



1. Program Information

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|-----------------------------------|---|
| Country Solomon Islands | Practice Area (Lead) Macroeconomics, Trade and Investment |
| Programmatic DPF | |
| Planned Operations 0 | Approved Operations 0 |
| Operation ID P167465 | Operation Name Solomon Islands DPO |

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|--|---|---|
| L/C/TF Number(s) IDA-65850,IDA-D5390 | Closing Date (Original) 30-Nov-2021 | Total Financing (USD) 15,330,543.08 |
| Bank Approval Date 06-May-2020 | Closing Date (Actual) 30-Nov-2021 | |
| | IBRD/IDA (USD) | Co-financing (USD) |
| Original Commitment | 15,000,000.00 | 0.00 |
| Revised Commitment | 15,000,000.00 | 0.00 |
| Actual | 15,330,543.08 | 0.00 |

| | |
|-----------------------------------|---|
| Country Solomon Islands | Practice Area (Lead) Macroeconomics, Trade and Investment |
| Operation ID P172454 | Operation Name Solomon Islands DPO2 (P172454) |



| | | |
|--|---|---|
| L/C/TF Number(s) IDA-65850,IDA-71270,IDA-D5390,IDA-D9160,IDA-E0290 | Closing Date (Original) 31-Mar-2023 | Total Financing (USD) 29265511.92 |
| Bank Approval Date 30-Nov-2021 | Closing Date (Actual) 31-Mar-2023 | |
| | IBRD/IDA (USD) | Co-financing (USD) |
| Original Commitment | 30,000,000.00 | 0.00 |
| Revised Commitment | 30,000,000.00 | 0.00 |
| Actual | 29,265,511.92 | 0.00 |

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2. Program Objectives and Pillars/Policy Areas

a. Objectives

The original program development objectives (PDOs) of the Solomon Islands Transition to Sustainable Growth Development Policy Operation (DPO) series (as stated in the ICR, para. 6) and the program document (PD1) for the first operation in 2020 were:

- i. Strengthening fiscal management in the areas of debt management, cash management and budget management;
- ii. Strengthening the business environment through simplifying tax processes, fighting corruption and supporting more efficient payments systems.

In 2021, the second DPO modified the PDOs as follows:

- i. "budget management" was changed to "procurement" in PDO1;
- ii. added a third objective: *"Improve environmental sustainability by strengthening national planning for climate change and reducing plastic pollution"*.

For the purpose of this ICR Review, the PDOs are taken as follows:

- PDO1: Strengthen fiscal management;
- PDO2: Strengthen the business environment;



- PDO3: Improve environmental sustainability.

b. Pillars/Policy Areas

The Pillars as stated in the PDs were identical to the PDOs. For the purpose of this ICR Review, the Pillars and Policy Areas (as indicated PD1 and PD2, section 4.2) are represented as follows:

- Pillar 1: Strengthen fiscal management:
 - Debt/budget management
 - Cash management
 - Procurement
- Pillar 2: Strengthen the business environment:
 - Tax administration
 - Anti-corruption
 - Payments systems
- Pillar 3: Improve environmental sustainability
 - Strengthen national planning for climate change
 - Reduce plastic pollution

c. Comments on Program Cost, Financing and Dates

Financing: Total financing of US\$45 million was provided as follows:

- i. DPO1: IDA credit for US\$3.16 million and (IDA grant of US\$11.84 million
- ii. DPO2: IDA grant of US\$15 million and a Supplementary IDA grant of US\$15 million.

Dates:

- DPO1 was approved on 6 May 2020, and became effective on 29 May 2020.
- DPO2 was approved on 30 November 2021, and became effective on 14 December 2021.

Actual disbursements totaled US\$44,596,055 (US\$ 15,330,543 in DPO1, US\$ 29,265,512 in DPO2), due to variations in the exchange rate.

The operations closed as expected on 30 November, 2021, and 31 March, 2023, respectively.

3. Relevance of Design

a. Relevance of Objectives

Country Context

The Solomon Islands (SI) faces the development challenges of fragility, conflict and vulnerability (FCV). Its economic growth prospects are constrained by the wide dispersion of its small (but rapidly-growing)



population of nearly 750,000 people spread over some 900 geographically remote islands and by its heavy dependence on exports of “grossly unsustainable log production” (PD1, paras. 3-4). Civil conflict from 1998 to 2003 (“the Tensions”) resulted in a 40 percent drop in GDP and remains a potential concern (with smaller riots in 2006 and 2019 and major ones in 2021). It is vulnerable to major earthquakes and tsunamis, which caused substantial destruction in 2007 and 2013, and “the 2014 Honiara floods caused widespread damage, loss of life and economic disruption,” as well as closure of its only gold mine (PD1, paras. 3 and 89). These fragilities mean that “on average, Solomon Islanders are relatively worse off today than they were over 20 years ago,” with a GDP per capita under US\$ 600 (PD1, para. 3). Although the Solomon Islands government (SIG) managed to insulate the country from COVID-19 in 2020-21, lockdowns following an outbreak in December 2021 aggravated the negative economic effects and compromised the functioning of government, including tax collection (ICR, para. 8).

The DPO series was part of a coordinated budget support mechanism (including Australia, New Zealand, the Asian Development Bank, and the European Union) to address the additional financing needs to cope with the COVID-19 pandemic and the longer-term objectives of fiscal consolidation, improving the business environment (to reduce dependence on logging), and supporting policy dialogue and provision of technical assistance (TA) (PD1, para. 1). Addressing gender inequality and the Solomon Islands’ low Human Capital Index were other areas of concern (PD1, para. 6-7).

Relevance of Objectives

PDO1 was clearly relevant to addressing the fiscal issues faced by the SIG as a result of COVID-19 and other recent shocks, as well as fundamental weaknesses in the fiscal systems. PDO2 was relevant to improving administrative constraints on private investors’ ability to contribute to economic growth, and its tax reform actions also supported fiscal objectives.

The coherence of adding PDO3 to this series was less clear. This DPO series was oriented toward budget support for recovery from the “triple shocks” of COVID-19, civil unrest and rising global prices (ICR, para. 2) and explicitly intended to focus on fiscal management and the business environment (tax, corruption, and payment systems aspects; PD1, para. 2). Neither PD2 (para 34) nor the ICR (para. 10) provided a convincing explanation of how introducing initial actions toward supporting “the green growth” agenda related to the focus of this DPO series. Ensuring environmental sustainability was a general portfolio concern for the World Bank (WB), limited institutional capacity and prioritization of dealing with the COVID-19 pandemic forestalled preparation at the time of a separate series of operations to address the environmental agenda. In 2023, the Solomon Islands Resilience series of two DPOs was prepared to focus on resilience to climate change, disasters and health emergencies, including follow-up on the actions that were initiated by adding PDO3 to the series under review.

The PDOs supported the second focus area of the WB Country Partnership Framework (CPF) FY2018-24 for “strengthening the foundations of well-being,” as well as the IDA19 pillars on “promoting sustainable financial practices” and “building confidence in institutions” (ICR, para. 5). They were also aligned with the pillars of the WB’s COVID-19 response strategy regarding strengthening policies and institutions and ensuring sustainable business growth. WB involvement was warranted to help address the increasingly severe fiscal constraints from multiple shocks and the technical assistance needed to implement many reforms.

PDO1 and PDO2 were consistent with the objectives of SIG’s National Development Strategy (NDS) regarding public financial management (PFM) reforms and inclusive economic growth (PD1, paras. 32-33).



PDO3 was added in response to the updated NDS’s “blueprint for SIG’s climate change mitigation and adaptation actions over the medium term” (PD2, para. 34).

b. Relevance of Prior Actions

Rationale

The series had 12 PAs (5 in DPO1, 7 in DPO2) with a total of 14 distinct actions/sub-actions. The ICR (Figure 1) provided a Theory of Change showing the relationship of the PAs to seven expected outcomes and their relevance to the PDOs. Four of the DPO1 PAs had follow-up actions in DPO2, which also introduced actions in three new policy areas.

Table 1: Prior Actions (PAs) for the Solomon Islands DPO Series

| PAs under DPO1 | PAs under DPO2 |
|---|---|
| PDO1: Strengthen fiscal management | |
| PA1: The Recipient, through its Minister of Finance and Treasury, has issued new Debt Management Regulations under the Public Financial Management Act to give legal force to the debt sustainability provisions of the Debt Management Framework. | PA2: The Recipient, through its Cabinet, has approved, and published on the government website, the Medium-Term Debt Management Strategy 2021- 2024, in order to improve debt management. |
| PA3: The Recipient, through its Minister of Finance and Treasury, has established a Cash Management Committee for payment prioritization and monitoring of cashflow-related risks, in order to prevent expenditure arrears. | [Indicative Trigger 1 on cash management did not result is a corresponding PA] |
| | PA4: The Recipient, through its Prime Minister, acting in his capacity as the Acting Minister of Finance and Treasury, has issued the Public Financial Management (Procurement) Regulations 2021 under the Public Financial Management Act, to improve transparency, integrity, and efficiency in public spending. |
| PDO 2: Strengthen the business environment | |
| PA5: The Recipient, through its Cabinet, has approved the Tax Administration Bill 2020 for submission to Parliament, to enhance the efficiency of tax administration. | PA6: The Recipient, through its Minister of Finance and Treasury, has approved and operationalized the Large Taxpayer Office, as an integral component of the restructure of the Inland Revenue Division, in order to improve tax revenue collection. |
| PA7: The Recipient has brought into force the Anti-corruption Act 2018, to establish the Solomon Islands Independent Commission Against Corruption (SIICAC). | PA8: In order to operationalize the Solomon Islands Independent Commission Against Corruption (SIICAC), the Recipient has: (i) appointed a director general for the SIICAC; (ii) issued the SIICAC Remuneration and Other |



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| | Conditions Regulations 2020, to define the remuneration entitlements for the SIICAC; and (iii) established a separate budget allocation for the SIICAC in the 2021 budget. |
| PA 9: The Recipient, through its Cabinet, has approved the Payment Systems Bill 2019 for submission to Parliament, to improve the efficiency of payment systems in Solomon Islands. | PA10: The Recipient, through its Minister of Finance and Treasury, has approved the use of the Automated Transfer System for government payments and receipts, to promote fast and secure electronic transactions with the private sector (including for customs and tax). |
| PDO3: Improve environmental sustainability | |
| | PA11: The Recipient, through its Cabinet, has approved the Recipient’s Updated Nationally Determined Contribution, to strengthen the ambition of climate change mitigation and adaptation actions. |
| | PA12: The Recipient, through its Minister of Finance and Treasury, has approved the introduction of an environmental levy on single-use plastics and other plastics with toxic components in order to reduce plastic pollution. |

PDO1: Strengthen fiscal management:

PA1 and **PA2** were highly relevant to the fiscal management objective by strengthening compliance with debt management guidelines and publishing new debt management regulations. They addressed weaknesses identified in the 2012 Public Expenditure and Financial Accountability and the 2014 SIG PFM Roadmap (PD1, Table 4). PA1 rectified the problem that, despite progress in strengthening debt management, the absence of a “legislative provision for adherence to the respective policies render[ed] the broader debt management framework vulnerable to undue political influence” (PD1, para. 38). PA2 addressed the low rating by the 2020 World Bank Debt Management Performance Assessment due to an out-of-date strategy by updating (with technical assistance from the WB and IMF) and publishing the strategy (PD2, para. 39). With upcoming infrastructure projects putting pressure on borrowing, these measures were important to minimize the negative potential impact of increasing debt (especially foreign) on both fiscal and exchange rate stability (ICR, para. 15). They also were relevant to revitalizing implementation of the 2014 PFM Reform Roadmap and the 2005 Honiara Club Agreement with external creditors to reduce debt servicing pressures (PD1, paras. 36-37). **Relevance ratings: PA1:** Highly Satisfactory (HS); **PA2:** Highly Satisfactory (HS).

PA3 responded to the 2017 crisis when SIG depleted its cash reserves and entered into significant expenditure arrears due to “poor fiscal discipline, weak cash management and inadequate expenditure and commitment controls” (PD1, para. 42). PA 3 implemented the recommendation of the 2018 report by the Pacific Technical Assistance Centre (PFTAC) report, Strengthening the Fundamentals of Public Financial Management, to establish a Cash Management Committee that “meets monthly to monitor cash balances and upcoming commitments, prioritize discretionary payments where necessary, and to provide advice to management on cashflow-related risks” (PD1, paras. 43-44). However, follow-through actions to issue regulations for enhanced oversight of ministerial expenditures were suspended when “capacity constraints in MoFT, triggered by the COVID-19 crisis” led to suspension of the indicative trigger (IT) in favor of a



procurement-related action in DPO2 (ICR, para. 16). PD2 does not discuss cash management or what subsequent steps might replace the dropped IT. **Relevance rating: PA3: Moderately Satisfactory (MS).**

PA4 addressed the absence of “regulations setting out the details of the budget formulation process and procedures for in-year adjustments to appropriations” and of rules for medium-term fiscal planning, sometimes leading to last-minute political adjustments to allocations (PD1, para. 37). PA4 implemented recommendations of the 2014 PFM Reform Roadmap and 2018 PFTAC report by introducing binding rules to address the persistent procurement “inefficiencies and integrity issues due to: the lack of a sufficient regulatory framework; lack of supporting documents and templates; lack of a central procurement policy unit; lack of access to information; and the lack of an independent complaints mechanism,” as identified in a 2012 WB Operational Procurement Review (PD2, para. 43). This was highly relevant to the fiscal management objective by improving transparency and efficiency in procurement, including the costs of excessive single-source contracts and overpricing (PD2, para. 42). **Relevance rating: PA4: Highly Satisfactory (HS).**

PDO2: Strengthen the business environment:

PA5 was a relevant first step toward improving tax administration for a better business environment by reducing “cumbersome processes for taxpayers,” leveling the playing field, and thereby “strengthening trust in the state” (ICR, para. 18). The Tax Administration Act redressed fragmented and cumbersome processes by providing “a common set of rules, offenses and penalties across all tax types..., simplify[ing] taxpayer obligations and remove[ing] scope for administrative discretion” (PD2, para. 49). It implemented recommendations of “both the 2014 PFM Reform Roadmap and PFTAC’s *more* recent (2018) PFM assessment” (PD1, para. 48). However, the planned next step of issuing regulations was delayed “due to the administrative bottlenecks created by the COVID-19 crisis,” and DPO2 replaced the corresponding IT and PA with a focus on the Large Taxpayer Office (LTO; see PA6), though it did not mention whether or how issuance of regulations might be resumed (ICR, para. 18). **Relevance rating: PA5: Satisfactory (S).**

PA6 to establish a LTO was relevant to reducing non-compliance by large taxpayers, who provided a major proportion of revenues (PD2, para. 51), and hence to PDO1. It was part of a “wider initiative to restructure to modernize the IRD [Inland Revenue Division] and ensure it is equipped to effectively implement SIG’s tax reform agenda” (PD2, para. 52). It was relevant to PDO2 insofar as “greater specialization of IRD staff [would] streamline interactions with taxpayers.” **Relevance rating: PA6: Satisfactory (S).**

PA7 and **PA8** were critical to addressing the pervasive problems of corruption identified in the 2015 WB business enterprise survey as a major constraint by 65 percent of firms, with bribery also affecting public access to services (PD1, para. 56). PA7 was a necessary first step toward compliance with the United Nations Convention Against Corruption of passing the Anti-corruption Act in 2018 to create the Solomon Islands Independent Commission Against Corruption (SIICAC), with Commissioners sworn in as of December 2019, as DPO1 was being prepared (PD2, paras. 58-60). The SIICAC had the authority to receive complaints about potential corruption, investigate and prosecute corruption cases. Achievement of the objective depended on the implementation measures appropriately supported by PA8. **Relevance ratings: PA7: Highly Satisfactory (HS); PA8: Highly Satisfactory (HS).**

PA9 and **PA10** supported implementation of the WBG Pacific Payments, Remittances and Securities Settlement Initiative (PAPRI) concerning the need for a comprehensive regulatory framework for payments systems and modern electronic payments (PD1, para. 64). The manual payments system was highly inefficient and a constraint on growth of an economy spread across many islands with a largely unbanked population (ICR, para. 20). Due to parliamentary delays stemming from the COVID-19 crisis, DPO2 pivoted



from the original IT relating to issuance of regulations to focus on implementing the Automated Fund Transfer System (ATS) for government payments and receipts, which was relevant to the objective of improving the environment for private business and anyone interacting with the government (PD2, paras. 65-67).

Relevance ratings: PA9: Highly Satisfactory (HS); PA10: Highly Satisfactory (HS).

PDO3: Improve environmental sustainability

PA11 to strengthen the ambition of Solomon Islands' climate change mitigation and adaption goals was intended to implement commitments under various international climate change protocols and SIG's 2012-2017 Climate Change Policy (PD2, para. 69). Climate change and attendant extreme weather events clearly threatened economic development, as noted in the Solomon Islands National Adaptation Program of Action. Nonetheless, given the Solomon Islands' negligible contribution to global carbon emissions, the rationale for focusing on net zero emissions by 2050 is unclear, given that achieving climate neutrality would divert significant financing into hydropower and solar investments (ICR, para. 21), away from other infrastructure needs. Measures to promote adaptation through community-level assessments and revision of environmental laws made more sense, but were not specified in the PA (though the results indicator [RI 8] captured assessments). PD1 (para. 71) noted that women may be disproportionately vulnerable to negative climate change effects, but the PA did not specify any relevant actions (although the RI did). **Relevance rating:** PA11: Moderately Satisfactory (MS).

PA12 was intended to stem the impact on waterways of improper disposal of plastic products by taxing single-use plastic products and those with toxic components. While this measure would promote compliance with the policies of Pacific Regional Action Plan on Marine Litter 2018-2025 and the Stockholm Convention on organic pollutants, in the absence of analytical work on the likely impact of taxing plastic waste, the results chain to improved medium-term environmental sustainability was less clear (PD2, para. 75). While PD2 (para. 74) explained that growing use of plastics was polluting the environment, it did not clearly explain the importance of plastic pollution relative to other threats to environmental sustainability, nor how restraining future imports would substantially "improve environmental sustainability" (as distinct from mitigating deterioration), nor whether more environment-friendly and impactful alternatives were available. The PD did not discuss how productive sectors were being impacted by plastic pollution nor measures to ensure the availability of substitutes for the affected plastic products. Nevertheless, plastic pollution was incurring both economic and fiscal damage through adverse effects on fish populations and fishing gear, providing breeding grounds for disease-bearing mosquitos, and public expenditures on clean-up (especially beaches) to minimize adverse impact on tourism. The expected increase in revenues would also contribute to PDO1 (PD2, para. 76). **Relevance rating:** PA12: Moderately Satisfactory (MS).

Rating

Satisfactory

4. Relevance of Results Indicators

Rationale

The 9 listed RIs, with a total of 15 distinct indicators/sub-indicators, were generally relevant to the associated PAs and PDOs. The sub-indicators were useful to track both implementation of the PA and achievement of the



objective. One RI and one sub-indicator provided a gender dimension relevant to issues identified in the PDs, although the related PAs had no explicit gender-specific actions.

| Table 2: Results indicators by Objective and PAs; baseline and target values; status and achievement | | | | | | | |
|--|-----------------------|---------------------|--|----------------------|---|---------------------------------------|------------------------------|
| Results indicator (RI) | Associated PAs | RI Relevance | Baseline (Year) | Target (Year) | Actual (Year) | Actual as % of targeted change | RI Achievement rating |
| PDO 1: Strengthen fiscal management | | | | | | | |
| RI 1 (i): Government debt operations comply with the Annual Borrowing Limit (ABL) [SBD = Solomon Islands dollar] | PA1:PA2 | HS | Complied SBD 74m < ABL SBD 300m (2018) | Comply (2019-22) | Complied SBD 331m debt < ABL SBD 450m (ave. 2019-2022) | 100% | High |
| RI 1 (ii): Share of domestic debt in total central government debt has increased | PA1; PA2 | HS | 31% (2020) | 35% (2023) | 42.2% (June 2023) | 240% | High |
| RI 2: Reduced accumulation of expenditure arrears | PA3 | MS | SBD 138m (2017) | < SBD 100m (2023) | SBD 24 m (2023) | 300% | [High] |
| RI 3 (i): Transparency in public procurement is improved: increased share of Central Tender Board (CTB) contracts published online | PA4 | HS | None (2019) | 100% (2023) | 100% (2023) | 100% | High |
| RI 3 (ii): Competition is improved: | PA4 | HS | 77 (2019) | < 77 | 155 (2022) 135 (2023) | Negative | Negligible |



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| reduced number of bid waivers granted for procurements > SBD 100,000 | | | | (2023) (i.e., below pre-COVID level) | | | |
| PDO 2: Strengthen the business environment | | | | | | | |
| Tax administration made more efficient: RI 4 (i): Greater share of large taxpayers filing online via e-tax | PA5; PA6 | S | 10% (2020) [88% registered] | 25% [90% Registered] | 73% (2023) [94% registered] | 420% [200%] | High |
| RI 4 (ii): Increase in the on-time filing rate for large taxpayers | PA5; PA6 | S | 84% (2021) | 90% | 84% | 0% | Negligible |
| RI 4 (iii): Reduction in tax debt for large taxpayers | PA5; PA6 | S | SBD 136m (2021) | >25% reduction = SBD 102m* (2023) | 31.6% reduction (SBD 93m) (2023) | 126% | High |
| RI 5: The SIICAC is reporting transparently on its activities, as measured by the tabling of its annual report in Parliament in accordance with the Anti-Corruption Act | PA7; PA8 | S | No report (2018) | Annual reports submitted to Parliament and published online (2020-22) | No annual reports submitted and published online since 2020 | 0% | Negligible |
| RI 6: Female representation in anti-corruption efforts is increased, as | [not specified in PA8] | MS | No Commissioners appointed | At least 2 out of 5 (40%) are female (2023) | 2 women Commissioners have been appointed | 100% [but SIICIC not really operational] | Substantial |



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| measured by the share of female SIICAC Commissioners | | | | | | | |
| The efficiency of payment systems is improved, as measured by: RI 7(i): an increased share of electronic payments in total payments cleared and settled by commercial banks; | PA9; PA10 | HS | 0% (out of 183,000 cheques) (2020) | ≥30% (2023) | Nil (due to delays in ATS introduction) | 0% | Negligible |
| RI 7(ii): a reduction in bank transaction fees for the Ministry of Finance and Treasury. | PA9; PA10 | S | SBD 1.36m (2020) | <SBD 95m (-30% (2023) | Nil (due to delays in ATS introduction; operational March 2024) | 0% | Negligible |
| PDO 3: Improve environmental sustainability | | | | | | | |
| Planning for climate adaptation has improved, as measured by: RI 8(i): an increase in the number of communities covered by Integrated Vulnerability and Adaptation Assessments (IVAA); | PA11 | S | IVAA's completed for Reef Islands in Temotu Province and all of Malaita except Ontong | Communities in at least 3 out of 9 provinces are covered by an IVAA (2023) | Assessments conducted in 2 provinces and about 100 communities in other provinces | > 67% | Substantial |



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| RI 8(ii): the incorporation of gender analysis in all new assessments | PA11 | MS | Gender analysis not in IVAAAs (2021) | All new assessments include gender analysis (2022-23) | Gender considerations were included in all focus groups and discussions | Achieved | Substantial |
| RI 9: The consumption of single use plastic products has decreased, as measured by a reduction in the volume of imported polyethylene plastic bags. | PA12 | MS | 128,000 kg of polythene plastic bags imported (2020) | ≤115,000kg imported (10% reduction) (2022) | [initial increase] (2021) 95,589kg imported (2022) | 249% | Substantial |

Source: ICR, Part II.

PDO1: Strengthen fiscal management

RI1 was highly relevant to both implementation of the associated PAs and achievement of the objective, usefully providing a distinct sub-indicator for each aspect. RI1(i) monitored compliance with the Annual Borrowing Limit, while RI1(ii) tracked shifting the composition of debt from foreign to domestic. Both were reasonably attributable to implementation of the actions and readily measurable. **Relevance ratings: RI1(i):** Highly Satisfactory; **RI1(ii):** Highly Satisfactory (HS).

RI2 regarding expenditure arrears was satisfactory to represent implementation of PA3, although attribution was difficult because actions other than monitoring by the Cash Management Committee also affected arrears (ICR, para. 26). It was at best moderately related to achievement of the broader cash management objectives (an IT and sub-indicator for meeting IMF recommendations were dropped in DPO2). The indicator was readily measurable and available. **Relevance rating: RI2:** Moderately Satisfactory (MS).

RI3 was highly relevant both to implementation of the regulations supported by PA4 and the key objectives of increasing transparency [RI 3(i) on publishing contracts online] and competition/efficiency [RI 3(ii) on bid waivers]. PD2 (paras. 42-47) clearly explained the rationale and how the indicators would capture the expected results. **Relevance ratings: RI3(i):** Highly Satisfactory (HS); **RI3(ii):** Highly Satisfactory (HS).

PDO 2: Strengthen the business environment

RI4 focused on the results from implementation of PA6 (enabled by PA5) on large taxpayers, who represent large businesses as well as a major source of tax revenue. It tracked the impact of improved tax administration in terms of on-line [RI 4(i)] and on-time [RI 4(ii)] filing by large taxpayers, as well as reduction in their outstanding debt [RI 4(iii)] – all relevant to the objective of improving the business environment by easing the administrative burden of tax compliance. Although the RI did not capture other aspects of the objective of simplified tax administration, nor the complementary objective of enhanced revenues (PDO1), PD2 (para. 51) explained the



rationale for focusing on the LTO. **Relevance ratings: RI4(i): Satisfactory (S); RI4(ii): Satisfactory (S); RI4(iii): Satisfactory (S).**

RI5 was a simple, reasonable indicator of the functioning of the SIICAC in terms of its reporting to Parliament, which was the key instrument for progress toward the objective of reducing corruption. While it did not track the actual objective of reduced corruption, it was appropriate to indicate whether a necessary first step was being taken toward activating the independent agency and making information transparently available. **Relevance rating: RI5: Satisfactory (S).**

Although **RI6** on female SIICAC Commissioners was not related to any specific actions under DPO1 or DPO2. PD2 (para. 57) made the case that women tend to be more vulnerable to corruption in trying to access government contracts and services, and that this may “hinder women in the informal sector from entering the formal sector,” thus adversely affecting the business environment with respect to participation of women. Monitoring the inclusion of women as SIICAC Commissioners was a reasonable, if modest, indicator that the SIICAC would be less likely to ignore the interests of women. Although the direct impact would depend on the functioning of the SIICAC, the appointment of women commissioners would indicate that the gender dimensions of corruption were being recognized. **Relevance rating: RI6: Moderately Satisfactory (MS).**

RI7 was directly relevant to implementation of PAs 9 and 10 to authorize and institute electronic automation of government payments. PD2 (para. 66) made the case that these improvements in the interbank clearing system would “promote the ease of doing business and allow for the safe introduction of innovative digital payments instruments that have the potential to increase financial inclusion.” Hence RI7(i) on use of electronic payments was also relevant to the PDO2 objective of strengthening the business environment. RI7(ii) on bank transaction fees was more relevant to PDO1, since it concerned only government budgetary costs. **Relevance ratings: RI 7(i): Highly Satisfactory (HS); RI7(ii): Satisfactory (S).**

PDO 3: Improve environmental sustainability

RI8 regarding community assessments related to the objective of strengthening national planning for climate change to support PDO3 with respect to one aspect of climate change adaptation under the updated Nationally Determined Contribution (NDC) supported by PA11 (PD2, para. 72). Although RI 8(i) did not address the emissions goals under the NDC, it focused on the more immediately relevant need for community-based vulnerability assessments to improve awareness and adaptation at the local level. The PD did not explain, however, how these assessments and planning would lead to the outcome of improved environmental sustainability. RI 8(ii) added a gender dimension to the indicator, motivated by evidence that SI women were more vulnerable to the negative effects of climate change and that analysis of gender-specific roles and power dynamics is needed (PD2, para. 71). However, this represented only an input to the process, and the relationship of the indicator to the PA is at best indirect (the updated NDS “introduced a focus on gender”). Nonetheless, PD2 (para. 73) argued that incorporation of gender analysis would indicate progress in national planning for climate change by “taking into account women’s distinct vulnerabilities and their key role in climate change action”. **Relevance ratings: RI8(i): Satisfactory (S); RI8(ii): Moderately Satisfactory (MS).**

RI9 related to implementation of PA12 but could not be fully attributed to it because the effect of a tax on demand for (and hence subsequent importation of) plastic bags cannot readily be distinguished from the negative impact on demand of COVID-19-related lockdowns and economic decline. While the PD2 (para. 74) explained that growing use of plastics was polluting the environment, it did not convincingly explain how relevant monitoring the rate of increase in imported plastics was to progress in achieving the objective of environmental sustainability. Imports of single-use plastics was considered a direct proxy for annual consumption and that



reduction was important to lessen the adverse impact on fishing, tourism and health. **Relevance rating: RI9: Moderately Satisfactory (MS).**

Rating

Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Strengthen fiscal management

Rationale

RI1(i): Although total borrowing of SBD470 million in 2021 exceeded the debt limit of SBD350 at the time (raised in 2022 to SBD850 million), the ICR (para. 24) considered that the integrity of the Debt Management Framework was achieved in the sense of compliance with the Annual Borrowing Limit (ABL) on average over 2019-22, with average borrowing of SBD331 million remaining below the average ABL for the period of SBD450 million. Borrowing in 2023 of SBD588 million remained under the ABL of SBD865 million – raised again to allow for increased spending and borrowing for the 2023 Pacific Games and preparation for general elections. Government was able to absorb spending for these two events of just over 4 percent of GDP without adverse consequences for cash balances. The result was consistent with the objective of strengthened debt management under the assumption that adjustments to the ABD were consistent with debt sustainability. **Achievement Rating: RI 1(i): High.**

RI1(ii) indicated that the desired shift from heavy reliance on foreign borrowing toward a greater share of domestic debt was more than fully achieved (through a cumulative addition to domestic debt of SBD7.3 million over 2021-23 compared to an additional SBD3.3 million of foreign borrowing; ICR, Table 2). While the overall fiscal and debt situation was worsening (ICR, para. 24), in part due to a surge in borrowing in 2022 to cope with the COVID-19 pandemic, the actions to strengthen management of situation were being implemented and achieving the desired result with respect to the composition of debt. **Achievement Rating: RI1(i): High.**

RI2 indicated that the actions under PA3 to improve cash management were having the intended effect on large taxpayers, with a decline in their tax arrears of triple the targeted decrease, consistent with the objective of strengthened fiscal management. Due to MS rating for RI2, achievement is rated as Substantial. **Achievement Rating: RI2: Substantial.**

RI3(i) indicated that issuance of the PFM (Procurement) Regulations under PA4 had been fully effective in increasing transparency through publishing on-line all contracts made by the Central Tender Board in 2023, including the amount and name of the tenderer (ICR, para. 28). **Achievement Rating: RI3(i): High.**



RI3(ii) monitored whether the granting of procurement bid waivers had returned to the level prior to the surge in special waivers in 2020 related to the COVID-19 response. Although the number of waivers in 2023 had declined from the peak of 354 in 2020 (ICR, para. 28), it remained 74 percent above the pre-COVID level. **Achievement Rating: RI3(ii): Negligible.**

Rating

Moderately Satisfactory

OBJECTIVE 2

Objective

Strengthen the business environment

Rationale

RI4 tracked the implementation and impact of enabling electronic filing of taxes under PA5 and operationalizing the Large Taxpayer Office (LTO) under PA6 in three ways. **RI4(i)** indicated the extent of increase in on-line filing as a result of streamlining operations, with a major increase from 10 to 73 percent, over four times the targeted increase. (The ICR, para. 30, also reported an increase in online registrations of double what was expected, but this was not an explicit part of the RI as stated.) Nevertheless, this did not result in any increase in the on-time filing rate, yielding negligible achievement of **RI4(ii)**. **RI4(iii)** represented the outcome of measures by the LTO to enhance interactions with large taxpayers (despite some COVID-19 related delays) in the form of a decrease in their outstanding tax debt, which exceeded the targeted 25 percent reduction (i.e., below SBD 102 million, although PD2 and the ICR put it at SBD 125 million). **Achievement Ratings: RI4(i): High; RI4(ii): Negligible; RI4(iii): High.**

RI5 measured progress in implementing PAs 7-8 to establish and operationalize the SIICAC in terms of its issuing Annual Reports to Parliament and on-line, toward the objective of greater transparency to improve the business environment. Failure to achieve the target signaled that SIICAC was “struggling to become operational” and develop an organizational strategy, let alone address the limitations on its powers and accountability (ICR, para. 33). **Achievement Rating: RI5: Negligible.**

RI6 represented an attempt to monitor the extent to which gender issues relating to corruption were likely to be considered by the SIICAC, in terms of at least 40 percent of its commissioners being women, which was achieved. While this represented a positive step toward the gender objective of greater participation of women in decision-making, the negligible progress in operationalizing the SIICAC compromised the impact to date on the objective of reducing corruption. **Achievement Rating: RI6: Substantial.**

RI7 was intended to track implementation of measures under PAs 9 and 10 to improve the efficiency of payments systems in terms of the utilization of e-payments by commercial banks [**RI7(i)**] and the outcome (relevant to PDO1) in terms of reduced bank transaction fees [**RI7(ii)**]. Neither was achieved as of the initial target date, because the disruptions of COVID-19 and riots in 2022 forestalled implementation of the ATS (ICR, para. 36). The payment system finally became operational in March 2024, and 2024 data on RI7(i)



show that the target has been exceeded and hence the rating on RI7(i) is upgraded to High. Recent data on RI7(ii) are not yet available. **Achievement Ratings: RI7(i): High; RI7(ii): Negligible.**

Rating

Moderately Unsatisfactory

OBJECTIVE 3

Objective

Improve environmental sustainability

Rationale

RI8(i) tracked implementation of steps toward the objective of strengthening national planning for climate change in the form of Integrated Vulnerability and Adaptation Assessments conducted at the community level. Progress was made in two (as against the target of three) provinces but hindered by restrictions on travel due to government cash flow problems and COVID-19. **Achievement Rating: RI8(i): Substantial.**

RI8(ii) complemented RI 8(i) by adding a gender dimension to monitor the inclusion of women and gender considerations in the planning process. It was fully achieved in that focus/social groups and discussions included women and gender considerations, which were relevant to PDO3 in view of the relatively high vulnerability of women to the effects of climate and the importance of an inclusive approach to planning. **Achievement Rating: RI8(ii): Substantial.**

RI9 monitored whether annual imports of polyethylene plastic bags were falling, as a step toward mitigating plastic pollution in order to enhance environmental sustainability. While imports in 2022 did fall below the 2020 level, this only partially offset the increase in 2021, and in any case could not clearly be attributable to the environmental levy under PA12 as distinguished from the impact on demand of COVID-related lockdowns and economic decline. **Achievement Rating: RI 9: Substantial.**

Rating

Satisfactory

Overall Achievement of Objectives (Efficacy)

Rationale



PDO1 was rated Moderately Satisfactory, PDO2 Moderately Unsatisfactory, and PDO3 Satisfactory, resulting in an overall rating of Moderately Satisfactory. This rating would not change if each of the 9 RIs listed is rated as a whole, rather than separated into sub-indicators.

Overall Efficacy Rating

Moderately Satisfactory

6. Outcome

Rationale

With PA relevance rated as Satisfactory and Efficacy as Moderately Satisfactory, the overall Outcome is Moderately Satisfactory.

a. Rating

Moderately Satisfactory

7. Risk to Development Outcome

Fiscal and macroeconomic risks remain the paramount threat to sustaining progress. Declining government cash balances were vulnerable to continued pressure from the costs of holding the Pacific Games in November-December 2023 and a national election in 2024. Government was able to absorb spending for these two events of just over 4 percent of GDP without adverse consequences for cash balances. GDP growth and government finances remain vulnerable to international commodity prices, particularly for logs (which in turn are not a sustainable basis for continued growth). Fiscal space is lacking to cope with additional shocks, such as social unrest (which remains a risk in an election year; ICR, para. 49). Mitigation depends heavily on continued access to international financing.

Limited institutional capacity constrains implementation of reforms and poses a governance risk. Operationalization of SIICAC and the LTO has proven cumbersome. Improvements in tax administration, procurement, and other reforms likewise has been constrained by “thin administrative capacity” (ICR, para. 50). SIG is mitigating these risks through selective focus on priority reforms, with technical support from the WBG and other development partners and a new Solomon Islands Resilience DPO.

Fiduciary risks remain high due to “weak financial management, lack of internal controls, and inadequate systems for financial reporting and auditing” (ICR, para. 51). Procurement processes remain particularly fraught, and there are concerns about potential mismanagement of infrastructure projects (ICR, para. 49). The new Public Procurement Regulations are intended to mitigate risks, but implementation is slow.



8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

Analytical underpinnings and lessons from prior experience

The design of the operations and specific actions drew directly on a range of reports, reviews and project experience from multiple sources. Fiscal management and procurement priorities and actions were based on the 2012 Public Expenditure and Financial Accountability Assessment, the 2014 SIG PFM Roadmap, the 2018 PFTAC report, the 2020 WB Debt Management Performance Assessment, and the 2012 World Bank Operational Procurement Review (PD1, Table 4; PD2 Annex 5). Tax reforms drew on the 2014 Sapere review of tax reform in the Pacific and the 2015 SI Inland Revenue Division Constraints Analysis; anti-corruption measures on the 2014 and 2018 United Nations Conference against Corruption reviews; and payments systems actions on PAPRI project papers. An Ecosystem and Socio-Economic Resilience Analysis and Mapping for both Solomon Islands and Honiara by the Secretariat of the Pacific Regional Environment Programme (SPREP) informed revision of SI's NDC to Climate Change, and SPREP's Pacific Regional Action Plan on Marine Litter underpinned the action on plastic products.

SIG's struggle to implement standards under the Extractive Industries Transparency Initiative provided a lesson that capacity constraints might constraint implementation of overly ambitious reforms (PD2, para. 36). The DPO series mitigated this by "focusing on a small number of reforms which have strong government ownership and where development partner support is available for implementation." Similar lessons from other Pacific Islands' efforts to introduce e-tax and payments system reforms helped to inform the design of actions and targets for SI (PD2, para. 37).

Results chain and indicators

The ICR (Figure 1) provided a basic results chain summarizing the relationship of the PAs to the RIs (outputs), expected outcomes and PDOs. The PDs fully explained the context and rationale for the PAs and associated RIs, and in some cases (especially in PD2) set out needed and planned further actions for implementation.

The RIs were generally satisfactory in tracking implementation of the PAs and achievement of objectives, in several cases usefully providing separate sub-indicators relating to each aspect. Two RIs included suitable gender implications, although not related to a specific action or stated objective. The Negligible achievement of targets for five specific indicators/sub-indicators suggests some disconnect with respect to design and targeting, although the ICR (para. 46) made the case that "certain delays in implementation would have been difficult to anticipate."

Identification and mitigation of risks

PD1 clearly identified substantial risks in the areas of politics and governance (including corruption and vested interests), macroeconomic shocks, sector strategies (especially tax and corruption reforms), technical (payments systems), institutional capacity, fiduciary, and environment/social (including impact of COVID-19). The discussion in PD2, paras. 98-101, was abbreviated, but it highlighted the difficulties in mitigating institutional



capacity risks. Discussion of mitigation measures generally focused on provision of financing and technical assistance (from other operations and development partners).

Consultation with stakeholders and development partners

The PAs drew on the Core Economic Working Group (CEWG) led by SIG with participation by the WB, European Union, Asian Development Bank (ADB), Australia and New Zealand (PD2, para. 31). Although the ICR and PDs did not provide specific evidence of consultations with other domestic stakeholders during the design process, the ICR (para. 46) noted that the 2022 WB Public Expenditure Review played “a leading role in the policy dialogue in public expenditure and debt management.” PD2 (para. 82) stated that SIG had carried out regular public consultations regarding the Tax Administration Bill, and that the steering committee for the National Anti-Corruption Strategy included civil society and the private sector, while “nationwide consultations” were held on the payments systems bill (with support from the WB). PD1 (para. 90) considered stakeholder risks as moderate (while nonetheless noting substantial risks of social unrest and pushback from vested interests). It viewed development partners as the key stakeholders apart from the government itself.

Collaboration with development partners was substantial at all stages and for most policy areas. Key regional collaborators included PFTAC and SPREP. The team coordinated closely with the IMF, ADB and the Australian Government in preparing specific components and providing technical assistance, with additional TA from UNDP, New Zealand and the Pacific Association of Supreme Audit Institutions (PD2, paras. 58, 81 and 91).

Rating

Highly Satisfactory

b. Bank Performance – Implementation

Rationale

Monitoring

Border closures to prevent a COVID-19 outbreak and subsequent restrictions to control it both necessitated and constrained close monitoring of progress. The team remained in contact with Government counterparts to maintain monitoring during this period. RIs were readily measured and monitorable. The ICR (para. 53) noted that monitoring could have been improved through more active use of the Joint Policy Reform Group (JPRG).

Adaptation

Substantial adaptations were made in response to events during implementation. The WB Team responded to the 2021 riots by mobilizing supplemental grant financing of US\$15 million even after approval of DPO2 to help mitigate the fiscal impact of COVID-19 restrictions as well as the civil unrest, in order to maintain the flow of funds, reduce the risk of further social unrest, and minimize expenditure arrears (ICR, para. 12). Priorities shifted from budget management to procurement regulations in DPO2, which were regarded as “more achievable” (ICR, para. 10). PDO3 was added in response to “the growing importance of the green agenda,” as put forth in an updated NDS (ICR, para. 10).



Rating

Satisfactory

c. Overall Bank Performance

Rationale

Design performance is rated Highly Satisfactory and implementation as Satisfactory. Significant and suitable responses to major implementation challenge warrant HS overall.

Overall Bank Performance Rating

Highly Satisfactory

9. Other Impacts

a. Social and Poverty

It is too early for evidence to be available on possible social and poverty impacts.

b. Environmental

It is too early for evidence to be available on improvements in resilience to climate change and other external shocks.

c. Gender

Gender-specific indicators relate only to inputs into decision-making processes, not to outcomes.

d. Other

n.a.

10. Quality of ICR



Rationale

The ICR provided a coherent, clearly-written narrative of the context, rationale, objectives, actions and results of the SI DPO series. It thoroughly documented successes and setbacks in implementation, including useful data (and footnotes), and it analyzed relevant gaps, challenges, and risks. Lessons learned were thoughtful and rooted in the experience of the DPOs. It was consistent with the guidelines.

a. Rating

High

11. Ratings

| Ratings | ICR | IEG | Reason for Disagreement/Comments |
|---------------------------------|-------------------------|-------------------------|----------------------------------|
| Outcome | Moderately Satisfactory | Moderately Satisfactory | |
| Bank Performance | Highly Satisfactory | Highly Satisfactory | |
| Relevance of Results Indicators | --- | Satisfactory | |
| Quality of ICR | --- | High | |

12. Lessons

A comprehensive support package is needed for budget support to FCV states to be effective. Analytical work, policy dialogue, TA and capacity-building are important complements to transfer of funds when institutional capacity is limited (ICR, para. 52). Collaboration with other development partners is particularly important to develop a suitable, comprehensive program of support.

Donor coordination is important for monitoring as well as design and implementation. COVID-19 restrictions constrained monitoring in the field. The ICR (para. 53) observed that more active use of the JPRG could have enhanced review of progress and dialogue with the Government to ensure achievement of objectives.

Focus on a limited number of achievable actions is important for success in an FCV context. Limited institutional capacity makes it difficult to implement a wide range of actions, even with TA. Even with a limited number of action areas in DPO1, delays in some areas (due in part to the impact of COVID-19 and civil conflict) required adjustments in what actions could be carried through to DPO2.

Deep and ongoing political economy analysis is needed to support difficult reforms, such as anti-corruption and climate change planning. Reforms in these areas represented only initial steps toward addressing the difficult gender dimensions, requiring further analysis regarding progress, challenges and further measures that are needed. TA cannot readily address the vested interests and cultural aspects of such areas,



which require deepened understanding of the political economy and means of mobilizing support at the community level.

13. Project Performance Assessment Report (PPAR) Recommended?

No