



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 07-Mar-2022 | Report No: PIDA32852

**BASIC INFORMATION****A. Basic Project Data**

Country Solomon Islands	Project ID P173688	Project Name Integrated Economic Development and Community Resilience Project	Parent Project ID (if any)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 28-Feb-2022	Estimated Board Date 31-May-2022	Practice Area (Lead) Social Sustainability and Inclusion
Financing Instrument Investment Project Financing	Borrower(s) Solomon Islands	Implementing Agency Ministry of Provincial Government and Institutional Strengthening, Ministry of Environment, Climate Change, Disaster Management and Meteorology	

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

Performance-Based Grants
Support to Subnational Entities
Project Management

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	23.56
Total Financing	23.56
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	4.56
Least Developed Countries TF for Climate Change Activities	4.56

Environmental and Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

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. *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

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.



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 relatively 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. On November 24, what started as political demonstration from a Malaitan protest group in Honiara City quickly escalated into wider social unrest. East Honiara and Chinatown became the focus of looting of shops, burning of buildings and violence over a period of three days. Three deaths were reported. The situation triggered SIG to implement a temporary lockdown and curfew order, and request the intervention of the Australian Federal Police, and Australian, PNG and Fijian Defense Forces to assist the Royal Solomon Islands Police to maintain law and order. The lockdown and curfew order has since been lifted and daily activities have resumed. However, widespread damage and loss to the local economy is estimated to be around SBD 227 million⁵ (approximately US\$28 million) with further negative impacts on employment and job losses. The situation remains strained.

2. **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), disrupting progress on poverty reduction with demand for services and food security in rural areas increasing.**⁶ Up until the end of 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 vulnerable groups (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.⁷ 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.⁸ Apart from cash crop harvesting, agriculture activities have been temporarily suspended or delayed, with food security

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

⁵ <https://www.solomontimes.com/news/cbsi-estimates-sbd227-million-loss-due-to-the-unrest/11308>

⁶ World Bank (2021), *Solomon Islands High Frequency Phone Survey on COVID-19: Results from Round 2*.

⁷ 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.

⁸ Eriksson H, Ride A, Boso D, Sukulu M, Batalofo M, Siota F and Gomeze 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.



issues increasing due to supply chains being disrupted.⁹ 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 early January 2022, community transmission was reported and lock down orders imposed in Honiara.¹⁰ As of February 24, 2022, there have been 6,348 confirmed cases of COVID-19 with 87 deaths. Whilst the lockdown orders have been lifted in Honiara, a curfew remains in place, the Ministry of Public Service 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.

Sectoral and Institutional Context

3. **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.¹¹ The availability of services exist to varying degrees and at varying levels of quality. 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 fairly 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 largely 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

⁹ World Bank (2020), *Solomon Islands High Frequency Phone Survey on COVID-19: Results from Round 1*.

¹⁰ <https://solomons.gov.sb/wp-content/uploads/2022/01/Gaz-No.-1-Sup-No.-1-Monday-3rd-January-2022.pdf>

¹¹ Rural Development Program II Project Appraisal Document, October 22, 2014.



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.

4. **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 disasters due to the high 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.

5. **Climate change is impacting climatological and hydro-meteorological trends, compounding the negative effects of climate and geo-hazards on communities and SIG is committed to acting on climate change and natural disasters.** Solomon Islands Climate Change Policy¹² (CCP) identifies the following 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 cyclones¹³ 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. IDA's Climate and Risk Screening Report for the Project shows the following similar trends for the year 2059.¹⁴ 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. The Pacific has also experienced El-Nino and La-Nina events, which exacerbate future risks.¹⁵ The effects are profound given the country's high exposure and vulnerability due to the low elevation of its islands, and its climate sensitive ecosystems and natural resources.¹⁶ The compounding effects includes economic loss, loss of lives, coastal inundation, damage to economic and social infrastructure, low crop yields and loss of coastal land, among other things.

¹² Solomon Islands Climate Change Policy 2012-2017, Ministry of Environment, Climate Change, Disaster Management and Meteorology, 2012.

¹³ 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.

¹⁴ 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.

¹⁵ El Nino and La-Nina are climate patterns that describes the unusual warming of surface of waters in the eastern Pacific Ocean which cause prolonged severe droughts and extreme rainfall respectively. The recent El-Nino event experienced was in 2014-2016 and La Nina in 2021.

¹⁶ Alexandre K. Magnan et al. (2020) Special Report on Ocean and Cryosphere in Changing Climate, Intergovernmental Panel on Climate Change.



6. **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.¹⁷ PGSP was initially funded by SIG (50 percent) with the remaining costs jointly funded by a range of donors.¹⁸ PCDF aims at developing the capacity of the provincial system of governance and public administration to improve service delivery and promote local development. 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.¹⁹ 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. 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. Only when the funds are appropriated by their respective assemblies, the Central Bank releases the funds in two tranches of 60:40 percent. Upon authorization from Ministry of Finance and Treasury (MOFT), grants are subsequently released into the PG-level PCDF accounts. 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.

7. **PCDF is a performance-based grant system of inter-governmental financing for service delivery and small-scale infrastructure provision.** The average PCDF and Fixed Service Grant (FSG)²⁰ transfers to the nine provinces 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.²¹ 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).²² PG access to the PCDF grant each year

¹⁷ MPGIS draws this administrative mandate from the Legal Notice 165 of February 2007 and the Provincial Government Act 1997.

¹⁸ United Nations Development Program (UNDP), UN Capital Development Fund (UNCDF), Government of Australia and the European Union (EU).

¹⁹ 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.'

²⁰ 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.

²¹ 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.

²² 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)



is dependent on compliance with each of the minimum conditions for PCDF,²³ and triggers for release,²⁴ 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 fixed component accounting for the other 30 percent).²⁵

8. **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 until now. Concerns have also remained about the lack of screening of investments for climate and disaster risk and lack of incorporation of climate resilience measures in the prioritization process until 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.

9. **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 basic 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

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.

²³ Within areas such as planning, PFM, staffing etc. See Annex 4 for details.

²⁴ Typically, in areas such as planning, reporting, and use of funds. See Annex 4 for details.

²⁵ See Annex 4 for details.



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.²⁶ 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. There has also been limited attention to social accountability at PG and Ward level. 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 45 qualified advisors, engineers and specialists to support the PGs and to strengthen the WDCs in terms of capacity building.

10. The proposed Project will support SIG to operationalize its Policy Blueprint on the WDCs (2020) and Climate Change Policy (2012)²⁷ and support medium-term measures outlined in SIG's fiscal stimulus package.²⁸

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 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,²⁹ Community Resilience to Climate and Disaster Risk Project (CRISP [P112613])³⁰ and Community Governance and Grievance Management Project (CGGM [P147005]).³¹ 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. Proposed Development Objective(s)

Development Objective(s) (From PAD)

²⁶ Ward development priorities are funded through three streams of funding: Fixed Service Grants, Provincial Capacity Development Fund and Own Source Revenue.

²⁷ Solomon Islands Climate Change Policy 2012-2017, Ministry of Environment, Climate Change, Disaster Management and Meteorology, 2012.

²⁸ Solomon Islands Government, 2020. Solomon Islands Government Economic Stimulus package to address the impacts of the COVID-19 pandemic. Honiara: Solomon Islands Government.

²⁹ Scheduled to close in February 2022.

³⁰ Closed in May 2020.

³¹ Closed in June 2021.



11. The project development objectives are to increase access to economic and social infrastructure in rural wards, deliver climate and disaster resilience actions and enhance provincial governments' accountability to citizens.

Key Results

12. **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.³² 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;³³
- c. Percentage of beneficiaries that report that project investments reflected their needs (of which are female, of which are youth); and
- d. Number of Provincial Governments achieving increased Accountability Score.³⁴

D. Project Description

13. **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 will be Grants and US\$6 million Credit, with an additional grant of US\$4.56 million from the LDCF.**³⁵ The LDCF will be distributed across components 1 and 2 to finance climate and disaster resilience outcomes and strengthen the climate resilience and adaptation of communities.³⁶

14. **The Project will be implemented over a five-year period from 2022-2027, supporting four PCDF performance-grant cycles (FY 2023/24, 24/25, 25/26 and 26/27).**³⁷ MPGIS and the Ministry of Environment, Climate Change, Disaster Management and Meteorology (MECDM) will serve as the Implementing Agencies. The Project will operate in accordance with the Project Operations Manual (POM), which reflects the institutional arrangements of the existing PCDF System.

³² The MIS will disaggregate all results by gender for analysis but for the Results Framework will only disaggregate select indicators.

³³ LDCF requires that at least 50 percent of the LDCF's US\$4.56 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 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.

³⁴ 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].

³⁵ LDCF allocation is subject to confirmation and approval. LDCF resources will be pooled together with the IDA resources.

³⁶ LDCF normally requires that at least 50 percent of the LDCF grant is used to support on-the-ground adaptation measures or investments.

³⁷ 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.



15. **The Project will focus on two main areas.** *First*, providing grants to the PGs on an annual basis 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,³⁸ 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 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 overtime, 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.*³⁹ This is required so that both men *and women* can contribute to inclusive and climate resilient socioeconomic development, and their implementation should also be based in a robust understanding of climate and disaster risk.

16. **The Project will have three components:** Component 1: Performance-Based Grants (US\$10.40 million); Component 2: Support to Subnational Entities (US\$8.7 million), of which there are two subcomponents: Subcomponent 2(a): Improving Frontline Services (US\$6.9 million); and 2 (b): Building Resilient Communities (US\$1.8 million); and Component 3: Project Management (US\$4.46 million).

17. **Component 1: Performance-Based Grants (PBGs, US\$10.40 million)**⁴⁰ *will be implemented by MPGIS in coordination with MECDM and the PGs.* IDA and LDCF will jointly finance PBGs over four annual cycles (FY 2023/24, 24/25, 25/26 and 26/27),⁴¹ 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.⁴² PG access to the PBGs each year will be dependent on their compliance with the minimum conditions of PCDF,⁴³ with the release of tranches within the year dependent on their compliance with the triggers of PCDF as set out in the PCDF Grant Manual (PGM).⁴⁴ The allocation of the PBGs among provinces will depend on a formula consisting of a basic allocation of

³⁸ This will be done in collaboration with LoCAL supported by UNCDF and other programs focusing on local level disaster risk and CCA.

³⁹ This also represents one of the four main pillars under the Bank's Gender Strategy FY16-23.

⁴⁰ It is expected that a minimum US\$6 million will be used on economic infrastructure.

⁴¹ The Provincial Government's fiscal year starts from April 1-March 31 each year.

⁴² At least 50 percent of the LDCF grant will be used to support on-the-ground adaptation measures or investments. See paragraph 29 for more information on how this component will contribute to increasing resilience to climate change.

⁴³ The Minimum Conditions pertain to core staffing, natural justice, PCDF account management, submission of provincial accounts for audit, reporting and bank reconciliations, core PFM procedures, audit response and legislative scrutiny, PCDF co-funding, Public Accounts Committee funding, core procurement procedures, and participatory planning. 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.

⁴⁴ 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).



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 reasonably 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 both directly through the IDA and LDCF financing under Component 1 and indirectly through a Legal Covenant with SIG to provide SIG funds to PGSP annually in a timely manner. The Project's funding will increase PCDF resources by about 75 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 independent evaluation of the Annual Performance Assessment (APA). 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.

18. **Component 2: Support to Subnational Entities (US\$8.7 million)** will be implemented by MPGIS and MECMD 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.⁴⁵ 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.

19. **Subcomponent 2(a): Improving Frontline Services (US\$6.9 million)** will be implemented by MPGIS in coordination with MECMD 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*

⁴⁵ This support will supplement the current funding that the Implementing Agencies and PG receive from the PGSP.



*Support Officers (WSOs);⁴⁶ 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,⁴⁷ Provincial Planning Officers, Provincial Engineers, frontline staff from other sector ministries and WDC representatives. The National Engineer will develop training materials and 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 areas prone to climate risks and 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 - see subcomponent 2(b)). *Third*, they 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). *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 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. Among a number of 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.*

20. **Subcomponent 2(b): Building Resilient Communities (US\$1.8 million)** will be implemented by MECDM in coordination with MPGIS and the PGs.⁴⁸ 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 training⁴⁹ 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

⁴⁶ 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.

⁴⁷ The PCDF Coordinator is expected to work closely with PPCs, WSOs and WDCs to coordinate all the training activities.

⁴⁸ Scaled up by the LDCF.

⁴⁹ 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.



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; and (iv) 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. 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 number of 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.

21. **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 financial management, procurement,⁵⁰ work planning, consolidated reporting, Monitoring and Evaluation (M&E), and oversee the Grievance Redress Mechanism (GRM). Staffing for each of these core functions will be appointed. It will also finance the preparation of a POM⁵¹, 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 1.⁵² This component also includes the activities under the Preparation Advance (PA),⁵³ 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. 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.

Legal Operational Policies

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

⁵⁰ Procurement handled by the PMU will be limited to goods and services required for MPGIS’s and MECDM’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.

⁵¹ The POM is expected to be completed two months after effectiveness as it will be financed under the PA.

⁵² A separate subgrant manual is not required as the procedures for implementing the PBGs are already described in the main PGM and will be updated on a regular basis, as required, with any changes to the PGM (and POM) to be prior reviewed by IDA. In the event there is a contradiction between the PGM and POM, IDA’s POM will apply and take precedence.

⁵³ 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.



Summary of Assessment of Environmental and Social Risks and Impacts

22. The Project's Environmental and Social (E&S) risk rating is Moderate, and any subprojects assessed as 'Substantial' or 'High-Risk' will not be eligible for IDA or LDCF financing. The environmental and social impacts of Project activities are expected to be mostly positive, delivering environmental, social, safety, and health benefits such as improved access to existing and new infrastructure as well as building the capacity needed by the Ministries and the PG at the provincial level. The Environmental risk rating is assessed to be Moderate, as impacts are expected to be temporary (related mainly to small construction), minor and easily managed through conventional environmental and social (E&S) risk management approaches. The Social risk rating is also assessed as Moderate, as the Project will mainly finance sub-projects that will have minor impacts on land usage and access, require the temporary mobilization of limited amounts of contracted and community workers, and the potential for social conflict over access to project benefits (albeit minimal due to a bottom-up, and community informed approach being adopted). The Project will draw on experiences with E&S implementation on the RDPI and RDPII projects to improve the management of E&S risks. This includes the use of voluntary land donation forms to support negotiations where land was used or access on a temporary, negotiated timeline, and the implementation of occupational health and safety (OHS) training to improve capacity in OHS management.

23. Component activities will likely 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 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 Plan (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 Environment and Social Management Framework (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 documents dated January 28, 2022 were adopted and disclosed by the implementing agencies on February 3, 2022.

24. 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.

25. Operational impacts could include degradation of habitats due to increased access as a result of 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.

26. 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 environmental and social 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 (ESOP) 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.

27. 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 environmental and social risks and impacts. It outlines procedures for screening and managing technical assistance activities for social and environmental risks and includes a list of activities ineligible for financing.

28. The PGM through the POM will be revised to refer to 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 but will comply with the conditions within the PGM.

E. Implementation

Institutional and Implementation Arrangements

29. **MOFT will serve as the Executing Agency and MPGIS and MEDCM as the Implementing Agencies and operate a joint a PMU.** MPGIS will be responsible for Component 1, coordinating with MEDCM and the PGs. Component 2 will be implemented by MPGIS (leading Subcomponent 2a) and MEDCM (leading Subcomponent 2b) in coordination with the PGs. MPGIS and MEDCM will be jointly responsible for Component 3. As the majority of the Project's funds will benefit the PGs, each PG will enter into Subgrant Agreement with MOFT. The Project will operate within existing institutional arrangements under the PCDF. The Project will report to a Steering Committee being, the standing PCDF Joint Oversight Committee (JOC), with support and input from the Provincial Fiscal Grant Coordination Committee (PFGCC). The members of the JOC are the Permanent Secretaries from the following ministries: MEDCM, MPGIS, MOFT, Ministry of National Planning and Development Coordination (MNPDC), and Public Service, the Secretary to the Prime Minister, and Provincial Secretaries of three Provinces and donor representatives.⁵⁴ The composition and TOR for the JOC is specified in the PGM.

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⁵⁴ 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.



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