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# SOLOMON ISLANDS

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## INTRODUCTION

WITH A GROSS NATIONAL INCOME (GNI) reaching USD 1 030 per capita in 2010, the Solomon Islands was reclassified as a middle-income country in 2011 (WDI, 2011). It has a population of approximately 523 000 (WDI, 2011). The Solomon Islands underwent a disruptive post-conflict period in the early 2000s, although by 2010 the country had made significant progress in health and education, and in reducing poverty and combating HIV.

Since 2005, net ODA has averaged 44% of GNI (WDI, 2011). The major bilateral donors are Australia, New Zealand and Japan, while traditional multilateral donors include the World Bank, the UN agencies, the European Union and the Asian Development Bank. The survey responses indicated that ODA to the Solomon Islands in 2010 totalled USD 202 million. This figure does not include additional assistance of USD 155 million for the police component of the Regional Assistance Mission to the Solomon Islands.

Furthermore, less than one-third of the country's development is funded through appropriated funds from budget which is implemented by the government using its own financial management systems and administrative mechanisms. The remaining two-thirds of the development expenditures and activities are ODA funded and are implemented by donors through the line ministries of the Solomon Islands government and other partners. ■

## SUMMARY OF PROGRESS

PROGRESS ON THE PARIS DECLARATION INDICATORS depends on improvements by both donors and partner governments. The Solomon Islands participated in the Paris Declaration Monitoring Survey for the first time in 2010. Out of ten indicators with applicable targets, two have been met. An operational development strategy is in place, although it only scored a C in 2010. On alignment, two out of four indicators with applicable targets have been met (strengthened support for capacity building and untied aid). However, the reliability of public financial management systems experienced difficulties in the post-Tension period, according to the World Bank's analysis, but has considerably improved in the recent years. One of the drawbacks is that a very low proportion of disbursed aid is included in estimates and government accounting systems during the budget formulation and implementation processes. On harmonisation, no targets have been met, although "joint country analytic work" is relatively close to target. The Solomon Islands' results-oriented framework has not met the 2010 target due to lack of key data for formulation of such framework and a formal mutual accountability mechanism was not considered to be in place.

Discussions held during the survey process suggest that the government and donors face a number of notable challenges in implementing their commitments to enhance aid effectiveness. These include the lack of awareness and information on aid effectiveness principles, especially at the sector level, weak linkages between the medium-term development strategy (MTDS 2008-10) and sub-national strategies, ineffective channelling of donor resources to

the country's development priorities, and ineffective implementation and monitoring of development projects across sectors and provinces. Another key challenge is to strengthen institutional arrangements and management capacities at the provincial level. This is necessary to ensure the effective delivery of public services to the rural population. Work is underway to address some of these challenges.

**TABLE 1:**  
Baselines and targets  
for 2010

| INDICATORS |  | 2005 REFERENCE | 2007          | 2010 ACTUAL   | 2010 TARGET   |
|------------|--|----------------|---------------|---------------|---------------|
| 1          | Operational development strategies                 | --             | --            | C             | 'B' or 'A'    |
| 2a         | Reliable public financial management (PFM) systems | 3.0            | 2.5           | 2.5           | 3.5           |
| 2b         | Reliable procurement systems                       | Not available  | Not available | Not available | No Target     |
| 3          | Aid flows are aligned on national priorities       | --             | --            | 21%           | 85%           |
| 4          | Strengthen capacity by co-ordinated support        | --             | --            | 86%           | 50%           |
| 5a         | Use of country PFM systems                         | --             | --            | 35%           | No Target     |
| 5b         | Use of country procurement systems                 | --             | --            | 36%           | No Target     |
| 6          | Strengthen capacity by avoiding parallel PIUs      | --             | --            | 17            | No Target     |
| 7          | Aid is more predictable                            | --             | --            | 27%           | No Target     |
| 8          | Aid is untied                                      | 96%            | 99%           | 98%           | More than 96% |
| 9          | Use of common arrangements or procedures           | --             | --            | 39%           | 66%           |
| 10a        | Joint missions                                     | --             | --            | 17%           | 40%           |
| 10b        | Joint country analytic work                        | --             | --            | 54%           | 66%           |
| 11         | Results-oriented frameworks                        | --             | --            | C             | 'B' or 'A'    |
| 12         | Mutual accountability                              | Not available  | Not available | N             | Y             |

**TABLE 2:**  
Learning from success  
and challenges

|           | ACHIEVEMENT OR CHALLENGE  | LESSON OR PRIORITY ACTION   |
|-----------|---|---|
| Ownership | <b>Challenge:</b> The long-term development strategy is still in draft form in place and the role and responsibility of the provincial governments in implementation of objectives at the sub-national level is not well established and capacities remain limited.   | <b>Priority action:</b> Ensure the proposed long-term vision and the successor NDS encompass the policy direction and strategies for bridging the weak linkages between the national, sectoral and provincial development strategies.<br><br><b>Priority action:</b> The NDS was endorsed by cabinet in August 2011 and launched in September 2011. Consultation with stakeholders is ongoing. The Solomon Islands government is already working on other related issues including capacities |
| Alignment | <b>Challenge:</b> Progress on alignment of aid flows to national priorities has been weak, with only 21% of aid aligned. Lack of progress in aligning projects with the national development framework is due to the exclusion of donor funded projects, which account for two-thirds of the country's total development expenditures in the government's budget estimate and accounting system. A large number of development projects are implemented by donors outside government budgetary mechanism.<br><br><b>Achievement:</b> A significant proportion of technical co-operation is co-ordinated and aligned with country priorities and strategies. | <b>Lesson:</b> Technical support provided in line with the government's development priorities to support capacity development and maximise the benefits of the donor-funded technical co-operation is working. A national human resource development plan is in place related to education and skills training to sustainably meet the manpower needs of the country.  |

|                       | ACHIEVEMENT OR CHALLENGE   | LESSON OR PRIORITY ACTION   |
|-----------------------|--|---|
| Harmonisation         | <b>Challenge:</b> A relatively low proportion of aid uses programme based approaches, although there are SWAps in education, health and transport sectors. There have been large increases in the provision of general or sector budget support by major donors in recent years.       | <b>Priority action:</b> Include a greater proportion of donor-funded programmes in the national budget and enhance the alignment of all donor funded programmes within line ministries while building institutional capacity. There is co-financing in several important programmes in the country.                                     |
| Managing for results  | <b>Achievement:</b> Since 2009 there has been co-ordination in the context of the Core Economic Working Group (CEWG) which is confined to the donors providing budget support at this stage. There is also a government reform programme which is assessed jointly on an annual basis. | <b>Priority action:</b> Undertake extensive consultation with government officials, stakeholders and donors in developing a results and monitoring framework to guide aid co-ordination and management processes. The Solomon Islands government is already working on this.  |
| Mutual accountability | <b>Challenge:</b> The Solomon Islands does not have a formal mutual accountability mechanism in place, although a system of joint review of economic and financial reforms has been operating with donor participation under the Core Economic Working Group.                          | <b>Priority action:</b> Build on joint partnerships agreements to create appropriate mechanisms for mutual assessment, including effective utilisation of the aid information management system and implementation of an upgraded aid co-ordination and management strategy. The Solomon Islands government is already working on this. |

The awareness of aid effectiveness principles and collective responsibility for their implementation has improved with the participation of the country in the 2011 Paris Declaration Monitoring Survey. Responsible officials of the Solomon Islands government line ministries are increasingly engaged in the consultation process with the donors with the purpose of aligning and integrating the donor-implemented programmes and projects within the framework of the respective ministries.

In order to create maximum impact of the ODA and to produce significant tangible development results in the country, the Solomon Islands government and donors have intensified collaboration with a view to enhancing aid effectiveness. It has been identified that the most important priority is to integrate the existing donor-implemented projects into the country's development strategy and plans, and to include these projects into its planning, coordination and monitoring processes.

A new national development strategy (NDS) 2011-20 was formulated through extensive consultations with various stakeholders, including provincial governments, non-governmental organisations, civil society, and the private sector. The NDS 2011-20 was endorsed by the Cabinet in August 2011 and was formally launched in September 2011. It is expected that, with the implementation of the NDS 2011-20, channelling of donor resources to the country's development priorities, and monitoring of development projects across sectors and provinces will improve considerably. The Ministry of Development Planning and Aid Coordination (MDPAC), Office of the Prime Minister and the Cabinet (OPMC), Ministry of Provincial Government and Institutional Strengthening (MPGIS), Ministry of Finance and Treasury (MoFT) and other relevant line agencies would engage in high-level discussions with donors in order to align donor-funded programmes and projects to the NDS 2011-20 priorities.

## ABOUT THE SURVEY

This chapter assesses progress against the quantitative indicators provided by the Survey on Monitoring the Paris Declaration, drawing on data provided by the government and donors, the OECD and the World Bank. In addition to this, it draws on qualitative evidence submitted to the OECD by the national government which incorporates feedback from donors and other stakeholders.

The 2011 survey responses cover ten donors and 99% of Solomon Islands' core ODA. The survey was co-ordinated by the Ministry of Development Planning and Aid Co-ordination. The UNDP served as the donor focal point of the survey. Since 2005, only two indicators have been measured consistently: indicator 2a on reliable public financial management (PFM) systems (by the World Bank) and indicator 8 on untied aid (by the OECD). ■

## OWNERSHIP

**AID IS MOST EFFECTIVE** when it supports a country-owned approach to development. It is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

### INDICATOR 1

Do countries have operational development strategies?

Indicator 1 assesses the operational value of a country's development strategy. In particular, it looks at the existence of an authoritative country-wide development policy (*i.e.* a unified strategic framework), the extent to which priorities are established, and whether these policies are costed and linked with the budget. All of these features are important to harness domestic resources for development, and to provide a basis for the alignment of aid to development priorities. Each country has provided evidence against these criteria, and this has been translated into a score by the World Bank using the same methodology as in the 2006 and 2008 surveys. A five-point scale runs from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010.

In 2010 the Solomon Islands was assessed a C on the operationality of its national development strategies, leaving the 2010 target unmet. The medium-term development strategy (MTDS), which was formulated in 2008 covered the 2008-10 period set out the specific priorities on which the government will focus in each economic sector and identified the specific priority activities in each of six priority areas and thirty sectors encompassed by these areas. According to the World Bank's assessment, there is no long-term vision guiding the MTDS 2008-10.

The Solomon Islands did, however, provide an institutional framework within which sectoral and provincial strategic plans play a key role in the implementation of annual plans and in monitoring and evaluation. These are linked by ministry corporate plans and budget allocations of ministries and departments, however, the role and responsibility of the provincial governments in implementation of the national objectives at the sub-national level is not well established, according to the World Bank. Policy makers and line ministries have used the MTDS 2008-10 as the reference point for the government's policy and strategic direction and for preparation of Corporate Plans and budget allocations of the ministries. The Ministry of Development Planning and Aid Coordination used the MTDS 2008-10 for review of development project proposals, which are submitted by line ministries for funding, to determine if the proposed projects are in line with the national objectives and sectoral priorities.

The MTDS 2008-10 also identified the specific priorities on which the government will focus in each economic sector and listed the specific priority activities in each of six priority areas and thirty sectors covered by these areas. Reconciliation is the number one priority and has the first claim on development resources beyond the needs of government's other identified priority areas. Disadvantaged rural and urban squatter communities are specifically targeted. Economic development is given sectoral priority, with particular focus on tourism, fisheries and agriculture, as well as other economic sectors which contributes to generating higher growth and incomes in the medium term. Forty-eight indicators of eighteen targets under eight MDGs are included in the MTDS 2008-10 and are tailored to the country's context. Cross-cutting issues like gender, environment and governance are mainstreamed in this document.

Solomon Islands has a medium-term fiscal framework (MTFF) in place for the period 2008-13, which was updated in 2010. An MTEF preparation process has been also initiated. Thirty-eight development programmes in six priority areas are encompassed in the strategy. For each programme design component, performance indicators and targets, monitoring mechanisms and risks are specified. The indicative costs of each programme are consolidated to produce an estimated cost of the strategy. While there is no specific linkage between the MTFF and the MTDS 2008-10, the latter is used by Ministry of Finance and Treasury for allocation of appropriated funds for the priority development programmes. Line ministries submit budget funding proposals, which are prepared in line with the respective sector strategy priorities. Budget allocations are made to line ministries upon due consideration of available resources and guided by the priorities in accordance with government policies. Ongoing and planned budget reforms and public expenditure reviews are aimed at introducing ‘performance orientation’ in budgeting process.

A successor to MTDS 2008-10, the new national development strategy covering 2011-20 has since been formulated and officially launched. This elaborates on the linkages and processes of translating eight national objectives into implementable programmes in the medium-term sector and sub-national strategies. Project cycle management, which is widely operated by the donors internationally, has been adopted as the mechanism for the decision making and implementation of the NDS 2011-20. A Logical Framework methodology has been merged for planning, management and evaluation of the programmes and projects with a view to effectively channelling domestic and external resources for realization of the national objectives. The NDS 2011-20 also charts its link with medium-term expenditure framework (MTEF) and also the linkages between MTEF, through medium-term development plans, and development budgets which would be formulated each year. ■

## ALIGNMENT

**AID THAT IS DONOR DRIVEN AND FRAGMENTED** is less effective. For aid to be effective, it must make use of national development strategies and use and help strengthen capacity in national systems, such as those for procurement and public financial management. The Paris Declaration envisions donors basing their support fully on partner countries’ aims and objectives. Indicators 2 through 8 of the Paris Declaration assess several different dimensions of alignment.

Two out of four alignment indicators with applicable targets were met in 2010 – strengthened support for capacity building and untied aid, both of which are significantly above target. On the other hand, a very limited proportion of aid was accurately estimated on budget due to current practice of recording only the budget support component of ODA in the government budget. There are no applicable targets for remaining indicators.

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. Do these systems either adhere to good practices or are there plans for reform? If countries have reliable systems, donors are encouraged to use them for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses whether PFM systems meet broadly accepted good practices or whether credible reform programmes are in place. The assessment is based on the World Bank’s Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong).

To score highly, a country needs to perform well against all three of the following criteria: a comprehensive and credible budget linked to policy priorities; an effective financial management system to ensure that the budget is implemented as intended in a controlled and predictable way; and timely and accurate accounting

**INDICATOR 2**  
Building reliable  
country systems

**INDICATOR 2a**  
How reliable are  
country public financial  
management systems?

and fiscal reporting, including timely and audited public accounts with effective arrangements for follow up. Meeting the global 2010 target requires half of partner countries to move up at least one measure (*i.e.* 0.5 points) between 2005 and 2010.

The Solomon Islands received a score of 2.5 on the reliability of country public financial management (PFM) systems, a setback from 2005 and below the 2010 target of 3.5. However, the 2008 PEFA Assessment of the Solomon Islands notes important progress made by the government in improving its PFM performance, particularly in the areas of revenues, debt management, financial reporting and audit. The assessment also notes a number of reforms underway to address some of the weaknesses in the area of tax administration, financial management and audit of state-owned enterprises. However, all stakeholders recognised that significant challenges remained, given the difficult economic environment which would seriously constrain government revenues. In its medium-term fiscal strategy, the government committed to continue its prudent approach to debt management and to control expenditure growth through improvements in financial management.

The government made notable efforts to improve the quality of PFM systems, which include reforming the existing budget process to support a clearer articulation of government priorities and improve the accountability of service delivery, updating and publishing a medium-term fiscal framework (MTFF), and formulating a medium-term expenditure framework (MTEF) for the first time.

The government has initiated a review of the Public Finance and Audit Act to incorporate fiscal responsibility and transparency provisions. It consists of four main pillars, namely (a) principles of financial responsibility, (b) the use of public finances/resources and donor funds, (c) resource management and the budget process, and (d) debt/liability management. The review will also be complemented by the National Audit Bill and state-owned enterprises reforms.

However, stakeholder consultations suggested that the role and responsibility of the provincial governments in the implementation of the budget and financial management at the sub-national level is not well established. There is need for decentralisation and capacity strengthening of provincial governments in order to improve public financial management at the sub national level and enable the effective delivery of public services to the rural population. The Provincial Governance Strengthening Programme (PGSP), supported by the EU Institutions, UNDP and Australia, is implementing programmes to improve capacities in this regard. The capacity of provincial governments to use grants and funds has been strengthened and they have fulfilled certain minimum conditions for proper use of available resources. It has been commented, however, that the devolution or not of functional assignments to the provincial governments should not be the focus when assessing the existing public financial management arrangements for administering existing funds/grants delivered through the provincial governments.

**INDICATOR 2b**  
How reliable are country  
procurement systems?

Indicator 2b was first measured in 2008 by 17 countries. The process is one of self-assessment, using the Methodology for the Assessment of National Procurement Systems (MAPS) developed by the OECD-DAC Task Force on Procurement. The methodology includes baseline indicators to compare a country's systems to internationally accepted good practice, as well as a new set of indicators. These indicators assess overall performance of the system, compliance with national legislation and standards and whether there is a reform programme in place to promote improved practices. The results are expressed as grades on a four-point scale running from A (the highest) to D (the lowest). The 2010 target is for a third of partner countries to move up at least one measure (*i.e.* from D to C, C to B or B to A) although not all countries will perform an assessment.

The Solomon Islands was not assessed on the reliability of its procurement systems in 2010 and no target was applicable. However, a procurement system has been institutionalised in the financial instructions of the Public Finance and Audit Act, which became effective at the beginning of 2004 (and was amended in 2010). A training programme was also undertaken in 2010 by the Ministry of Finance and Treasury for accounting authorities under the Public Finance and Audit Act.

Comprehensive and transparent reporting on aid, and its use, helps ensure that donors align aid flows with national development priorities. When aid directed to the government sector is fully and accurately reflected in the national budget it indicates that aid programmes are well connected with country policies and processes. This also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

As a proxy for alignment, indicator 3 measures the percentage of aid disbursed by donors for the government sector that is included in the annual budget for the same fiscal year. The indicator reflects two components: the degree to which aid is aligned with government priorities, and the extent to which aid is captured in government's budget preparation process. Budget estimates can be higher or lower than disbursements by donors and are treated similarly for the purpose of measuring indicator 3 despite the different causes.

The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets, with at least 85% of aid reflected in the budget.

**INDICATOR 3**  
Aligning aid flows on national priorities

**TABLE 3:**  
Are government budget estimates comprehensive and realistic?

|                     | Government's budget estimates of aid flows in 2010 (USD m)<br>a | Aid disbursed by donors for government sector in 2010 (USD m)<br>b | 2005            |           | 2007            |           | 2010 *     |           | Total aid disbursed through other donors (USD m) |
|---------------------|---|--|-----------------|-----------|-----------------|-----------|------------|-----------|--|
|                     |   |  | (for reference) |           | (for reference) |           | (%)        |           |  |
|                     |   |  |                 |           |                 |           | c = a / b  | c = b / a |  |
| [Other donors]      | 0   | 42   | --              | --        | --              | --        | 0%         |           | 0  |
| Asian Dev. Bank     | 5   | 15   | --              | --        | --              | --        | 37%        |           | 0  |
| Australia           | 10  | 23   | --              | --        | --              | --        | 45%        |           | 196  |
| Chinese Taipei      | 11  | 0  | --              | --        | --              | --        |            | 0%        | 0  |
| EU Institutions     | 0   | 28   | --              | --        | --              | --        | 0%         |           | 6  |
| GAVI Alliance       | 0   | 0  | --              | --        | --              | --        | 0%         |           | 0  |
| Global Fund         | 0   | 2  | --              | --        | --              | --        | 0%         |           | 0  |
| Japan               | 0   | 13   | --              | --        | --              | --        | 0%         |           | 1  |
| New Zealand         | 7   | 23   | --              | --        | --              | --        | 32%        |           | 2  |
| United Nations      | 0   | 9  | --              | --        | --              | --        | 0%         |           | 0  |
| World Bank          | 0   | 8  | --              | --        | --              | --        | 0%         |           | 0  |
| Average donor ratio |   |  | --              | --        | --              | --        | 10%        |           |  |
| <b>Total</b>        | <b>34</b>   | <b>162</b>   | <b>--</b>       | <b>--</b> | <b>--</b>       | <b>--</b> | <b>21%</b> |           | <b>205</b>                                       |

\* Ratio is  $c = a / b$  except where government's budget estimates are greater than disbursements ( $c = b / a$ ).

The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets with at least 85% of aid reported on the budget. In 2010, 21% of Solomon Islands' aid was reported on budget. In order to improve this score to the target of 85%, the numerous projects which are implemented by donors through various line ministries outside government's budgetary mechanism need to be aligned or realigned and integrated to the country's overall development framework.

This is far below the 85% target, indicating that the significant majority of aid is not well aligned to national priorities or information is not thoroughly integrated in the government budget. Among all donors, only Australia, the Asian Development Bank and New Zealand have any aid flows reported on budget estimates (recording between 32%-45%). The discrepancy between government budget estimate (Qg14) and disbursement (Qg15) figures and donor-reported actual disbursements (Qd4) can partly be explained by current practices in which only the budget support component of donor disbursements is recorded in annual budget estimates. The gap can be narrowed through increasing the proportion of donor fund delivery in support of programme-based approaches, including budget support and sector wide approach mechanisms. The Solomon Islands government has also implemented a Development Assistance Database, launched in early 2011, which can be expected to lead to more comprehensive information on donor funding.

It is important to note that almost USD 20 million was provided by EU Institutions as budget support in 2010 as part of a Vulnerability FLEX mechanism to respond to the impact of the global crisis. This support was to mitigate the effects of the government fiscal financing gap in 2010 and was therefore a contingency support not foreseen in the initial budget estimates.

**INDICATOR 7**  
Providing more  
predictable aid

For many countries, aid is a vital source of revenue and resources. Being able to predict aid disbursements – both in terms of how much aid will be delivered and when – is important to enable countries to manage public finances and undertake realistic planning for development. The Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable manner according to agreed schedules.

Indicator 7 examines the in-year predictability of aid for the government sector by measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in their accounting systems as having been disbursed. Indicator 7 therefore assesses two aspects of predictability. The first is the ability of donors to disburse aid according to schedule. The second is the ability of government to record disbursements for the government sector as received in its accounting system. Indicator 7 is designed to encourage progress in relation to both, with the aim of halving the proportion of aid not disbursed (and not captured in the government's accounting system) within the fiscal year for which it was scheduled by 2010. The ultimate goal is to improve not only the predictability of disbursements, but also the accuracy with which they are recorded in government systems – an important element to support ownership, accountability and transparency.

**TABLE 4:**  
Are disbursements on  
schedule and recorded  
by government?

|                     | Disbursements recorded by government in 2010 | Aid scheduled by donors for disbursement in 2010 | 2005            |                 | 2007            |                 | 2010*      |           | For reference: Aid disbursed by donors for government sector in 2010 | For reference: % of scheduled aid disbursements reported as disbursed by donors in 2010** |            |
|---------------------|--|--|-----------------|-----------------|-----------------|-----------------|------------|-----------|--|---|------------|
|                     | (USD m)                                      | (USD m)  | (for reference) | (for reference) | (for reference) | (for reference) | (%)        | (%)       | (USD m)  | (%)   | (%)        |
|                     | a  | b  |                 |                 |                 |                 | c = a / b  | c = b / a | d  | e = d / b   | e = b / d  |
| [Other donors]      | 0  | 45   | --              | --              | --              | --              | 0%         |           | 42   | 93%   |            |
| Asian Dev. Bank     | 5  | 39   | --              | --              | --              | --              | 14%        |           | 15   | 37%   |            |
| Australia           | 23   | 21   | --              | --              | --              | --              |            | 91%       | 23   |   | 91%        |
| Chinese Taipei      | 0  | 0  | --              | --              | --              | --              | --         |           | 0  | --  |            |
| EU Institutions     | 21   | 33   | --              | --              | --              | --              | 63%        |           | 28   | 85%   |            |
| GAVI Alliance       | 0  | 0  | --              | --              | --              | --              | 0%         |           | 0  |   | 79%        |
| Global Fund         | 0  | 0  | --              | --              | --              | --              | --         |           | 2  |   | 0%         |
| Japan               | 0  | 13   | --              | --              | --              | --              | 0%         |           | 13   | 100%  |            |
| New Zealand         | 5  | 26   | --              | --              | --              | --              | 19%        |           | 23   | 88%   |            |
| United Nations      | 0  | 12   | --              | --              | --              | --              | 0%         |           | 9  | 80%   |            |
| World Bank          | 0  | 10   | --              | --              | --              | --              | 0%         |           | 8  | 77%   |            |
| Average donor ratio |  |  | --              | --              | --              | --              | 21%        |           |  |   | 73%        |
| <b>Total</b>        | <b>54</b>                                    | <b>199</b>                                       | <b>--</b>       | <b>--</b>       | <b>--</b>       | <b>--</b>       | <b>27%</b> |           | <b>162</b>   |   | <b>81%</b> |

\* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

\*\* Ratio is e=d/b except where disbursements recorded by donors are greater than aid scheduled for disbursement (e=b/d).

In 2010, the proportion of aid accurately recorded in public accounts was 27%. No target was applicable. The predictability of aid has been highest for Australia (91%) and the EU Institutions (63%). All remaining donors failed to register scores above 20%. The relatively low overall score is due to the exclusion of donor-funded development projects from the budget. The score for each donor represents the ratio of budget support that was recorded in the government budget to total ODA that had been scheduled by respective donors. Due to the current practice of ODA being recorded in government accounts, the scores are zero percent for



those donors that did not provide budget support, though substantial ODA is disbursed by them outside the government budgetary mechanism. Hence, in the context of Solomon Islands, the scores for this indicator do not reflect correct picture of aid predictability.

A number of measures have been taken to enhance aid predictability. The country has adopted a policy to encourage the alignment of operations of all donor funded programmes within the framework of related ministries in order to facilitate timely monitoring of the project disbursement and execution. In addition, the Development Assistance Database will facilitate the monitoring of fund dispersal, the execution and reporting on donor-funded projects (including donor projects not reported on the budget). To provide full and timely information on annual commitments and actual disbursements (Accra Action Agenda 26a), donor data and information on all projects are collected annually by the Ministry of Development Planning and Aid Co-ordination, and integrated into approved development estimates by the Ministry of Finance and Treasury for the following year. These, together with the Development Assistance Database (DAD), will be used by the line ministries and donors for co-ordination, monitoring, evaluation and reporting purposes. Information provided by donors will in future aim at delivering Accra Agenda for Action commitment 26c on providing rolling three-to-five year expenditure and/or implementation plans.

Capacity constraints present significant challenges to development and poverty reduction efforts and their sustainability. These relate both to aid management capacities (the ability of the government to capture, co-ordinate and utilise aid flows more effectively) and also to broader capacities for the design and implementation of policies and service delivery.

Under the Paris Declaration donors committed to providing technical co-operation that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Successful capacity development is led by the partner country.

Indicator 4 focuses on the extent to which donor technical co-operation (an important input into capacity development) is country-led and well co-ordinated. It captures the extent to which technical co-operation is aligned with objectives articulated by country authorities, whether country authorities have control over this assistance, and whether arrangements are in place to co-ordinate support provided by different donors. The Paris Declaration target is for 50% of technical co-operation flows to be implemented through co-ordinated programmes that are consistent with national development strategies by 2010.

#### INDICATOR 4

Co-ordinating support to strengthen capacity

|                 | Co-ordinated technical co-operation (USD m) | Total technical co-operation (USD m) | 2005 (for reference) | 2007 (for reference) | 2010 (%)<br>c = a / b |
|-----------------|---|--------------------------------------|----------------------|----------------------|-----------------------|
|                 | a   | b                                    |                      |                      |                       |
| [Other donors]  | 22  | 22                                   | --                   | --                   | 100%                  |
| Asian Dev. Bank | 4   | 4                                    | --                   | --                   | 96%                   |
| Australia       | 2   | 5                                    | --                   | --                   | 45%                   |
| Chinese Taipei  | 0   | 0                                    | --                   | --                   | --                    |
| EU Institutions | 0   | 2                                    | --                   | --                   | 0%                    |
| GAVI Alliance   | 0   | 0                                    | --                   | --                   | --                    |
| Global Fund     | 0   | 0                                    | --                   | --                   | --                    |
| Japan           | 2   | 2                                    | --                   | --                   | 100%                  |
| New Zealand     | 10  | 11                                   | --                   | --                   | 90%                   |
| United Nations  | 3   | 4                                    | --                   | --                   | 64%                   |
| World Bank      | 2   | 2                                    | --                   | --                   | 100%                  |
| <b>Total</b>    | <b>45</b>                                   | <b>52</b>                            | <b>--</b>            | <b>--</b>            | <b>86%</b>            |

TABLE 5:  
How much technical co-operation is co-ordinated with country programmes?

The share of technical co-operation provided through co-ordinated programmes in support of capacity development was 86% in 2010. This is considerably above the 2010 target of 50%. To improve co-ordinated technical assistance for strengthening capacity in targeted areas in accordance with the country's development priorities, the Ministry of Development Planning and Aid Co-ordination is drafting a National Human Resource Development Plan (2011-2013). The plan's objective is to develop skills to match the current and future development requirements in the private and public sector, and also to meet demand from the international labour markets. The plan encompasses five components, which are (1) establishing a National Human Resource Development and Training Council; (2) establishing systems to identify priority areas of human resource development; (3) developing a demand responsive human resource development; (4) develop enterprises and skills to improve livelihoods; and (5) maximise international labour market opportunities. The latter priority notably sets out the development of a human resources database for human resources planning and forecasting. On the donor side, major donors provide technical co-operation in their areas of interest and comparative advantage, based on the capacity development priorities of the Solomon Islands. However, technical co-operation tends to be in line with the capacity needs identified in sector plans/ministry corporate plans, rather than with a national capacity needs assessment linked to the national development strategy.

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the government's long-term capacity to develop, implement and account for its policies to both its citizens and its parliament. The Paris Declaration commits donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. Indicator 5 is directly linked to indicator 2 on the quality of public financial management (PFM) and procurement systems.

**INDICATOR 5**

Using country systems

**TABLE 6:**

How much aid for the government sector uses country systems?

|                 | Aid disbursed by donors for government sector (USD m) | Public financial management |                     |           |                 |                 |            | Procurement   |                 |                 |            |
|-----------------|---|-----------------------------|---------------------|-----------|-----------------|-----------------|------------|---------------|-----------------|-----------------|------------|
|                 |   | Budget execution            | Financial reporting | Auditing  | 2005            | 2007            | 2010       | Proc. systems | 2005            | 2007            | 2010       |
|                 |   | (USD m)                     | (USD m)             | (USD m)   | (for reference) | (for reference) | (%)        | (USD m)       | (for reference) | (for reference) | (%)        |
| a               | b   | c                           | d                   |           |                 | avg(b,c,d)/a    | e          |               |                 | e/a             |            |
| [Other donors]  | 42  | 0                           | 0                   | 0         | --              | --              | 0%         | 0             | --              | --              | 0%         |
| Asian Dev. Bank | 15  | 5                           | 5                   | 13        | --              | --              | 52%        | 8             | --              | --              | 54%        |
| Australia       | 23  | 20                          | 17                  | 20        | --              | --              | 83%        | 13            | --              | --              | 55%        |
| Chinese Taipei  | 0   | 0                           | 0                   | 0         | --              | --              | --         | 0             | --              | --              | --         |
| EU Institutions | 28  | 20                          | 20                  | 20        | --              | --              | 71%        | 20            | --              | --              | 71%        |
| GAVI Alliance   | 0   | 0                           | 0                   | 0         | --              | --              | 0%         | 0             | --              | --              | 0%         |
| Global Fund     | 2   | 0                           | 0                   | 0         | --              | --              | 0%         | 0             | --              | --              | 0%         |
| Japan           | 13  | 0                           | 0                   | 0         | --              | --              | 0%         | 0             | --              | --              | 0%         |
| New Zealand     | 23  | 5                           | 5                   | 6         | --              | --              | 23%        | 15            | --              | --              | 65%        |
| United Nations  | 9   | 7                           | 6                   | 1         | --              | --              | 48%        | 1             | --              | --              | 8%         |
| World Bank      | 8   | 0                           | 0                   | 1         | --              | --              | 5%         | 2             | --              | --              | 28%        |
| <b>Total</b>    | <b>162</b>  | <b>56</b>                   | <b>53</b>           | <b>60</b> | <b>--</b>       | <b>--</b>       | <b>35%</b> | <b>58</b>     | <b>--</b>       | <b>--</b>       | <b>36%</b> |

**INDICATOR 5a**

Use of country public financial management systems

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding for the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting and auditing) as a proportion of total aid disbursed for the government sector. The 2010 target is set relative to indicator 2a on the quality of PFM systems. For partner countries with a score of 5 or above on indicator 2a scale the target is for a two-thirds reduction in the proportion of aid to the public sector not using the partner country's PFM systems. For partner countries with a score between 3.5 and 4.5 on indicator 2a, the target is a one-third reduction in the proportion of aid to the public sector not using partner country's PFM systems. There is no target for countries scoring less than 3.5.

In 2010, only 35% of aid (mostly budget support) utilised country public financial management systems. No target is applicable, however. Among major donors to the Solomon Islands in this regard, Australia scores highest at 83%, followed by the EU Institutions (71%), and the Asian Development Bank at 52%. New Zealand, the second largest donor in this regard, registered 23% while the remaining donors did not use country PFM systems at all. The low overall score is due to the exclusion of disbursements for donor-funded projects in recording and accounting in the national budget, financial reporting and auditing procedures. However, procedures for aid delivery in government programmes beyond the budget support modality are being developed to address this exclusion and to strengthen Solomon Islands PFM. The Core Economic Working Group, which comprises of the key donors and the Ministry of Finance and Treasury, is promoting the use of the country PFM systems. However, there is little effort from donors to implement Accra Agenda for Action (AAA) commitments, beyond some work being done by the Core Economic Working Group (CEWG).

The Solomon Islands authorities note the challenge they face in promoting greater use of country systems in the cases when funds are channelled outside the government sector. It is also noted that one major donor, in response to one survey question, reported ODA disbursement of USD 196 million through other donors. Out of the above, USD 155 million representing the police component of the assistance provided by the Regional Assistance Mission to Solomon Islands (RAMSI) was not covered in the responses of other survey questions.

Indicator 5b follows a similar graduated target to indicator 5a which is set relative to indicator 2b on the quality of procurement systems. For partner countries with a procurement score of 'A', a two-thirds reduction in the proportion of aid for the public sector not using the country's procurement systems and for partner countries with a procurement score of 'B' to reduce the gap by one-third.

**INDICATOR 5b**  
Use of country  
procurement systems

In 2010, 36% of aid utilised government procurement systems. No target was set for 2010. Japan and the Global Fund made no use of country procurement systems, while the EU Institutions and New Zealand are the best performing donors at 71% and 65% respectively. Perceptions among donors that procurement processes are inefficient are the main reasons country systems not utilised. With the exception of budget support, there have been no visible efforts among donors' regarding the commitments in the Accra Agenda for Action to use of the country's systems as a first option. Beyond budget support modalities, the government has notably established a National Transport Fund to support implementation of the National Transport Plan, which is expected to be in operation around June 2011. The fund is mandated and governed by its own act, regulations and procedures.

When providing development assistance, some donors establish dedicated project management units or implementation units (PIUs) – to support development projects or programmes. A PIU is said to be “parallel” when it is created by the donor and operates outside existing country institutional and administrative structures. In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity development efforts, distort salaries and weaken accountability for development.

**INDICATOR 6**  
Avoiding parallel  
implementation  
structures

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 counts the number of parallel PIUs being used in partner countries. The target is to reduce by two-thirds the number of parallel PIUs in each partner country between 2005 and 2010.

The number of parallel project implementation units (PIUs) was 17 in 2010, with Australia the most significant contributor. However, country stakeholders note this figure may be an under-estimation, considering that 70% (USD 112.8 million) of total ODA to the government sector was disbursed outside the budget in 2010, and that these projects and activities are largely implemented through government ministries. In the future, donors and the government have agreed to review all donor-funded government sector projects in order to ensure that PIUs meet the stipulated criteria and are begun to be phased out.

**TABLE 7:**  
How many PIUs are parallel to country structures?

|                 | Parallel PIUs           |                         |                 |
|-----------------|-------------------------|-------------------------|-----------------|
|                 | 2005<br>(for reference) | 2007<br>(for reference) | 2010<br>(units) |
| [Other donors]  | --                      | --                      | 4               |
| Asian Dev. Bank | --                      | --                      | 3               |
| Australia       | --                      | --                      | 6               |
| Chinese Taipei  | --                      | --                      | 0               |
| EU Institutions | --                      | --                      | 0               |
| GAVI Alliance   | --                      | --                      | 0               |
| Global Fund     | --                      | --                      | 0               |
| Japan           | --                      | --                      | 0               |
| New Zealand     | --                      | --                      | 2               |
| United Nations  | --                      | --                      | 2               |
| World Bank      | --                      | --                      | 0               |
| <b>Total</b>    | <b>--</b>               | <b>--</b>               | <b>17</b>       |

**INDICATOR 8**  
Untying aid

Aid is “tied” when restrictions are placed on the countries that goods and services may be purchased from, typically including the donor country and/or another narrowly specified group of countries. Untied aid not only improves value for money and decreases administrative burdens, but also supports the use of local resources, country systems and the harmonisation of donor support provided through pooled or joint aid instruments and approaches.

Data on the extent to which aid is tied are based on voluntary self-reporting by donors that are members of the OECD’s Development Assistance Committee (DAC). The Paris Declaration target is to continue progress towards untying all aid between 2005 and 2010.

**TABLE 8:**  
How much bilateral aid is untied?

|                | Total bilateral aid as reported to the DAC in 2009 | Untied aid | 2005<br>(for reference) | 2007<br>(for reference) | Share of untied aid |
|----------------|--|------------|-------------------------|-------------------------|---------------------|
| Australia      | 22.4   | 20.9       | 74%                     | 96%                     | 93%                 |
| Austria        | 0.0  | 0.0        | --                      | 0%                      | --                  |
| Canada         | 0.0  | 0.0        | 0%                      | 100%                    | --                  |
| Germany        | 0.0  | 0.0        | --                      | 100%                    | --                  |
| Greece         | 0.0  | 0.0        | --                      | 100%                    | --                  |
| Japan          | 44.3   | 44.3       | 100%                    | 100%                    | 100%                |
| Korea          | 0.0  | 0.0        | --                      | 0%                      | --                  |
| New Zealand    | 23.9   | 23.9       | 100%                    | 100%                    | 100%                |
| Portugal       | 0.1  | 0.1        | --                      | --                      | 100%                |
| Spain          | 0.0  | 0.0        | --                      | --                      | --                  |
| Sweden         | 0.0  | 0.0        | --                      | 100%                    | --                  |
| United Kingdom | 0.0  | 0.0        | 100%                    | 100%                    | --                  |
| United States  | 0.1  | 0.1        | --                      | 92%                     | 100%                |
| <b>Total</b>   | <b>91</b>  | <b>89</b>  | <b>96%</b>              | <b>99%</b>              | <b>98%</b>          |

Source: OECD Creditor Reporting System.

In 2010, 98% of the aid to Solomon Islands was untied, significantly passing the 2005 figure of 61%. However, the score has slightly decreased since 2007 (99%). All donors reporting on this indicator have completely untied their aid, except for Australia and the United States whose aid is almost entirely untied. ■

## HARMONISATION

**POOR CO-ORDINATION OF AID** increases the cost to both donors and partner countries and significantly reduces the real value of aid. Harmonisation of aid delivery procedures and the adoption of common arrangements help reduce duplication of effort and lower the transaction costs associated with aid management. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and co-ordinate analytic work.

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A good mechanism for aid co-ordination can be described as one that has shared objectives and integrates the various interests of stakeholders. Indicator 9 assesses the degree to which donors work together – and with partner governments and organisations – by measuring the proportion of total ODA disbursed within programme-based approaches (PBAs). In practice, there are many different approaches and modalities which can use PBAs and harmonisation takes place at various levels.

At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* a sector programme or strategy) and establishing a single budgetary framework that captures all resources (both domestic and external). At another level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that two-thirds of aid flows are provided in the context of PBAs.

### INDICATOR 9 Using common arrangements

|                 | Programme-based approaches  |                         |                            | Total aid disbursed (USD m)<br>d | 2005<br>(for reference) | 2007<br>(for reference) | 2010<br>(%)<br>e = c / d |
|-----------------|-----------------------------|-------------------------|----------------------------|----------------------------------|-------------------------|-------------------------|--------------------------|
|                 | Budget support (USD m)<br>a | Other PBAs (USD m)<br>b | Total (USD m)<br>c = a + b |                                  |                         |                         |                          |
| [Other donors]  | 0                           | 0                       | 0                          | 51                               | --                      | --                      | 0%                       |
| Asian Dev. Bank | 5                           | 0                       | 5                          | 15                               | --                      | --                      | 34%                      |
| Australia       | 17                          | 3                       | 20                         | 50                               | --                      | --                      | 40%                      |
| Chinese Taipei  | 0                           | 0                       | 0                          | 0                                | --                      | --                      | --                       |
| EU Institutions | 20                          | 0                       | 20                         | 29                               | --                      | --                      | 68%                      |
| GAVI Alliance   | 0                           | 0                       | 0                          | 0                                | --                      | --                      | 100%                     |
| Global Fund     | 0                           | 2                       | 2                          | 2                                | --                      | --                      | 100%                     |
| Japan           | 0                           | 13                      | 13                         | 14                               | --                      | --                      | 96%                      |
| New Zealand     | 6                           | 12                      | 18                         | 24                               | --                      | --                      | 75%                      |
| United Nations  | 1                           | 1                       | 2                          | 11                               | --                      | --                      | 18%                      |
| World Bank      | 0                           | 0                       | 0                          | 8                                | --                      | --                      | 0%                       |
| <b>Total</b>    | <b>49</b>                   | <b>31</b>               | <b>79</b>                  | <b>203</b>                       | <b>--</b>               | <b>--</b>               | <b>39%</b>               |

TABLE 9:  
How much aid is  
programme based?

The data for 2010 shows that 39% of total ODA disbursement was provided through programme-based approaches (PBAs), considerably below the 66% target. Budget support modalities constituted the majority of programme-based aid. Among major donors to the Solomon Islands in this regard, Japan scored highest at 96%, followed by New Zealand (75%), EU institutions (68%), while the UN and the Asian Development Bank scored significantly lower. Australia is the largest donor channelling its aid through budget support in absolute terms, together with EU Institutions. However, in relative terms, budget support represents only 40% of Australia's total ODA disbursement to government sector. Australia's score would be much smaller if its disbursement through other donors was included in total ODA calculations.

The challenge in channelling a greater share of aid in support of PBAs is to include a greater proportion of donor-funded programmes in the national budget. In order to accomplish this, the government has adopted

reform programmes to enhance the alignment of all donor funded programmes within the framework of related ministries, record all donor funded projects in the government budget, and monitor projects by the concerned ministries. To promote the development of PBAs, the government's reform package includes programmes for enhancing the capacity and skills of country authorities. A development planning reforms component notably includes building technical skills for programme design and proposal preparation.

A common complaint of partner countries is that donors make too many demands on their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytic work they commission are undertaken jointly – *i.e.* that the burden of such work is shared. The 2010 target is that 40% of donor missions to the field are conducted jointly.

**INDICATOR 10a**  
Joint missions

**TABLE 10:**  
How many donor  
missions are  
co-ordinated?

|                 | Co-ordinated donor<br>missions*<br>(missions)<br>a | Total donor missions<br>(missions)<br>b | 2005*<br>(for reference) | 2007*<br>(for reference) | 2010*<br>(%)<br>c = a / b |
|-----------------|--|---|--------------------------|--------------------------|---------------------------|
| [Other donors]  | 2  | 8                                       | --                       | --                       | 25%                       |
| Asian Dev. Bank | 3  | 17                                      | --                       | --                       | 18%                       |
| Australia       | 10   | 16                                      | --                       | --                       | 63%                       |
| Chinese Taipei  | 0  | 0                                       | --                       | --                       | --                        |
| EU Institutions | 1  | 6                                       | --                       | --                       | 17%                       |
| GAVI Alliance   | 0  | 0                                       | --                       | --                       | --                        |
| Global Fund     | 0  | 1                                       | --                       | --                       | 0%                        |
| Japan           | 0  | 3                                       | --                       | --                       | 0%                        |
| New Zealand     | 3  | 8                                       | --                       | --                       | 38%                       |
| United Nations  | 11   | 46                                      | --                       | --                       | 24%                       |
| World Bank      | 10   | 44                                      | --                       | --                       | 23%                       |
| <b>Total</b>    | <b>26</b>  | <b>149</b>                              | <b>--</b>                | <b>--</b>                | <b>17%</b>                |

\*The total of coordinated missions has been adjusted to avoid double counting.  
A discount factor of 35% is applied.

The share of co-ordinated donor missions in 2010 was 17%, significantly below the 2010 target of 40%. Australia registered the highest score (63%), while the three donors with the highest number of missions overall – the Asian Development Bank, World Bank, and United Nations – scored significantly lower at 18%, 23% and 24% respectively

**INDICATOR 10b**  
Joint country analytic  
work

Country analytic work is the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies. It includes country or sector studies and strategies, country evaluations and discussion papers. The Paris Declaration foresees that donors should conduct analytic work jointly where possible as it helps curb transaction costs for partner authorities, avoids unnecessary duplicative work and helps to foster common understanding. Indicator 10b measures the proportion of country analytic work that is undertaken jointly. The 2010 target is that 66% of country analytic work is carried out jointly.

In 2010, 54% of donor analytical work was co-ordinated jointly, falling short of the 2010 target of 66%. With the exception of the World Bank (0%) and EU Institutions (50%) all donors who undertook analytic work conducted at least 70% jointly.

|                 | Co-ordinated donor analytic work* (units)<br>a | Total donor analytic work (units)<br>b | 2005*<br>(for reference) | 2007*<br>(for reference) | 2010*<br>(%)<br>c = a / b |
|-----------------|--|--|--------------------------|--------------------------|---------------------------|
| [Other donors]  | 3  | 4                                      | --                       | --                       | 75%                       |
| Asian Dev. Bank | 5  | 5                                      | --                       | --                       | 100%                      |
| Australia       | 7  | 8                                      | --                       | --                       | 88%                       |
| Chinese Taipei  | 0  | 0                                      | --                       | --                       | --                        |
| EU Institutions | 2  | 4                                      | --                       | --                       | 50%                       |
| GAVI Alliance   | 0  | 0                                      | --                       | --                       | --                        |
| Global Fund     | 0  | 0                                      | --                       | --                       | --                        |
| Japan           | 0  | 0                                      | --                       | --                       | --                        |
| New Zealand     | 0  | 0                                      | --                       | --                       | --                        |
| United Nations  | 21   | 30                                     | --                       | --                       | 70%                       |
| World Bank      | 0  | 2                                      | --                       | --                       | 0%                        |
| <b>Total</b>    | <b>29</b>                                      | <b>53</b>                              | <b>--</b>                | <b>--</b>                | <b>54%</b>                |

**TABLE 11:**  
How much country analytic work is co-ordinated?

\*The total of coordinated missions has been adjusted to avoid double counting.  
A discount factor of 25% is applied.

## AID FRAGMENTATION

Fragmented aid – aid that comes in many small slices from a large number of donors – creates high transaction costs and makes it difficult for partner countries to effectively manage their own development. Aid fragmentation also increases the risk of duplication and inefficient aid allocation among donors. A pilot analysis on fragmentation of country programmable aid carried out at the country level by the OECD in collaboration with the Deutsche Gesellschaft für Internationale Zusammenarbeit reveals that aid fragmentation showed no clear trend from 2005-09 alongside a decrease in country programmable aid (OECD 2011b).

The government has initiated measures to enhance alignment of the operations of all donor funded programmes within the framework of related ministries to ensure effective monitoring and reporting. These measures, together with data availability from Development Assistance Database are expected to facilitate a division of labour among donors. ■

## MANAGING FOR RESULTS

**BOTH DONORS AND PARTNER COUNTRIES** should manage resources according to well-defined, desired results, measuring progress toward them and using information on results to improve decision making and performance. Achieving this implies strengthening capacity to undertake such management and emphasising a focus on results. Countries are expected to develop cost-effective and results-oriented reporting and performance assessment frameworks, while donors commit to use them and refrain from requiring separate reporting.

Indicator 11 assesses the quality of a country's results-oriented frameworks. In particular, it considers the quality of the information generated, stakeholder access to information, and the extent to which the information is utilised within a country level monitoring and evaluation system. The government provides evidence against these criteria through the survey, and this is translated by the World Bank into a score running from A (highest score) to E (lowest score).

The Paris Declaration 2010 global target is to reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.

The Solomon Islands received a score of C regarding its results-oriented frameworks in 2010, below the 2010 target. The medium-term development strategy, (MTDS 2008-10) had incorporated a monitoring and

**INDICATOR 11**  
Do countries have results-based monitoring frameworks?

evaluation (M&E) framework which, however, could not be implemented due to capacity constraints and commitment on the part of the government ministries and donors. The Ministry of Finance and Treasury is responsible for recording data of development expenditures in the budget and also for analysis and reporting of such expenditures. Co-ordination and monitoring of the government-funded programmes and projects is carried out by the concerned ministries. Development information for the monitoring and evaluation framework is comprehensive, but the frequency of key statistics (*e.g.* poverty survey) is low. Stakeholders have access to information on the internet, electronically, and in hardcopy.

Development information for the national monitoring and evaluation system for development projects funded by the government budget is sectorally and geographically comprehensive. Progress was reported in a unified way in a report on the implementation of the MTDS 2008-10. The data available in the FMIS of the Ministry of Finance and Treasury did comprehensively cover the qualitative and quantitative indicators of the MTDS 2008-10 and have the quality and reliability to meet the requirements of the M&E system. However, collection of key data takes place at relatively low frequency and timeliness in releasing survey reports sometimes can be an issue. The need for reliable and timely data to support informed decision making has gained prominence in the recent past and the availability of disaggregated data is increasing.

In the new national development strategy 2011-20, Project Cycle Management has been adopted as the mechanism for the decision making and implementation of the development programmes and activities in Solomon Islands. It follows a sequence beginning with policy and programming and revolves on seven processes in planning, aid coordination and monitoring and evaluation functions. The Logical Framework methodology has been merged for planning, management and evaluation of the development programmes and projects.

The Logical Framework approach requires that the development programmes and projects are linked to one or more of the national objectives, and also the agreed inputs, activities, outputs, outcomes and impacts are clearly articulated. In addition, the performance indicators and targets, monitoring mechanisms and assumptions/risks for each of the above logical steps needs to be stipulated and monitored during the formulation and implementation of the programmes and projects. The NDS 2011-20 has mainstreamed the Development Assistance Database (DAD) as the essential tool for integrated planning, co-ordination and monitoring of the development programmes and projects.

A study of the development funding data of the recent years indicated that about one-third of the country's development is financed out of the government budget process and the remaining two-third is funded and implemented by the development partners through the government ministries.

In view of the above, as a component of UNDP's 'Strengthening Aid Coordination and Management Capacities Project', the Development Assistance Database (DAD) has been implemented with a view to having information of these donor-funded projects in one common platform.

It would facilitate integration of the donor-funded development projects into the national planning and monitoring mechanisms and would help establish country ownership and results orientation of the development process. It would also enhance the government's development management capacity and augment efficient allocation of the ODA towards the realisation of the national objectives. ■



## MUTUAL ACCOUNTABILITY

**STRONG AND BALANCED MECHANISMS** that support accountability are required at all levels for aid to be most effective. Donors and partner country governments should be accountable to their respective publics and to each other for implementing their commitments on aid, its effectiveness, and the results to which it contributes.

Indicator 12 examines whether there is a country-level mechanism for mutual assessment of progress on partnership commitments, including on aid effectiveness. There are three criteria that must all be met: the existence of an aid policy or strategy agreed between the partner country government and donors; specific country-level aid effectiveness targets for both the partner country government and donors; an assessment towards these targets undertaken by both partner and donors in the last two years, and discussed in a forum for broad-based dialogue.

The 2010 target is for all partner countries to have mutual assessment reviews meeting these criteria in place. The Solomon Islands was not deemed to have a formal mutual accountability mechanism in 2010, leaving the target unmet.

However, there is a broad consensus among senior government officials and donors on the necessity of creating appropriate mechanisms for mutual assessment of collective performance towards aid effectiveness. With that objective, Solomon Islands government and donor partners jointly decided to implement the Development Assistance Database as an effective aid information management system, as well as to formulate an up-to-date and upgraded aid co-ordination and management strategy. Annual joint reviews between the government and individual donors have been taking place over the past years, based on partnership agreements and the country strategies of respective donors. Such partnership agreements were signed between Solomon Islands government and the major donors, namely, Australia, New Zealand, the EU Institutions, Japan, and the United Nations Development Programme. These are grounded in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

There is a government Economic and Financial Reform Programme (EFRP) with targets, which is supported by the Core Economic Working Group, which comprises of the donors providing budget support and technical co-operation. Furthermore, there is a Joint Review Mission to assess the EFRP on an annual basis (the last one took place in August 2010). ■

## NOTES

The quantitative information presented in this chapter is taken from data provided by national co-ordinators up to 31 July 2011, following the data validation process with stakeholders at the country level. It was not possible to modify or correct any data received after this date.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

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## INDICATOR 12

Mutual accountability

