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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX**

of the Commission Decision on the financing of the Annual Action Programme in favour of Solomon Islands for 2020

**Action Document for the Provincial Governance and service delivery in Solomon Islands Project**

<b>1. Title/basic act/ CRIS number</b>	Provincial Governance and service delivery in Solomon Islands CRIS number: FED/2020/041-544 financed under the 11 <sup>th</sup> European Development Fund (EDF)	
<b>2. Zone benefiting from the action/location</b>	Pacific Region, Solomon Islands. The action shall be carried out in the capital city of Honiara and all nine provinces of the country	
<b>3. Programming document</b>	National Indicative Programme for Solomon Islands (2014-2020) and its Addendum no. 1	
<b>4. SDGs</b>	SDG #16: Peace, Justice and Effective Institutions, SDG #3: Good Health, SDG #6: Clean Water and Sanitation, SDG #4: Quality Education and SDG #5 Gender Equality	
<b>5. Sector of intervention / thematic area</b>	Sector 2 – Democratic Governance and Reconciliation and Rural Development	DEV. Aid: YES
<b>6. Amounts concerned</b>	Total estimated cost: EUR 8 000 000 Total amount of EDF contribution EUR 8 000 000 The Government of Solomon Islands may support the Provincial Governments during the implementation of the action with an indicative amount of EUR 2 466 000	
<b>7. Aid modality(ies) and implementation modality(ies)</b>	Project Modality <b>Indirect Management</b> with the entity(ies) to be selected in accordance with the criteria set out in section 5.3	
<b>8 a) DAC code(s)</b>	15112 Decentralisation and support to sub-national government 43040 Rural development	
<b>b) Main Delivery Channel</b>	4100 – UN Agency, fund or Commission (UN) 1000 – Public Sector Institutions	

<b>9. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<b>X</b>
	Aid to environment	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>
	Trade Development	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>10. Global Public Goods and Challenges (GPGC)</b>	N/A		

#### **SUMMARY**

Given the relatively small population dispersed over a huge area in the Pacific Ocean, geographical remoteness and isolation hamper the efficient delivery of services in the Solomon Islands. In addition, limited rural infrastructure, weak governance structures and limited human resources and capacities at the provincial level are barriers to adequate service delivery, undermining the respect, protection and fulfilment of human rights, and particularly of those rights holders living in vulnerable situations (including women, children and people living with disabilities).

The Government is committed to fulfilling its duties by improving the management of service delivery. The Provincial Government Strengthening Program (PGSP) has played an important role in this regard, through a discretionary performance-based grant called the Provincial Capacity Development Fund (PCDF). The PCDF rewards Provincial Governments (PGs) that show improved performance in terms of execution of projects, mainly minor infrastructures, and public finance management (PFM). The budget (transferred from central level) execution rate of PGs stands at 80%, which is higher than for many of the sector ministries implementing projects in the provinces.

Over the past two years, the Ministry of Provincial Governments and Institutional Strengthening (MPGIS) initiated a complete overhaul of the outdated Provincial Government Act. The draft bill will describe a more unified provincial administration, whereby offices of the line ministries will operate under the PG-umbrella. Main sector ministries, notably the Ministry of Education (MEHRD) and the Ministry of Health and Medical Services (MHMS) also acknowledge the need to operate in close cooperation with the provincial level.

The proposed action aims at strengthening the *governance systems for service delivery* within the Provinces, notably by improving the coordination between the PGs and the provincial sector offices for education and health. The programme aims as ensuring that Provinces will receive

predictable sector grants for health and education. These grants will be planned, disbursed and implemented following an integrated planning and coordination system agreed between the PGs and the deconcentrated administrations in charge of Education and Health.

The action will aim to achieve the following concrete outcomes (results):

- Improved service delivery in education and health through the provision of predictable sector grants to Provincial Governments, and
- More effective provincial governance and accountability system through a more integrated and unified Provincial Government administration.

The project will encourage capacity development, administrative reforms and the reinforcing of PFM systems in the provinces in order to improve service delivery. Under this action, a grant manual<sup>1</sup> will describe basic governance principles division of responsibilities between PGs and deconcentrated administrations, and operational provisions for the utilization of the grants. The grant manual will consider how to better achieve SDGs through a participative process, promoting gender equality and the realisation of rights and, with special attention to people living with disabilities. Through better investment in service delivery in the various sectors, and in particular water and sanitation (WASH), the project will also bring resilience and environmental benefits.

The project approach through indirect management is the optimal implementation modality for this action. The ongoing budget support programme complements this action, providing a platform for dialogue between the Government and the EU and facilitating coordination with other development partners.

## **1. CONTEXT ANALYSIS**

### **1.1 Country context**

Solomon Islands has a relatively small population of slightly over 600,000 people, scattered across six major and some 985 smaller islands located across a vast area of the Pacific Ocean. Even for the land area, i.e. the islands themselves, the population density is low. Given the rugged terrain on most islands, road infrastructure is scarce and people often live in relatively small and isolated communities. All these factors constitute a huge challenge to public service delivery.

The public service delivery is further hampered by weak governance arrangements. These arrangements are in part the result of the above-mentioned phenomena, as well as of low capacity and difficulties to build efficient and aligned governance systems.

Gender issues continue to be a recurrent and a major concern across countries of the Pacific including the Solomon Islands. Many of the issues highlighted in the country gender assessment conducted in 2013-2014 by the Ministry of Women, Youth, Children and Family Affairs (MWYCFA) with the assistance of ADB and the Pacific Community (SPC) continue to be relevant and resonate. The availability of sex-disaggregated

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<sup>1</sup> PGSP already has an Operations Procedures Manual and a Performance Assessment Manual which are normally reviewed every two or three years. A new review to the manual coordinated with MHMS and MEHRD and other stakeholders to determine the specific conditions and indicators they may want to incorporate will be considered against a completely new manual.

statistics remains a big challenge in providing a detailed picture of gender inequality across sectors.

The Government is now committed to improve this situation and different ministries are in the process of reviewing their institutional arrangements, notably to decentralise part of their operations to ensure a higher degree of efficiency. Solomon Islands is highly vulnerable the effects of climate change with an increasing frequency of storm surges and floods. A key aspect of the National Development Strategy, alongside the provision of adequate, accessible and quality social services, includes the protection and advancement of a sustainable environment. This is also laid out in the country's Intended Nationally Determined Contribution and will contribute to the achievement of SDGs.

## **1.2 EU Policy Framework**

The new European Consensus on Development recognises good governance as fundamental to achieving sustainable development, in particular for the provision of essential services, and fulfilment of human rights, including the right to health, education and water. The Green Deal embodies the EU's response to climate and environmental challenges and lays out a strategy that will help the EU and its partners achieve the SDGs. The proposed intervention is further aligned with the 2016 joint communication on "A renewed partnership with the countries of Africa, the Caribbean and the Pacific" that defines the path for a political partnership with ACP countries on the basis of the Agenda 2030.

The National Indicative Programme (NIP) for Solomon Islands (SI) for the 11th EDF, signed in September 2015, had two main focal areas: Water and Sanitation (WASH), in both urban and rural areas, and rural development. The support to the latter has been materialised through the approval of the Rural Development Programme Phase II (RDP II, FED/2015/037-741).

Since the adoption of the NIP, the goals and priorities on development cooperation have significantly evolved, notably the adoption of the 2030 Agenda and the Sustainable Development Goals (SDGs), the Paris Agreement, and the Addis Ababa Action Agenda in 2015.

Based on these considerations, and following the recommendations of the MTR of the NIP, conducted in 2017, three modifications in the NIP were introduced and agreed, namely:

- (i) To support urban and peri-urban WASH via the Investment Facility for the Pacific (IFP), with the related funds (€18 million) to be transferred from the NIP for Solomon Islands to the RIP Pacific, earmarked under an investment window of the IFP for Solomon Islands during a transition period.
- (ii) To emphasise the importance of governance, Good Governance was introduced as a new focal area in the NIP, and € 6.01 million, previously assigned to rural water and sanitation, was reallocated to the new focal area.
- (iii) To increase the allocation for rural development by EUR 1.99 million.

The new focal area and the budget allocated to it, and activities for which are defined in this Action document, aligns with the SIG National Development Strategy 2016-2030 (NDS) and is in accordance with the Paris Declaration and the Busan Principles.

Regarding gender equality, meeting the mandate outlined in the respective 2014 Council Conclusions the EU the Gender Action Plan II (GAP II) (2016-2020) outlines the EU approach to gender equality, women's and girls' empowerment, and the promotion, protection and fulfilment of women's and girls' human rights. This action will contribute to the GAP II's thematic priorities: C. Economic, social and cultural Rights - economic and social empowerment and D. political and civil rights - voice and participation.

### 1.3 Public Policy Analysis

Solomon Islands has ratified a number of core international human right conventions, that relate to the Action notably the Convention on Economic, Social and Cultural Rights (ICESCR), on the Elimination of All Forms of Discrimination against Women (CEDAW), on the Rights of the Child (CRC) and on the Elimination of All Forms of Racial Discrimination (CERD). Solomon Islands has also ratified the International Covenant on Civil and Political Rights (ICCPR). Thus, the country has committed to respecting, protecting and fulfilling the rights to health, education and water.

The Government's National Development Strategy 2016-2030 recognizes that good governance and credible and stable policies (NDS Objective #4) are fundamental to economic growth and to the efficiency of public service delivery. The NDS puts particular attention on access to quality education and health services (NDS Objective #3) as essential for increased growth and improved livelihood. Effective governance is seen as an essential ingredient for a stable enabling environment to realise these objectives. The plan calls for decentralization of decision-making and continued support to Provincial Governments for effective service delivery at the local (provincial) level.<sup>2</sup> In general, the NDS objectives link directly with *SDG #3 (Good Health)*, *SDG #4 (Quality Education)*, *SDG #5 Gender Equality* and *SDG#6 (Clean Water and Sanitation)* whilst NDS Objective #4 aligns specifically with *SDG #16 (Peace, Justice and Effective Institutions)*. The Government spending on health and education as a percentage of GDP is 14.2%. A 'Gender Equality and Women's Development' policy was adopted in 2016. The NDS also notes that environmental sustainability and improved disaster risk management cuts across the other objectives, such as NDS #3 on education and health. Thus, in order to promote resilient and environmental sustainability, the government considers climate, disaster and environmental management as central to all development decision-making.

### 1.4 Stakeholder analysis

The key stakeholders of the action are as follows:

- **Provincial Governments.** Under the Provincial Government Act (PGA, 1997), selected service delivery functions are decentralised to the (nine) Provincial

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<sup>2</sup> NDS p47

Governments (PGs). For a long time, however, PGs have remained ineffective and dysfunctional due to limited fiscal and human resources and lack of clarity on their roles, functions and responsibilities. Over the past decade and with the initial support of some development partners, PGs have demonstrated increased capacity to plan, program, budget and implement small scale rural infrastructure projects funded under a non-categorical grant mechanism, the PCDF whilst credibly performing key public financial management functions, and exercise transparency and accountability in the use of funds transferred from central level.

The PGs are *de facto* structured as full-fledged local governments, with an elected assembly, and executive of provincial ministers elected by and from amongst the members of the assembly and a modest administration, including (five) seconded staff from the MPGIS. In practice, however, there are lots of impediments for the PGs to function as effective sub-national governments. Over the past years, notably 2017/18 after the discussions on a federal constitution had waned, the MPGIS started preparing a bill to completely overhaul the PGA, to provide the legal basis for one unified provincial administration that operate under a Provincial Government umbrella.

- The **Ministry of Provincial Governments and Institutional Strengthening (MPGIS)** is the mother ministry for the Provincial Governments and responsible for policy dialogues on local/provincial governance. The Ministry is also responsible for formulating of programmes and project; and monitoring the performance of the PGs. Since 2008, the MPGIS provides support to the PGs through the PGSP, which operates the PCDF. PGSP was initially donor funded but operates since 2016 under SIG's national budget (SBD 325 million for the period 2016 -2021).
- The **Ministry of Health and Medical Services (MHMS)** is the central ministry mandated to formulate public health policies, fund, regulate and deliver nearly health services through its network of national referral hospital, provincial hospitals, area health centres, rural health clinics and community health centres in partnership with non-government organizations. In each province, staff of the Ministry operates under the Provincial Health Director, who is usually also the main, if not only, qualified doctor in the provincial hospital. The Environmental Health Division of the Ministry of MHMS is responsible for provision of WASH services in rural areas.
- The **Ministry of Education and Human Resource Development (MEHRD)** is the ministry responsible policy formulation, regulation, funding and for the provision of education service (tertiary, secondary, primary, early childhood education and technical/vocational), including WASH in schools. It is the largest ministry in terms of personnel and budget comprising nearly one-third of the annual national budget. Although paid by the government, an important part of the teachers is employed by, often church based, education authorities, some of which operate in one or a few provinces whilst others have a national coverage. The Provincial Government acts as the education authority for the public schools, whereas the provincial education department is monitoring the performance in all schools. Efforts are under way, in the form of an Education bill 2018, to streamline the governance structure for the education sector amongst others by creating one education board for each province, chaired by the Provincial Education Minister.
- The **Ministry of National Development Planning and Development Coordination (MNPDC)** is one of the key central oversight agencies of the government and

hosting the office of the NAO. MNPDC is responsible for ensuring policy coherence in the implementation of the NDS.

- The **Department of Foreign Affairs and Trades (DFAT)** of Australia is the largest donor in Solomon Islands, supporting several sectors and in particular strengthening governance and service delivery systems through its Governance Programme 2017-2021. As well, through the Education Sector Support Programme and the Health Sector Support Programme, DFAT supports the government to deliver health services and basic education across the country meeting the needs of communities.
- The **Ministry of Finance (MoF)** is a key partner of the PGSP Programme and its associated Provincial Capacity Development Fund. The MoF co-manage the fiscal transfer mechanism PCDF with the MPGIS. It is also responsible for PFM processes and holder of the PGSP account created at the Central Bank.
- The **United Nations Development Programme (UNDP)** is the UN's lead agency for development. Given the actual development challenges in Solomon Islands and despite the country's size, UNDP has maintained a substantive presence in Honiara, led by a Country Manager reporting to Resident Representative in the UNDP Pacific Office in Fiji. In country, UNDP focuses on poverty reduction, access to justice, anti-corruption, democratic governance, energy & environment, social development, crisis prevention & recovery and peace building activities. Through this portfolio of interventions, UNDP has a comparative advantage to build synergies between sectors and reduce 'silos' and transaction costs. UNDP heads the UN Joint Presence Office in Honiara and employs over 60 staff to implement its projects. UNDP was from 2008 to 2013 the implementing agency for phase-I of the PGSP and hence has demonstrated capacity and established systems to implement the activities envisaged under this action. At the Global and Regional level, UNDP has a long track record of supporting local governance, decentralization and service delivery, including managing similar EU funded Grant mechanisms for local service delivery and enhanced governance systems.
- The **United Nations Children Fund (UNICEF)** is the UN's special agency responsible for addressing the long-term needs of children and mothers in developing countries. As a development agency, UNICEF helps governments support initiatives in the education and health sectors. In Solomon Islands, UNICEF operates a field office that falls under a multi country office located in Suva, Fiji. It, provides a programme of support to the Government of the Solomon Islands in health, nutrition, education, child protection, social policy, WASH (in health and education facilities, as well as communities), emergency and other sectors, including national, provincial and facility-based planning and provision of services with community engagement.
- Solomon Islands allows groups to associate, assemble, and register as **Civil Society Organisations (CSOs)**. Currently, more than 100 CSOs exist in the country, active in different sectors but with a particular focus on social development. CSOs range from NGOs, church-based organisations, special interest group, broad-based development organisations, trusts, and community-based organisations. Churches are traditionally active in education and training, medical and health services as well as youth issues and bear substantial influence to the communities. Other groups have their programmes focussing on human rights, ending domestic violence, gender equality, restoring and increasing community peace, HIV/AIDS prevention, and environmental and marine conservation. The Government is open to CSOs'

participation in sectoral policies formulation through consultations and workshops. However, CSOs are often unable to make an impact in this process given their weak capacity and skills. Moreover, rural and provincial CSOs often do not get the same opportunities as capital-based ones.

The **indirect beneficiaries** for the proposed Action are the nine Provincial Governments in Solomon Islands, and the Ministries of Health and Education, notably their provincial offices, being, apart from the service delivery outlets themselves, the lowest management level for public service delivery in the country. Through the action and by providing assistance to improve governance for service delivery – i.e. make it more efficient, and through the model of representative democracy, also to make it more inclusive and participatory – **the entire population in the nine provinces are considered direct beneficiaries**. This is because, firstly, in the long term service delivery (access and quality) will be improved and secondly, because it is expected to provide the population with a ‘sense of belonging’ and improved relation to the state. Specific attention will be paid to women and girls and groups living in vulnerable situations, particularly people living with disabilities. In the latter sense, the Action will contribute to reconciliation, peace and stability, as it provides each province with an increase level and sense of autonomy.

## **1.5 Problem analysis / Priority areas for support**

### **1.5.1 Introduction**

Given the geography of the Solomon Islands (see para 1.1 above), some sort of decentralised management of public service delivery is desirable and, in fact, unavoidable. Given the scarce public sector resources, notably human resources, and the periods of turmoil and discussions on a federal constellation, little progress was made concerning public administration reform during the initial decades after independence.

However, this has changed significantly over the past five to ten years as the result of a slow, but persistent effort initiated by MPGIS, to get the functioning Provincial Governments in place (under the initially EU co-funded PGSP). MPGIS was later joined in these reform efforts by the MEHRD, the MHMS.

### **1.5.2 Problem analysis for Education and Health service delivery**

MEHRD and MHMS, like several other ministries, have offices in at least some provinces. Both sectors combined constitute a major share of the government budget (34% for education and 13% for health respectively, for the FY 2019 budget).

The **education** sector is the biggest public sector employer in the country and includes ministry staff, staff of the provincial education offices, as well as all teachers. Teachers are officially employed by the various Education Authorities, both provincial and faith based, but all salaries are paid by the government.<sup>3</sup> Following the Education Act (1978), only education authorities that are approved by the Ministry of Education, can own and operate schools.

All school infrastructures falls under the responsibility and care of the concerned communities<sup>4</sup>, the only difference between schools under different authorities is that each authority can select its own teachers (from a pre-qualified list kept by the

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<sup>3</sup> Contrary to the teachers, the education office staff of the faith-based authorities is not on the civil service payroll.

<sup>4</sup> See *Policy Statement and Guidelines for School Infrastructure in Solomon Islands*, MEHRD, November 2011



MEHRD). Thus faith-based authorities have the tendency to appoint people of their own faith. Traditionally, the role of the Provincial Government (PG) in the management of public schools has been limited, with the ministry's education office taking care.

Each Education Authority is expected to ensure the day-to-day supervision of the schools under its purview. However, but due to differences in financial means and management capabilities, the level of monitoring varies greatly across the authorities. The Ministry has identified weak supervision and weak management of teaching staff as one of the major obstacles to improving the quality of education, whilst recognising the need to involve human resources at the provincial level, closer to the schools, in school management.

There has not been a clear understanding of the roles of PGs, MEHRD, faith-based authorities and provincial education offices. The draft Education Bill (2015), yet to be presented to Cabinet and approved by parliament, states that the Provincial Minister of Education is the chair of the Provincial Education Board. For several years, MEHRD has been more explicit as compared to other ministries in recognising that its provincial education offices are part of the provincial administration.<sup>5</sup> The Education bill follows the trend and, ahead of enacting, PEBs have been created in all provinces.

Solomon Islands is committed to ensuring that all girls and boys are provided a full primary education, reflected in the Education Act (1978, 2015) and the Education Strategic Framework (2015). Education policies, action plans, and frameworks also contain commitments and international agreements related to gender equality.

For the **health** sector, the situation is slightly different. Apart from a few health facilities, (hospitals, which are operated by churches and/or missionary organisations) all health facilities, (being national / referral hospitals, provincial hospitals, area health centres, rural health clinics and nursing posts) are managed, staffed and funded by the Ministry of Health and Medical Services (MHMS).

The total number of staff working in the health sector paid directly or indirectly through the MHMS is reported to be some 2,645 persons, 1,630 of which are working in the provinces (data 2013; excluding NGO facilities). Out of the staff in the provinces, some 700 (42% of the total) are direct wage employees, employed by the PGs, paid by the Ministry.

In the provinces, the Provincial Health Director (PHD) is normally a trained doctor and there may be a few additional doctors assigned to the provincial hospital. All other health facilities have at best a qualified nurse. Officially, the PHD is responsible for both the public health as well as the curative health delivery in the entire province. On top of that, the PHD is usually also the main doctor in the hospital. In practice, the PHDs usually concentrate on the first two tasks (being the overall in charge of the provincial hospital and the vertical public health programmes), while the other health facilities are managed by the nursing director.

The relationship between the office of the PHD and the PG (the provincial secretary and the provincial minister of health) are, in general, less intense as compared to the situation for education. Yet, also within MHMS, there is increased awareness that

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<sup>5</sup> See e.g. MPAIS "The organization around public service delivery in provinces, May 2013

increasingly involving the provincial health offices and the PGs in the day-to-day management of health service delivery at the local level will solve the problems of delays in the infrastructure development.

This change of attitude and position is also reflected by the recent discussion paper on *Reform of Solomon Islands Health Administration Laws* (December 2018). This paper presents different suggestions as well as a road map for decentralising part of the Ministry's management tasks. The Ministry is also contemplating the creation of Provincial Health Boards, which, in analogy to education, would logically have the Provincial Health Minister as its chair.

Health of women and children is an important priority for the MHMS although gender analysis in most health policy documents is limited. In the MHMS strategic plan, the focus is mostly on addressing the need to reduce domestic violence and improve child protection. Activities listed for such efforts include updating protocols, provision of staff training, and collaboration with the justice system and police. The ministry is also engaged with the Public Service Commission's initiative to mainstream gender across government agencies. The ministry, for instance, is the coordinating agency for SafeNet, a programme that aims to provide integrated multisector service provision for survivors of domestic violence.

### 1.5.3 The revival of Provincial Governments

A decade ago, Provincial Governments and MPGIS were considered corrupt and dis-functional entities not delivering any services. In 2019, Oxfam rated MPGIS as one of the best ministries in terms of openness, transparency and living up to expectations. This change has been the result of a persistent effort by the ministry to reverse the situation and was initiated by the EU co-funded Provincial Government Strengthening Programme (PGSP).

PGs are actually delivering services (albeit that most of the spending is still in infrastructure) and have a budget execution rate of 80% budget (well above of what line ministries -with centralised management- realise in the provinces). Moreover, PGs produce annual financial statements and audit reports and the Ministry is producing and publishing annual reports.

Apart from the staff under the PGs, the sector ministries also have staff in the provinces. From a service delivery and public sector management perspective (effectiveness and efficiency) there is scope to bundle all these forces and capacities under one provincial umbrella.

In 2017, MPGIS commissioned a study to review the Provincial Government Act (1997). In 2018, drafting instructions were prepared, but these are yet to be presented to the Cabinet for approval by parliament.

The drafting instructions for the bill seek to create a unified provincial administration, operating under the provincial executive and the assembly. The bill anticipates that in the future more responsibilities and more funding shall be devolved to the provincial levels.

Hence, there is some convergence between the new and emerging legislation for the three ministries. In order to harmonize provisions (and to minimise inconsistencies), it is important that MPGIS, MEHRD and MHMS proactively engage in discussion and

share drafting instructions and draft bills before these are submitted at the Cabinet for discussion and approval.

#### 1.5.4 The PGSP/PCDF approach to enhance capacity of Provincial Governments

The Provincial Government Strengthening Programme (PGSP) that started around 2008<sup>6</sup>, helped improving the capacity and confidence in PGs for them to play an effective coordinating and service delivery role. The key mechanism of the PGSP was to provide PGs access to the Provincial Capacity Development Fund (PCDF). Under the PCDF, PGs that meet certain *Minimum Conditions*, mainly linked to PFM indicators, could access investment funds. Those PGs who perform well – as measured against clearly defined *performance criteria* in public PFM, governance, accountability and transparency, could access additional investment funds. As such, the PCDF, as a fiscal transfer mechanism managed by MPGIS and the MoF, provided PGs the opportunity of learning by doing, while making a useful contribution to improve service delivery. PGs are also offered capacity-building support to fill any identified capacity gap (see Appendix 3 for a more detailed description of the PCDF). Concrete examples where PGSP has improved PGs' capacity are in the field of financial reporting and accountability as well as in project planning and implementation.

When in 2012/13 the project financing came to an end, the SIG took over the funding of PGSP and the PCDF on its own regular budget. As such, the 'PGSP approach' still exists within the Ministry, and the UNDP project manager is since then working in the Ministry on a government contract. The total budget for PGSP II (2016-2021) as funded by SIG is SBD 325 million (€ 34.1 million for 6 years).

#### **Textbox 1: Objectives of PGSP-II (2016-2021) -- SIG budget of SDB 325 million**

- Roles and responsibilities of Provincial Governments, line ministries and (INGOs with regards to public service delivery and rural development are clarified and agreed upon, leading to an updated PGA, consistent with sector legislation (like health, education) that is also being revised.
- Provincial Governments' funding, planning, PFM systems and procedures are strengthened
- The capacity of the legislative, executive and administrative branches of Provincial Governments is further enhanced to completely fulfil their functions and mandates
- People and communities are empowered to hold Provincial Governments to account with regards to service delivery, integrity and leadership.
- Efficient project management and effective M&E systems in place to achieve program results

So far, MPGIS/PGSP has been mainly focussing on the capacities of the Provincial Government (assembly, executive and administration). A logical next step, as also

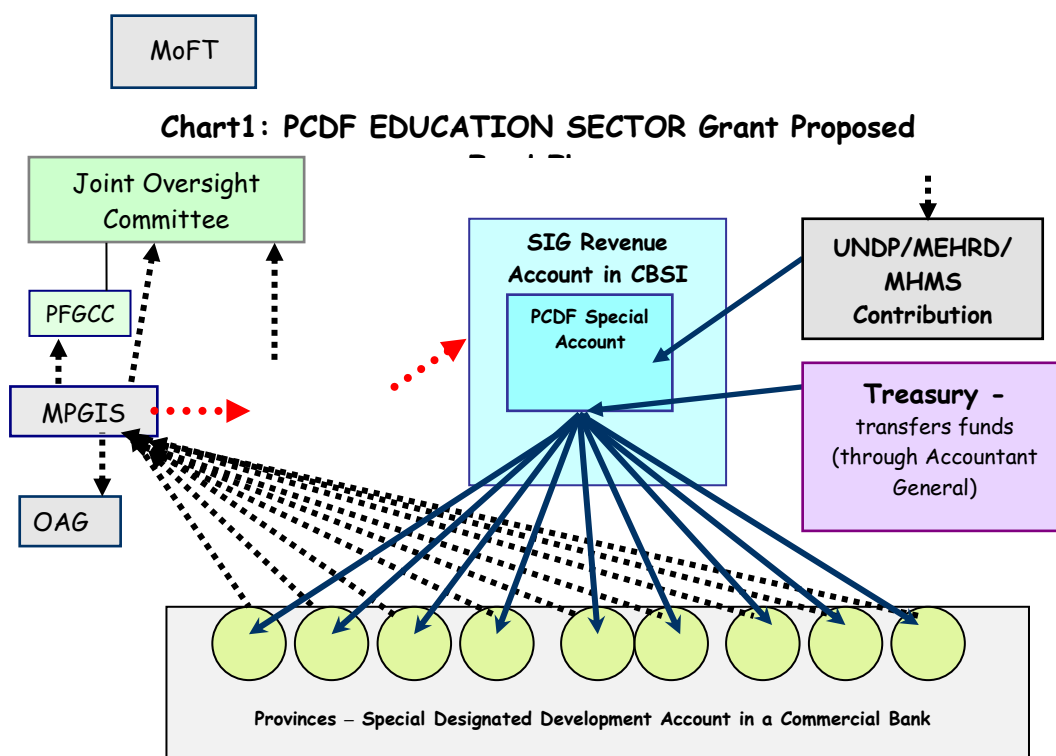
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<sup>6</sup> With funding from mainly the European Union and RAMSI, the Regional Assistance mission to Solomon Islands, that helped to overcome the civil unrest at the beginning of the century (notably 2003 and 2006). The project was implemented by UNDP and UNCDF.

outlined in the draft PGA bill, is to reach out to the offices of the line ministries in the provinces, and move *de facto* awaiting legislation, towards a more unified provincial administration.

#### 1.5.5. How the grant system works:

- I. The PCDF grants are channelled to the qualifying provinces based on the final approval by the members of the Joint Oversight Committee of PGSP.
- II. There is a PGSP account created at the Central Bank of Solomon Islands with the Ministry of Finance and Treasury as the only signatory to that account.
- III. Every province has a separate PCDF account in an established commercial bank which is equally ring-fenced, meaning that no funds are allowed to be either paid in or out of that account unless it is do with PCDF implementation process.
- IV. With the announcement of the qualifying provinces, the Permanent Secretary of MPGIS writes to the Permanent Secretary of MoF requesting the MoF to mobilise funds from the SIG consolidated account into the PGSP account at the CBSI. The amount to be transferred to each province is indicated in that instruction.
- V. With the confirmation that funds are mobilised into the PGSP account, the MPGIS writes a second letter instructing the MoF to instruct the CBSI to transfer funds into the respective provincial government commercial bank accounts.
- VI. Any amount of EU funds for PCDF shall be transferred directly into the PGSP account at the CBSI. This fund shall be part of the total funds transferrable into provincial government accounts in their respective commercial banks.
- VII. The following trigger conditions must be met before any funds are transferred
- VIII. The PCDF and Fixed Service Grant reports must be up to date indicating how the previous transfers have been spent;
- IX. The three year development plan of the qualifying province must have been approved by the provincial assembly showing projects appropriated by the assembly;
- X. If there is an indication of mismanagement of the previous tranche, the transfers are stopped and the funds be paid back;
- XI. About 60% of the allocation may be lost if the province fails to pass its budget by 13st March.



### 1.5.6. Next steps to improve decentralised service delivery mechanisms

The organisation of service delivery in the provinces remains sub-optimal. The different line ministry offices tend to work in silos and the Provincial Government system risks adding another silo with activities in partly the same sectors.

At present, the three major ministries (MPGIS, MEHRD and MHMS) are preparing reviews of their main Acts, which will also deal with service delivery at the local level and the roles of PGs. There is urgent need for coordination between these efforts to ensure consistency before the bills (or drafting instructions for bills) are presented to Cabinet.

At the same time, there is need and scope within the provinces to start aligning and even integrating the different offices at the provincial level under the umbrella of the Provincial Government. In order to integrate service delivery structures, MPGIS should take into account the priorities of sector ministries and their provincial units through the Education and Health Provincial Boards that are to be chaired by the provincial minister.

Since the recent publication of the Financial Management Ordinances, it is now mandatory for community inputs to reflect on provincial plans and budgets and specific budget lines are created and funds being transferred to the ward development committees to finance smaller projects such as water, sanitation, solar, repairs and maintenance of infrastructure. This intervention would enable the Ministry to upscale its support for the communities, the Community Base Organisations, civil societies, youths and women's groups to enable them to play a central role in local development management and holding the executive to account. A support in rolling out the participatory planning process would further institutionalise development processes and

link the communities to the provincial governments and ensure greater interactions between the citizens and their legislative members for enhanced service delivery.

More specifically, the proposal shall increase the capability of the programme to provide further support in strengthening those aspects of PFM systems such as internal control systems, compliance enforcement mechanisms, and financial reporting that are yet to improve to satisfactory level despite the review of FMO, and the PFM Act 2013.

## 2 RISKS AND ASSUMPTIONS

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
Changes in key officials of Ministries (MNPDC, MPGIS, MHMS, MEHRD) after elections resulting in a different policy orientation and commitment to the approach in the proposed Action	L	MNPDC and EU to convene follow-up meetings after the election and formation of new SI Government to update and finalize agreement on the proposed Action
Different ministries (MPGIS, MEHRD, MHMS) refusing or not committed to work together	L	A real challenge, but at the heart of the purposed Action – If any, a hurdle to be taken as all parties have realised that Provincial Governments have a role to play in local service delivery
MHMS/MEHRD not able to channel budgetary resources as sector grants in a timely manner	M	Early discussion with ministries to be convened to get support and timely action given SIG timelines in budget preparation
Low commitment to gender equality and mainstreaming and the application of a rights-based approach.	M	The capacities of institutions will be strengthened, and linkages will be made with other programs such as the Pacific Partnership and the Spotlight initiative.
Mismanagement of funds	M	Supervision mechanism by implementing partner agreed before transferring of funds. Transfers to be made in tranches once proper use of funds is justified.
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>• SIG is supportive of the different programme components and committed to improving decentralized service delivery by strengthening Provincial Governments through continuing support for fiscal transfers, improved PFM capacity and an enhanced provincial governance system.</li> <li>• PGA review to materialise and aligned with different pieces of sector legislation</li> <li>• Ministries of Education (MEHRD) and Health (MHMS) remain committed about the policy of transferring certain responsibilities for service delivery to PGs</li> <li>• Ministries of Education and Health are committed to channelling some fiscal resources (sector grants) through the Provincial Government fiscal transfer system to expand the provision of rural infrastructure for education and health as well as support related service delivery functions.</li> </ul>		

- Ministries commit to gender-equality and human rights principles, standards and norms. Ministries also ensure resilient and environmentally sustainable development is enshrined in planning, resources and aligned to its national objectives and this is transferred to Provincial Governments and evident in service delivery.

### **3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES**

#### **3.1 Lessons learnt**

For a variety of reasons, such as limited resources financial and/or human resources, projects often cover only a part of the territory with the idea of a later scale up. This did not always happen, paving the way for a donor-driven parallel project approaches, with the risk of undermining rather than strengthening the systems they seek to support. Such approach only targeting selected provinces also raises questions about equity and increased inequality, issues the SDGs seek to address. SIG is also very much in favour of such a holistic approach. This action, therefore, targets the entire country and all nine provinces, in a same way as PGSP/PCDF have done from the onset.

#### **3.2 Complementarity, synergy and donor coordination**

The action complements and leverages national initiatives in the education and health sectors aimed at improving service delivery by using the provincial fiscal transfer system to channel resources to the PG. The Action builds sound governance systems that are beneficial and complementary to EU investments in the sectors of rural WASH and rural development.

Strengthening the provincial governance system also complements initiatives implemented at the national level, supported by other development partners (like MFAT, DFAT, WB, UNICEF and UNDP). This includes strengthening key governance institutions, such as the Office of the Auditor General and Parliament; developing PFM/accountability systems (though support for budgeting, procurement and audits) and personnel management systems as well as decentralized service delivery of health and education, including WASH services. Donor coordination meetings take place on a monthly basis although EU participation is sporadic; however, the EU updates regularly other partners on its activities and organises ad hoc meetings with partners, specifically with DFAT to improve coordination.

The EU supports civil society organisations in Solomon Islands in making the government accountable to the citizens. This action complements and will create synergies with the “Improving Social Accountability in Solomon” project implemented by Oxfam and the Solomon Islands Social Accountability Coalition (SISAC) created under its umbrella. Likewise, the “One Voice: CSOs and communities working for improved health services” project implemented by World Vision, empowers communities in selected provinces to make the MHMS and the government accountable in relation to the provision of health services.

## 4 DESCRIPTION OF THE ACTION

### 4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The overall objective is to *improve the necessary institutional conditions for effective decentralized social service delivery, realising the rights of the population in the nine provinces of Solomon Islands*, through sector grants.

The project's long-term objective is to build sound inclusive, transparent and accountable governance systems within the provinces for sub national service delivery that work to respect, protect and fulfil rights and promote gender equality. Due care will be taken to ensure that projects take into account environmental constraints.

The proposed Action will support the institutional strengthening of governance systems for service delivery within the provinces, notably by reinforcing the link between the PGs and the provincial sector offices for education and health. It seeks to take PGSP (and PCDF) a logical step further by introducing a channel for sector grants, for which these sector offices will be responsible (requisitioning officers), under the purview of the PG, i.e. assembly and executive whilst the head of the provincial administration, the provincial secretary would be the accounting officer.

The action will aim to two concrete outcomes (results):

- Provincial Governments (PGs) further empowered to effectively deliver services for health and education, realising rights to the constituents through sector grants.
- Provincial governance improved through working methods towards sectoral integration and a more unified PG administration.

The rights-based approach will be applied during the implementation of the programme activities, including gender and women's rights. Climate and environmental resilience and sustainability will also be integrated from the design phase of the activities. The results will be achieved through the following activities:

**Activity 1: The entrusted entity working with the Commission in indirect management will provide grants to the Provincial Governments for Health and Education** (including WASH). Grants allocated to provinces will facilitate PGs to deliver services in accordance to the mandate set in the Provincial Government Act, Law 7/1997, facilitating the devolution of responsibilities to the provincial level, in coordination with the provincial offices of line ministries. A revised grant manual will lay out: the minimum conditions for accessing the grant; the activities for which it can be used, all of which must appear in the respective sector plans; as well as reporting and auditing mechanisms. Crucially, this manual will also lay out the administrative processes that need to be followed from planning of activities, disbursements, implementation, monitoring to finally audits. This description would be essential for the action and hence, preparation of the manual(s), to be done either pre project under the now government funded PGSP or as first activity under the project, is crucial to achieve the action objectives. The grants will have a focus in fostering inclusion, in particular of children with disabilities and girls.

Grants allocated to provinces in indirect management will be focused on:

- Pre and primary education.
- Primary health.
- Water, sanitation and hygiene.



These have been the main sectors targeted in the current PGSP programme and reflect the priorities of the communities<sup>7</sup>.

The grants will be implemented through PCDF grant mechanism and the PGSP account in the Central Bank from where the grant funds will be transferred to the provinces. Each sector grant may require a separate bank account for each province. An improved grant mechanism is necessary to facilitate the involvement of line ministries and the eventual transfer of funds for specific actions in accordance to standards, guidelines and sector strategies. This improved system will reinforce the links between the communities, the PGs and the central level with a participatory approach.

**Activity 2: Capacity strengthening of MPGIS.** The focus of the activity is on MPGIS at the central level. The activities, to be detailed later as part of the Contribution Agreements with implementing partners, would include a provision for support to develop the grant manual and continued capacity building for PFM planning, implementation, monitoring and reporting of grant utilization. This may include support to improve the sector plans, to be part of the PG three-year rolling development plan. Activities to be funded under the action should be supplementary to what is already provided under the PGSP. It is proposed that under the action, one public sector adviser is hired by the implementing partner to be posted in MPGIS to support the capacity development effort. A reinforced MPGIS will be in a position to improve coordination between PGs and the central level, providing coherence and harmonisation of good practices in the provinces.

**Activity 3: Capacity strengthening of Provincial Governments for social service delivery.** The focus of the activity is at subnational level, directly strengthening PG capacities to develop provincial plans in line with national sectoral plans; raising the understanding and attention for the management for service delivery and the role of the PGs therein; increasing capacities to improve the quality of service through modelling supervision, management and stewardship capacity and helping to oversee the implementation of selected health and education projects including for water, sanitation and hygiene. A small budget will be available for community mobilization activities by each province. Through this activity, PG staff will be better positioned to plan their activities, having in consideration the demands of the population, aligning the actions to the sector plans and lead the Education and Health Provincial Boards.

**Activity 4: Policy dialogue and support for policy development on decentralised service delivery by social sector ministries,** in line with the Provincial Governments Act. Policy dialogue at central level will supplement and build upon the lessons from the sectoral grant scheme. Activities may include conferences, round-tables, publications, but will mostly circle around direct open and silent advice as well as lobbying. Participation of civil society will be included in policy debates.

## 4.2 Intervention Logic

Similarly to the PCDF, the sector grants awarded in indirect management are expected to incentivise (catalyse) more active engagement and integration of the sector offices (health and education) in the operations of a Provincial Government. As for PCDF,

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<sup>7</sup> Roads and related infrastructure have been also prioritised in the past but given the amount of the project and in order to optimise impact it is necessary to focus on few sectors.

funding of the sector grant will be used as the incentive for behavioural change. The fundamentals of the expected change in behaviour (i.e. the modified workings of the unified system of provincial administration) are to be described in the grant manual (as steps to use the funds). Through the grant mechanism, line ministries can channel financial resources to Provinces for planning and implementation under the management of both line ministry offices (responsible requisitioning officer) and PGs (oversight, coordination and accounting officer). This will incentivise the parties to start building a unified provincial administration that uses scarce human and financial resources in a more efficient manner, while paying increasing attention to service delivery (beyond infrastructure alone). Provincial units of the Ministries of Health and Education will engage with PGs in the preparation of the annual work plans including the budgeting, both at the central level in the line ministries and at the provincial level. The monitoring will be the responsibility of PGs, with technical support from provincial units of line ministries.

Taking concrete steps towards such a unified administration will ensure that the new legislation under formulation will comply with human rights standards. The policy dialogue will include discussions on legislative proposals to ensure coherence and complementary. The Project Steering and Coordination Committee will provide orientations to the implementing partner for a successful policy dialogue.

All funds under the sector grants will be invested in service delivery, directly benefitting the population. Hence, with immediate benefits in the social sectors (education and/or health including WASH).

Sustainability of this action will be achieved through the signatures of MoU/LoA between MPGIS and line ministries that will channel funds from the budgets allocated to the ministries to the PCDF, additionally to the regular transfers from central government to the programme. Additionally, efforts will be made to engage Members of Parliament and government institutions in supporting the programme with their allocated resources. Activities designed for sustainability are to be integrated in the exit strategy.

### **4.3 Mainstreaming**

4.3.1 ***Gender equality and inclusiveness:*** Gender Equality and Women Empowerment (GEWE) will be addressed and integrated in all components of the action. Through the provincial planning process, community stakeholders, including women and youth, through their representatives play a key role in the local planning, project identification and selection process from the ward level upwards. Although not formalised in the provincial planning guideline, CSOs operating in the province are also invited to participate in the annual planning process where they have a voice with regards to on-going and planned activities by the provincial government. Gender and inclusiveness will be detailed in the grant manual for aspects of planning and participation, as well as gender friendliness of the proposed infrastructure with specific guidance from the recently undertaken gender assessment for the WASH sector by CARE and UNICEF. Under the Pacific Partnership programme, the improvement of survivor-centred services is the focus for Solomon Islands and in this respect the PGs will cooperate with UN Women in improving the access to quality, essential services for survivors of gender-

based violence. The project will also coordinate in the actions to be defined in the country under the Spotlight Initiative.

- 4.3.2 **Good Governance:** The project will strengthen the provincial governance by developing a system of sector grants and further improving the capacity of the PG in PFM, enhancing transparency and accountability in the process. It would also contribute to increased efficiency and effectiveness by strengthening horizontal coordination across the PG administration, involving sector agency staff in the planning, prioritization, monitoring and implementation of the projects funded by the sector grants.
- 4.3.3 **Conflict sensitivity:** By contributing to improving access to essential public services in education and health, which characterize the nature of poverty in Solomon Islands, the action contributes to reduce geographical inequality in the access to social services, hence decreasing the conditions for fragility and conflict in the country.
- 4.3.4 **Human rights:** The expansion of rural health and education infrastructure funded under the sector grant will facilitate greater access to public social services of communities contributing to strengthening human capital and the realisation of human rights, specifically the right to health (ICESCR art. 12 and particularly for women, CEDAW art. 12), the right to education (ICESCR art. 13 and the equal rights of women and girls, CEDAW art. 10) and the right to safe drinking water and sanitation (ICESCR art. 11). A human rights-based approach is hence implicit and underlying the action.
- 4.3.5 **Resilience to climate change and environmental sustainability:** The action contributes to building resilient communities by expanding communities' access to rural infrastructure services in education and health, enabling them to respond better to the effects of climate change and or natural disasters. Social infrastructures will consider resilience in the project location and designs; the grants manual will incorporate resilience and climate change elements in the criteria for selection of projects.

#### 4.4 Contribution to SDGs

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDGs related to the promotion of peace, justice and effective institutions (SDG16), good health (SDG3), education (SDG4), gender equality (SDG5) and water & sanitation (SDG6).

### 5 IMPLEMENTATION

#### 5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the Solomon Islands Government.

#### 5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

### 5.3 Implementation modalities

The Commission will ensure that the EU appropriate systems, rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>8</sup>.

#### 5.3.1 *Indirect management for Activities 1 and 2*

A part of this action may be implemented in indirect management with an entity which will be selected by the Commission's services using the following criteria:

- The implementing entity should have experience as executing/implementing agency for similar projects
- It should demonstrate robust systems and established in-house capacity and experience for managing EU funds (as well as other global funds in other countries)
- It should be able to tap technical expertise and demonstrate long and extensive experience in the country working with national and provincial governments and civil society in such areas as anti-corruption, environment, local governance, parliamentary development and peace-building, among others.
- It will guarantee established systems, procedures and long experience for managing various donor funds, including the EU.
- It must have managed EU projects in Solomon Islands with demonstrated capacity for proper financial management.

The implementation by this entity entails activities 1 and 2: awarding sector grants for Health and Education and providing additional capacity development to PGs by/through MPGIS. As under PGSP-1, the selected implementing partner will transfer EU funds to government, i.e. Central Bank/Provinces and MPGIS respectively and will assure reporting and accountability towards the EU Delegation. The release of funds by the implementing partner is to be done on the basis of Letters of Agreement between the entity and the MPGIS, after conducting a new capacity assessment (Harmonized Assessment to Cash Transfer, HACT) of MPGIS. The LoA will describe the project and list the activities for which the funds can be used, including further transfer to the provinces. The implementing partner may recruit a public sector management and service delivery adviser to be posted in MPGIS.

The proposed entity to be contracted to implement Activities 1 and 2 is UNDP (see Assessment of Implementing Partners in Annex).

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria.

#### 5.3.2 *Indirect management for Activities 3 and 4*

A part of this action may be implemented in indirect management with an entity which will be selected by the Commission's services using the following criteria:

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<sup>8</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

- The envisaged entity will have in-house specialist technical capacity to provide technical support and supervision to deliver the envisaged outputs
- It will demonstrate long-standing experience in the Solomon Islands working with both the MHMS and MEHRD, provincial governments and partnerships with civil society. The entity will have ample expertise in areas of public health and education, including water and sanitation.
- It will guarantee established systems, procedures and long experience for managing various donor funds, including the EU.
- It must have managed EU projects in Solomon Islands with demonstrated capacity for proper financial management.

The implementation by this entity entails activities 3 and 4 as described above: it will support MEHRD and MHMS to improve service delivery through provincial planning and management processes with community engagement, as well as the PCDF mechanism, in collaboration with PGSP advisors, who mostly concentrate on PFM and PG Planning issues. It will also ensure the capacity building of national and provincial officers of the line ministries and assist with capacity building, policy, coordination, standard setting, budgeting and planning, monitoring, community engagement and advocacy.

The proposed entity to be contracted to implement Activities 3 and 4 is UNICEF (see Assessment of Implementing Partners in Annex).

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria.

5.3.3 **Direct management:** evaluation and audit to be implemented under the framework contracts procedure

Subject	Indicative type (works, supplies, services)	Indicative trimester of launch of the procedure
Evaluation	Service contract	T3/2024
Audit	Service contract	As needed on the basis of a risk assessment

**5.4 Scope of geographical eligibility for procurement and grants**  
NA

**5.5 Indicative budget**

	<b>EU contribution amount in EUR</b>
Objective of improved service delivery through a sector grant composed of	
- Indirect management (activity #1 and #2) Proposed Contribution Agreement with UNDP	5,600,000
Objective of improved provincial governance, sectoral integration and coordination composed of	
- Indirect management (activity #3 and 4) Proposed Contribution Agreement with UNICEF	2,200,000
Evaluation (cf. section 5.8), Audit (cf. section 5.9) / Expenditure verification	200,000
Communication and visibility (cf. section 5.11)	N.A. <sup>9</sup>
Contingencies	-
Totals	8,000,000

The Government of Solomon Islands may support the Provincial Governments during the implementation of the action with an indicative amount of SBD 22,000,000 (EUR 2,466,000) to be channelled through the PCDF (see Appendix 2).

## 5.6 Organisational set-up and responsibilities

The action will build on the existing PGSP governance structure, being:

- The **PGSP Joint Oversight Committee**, with as members the Secretary to the Cabinet, the Permanent Secretaries of ten ministries (i.e. MPGIS, MoF, MNPDC, MPS, MEHRD, MHMS, MRD, MID, MWYCFA and MECDM), the Accountant General, the Auditor General, a representative from the Ministry of Justice, and three Provincial secretaries on rotational basis, meeting twice a year; and
- the **Provincial Fiscal Grant Coordination Committee (PFGCC)** that regularly deliberates on issues related to PCDF in particular, but also sub-national PFM issues more in general. Members of the committee are the deputy secretaries of the aforementioned ministries plus all the nine provincial secretaries, meeting at least twice a year.

The mandate of both committees is to formulate policy, coordinate and monitor ‘PCDF and other related grants to PGs’, hence sector grants to PGs are already part of its mandate. The JOC approves (endorses) the results of the annual performance assessments and takes responsibility for the ensuing grant allocations.

The statutes of both committees already have provision for contributing development partners (like UNDP, UNICEF and the EU) to join the meetings as observer, whereby programme officers will be invited to PFGCC meetings and the country representatives as member of the oversight committee.

<sup>9</sup> Included in the budgets for indirect management

In the JOC, the EU representative is to be given the right of raising ‘objection’ in case of decisions involving EU funding. The EU will be allowed to participate in the JOC as observer.

Additionally a **Project Steering and Coordination Committee** composed by the EU, MNPDC, MPGIS and the implementing partners will meet twice a year to coordinate, monitor and provide advice on the implementation of this Financing Agreement and the related Contribution Agreements.

## **5.7 Performance and Results monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix. SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Monitoring and evaluation will be based on indicators that are disaggregated by a minimum sex and age, and even further when appropriate (disability, minority group, location urban/rural etc.) with a focus on the realisation of rights and the reduction of inequalities. Key stakeholders will participate in the monitoring process whenever possible.

## **5.8 Evaluation**

Having regard to the nature of the action, a mid-term evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for learning purposes, in particular with respect to the possibility to launch a second phase of the action, as these type of governance programmes usually take a longer time to come to full fruition, whilst also during implementation the context may have changed requiring modifications to the original plan. Recommendations for an exit strategy that will guarantee sustainability will be incorporated. The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

### **5.9 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services may be contracted under a framework contract.

### **5.10 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements. The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligation.

The budget for the implementation of the Communication and Visibility Plan will be included in the budget for indirect management of the implemented entities. The entities will dedicate part of their activities and resources only to this component.

## **6 PRE-CONDITIONS**

N.A.



**APPENDIX 1:  
INDICATIVE LOGFRAME MATRIX**

	<b>Main expected results and indicative activities</b>	<b>Indicators</b>	<b>Sources of data</b>	<b>Assumption</b>
<b>Impact (Overall Objective)</b>	<ul style="list-style-type: none"> <li>▪ Sound, inclusive, transparent and accountable, institutionally-embedded governance systems for sub-national service delivery in place and promoting rights realization</li> </ul>	<ul style="list-style-type: none"> <li>• System of sector grants for service delivery established and articulated within national structures.</li> <li>• Number of grants disbursed by Provincial governments according to their mandate on local service delivery</li> <li>• Number of projects that directly benefits women, children and vulnerable groups</li> </ul>	<ul style="list-style-type: none"> <li>• National and Provincial legislation and Standard Operating Procedures (SOPs)</li> <li>• Audited report from the Government</li> <li>• Project Progress Report</li> </ul>	Central government fully supports the reinforcement of PGs and the PCDF
<b>Outcome 1</b>	<ul style="list-style-type: none"> <li>▪ Improved service delivery in education and health by the Provincial Governments through the provision of sector grants</li> </ul>	<ul style="list-style-type: none"> <li>• Sector grants shown in National budget</li> <li>• % of increase of PG budgets for investment in education and/or health facilities and related capacity development interventions.</li> <li>• No or % of grants promoting gender equality.</li> <li>• Enhanced socioeconomic indicators related to access and/or quality of Education and Health at the provincial level</li> </ul>	<ul style="list-style-type: none"> <li>• Official data from National and Provincial Budgets</li> <li>• Government reports, Administrative/Sector data (ie: EMIS)</li> <li>• Project Progress report</li> <li>• Data from UN and Development Partners</li> </ul>	National and PG fully supportive and prioritize health and education sector
<b>Outputs</b>	<p><b>1.1.</b> Sector Grant for Health (including WASH) or Education established <i>Indicative activities:</i> i) Technical assistance for the review of the Grant manual; ii) Workshops with line ministries and MPGIS; iii) PFM technical assistance</p>	<ul style="list-style-type: none"> <li>• MOU/LoA between MPGIS and HMMS/MEHRD</li> <li>• Existing sector grant manual revised (for health and/or education) developed based on national systems and promotes coordination for effective local service delivery</li> <li>• % (or number) of PG that fully complies with Grant minimum conditions</li> </ul>	<ul style="list-style-type: none"> <li>• National and Provincial legislations and SOPs</li> <li>• Central Bank</li> <li>• Project Progress report</li> </ul>	Collaborative relationship between the Ministries and PGs
	<p><b>1.2.</b> PG and line ministry offices' capacity developed to implement sector grants. <i>Indicative activities:</i> i) Training to provincial officials for the implementation of the manual; ii) Establishment of coordination mechanisms at provincial level (MPGIS, MEHRD, MHMS and others); iii) M&amp;E tools developed; iv) Training</p>	<ul style="list-style-type: none"> <li>• SOPs established to clarify functional assignments and division of labour between PG/PS and deconcentrated administrations in charge of health and education</li> <li>• SOPs established to promote coordination and effective use of public resources for</li> </ul>	<ul style="list-style-type: none"> <li>• National and Provincial SOPs</li> <li>• Project Progress Report</li> </ul>	There is a genuine interest on the part of PGs and line Ministries for capacity development. There is change in behaviour and attitude

	on HRBA, Gender and climate change resilience to provincial officials.	health and education at the provincial level <ul style="list-style-type: none"> <li>• Capacities (PFM) of PGs to plan, implement, monitor and report utilization of grants enhanced</li> </ul>		of Government Officials and PGs following the Capacity development training
<b>Outcome 2</b>	<ul style="list-style-type: none"> <li>▪ More effective provincial governance system through a more integrated and unified Provincial Government administration</li> </ul>	<ul style="list-style-type: none"> <li>• Sector grant manual approved and applied by PGs and line ministries</li> <li>• Integrated planning coordination meetings at the provincial level (PGA and deconcentrated administrations)</li> <li>• Provincial sector plans (health/WASH and or Education discussed in Assembly and adopted.</li> <li>• Number / percentage of provincial sector service delivery projects / activities funded through the sector grants under PGSP under the Provincial sector Annual Operation Plan (AOP)</li> <li>• Percentage or number of sector/subsector actors utilizing the tool</li> </ul>	<ul style="list-style-type: none"> <li>• Manual developed</li> <li>• Minutes from Integrated planning meetings between PGA and deconcentrated administrations</li> <li>• Project Progress report</li> <li>• Provincial AOP reports.</li> </ul>	There is a political will for policy reform and service delivery Collaborative relationship between PGs and line Ministries
<b>Outputs</b>	<p><b>2.1.</b> Social sector advisors deployed to support Provincial Governments.  <i>Indicative activities:</i> i) Information and communication campaigns for communities; ii) Public consultations with communities and provincial officials; iii) Design and implementation of Standard Operational Procedures for implementation and monitoring of projects.</p>	<ul style="list-style-type: none"> <li>• TOR social sector advisers developed, including human rights and gender expertise.</li> <li>• Provincial sector plans (health/WASH and or Education developed and discussed in Assembly</li> </ul>	<ul style="list-style-type: none"> <li>• Minutes and Reports from Assembly meetings</li> <li>• Project progress report</li> </ul>	Qualified HR available to be deployed
	<p><b>2.2.</b> Support at the national level for policy development around provincial service delivery.  <i>Indicative activities:</i> i) National conference on service delivery; ii) Development of an engagement strategy with Development Partners; iii) Review of the legal framework for service delivery and decentralisation; iv) Technical assistance to MPGIS for the drafting of the new Provincial Governments Act.</p>	<ul style="list-style-type: none"> <li>• Roundtable meetings on decentralised service delivery</li> <li>• Progression of policy dialogue</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting minutes</li> <li>• Policy briefs</li> </ul>	Political will for reform

## **APPENDIX 2: PCDF**

### **SUMMARY OVERVIEW OF THE PROVINCIAL CAPACITY DEVELOPMENT FUND**

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The main instrument of the PGSP, to kickstart a process from a vicious cycle towards a virtuous cycle, has been the Provincial Capacity Development Fund (PCDF), which could nowadays also be called Provincial *Capital* Development Fund, a discretionary grant (i.e. not earmarked for any sector), for PGs to *learn by doing*.

The rules for the PCDF are detailed in a so-called grant manual. The key features of the PCDF grant are:

- That the budget envelopes for each province are formula based, hence objective and free from favouritism and personal relations; According to the present formula
  - 20% of the total available grant amount is shared equally amongst the nine provinces (the so-called fixed share);
  - 30% is shared based on population; and
  - 50% is allocated based on performance scores as determined during annual assessments.
- Main topics evaluated during the assessment are: (i) the role of the assembly, (ii) planning and budgeting, (iii) human resource management, (iv) procurement, (v) budget execution, (vi) PFM, (vii) revenue collection and finally (viii) governance and transparency.
- The assessment and the related financial reward are meant to create both incentives for and competition amongst the PGs to improve their performance.
- The thus established budget envelopes are communicated to the PGs well ahead of their annual planning cycle so they plan and budget within a hard budget constraint.
- A minimum of 75% of the budget needs to be allocated for infrastructural development, whilst only a maximum of 20% can be spend on expenditure related to the administration itself (including office infrastructure), whilst all investment service costs is also limited (to 5% of the total amount).
- In order to actually access the funds allocated to them, the PGs must meet the so-called minimum conditions, that provide a guarantee that the PGs have basic systems and procedures in place that allows to entrust them with the management of the grant. There are eight minimum conditions as follows:
  - Core staff is in place
  - The PG is law abiding (and no indication to the contrary)
  - An annual financial statement has been submitted to the OAG, and in a timely manner
  - Bank reconciliations are done monthly for all PG accounts, including the PCDF account
  - The annual Audit report has been deliberated in the assembly and audit queries are resolved
  - The PG has respected the PCDF co-funding obligations
  - Meetings of the Provincial Audit Committee took place and minutes tabled in the assembly.

If a PG score a ‘no’ on any of these eight MCs, it will for that year not be eligible for the grant and the amount thus not spent will be re-distributed amongst those PGs that did meet the MCs.

- In principle, PCDF funds ‘belong’ to the Provincial Governments and are spent according to their decisions and priorities *within* the parameters set by the grant manual.

MPGIS monitors adherence to those rules, but PGs are also expected to produce quarterly physical and financial progress report on the use of PCDF. PCDF allows to provide PGs with a sense of autonomy and foster their capabilities to care of mandates and functions entrusted to them, whilst -through the MCs, the annual assessment, and the reporting-, it has an array of check and balance mechanisms to ensure proper spending of the funds provided to the PGs.

In the initial years, the total PCDF envelop was fairly modest, but it increased over the years to reach, with SIG funding, a level of SBD 50 million (both budget and disbursement) in FY 2016/17 and 2017/18 budget. Due to a resource restriction, for 2018/19 only SBD 10 million was budgeted (and released). For the current FY 2019/20, the budget is set at SBD 40 million.

The majority of PCDF (some 35%) is spent on infrastructure projects in the sectors of health and education, but the involvement of the sector ministries is minimal.

**Table A3.1: PCDF disbursements - 2008/09 - 2018/19**

Province	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Central	765,565	510,000	824,684	814,684	3,080,630	2,690,918	5,106,661	3,385,625	4,220,973	797,870	989,592
Choiseul	970,000	646,030	954,190	1,062,359	3,816,086	2,679,086	5,296,871	3,858,944	4,888,334	4,943,856	869,591
Guadalcanal	2,000,000	1,991,712	1,474,348	0	6,216,176	3,733,392	0	0	7,817,453	7,547,623	1,485,697
Isabel	0	747,000	761,065	853,110	1,349,278	2,407,465	2,967,214	3,603,329	4,308,850	5,099,431	941,266
Makira Ulawa	1,287,607	882,598	1,294,154	1,759,500	4,519,503	3,551,592	3,619,969	3,749,603	3,522,739	5,192,554	1,134,908
Malaïta	3,140,254	1,692,434	3,316,042	3,376,839	0	0	0	8920280	11215275	12,647,328	1,851,397
Rennell & Bellona	0	260,000	255,067	351,225	0	1,718,809	0	0	1,399,590	2,458,229	428,618
Temotu	750,000	800,000	785,858	839,293	944,529	2,221,919	2,590,161	3,120,256	3,925,118	3,733,047	824,212
Western	2,000,000	1,328,679	2,001,184	2,183,703	5,974,281	5,659,800	9,419,124	6,861,963	8,701,668	7,580,065	1,474,718
<b>TOTAL</b>	<b>10,913,426</b>	<b>8,858,453</b>	<b>11,666,592</b>	<b>11,240,713</b>	<b>25,900,483</b>	<b>24,662,981</b>	<b>29,000,000</b>	<b>33,500,000</b>	<b>50,000,000</b>	<b>50,000,000</b>	<b>10,000,000</b>

## APPENDIX 3:

### GENDER ASSESMENT: EDUCATION, HEALTH AND DISABILITY IN SOLOMON ISLANDS

Gender issues continue to be a recurrent and a major concern across countries of the Pacific including the Solomon Islands. Many of the issues highlighted in the country gender assessment conducted in 2013-2014 by the MWYCFA with the assistance of ADB and the Pacific Community (SPC) continue to be relevant and resonate.<sup>10 11</sup> The availability of sex-disaggregated statistics continues to be a big challenge in providing a detailed picture of gender inequality across sectors. The following sections highlight issues of gender inequality across selected service areas of education, health -that are the focus of the Action-, and disabilities noting that specific gender dimensions of water and sanitation services are documented in a WASH gender assessment undertaken by CARE and UNICEF in 2019 with the RWASH stakeholder group.

#### Education

Based on the 2017 Annual MEHRD Report highlights a progress in the education sector reflected in a number of indicators. In 2017, more children attending early childhood, primary and secondary education. While there remains considerable variation across provinces there has been significant progress toward improving access to education of girls across levels of education in the Solomon Islands. Recent available statistics for 2016-2017 indicates increased gross enrolment rates of girls across levels except for junior secondary school. (Table 25, MEHRD 2017 Performance Report).

**Table A3.1: Summarized GER for ECE, Primary, JSS and SS, 2016-2017**

Year	2016			2017		
	Female	Male	Total	Female	Male	Total
ECE	60%	59%	59%	63%	60%	61%
Primary	116%	118%	117%	117%	119%	118%
JSS	76%	74%	75%	75%	71%	73%
SS	34%	36%	35%	35%	36%	35%

Gender balance as measured by the gender parity index also indicates improvement in 2017 compared to 2016, a result of more girls attending schools than boys.

Along with gender gap, differences in enrolment rates remain pronounced across provinces and between rural and urban areas reflecting the relative access to education services across provinces (see Tables 39-41 2017 Performance Report).

#### Health

While the health of women and children is an important policy concern, gender analysis in most if not all policy documents is very limited. It is widely documented however that gender inequality and gender violence is a pervasive phenomenon in Solomon Islands. The Solomon Islands' National Gender Equality and Women's Development Policy 2016-2020 highlights the following dimension of gender inequality in the country as follows:<sup>12</sup>

- Net enrolment rates at secondary school are low for both girls and boys, and women made up only 38% of the total estimated enrolment in tertiary education in 2012 (ADB 2015).

<sup>10</sup> ADB. Solomon Islands Country Gender Assessment. 2015 p xiii-xix

<sup>11</sup> For a discussion of gender and social inclusion issues in the Solomon Islands, see also DFAT Solomon Islands Justice Program Design Document 2017 pp73-74

<sup>12</sup> For details, see Ministry of Women, Youth, Children and Family Affairs. SI National National Gender Equality and Women's Development Policy 2016-2020.

- According to the 2009 census, 62% of women and 64% of men aged 12 and older were in the labour force, but only 26% of women were in paid work (ADB 2015).
- Only 5% of senior public servant positions and 22% of mid-level positions are occupied by women (ADB 2015).
- The sexual and reproductive health and rights of women and girls are not protected (SIG 2009).
- Two out of three women between ages 15-49 have experienced physical and/or sexual abuse in their lifetime by an intimate partner (SIG 2009).
- There are structural obstacles to women's access to justice, which include women's lack of awareness of their own rights, scarce presence of justice systems beyond Honiara, and limited presence of females in the top levels of the judicial system and law enforcement (ADB 2015).

Drawing from the analysis of the Gender Country Assessment (2015) that used maternal and reproductive health information to describe inequality in health, the report noted that:

- Maternal health data indicate that 95% of women received only one antenatal care during pregnancy
- About 94-95% of urban women compared with 83-84% of rural women gave birth with skilled health professional or in a clinical setting; By province, the highest proportion of birth outside of clinical setting was Guadalcanal Province (29%), whereas the lowest rates were in Western Province (6%) and Honiara (4%).

It is also underscored that

*"The impact of poor water and sanitation services falls disproportionately on women who bear responsibility for all household water and sanitation related tasks such as cleaning, cooking, washing, caring for children and the sick. The burden on women includes time and physical labour required to collect water from water sources and carry water home and as highlighted in a study on informal settlements in the region the risk of sexual and physical violence from collecting water or defecating away from home late at night or in the early morning is real. Additionally, poor WASH particularly in healthcare facilities can have adverse impacts on maternal health and child birth."*<sup>13</sup>

#### **Disability Analysis<sup>14</sup>**

Based on the 2009 population census, a total of 8,573 Solomon Islanders out of a total population of 515,870 or 1.66% of the total population were reported as disabled. For children and adolescents aged 5 to 19 years, rates of disability ranged from 1.21% for visual problems, 1.4% for walking difficulties, 1.9% for hearing impairments, and 2.4% for memory problems (Solomon Islands Government 2009). While these disability categories and their accuracy may be limited, these figures suggest a large proportion of children with disabilities may be out of school when compared to a disability rate of 1.3% for students enrolled in schools across the nation. A 2004/2005 national disability survey in Solomon Islands which is the only survey publicly carried out in the country which at that time found that out of a total of 11,107 persons with disabilities, 1,796 or 25.6% was under the age of 20. The main disabilities in this age group were deafness and hearing impairments; physical disabilities including cerebral palsy; blindness and visual impairments; and general intellectual disabilities. Cerebral malaria and meningitis are common illnesses that can

<sup>13</sup> Detailed National Sustainable Water and Sanitation Plan. Draft. September 2017. Pp 10-11.

<sup>14</sup> Based from the MEHRD Solomon Islands National Disability Inclusive Policy 2016-2020

result in cerebral palsy with life-long disability. It is thought that nutritional deficiencies and sexually transmitted diseases may also be contributing to increasing numbers of CWD.<sup>15</sup> Education for children with disability (CWD) in Solomon Islands is very limited and that a very small proportion of children with disabilities are attending school. Official statistics record that: (i) 2% of CWD attend primary school; (ii) 1% junior secondary school; and, (iii) less than 1% at senior secondary school. Those CWD who do attend school tend only to stay for a few years. It is apparent that most CWD in rural areas– the major part of the country – do not attend school. This is often due to the distances that children have to walk to school and also due to attitudes of teachers who lack the confidence to teach children perceived to have different abilities

There are no currently available sex-disaggregated data on PWD to provide more detail insights on female. Although the absolute numbers of persons with disability is relatively small, this group suffers from more serious of access to services that has more profound impact on their living conditions given their state of health.

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<sup>15</sup> Ibid p1-2