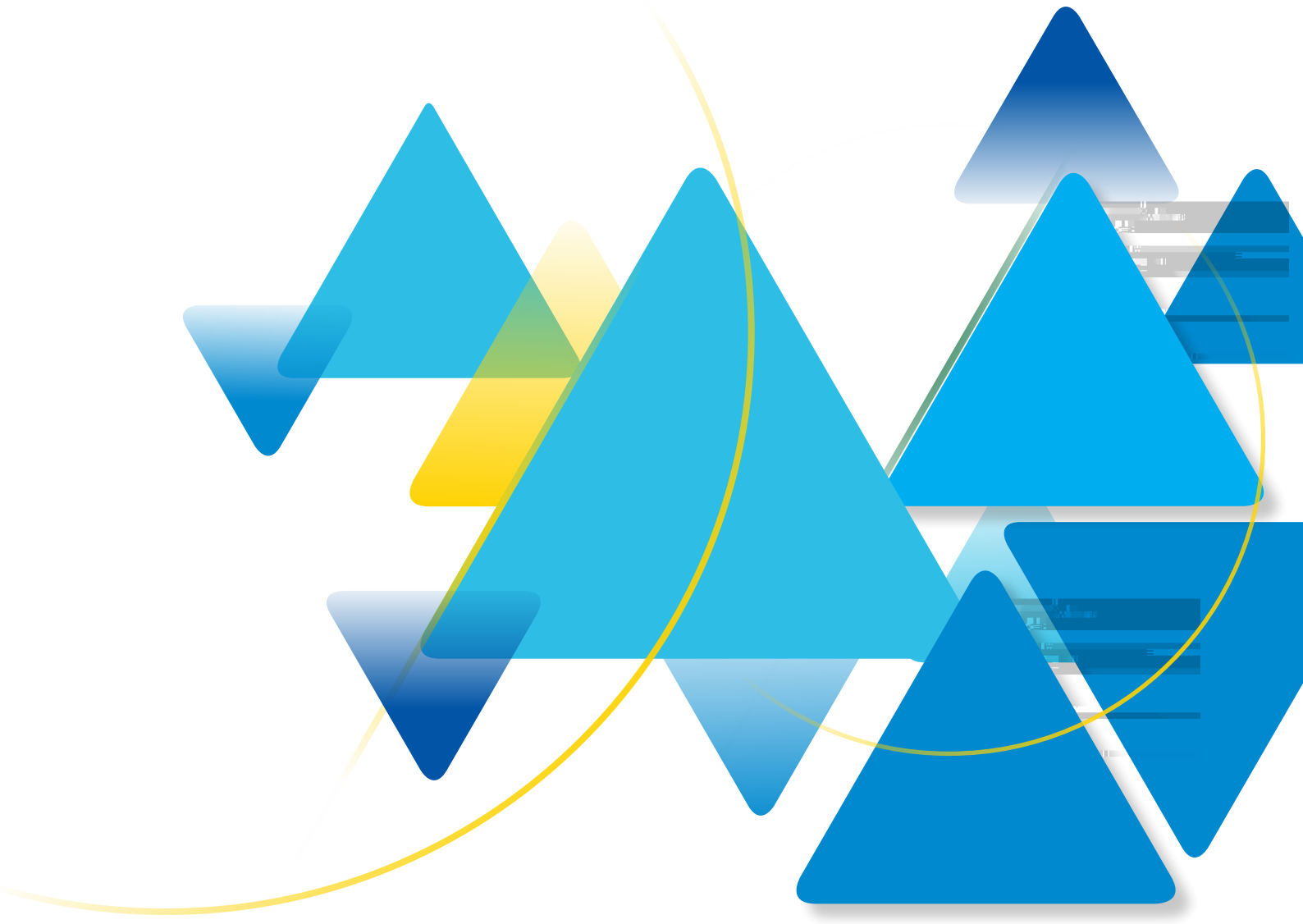

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Foreword

This Development Finance Assessment Report (DFA) is the culmination of months of detailed analytical work and dialogue with actors across the public and private sectors. With technical support from UNDP, it was commissioned by the Solomon Islands Government in recognition of the fact that achieving the

Contents

Acronyms . . . . . .

Boxes

Box 1. The DFA analytical framework 2
Box 2. LDC graduation and the Istanbul programme of action 3
Box 3. Costed sector strategies 7
Box 5. Iterative steps toward more integrated planning and budgeting in the Philippines 30
Box 6. Ongoing reforms to improve the business environment 34
Box 7. SOE reform and community service obligations 37
Box 8. SDGs dashboard in Papua New Guinea 40

Figures

Figure A. Domestic and international public nance dominates the nancing landscape . ix
Figure 1. The DFA analytical framework 2
Figure 2. Domestic and international public nance dominates the nancing landscape . . 8
Figure 3. Tax revenue and ODA are the largest ows 9
Figure 4. Tax revenues have plateaued while ODA and borrowing have fallen 9
Figure 5. Customs and excise revenues are growing slowly while income and consumption tax have fallen since 2012 10
Figure 6. Fiscal space remains low compared to other Paci c countries 11
Figure 7. Government spending has grown at an average 6% a year since 2008 11
Figure 8. The development budget grew by 85% over 2014–2017, but has been cut by 42% in 2018 12
Figure 9. Rural development and infrastructure account for a growing proportion of the development budget 12
Figure 10. Cuts to the development budget impact government's ability to invest in key areas of the NDS 13
Figure 11. Development expenditure for rural development has grown fast 14
Figure 12. Over 40% of the RCDF is spent on housing schemes 14
Figure 13. The use of RCDF funds varies widely between constituencies in di erent provinces . 15
Figure 14. The PCDF has grown more than three fold in ten years 16
Figure 15. PCDF funding in 2016/17 16
Figure 16. Provincial government revenues are rising, though so are the proportion of funds being rolled over 17
Figure 17. Key SOEs have been increasing investment 18
Figure 18. SOE pro ts are growing 18
Figure 19. Private investment levels remain low in absolute terms 19

Figure 20. FDI in services have grown while there has been some divestment in primary sectors . . . 19
Figure 21. Borrowing within the industries targeted for growth by the NDS remains low . . . 20
Figure 22. Commercial debt is low within the Paci c region . . . 20
Figure 23. Churches and NGOs play important roles in sustainable development . . . 21
Figure 24. ODA has been falling since 2010 . . . 22
Figure 25. ODA remains an important source of government revenue though it is accounts for a declining proportion of the total . . . 22
Figure 26. ODA is high relative to national income, as in many other Paci c countries . . . 23
Figure 27. Cash grants and technical cooperation account for the majority of ODA . . . 23
Figure 28. Governance, transport and education together account for two thirds of ODA spending . . . 24
Figure 29. Development partners are key funders in education and health . . . 24
Figure 30. Non-DAC donor support for the constituency development fund . . . 25
Figure 31. The planning and nancing system . . . 27
Figure 32. Key provincial and constituency funding streams . . . 31
Figure 33. Corruption and tax rates are the biggest obstacles to business by rms in Honiara . . . 32
Figure 34. Resolving insolvency, enforcing contracts and registering property are key business challenges . . . 33
Figure 35. Community service obligations fell signi cantly in 2015 but were used more widely in 2016 . . . 38
Figure 36. RCDF constituency level data . . . 61

Acronyms

ODA	O cial Development Assistance
OECD	Organisation for Economic Co-operation and Development
PACER	Paci c Agreement on Closer Economic Relations
PCDF	Provincial Capacity Development Fund
PDP	Philippine Development Plan
PPP	Public-Private Partnership
PREXC	Programme Expenditure Classi cation Tool (of the Philippines)
RAMSI	Regional Assistance Mission to Solomon Islands
RCDF	Rural Constituency Development Fund
SDGs	Sustainable Development Goals
SIAHN	Solomon Islands Alliance of Humanitarian NGOs
SIBC	Solomon Islands Broadcasting Corporation
SICCI	Solomon Islands Chamber of Commerce and Industry
SIDS	Small Islands Developing States
SIEA	Solomon Islands Electricity Authority
SIIFF	Solomon Islands Integrated Financing Framework
SIPA	Solomon Islands Ports Authority
SIPC	Solomon Islands Postal Corporation
SIWA	Solomon Islands Water Authority
SME	Small and Medium Enterprises
SOE	State-Owned Enterprise
SOLAIR	Solomon Airlines
UNDP	United Nations Development Programme
UNSIF	United Nations SDG Impact Fund
VAT	Value-Added Tax
WASH	Water, Sanitation and Hygiene

Executive summary

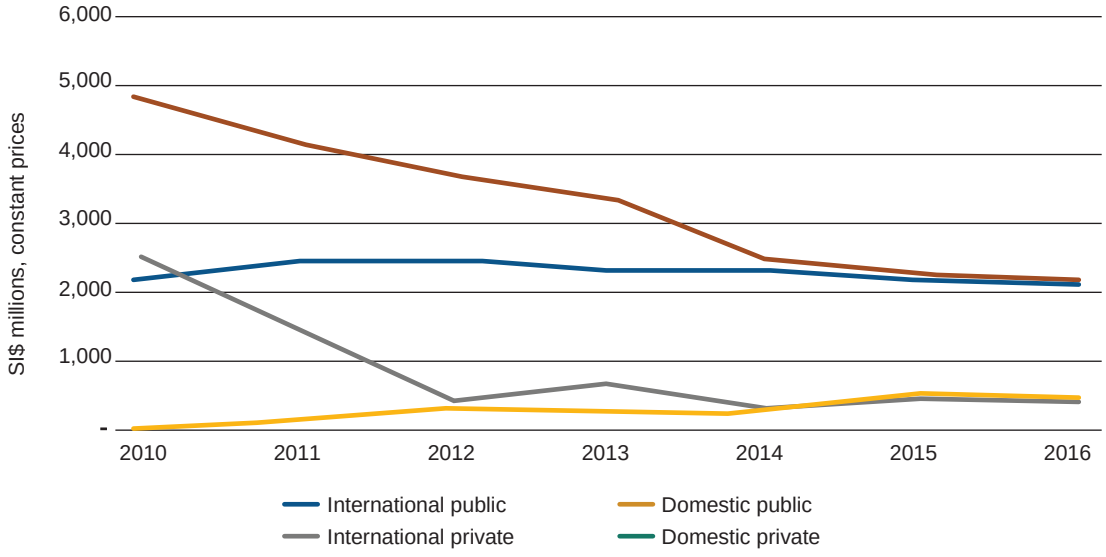
The Solomon Islands is in the early years of implementing its twenty-year vision, the 2016–2035 National Development Strategy (NDS). This strategy presents a long-term vision for the country, articulating ve long-term objectives to work towards. At the same time the country is set to graduate from its status as a Least developed country (LDC), an important milestone in its history. As the country transitions away from LDC status it continues to work toward the commitments of the Istanbul programme of action for LDCs (IPOA), which are due to be achieved by 2020.

Within this context, MPDAC on behalf of the NDS implementation oversight committee (NDSIOC) initiated a development nance assessment (DFA). The aim of the DFA is to support the development of a nancing framework for the NDS as well as the implementation of the IPOA commitments. This report presents the ndings of the DFA process, consultation and analysis, including a roadmap of recommendations that can be taken forward.

Achieving the NDS will require an integrated approach to nancing in which a range of public and private actors invest, directly and indirectly, in the objectives it articulates. This DFA presents an analysis of the public and private nancing that is and could be available to advance the NDS agenda. It looks at the kinds of investments and services that will be needed and considers the types of nancing that can deliver them. It analyses current trends in nancing, based on a wide-reaching data collection exercise to build as comprehensive a picture of nancing as possible. And it analyses the policies, partnerships and institutional structures that are in place to mobilize and maximize the impact of public and private investments on the outcomes targeted by the NDS.

The nancing landscape in the Solomon Islands is dominated by public nance (Figure A). Government nance and o cial development assistance (ODA) each account for over 40% of nancing in 2016. Private ows such as FDI and domestic commercial investment remain small in scale overall.

Figure A. Domestic and international public nance dominates the nancing landscape



The DFA further identi es opportunities to mobilize new forms of nancing and build stronger partnerships that leverage the strengths that di erent actors have to o er in relation to the NDS. Developing a framework for PPPs and encouraging mobile money can increase access to private investment and boost access to credit, particularly in underserved areas such as rural communities. Establishing a regular, multi-stakeholder follow-up forum on the NDS can foster greater dialogue and engagement between actors focused on nancing di erent aspects of the agenda.

The aim of this report is to encourage dialogue on the country's nancing needs and to build momentum around reforms that can strengthen nancing the NDS. The recommendations identi ed through the DFA can contribute to a more integrated approach to nancing the NDS that leverages the strengths of a wide range of public and private resources.

through the DFA process. This section divides between headline proposals that are of the highest importance or respond to a speci c opportunity for policy change, and further recommendations that remain important and can be considered for implementation.

The DFA process has engaged a wide array of actors that have a stake in nancing the NDS and it is hoped that the analysis and recommendations presented in this report can be a catalyst for positive policy reform as well as continued dialogue on sustainable development nancing in the Solomon Islands.

Box 1.

The nancing outlook

Understanding the trends in public and private nancing is an important basis for identifying opportunities and challenges for realising the NDS. This section of the DFA report begins by looking at the kinds of nancing that may be necessary to realize the NDS. In lieu of estimates about the cost of the investments and services that will be needed to achieve the NDS outcomes, it presents a description about implied nancing needs. This provides context for a comprehensive, detailed analysis of the current nancing landscape. Ongoing trends in public and private nance ows are analysed to identify key opportunities and challenges for mobilising the types of nancing that may be needed. This chapter is followed by chapters that look at the policy and institutional context in these areas of nancing.

What kind of nancing trends will be needed to achieve the NDS?

The NDS outlines a vision for the sustainable development future that the Solomon Islands aims to realise. It articulates aspirations about economic, social and environmental outcomes within a structure of 5 long-term objectives supported by 15 medium term strategies. As a long-term vision, the NDS presents a framework for government and partners to work toward. It is designed to guide the objectives and approach of government policy in the short and medium term by providing clarity on the direction and outcomes that policies should be working towards.

Realising the NDS will require a range of investments and services. These go well beyond the public sector alone, incorporating the public and private sectors at the national and international levels. Building an integrated approach to nancing that brings together and promotes public and private investments that contribute, directly and indirectly, to the NDS vision is critical to its realisation and success. The government has a critical role to play in instigating such an integrated approach to nancing. The way it invests its resources, the policies it puts in place and the partnerships it builds have a powerful in uence over the way other actors invest their own resources. Government can, therefore, play an important role in creating the conditions, partnerships and incentives that encourage other actors to contribute to the NDS. This is true even for actors, such as private businesses, which are not primarily motivated by the NDS.

The NDS provides guidance on the sustainable development outcomes that are desired over the long-term. When thinking about how these outcomes will be delivered it is useful to work backwards and think about the inputs that will be needed – the investments and services that can deliver those outcomes. This in turn prompts consideration of the nancing that will be crucial for those investments to be made and those services to be delivered, and about which actors and types of nance are best placed to provide it.

Gauging the kind of nancing that may be needed to achieve the NDS in this way can provide a guide for nancing policies and partnerships. Comparing the kind of resources that will be needed with current nancing trends helps to identify the most signi cant gaps and areas of nancing where a change in trajectory is essential. It can inform the design and prioritisation of policies that mobilize and enhance the impact of the resources required.

Some countries have completed costing exercises to estimate and quantify the types of investments to realize the national plan. These exercises are complex and require signi cant commitment and resources to be delivered e ectively. The Solomon Islands has not estimated the cost of achieving the NDS, although some sector plans have been costed (see Box 3).

In lieu of quanti ed estimates of the investments to achieve the NDS, the DFA reviewed the objectives and strategies articulated in the NDS to assess the kind of nancing they imply.[3] This section presents a summarised description of the kind of nancing landscape that may be compulsory to realize the NDS. A more detailed objective-by-objective review is presented in Annex A. The summary is used as a benchmark against which current trends in nancing are compared in the next chapter.

Implied nancing needs of the N DS

The NDS does not specify the kinds of nancing to achieve the vision it presents, although the aspirations and strategies it articulates imply the need for certain kinds of investments. This section describes the kind of nancing landscape that the country will need to realize by 2035. While there is no overall costing for the NDS, certain sector strategies have been costed; a summary of these is presented in Box 3.

Domestic public nance

National government

The NDS presents a wide range of strategies and objectives that imply a strong role for public ined o (t cha N9o ay

would be sourced from allocations in the national budget, decentralized revenue collection powers and, in some instances, subnational government entities may take on debt. Investments in key regional infrastructure will be managed by provincial governments in collaboration with national government, and in partnership with private partners and development banks where appropriate. Services in areas such as health, education, water and sanitation, agricultural support services and support for disadvantaged people will be delivered e ectively through provincial and local government, often through partnerships or in coordination with actors such as Churches and NGOs. Subnational government entities will also have an important role to play in supporting disaster preparedness and response.

State-owned enterprises

SOEs will have important roles to play in a number of aspects of the NDS in infrastructure development, supporting growth in the productive sectors and in delivering services such as electricity, and water and sanitation. To achieve this the SOEs would need to be nancially sustainable, able to fund recurrent and capital spending from revenues raised in their core businesses or by taking on debt. The use of outcome-based contracting, building on the established community service obligation approach, would be used to extend services into areas that are less commercially viable. SOEs would be actively investing in expanding, deepening and improving services on an ongoing basis. This includes continued investments in infrastructure according to their areas of specialism – electricity, ports, aviation and water and sanitation. Water and sanitation is particularly important as it was identi ed as the highest priority in provincial consultations as the NDS was developed.

Domestic and international private nance

Private commercial investment

To realize the objectives of the NDS the private nance landscape would need to experience steadily growing volumes of investment in the industries prioritized by the NDS. Tourism, sheries, commercial and cash crop agriculture as well as independent energy production will be characterized by a growing stock of FDI as well as growing investments by domestic businesses, many of which would be SMEs. SMEs in urban and rural areas would have good access to credit and nancial services that they can use to expand operations. In the mining sector there would be a stock of investment, probably largely FDI, though ongoing investments would be infrequent given the nite nature of natural resources.

All of these industries would be operating within a supportive framework that encourages sustainable, inclusive business models through a combination of regulation and supporting policies in areas such as training and skills development, business and nancial management support for SMEs and incentives that reward the deepening of value chains and contributions toward the NDS.

Financial system

The nancial system would be characterized by o ering a wide range of nancial services that are accessible countrywide to citizens and large and small businesses. Technology innovations, such as mobile money, and innovative models of collateralisation may be leveraged in order to increase access to nancial services for geographically isolated areas and low-income communities.

PPPs

PPPs are highlighted as a potential source of nancing and mechanism to attract private investment, across various aspects of the NDS. By 2035 the NDS implies a portfolio and established track record

to di erent types of infrastructure, for example, roads, bridges, energy and water and sanitation infrastructure. Nonetheless, in some instances they may be used for recurrent costs and services – the operation of airports is mentioned as a speci c possibility by the NDS.

Churches and NGOs

Churches and NGOs are highlighted as important partners in service delivery. To support the objectives of the NDS, Churches and NGOs would support services in key social sectors such as health and education, as well as in disaster preparedness and response. Some services will be delivered by these organisations while others will be in partnership with government, particularly at the local and provincial levels.

International public nance

O cial development assistance

The important role of o cial development assistance (ODA) in many aspects of sustainable development is noted through the NDS, though it also implies some changes in the focus of ODA. By 2035 the balance of funding in key social sectors such as health and education would have shifted so that reliance on development partners is reduced. ODA will continue to play an important role of investing in infrastructure and supporting productive sector development, including through the promotion of investment in key industries.

The NDS also highlights the potential to access innovative nancing; the example given connects to payments for ecosystem services in relation to unsustainable practices in the logging[4] industry.

Box 3. Costed sector strategies

While the NDS overall is not costed, a number of strategies related to certain areas within it have been costed, generally with a focus on estimating the public nance necessary to implement a strategy.

Education. The Education Strategic Framework 2016–2030 developed estimates of the cost of achieving education outcomes. However, because allocations to education as a proportion of the budget are already among the highest in the world, the framework worked on reallocating and increasing the e ciency of spending within a continuation of current trends in education budgeting.

Energy. The National Energy Policy 2014–2020 estimated total costs of US$170 million. These costs would be met by a range of actors, including national and provincial government, independent power providers, multilateral development banks as well as through the use of PPPs.

Health. The National Health Strategic Plan 2016–2020 estimates the costs of rehabilitating infrastructure to be around SI$1.2 billion, equivalent to roughly double the annual budget allocated to health at the time the strategic plan was prepared.

Infrastructure. The National Infrastructure Investment Plan 2013–2033 estimated annual nancing needs of between SI$390 million and SI$520 million. It projected that 30–40% of this could come from the government, with the rest split between development partners and private actors.

Tourism. The National Tourism Development Strategy 2015–2019 lays out a strategy for stimulating growth in tourism numbers and investment in the industry. It estimates a government budget of between SI$18 million and SI$24 million a year to implement the strategy. It targets an annual growth rate of 9.2% in tourism though does not estimate the levels of private investment needed to achieve this.

4 It is understood that this plan may be reviewed with potential changes in scope and reprioritisation of infrastructure projects so these estimates may also change.

The current nancing landscape

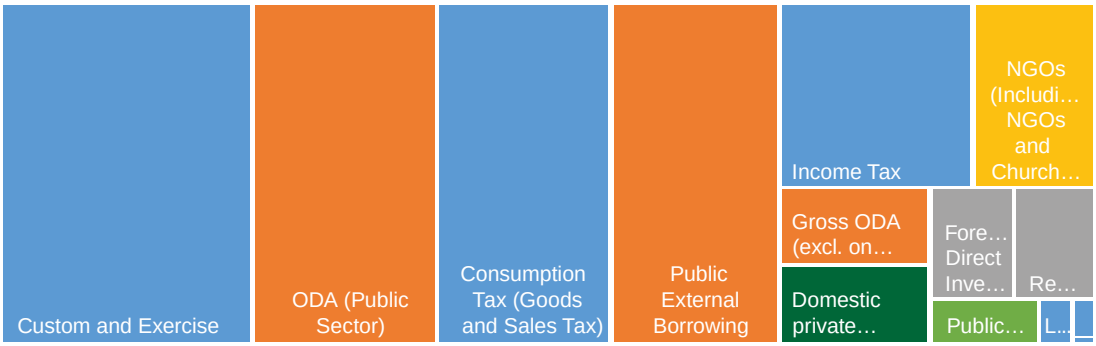
The objectives articulated by the NDS imply the need for a range of investments and services funded by public and private sources of nance. This section looks at trends in the current nancing landscape to identify and analyse the key challenges and opportunities for mobilising the public and private nancing that can drive forward the NDS agenda.

Figure 2.

This aggregate picture highlights some of the most pressing challenges that the country will face in nancing the NDS. Levels of private nance, in particular, must be increased in order to meet the nancing requirements of the NDS. While there are some signs of growth in domestic private nance, ows are low in absolute volume and the recent trend of high proportionate growth would need to be sustained for years into the future. Many components of the NDS, especially within the rst objective, are dependent on attracting foreign direct investment.

It also highlights some of the opportunities. The role of Churches and NGOs, for example, is also an important one and, with greater coordination and collaboration between these actors and government, their impact on sustainable development could be enhanced and strengthened into the future.

Figure 3. Tax revenue and ODA are the largest ows



Source: Author's calculations based Central Bank of Solomon Islands, Ministry of Finance and Treasury, OECD DAC, Provincial governments and World Bank. Data are for 2016

Domestic public nance

Government revenues and borrowing

Overall levels of government revenue have fallen since 2012, driven by plateauing tax revenue receipts and lower borrowing (Figure 4).

Figure 4. Tax revenues have plateaued while ODA and borrowing have fallen

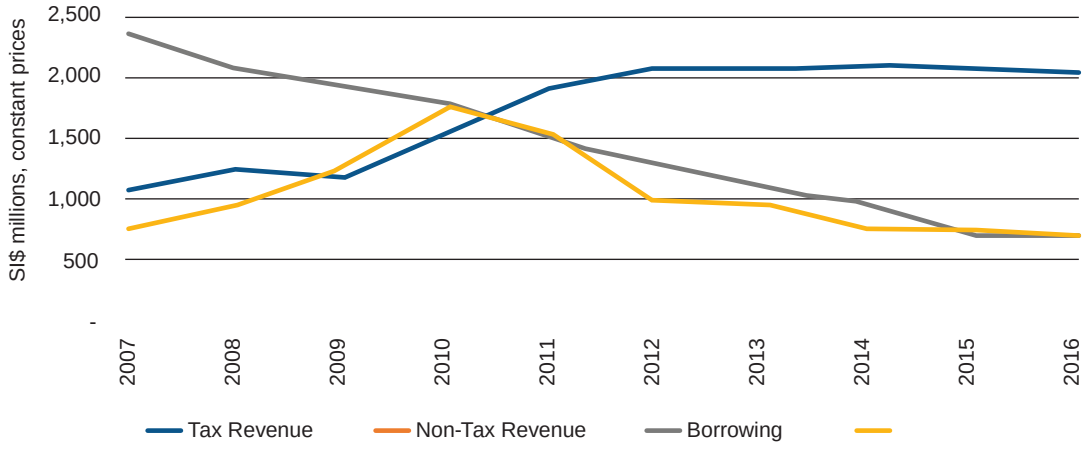
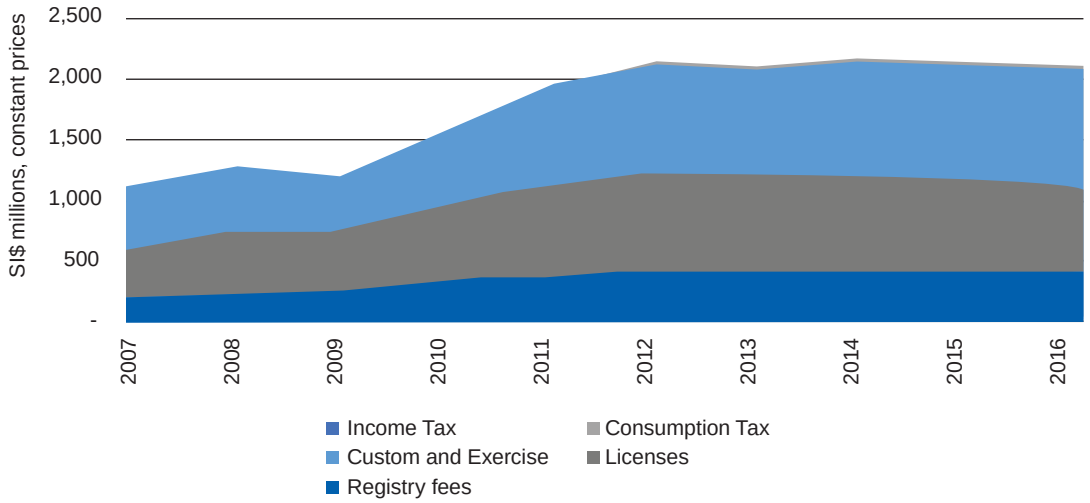


Figure 5. Customs and excise revenues are growing slowly while income and consumption tax have fallen since 2012



Sources: Author's calculations based on Ministry of Finance and Treasury and CBSI data.

Tax revenues grew rapidly up until 2012 but have since plateaued (Figure 5), although trends vary between di erent types of tax. Income and consumption taxes have fallen since 2012, declining by 4% and 14% in total respectively. These declines have been attributed to rising fuel prices and in ation as well as challenges with compliance, though revenue is expected to have risen again in 2017. Customs and excise tax, however, rose rapidly to 2012 and continued to grow, albeit at a slower pace of around 2% a year on average. Logging exports are the key driver of this trend, accounting for over 99% of export duty revenue and at least 22% of total tax revenue in 2017.[17] Nonetheless, unsustainable practices in the industry make a future decline in output and revenues likely.

Within this context, government nances remain low in absolute volume in comparison to many of the Solomon Islands' neighbours (Figure 6). Government revenue per person is a useful measure when thinking about the scal space that government has to invest in sustainable development. Many objectives within the NDS are expressed in terms of impact at the individual level – access to education or healthcare, for example. Considering the scale of resources relative to the population , therefore,

Figure 6. Fiscal space remains low compared to other Paci c countries

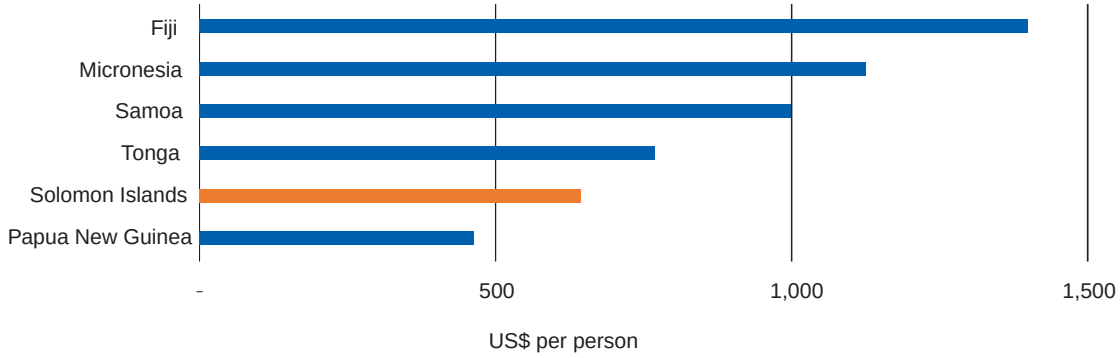


Figure 8. The development budget grew by 85% over 2014–2017, but has been cut by 42% in 2018

Source: Author's calculations based on Budget Strategy & Outlook and Final Budget Outcome publications 2010–2018 (Ministry of Finance and Treasury)

Much of the growth in the development budget has gone to two sectors, rural development and

The impact of cuts to the 2018 development budget is signi cant in many key areas of the NDS (Figure 10). The development budget for public investments has been reduced by more than 70% in priority economic sectors such as tourism, agriculture and sheries, as well as infrastructure. Investment in key social sectors has also had to be reduced; the development budget for health and education was cut by 68% and 77% respectively. These cuts will limit the government's ability to invest in these core areas of the NDS. Notably funding for rural development, chie y through the RCDF, has not been cut. The reduction in the 2018 development budget should be temporary – these measures were taken to rebalance overall nances and rebuild reserves. Yet within a context of uncertainty about future trends in government revenue, particularly given the potential impact of a decline in logging revenue, the e ect of these current cuts highlights how high a priority should be placed on diversifying and safeguarding future revenues. Given the current dominance of public nance within the nancing landscape overall, if scal space for future development expenditure in key NDS sectors is more permanently reduced then it will have an impact on progress toward achieving the outcomes of the NDS.

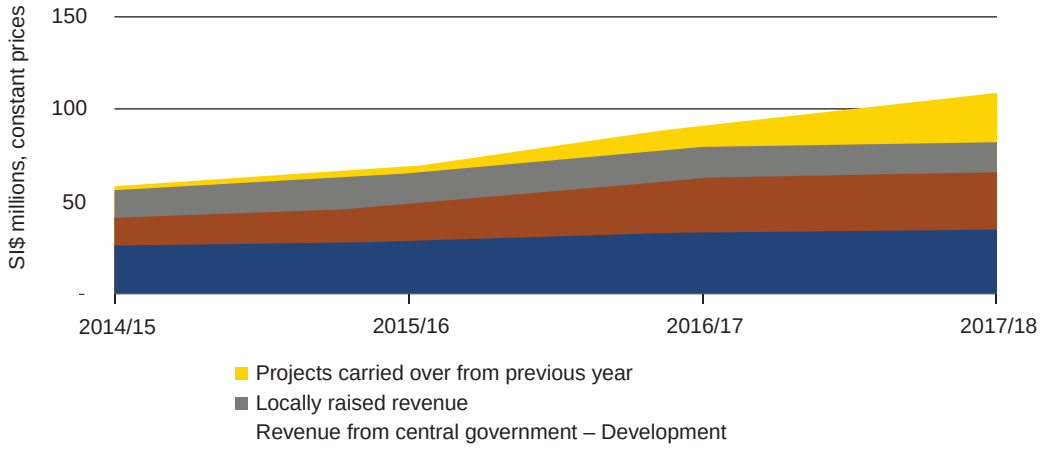
Rural constituency development fund

The RCDF is the largest source of nancing at the subnational level and has been growing rapidly. It accounts for the majority of development expenditure in rural development, which has grown at an

The use of funds is supposed to be determined at the individual constituency level, between the MP and constituency development committee, although in practice many constituency development committees are not functioning (see RCDF recommendation below). There are considerable variations in the pattern of spending by constituency. Income generating projects accounted for 51% and 40% of spending in East Choiseul and Malaita Outer Islands, for example, while basic infrastructure accounted for 78% in East Malaita and transportation 60% in Marovo. Despite WASH being identi ed as the highest priority during the provincial consultation process as the NDS was prepared,[1] it did not account for more than 20% of spending in any constituency. Annex B presents the breakdown of spending by sector for all 50 constituencies.

Aggregating constituency level data within each province reveals some signi cant di erences in the

Figure 16. Provincial government revenues are rising, though so are the proportion of funds being rolled over

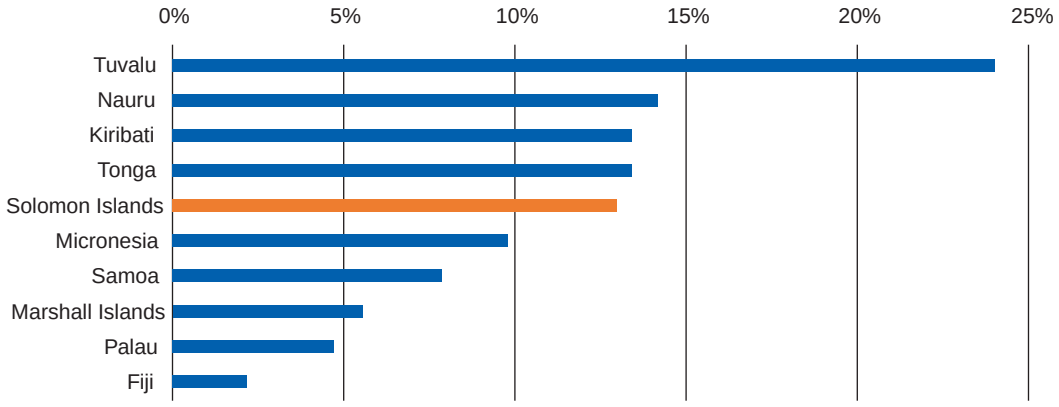


Overall investment by the private sector remains low (Figure 19).

Figure 19. Private investment levels remain low in absolute terms

ODA was equivalent to 12.7% of GNI in 2016 (Figure 26). This is high in absolute terms – some international de nitions classify a country as highly aid-dependent if the ODA to GNI ratio exceeds 10%.[1] These levels are, however, similar to those many other countries in the region.

Figure 26. ODA is high relative to national income, as in many other Paci c countries

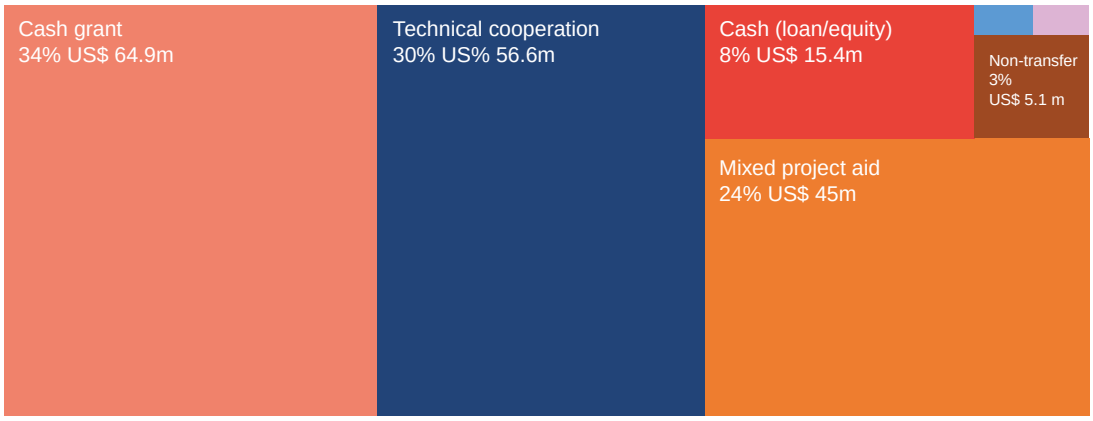


Source: OECD DAC

Looking ahead, the post-RAMSI decline in total ODA appears to have plateaued and current levels represent normalized relations with the country's key development partners so may be maintained over the short and medium term. Some aspects of ODA spending may be a ected by the graduation from LDC status, though it is unlikely to have a major impact on ODA. Over the long-term, nonetheless, the Solomon Islands remains vulnerable to policy change by its major development partners.

The majority of ODA is cash grants or technical cooperation (Figure 27).[2] Technical cooperation has fallen as a proportion of total ODA. ODA loans remain a small but growing proportion of ODA, accounting for 8% of the total in 2016.

Figure 27. Cash grants and technical cooperation account for the majority of ODA



Source: Development Initiatives Data Hub, http://data.devinit.org/unbundling-aid. Note that gures quoted are in US$ millions, constant 2015 prices.

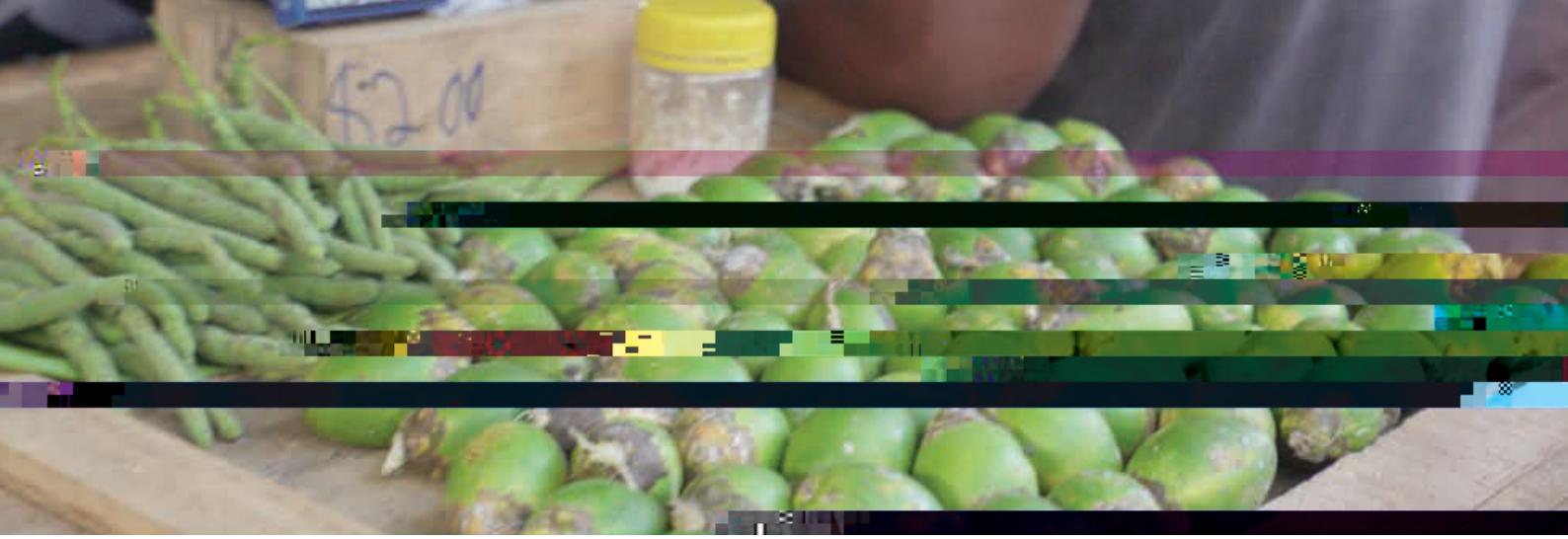
19 For example, see J. Glennie and A. Prizzon, 2012 From high aid to low aid: a proposal to classify countries by aid receipt. Available at: https://www.odi.org/sites/odi.org.uk/ les/odi-assets/publications-opinion- les/7621.pdf

20 Mixed project aid, which is the third largest category as reported by development partners, is generally a combination of cash grants and technical cooperation.

ODA is a signi cant source of nancing in a number of key sectors for the NDS (Figure 28). Governance accounts for the largest proportion of ODA; this is made up of a range of projects in areas such as economic and public sector governance, justice and gender equality, although the largest project relates

Australia and New Zealand are the Solomon Islands' largest donors and the Solomon Islands is an important destination for these development partners. In 2016 it was the third largest recipient of ODA from Australia and the largest from New Zealand.[23] ADB and the World Bank also provide signi cant volumes of ODA and may scale up support in areas such as budget support. There may also be opportunities to scale up ODA from other donors such as Japan, which has a discretionary loans scheme that the country has not yet accessed.

One prominent non-DAC donor also plays a signi cant role as a partner to the Solomon Islands, providing signi cant volumes of assistance. It is a particularly important source of nancing for the CDF, with



Integrated planning and nancing

Achieving the vision of the NDS will require investments from a range of public and private actors that contribute directly and indirectly to the outcomes it targets. Mobilising the necessary resources, and maximising the contributions that di erent types of nancing can provide towards NDS implementation demands an integrated approach to nancing. This entails a policy framework, partnerships and collaboration that promote contributions from di erent types of nancing according to their speci c characteristics.

Government has a critical role to play in instigating an integrated approach to nancing. The way it invests its own resources, the partnerships and collaboration it builds across sectors and the policy environment it develops have a powerful in uence on the way other actors operate and invest their own resources. At the foundation of government's approach to nancing for the NDS are the planning process and the policies that govern the approach toward di erent types of nancing. This includes but exceeds the budget, incorporating policies towards the private sector, development partners and other actors.

This section of the DFA looks at the systems that are in place to align the planning and budgeting processes and to coordinate across policies toward other types of nancing.

The planning system

The centrepiece of the planning system is the National Development Strategy 2016–2035, which lays out the country's long term sustainable development aspirations. The NDS was launched in 2016 to replace, update and extend the previous ten year plan. It was developed following wide consultations at the technical level with line ministries and through dialogue with communities countrywide.

The NDS provides a framework for development policies, priorities and programmes that should provide a single reference point and common direction for the twenty year period that it covers (Figure 31).

Figure 31. The planning and nancing system

Source: National development strategy

Structure of the budget

Within the overall resource envelope, the budget is divided into two budgets, the recurrent and development budget. In theory the recurrent and development budgets are used to divide ongoing current expenditure from time-limited capital investments, though this does not happen in practice (see below). These budgets are each allocated across national level ministries in an annual budget

Box 5. Iterative steps toward more integrated planning and budgeting in the Philippines

In the Philippines the Philippine Development Plan (PDP) is the key medium term instrument linking programmes and policies to medium term objectives. The PDPs in turn cumulatively work toward the objectives of the recently launched long-term vision, Ambisyon 2040. A number of reforms have been introduced since 2007 that allow the government to more e ectively link the way its resources are invested to the desired results of its development plans, and to the SDGs.

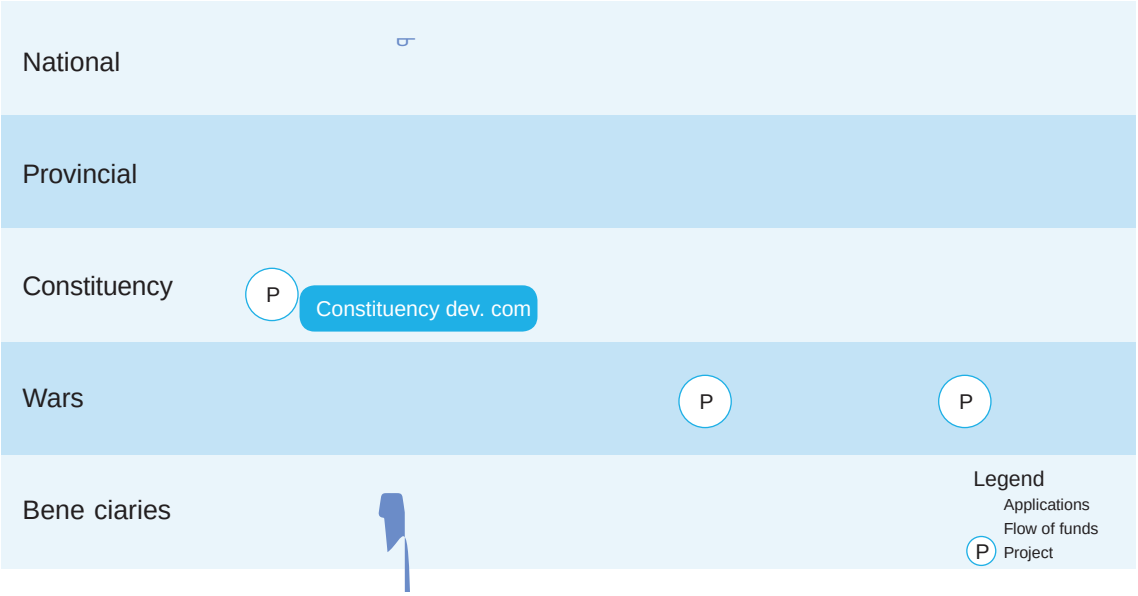
In 2007, a medium term expenditure framework was introduced. This is a rolling three-year budget that allocates nancing to programmes. For the 2011–2016 PDP the government introduced a monitoring framework, the results matrices, as part of a shift toward results-based management.[2] This strengthened the results chain, linking headline national development outcomes to sector and subsector outcomes.[2] In 2014 a Programme expenditure classi cation tool (PREXC) was introduced.[2] This restructured the budgets of all government agencies so that recurrent activities and projects were grouped together under programmes or key strategies. It enabled costing and monitoring of performance information at the programme or strategy level, as opposed to the organisational level

There is no systematic engagement between these subnational actors and MDPAC. As a result, awareness of the NDS within provincial administrations is low and clear links between the outcomes they work towards and national objectives are not systematically developed. It is ampli ed by other factors such as the di erent nancial years that national and provincial governments use for their budgets.

It is also the case that there are parallel systems for nancing at the subnational level, notably the RCDF and PCDF (Figure 32).[31] These funding mechanisms provide funding at slightly di erent, though very closely related levels of government (constituency and ward levels), though they are separate systems and there is no systematic collaboration between them. There are also challenges with transparency in the management of these subnational funding mechanisms as well as limited capacity for nancial management at subnational levels of government (see the transparency and accountability section below). The result of these challenges is that there is limited information with which to allocate or monitor subnational funds according to the priorities of the NDS. Lack of coordination also heightens the risk of duplication between projects and missed e ciencies.

There are also challenges in nancial management capacity within subnational levels of government. Financial management and controls within the RCDF are weak and a lack of approved regulations to date has meant that even the basic nancial reporting standards stipulated in the CDF Act are not enforced. The government has committed to drafting regulations for the CDF Act during 2018 (see recommendations for these regulations in the Roadmap section below). There has been some limited improvement in nancial management by provincial governments. The frequency with which nancial statements are prepared has risen, for example, and there has been a slight improvement in the outcome of audits of those statements. This is attributed in part to the criteria attached to PCDF allocation, which sets certain basic minimum standards around nancial reporting. Nevertheless, there is some way to go as most provincial governments still received a disclaimer in their most recent audit.

Figure 32. Key provincial and constituency funding streams



31 The RDP, which is funded by development partners, is shown in the gure for reference.

Public-private collaboration

Stimulating sustainable, inclusive private sector investment in key industries is a central part of the strategy to achieve the NDS. The policy and business environment, and the context of collaboration between government and private sector actors have an important in uence over business decisions about if and how to invest. This section looks at the context in which the private sector operates and invest resources. It looks at how the government creates incentives that encourage contributions from private ows that drive forward sustainable development outcomes and at ongoing reforms or planned for the future. It analyses the nature of collaboration between public and private actors and opportunities and potential for deeper collaboration.

The analysis of the nancing landscape above showed that private investment in the Solomon Islands is relatively low, and there are a number of elements of the business environment that contribute toward this context.

Figure 33 and Figure 34 highlight some of the key constraints to business growth, as captured by the World Bank's enterprise survey and doing business survey respectively. More than a quarter of rms surveyed identify corruption as the biggest obstacle to business, followed by tax rates (18%) and an inadequately education workforce (12%) (Figure 33). The picture varies slightly for small businesses; access to land is the second most commonly identi ed obstacle to small businesses. The doing business survey highlights aspects of the business environment where the Solomon Islands is doing comparatively well, such as paying taxes, starting a business and dealing with construction permits. The country ranks 37th, 94th and 57th respectively on these measures. Yet issues such as resolving insolvency, enforcing contracts and registering property remain a challenge for businesses. Beyond the issues highlighted by these surveys, consultations for the DFA highlighted challenges for many rms that experience delays of as much as 6–9 months in being paid by government. And outside the capital Honiara, which was the focus of both international surveys, rms face a range of additional challenges. Access to nance in rural areas is highlighted as a key constraint in the NDS. And declining infrastructure means that the costs of bringing produce to Honiara and regional markets has increased signi cantly.

Figure 33. Corruption and tax rates are the biggest obstacles to business by rms in Honiara

Source: World Bank Enterprise survey 2018
Notes: The survey only covered businesses in Honiara

Figure 34. Resolving insolvency, enforcing contracts and registering property are key business challenges

Source: Doing business survey 2018
Notes: The survey only covered businesses in Honiara. Distance to frontier is a measure of how close the Solomon Islands is to best practices worldwide – higher numbers are indicative of better practices.

Government has a number of programmes in place to promote private investment. The Ministry of Commerce, Industry, Labour and Immigration (MCILI) focuses on three areas: support for SMEs, industry and commerce and economic growth centres.

The 2012 SME policy and strategy emphasizes 7 strategies to help SME development, particularly in mining, agriculture, sheries and tourism. These strategies include facilitating access to business development

Box 6. Ongoing reforms to improve the business environment

t Establishment of a Private sector advisory group – to promote dialogue between the private sector

Monitoring and review

E ective monitoring and review frameworks are a critical component of an integrated approach to nancing national development. Information gathered through monitoring outcomes can inform planning processes