submit to IDA the Project audited financial statements conducted by the OAG within twelve months after the end of the PGs financial year. The Project audited financial statements shall be made publicly available by the Recipient in a manner acceptable to the Bank as per the General Conditions of IDA. In addition, a copy of the audited financial statements of the nine PGs conducted by the OAG will be submitted to IDA within twelve months after the end of the PGs financial year. The PGs financial statements will include a Note to the Accounts reporting on the source, use and cash balance of the IDA funds. Due to the existing backlog in the PGs audits, the Project will include funding to support the OAG in completing timely PGs audits and Project audits. Due to the weak capacity at the PG level, to obtain clean audited financial statements (unmodified audit opinion), it is proposed that, to raise the bar on PG audit quality, those PGs with disclaimer or adverse audit opinion do not get access to PBGs for the following year. The PCDF Operational Procedures Manual will include a minimum condition about the province securing audit report with no disclaimer or adverse opinion. This minimum condition will be fulfilled from the assessment of the FY 2023/24, i.e., from the APA to be conducted in 2024. Application of the minimum conditions will be monitored by IDA during the implementation support missions. In addition, MPGIS will submit to IDA the reports from their Internal Audit Division, regarding activities leading to improving internal controls at the PG level including follows up on audit recommendations, as currently, the internal audit division of MPGIS visits every PG and produces reports on internal controls. The MPGIS' Internal Audit Division will include in their workplan review of the PCDF quarterly reports. These reports will be useful to facilitate monitoring of the progress on increasing FM capacity at the PG level. Additionally, the results framework will include indicators on audit quality and tracking audits with unqualified opinions to improve PFM aspects of the PCDF, and the PCDF/PAM will include relevant performance indicators regarding points penalties to be applied to PGs with qualified opinion audits.

20. Funds Flow Arrangements. IDA will need to track IDA funds flow and expenditures. A pooled Designated Account (DA) in SBD for IDA and LDCF funds will be established at the CBSI. For Component 1 of the Project, funds from IDA and LDCF advanced to the designated account will be further advanced to the PCDF accounts at the PGs as required by the Provincial Government Act, Section 34. Funds will be released by MOFT as per tranche payment required under a subgrant mechanism, after a warrant from the MPGIS has been submitted to MOFT confirming that the progress reports from the PGs are satisfactory, and the PGs have complied with all the PCDF minimum conditions and triggers included in the PCDF Operational Procedures Manual to ensure the grants are used for the intended purposes. For Component 2, IDA and LDCF funds will be transferred from the pooled DA at CBSI to a joint operating account at a commercial bank to be managed by the Implementing Agencies through a joint PMU. The same arrangement will apply for Component 3 for the IDA funds.

21. Disbursement Arrangements. For Component 1, two disbursement methods will apply: (i) *Reimbursement*: for this mechanism, SIG will be required to pre-finance the subgrants, and then seeks reimbursements once eligible expenses have been incurred, verified, and accounted for; or (ii) *Advance*: for the value of subgrants based on biannual cashflow forecasts and budgets. Further replenishment of the DA in respect of subgrants will be released based on corresponding documentation of eligible expenditures via the customized Statement of Expenditures (SOEs) with the breakdown of eligible expenses; a copy of customized SOE template will be attached to the Disbursement and Financial Information Letter. All Advances from the DA to the PCDF dedicated operating accounts at the PGs (9) will be accounted for and reconciled on a regular basis; any unutilized Advances for the purposes of sub-grants at the closing date will be refunded to IDA. For Components 2 and 3 three disbursement methods will apply: (i) *Advance* to the DA, (ii) *Direct*



Payment, and (iii) Reimbursement. Special Commitment method is not applicable under the Project, and retroactive financing is not anticipated.

22. Component 1 of sub-grants will be jointly financed by IDA grant, IDA credit and LDCF grant, with a financing split of IDA Grant 25.55 percent, IDA Credit 53.07 percent and LDCF Grant 21.38 percent; Component 2 will be jointly financed by IDA grant and LDCF grant, with a financing split of IDA grant 72.73 percent and LDCF grant 27.27 percent; Component 3 will be fully financed by IDA grant at 100 percent. The Project will be 100% financed by IDA and LDCF, inclusive of taxes, and no counterpart funds are expected.

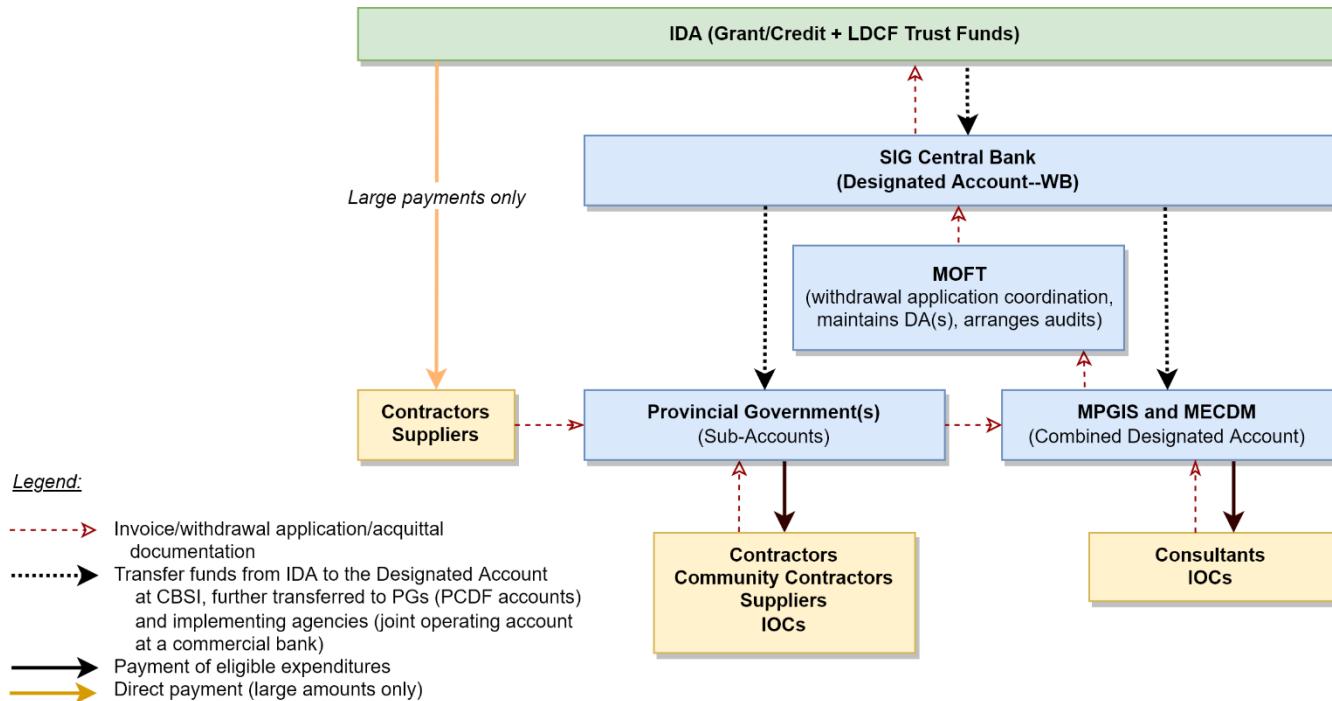


Diagram A.1.2. Funds Flow Arrangements

Table A.1. IEDCR Financing Agreement Disbursement Table

Category	Amount of IDA Grant Allocated (expressed in USD)	Amount of IDA Grant Allocated (expressed in SDR)	Amount of IDA Credit Allocated (expressed in USD)	Amount of IDA Credit Allocated (expressed in SDR)	Amount of LDCF Allocated (expressed in USD)	Percentage of Expenditure s to be Financed (inclusive of Taxes)
(1) Performance-Based Grants for Component 1 of the Project	2,647,886	1,950,000	5,500,000	4,000,000	2,216,225	Percentage specified in the Disbursement



						t and Financial Information Letter (DFIL)
(2) (2) Goods, works, consulting services, non-consulting services, Training and Operating Costs under Component 2 of the Project	5,766,227	4,200,000	0.00	0.00	2,349,986	Percentage specified in the DFIL
(3) (3) Goods, works, consulting services, non-consulting services, Training and Operating Costs under Component 3 of the Project	4,585,887	3,350,000	0.00	0.00	0.00	100%
(4) Refund of Preparation Advance	0.00	0.00	500,000.00	400,000	0.00	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	13,000,000	9,500,000	6,000,000	4,400,000	4,566,211	

23. No withdrawal shall be made for Performance-Based Grants under Category (1) of the Project, unless and until the Recipient has adopted a Project Operations Manual in form and substance satisfactory to the Association.

Procurement

24. **Procurement Strategy.** The Project's procurement scope includes the procurement of works, goods, and consulting and non-consulting services as follows:

- a. **For Component 1:** Procurement activities will include works, goods, and services relating to development of a range of economic and social infrastructures at provincial and ward levels such as feeder roads, bridges and culverts, pedestrian bridges and footpaths, jetties, storage facilities for markets for fisheries and agricultural produce, agro-processing infrastructure, and infrastructure to support tourism and other critical infrastructure such as health and education facilities. The size of infrastructure under these grants will be of small value and simple in nature (will not be more than US\$ 0.5 million, and so far, the average size of the sub-project under PCDF is about SBD 210,000, equivalent of US\$ 26,000). Therefore, the packages under the PBGs with such small size will be procured through a national/local market approach; and no international



market approach is foreseen at the Project preparation stage. As allowed by the paragraph 5.3 of the Procurement Regulations, the country's own procurement procedures (PGs) will be used for the packages under the PBGs procured through the national market approach, subject to requirements stipulated in the paragraph 5.4-5.6 of the Procurement Regulation. A review of SIG's national and provincial open competitive procurement against the requirements set forth under the paragraph 5.4 of the Procurement Regulations identified gaps relating to: (i) opening the procurement to eligible firms from any country; (ii) the application of IDA's Anti-Corruption Guidelines; (iii) the inclusion environmental and social risks and impacts mitigation measures; and (iv) rights for IDA to review procurement documentation and activities. Consequently, the specific provisions/conditions to address those gaps between the national/sub-national procurement procedures and paragraphs 5.3-5.6 of the Procurement Regulations will be included in the Textual Part of the Procurement Plan and/or the POM.

- b. **For Component 2:** This component will include the procurement of goods and consulting services relating to (a) the appointment of nine *Provincial Program Coordinators (PPCs)*; a *National Engineer; Ward Development Committee Support Officers (WSOs)*; goods; technical assistance (e.g., drafting and design technicians); provision of crash alarms; (b) the appointment a Climate *Change Resilience Expert*; (c) the appointment of five *CCARR Officers*; (c) the development of Ward level risk profiles for planning activities; and (d) the development of climate 'smart' and resilient standards for the selection, siting, design and construction of infrastructure investments to increase their sustainability and resilience against extreme weather conditions and natural hazards.
- c. **For Component 3:** This component will include the procurement of goods and consulting services for the project management support, including the establishment of a joint PMU, including a Project Manager.

25. The PPSD shows that procurement activities under the project including civil works, and goods are considered of moderate risk because they are of small value and not complex. The market research has shown that the PIAs have opportunities to select national and local contractors/suppliers available in the market, which have needed capacity, to execute the works and supply goods required under the project. However, given that the project covers many provinces with many activities and those activities are scattered in various locations, the availability of the market to meet demand of the project can be a challenge. Given that the technical nature of civil works and goods with small value is not complex and does not require special technology or method to execute, the Request for Bids (RFB) and Request for Quotations (RFQ) methods with national market approach will mainly be applied. No activities relating to procurement works and goods required international market approach is anticipated at the Project preparation stage.

26. Regarding the consultant services, the consultancy market in Solomon Islands is also not very robust. Therefore, the market approach for specialized and critical consulting services required under the Project will likely be international. Other smaller consulting assignments will be procured using Selection Under a Fixed Budget Selection (FBS), Least-Cost Selection (LCS), Selection Based on the Consultants' Qualifications (CQS), and Individual Consultant method with national market approach as appropriate. The full PPSD is available for reference as a separate project file.

27. **Procurement Plan.** Based on PPSD, a procurement plan for the Project was prepared, except for the PBGs under Component 1. The procurement plan will be updated at least on an annual basis by the Implementing Agencies to: (i) reflect Project implementation; (ii) allow for changes; and (iii) add new packages as needed for the Project. All procurement plans and their updates or modifications will be subject to the IDA's prior review and no-objection. The procurement plan identifies the risk for each activity and prior review of these activities is conducted based on the performance and risk rating. Contracts not subject to prior review will be subject to post review and IDA will carry out procurement post reviews on an annual basis with an appropriate sample. The initial procurement plan is available for



reference as a separate Project file.

Implementation Support Plan (ISP) and Resource Requirements

Implementation Support Plan (ISP)

28. The ISP proposed for IEDCR has been developed based on the Project's requirements and risk profile. Implementation support will be led by a multidisciplinary task team based in the Pacific region to ensure a timely, flexible, and more effective response to client's needs. Additional technical specialists will be hired as needed to ensure quality of implementation and drawing upon global experiences, for example for training systems design and implementation, M&E and impact evaluation, data systems applications, and engineering oversight. Implementation support will consist of periodic supervision with timely technical support. It will include: (i) an implementation support mission (ISM) every six months; (ii) interim technical discussions and field visits, as required; (iii) quarterly progress reports by the Implementing Agencies on implementation progress and achievement of results; (iv) third-party impact evaluation (baseline, midterm, and final); (v) a mid-term report by the Implementing Agencies; (vi) annual financial audits and quarterly interim unaudited reports by the Implementing Agencies; and (vii) periodic procurement post review. Subject to COVID-19 restrictions lifting, ISMs will visit randomly selected subproject sites, to assess and physically verify the work financed by the Project.

29. It is expected that the startup of the Project could face implementation challenges, which will be addressed in addition to regular ISMs through the following actions:

- (a) **Capacity Building and Coordination.** Fiduciary and ESF training will be delivered prior to Project effectiveness and during implementation. This will include Client Connection and STEP training, advisory support to develop annual work plans and budget, TORs for key consultants and consultancies and coordination with development partners and the OAG's office to ensure that audits are delivered on time.
- (b) **Knowledge Management.** Coordination of the Project's M&E and the capturing of project outcomes and results will need professional guidance from an M&E/MIS expert on IDA's implementation support team.
- (c) **Technical Support.** Additional technical support will be provided by the task team to support the review and development of social accountability mechanisms to be implemented by the Project.

30. The ISP is based on preliminary estimates of the skill requirements, timing, and resource requirements throughout the Project implementation period. As the needs of the PMU evolve over time, the ISP will be reviewed annually to ensure that it provides the required support. The tables below indicate the level of inputs that will be needed from IDA to provide implementation support for the proposed Project. Supervision will be more intense during the first year of implementation, especially on procurement of technical advisory services and investments.

Time Needed	Focus	Skills
0–18 months	<ul style="list-style-type: none">• Set up core team and functions at the PMU, project management systems including fiduciary, safeguards, M&E and MIS• Train Implementing Agencies• Recruit provincial consultants• Complete POM• Design social accountability tools	<ul style="list-style-type: none">• Fiduciary and technical experts (as above)



	<ul style="list-style-type: none">• Update training manuals• Complete the baseline survey• Train PGs, provincial consultants and WDCs on new procedures, guidelines, and tools	
18–36 months	<ul style="list-style-type: none">• Assess performance of Implementing Agencies• Review performance of component activities and refine implementation approaches.• Implement evaluation surveys and conduct analysis to identify areas for reform and improvement	<ul style="list-style-type: none">• Fiduciary and technical experts (as above)
36–54 months	<ul style="list-style-type: none">• Review continued improvements in Project management systems including fiduciary, safeguards, and M&E• Evaluate Project performance at mid-term• Stocktaking and analysis of project interventions and design improvements• Prepare learning and analysis framework	<ul style="list-style-type: none">• Fiduciary and technical experts (as above)
54–60 months	<ul style="list-style-type: none">• Completion of activities• Understand failure and success parameters in close dialogue with the implementing agencies.• Facilitate knowledge exchange and events to consolidate project learnings• Prepare detailed learning and analysis framework and prepare for end-of-project evaluation• Support technical and financial analysis of project investments• End-term evaluation and project completion report	<ul style="list-style-type: none">• Fiduciary and technical experts (as above)

The following skill mix will be required:

Skills Needed	No. of Staff Weeks	Number of Missions	Comments
Task Team Leader (Social Sustainability and Inclusion)	40	10	Based in the region
Co-Task Team Leader (Governance)	35	10	Based in the region
Co-Task Team Leader (Climate Change and Disaster Risk Management)	35	10	Based in the region
Operations Officer	30	15	Based in the country
Financial Management Specialist	24	10	Based in the region
Procurement Specialist	24	10	Based in the region
Environmental Safeguard Specialist	24	10	Based in the region



Procurement Specialist	24	10	Based in the region
Financial Management Specialist	24	10	Based in the region
Economist/Impact Evaluation Specialist	24	10	Based in the region
MIS Specialist	20	10	Based in the region
Infrastructure Specialist	20	10	Based in the region
Training Specialist	24	10	Based in the region

**ANNEX 2: Economic Analysis**

COUNTRY: Solomon Islands
Integrated Economic Development and Community Resilience Project

Objective of the Evaluation

1. The evaluation illustrates the rationale of the Project by quantifying its streams of costs and benefits and arriving at a positive net benefit, from a general standpoint. Financial analysis pertains to an investing private entity being able to fully recover its capital and operational expenses through the line of business that the investment was intended for, and periodically realize a comfortable profit margin for potential reinvestment. On the other hand, economic viability assessment deviates from financial analysis by considering benefits and costs that are ‘external to the Project.’ It attempts to capture societal impacts of the proposed project, which includes environmental and socio-economic merits and demerits to assess soundness from the standpoint of society. This is the perspective that the government typically takes, and is thus the evaluation undertaken, through a standard Cost Benefit Analysis (CBA).

Methodology and General Assumptions

2. The economic analysis of the Project centers on quantifying the benefits and costs for a range of tangible infrastructure subprojects that will potentially be implemented through the nine PGs. This pertains to Component 1 of the Project, with an estimated budget of US\$10.4 million. Project impacts that are challenging to assign monetary values to were identified and briefly discussed. For simplicity, given limited data available during the period of evaluation, the quantification focused on the primary benefits and costs whose basis for calculations are easily verifiable or validated through key informant interviews. During preparation, a detailed ex-ante analysis is not possible given various constraints but will set the tempo on how future analysis may be conducted. The following are the general assumptions used in the CBA. As the Project proposal progresses, the bases may change. Nonetheless, the factors used in the analyses were verified with counterparts and other resource persons.

- *Economic prices.* In an economic assessment, aside from the removal of price distortions such as taxes and subsidies, which are mere economic transfers and do not reflect actual resource use, the capital requirement and project cashflows are expressed in shadow prices or converted to economic values. Values are expressed in the domestic price numeraire, using the shadow exchange rate factor (SERF)¹²⁰ on foreign cost components, while leaving domestically sourced inputs unadjusted. Shadow price of unskilled labor was adjusted using a factor of 0.63¹²¹ to reflect the true economic cost of surplus labor. All prices are likewise expressed in 2021 levels, or on the evaluation year.
- *Period of analysis.* The Project horizon considered in the economic assessment is 20 years --- considered to be a reasonable economic lifetime of an asset, albeit can be prolonged with sufficient and periodic upkeep. Evaluation year, or Year 0, is 2021. Implementation is assumed to progress by 25% annually from Year 1 to Year 4, with the 1st 25% installment of benefit and an equivalent 25% of operating expenses accruing on the 2nd year, and so on until full project benefit is achieved by Yr5 when the proposed subprojects are fully implemented and operational.

¹²⁰ Calculated to be (average) 1.05, based on 2015-2019 international trade data from the Solomon Islands National Statistics Office (SINSO).

¹²¹ Calculated based on government-set minimum wage rate of SBD8/hour or SBD64 for an 8-hour work across all sectors, and subsistence wage of SBD40/day.



- *Social Discount rate.* Whilst financial analysis considers the weighted average cost of capital (WACC) as hurdle rate for the IRR, economic analysis uses the Discount Rate (DR) as the threshold. Setting an appropriate DR has long been the subject of debates. Generally, lower discount rates favor projects with longer return period. In a perfectly competitive world without distortions, the market interest rate is the appropriate DR. However, in the real world where markets are distorted and governments have various decision factors to investigate including scarcity of resources and inter-generational concerns, various approaches may be used. For simplicity, the evaluation applied the 6% DR in keeping with current practice in the Pacific region, including the most recent CAUSE Project evaluation.
- *Economic Indicators.* The standard viability indicators that result from the exercise are the economic Internal Rate of Return (eIRR), the economic Net Present Value (eNPV) and the Benefit-Cost Ratio (BCR). A project is deemed viable if: (1) the eIRR exceeds the DR which is the hurdle rate, (2) the NPV is positive, and (3) the BCR is more than 1.
- *Incremental Analysis.* The assessment investigated ‘with-the-Project’ and the business-as-usual or ‘without-Project’ stream of costs and benefits. Only incremental values were considered in the calculation of the viability indicators, consistent with standard practice.
- *Exchange Rate.* For the entire evaluation, the SBD to USD exchange rate of 0.12, prevalent during the evaluation period, is applied.
- *Beneficiaries.* It is assumed that 159 Wards in the nine provinces will benefit from a subproject financed by the Project. With an average population of 3,909 per Ward, Solomon Islands has a population of about 672,348 people or 122,000 households, assuming an average of 5.5 members each. However, direct Project beneficiaries are assumed to be only 370 percent of the total potential beneficiary population, mostly those who reside in relative proximity to the location of the infrastructure.
- *Capital Expenditure (CAPEX) Components.* Foreign cost components are simply assumed to be 10 percent, with most construction materials available locally for basic community infrastructure subprojects; labor is assumed to be 40 percent of CAPEX, of which 40 percent is unskilled.
- *Operating Expenditure (OPEX).* Assumed to range from 5 to 40 percent of CAPEX, depending on complexity.
- *Contingencies.* Physical contingency was included in the analysis; price contingency was excluded.

Preliminary Cost Estimates

3. The Project budget is US\$23.56 million as shown, by component, in the table below. Items under Component 1 are capital works (including outsourced design servicing costs) or goods values only, which is the focus of this evaluation. The standardized engineering design, supervision, training, and assistance (including financial and procurement support) provided to PGs, Wards, and communities, is covered under Component 2 and would be funded and attributed to the Implementing Agencies. Component 3, which covers project management, financial, procurement, data entry, reviews, and audits, will be shared between MPGIS and MECDM.

Table A.2.1. Cost Estimates Per Project Component

Component	Description	US\$ million
1	Performance-Based Grants for Resilient Development	10.4
2	Support to Subnational Entities	8.7
2a	<i>Subnational Support from Planning to Execution</i>	6.9
2b	<i>Building Resilient Communities</i>	1.8
3	Project Management	4.460
Total		23.56



Key Sectors and Subprojects Subjected to CBA

4. To determine what key sectors and representative subprojects are to be subjected to CBA, the priority PCDF economic infrastructure for 2022/23 to 27 was used as guide. Table A.2.2 provides a summary, including the codes assigned by the analyst to simplify the categorization according to sector.¹²² The proposed subprojects amounted to SBD 49.3 million, or roughly US\$6 million. It was seen that key sectors are Works and Transport with a proposed budget of SBD 12 million or 24 percent of total; Commerce and Investment (SBD 10.2 million, or 21 percent of total), Agriculture and Livestock (SBD 9 million, or 18 percent of total), and Water Supply and Sanitation (SBD 4.47 million).

5. Further, the three-year rolling investment plans submitted by the WDCs for 2021/2022 to the PGSP was explored and organized according to appropriate classifications. From these plans, over 690 subprojects proposed were sorted. The summary is seen in Figure A.2.1.

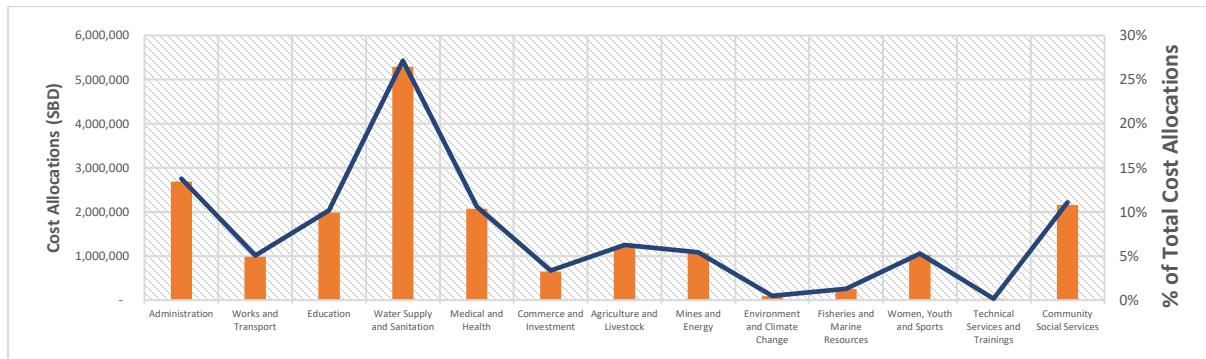
6. Major sectors where there are high demands for infrastructure development are Water Supply and Sanitation (27 percent), Administration (14 percent), Medical and Health (11 percent), Community Social Services (11 percent), and Education (10 percent). Because it is difficult to monetize benefits from Community Social Services sector, where typical interventions are in support of churches, this sector was removed from the quantitative analysis.

7. Moreover, numerous infrastructure projects that will enhance climate change resilience for communities were observed from the consolidated list of subprojects — these mostly fell under the Water Supply and Sanitation, and some in Mines and Energy. These subprojects were given a specific sector/category of Climate Change Adaptation to avoid double counting in the analysis.

Table A.2.2. Summary of Proposed New PCDF Economic Infrastructure

Code	Count	Average Cost	Total	% of Total	Beneficiaries	Sector
T_RB	12	1,003,556	12,042,674	24%	18,763	Works and Transport
Mkt	16	635,576	10,169,217	21%	25,018	Commerce and Investment
Solar	1	300,000	300,000	1%	1,564	Mines and Energy
Stor	7	8,977,662	8,977,662	18%	10,945	Agriculture and Livestock
SWall	2	1,050,000	2,100,000	4%	3,127	Environment and Climate Change
SWM	4	658,750	2,635,000	5%	6,254	Environment and Climate Change
T_Jet	4	637,500	2,550,000	5%	6,254	Works and Transport
WS	6	745,000	4,470,000	9%	9,382	Water Supply and Sanitation
Educ	1	567,072	567,072	1%	1,564	Education
Others	10	631,207	5,495,000	11%	15,636	
Total	63		SBD 49,306,625	100%	98,507	
			USD 5,916,795			

¹²² Categories by sector largely followed the classification made by Malaita Province

**Figure A.2.1. Approved Infrastructure Projects from WDC Three Year Work Plans**

8. The resulting priority sectors among the WDCs, and the most common subproject type seen are shown in Table A.2.3. The total Component 1 CAPEX estimated were distributed according to the prioritization as seen from the WDC three-year plans, and the economic infrastructure projects. The total financial costs, sans contingencies, were subjected to shadow pricing to express them in real economic terms.

9. The two key sectors with the biggest budget appropriations are Climate Change Adaptation and Water Supply and Sanitation (22 percent each of total).

Table A.2.3. Priority Sectors and Dominant Subprojects, Estimated Financial and Economic Costs

Priority Sectors Extracted from WDC 3-Yr WorkPlans and as Identified by PCDF	Main Subprojects Subjected to CBA	Financial Values			Economic Values		
		SBD	USD	% of Cost	SBD	USD	% of Cost
Works and Transport	Feeder Roads	14,592,674	1,751,121	14%	13,117,952	1,574,154	14%
Commerce and Investment	Market	10,169,217	1,220,306	10%	9,141,526	1,096,983	10%
Agriculture and Livestock	Storage	8,977,662	1,077,319	8%	8,070,388	968,447	8%
Water Supply and Sanitation	Piped WSS	22,925,437	2,751,052	22%	20,608,615	2,473,034	22%
Administration	Staff Housing	11,309,659	1,357,159	11%	10,166,716	1,220,006	11%
Education	Classroom Bldg	8,148,646	977,837	8%	7,325,151	879,018	8%
Medical and Health	RHU/Clinic	6,819,221	818,307	6%	6,130,077	735,609	6%
Climate Change Adaptation	Boreholes	23,523,192	2,822,783	22%	21,145,961	2,537,515	22%
Total		106,465,708	12,775,885	100%	95,706,385	11,484,766	100%

Per Subproject Type Viability

10. CBAs were conducted on the representative subproject—or most identified in the plans—of all eight key sectors, to reach a conclusion on the overall project viability. Only the primary benefit per subproject type was quantified—by doing so, bias towards any subproject (and sector) is avoided. This ensures that the proposed subprojects are neither intentionally over- or under-valued. It also allows comparison among the subprojects if prioritization is called for, should unanticipated constraints in the future occur. This approach also simplifies the future evaluations of the project. Adding more in the stream of benefits will only further improve the viability indicators, since robust numbers were already derived, even by using a conservative methodology. Nevertheless, other subproject benefits are identified and briefly discussed. The summary of results is given in Table A.2.4.

**Table A.2.4. Results of Subproject Type Viability Tests**

Priority Sectors Extracted from WDC 3-Yr WorkPlans and as Identified by PCDF	Main Subprojects Subjected to CBA	Total Economic Cost of Projects Evaluated (SBD)	% of Total Cost	NPV (SBD)	EIRR	BCR
Works and Transport	Feeder Roads	13,117,952	14%	12,615,433	19.22%	1.99
Commerce and Investment	Market	9,141,526	10%	10,440,404	21.78%	1.68
Agriculture and Livestock	Storage	8,070,388	8%	8,165,322	20.15%	1.81
Water Supply and Sanitation	Piped WSS	10,166,716	11%	4,208,117	48.90%	1.80
Administration	Staff Housing	20,608,615	22%	25,518,706	22.96%	1.99
Education	Classroom Bldg	7,325,151	8%	11,257,205	26.58%	2.23
Medical and Health	RHU/Clinic	6,130,077	6%	7,102,042	21.98%	1.92
Climate Change Adaptation	Boreholes	21,145,961	22%	47,760,598	35.11%	1.52

11. By comparing the individual analyses conducted, Works and Transport (feeder roads) and Administration (staff housing), both with BCRs almost equal to 2, will result to considerable freeing up of public funds that may be used for other expenses. While Water Supply and Sanitation (piped WSS), and Climate Change Adaptation (borehole) have the highest impact on target beneficiaries, and most robust viabilities (highest IRRs) that impact on household resource savings. Meanwhile, the market, storage, classroom and RHU/clinic will allow consumers to enjoy surplus benefits. The key assumptions and major benefits (highlighted) per subproject type are summarized in Table A.2.5.

Table A.2.5. Primary Benefits considered and Key Assumptions

Sector	Subproject	Economic Benefits	Main Assumptions Used/Remarks
Administration	Staff House	<ul style="list-style-type: none"> - Savings in rent in private accommodations (freed up resources) - Savings in transport cost and time - Increased productivity 	<ul style="list-style-type: none"> - Monthly budget of SBD4000-SBD7000/staff monthly - Per sqm rent derived (about SBD275/sqm/month or an average of SBD5,550 monthly rent) - Total rentable space determined using an average construction cost of SBD6,467/sqm (Pacific region research)
Transport	Road	<ul style="list-style-type: none"> - Net savings in agency maintenance cost (freed up resources) - VOT or Savings in time, and possible travel cost - VOC savings 	<ul style="list-style-type: none"> - Same assumptions used in CAUSE Project evaluation - WoP annual maintenance cost ~SBD350,000/km - WP annual maintenance cost ~SBD51,667/km + Periodic maintenance of ~SBD310,000/km
Water Supply	Piped Water supply system	<ul style="list-style-type: none"> - Time saved from fetching water - Economic value of saved water - Avoided health treatment costs on water-borne diseases 	<ul style="list-style-type: none"> - Potential household (HH) beneficiaries ~ 10,647 (5.5 HH size); 1 member assigned to fetch water - 1-hour average time spent in fetching water; valued at minimum wage/8hours - OPEX estimation is at 40% of capital investment
Commercial	Market	<ul style="list-style-type: none"> - Users' fee - More convenient local trading - Avoidance of vector-transmitted 	<ul style="list-style-type: none"> - Lower bound of Honiara Central Market daily cash ticket (SBD13-31/sqm/day)



Sector	Subproject	Economic Benefits	Main Assumptions Used/Remarks
<i>Agriculture</i>	Storage shed	diseases with more hygienic, well-spaced area for selling and buying wet and dry goods - Users' fee - Avoided spoilage of agricultural produce - Savings in adaptation costs/resource cost	-Used as basis the cash ticket values used in market subproject evaluation
<i>Education</i>	Classrooms	- Savings from cost of education (matriculation) with availability of public school - Enhanced student achievement (e.g., reduction in repetition and drop-out rate) - PV of incremental productivity	-Annual matriculation per student in similar private institution SBD1450 -Annual matriculation in public schools with facilities that are now compliant with standards SBD725 (or 50% --- just parents, contribution to school admin)
<i>Health</i>	RHU/Clinic	- Savings from cost of private hospitalization with availability of public health service - Avoided treatment costs or gains due to better service delivery - Avoided economic losses due to sickness	- Admission cost in similar private facility: SBD500 - Hospitalization cost in similar private facility SBD500/day - Cost of hospitalization in public health facility SBD100/day, therefore net savings of SBD400/day -Hospital occupancy rate 50%
<i>Climate Change Adaptation</i>	Borehole	- Resource cost savings for HH during extreme weather conditions (adaptation to water shortages) - Savings in time to fetch water -Avoidance of water-borne diseases	-Reports mention water from boreholes are considered of good quality and no treatment is necessary - Water demand: 3LPCD for drinking, economic cost of drinking water SBD0.3/liter

12. Sensitivity analyses were conducted on four (4) scenarios: (1) 20 percent increase in CAPEX, (2) 20 percent increase in OPEX, (3) 20 percent decrease in benefits, and (4) a combination of the cost increases, and decrease in benefits, or what is called the worst-case scenario. Results are given from Tables A.2.6 to A.2.13 below.

Table A.2.6. Sensitivity Analysis Results: Feeder Roads

Scenario		ENPV (SBD)	ENPV USD	EIRR %	Switching Value %	Benefit / Cost Ratio
Base Case		11,901,351	1,428,162	19%		1.991
Capital Investment Increase	20%	9,757,243	1,170,869	15%	111.0%	1.659
Benefit Decrease	20%	7,376,973	885,237	15%	52.6%	1.593
Combined Worst Scenario		5,232,865	100,632	11%		1.327

**Table A.2.7. Sensitivity Analysis Results: Market**

Scenario		ENPV (SBD)	ENPV USD	EIRR %	Switching Value %	Benefit / Cost Ratio
Base Case		10,440,404	1,252,848	22%		1.676
Capital Investment Increase	20%	8,946,236	1,073,548	18%	139.7%	1.528
Operating Expense Increase	20%	8,846,468	1,061,576	20%	131.0%	1.519
Benefit Decrease	20%	5,264,219	631,706	15%	40.3%	1.341
Combined Worst Scenario		2,176,116	261,134	9%		1.117

Table A.2.8. Sensitivity Analysis Results: Storage

Scenario		ENPV (SBD)	ENPV USD	EIRR %	Switching Value %	Benefit / Cost Ratio
Base Case		8,165,322	979,839	20%		1.807
Capital Investment Increase	20%	6,846,230	821,548	16%	123.8%	1.599
Operating Expense Increase	20%	7,461,737	895,408	19%	232.1%	1.690
Benefit Decrease	20%	4,509,581	541,150	14%	44.7%	1.446
Combined Worst Scenario		2,486,904	298,428	10%		1.205

Table A.2.9. Sensitivity Analysis Results: Piped WSS

Scenario		ENPV (SBD)	ENPV USD	EIRR %	Switching Value %	Benefit / Cost Ratio
Base Case		35,067,645	4,208,117	49%		1.801
Capital Investment Increase	20%	33,405,912	4,008,709	41%	422.1%	1.735
Operating Expense Increase	20%	27,976,883	3,357,226	41%	98.9%	1.550
Benefit Decrease	20%	19,301,621	2,316,194	31%	44.5%	1.441
Combined Worst Scenario		10,549,125	1,265,895	18%		1.201

Table A.2.10. Sensitivity Analysis Results: Staff Housing

Scenario		ENPV (SBD)	ENPV USD	EIRR %	Switching Value %	Benefit / Cost Ratio
Base Case		25,518,706	3,062,245	23%		1.988
Capital Investment Increase	20%	22,150,261	2,658,031	19%	151.5%	1.759
Operating Expense Increase	20%	23,722,025	2,846,643	22%	284.1%	1.859
Benefit Decrease	20%	15,249,839	1,829,981	17%	49.7%	1.590
Combined Worst Scenario		10,084,713	1,210,166	12%		1.325

Table A.2.11. Sensitivity Analysis Results: Construction of Classrooms

Scenario		ENPV (SBD)	ENPV USD	EIRR %	Switching Value %	Benefit / Cost Ratio
Base Case		11,257,205	1,350,865	27%		2.226
Capital Investment Increase	20%	10,059,921	1,207,191	22%	188.0%	1.969
Operating Expense Increase	20%	10,618,591	1,274,231	26%	352.6%	2.082
Benefit Decrease	20%	7,169,865	860,384	20%	55.1%	1.781
Combined Worst Scenario		5,333,967	640,076	15%		1.484

Table A.2.12. Sensitivity Analysis Results: RHU/Clinic

Scenario		ENPV (SBD)	ENPV USD	EIRR %	Switching Value %	Benefit / Cost Ratio
Base Case		7,102,042	852,245	22%		1.925
Capital Investment Increase	20%	6,100,091	732,011	18%	141.8%	1.702
Operating Expense Increase	20%	6,567,615	788,114	21%	265.8%	1.799
Benefit Decrease	20%	4,145,256	497,431	16%	48.0%	1.540
Combined Worst Scenario		2,608,878	313,065	11%		1.283

**Table A.2.13. Sensitivity Analysis Results: Borehole**

Scenario		ENPV (SBD)	ENPV USD	EIRR %	Switching Value %	Benefit / Cost Ratio
Base Case		47,760,598	5,731,272	35%		1.525
Capital Investment Increase	20%	44,304,325	5,316,519	29%	276.4%	1.469
Operating Expense Increase	20%	33,012,376	3,961,485	27%	64.8%	1.312
Benefit Decrease	20%	20,003,983	2,400,478	19%	34.4%	1.220
Combined Worst Scenario		1,799,488	215,939	7%		1.016

Overall Project Viability

13. The quantitative analyses which took a conservative approach on the various representative subprojects were put together to determine the viability of the entire Component 1 of the Project which supports infrastructure development at ward level.

14. The viability indicators are presented in [Table A.2.15](#), including results from the sensitivity analysis done. At base case, the calculated 28 percent eIRR comfortably exceeds the hurdle rate set at 6%, the eNPV is valued at SBD 157 million over the 20-year horizon, and the BCR indicates that total benefits exceed costs by 1.73 times. The economic assessment of the project exercised prudent estimations of its merits and demerits. To further determine whether the economic viability is vulnerable to unfavorable changes in benefits and costs, a sensitivity analysis was conducted on the following scenarios:

- Case A: An increase in capital investment by 20 percent while OPEX and benefits are unchanged;
- Case B: An increase in OPEX by 20 percent while benefits and CAPEX are unchanged;
- Case C: A reduction in benefit by 20 percent while CAPEX & OPEX are unchanged; and
- Case D: An extreme case that combines A, B, and C or simultaneous reduction benefits, increases in costs.

15. Results of the sensitivity analysis suggest that the viability of the project is most sensible to changes in benefits rather than the cost. Thus, careful lookouts on ensuring that critical success factors such as pertaining to demand for the project must be ensured. Notwithstanding, changes in cost can also affect project viability. Yet, even at the most extreme scenario where simultaneous changes in benefit and costs are made, the project is robust. The analyses concludes that the Project is a worthy undertaking that will benefit the Solomon Islands.



Table A.2.14. Summary of Costs and Benefits

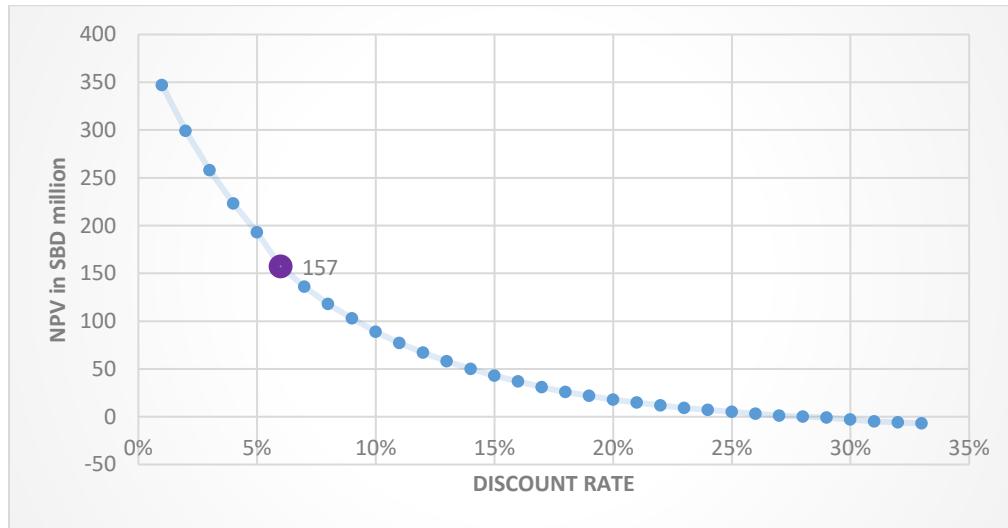
SECTOR	Economic Analysis		ENPV SBD
Works and Transport	Total Net Savings on Maintenance	SBD	22,621,891
Commerce and Investment	User's direct benefit (consumer surplus)	SBD	25,880,922
Agriculture and Livestock	User's direct benefit (consumer surplus)	SBD	18,278,707
Water Supply and Sanitation	Total Value of time saved	SBD	78,830,122
Administration	Savings on Rent (freed-up government budget)	SBD	51,344,336
Education	Savings from cost of equivalent private education	SBD	20,436,698
Medical and Health	Main Benefit: Savings from cost of private hospital services	SBD	14,783,931
Climate Change Adaptation	Total Value of resources saved	SBD	138,783,071
	Total Benefits	SBD	370,959,680
Works and Transport	Economic Cost - Capital	SBD	10,720,540
Commerce and Investment	Economic Cost - Capital	SBD	7,470,838
Agriculture and Livestock	Economic Cost - Capital	SBD	6,595,459
Water Supply and Sanitation	Economic Cost - Capital	SBD	8,308,666
Administration	Economic Cost - Capital	SBD	16,842,223
Education	Economic Cost - Capital	SBD	5,986,420
Medical and Health	Economic Cost - Capital	SBD	5,009,756
Climate Change Adaptation	Economic Cost - Capital	SBD	17,281,365
	Total Capital Requirement	SBD	78,215,267
Works and Transport	Economic Cost - O&M	SBD	-
Commerce and Investment	Economic Cost - O&M	SBD	7,969,681
Agriculture and Livestock	Economic Cost - O&M	SBD	3,517,926
Water Supply and Sanitation	Economic Cost - O&M	SBD	35,453,811
Administration	Economic Cost - O&M	SBD	8,983,406
Education	Economic Cost - O&M	SBD	3,193,073
Medical and Health	Economic Cost - O&M	SBD	2,672,134
Climate Change Adaptation	Economic Cost - O&M	SBD	73,741,109
	Total O&M Cost	SBD	135,531,140
	Net Benefit	SBD	157,213,273
	EIRR	%	27.91%

Table A.2.15. Overall Project Viability

Scenario		ENPV SBD	ENPV USD	EIRR %	Switching Value %	Benefit / Cost Ratio
Base Case		157,213,273	18,865,593	28%		1.736
Capital Investment Increase	20%	141,570,220	16,988,426	23%	201.0%	1.617
Operating Expense Increase	20%	130,107,045	15,612,845	24%	116.0%	1.540
Benefit Decrease	20%	83,021,337	9,962,560	18%	42.4%	1.388
Combined Worst Scenario		40,272,056	4,832,647	11%		1.157

**Subjecting Base Case Project Viability to Various Discount Rates**

16. Sensitivity analysis was also conducted on base case project viability to various levels of Discount Rates. Figure A.2.2 shows the project NPV equal to zero (0), at Discount Rate equal to 28 percent which is the project eIRR.

**Figure A.2.2. Base Case Sensitivity to Different Discount Rates**

**ANNEX 3: Background on Related World Bank Community-Level Programs****COUNTRY: Solomon Islands**
Integrated Economic Development and Community Resilience Project**A. Rural Development Program**

1. The Rural Development Program (RDP) was launched in 2007 by the SIG and World Bank with strong co-financing support from the Government of Australia, European Union (EU), and International Fund for Agricultural Development (IFAD) in the form of grant funding. The first phase of the project closed in 2015, and RDP II, the second (current) phase closed on February 28, 2021. RDP II is a nationwide program, which improves basic infrastructure and services in rural areas and strengthens linkages between smallholder farming households and markets in Solomon Islands. At present, the program covers all 172 rural wards and is the largest community development program in the country. Since its inception, total funding for the RDP including grant and SIG funding will amount to almost SBD 460 million (~US\$56 million) with the program acting as a significant drawcard for donors to leverage SIG's initial investment. As of December 2019, it has completed more than 600 subprojects (200 more are expected to be completed by 2021) benefiting approximately 350,000 Solomon Islanders in rural communities across the country. Subprojects include:

- Water supply (49 percent) comprising wells, rainwater tanks, boreholes, gravity-fed and piped water systems;
- Education (21 percent) comprising classrooms, libraries, youth centers, and teacher housing;
- Community halls (16 percent);
- Health (5 percent) comprising clinics, aid posts, staff housing;
- Other (9 percent) including solar charging stations, internet access points, high frequency radio facilities, and cyclone shelters.

2. In addition, the program has established 35 agribusiness partnerships and supported the capacity and expansion of small-holder farms and engaged about 19,000 members, providing a range of agricultural produce and services, mainly in coconut and copra. The program has also created over 7,200 jobs.

3. Both phases of the RDP adopted a CDD approach. The CDD model promotes community empowerment through a facilitated and localized decision-making process designed to deliver public goods and services to poor and marginalized communities. In Solomon Islands, RDP has delivered quality infrastructure and services to communities, and in areas where local governments have limited reach, due in part to the challenging economic geography, which has profound implications on the efficacy and efficiency of public service delivery. The geographic challenges and limitations in the State's capacity to deliver services has accentuated uneven development between urban and rural areas (where most people reside), and among different rural areas, through the varying extent of infrastructure and services. Consultations with communities have disclosed a low level of knowledge about state services and community members have often described the RDP as the first thing they have ever gotten from SIG that was beneficial. This suggests that RDP provides SIG a mechanism for bridging this gap, making SIG more responsive to community needs and promoting inclusive and sustainable growth.

4. RDP II has two components: (1) Community Infrastructure and Services, which increases community access to infrastructure and services in rural areas through participatory and bottom-up planning, budgeting and implementation at community and provincial levels with an emphasis on women, youth, and people with disabilities. The component involves two cycles of Community Development Grants (approximately SBD 200,000 [US\$26,000] each), incorporating



community facilitation and capacity development through Local Community Helpers and Technical Community Helpers managed by Provincial Support Units co-located within Provincial Government Offices. The community grants help to finance a wide range of subprojects identified by communities themselves; and (2) Agriculture Partnership and Support, which assists farming households to engage in productive partnerships with commercial enterprises through Agribusiness Partnerships. This component also helps to build the capacity of Ministry of Agriculture and Livestock (MAL) to regulate, coordinate services, undertake participatory research and restore the productive assets of households critically affected by the 2014 flash floods.

B. Community Resilience to Climate Change and Disaster Risk Project

5. The Community Resilience to Climate and Disaster Risk in Solomon Islands Project (CRISP) became effective on April 1, 2014 and closed on May 28, 2020. The project was co-financed by grants from the Global Environmental Facility (US\$7.3 million) and Global Facility for Disaster Reduction and Recovery (US\$1.80 million) and was implemented by the Ministry of Environment, Climate Change, Disaster Management and Meteorology (MECDM) with a steering committee chaired by the Permanent Secretary of MECDM and technical members of the Disaster Management Office (NDMO), Climate Division and Meteorology Division. It built on activities piloted under the Climate Change and Natural Hazards in Solomon Islands Project, a US\$2.73 million project funded through the Japan Policy for Human and Resource Development (PHRD). Both Programs were implemented through the same PCO and have similar and complementary components. The CRISP Project had the following components:

6. Component A: Integration of Climate Change Adaptation and Disaster Risk Reduction in Government Policies and Operations. This component integrated risk resilience for the management of disaster and climate risk into government policy frameworks and practices, through (i) Development of a national cross-sector framework for disaster management and an integrated framework for resilient development; and (ii) Strengthening the capacity of the government and processes for mainstreaming risk resilience into selected sectoral work programs and social livelihood practices. Activities completed under this component included the Framework for Disaster and Resilient Development in Solomon Islands with a position paper developed, and the revised National Disaster Management Plan which has been approved by the Cabinet in February 2018 and is currently being rolled out and implemented in provinces; and strengthening and mainstreaming Disaster Risk Management and Climate Change Adaptation through provision of technical assistance to targeted Ministries.

7. Component B: Strengthening of Climate and Disaster Risk Information and Early Warning Systems. The activities strengthened climate and disaster risk information and early warning systems including establishing a volcanic-seismic monitoring network. Through these component activities, seven seismic and volcano network stations are established around Solomon Islands to monitor volcano, earthquake, and tsunami risks. The stations are connected to the regional multi-hazard network which also monitor tropical cyclones, rainfall and drought and benefit the entire population of Solomon Islands. The risk database at MECDM was also strengthened under these activities.

8. Component C: Climate Change Adaptation and Disaster Risk Reduction Investments. This Component supported structural and non-structural disaster risk and adaptation investments at the community and provincial level which were identified through a risk analysis process. The component was implemented in collaboration with RDP II and the Provincial Governments of the target provinces. The investments supported include rainwater harvesting systems, gravity-fed water systems, bore hole water systems, ground-well water systems, community shelters, access roads, footbridges, community halls, school dormitories, and coastal protection works. Investments cover the provinces of Guadalcanal, Temotu, Malaita and Central and Bellona and benefit a total of 64,000 people.

**C. Community Governance and Grievance Management Project**

9. The objective of the Community Governance and Grievance Management (CGGM) Project was to:

- (i) Strengthen community grievance management capabilities; and
- (ii) Enhance the effectiveness of linkages with government in targeted communities.

10. It did this by supporting the establishment of Community Officers (COs) by Provincial Governments. COs strengthen the ability of communities in their Wards to manage disputes, grievances, social order problems and conflict, which are often the spillover effect of underlying socioeconomic change, including due to land and natural resource exploitation such as logging and mining. By combining state authority with non-state forms of authority (chiefly, religious, or customary), COs enhance the effectiveness of both the state and non-state authorities. COs also bring the state closer to rural communities, through referrals, information flows, feedback, and so forth.

11. Therefore, the CGGM Project aimed to enhance the ability of the state to project its authority and services throughout the country, by helping extend its presence and relevance at the local level in the sphere of social order and access to justice. It was led by MPGIS, working in close collaboration with the participating Provincial Governments. Four Provincial Governments participated in the Project: Central, Makira, Malaita and Renbel. The Project commenced at the end of 2014, funded by an original grant of approximately US\$3.1 million from DFAT. It was extended in 2019 and 2020, with additional financing of approximately US\$1.3 million from DFAT, and closed at the end of June 2021.

12. The CGGM Project had three components: (1) **Revitalizing Government-Community Linkages**, which supported Provincial Governments to consult with communities on the appointment of COs and to recruit and supervise COs (the remuneration of COs is paid for by Provincial Governments from their own funds); (2) **Strengthening the Capabilities of Community Officers and Local Authorities**, which supported MPGIS to train COs and the non-state authorities they work with, so they had the knowledge and skills needed for their roles. MPGIS provided the training collaboratively with Provincial Governments, Police, Ministry of Women, Public Solicitor's Office, etc.; and (3) **Project Management, Evaluation and Learning**, which supported MPGIS to manage the project effectively, including monitoring and evaluating the incidence of disputes at community level and how these are resolved, through a smart phone-based app that COs use.

13. The beneficiary survey conducted at the close of the Project indicated positive results on both strengthening community grievance management capabilities and enhancing the effectiveness of linkages with government. Specifically, it found that:

- 78 percent of citizens in the targeted communities reported direct benefits from the project, with the number of estimated direct beneficiaries (23,117) exceeding the target (11,270) and the percentage of female beneficiaries (47 percent) falling just short of the target (50 percent);
- 84 percent of surveyed beneficiaries experienced improvements in the accessibility and 81 percent experienced improvements in the effectiveness of community grievance management mechanisms, exceeding the target of 70 percent for both; and
- 67 percent of beneficiaries perceived improvements in linkages with government, driven primarily by improvements in linkages with Police, but also by improvements in linkages with Provincial Governments, just short of the target of 70 percent.

**ANNEX 4: Background on the Provincial Capacity Development Fund**

COUNTRY: Solomon Islands
Integrated Economic Development and Community Resilience Project

1. The Provincial Capacity Development Fund (PCDF) is a performance-based grant that gives Provincial Governments (PGs) resources to manage for public investments that they execute, with incentives for improved public financial management and governance. It is a critical tool of the Government's Provincial Government Strengthening Programme (PGSP).

2. **It is a meaningful example of over a decade-long reform effort to break the vicious circle of low capacity and performance, limited mandatory responsibilities, and limited resources of PGs.** Prior to PCDF, the nine PGs played a marginal role in managing local development, despite the broad developmental mandate assigned to them by the Provincial Government Act 1997 (PGA). Line ministries at the central level were also reluctant to delegate or devolve responsibilities for service delivery and local development to PGs, citing a lack of provincial capacity and performance. There was an absence of the most basic plans, financial statements, and reporting on the use of funds. In the absence of systems for accountability and a weak track record of PGs' performance, there was little justification for transfers of financial resources or fiscal powers from the central to provincial level. Following the introduction of PCDF, several achievements point to the gradual strengthening of provincial public financial management. For example, over a period of 10 years, 90 financial reports across the nine PGs were produced and submitted to the OAG for auditing (100% reporting), with PGs audited for 10 years without exemptions. The Provincial plans and budgets are now scrutinized and balanced before the Minister signs, and all nine PGs now use International Public Sector Accounting Standard (IPSAS) Cash Basis as their reporting framework.

3. **Evaluated against desirable features of an effective transfer system,¹²³ and benchmarks for performance-based grants¹²⁴, PCDF is considered sufficiently transparent, provides incentives to improve financial management with an established performance assessment process. However, there are several areas of weaknesses that can be strengthened.** These relate to the increasing complexity of the design (particularly relative to the capacity of PGs), predictability of funds, accountability at the provincial level, and lack of transparency of provincial prioritization processes. There are additional considerations around the regional equity and adequacy which should ideally be assessed along with other sources of subnational resources, including the Fixed Services Grant (FSG) and own-source revenue.

- **Transparency.** Access to funds and their distribution is rules-based with clear minimum access conditions for all funds.¹²⁵ Compliance with the minimum conditions triggers 30% of the PCDF funds – the basic component – within which 40% of funds are divided equally between the provinces and 60% are divided based on population. The remaining 70 % of PCDF funds – in addition to the minimum conditions – are distributed based on each province's performance score (across pre-determined performance measures) relative to the average score of all provinces and scaled so all provinces have the same proportional incentives. The system

¹²³ These include revenue adequacy and buoyancy, predictability, simplicity and transparency of intergovernmental transfer system and its impact on allocative efficiency, interregional equity and incentive structure for sound fiscal management. S. Yilmaz and S. Bindebir, "Intergovernmental Transfers: Concepts and Policy Issues", World Bank Institute, 2003.

¹²⁴ Performance-based Grant Systems – Concept and International experiences, UNCDF, 2010.

¹²⁵ PCDF Performance Assessment Manual 2020. The component adjusted against the results of the performance measures was increased in 2020 (applicable from 2021) from 50 % to 70% with an exponential impact.



is based on a set of defined minimum conditions (basic safeguards), performance measures, and triggers for releases.

- **Predictability.** The predictability of PCDF is facilitated by its rules for distribution, however, a degree of unpredictability is still observed with increasing challenges in the most recent years. This is reflected in discrepancies between the planning and budgeting of PCDF funds, and the actual disbursements from the MOFT. Predictability issues relate to uncertainty about the overall size of the transfer pool and delays in disbursements produced by cash flow challenges. With respect to the uncertainty about the overall pool of funds transferred to PGs, the overall amount is treated as a discretionary choice by the central government each year, thus there is a lack of a predictable medium-term view over the fiscal envelope. For example, if the central government shifts its budgetary priorities or tightens its fiscal envelope one year, it may choose to reduce PCDF resources. This would have a distortionary impact on local plans for capital expenditure. There are ongoing initiatives by MPGIS to ensure that the PCDF is formalized through clear rules on revenue sharing and strengthening of the legal framework to safeguard the predictability of the overall size of the PCDF resources. Some of the problems in predictability could be remedied by supporting the planning and budgeting process by ensuring the APAs are conducted on time as per the PCDF guidelines, that is before the fiscal year that they impact.
- **Audit and accountability.** Despite notable progress in ensuring regular submission of Financial Statements using IPSAS Cash Basis, the disclaimed audit opinions of five (out of nine) provinces continue to signal that considerable work needs to be done - possibly facilitated through the design of PCDF to provide stronger incentives and capacity building. In addition, the grant's efforts in enhancing vertical accountability (from PGs to MPGIS) count be complemented and strengthened by placing a stronger emphasis on social accountability. For example, concerns have remained about the transparency of provincial prioritization processes for PCDF investments, with no requirement for citizen engagement in the prioritization process until now.
- **Increasing complexity.** The PCDF now includes 11 minimum conditions and 8 Performance Measures (PMs). While the increase in performance conditions may be reflective of the transfer's increasing reach in targeting performance, it creates several challenges. First, many PMs are more likely to dilute incentives to address any area of the PMs because the points are spread across an increasing number of measures; in other words, efforts to improve performance in any one area could be meeting a smaller reward. Second, complexity through the increasing number of conditions may outpace the capacity of PGs to manage and respond to additional layers of requirements and controls. This in turn may have a negative impact on the ability to respond to performance metrics and the overall provincial performance. These capacity constraints may be revealing themselves in the timeliness of the annual assessments, see below.
- **Annual Performance Assessment (APA).** APAs are contracted out to independent consultants with quality assurance from the ministry and the technical committee under the PCDF institutional arrangements. The process is meant to follow a clearly described and applied system of assessment, quality assurance, complaint handling system, and transparent approval of the PCDF results. The APA results have been consistently used in determining grant allocations. Overall, these contribute to the credibility of the APA. However, the main challenge has been the timeliness of the APA to align with the PG planning and budgeting cycle. In addition, the total number of measures (close to 60) may be viewed by the PGs as being too onerous, with individual scores allocated across eight themes but not necessarily creating sufficient incentive structures to yield improve performance. There is a need to complete this on time along with the rules from the APA Manual (i.e., in January before the start of the Fiscal Year – April 1). In addition, the APA could be strengthened through additional quality assurance checks.



- **Adequacy, buoyancy, and equity.**¹²⁶ Assessing these criteria requires consideration of other sources of revenue (like the FSG grant), provincial economic activity, and hence own source revenue potential, as well as the costs of key spending mandates of PGs. Given the small nominal size of PCDF – around US\$5 per capita per year¹²⁷ – it is highly unlikely that PCDF alone could be considered adequate. On issues relating to horizontal equalization, the PCDF's performance-based objectives position it to play a smaller equalizing role relative to other fiscal transfers, like the FSG which is a needs-based transfer. The equal share component – the basic component – in the PCDF is established to some extent to support the remote and often financially weaker PGs.¹²⁸
- **Allocative efficiency.** The grant specifies some restrictions and investment criteria but is an unconditional block grant which carries little distortion on allocative efficiency. PCDF funds are discretionary as to sector but directed at financing capital investments. Most of the funds are supposed to be used for capital expenditure on the rehabilitation and upgrading of existing assets and infrastructure. There is an ‘investment menu’ of eligible and ineligible activities for PCDF funds.¹²⁹ However, this is not considered to be highly distortionary or restrictive as eligible expenditures correspond with the devolved and delegated functions of provinces, consistent with the PGA. One general risk relates to PGs viewing transfers as substitutes for their own revenue collection efforts, reducing local revenue collection levels. Revenue collection and contribution to own development is reflected in the minimum conditions and performance measures. However, it is uncertain whether these provide a strong enough incentive.

4. **PCDF is regulated by the guidelines linked with the PGA as well as the Public Financial Management Act 2013 (PFMA).** The grant's operational guidance is covered in the PCDF operational procedures and the performance assessment manual. PCDF is coordinated by two committees:

5.

- The Joint Oversight Committee (JOC) oversees the overall policy direction, program funding, and overall program performance monitoring of the execution and implementation of the PGSP Program and the PCDF. It also approves the results of the APA. Decisions from the regular meetings in the JOC, contained in the various minutes of meetings, were in the past codified and reflected in the PCDF operational procedures. There are clear and detailed minutes from every meeting of the JOC.
- The Provincial Fiscal Grant Coordination Committee (PFGCC) acts as a technical sub-committee of the JOC and provides technical advice to the JOC of the PGSP. Specifically, the advice covers the provincial services grants, PCDF, and other intergovernmental arrangements that include revenue-sharing. The committee also reviews the results of the APAs. Given the scope of its technical coverage, it plays an important institutional role in ensuring coordination, synergies, and policy coherence between key intergovernmental fiscal transfers from the national government to PGs.

6. **Capacity development support.** PGs which are unable to meet the minimum conditions are provided with capacity building support (as are all PGs) to improve their performance and address identified weaknesses. This aims to close the loop in the system that is not only being viewed by MPGIS as a means of distributing funds to PGs, but also to

¹²⁶ Revenue adequacy and buoyancy are related to the ability of the transfer system to provide a sufficient amount of resources for the delivery of local services. The equity criterion relates to horizontal equalization.

¹²⁷ Average over a 12-year period; exchange rate applied 1 US\$=7.98 SBD.

¹²⁸ The formula has been agreed in a transparent manner between the central government and PGs in JOC meetings, and that there is an aim to strengthen the formula as and when the revenue sharing system with higher PCDF allocations is in place. However, the current formula is simple and generally well accepted.

¹²⁹ The investment menu is outlined in the PCDF Operational Procedures.



provide a more detailed picture of the future capacity development needs and gaps at the PG level to build provincial capacity over time, as well as contributing to the overall M&E and supervision system. To date, PGSP has targeted capacity building assistance based on findings from the APAs. However, there could be opportunities to strengthen targeting of weaknesses in the capacity building program. Specifically, this could relate to the targeting of existing and persistence patterns of poor-performing provinces - with a recognition that while not all cases of variation of provincial performance may be addressed, there is more scope for impact in addressing challenges revealed through persistent patterns.

7. **Eligibility.** The process for determining the eligibility of the PGs for and access to PCDF funding involves a combination of compliance-related minimum conditions (MCs), more qualitative performance measures (PMs) as well as defined triggers for each transfer of funds.

8. ***Minimum conditions.*** To get access to PCDF, a PG should meet all eleven MCs at the point of time of the assessment. As the MCs are basic safeguards, the qualification bar is kept at the minimum required level, but still high enough to ensure that PGs have the capacity to handle this significant amount of funds and address basic safeguards for fund management. The MCs are communicated well in advance to PGs, ideally six months before each assessment. As of the 2021/22 provincial fiscal year, there are eleven MCs:

- (i) Core staffing and human resource requirements;
- (ii) Natural justice – adherence with the proper procedures for treatment of staff;
- (iii) PCDF account management;
- (iv) Timely submission of annual accounts for audit examination;
- (v) Regularity and reporting of bank reconciliations;
- (vi) Observance of core PFM procedures (a new MC);
- (vii) Audit response and Provincial Assembly scrutiny;
- (viii) Compliance with PCDF co-funding requirements;
- (ix) Functionality (funding) of the provincial Public Accounts Committee (PAC);
- (x) Compliance with core procurement instructions (a new MC); and
- (xi) Participatory planning (a new MC).

9. ***Performance measures.*** PMs are more qualitative measures of PGs' performance and are typically rated according to compliance with certain pre-specified benchmarks and standards. Compared with the MCs which govern access, the impact of the more qualitative PMs is to adjust the PCDF annual grants upwards or downwards against the performance of PGs. The actual size of the grants depends on PGs' performance on the defined PMs, with the performance of each PG rated from 0-100 points as per the standard performance grants programs operating around the world. With regular intervals, typically every 2-3 years, there has been revisions and refinements of the indicators, where one or a few more PMs may be identified to have a higher weight and may be defined to lead to a special increase or deduction in the overall scores as appropriate, and where new areas of performance are included (e.g., most recently on participatory planning and strengthening of the procurement indicators). The current allocation of points across the PMs thematic areas (note there are several indicators within each) is:

- (i) Planning and budgeting (Max. 15 points);
- (ii) Achievement of budgeted/estimated targets and project implementation (Max. 8 points);
- (iii) Revenue collection and contribution to own development (sustainability) (Max. 6 points);
- (iv) Human resource management (Max 9 points);



- (v) Financial management (Max. 25 points);
- (vi) Procurement and execution (Max. 14 points);
- (vii) Transparency and governance (Max. 10 points); and
- (viii) Operation of Assembly and Executive and links to Administration and Wards (Max. 13 points).

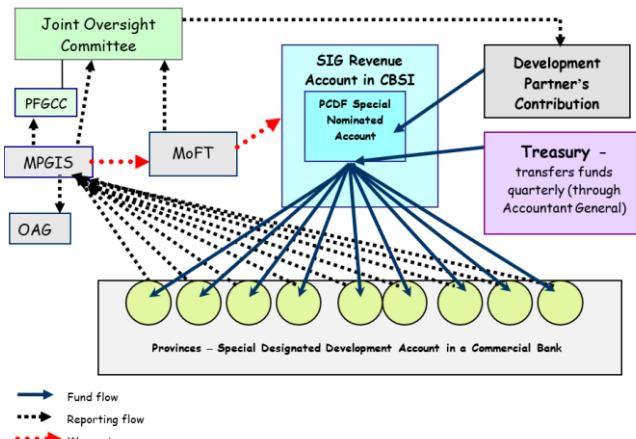
10. **Triggers.** In addition to meeting the MCs and PMs, triggers have to be met for the transfer of each of the two installments per year (60 percent and 40 percent of the annual allocation, respectively). Triggers are not assessed as part of the annual assessments, but by the regular grant management and monitoring system throughout the fiscal year before any release of funds, and particularly before the release of the first tranche. Whereas non-compliance with MCs will lead to a limit of access to funds for the next fiscal year, non-compliance with a trigger may delay funding or may lead to a lack of access to one or multiple grant releases/tranches. This is also linked with PFMA, which sets clear rules for accountability of all public funds; and the FMOs for PGs. Triggers relate to regular accountability for use of funds, and the submission of timely annual plans and budgets.

11. **Flow of funds.** PCDF funds are released by MPGIS to provincial-level PCDF accounts. Figure 1 demonstrates the simple flow of funds and reporting system. Funds will only be released by the MOFT after a warrant from the MPGIS has been submitted, and this will only be submitted if the reports from the provinces are satisfactory and if the provinces have complied with all the MCs and triggers. Only when the funds are appropriated by the respective assemblies, the Central Bank releases the funds in two tranches. Funds are paid into the PCDF dedicated accounts of PGs as required by the PGA, Section 34. Funds are released to PGs in two installments, as a principle no later than two weeks after the start of the first and third quarters.

12. **The PCDF can play a significant role in improving infrastructure, services, and the PGs' responsiveness and accountability to citizens.**

- **Participatory reforms.** PCDF can play a key role in the new participatory planning reforms at the ward level and the broader objective of building accountability links between people and the state. The new Participatory Planning Policy gives Ward Development Committees (WDCs) the responsibility of identifying a large share of PCDF projects for their respective wards. Identified projects must now be scrutinized and ranked at WDC meetings, with the WDC finalizing a list of annual ward priorities for PCDF funding. During the implementation of PCDF projects, WDCs would play a role in monitoring their implementation and report quarterly on the progress of PCDF projects. PCDF can thus serve as a practical and established tool in guiding and influencing the participatory reforms through incentivizing performance and capacity building at the ward level in the similar way it has for Provincial Governments over the last decade. PCDF is critical to this agenda as it is the source of funding being prioritized by the participatory reform agenda. The APA tool can continue to be instrumental in this area. The new performance measures introduced in 2020, and applicable

Figure A2.1. PCDF flow of funds and reporting diagram



Source: PCDF Operational Procedures Manual, June 2020.

Notes: MOFT = Ministry of Finance and Treasury; OAG = Office of Auditor General; PFGCC = Provincial Fiscal Grant Coordination Committee; SIG = Solomon Islands Government; CBSI = Central Bank of Solomon Islands.



in the forthcoming assessment, focus strongly on improving participatory planning aligned with the policy. However, experience from other countries suggests that such participatory reforms tend to take many years – likely beyond the project’s timeframe – to be fully developed and embedded in the architecture of decision-making; over the medium term, progressive milestones toward this end can be defined and achieved.

- **Subnational capacity.** By design, PCDF aims to support the capacity of PGs to finance and execute development projects in rural communities, which are not only central to the quality of infrastructure and services rural people can access but also central to the role of the state in rural people’s lives. With a stronger focus on transparency (particularly in provincial prioritization processes), social accountability, quality of audit, targeting of the weaker areas of the PGs’ performance and of persistent patterns of poor performance, the PCDF and the APAs could continue contributing to improving capacity and accountability both vis-a-vis the central government but also towards the citizens.
- **Introduction of a stronger focus on performance.** The PCDF has introduced a conducive system of inter-PG competition with each PG aiming to be amongst the better performing PGs. There is a strong awareness among the PGs of whether they have complied with all the minimum conditions which underpin their efforts to continue to improve performance in the assessed areas. Involvement of the PGs in the design of the system, indicators, and the institutional framework with the PFGCC and JOC, ensures strong ownership and buy-in to the system and acceptance of the results.
- **Financial resources.** PCDF resources are small from the perspective of the central government but are substantial within the overall resource envelope of most PGs, particularly on the capital side of the budget. In Choiseul, for example, in the last three years for which actuals are available, PCDF expenditure averaged one-third of total expenditure and nearly 85 percent of capital expenditure.

**ANNEX 5: Background on the Least Developed Countries Fund**

COUNTRY: Solomon Islands
Integrated Economic Development and Community Resilience Project

Least Developed Countries Fund

Background and Rationale for LDCF Support

1. Solomon Islands has a rich biodiversity and is recognized by the Convention of Biodiversity as a ‘Centre for Plant Diversity’ for the 4500 plant species (3200 known as native) in its natural forest; categorized as a global “Endemic Bird Area” for its 223 known bird species; and placed under the Bismarck Solomon Seas Ecoregion which covers Northern New Guinea, Papua New Guinea and Solomon Islands (up to the Makira province) and the Coral Triangle renowned for its diverse saltwater fish and coral species. However, over the past years, the country is witnessing an overall decline in its biodiversity due to climate change. The country is ranked amongst the 20 countries with the highest economic risk exposure to two or more geological, hydrological, and climatic hazards that include tropical cyclones, volcanic eruptions, earthquakes, tsunamis, landslides, floods, and droughts.

2. New climate data published by IPCC in 2021, shows an accelerated increased rate of global warming which will continue to exacerbate the negative effects of climate change in the rural communities. Global warming increased at rate of 1.1°C for the period 2010-2020 and will reach 1.5°C in 2030s, which exceeds earlier projections. The projected rate of warming for Solomon Islands, based on the three emissions level scenarios developed by IPCC is shown in the Table 1 below.¹³⁰

Table 1: Climate Projections for Solomon Islands (PCCSP, 2011)

	2030 (°C)	2055 (°C)	2090 (°C)
Low emissions scenario	0.2-1.0	0.7-1.5	0.9-2.1
Medium emissions scenario	0.4-1.2	0.9-1.9	1.5-3.1
High emissions scenario	0.4-1.0	1.0-1.8	2.1-3.3

3. **SIG is committed to acting on climate change and natural disasters.** It ratified the United Nations Framework Convention on Climate Change (UNFCCC) in 1994 and is a signatory to the Kyoto Protocol (1998) and the Paris Agreement (2016) to keep global warming below 1.5° centigrade. SIG’s new commitment under the revised National Determined Contribution (NDC) 2021 is to achieve a net zero carbon emission target by 2050 through uptake of renewal energy sources and technologies and emphasis on climate change adaptation (CCA) activities. SIG considers CCA and Disaster Risk Management as critical to its development. It promotes CCA and DRM mainstreaming across sectoral programs (agriculture, fisheries, human settlements, and infrastructure development) and at all levels of government. Development expenditure shows significant commitment towards achieving its Climate Change Adaptation and Risk Reduction (CCARR) and DRM objectives at both the national and sub-national levels using both SIG and external resources.¹³¹ SIG’s revised NDC (2021) and Green Climate Fund (GCF) National Adaptation Plan (NAP) Readiness Proposal (2019)¹³² also identifies the

¹³⁰ See Paragraph 11 of the PAD on the expected impacts of these projected climate trends.

¹³¹ In 2015, a total estimate of U\$551M was spent on CCA and DRM development programs; around 19% was sourced from the SIG’s national budget and the rest from multi-lateral and bilateral partners (Solomon Islands Climate Change and Disaster Risk Financing Report, SPC, 2017). This figure is expected to grow since then given SIG’s increasing effort to build resilience and accessing more CCA and DRM external resources.

¹³² The GCF NAP Readiness Proposal (2019) is prepared by MECDM to identify national climate change adaptation priorities to be supported through



need to scale up efforts to achieve adequate adaptation to climate change through investments, sector mainstreaming and enhancing capacity to prepare and manage climate change and natural disasters. Adaption activities are to build and protect economic and social infrastructure and to meet the climate adaptation needs of communities, protecting livelihoods and promoting nature-based solutions such through the restoration of natural ecosystems. However, despite Solomon Islands' CCP (2012) and SIG's commitment to supporting a range of ongoing climate change programs and policy reforms,¹³³ more needs to be done to scale up efforts at the sub-national level. SIG, through the support provided by the proposed LDCF Trust Fund, therefore seeks to mainstream climate change and risk reduction activities in its National and Provincial Sector Plans, Ward Development Plans, and more generally through various planning and decision-making processes. This is to maximize the impacts of the limited funds available and to tackle stressors at the sub-national level that have limited SIG's capacity to address climate change. These amongst others already explained in the PAD include limited technical capacities, weak institutions, and lack of coordination and mainstreaming climate risk across sectoral planning. The Project will help address these stressors to ensure SIG and PGs can identify the climate change risks in rural communities, prioritize the appropriate adaptation measures and mainstream resilience into the infrastructure designs, and build the capacity of communities to manage the negative impacts of future climate trends as projected by the IPCC (2021) and the CCP (2012).

Scope of LDCF Financing

4. LDCF resources will be used to support prioritized actions identified in the CCP, including financing a range of climate change adaptation investments,¹³⁴ technical assistance¹³⁵ to provide training and increase awareness around climate change impacts, risks, and adaption measures at the subnational level. The CCP and revised NDC identifies the multi-sectoral effects of climate change and requires the integration of climate risk management in all sectors, particularly in agriculture, infrastructure, and rural development. It is expected that at least 50 percent of the LDCF's US\$4.57 million grant will be used to finance newly constructed or rehabilitated disaster risk management and/or climate change adaptation investments. Paragraphs 20, 31 and 36 of the PAD describes the respectively the climate adaptation interventions to be supported amongst others based on community priorities and the expected climate co-benefits to be generated by the Project.

5. Solomon Islands high exposure and vulnerability as described above and in the PAD¹³⁶ and the negative impacts as well as SIG's climate change priorities and strategies set out in the CCP and NSDP underpins the approach and the rationale for the interventions to be supported by LDCF in this Project. Water supply systems such as gravity-fed piped water supply systems, boreholes and ground wells are critical adaptation measures that have been supported historically by PCDF and comprised a substantial proportion of the investments supported with the LDCF funding through the CRISP Project. Similar investments were also supported under the RDP. They remain a priority adaptation measure for many rural communities who lack access to water and impacted by droughts because of climate change (see paragraph above on projected impacts of El-Nino). Sea level rise have also affected the water quality of coastal communities and atolls. Sea wall protection measures have been supported through the previous programs and remains a critical adaptation measure to protect coastal infrastructure and to protect settlements and livelihoods of coastal communities. The climate awareness campaigns will also raise knowledge around nature-based solutions that communities can undertake through

the GCF. The GCF is established under UNFCCC to support least developed countries to formulate national climate change adaptation plans and for the subsequent implementation of policies, projects and programs identified.

¹³³ Described in paragraph 11 of the PAD.

¹³⁴ As described in paragraphs 20 and 31 of the PAD.

¹³⁵ Appointment of CCA officers as described in Subcomponent 2(b), paragraph 35 of the PAD.

¹³⁶ See main text.



their various activities, such as using retention ponds or constructed wetlands as part of integrated flood risk management. With expected impacts of extreme heat, rainfall, flooding, and other geo-physical and meteorological hazards such as earthquakes and cyclones on infrastructure, the adoption of durable construction designs and planning becomes more important to promote under the Project.

Project alignment with LDCF Objectives and SIG Priorities

6. The Project's alignment with LDCF objectives and national government priorities are described in paragraph 20 of the PAD. In particular, the Project will priorities under the following Policy Outcome, Directives and Strategies of the CCP; *(8.1) Enabling environment and institutional arrangements; (8.2) Mainstreaming climate change; (8.3) Vulnerability & adaptation (V&A) and disaster risk reduction (DRR); and (8.7) Education, awareness, and capacity building.*

Innovation and Knowledge Management

7. The Project provides the potential to innovate and reform the current PCDF by mainstreaming climate change risk approaches through a well-established and well-performing system and adopting digital technologies. The Project's MIS will include data and reporting of information gathered through regular work processes. This will be supplemented by periodic surveys to obtain certain types of outcome data, including qualitative data. While the MIS will support the indicators of the Results Framework, it will also be designed to serve many of the overall information needs of the PCDF and reporting requirements of IDA and the LDCF. The ICT environment in Solomon Islands is constrained by limited data communications services, especially in the provinces. A pragmatic approach is therefore proposed, taking account of these constraints, using opportunities to leverage systems already deployed in Solomon Islands and elsewhere. PGs currently use the MYOB accounting system, with more sophisticated systems (Dynamics365) at MPGIS and other line Ministries. There is partial access to the SIG-Connect network at provincial level, due to data connectivity limitations. Only a few provinces have access to fiber-optic cable services and, as there are no immediate plans to extend the service to the remaining provinces, VSAT remains the only viable solution. This is currently available to PGs although bandwidth is limited. Connectivity in rural communities is patchy and limited to basic cellular services. Meanwhile, there have been sustained efforts to improve monitoring and reporting under the PCDF, with a specified set of monitoring processes and reporting templates. The Project's MIS will seek to complement and enhance these systems by: (i) adopting an integrated approach that aims to collect and verify data within the regular work processes as far as possible; (ii) introducing software and databases at provincial and central level, that are capable of operating within the constraints of the environment; (iii) interfacing with existing accounting systems; and (iv) using the KoBO platform for data collection and progressively extending mobile digital devices for field data collection. The MIS consist of: (i) software to monitor sub projects, deployed at provincial level, with consolidation at the PMU. This will likely be based on leveraging systems already deployed in Solomon Islands and may be supplemented by digital devices in the field; (ii) interfacing where possible with existing accounting systems for consolidation and monitoring of financial management; (iii) a centralized database and MIS software designed to support the overall M&E requirements of the PCDF and the Project; and (iv) Digital devices with customized apps for the M&E Officers, PPCs and CCA Officers. Depending on the resources available, other priority areas include Reliable VSAT or fiber internet connectivity to provincial centers with sufficient dedicated bandwidth to support project requirements; Support for digitizing, collating, and providing wider access to MECDEM data on climate, disaster vulnerability and related areas; and provincial and Ward level financial management and procurement systems and other areas that are monitored as part of performance assessment.

8. Key knowledge management work processes from which data will be obtained include: the annual WDC planning process; periodic field assessments of M&E officers; the field operations of PPCs and/or Engineers based in the provinces;



performance assessments, qualitative surveys and other reports required under the PCDF, which will be reviewed and analyzed to inform reporting and any corrective actions to be taken to ensure the Project's sustainability. The information collected will be internalized through the PGSP Joint Oversight Committee (JOC), which MECDM co-chairs, and disseminated through the PCDF website as well as through regular quarterly and annual reports provided to stakeholders, including government agencies, NGOs, development partners, the private sector, and academic institutions. In addition, simplified reporting formats will also be developed and disseminated at the subnational and community levels.

Stakeholder Engagement and Coordination

9. The Project will be aligned and operate within existing institutional arrangements under the PCDF. See paragraphs 45-46 of the PAD.

10. To complement the bottom-up and community informed approach adopted by the Project, a Stakeholder Engagement Plan (SEP) was prepared for the project. The SEP includes consultations tools and methods with all stakeholders at all levels including national, provincial (Provincial Government), ward development committees and local level including leaders that represent the nine provinces as well as a range of civil society, including women groups, private sector organizations and community representatives, including women and youth. Private sector contractors, responsible for implementing subprojects, have also benefited from PCDF in the past.

Climate Change, Disaster Risks and impacts

11. An associated risk is exposure of rural areas to the effects of climate change and geophysical hazards, including storm surge, flooding, and tropical cyclones, amongst others. The Climate and Disaster Risks Screening Tool has been used to determine the exposure of the project's physical works identifying where non-physical components can moderate the climate change and geophysical-related risks. The Project has moderate to high overall exposure, due to the prevalence of various natural hazard risks in the country (cyclones, flooding, drought, landslide, earthquake, tsunami) and exposure to climate change risks (sea level rise, increased flooding, and storm surge). Table 2 shows records of disasters since 1931 and the impacts. At least 870 people have died and more than 300,000 have been affected by climate and geophysical disasters. The economic analysis below provides details on the economic impacts of climate change and sections in the PAD describes the modeled loss due to damages on economic infrastructure and economic activities.

Table 2: Natural Disasters in the Solomon Islands (www.emdat.be)

Year	Event	Source	Impact on people		Damage (US\$ million)
			Killed	No. Affected	
1931	Earthquake: San Cristobal (7.9 M _w)		50		
1939	Earthquake: PNG/Solomon Islands (8.1 M _w)		12		
1956	Storm		200		
1967	Storm		12		
1971	Volcanic eruption: Tinakula in Temotu Province			6,000	
1975	Earthquake: PNG, Solomon Islands, Buin, Boku (7.7 Ms)		200		
1977	Earthquake: Guadalcanal (7.5 M _w)		10	1,000	
1979	Cyclone Kerry+			6,000	
1982	Storm			30,000	
1985	Cyclone Hina			650	
1986	Cyclone Namu+			90,000	
1988	Earthquake: San Cristobal, Guadalcanal (7.4 M _w)		103	200	100



Year	Event	Source	Impact on people		Damage (US\$ million)
			Killed	No. Affected	
1992/93	Cyclone Nina+		5	30,000	20
1996	Cyclone Fergus		3	30,000	
1999	Ethnic tensions		200	35,000	
2002	Cyclone Zoë		-	2,000	
2007	Earthquake/tsunami: New Georgia Island (7.1 Mw)		52	36,588	
2009	Flood		21	7,000	
2010	Flood		-	16,017	
2010	Earthquake: Santa Isabel (8.1 Mw)		-	1,126	
2012	Flood		-	4,836	
2013	Earthquake/tsunami: Santa Cruz, Temotu (8.0 Mw)		10	4,950	
2014	Flood: Honiara		21	1200	3

12. The Project's theory of change (page 26) highlights the program of activities the Project will undertake to reduce vulnerability and exposure of communities and strengthening resilience of socio-economic infrastructure to reduce the impacts of climate change and disasters. The exposure of the Project will vary significantly between subproject locations, for example, based on their proximity to rivers, landslide areas, coastline and areas expose to high winds and geophysical hazards like volcanoes.¹³⁷

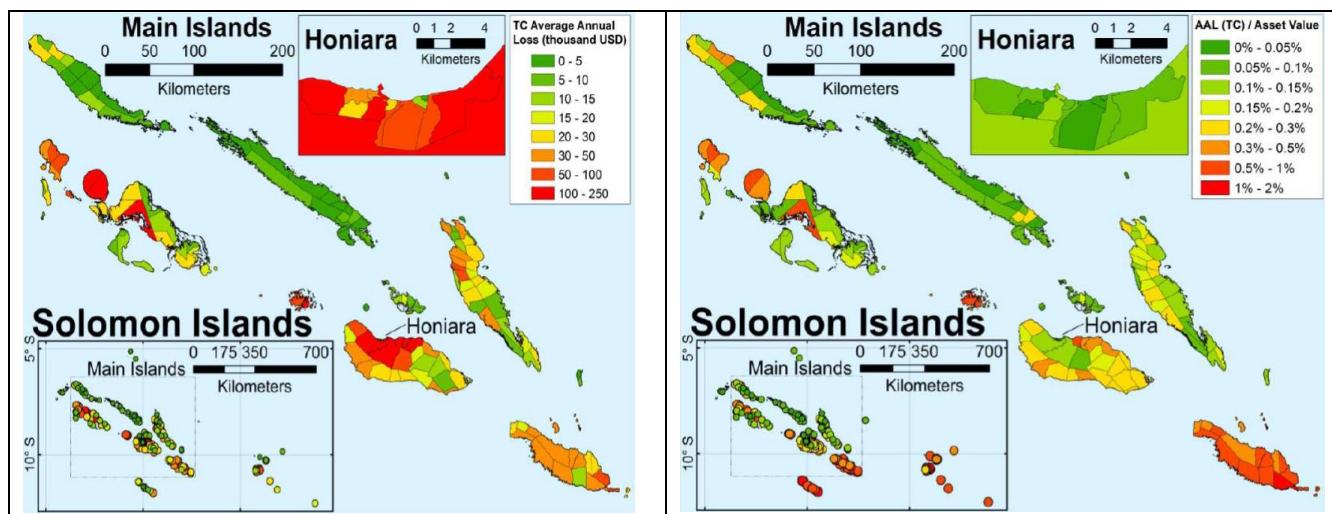


Figure 1: Modelled damage in the Solomon Islands due to tropical cyclones (from the Pacific Catastrophe Risk Financing Initiative [PCRFI] GIS database)

13. Figure 1 shows the areas of the main islands of the provinces that are highly exposed to tropical cyclones with huge economic loss and asset replacement costs. This modeling and other localized vulnerability risk assessments will be used to inform decision making, construction designs and planning activities. MECDM has disaster management and climate change officers stationed in the provincial capitals and Provincial Disaster Offices and its capacity will be strengthened with staffing and planning tools to mainstream climate and disaster risks into sectoral planning at the Ward level and raising awareness on climate change adaptation and disaster risk management. During Project preparation,

¹³⁷ There are 6 active volcanos in the Solomon Islands located in Temotu Province, Renbel, Malaita, Isabel and Central Islands. The volcano on Temotu province erupted recently in 2017 and with others continue to pose a threat to the rural communities, the infrastructure and assets.



specific project design features drawing on MECDM's experience in implementing the CRISP and from relevant international environmentally friendly resilient construction practices¹³⁸ will be considered to enhance resilience and reduce vulnerability of infrastructure built under the Project against the impacts of climate change and natural hazards. The application of a simplified site risk-assessment template will also be considered to inform decision making and ensure safe location of investments to reduce their exposure to both climate and geophysical hazards.

Previous LDCF Funded Programs and Key Lessons

14. The LDCF has financed other climate change adaptation programs in Solomon Islands. They are listed in Table 2 below, including other climate adaptation projects funded by GEF and other donor agencies. The Project's design has drawn on relevant implementation experience from these programs, particularly with the CRISP, with respect to the types of CCA infrastructure investments to be supported, construction designs, costs and vulnerability screening and planning tools to be adopted. Key important lessons include:¹³⁹ (i) keeping the Project design simple and flexible with more sustained engagement over a longer period; (ii) linking Project management and monitoring tools by developing simple and practical templates (including those on hand-held devices that allow for geo-referencing); (iii) developing a community maintenance strategy, particularly for community investments; and (iv) adopting bulk procurement in rural areas with difficulty in accessing goods and services but allow for the gradual delegation of responsibilities to the communities, according to their capacity.

Table 2: LDCF and non-LDCF funded programs in Solomon Islands

	Budget	Approved Date	Agency (and Status)	Project focus
LDCF funded projects				
Community Resilience to Climate and Disaster Risk in Solomon Islands Project (CRISP)	USD7.30m	3/6/2014	World Bank (closed)	To increase the capacity of rural communities to manage natural hazards and climate change risks
GEF and other Climate Adaptation Projects				
Solomon Islands Green Climate Fund Readiness Project	USD.9m	2020	South Pacific Regional Environment Programme (SPREP) (active)	To: (i) strengthening National Designated Agency capacity for engagement with GCF; (ii) Improving national programming process for stakeholder engagement; (iii) Developing a roadmap to progress the GCF accreditation of two national entities; and (iv) accessing climate finance.

¹³⁸ The Project will also draw on international construction standards relevant to the context of Solomon Islands to produce a menu of environmentally friendly and climate and resilient construction guidelines and standards to be adopted by PCDF for their investment categories, in particularly - water supply systems and sanitation, roads and other infrastructure such as bridges and culverts and buildings. The guidelines will be suitable for use by subprofessionals and builders but consider the requirements of the draft Solomon Islands National Building Code.

¹³⁹ CRISP Implementation Completion and Results Report No. 144355.



Integrated Forest Management in Solomon Islands Project (GEF funded)	USD5.6m	2016	Food and Agriculture Organization (FAO)	To support integrated management of protected and productive forest landscapes for sustainable community development and multiple environmental benefits.
Pacific Islands Ridge-to-Reef National Priorities- Integrated Water, Land, Forest and Coastal Management to preserve (GEF funded)	USD1.3m	2017	South Pacific Communities (SPC)	To maintain and enhance Pacific Island countries' (PICs) ecosystem goods and services (provisioning, regulating, supporting and cultural) through integrated land, water, forest, biodiversity and coastal resource management
Stimulating Progress towards Improved Rural Electrification in the Solomons (SPIRES) (GEF funded)	USD2.6m		UNDP	To increase access to electricity in rural communities in the Solomon Islands.
Ensuring Resilient Ecosystems and Representative Protected Areas in the Solomon Islands (GEF funded)	USD4.9m		SPREP	To support effective ecosystem management for healthy, complementary networks of protected, productive and restored landscapes in Guadalcanal, Malaita and Rennell- Bellona provinces and a specific protected area focus in Temotu province.
Safeguarding Solomon Islands endemic and globally threatened biodiversity and ecosystem services from key threats, particularly invasive alien species and unsustainable land use practices (SAFE project).	USD7.8m			To safeguard Solomon Islands indigenous (threatened and endemic) species, natural ecosystems and land/seascapes from invasive alien species, land degradation, unsustainable resource use and climate
Coral Reef Rescue: Resilient Coral Reefs, Resilient Communities.	USD7m		World Wildlife Fund	To support: 1) Global knowledge and capacity building networks for resilient coral reefs; 2) Planning for resilient Coral Reef Rescue at the national level; 3) Financial solutions



				for resilient Coral Reef Rescue; and 4) Knowledge Management and Monitoring and evaluation.
Solomon Islands CommonSensing Project	GBP 9m	2019	UK Space Agency's International Partnership Programme & United Nations Institute for Training and Research (active)	To: (i) strengthen capacity to access climate finance and report on climate funds; (ii) strengthen national and regional climate actions policy; and (iii) reduce the impact and improved risk management of national disasters and food security.
Enhancing Early Warning Systems to build greater resilience to hydro and meteorological hazards in Pacific Small Island Developing States (SIDS) (GCF funded)	USD0.5m	2017	World Meteorological Organization	To strengthen sustainable early warning systems in the Pacific

15. The Project will complement the above ongoing adaptation programs through various ways including strengthening of MECDM¹⁴⁰ as the key climate agency with the national mandate to oversee and coordinate climate agenda in Solomon Islands and to support the implementation of ongoing programs to achieve their respective objectives; establish processes and systems for participatory planning and stakeholder engagement under the policy Blueprint that other programs can utilize to ensure inclusive engagement at the community and Ward level; complement ongoing field vulnerability risk assessments through the risk profiling activities that will also add to vulnerability risk information available to inform various respective planning activities; promote resilient construction standard designs that can be adopted by other climate adaptation interventions for resilience building; increasing awareness of communities on climate change and adaptation actions including nature-based solutions such as forest conservation, marine protected areas and enhancing capacities of communities to manage climate change and disaster risk management; producing climate co-benefits that can contribute towards achieving similar goals targeted under other programs such as promotion of green renewable energy for rural electrification, reducing the impacts of infrastructure development on the ecosystems through the environment, social management framework etc.

Economic Analysis

16. The economic consequences of climate change in the region are expected to be significant. This reflects the fact that economic activity centers on natural resource extraction, agriculture, fishing, and tourism, and is often concentrated in low-lying coastal areas. Estimates of these costs have often been assessed based on varying global emission scenarios, typically, high, medium, and low. While existing analysis pertaining to Solomon Islands is limited, in 2013, the ADB undertook the most substantial economic modelling of the costs of climate change in the Pacific to that date. In *Solomon Islands* the ADB predicted losses amounting to 4.7 percent of GDP, behind that of Timor-Leste (10 percent) and Vanuatu

¹⁴⁰ See paragraph 35 of the PAD on positions to be incubated and other activities to be supported to strengthen MECDM's capacity.



(6.2 percent), but greater than that of Fiji (4 percent) and Samoa (3.8 percent). A further Pacific country for which economic estimates have been produced is Kiribati.

17. The key organization in the Pacific to undertake disaster risk modelling, with costings, has been the PCRAFI, funded by donors including the World Bank and the ADB. In relation to Solomon Islands, PCRAFI suggests that due to natural hazards and climate change the country is likely to suffer an average direct loss of over US\$ 20 million per year, equivalent to three percent of GDP. An indication of the magnitude of regional losses stemming from natural disasters, as calculated by PCRAFI shows that as at 2011 the total value of infrastructure, buildings, and cash crops considered to be at some level of risk was estimated to be over US\$ 112 billion.

18. Parliamentary engagement on climate change in Solomon Islands has tended to be in the context of discussions around annual budget allocations. For example, recent newspaper reporting in Solomon Islands (*Solomon Star*, 9 December 2019) has seen at least one serving MP – the Leader of the Opposition, Matthew Wale – lament the funding allocation in the 2020 budget for the purpose of climate change relocation (with SBD 381,000 [approximately US\$ 46,000] reportedly being allocated to this task¹⁴¹): “it must now be abundantly clear to the government that we cannot expect donors to fund relocation of communities, this is a matter we must do ourselves.” In total, Solomon Islands’ 2020 *Development Budget* contains an estimated expenditure of SBD 7.96 million [approximately US\$ 949,000] for ‘environment, climate change, disaster management and meteorology’ (see pp. 135-141), the same as for the previous year. In 2015, in the wake of cyclones impacting Solomon Islands, disaster relief funds were allocated directly to constituencies (i.e., individual MPs). This practice was criticized by the Public Accounts Committee (PAC): “[t]he committee was very concerned about the decision to channel funds directly to the constituencies as it could lead to politicization of essential assistance and leave people vulnerable...” (PAC, 2015: 19). The following year, the Committee recommended the establishment of a “proper legal frame” for the “administration, control and management of the Disaster Relief Fund” (PAC, 2016: 11).

¹⁴¹ Solomon Islands 2020 *Development Budget* does not contain this exact figure (see pp. 137-8), although this amount may be incorporated into one of the programs listed in the budget.