

Ministry of Provincial Government & Institutional Strengthening



Mekem strong Provinsol Gavman fo helpem iumi



**PROVINCIAL GOVERNANCE
STRENGTHENING PROGRAMME**

**NARRATIVE
REPORT**

**1ST JULY 2008
To
31ST DECEMBER 2013**

NARRATIVE REPORT

Provincial Governance Strengthening Programme
1st July 2008 - 31st December 2013

About this Report

This Consolidated Final Report under the Joint Programme, “Provincial Governance Strengthening Programme” in Solomon Island represents the final report of the project from July 2008 to 31 December 2013, which was the end of the financing agreement. The JOC extended the programme by three months to 31st March 2014 to allow for operational closure of the programme including NIM audit, Harmonized Cash Transfer (HACT) assessment of MPGIS and baseline studies for PGSP phase II.

This report is in fulfilment of the reporting requirements set out in the Standard Administrative Arrangement (SAA) concluded with the Contributor. In line with the Memorandum of Understanding (MOU) signed by Participating Organizations, the report is consolidated based on information, data and financial statements submitted by Participating Organizations. It is neither an evaluation of the Joint Programme nor an assessment of the performance of the Participating Organizations. The report is intended to provide the Steering Committee (Joint Oversight Committee) with a comprehensive overview of achievements and challenges associated with the Joint Programme, enabling it to make strategic decisions and take corrective measures, where applicable.

The Multi-Partner Trust Fund Office (MPTF Office) of the United Nations Development Programme (UNDP) serves as the Administrative Agent pass-through funded portion of the Joint Programme. The MPTF Office receives, administers and manages contributions from the Contributor, and disburses these funds to the Participating Organizations in accordance with the decisions of the Steering Committee. The Administrative Agent receives and consolidates the Joint Programme annual reports and submits it to the Steering Committee through the Resident Coordinator of UNDP. March 31st being the operational closure of the programme, this report represents the final report of Phase I.

This Report consists of two parts: A) Narrative report and B) Financial report of the pass-through funded portion of the JP.

Part A – Narrative report is divided into the following six sections:

- I. Purpose. The section describes the goal of the Provincial Governance Strengthening Programme, its outputs and its alignment with the development priorities of the Solomon Islands Government and the development partners.
- II. Resources. The section provides information on the funding modalities and the resources contributed by the funding partners. It also provides information on programme staffing structure.
- III. Implementation and Monitoring Arrangements. The section provides information on the implementation and monitoring arrangements, including changes and decisions pertaining to implementation and monitoring arrangements.
- IV. Results. The section describes the results and activities carried out under four programme outputs.
- V. Partnerships and inter-agency collaboration.
- VI. Cross-cutting Issues. Gender, climate adaptation, and transparency/accountability
- VII. Risks and difficulties encountered during implementation.

Programme Title & Number
 Programme Title: Provincial Governance Strengthening Programme
 Programme Number:
 UNCDF Atlas Award ID: 00049954, 00049957, 00056494
 UNDP Atlas Award ID: 00049698
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Country, Locality(s), Thematic Area(s)
 Solomon Islands
 Local Development, Governance, Poverty Reduction

Participating Organization(s)

- UNCDF
- UNDP

Implementing Partners

- Ministry of Provincial Government and Institutional Strengthening
- Provincial Governments
- AusAID through RAMSI
- European Union

Joint Programme Cost (US\$)
Joint Programme/pass-through:
 AusAID/UNCDF: 4.7 mil. USD
 AusAID/UNDP: 1.5 mil. USD
Agency Contribution
 UNCDF/core: 0.9. USD
 UNDP/core: **1.2 mil. USD**
Government Contribution
SIG: 9.2 mil.USD
Other Contribution
 EU/UNCDF: 2.7 mil. USD
 EU/UNDP: 3.7 mil. USD
 TOTAL: 23.9 million USD

Programme Duration (months)
 Overall Duration: 66 months
 Start Date: July 2008
 End Date: 31st December 2013¹
 Operational Closure Date: 31st March 2014
 Expected Financial Closure Date: 30th/06/2014

Programme Assessments/Terminal Evaluation
 Assessment Completed - if applicable *please attach report*
 Yes No Date: March 2015

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Abbreviations and Acronyms

AA	Administrative Agent
AusAID	Australian Agency for International Development
AWP	Annual Work Plan
CTA	Chief Technical Advisor
EU	European Union
IPSAS	International Public Sector Accounting Standards
JOC	Joint Oversight Committee
LoCAL	Local Climate Adaptive Facility
MDGs	Millennium Development Goals
MDPAC	Ministry of Development Planning and Aid Coordination
MPA	Member of Provincial Assemblies
MoU	Memorandum of Understanding
MPGIS	Ministry of Provincial Government and Institutional Strengthening
MPTF	Multi-Partner Trust Fund Office
NDS	National Development Strategy
NPO	National Parliament Office
PSP	Parliament Strengthening Programme
NIM	National Implementation Modality
OAG	Office of the Auditor General
PAC	Public Accounts Committee
PPAC	Provincial Public Accounts Committee
PCDF	Provincial Capacity Development Fund
PFGCC	Provincial Fiscal Grant Coordination Committee
PGs	Provincial Governments
PGSP	Provincial Governance Strengthening Programme
PEM	Public Expenditure Management
PUNOs	Participating United Nations Organizations
RAMSI	Regional Assistance Mission to the Solomon Islands
RDP	Rural Development Programme
SAA	Standard Administrative Arrangement
SBD	Solomon Island Dollars
SICHE	Solomon Island College of Higher Education
SIG	Solomon Islands Government
TA	Technical Assistance
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNV	United Nations Volunteer
USD	United States Dollars

Executive summary

This report represents the final report of the Provincial Governance Strengthening Programme for the period 1st July 2008 to 31st December 2013 (*January-31st March 2014 being operational closure*).

The year 2013/14 marked the end of the first phase of PGSP after completing the period of no cost extension endorsed by the donors and the project steering committee in December 2012. There was, however, an initial three month extension to the programme (January - March 2014) to allow proper operational closure of the programme as designed in the work plan of 2013 and to carry out NIM audit processes, HACT assessment of MPGIS and the baseline studies for phase II.

The first no cost extension in 2013 allowed the UN Agencies and the implementing Ministry, Ministry of Provincial Government and Institutional Strengthening to formulate the next phase of the programme (PGSP Phase II). Phase II was designed by a team of consultants and UNDP officials from Bangkok and Suva. The document was approved by the project steering committee in 2013 and since then resources are being mobilised for an early start of phase II.

The Provincial Premiers, in July 2013, endorsed a resolution in the Gizo communiqué which called for PCDF modality to be embedded/integrated into SIG fiscal transfer system. As a result of this resolution, and the follow up by the Ministry, the PCDF fund for 2014/15 was increased by SBD7.5 million to SBD30 million (USD4.2m) demonstrating the level of interest the government has in the programme and the steps taken to take ownership and ensure financial sustainability for PCDF in the long run. It also shows SIG's positive view of provincial governments as a mechanism for effective service delivery as indicated in Objective 8 of SOI National Development Strategy and UNDAF Outcome 5.

".....together with the government, I shall make genuine attempts to improve the provincial capacities in terms of infrastructure and financial support. We cannot keep on arguing over the fact that provincial governments need resources to deliver when very little is being done"

Speech delivered to the Second-Appointed Day Celebrations of Western Provincial Government by the **Prime Minister, Hon. Gordon Lilo Darcy (MP), 7th December 2011.**

The phase II project document was fully supported by the Provincial Premiers through a special resolution in the October 2012 Premiers' conference in Kira Kira. The Provincial Premiers asked SIG to be more committed to the

'.....The Provincial Governments hardly deliver any tangible projects from mainstream government funding apart from those funded through Provincial Capacity Development Fund of PGSP and the Rural Development Programme....

....the National Government is gradually gaining confidence in the provincial governments as a result of the efforts of the Ministry of Provincial Government and Institutional Strengthening since the inception of the Provincial Governance Strengthening Programme (PGSP). The PGSP through MPGIS has focused well in developing the capacities of the provincial governments in public expenditure management system and good governance.' Hon. Gordon Darcy Lilo (MP), Prime Minister of Solomon Islands, in a speech delivered in Gizo on 7th December 2011.

Provincial Governance Strengthening Programme (PGSP) in order to ensure sustainable capacity building for effective provincial service delivery.

The provincial governments increased their revenue raising capabilities as a result of the continuous on-the-job-training and mentoring provided to provincial officers for the past six years by PGSP advisors. The provincial revenue collection jumped from SBD10.9m (USD1.45m) in 2008/09 to SBD41 m (USD5.5m) in 2013/14. The implementation of the newly developed revenue mobilisation strategy and the proposed training in revenues shall help improve local revenue collection of the provincial governments.

A steady progress has been made in the “functional assignment studies” with the submission of the final report by the retainer consultant. The subsequent approval of the report by the PFGCC and the JOC has paved way for the Ministry to draft a Cabinet Paper to seek the Cabinet blessing in the implementation of the report. Further consultations with the ministries of Education and Human Resource Development, Ministry of Health & Medical Services and the Ministry of Agriculture and Livestock and Environment will then commence after the Cabinet endorsement.

Steady progress was made by the Ministry and PGSP in coordinating with the Ministry of Development Planning and Aid Coordination to localise NDS at provincial and community level. This is being achieved through ward profile compilation and the development of strategic plans for each province. The completion of strategic plans for each province (2015 - 2019) will mean that every aspect of the Public Expenditure Management Cycle has now been initiated.

In 2011, the project co-funded most of the provincial visits by the officials of the Ministry of Development Planning and Aid Coordination to consult with provincial governments on the National Development Strategy to gather provincial inputs into the strategy.

Since 2011, the programme made efforts to bridge the digital divide between the rural communities and the towns in the Solomon Islands. The first community internet cafe (powered by solar) funded through PCDF was inaugurated in the Choiseul Bay Community High School in 2013.

The completion of the procurement process and the delivery of four VSATs to Malaita, Guadalcanal, Temotu and Western Provinces is a significant step in providing a reliable but high speed internet connectivity in rural Solomon Islands. This completes the line of provinces that are yet to be provided with satellite internet through PGSP. The provincial governments have commenced the process of making a provision in their budget for the payment of bandwidth and maintenance, as and when required. With the closure of phase I, there was a strong need for continuity by working the cost into the annual work plans and budgets of provincial governments.

Since the commissioning of the VSATs in the first five Provinces, (Central, Isabel, Rennell & Bellona, Choiseul and Makira Ulawa), communication between those provinces and the ministry improved effectively. Letters are now sent through emails instead of fax or through pilots. Access to learning materials that may enhance productivity have been facilitated (see

Choiseul solar powered internet cafe). Provinces hope to gradually realise reduction in their telephone bills when they start using internet for major correspondences.

The recruitment of two Monitoring and Evaluation Officers by the Ministry in the second half of 2013 has led to some monitoring and evaluation visits to PCDF funded and other development projects of the Ministry. The Ministry M&E Officers in coordination with the project advisors and the planning officers in the provinces conducted monitoring in all provinces. The field monitoring reports have been made available. The Corporate Plan of the Ministry 2014 - 2016 had provided for the creation of a monitoring and evaluation division. This is in line with the recommendations of the Mid-term evaluation report of 2012.

The project had its midterm evaluation for phase I conducted in 2011/12. The independent evaluation of PGSP concluded that the project was very relevant to the people of Solomon Islands. It highlighted challenges especially in the

SHOWCASE 4: PGSP Midterm Evaluation Report 2012

PGSP has already at an early stage produced up scaling effects, notably concerning PFM instruments. At the same time it has shifted the attention of key stakeholders (SIG, Parliament, Provincial Premiers, civil society and donors) to the opportunities existing at PG level, as well as to the capacities and challenges in addressing citizens' needs. The inclusion of PGSP in the National Development Strategy (NDS) 2011-2020 testifies to these early achievements.

areas of monitoring but concluded that the project made a steady progress in delivering its designed outputs and also gradually influencing national policies.

I. Purpose

Goal, Purpose and Intermediate Outcome. The goal of the Provincial Governance Strengthening Program (PGSP) is poverty reduction and the achievement of the MDGs in the Solomon Islands. The purpose is to promote local development, that is: (a) an improvement in coverage and quality of local infrastructure and services; (b) better managed natural resources and environmental protection; and (c) an increase in local economic activity, employment and revenues. The intermediate outcome is improved provincial governance for development.

Programme Outputs: Output 1: **Responsibilities (functions) of the Provincial Governments are clarified and gradually expanded;** Output 2: **Resources of the Provincial Governments are commensurate with their functional responsibilities;** Output 3: **Capacities for local development management of the Provincial Governments are developed,** and Output 4: **PGSP monitoring and evaluation.**

Partners: PGSP is implemented in all nine provinces of the Solomon Islands by the Ministry of Provincial Government and Institutional Strengthening (MPGIS) with UNDP and UNCDF providing support for the implementation of the program as participating UN agencies. It is financed by contributions from Solomon Islands Government (SIG), the Government of Australia through the Regional Assistance Mission to the Solomon Islands (RAMSI), the European Union (EU), UNCDF and UNDP. PGSP exemplifies the principles of the Paris Declaration, as a joint programme of Solomon Island Government, UNDP, UNDCF, EU and Australia Department of Foreign Affairs and Trade.

Alignment to SIG priorities: PGSP responds to and is aligned with the SIG National Development Strategy (2011 - 2020) and the SIG Medium Term Development Strategy (2014-2018). Objective 8 of NDS mentioned PGSP “Improve governance and order at national, provincial and community level and strengthen links at all levels”. PGSP objectives regarding support to the planning process at provincial level are also aligned with the Strategy, which emphasizes critical links between the national and provincial planning processes. PGSP’s assistance on Public Expenditure Management (PEM) to provincial governments is also aligned with the government’s financial and fiscal reform policies, including the adoption of the International Public Sector Accounting Standards (IPSAS) Cash Basis. This alignment provides the basis for future technical support to the provincial governments. It may also guarantee sustainability of the new financial reporting framework (IPSAS Cash Basis).

Alignment to the achievement of contributor priorities

UNDP and UNCDF: UNDAF (2013-2017) Outcome 5.1 - **Regional UNDAF Outcome 5.1:** Regional, national, local and traditional governance systems are strengthened and exercise the principles of good governance, respecting and upholding human rights, especially women’s rights, in line with international standards. Country Programme Action Plan for the Solomon Islands which is: *“Improved intergovernmental relations and strengthened sub-national structures and systems for effective and efficient local governance”*.

EU Country Strategy Paper and National Indicative Program for the Solomon Islands focus on sustainable rural development and capacity building (focal sector). PGSP contributes to two out of four results: a) improved delivery, quality and range of services to rural population, and; b) central government, provincial administrations and non-state actors’ competence and capacity improved to effectively identify and prioritize needs and secure delivery.

RAMSI. Within the RAMSI Machinery of Government Program, PGSP falls directly under the long-term outcome of *“Government Services responsive to and reaching all people effectively”*.

II. Resources: Financial Resources

Funding Arrangements: The Joint Programme uses a combination of parallel fund modality for UNDP, UNCDF, EU and SIG contributions and pass-through fund modality for AusAID/RAMSI contribution. UNDP Multi-Partner Trust Fund Office (MPTFO) acts as Administrative Agent (AA) of the pass-through funded portion of the Joint Programme. In this capacity, the AA signed a MOU with the Participating UN Organizations (UNCDF and UNDP) and entered into a Standard Administrative Agreement with AusAID. For the parallel funded portion, a Standard Contribution Agreement was signed between UNDP and the EU for the purpose of receiving and administering the financial contributions and applying them to the financing of PGSP.

Programme Budget. The total original planned donor contribution was 14.6 million USD and SIG contributes USD3.5 million. This gives the project a total of USD18.1 million for a five-year period. This has, however, changed as a result of 2012 SIG decision to increase its contribution to PCDF. In 2012, the SIG contribution to PCDF was about USD3.3 million and USD3.1m in 2013. Therefore the total contributions to the project have increased to USD23.9m as a result of SIG up-scaling of its contribution to PCDF.

Table 1. Original total contributions by the funding partners (in USD million)

Donor	Amount	Funding Modality
EU	6.2	Parallel
AusAID via RAMSI	6.4	Pass-through
UNCDF	1.0	Parallel
UNDP	1.0	Parallel
SIG	3.5	Parallel
TOTAL	18.1	

Table 2. Revised total contributions by the funding partners (in USD million)

Donor	Amount	Funding Modality
EU	6.2	Parallel
AusAID via RAMSI	6.4	Pass-through
UNCDF	0.9	Parallel
UNDP	1.2	Parallel
SIG	9.2	Parallel
TOTAL	28.3	

The contributions of the EU, AusAID via RAMSI and SIG are made in their respective currencies. The final USD amounts depend on the actual exchange rates at the time when the contributions are made.

Provincial Government (PG) contribution: throughout phase I of the programme, the Provincial Governments co-funded the PCDF grants as per Operations Manual.

Human Resources

In 2012 the project succeeded in filling the remaining Provincial Advisor positions in Isabel, Malaita, Makira Ulawa and Choiseul Provinces.

By December 2013, all project officers and the nine Provincial Advisors had their contracts expired as part of the closure process of phase I. The CTA (Interim) and the project Admin and Finance Officer remained on board to support the operational closure process until 31st March 2014 (see table 18 below for details on human resource provision to the programme and changes in project human resources from 2008 - 2013).

Human Resource; MPGIS: from the ministry side, additional officers were recruited to strengthen the capacity of the Ministry during phase I. Two monitoring and evaluation officers were recruited to be conducting field monitoring of projects being implemented through the programme and also through SIG. The Ministry redoubled its efforts to fast-track recruitment of core officers for the ministry and the provinces but despite that there are still 26 vacant positions to be filled by the ministry by end of 2014. For details of changes in staffing that took place during PGSP phase I, see output target 4.1.1.

III. Implementation and Monitoring Arrangements

Since its establishment in 2008, the Joint Oversight Committee (Project Steering Committee) of PGSP took responsibility for policy guidance and high-level monitoring of PGSP. The design of the project gave consideration to three levels of responsibilities. JOC Members are the representatives of the main line ministries, provincial governments (by rotation), UN Agencies, UNDP and UNCDF, were full members of JOC but donors; RAMSI Ausaid and EU are observers. MPGIS provides the Secretariat to the JOC and the Permanent Secretary of MPGIS acts as its Chair. The JOC was expanded to include Ministries of Education, Ministry of Rural Development, Health and Medical Services and Environment.

PGSP applies the National Implementation Modality (NIM). The Implementing Partner is the Ministry of Provincial Government and Institutional Strengthening. The Permanent Secretary of MPGIS acts as the National Project Director of PGSP with technical back stopping from core staff of the Ministry and from PGSP technical advisors.

UNCDF and UNDP are Participating UN Organizations (PUNOs) who provide support services to the Implementing Partner in the respective parts of the programme. UNDP as a PUNO provides services with regard to recruitment of project staff and procurement of goods and services. UNCDF provides technical advice through UNCDF-led team of technical advisors and consultants, monitors and disburses donor contribution to PCDF.

The UNDP MPTF Office has been appointed as the Administrative Agent (AA) of the pass-through funded portion of the Joint Programme. As AA, the MPTF Office enters into agreements with contributors, receiving, administering, managing and reporting on their contributions.

The 2013 budget was modest because of the no cost extension which was approved to enable the project to utilize the balance of funds with donor partners as part of their overall commitment to the project budget. The no cost extension ended on the 31st of December 2013 but the project Steering Committee extended the project by additional three months to 31st March 2014 to allow for proper closure. The three month extension of the project was approved by the Steering Committee in December 2013.

Monitoring and Evaluation: MPGIS prepared **regular progress** and annual reports to the Joint Oversight Committee. MPGIS also prepared brief **fortnightly reports on PGSP activities** shared with donors and UN Agencies throughout phase I.

For the purpose of annual PCDF allocation, **PCDF Annual Assessment** is conducted annually. This is a specific assessment of Provincial Governments against the set of Minimum Conditions and Performance Measures. The assessment is conducted by an external team composed of an accountant, auditor and planning specialist. In 2013 the annual performance assessment took place from August to November 2013.

The utilization of PCDF funds by provincial governments are monitored through **quarterly reports** prepared by provincial governments and submitted to the Finance Division of MPGIS. The contents of the reports from 2008/9 to 2012 were inputted into a spreadsheet database. The consolidated report is prepared every quarter by the Finance Division and submitted to the Permanent Secretary.

PGSP implementation and activities in the provinces were, since 2012, monitored through field monitoring which was conducted by the advisors based in the provinces, and the monitoring officers based in the ministry (by working closely with Chief Planning Officers). The provincial advisors were also required to submit monthly **reports** on their work.

The programme recruited a Monitoring and Evaluation Officer in 2011 but within 12 months, the officer resigned to pick up another job.

IV. Results:

OUTPUT 1: RESPONSIBILITIES OF PGs ARE CLARIFIED AND GRADUALLY EXPANDED

Output 1.1 Provincial Government Own Functions are Clarified and Expanded

Output Targets: 1.1.1. Administrative service functions are clarified and expanded.

Results 1: research into the roles and responsibilities of the provincial governments and line Ministries in service delivery at provincial level (through functional assignment studies) was carried out in 2009, and in 2013. A formal report on the findings of the detail research was produced and submitted to the Ministry in 2013. The objective of the three year long research was to seek clarification into the roles and responsibilities of provincial governments and the respective line ministries with stakes in the provincial service delivery. The studies also aimed at initiating discussions on unified provincial governance system for effective service delivery.

As part of the implementation of recommendations of the functional assignment report of 2013, the Ministry of Provincial Government and Institutional Strengthening had initial discussions with the Ministry of Education and Human Resources Development on the roles and responsibilities of provincial governments in the delivery of education services in the provinces particularly in the Education Infrastructures. Whilst the discussions with the Ministry of education shall be continued, MPGIS shall consult with Health and Medical Services, Agriculture and Livestock and Environment, Climate Change Disaster and Meteorology with regards to clarifications of roles and responsibilities in effective service delivery at provincial level.

The final report of the “functional assignment studies” was discussed and approved by the Joint Oversight Committee of the Provincial Governance Strengthening Programme in its sitting of December 13th 2013.

Prior to the second round of consultations on functional assignment in 2012, there was an initial study conducted in 2009 which led to an **international conference on fiscal decentralization in November 2009 during which the workshop reviewed international and regional best practices with respect to assignment of administrative service responsibilities**. Based on the 2009 report, follow up consultations with the provinces of Western, Isabel, Malaita and Guadalcanal were conducted in 2011 by the Ministry in order to seek clarification of the functional responsibilities of the provincial governments.

Output 1.2 Provincial Government Agency functions are regulated and co provision arrangements are developed.

Output Target: 1.2.1: Delegated Administrative services delivery functions are regulated and expanded.

Results: The way the businesses are conducted in the provincial assemblies has slightly improved as a result of the adoption of the revised Provincial Standing Orders by the Provincial Assemblies.

The final version of standardized and modernized Provincial Assembly Standing Orders was adopted by the nine Provincial Assemblies in all Provinces immediately after the finalization of the revised version in the month of February 2013. The Centre for Democratic Institute in Canberra provided technical support in the delivery of this particular output with the participation and support from the National Parliament of Solomon Islands. The efforts to Standardize and modernize all Provincial Government Standing Orders was a direct response to the request made by the Provincial Speakers and Clerks during their attachments to the National Parliament in 2011 .

"The review of the Standing Orders has indeed modernized the way we conduct businesses in our province. Our respective roles as Clerks and have also been clarified as a result of new Standing Order", Christopher ..., Clerk of Choiseul Provincial Assembly.

Output 2: Resources of the provincial governments are commensurate with their responsibilities

Output 2.1 Domestic Resources flow to the Provincial Government is enhanced

Output Target: 2.1.1. Fiscal transfer system is streamlined and developed.

Results 1: Reform of the fixed service grant allocation system: Formula based grant allocation system established

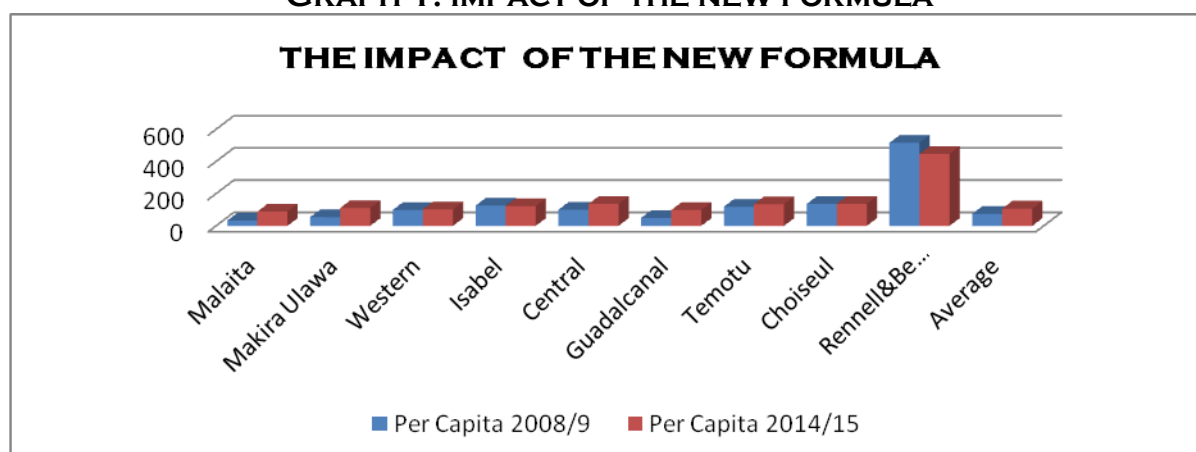
The allocation system of fixed service grants provided by SIG to the nine provincial governments became transparent and equitable as a result of the introduction of a simple formula in 2009 that was first applied in 2010 based on a 20:80 ratios as follows:

1. 20% of total fixed service grants are being allocated to nine Provinces equally despite the size of the Province. This was designed to take care of the unique issues in each Province such as distance, cost of delivery of materials, remoteness etc.
2. 80% of the total fixed service grant is being allocated based on the population factor.

To mitigate the impact of the new formula on the provinces, the reform was phased in within a period of four years from 2010 - 2013 (a change of 25% per year). Table 4 highlights the immediate impact of the introduction of a more equitable and transparent transfer formula.

**TABLE 4: COMPARATIVE ANALYSIS
THE IMPACT OF THE NEW GRANT FORMULA ON PER CAPITA BASIS**

Provinces	Per Capita 2008/9	Per Capita 2014/15	Deviation from 2014/15 Average	Under or over resourced
Malaita	33	89	-18	(2,514,865)
Makira Ulawa	54	111	4	+150,473
Western	99	103	-4	(327,8410)
Isabel	126	123	16	+411,278
Central	100	136	29	+748,259
Guadalcanal	49	98	-9	(868,463)
Temotu	119	135	28	+592,215
Choiseul	136	137	30	+783,851
Rennell&Bellona	516	447	340	+1,035,097
Average	74	107		

GRAPH 1: IMPACT OF THE NEW FORMULA

The above analysis shows the rationalization of the grant allocation system by using a defined formula. Before the introduction of the formula by the Ministry (with the support of the PGSP), the grants allocation system was not based on any pre-determined formula, which made predictability of the individual provincial grant impossible. Bigger provinces could not get an explanation as to why smaller provinces were receiving more from the fixed service grant than them.

As a result of the new formula, the "per capital" and the overall earnings of bigger Provinces improved but still a bit below average (*see table 4 above*).

TABLE 5: IMPACT OF THE NEW GRANT FORMULA IN ABSOLUTE TERMS

Provinces	2009/10 allocation SBD	2014/15 allocation SBD	Difference SBD	Percent age %
Malaita	4,605,407	12,263,770	7,658,363	166.3
Makira Ulawa	2,677,328	4,492,929	1,815,601	67.8
Western	8,129,422	7,883,814	(245,608)	-3.0
Isabel	2,982,201	3,206,554	224,353	7.5
Central	2,452,884	3,532,864	1,079,980	44.0
Guadalcanal	4,145,872	9,173,864	5,027,992	121.3
Temotu	2,831,784	2,889,406	57,622	2.0
Choiseul	4,264,583	3,608,340	(656,243)	-15.4
Rennell & Bellona	2,276,460	1,358,461	(917,999)	-40.3
Total	34,365,941	48,410,002	14,044,061	40.9

The introduction of a formula-based allocation system has not only made the funds to be equitably distributed as demanded by the Provincial Secretaries in 2010 JOC meeting but it also made it very transparent. Malaita being the biggest Province has its fixed service grant increased by about 166.3% whilst Guadalcanal's revenue increased by 121.3%. The overall impact is that the share of smaller Provinces who had been benefiting more at the expense of bigger provinces realized reduction until the formula stabilized in 2013.

Result 2: Reforms on fixed service grants: Introduction of performance measures in the allocation of fixed service grants

The introduction of performance measures in the allocation of PCDF grants has led to its application to the fixed service grants. In 2012, 20% of fixed service grants were allocated to provinces based on the results of the performance assessment of PCDF. The measure has enabled good performing provinces to increase their share of the funds whilst motivating less performing provinces to do well.

Table 6: 2014/15 fixed service grant allocation and its impact

Province	Initial allocation before PMs	80% based on population and fixed share	PMs scores	Allocations as per PMs scores	Final allocation after application of 20% PMs	Impact on each province of the application of PMs
Malaita	12,884,585	10,307,604	33	1,956,166	12,263,770	-620,735
Makira Ulawa	4,544,607	3,635,685	41	857,243	4,492,929	-51,678
Western Province	7,653,928	6,123,142	50	1,760,672	7,883,814	+229,886
Isabel	3,320,703	2,656,562	36	549,992	3,206,554	-114,148
Central Province	3,311,520	2,649,216	58	883,648	3,532,864	+221,344
GPG	9,109,808	7,287,846	45	1,886,017	9,173,864	+64,056
TPG	2,909,100	2,327,281	42	562,124	2,889,406	-19,696
Choiseul	3,339,069	2,671,255	61	937,085	3,608,340	+269,272
Renbel	1,336,762	1,069,410	47	289,052	1,358,461	+21,700
Total	48,810,002	38,728,002		9,682,000	48,410,002	

Output Target: 2.1.2. Own source revenue sources are enhanced

Results 1: all nine Provincial Governments have increased their level of revenue collections over the period of five years. Western Province's actual local revenues collected in 2013/14 was 144% of its fixed service grant in the same period compared to 2008/9 when the actual own revenue was only 38.3% of fixed service grant. Despite a drop in revenue performance, Isabel's local revenue performance in 2013/14 was 454.4% of the fixed service grant in 2013/14 compared to 2008/9 when its own source revenue represented 56% of its fixed service grant (see **table 7** for detail comparative analysis of own revenue collection performance of the nine provincial governments in 2013/4 compared to 2008/9). The province that performed least in own source revenues was Malaita who recorded a net decrease of -12.4% in 2013/14 and Makira Ulawa Province with -5.5%.

Table 7²: Comparative analysis of Own Source Revenue as a percentage of Fixed Service Grants Performance 2008/9 to 2013/14

Provinces	Actual own source revenues	Actual service grant disbursed	% of own source revenue to fixed service grant	Actual own source revenues	Actual Fixed Service Grant	% of Own Source Revenue to Service Grant	% Increase/decrease in own revenue efforts 2013 minus 2008
	2008/9	2008/09	2008/9	2013/14	2013/14	2013/14	
	SBD	SBD		SBD	SBD		
Central Province	521,352	2,703,120	19.3	769,309	3,049,703	25.2	5.9
Choiseul	1,434,787	3,688,335	38.9	3,047,959	3,734,782	81.6	42.7
Guadalcanal Province	1,706,342	3,567,232	47.8	10,169,676	7,780,836	130.7	82.9
Isabel Province	785,158	1,413,498	55.5	10,534,128	2,318,239	454.4	398.9
Makira Ulawa	576,564	1,728,647	33.4	1,420,602	5,094,069	27.9	-5.5
Malaita Province	1,334,858	4,168,155	32.0	2,362,375	12,066,876	19.6	-12.4
Renbel Province	414,900	1,965,387	21.1	794,000	1,365,650	58.1	37.0
Temotu Province	388,696	2,357,709	16.5	743,333	3,039,396	24.5	8.0
Western Province	3,733,822	9,757,460	38.3	11,420,968	7,957,338	143.5	105.3
Total actual receipts	10,896,479	31,345,543	34.8	41,262,350	46,406,889	88.9	54.2

Results 2: Revenue mobilization strategy: The revenue mobilization efforts of the provincial governments are expected to improve in future as a result of the completion of the "revenue mobilization strategy" that was developed for the Provincial Governments in 2013/14 through PGSP funding. **The delivering of the final report to the Ministry by an international consultant in November 2013** was planned to be followed by a training programme designed for revenue collectors and treasurers in phase II. The objective of the strategy was to help improve the revenue raising capabilities of provincial governments to enable them to start financing most of their budgets from their own source revenue.

² The baseline study team generated the figures in June 2014 when provincial actual figures were available. See PGSP baseline study report page 12.

Output 2.2. External Resource flow to the Provincial Governments is enhanced

Output Targets: 2.2.1. Fiscal Transfer (FT) supplements (sub-national budget support) are established.

Result 1: The total value of PCDF actual disbursement reached USD12.9m (SBD93.2) by end of PGSP phase I compared to SUD7m, which was originally budgeted for in 2008. This represents 85% increase over the original budget of PCDF for phase I. This large increase in the fund was due mainly to the National Government up-scaling efforts in 2012/13 (see table 8 below extracted from the baseline report of September 2014).

The PCDF is a performance based grant that is made available to provincial governments as an incentive to finance small scale infrastructures in the provincial

SHOWCASE 1: Midterm Evaluation Report 2012

In the view of the evaluators, three factors are most likely to have prompted SIG's willingness to substantially increase its contribution to PCDF: a) the impressive progress made in capacity development of PGs in PEM; b) the fact, that PCDF is the only Programme providing PGs with funding and c) checks and balance mechanisms in place for PCDF (annual assessment, appropriation of budget by Provincial

governments and the communities in order to improve service delivery and at the same time promote public expenditure management system. The fund, according to the MoU between the UNCDF and the SIG, was to be contributed 50:50 by SIG and donor partners.

The fund, however, was up-scaled in 2012 when the Cabinet approved the request submitted by the Ministry for increase in PCDF allocation to provinces in order to improve the capacity of provincial governments to deliver services in communities. The Cabinet paper that led to the up-scaling of PCDF was drafted by the Ministry with the technical support of PGSP in 2011.

SHOWCASE 2: Midterm Evaluation Report 2012

The dramatic increase of SIG resources signals, in the view of the evaluators, ownership of PGSP and PCDF and political will to make them a success. It also recognizes SIG's trust in UNCDF and UNDP in their approach to strengthening Provincial Governments.

Table 8: Actual Disbursement of Provincial Capacity Development Fund by Province (Amt: SBD)

Province	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	Total Disbursed
Central	765,565	510,000	824,684	814,684	3,080,630	2,690,918	8,686,481
Choiseul	970,000	646,030	954,190	1,062,359	3,816,086	2,679,086	10,127,751
Guadalcanal	2,000,000	1,991,712	1,474,348	0.00	6,216,176	3,733,392	15,415,628
Isabel	0.00	747,000	761,065	853,110	1,349,278	2,407,465	6,117,918
Makira Ulawa	1,287,607	882,598	1,294,154	1,759,500	4,519,503	3,551,592	13,294,954
Malaita	3,140,254	1,692,434	3,316,042	3,376,839	0.00	0.00	11,525,569
Rennell & Bellona	0.00	260,000	255,067	351,225	0.00	1,718,809	2,585,101
Temotu	750,000	800,000	785,858	839,293	944,529	2,221,919	6,341,599
Western	2,000,000	1,328,679	2,001,184	2,183,703	5,974,281	5,659,800	19,147,647

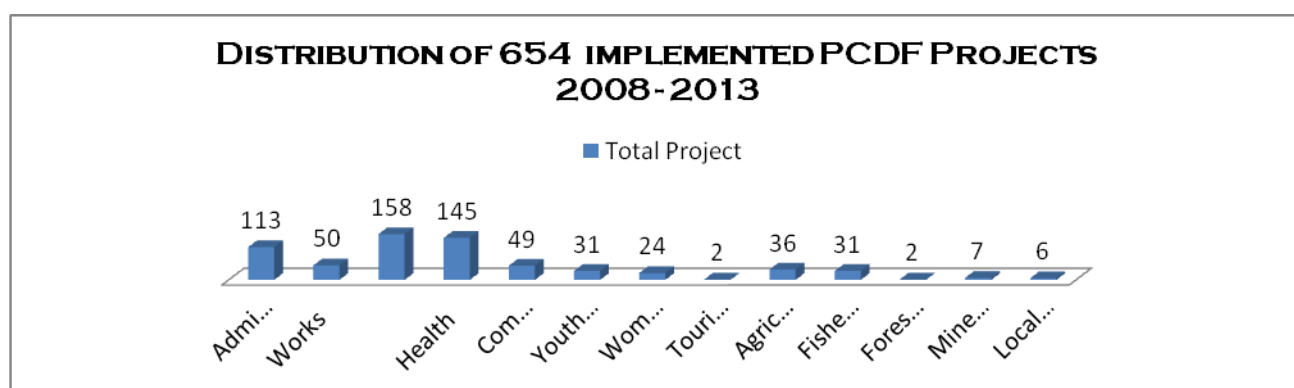
Grant Disbursed	10,913,426	8,858,453	11,666,592	11,240,713	25,900,483	24,662,981	93,242,648
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Table 9 below shows the number of projects that were implemented from 2008/09 to 2013/14. From zero development projects in 2007/8, provincial governments, with capacity building by PGSP through MPGIS, were able to put up 654 solid projects in the nine provinces through PCDF modality.

Table 9: Distribution of PCDF funded Projects by sector from 2008/9 - 2013/14

Item no.	Sectors descriptions	Number of Projects Implemented	Percentage Of Total
1	Administration Sector	113	17.3
2	Works	50	7.6
3	Education	158	24.2
4	Health	145	22.2
5	Local Economic Development	49	7.5
6	Youths and Sports	31	4.7
7	Women	24	3.7
8	Tourism	2	0.3
9	Agriculture & Environment	36	5.5
10	Fisheries	31	4.7
11	Forestry	2	0.3
12	Mines & Energy	7	1.1
13	Local Councils	6	0.9
	Total	654	100

Graph 3: Distribution of 654 projects implemented by provincial governments through PCDF



The impact of PCDF projects on the real lives of the rural population:

A story from the villages of Molevanga and Loemuni



The photo above was shot in December 2013 when MPGIS/PGSP officers accompanied the media team to document the impact of PCDF projects on rural communities. A completed foot bridge of about 90 meters long was constructed by Choiseul Provincial Government through PCDF. The bridge, which is reinforced with large steel rods and season timber, was

"After several years of being disconnected from the rest of our communities, we can now commute and send our children to school without fear that they will fall into the streams. A simple flood used to be cut us off completely but now we can reach the markets and health centres, thanks to Choiseul Province and PGSP". Said a community leader during the inauguration of the foot bridge.

constructed in response to demands from the villagers who had difficulties in getting their children to school in Konamana because of unsafe crossing at Molevanga stream and also to attend clinics in Loemuni village, located on the other side of the stream. Before its completion every parent from the village used to accompany his/her child safely across the stream every morning and in the afternoon when the schools close. The completion of the project has enabled children from Saga Saga village, which lies 25 minutes from Konamana Community High School to attend school regularly without their parents being worried about safety in what used to be a dangerous crossing. The community high school is located in Konamana.

PCDF funded solar street lights in the provincial town of Lata in Temotu Province



The PCDF funded solar powered street lights is the first of its kind in the province and its installation has brought brightness and smiles all over Lata. The first phase of the project, which is designed to provide street lights has now been completed. The 2,335 residents in Lata are now enjoying the new street lights. The next phase of the project (since the Province has qualified for PCDF in 2014/15) will focus on protecting the bulbs, which are being stoned by children

"I cannot believe it but it has just happened. I never thought that the streets in Lata would ever have lights. We can now see progress coming and lives improving" said a community leader in Lata.

Output Target 2.2.2. Capacity development incentives (performance enhancement funds are in place.

Result 2. *PCDF annual performance assessment conducted in 2013 and comparative five year analysis*

Table 9 and 10 below indicates performance of provinces in meeting the minimum criteria in the PCDF annual performance assessment for access to capacity development funds over five years (2008/9 - 2012/13). The fund disbursement and minimum conditions were based on the Operations Manual and MoU signed by UNCDF and SIG for the release of PCDF and the adherence to the conditions agreed thereto.

Table 3⁹: Status of Minimum Conditions (MCs) - an overview

2009/10	All provincial governments met MCs but only after second round of assessment in Renbel and Temotu Provinces.
2010/11	All provinces met the MCs except for Guadalcanal Province
2011/12	Malaita and Renbel could not meet the MCs and thus could not qualify for the funds.
2012/13	All provinces met the MCs except for Malaita
2013/14	Three provinces, Malaita, Guadalcanal and Renbel could not meet MCs. Makira Ulawa and Temotu met the MCs after the second round of assessment.

³ Table extracted from PGSP baseline report of September 2014.

Table 10: Five year trend analysis of minimum conditions assessment results⁴

Provinces	Conditions met by Provinces Based on 8 MCs			Conditions met based on 7 MCs	
	2009	2010	2011	2012	2013
Guadalcanal	8	6	8	7	6
Temotu	8	8	8	7	7
Western	8	8	8	7	7
Makira Ulawa	8	8	8	7	7
Isabel	8	8	8	7	7
Central	8	8	8	7	7
Malaita	8	8	4	2	4
Rennell & Bellona	8	8	5	7	6
Choiseul	8	8	8	7	7
Qualified PGs	9	8	7	8	6
Success rate	100%	89%	77%	89%	67%

The minimum conditions started with 17 MCs (when first introduced) but the review carried out in June 2009 reduced MCs to just eight and introduced performance measures into the assessment process. A further review in 2012 reduced the MCs to seven but the review took measures to strengthen the audit aspect of the assessment with focus on internal control which was described as weak in the midterm report of 2012. However, Provinces that are not able to meet MCs are prioritized in terms of receiving capacity development support to enhance their performance for the next cycle.

SHOWCASE 3: Midterm Evaluation Report 2012

The introduction of the annual assessment of Minimum Conditions (MC) with the consensual selection of assessment criteria for resource allocations to PGs is innovative and works well. It serves as an incentive for improved performance, institutional capacity development and audit.

Independent assessors are hired annually to carry out the assessment of minimum conditions and performance measures. No ministry or provincial government officers take part in the assessment process for purpose of ensuring impartiality but MPGIS officers do accompany the assessment teams as observers.

⁴ Source of data: PCDF annual performance assessment reports

PERFORMANCE MEASURES

Output Target 2.2.3. Better Performing PGs attract financing options through the strengthened system

Table 11: Comparative Analysis of Performance Measure (PMs) for Five Years by Province

Provinces	2009	2010	2011	2012	2013
Guadalcanal	34	60	61	58	45
Temotu	34	43	61	69	42
Western	44	62	58	68	50
Makira Ulawa	44	61	65	62	41
Isabel	38	71	80	70	36
Central	37	57	61	66	58
Malaita	49	59	54	53	33
Rennell & Bellona	34	43	45	54	47
Choiseul	49	78	80	75	61
Total	363	534	565	575	413
Average	40	59	63	64	46

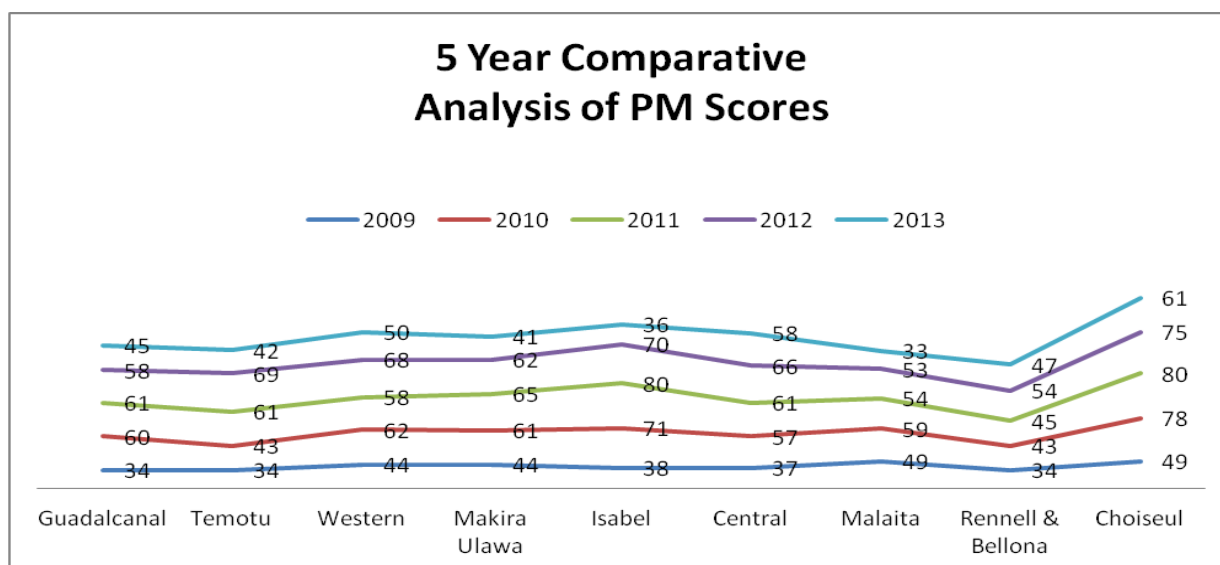


Table 10 and 11 indicate that Choiseul has been the best performing Province since the performance measures were introduced in 2009/10 followed by Isabel Province in 2010, 2011, and 2012. Isabel, however, dropped in performance in 2013/14 assessment whilst Choiseul's overall score also dropped compared to previous years.

"I must therefore encourage you (Choiseul) to maintain the standard that has been set by your administration and further urge you to continue motivating them in order to raise the living standards of your rural communities", Hon. Tausinga(MP), Minister for MPGIS during Choiseul Province Second Appointed Day, 2014.

Isabel's decline in performance could be attributed to political changes that took place in 2013 which did not seem to have helped the province. Not only was there a political change but also the former Provincial Secretary who was doing well was asked to be posted out of the province by the new regime.

Guadalcanal had a change of political leadership which, to some extent de-stabilized the province. The Provincial Treasurer and the Chief Planning Officer moved out from the province. The former Treasurer of Guadalcanal moved to Makira Ulawa whilst the Chief Planning Officer was posted to Choiseul Province.

Rennell & Bellona also has a change of political leadership just before the assessment in 2013. The new political leaders could not work well with the Provincial Treasurer who eventually left the province just after the assessment was completed in 2013. The political change and movement of the provincial administrator seemed to have affected the province in its last assessment.

The key lesson learned from this assessment was that efforts should be made to motivate the provinces to comply with basic internal control procedures endorsed in the financial instructions and the provincial FMOs. There must also be political and administrative will to ensure compliance to internal control procedures.

First ever "qualified" audit opinion in Solomon Islands

There have, however, been improvements in the reduction of audit queries by few Provinces. Choiseul Province has reduced its audit queries by 50% and Western Provinces reduced theirs by 50% in 2013.

To address the recurrent audit issues, the revised Operational Manual has put more emphasis on the audit issues as they are vital in ensuring accountability to public funds. More points

This clearly shows that, given the support, encouragement and resources, provincial governments can deliver, said Hon. Jackson Kiloe, Premier of Choiseul Province responding to commendations on Choiseul's achievement in the assessment for the past five years.

are allocated to audit issues indicators as a way of motivating provinces to comply. Based on the 2012/13 final audit reports of OAG, both Choiseul and Western Provinces secured a **"qualified audit opinion"**. **This was the first time that a government institution such as provincial governments obtained such a good audit report.**

OUTPUT 3: THE LOCAL DEVELOPMENT CAPACITY OF PGs IS DEVELOPED.

Output Targets: 3.1.1. *The Provincial Institutions of Representative and Participatory Democracy are developed*

Results: inputs from communities and other stakeholders in the provinces are now being gradually incorporated/reflected on the projects selected for PCDF funding by provincial governments as a result of the formation of Provincial Planning and Development Committees in seven (Western, Choiseul, Makira Ulawa, Central, Isabel, Temotu and Malaita Provinces) of the nine provinces by end of 2013. Members of PPDC in the above provinces did take part in discussions for identification of projects funded by the province through PCDF. The conceptual framework which was developed with the support of PGSP was approved by the Cabinet in 2012.

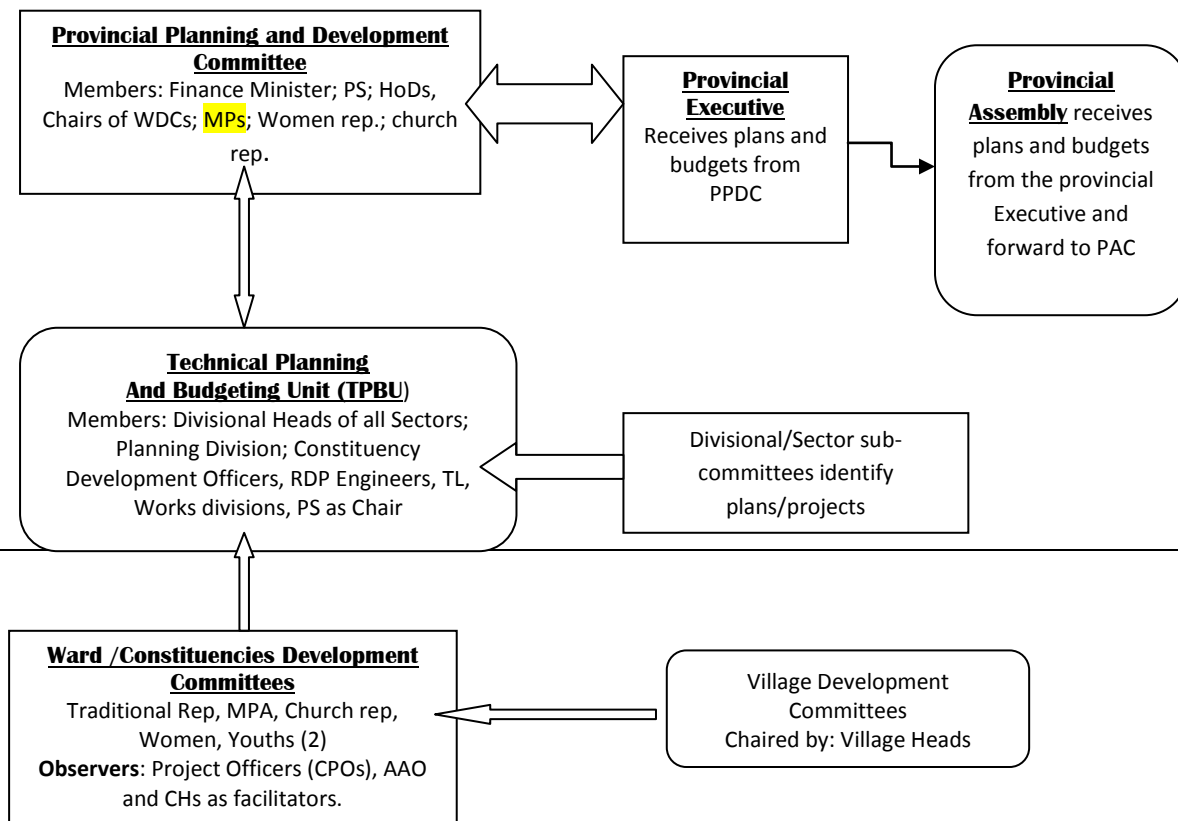
Though there is still political inference in the final selection of projects, efforts are continuously being made by Provincial Secretaries to incorporate stakeholder inputs in project identification for PCDF funding.

The approved framework detailed the roles and responsibilities of the following planning institutions:

1. Provincial Planning and Development Committee instead of PDC: the membership of this committee has been clearly defined by the framework including the committee's roles and responsibilities.
2. Ward Development Committees: the framework also defined the roles and responsibilities of members of the WDCs, the composition of WDCs and frequency of meetings (subject to funding) have been spelt out.
3. Technical Planning and Budgeting Committee: the approved framework spelt out the roles, composition and responsibilities of members of TPBC at the provincial level and its linkages to WDC and PPDC.
4. The approved framework also spelt out the roles and responsibilities of the Divisional Sub-committees at PG level and their linkages to other planning institutions prescribed therein.

Several meetings were held with RDP of World Bank to promote coordination with provincial planning institutions in order to avoid duplication of efforts as the two programs try to support effective service delivery. A task force was formed in 2013 to coordinate meetings in order to work out how best synergies could be maximized (*see the flow chart below for the summary of the framework and its operational linkages*). The task force included representatives from Ministry of Rural Development as the programme tries to buy in the support of MPs so that their plans could be incorporated into the overall provincial planning processes.

Graph 6: Graphical presentation of the process of participatory planning



Output Targets: 3.2.1. *The capacity of Provincial Assemblies and Executives to formulate policies, legislation and regulations, to oversee the provincial administration and monitor the PEM cycle is developed.*

Result 1: Members of the nine provincial assemblies are gradually improving their understanding of the basic roles and responsibilities of elected representatives. According to the survey conducted in eight provinces by the baseline team in 2014, 58% of Members of the Provincial Assemblies responded that they have a good understanding of their roles and responsibilities as against 42% (who are yet to have a good understanding of their roles and responsibilities). In the same survey, 80% of those questioned said their capacities have been built over time as a result of continued capacity building through the Ministry as against 20% who felt that they did not gain **much**.

The challenge with training of MPAs is that after every four years, over 70% of those trained are replaced in the provincial elections triggering a need for fresh rounds of training. To ensure MPAs are fully conversant with their roles and responsibilities would require a sustained capacity building initiative.

All elected members have been trained through induction programmes. Inductions were first organized in 2009 for the provinces of Choiseul and Western immediately after their provincial elections. This was followed in 2011 by induction programmes in the six provinces of Malaita, Guadalcanal, Rennell & Bellona, Isabel, Temotu and Central Provinces after their elections in 2010. In 2012 members from Makira Ulawa were trained on their roles as assembly members.

In addition to the normal induction trainings conducted after every provincial election, local elected leaders trainings had, since 2011, been conducted for MPAs. So far the following provinces: Guadalcanal, Renbel, Central and Malaita have been covered by the LEL trainings. The training covers competences in leadership, policy making, communications, and enabling, empowering and presentation techniques.

Throughout the period 2008/9 - 2013, the PGSP Provincial Advisors and the specialist based in the Ministry continued to provide advices to members of the provincial assemblies and the provincial executive. In 2013, the programme supported the training on policy development in Western Province and at the same time trained members of the provincial executive how to interpret policies and set strategies based on their political manifesto. The governance division of the Ministry also conducted series of trainings in Makira, Isabel and Central for provincial assemblies.

Results 2: support to the Premiers' conference: The Solomon Islands Government increased the PCDF allocation in its 2014/15 budget by SBD7.5m (USD1, 029,000) as a direct result of the Cabinet endorsement of the Gizo Premiers' Conference communiqué of July 2013. Resolution 1 of Gizo Conference Communiqué urged the Solomon Islands Government not only to increase PCDF and but also demonstrate National Government support for PGSP phase II.

The project supported the Premiers' conference by providing funding to the pre-premiers meetings as well as technical support to the conference (by technically supporting its various committees). Support to the premiers conference in terms of logistics and technical support by PGSP commenced in 2011 when the project budgeted to pay for pre-premiers meetings in Honiara in preparations for the 6th Premiers conference in Choiseul Province. Since then the content and logistical arrangements of the conference have been improving.

Output 3.2 the local development management capacity of provincial government is enhanced

Output Targets 3.2.1. Institutions are developed and capacity is built for Public Expenditure Management (PEM) by Provincial Governments.

Result 1: Ward profiling and strategic plans: The development priorities of 115 provincial wards in Choiseul, Temotu, Western, Isabel and Guadalcanal Provinces have been identified as a result of the recently completed data collection exercise on ward profiles for the six provinces.

Ward Profiles for the 115 wards have been drafted and the second rounds of consultations to validate the findings and formulate the five year strategic plans have also been concluded in six Provinces. The completion of the strategic plans shall enable the priorities of all provinces to be linked to the National Development Strategies thus facilitating the localization of NDS at provincial level. The three remaining provinces that have not been covered in 2013: Malaita, Central and Rennell & Bellona may be covered in the second phase of the project.

Result 2: Internal Controls and Internal auditing: The implementation of Cabinet policy on internal controls this year has enabled the ministry to provide a good response to the audit issues raised by the external auditors from the previous year's audit.

To strengthen the internal controls, the ministry appointed an internal auditor but unfortunately the officer passed away just few months after he assumed duties. Efforts are however, being made by the Ministry to recruit two internal auditors to oversee compliance issues in the ministry and in the provinces. This shall strengthen the ministry's capacity to implement compliance measures in provinces. The establishment of an audit division shall gradually facilitate compliance at provincial and ministry level.

Result 3: computerized accounting installed in all provinces: Provincial Treasurers are providing regular financial and management reports to the provincial executives as a result of the proficiencies they gained in computerized accounting through on the job trainings and mentoring conducted by MYOB consultant provided by the programme. All nine provinces submitted their financial statements to OAG and all statements were audited as a result of improved computerized accounting. Even the few provinces who could not meet the submission deadline of December 31st each year made efforts and submitted their statements to OAG for auditing.

The programme hired a MYOB consultant (mobile accountants) from 2009 – 2012/13, during which computerized accounting systems were installed for each province. At least one to two weeks of on the job training was held in each Province each year by the mobile consultant in order to capacitate the Treasury divisions. The trainings were held in the provinces in order to

give an opportunity to other officials within the treasury divisions to be capacitated for reasons of sustainability.

Table 12 shows statistics of financial reporting performance of provincial governments (accounting for fixed service grants) from the baseline just before the start of PGSP to the end of phase 1 in 2013/14. This table should be read along table 13, 14 and 15 below for comparison purpose.

Provinces	Service grants disbursed to PGs 1993/4 - 2006/7				Service grants disbursed to PGs 2008-2013		
	Total Grants 1993/4 - 2006/7	Expenditure Accounted for	Expenditure Un accounted for	% of unaccounted grants	service Grant Disbursed by Province	Expenditure Accounted for in Audit	Expenditure unaccounted for in Audit
Central Province	17,721,982	0.00	17,721,982	100	16,124,489	100%	0
Choiseul	19,878,785	0.00	19,878,785	100	23,053,262	100%	0
Guadalcanal Province	33,178,644	1,520,926	31,657,718	95.4	32,259,747	100%	0
Isabel Province	18,835,472	1,541,101	17,294,371	91.8	15,552,830	100%	0
Makira Ulawa	21,316,608	0.00	21,316,608	100	20,956,377	100%	0
Malaita Province	36,309,641	10,820,789	25,488,852	70.2	44,096,679	100%	0
Renbel Province	12,295,937	1,002,631	11,293,306	91.8	11,118,480	84%	16
Temotu Province	16,285,865	0.00	16,285,865	100	17,019,779	100%	0
Western Province	47,078,702	17,441,585	29,637,117	63.0	48,811,271	100%	0
Total	222,901,636	32,327,032	190,574,604		228,992,914	100%	0

Table 12: Accounting for service grants - a comparative analysis by province

The Impact of the Minimum Condition on Financial Reporting

%		14%	86%		100%		16%
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Financial reporting - 2007 baseline data

- Financial report which is a PGA 1997 Section 39 (1), (2) and (3) requirement became a minimum condition in 2008.
- All provinces submitted their financial report on or after 31st December 2008 Section 39 (1) of PGA 1997.
- For every year, since 2008, at least 84% of the provinces (average) submitted their financial reports to the Auditor General before the deadline of 31st December (see 14 below for evidences of performance extracted from the baseline report).

Table 13: analysis of audit performance by province - comparison of two baseline data

Province	Audit Opinion		Audit Opinion 2012/13	Audit Queries 2011/12	Audit queries 2012/13	Audit queries resolved 2012/13	Comments
	1993 - 2007/8	2008/9 - 2011/12					
Central Province	Disclaimer	Disclaimer	Disclaimer	8	13	0	Audit queries increased by 5 No audit query resolved
Choiseul	Disclaimer	Disclaimer	Qualified	8	4	4	Obtained qualified opinion ⁵
Guadalcanal Province	Disclaimer	Disclaimer	Disclaimer	10	14	0	Audit queries increased by 4 No audit query resolved
Isabel Province	Disclaimer	Disclaimer	Disclaimer	8	13	0	Audit queries increased by 5 No query resolved
Makira Ulawa	Disclaimer	Disclaimer	Disclaimer	12	16	0	Audit query increased by 4 and no query resolved
Malaita Province	Disclaimer	Disclaimer	Disclaimer	13	16	0	Audit queries increased by 3 and no audit query resolved
Renbel Province	Disclaimer	Disclaimer	Disclaimer	11	15	0	Audit query increased by 4 and no query resolved
Temotu Province	Disclaimer	Disclaimer	Disclaimer	11	16	0	Audit queries increased by 5 and no audit query resolved
Western Province	Disclaimer	Disclaimer	Qualified	8	6	2	Obtained qualified audit opinion and to queries resolved

Table 14: Baseline in 2007 (PFMIP)

⁵ Choiseul and Western Provinces obtained qualified audit opinions for the first time. The only basis of qualified opinion for both of them is the investment arm of the PG.

Status of Financial Reports by Provincial Governments

Item No.	Province	Last Audit	No. years not audited	Report prepared for audit	Report not prepared
1	Malaita	1995	10	1996	1997 - 2007
2	Western	1997	9	1998-2002	2003 - 2007
3	Guadalcanal	2001	17	Nil	1989 - 2000 2002 -2007
4	Isabel	2003	17	Nil	1989-2002 2004 -2007
5	Makira	Nil	18	Nil	1989 -2007
6	Central	Nil	15	Nil	1989 - 2000 2004 -2007
7	Temotu	Nil	18	1989 -1995	1996 -2007
8	Choiseul	Nil	16	Nil	1991 -2007
9	*Renbel	Nil	9	*2001 -2005	1993 -2000 2006-2007

Result 3: Auditing of financial reports The impact of Minimum Condition 6

Auditing of financial statements is a minimum condition which has helped the provincial governments to ensure their timely preparations. In addition to submitting the financial statements, provinces are required to table reports to the assembly according to the Provincial Government Act 1997 Section 39 (3) and in accordance with minimum condition no. 6.

I am proud of PGSP and I showcase the programme wherever I go. The programme has made my work easier. Now we can audit because the financial statements are being produced", said the former **Auditor General, Edward Ronia in 2013.**

1. About 84% of the financial reports were audited and feedbacks were sent to the provincial governments on time.
2. All financial statements audited were presented to the provincial assemblies for discussions and minutes were presented for assessment.
3. From 1993 - 2006 only 16 out of 117 financial statements were audited compared to about 84% by 2013/14.
4. About SBD222.9m was disbursed from 1993 - 2007 but only 14% (SBD33.3m) was accounted for through proper financial reporting.
5. About 84% of the funds were not accounted for.
6. From 2008 - 2014 about SBD277m of fixed service grant was disbursed to provinces of which 84% was reported on and also audited.

"There have been massive improvements in the public expenditure management systems at the provincial level considering where we started from. We have a lot of challenges ahead to make the system sustainable but a lot has indeed been achieved. We still need to improve the FS and deal with revenues from business arms in order to attain clean audit reports for provinces", said **Robert Cohen, the current Acting Auditor General of Solomon Islands, 12 March 2014.**

These achievements have been possible because of the rigorous capacity building that has been provided by the MPGIS through PGSP to support the capacity development of the provincial governments coupled with the application of the performance based grant system and the strengthening of minimum conditions. Compare table 12 - 14 above for further evidences of performance results on financial reporting and auditing.

The report of the Auditor General 2012/13 on provinces indicated that for the first time in the history of provinces, two provinces (Choiseul and Western) secured qualified audit reports. No central ministry has so far achieved that standard (see OAG report of 2012/13 on Choiseul and Western Provinces). As we write this report 2013/14 final audit of provinces released by OAG show that Choiseul and Western have again attained qualified audit opinion indicating that obtaining clean audit report might be achieved very soon, if minimum conditions and tough performance measures are allowed to continue until the measures become sustainable.

Results 4: Planning and budgeting: as indicated by the scores in performance measures in 2013 assessment, all provinces improved their scores in planning and budgeting with an average score per province of 12.2 out of a maximum score of 18.

"This is the first time for me to attend such a training planning. Now I have a clear direction of what I am supposed to do. I have really gained a lot from this training," said the Chief Planning Officer of Renbel, November 2013.

This was a result of the continuous on the job training that advisors and technical assistants had provided to the planning divisions in the 9 Provinces. In addition to on-the-job training and mentoring, the project conducted trainings on planning and budgeting for provincial Chief Planning Officers, Treasurers and advisors in November 2013 focusing on performance based planning and budgeting techniques including formulation of log frames.

'...provincial budgets are now linked up to the annual work plans of the provincial governments and the cash basis of budgeting is linked to the International Public Sector Accounting Standards (IPSAS), something the National Government is yet to achieve'. (Hon Walter Folutalu (MP) Minister for MPGIS, at Parliament, 28 Nov 2011).

The Provincial Treasurers also benefitted from capacity building trainings conducted for them in order to enhance the new concept of cash basis of budgeting systems (**see annex 1 of this report on trainings conducted since 2009**).

The signing of provincial budgets into law by the Hon. Minister has been facilitated as a result of gradual improvements in the quality of provincial budgets and plans. In addition to the production of annual planning and budgeting guidelines, the programme funded the review of provincial government budgets and work plans

This annual review workshop and training have been very instrumental in improving the quality of provincial plans and budgets since 2011. It also makes it easier for me to sign the final budgets as they come in without delay. I therefore urge you to concentrate and incorporate critical feedbacks into your budgets, Hon. Silas Tausinga, Minister for MPGIS, 17th February 2014.

annually from 2010 - 2013 in order to ensure that the proposed budgets were as realistic as possible before they were passed by the provincial assemblies by 31st March each year. Feedbacks from the review workshop were sent back to the provincial authorities for incorporation into their final drafts. The review process started in 2010 when it was demanded by the Ministry as a means of giving assurance to the Minister that provincial budgets are indeed realistic (see annex 1 on training for details on review workshops). The MPGIS fully funded the review workshop of 2014.

At the ministry level, the PGSP technical specialist continued to provide on the job training and mentoring to the divisional heads on the formulation of realistic plans and budgets for their divisions and for the ministry as a whole. He also provided on the job training and mentoring on human resources issues and other policy issues relating to various divisions in the form of in house training sessions including technical support to the PGs in monitoring and evaluation.

Result 5: Asset management strategy: The asset management strategy for the provincial governments was developed in 2009 to support the management of provincial assets. The introduction of the IPSAS Cash Basis of accounting changed the focus on the detailed asset management register. The elements required to be audited annually have now been clarified after consultations with the Office of Auditor General. This will hopefully assist the OAG in their routine annual audit of provincial assets.

A template agreed with the OAG and based on IPSAS Cash has now been finalized for the ministry and the provinces. The implementation of the template shall certainly reduce the number of audit queries received by provinces on management and accounting of provincial government assets.

Output Target 3.2.5: *Provincial Government Capacity for promotion of Local Economic Development (LED) is developed.*

Results: Local economic development (7.5%)⁶: provincial PCDF quarterly reports and the baseline studies show that projects being initiated by Provinces to promote local economic developments have been increasing since the Ministry gave advices to provinces to refocus on activities that will promote local economic development, create employment opportunities and reduce poverty level in rural communities. This was a follow up on recommendations made in the Midterm review report of 2012, which indicated that more emphasis was being placed in supporting social sector projects in education and health and little on LED.

The records in table 16 below indicate that 48 of such projects have been implemented ranging from complete refurbishment of fishery centres, provision of solar-powered freezers to ensure continuous cooling systems and provision of machines for ice block making (in partnership with JICA (Isabel Fishery Centre), copra and cocoa storage facilities, copra and cocoa dryers, cocoa crushing mills, construction of footbridges to link people to commercial centres, market outlets and construction of markets in almost every province (*see table 16 of annex 2*). **By 2014, at least, 7.5% of the numbers of projects implemented were designed to provide infrastructures that promote local economic development.**

Output Target 3.2.6. *Effective Provincial Government Systems are developed*

⁶ About 7.5% of initiated PCDF projects are infrastructures that contribute too local economic development (see annex 7, page 91 which shows list of activities under LED, Water and Sanitation).

Result 1: Performance Management Systems Established

The functional responsibilities of the five key divisions in MPGIS were reviewed in 2011 and 2012 as a direct result of the studies carried out on the human resources situation in the Ministry and in the provincial governments. Parts of the recommendations of Malcom Bell and Lynda's ⁷reports of 2009 and 2011 were used by the project and the ministry to clearly define the functions of the divisions in the ministry. A handbook on performance management in line with the Performance Management Processes Policy of the Ministry of Public Service was developed for MPGIS and approved by the Cabinet.

On the basis of the hand book, key result areas for performance assessment were developed for all core positions in the ministry and in the provincial governments. The document currently awaits endorsement by the Public Service Commission. Meanwhile the Ministry of Public Service has initiated the implementation of the PMP policy with immediate effect, and MPGIS is being identified as a pilot Ministry for PMP implementation.

Result 2: Improvement and changes in human resource capacity of MPGIS (2008/9- 2013/14)

By end of phase I, the human resources situation of the Ministry improved slightly as MPGIS redoubled its efforts to fast-track recruitment process for seconded employees in the provinces and also the core ministry officers. An understanding was reached with the Ministry of Public Service for the need of a right mix of human capacity to be able to deliver the project. The Provincial Governance Division was created in 2007/8 as described in the project document to deal with provincial issues and promote capacity building.

- ✓ In 2013 two monitoring and evaluation officers were recruited who are conducting field monitoring of projects being implemented through PCDF and SIG.
- ✓ The Human Resource Manager resigned by May 2013 but was replaced by June 2013. Principal Human Resource Development Officer was recruited and assumed duties in October 2013.
- ✓ The Internal Auditor came on board in the month of August 2013 but he later passed away in the month of October 2013. Recruitment process for two internal auditors started again in 2013.
- ✓ In 2010 changes were made to the Undersecretaries. The former Undersecretary was moved to the Ministry of Public Service but his replacement came immediately from Public service.
- ✓ Formal appointment of the Under Secretary as Project Coordinator was made by the Permanent Secretary in September 2011.

⁷ These were studies on Human Resources Development that the programme funded for MPGIS in 2009 and 2011.

- ✓ The Permanent Secretary, Mr Tuhaika, was replaced by Mr Ganateh in September 2010. Mr Ganateh, unfortunately passed away in December 2010 and later replaced by Mr Lennis Rukale in January 2011.
- ✓ In February 2012, Mr Rukale was replaced by Mr Stanley Pirione as the Permanent Secretary of the Ministry.
- ✓ The first Director of Provincial Governance Division, Mr Wilson Karamui was moved to Prime Minister's Office in October 2010. The former Deputy Provincial Secretary of Malaita was brought in 2012 to replace Mr Karamui as director of Provincial Governance Division.
- ✓ For the first year of the project, there was no Director of Finance to work with the programme on PCDF issues and other PFM reforms identified in the programme for implementation. The Ministry recruited Director of Finance in September 2009 who served for two years and was later posted to Guadalcanal Province as Provincial Secretary in 2011. The former Treasurer of Central Province was brought in as replacement to the Finance Director in 2012 but he also served for two years and got posted back to Central Province as Treasurer. Currently the Ministry is without a Director of Finance but the office is being manned by the Chief Accountant responsible for Head Quarters whilst the replacement is being found.

Result 2: Visibility

Communications and Information Technology improved: The visibility of the programme improved as a result of the documentary gathered and aired by Solomon Island Broadcasting Corporations and Television stations on PCDF projects being implemented in the provinces of Central, Western, Makira Ulawa, Guadalcanal, Choiseul, Isabel and Temotu. The Solomon Islands Broadcasting Corporation carried the documentaries for each of the provinces for one week whilst Satsol TV also carried the programme for Makira Ulawa, Western and Central Provinces.

PGSP Logo: Throughout phase 1 of the programme, PGSP adopted an approved logo for all its communications including its two weekly report which were sent to all members of the Joint Oversight Committee to keep them updated on developments on the programme. The logo was circulated to all donors for their confirmation before it was used in documentation.

All projects funded by the PGSP put up bill boards with the PGSP logo indicating the donors of the programme (RAMSI/Ausaid, EU, SIG, UNDP and UNCDF). For infrastructures, the following information is indicated in the bill board, see the coconut crushing mill facility project in Buala, in Isabel province:

- The total project costs
- The project start date
- Project completion date
- The contractor of the project
- Funding source - SIG, RAMSI, EU, UNDP and UNCDF
- Implementer - the province
- The PGSP logo incorporating the logo of all donors



- For assets like vehicles, the logo of PGSP is placed on the asset for visibility
- See below the rubbish collection tractor procured by Western Province in 2013 for collection and dumping of rubbish from all collection points in Gizo including the Gizo market.



PCDF funded tractor procured by Western Province for rubbish collection. The asset shows the PGSP logo with logos of PGSP donors.



PCDF funded tractor in action: collecting rubbish from Gizo market and carrying it to the dumping sites at the far end of the Gizo town, January 2014;

News letter: The MPGIS/PGSP newsletter (see copy of the news letter in annex 3) came into production in 2011 and continued until the programme closed in 2013. The production of the Newsletter was curtailed to two edition sin 2013 (March and June 2013) due to budgetary constraints. The editions covered stories on various developments taking place in the provinces including details of PCDF and SIG funded projects and their impact on communities. The news letter also carried the logo of the programme to ensure visibility of the all parties contributing to the programme.

MPGIS/Provincial Government Websites:

Access to published documents and transmitting them from the provinces to MPGIS and other ministries has improved as a result of the construction of a website for the Ministry. Through the Ministry Website, a website was developed for each of the provinces.

The programme built the capacities of the Ministry and Provincial officers (IT focal persons) in navigating websites, downloading and uploading materials from the sites. A website specialist conducted the training in November 2013. The officers trained included the Chief Planning Officers, Treasurers and Advisors from each province plus the Ministry divisional heads.

"For those of us out in the provinces, visiting the Ministry website offers a lot of opportunity to learn from other provinces and access information from our Ministry without having to go to town to do so.

Thank you all for the efforts. I know this would be a challenge given our resources, but would it be possible to have regular updates? Some of the 'latest news' was about 2 years ago", said Jackson Kiloe, Premier of Choiseul Province, March 10th 2014.

These initiatives were part of the implementation of communication strategy developed in 2009. The programme capacitated its Communications Officer funding him to attend a training in Australia in 2012/13 to undertake a three-week training on "Adobe Multi software training (publishing and video production) with the following specific objectives:

- ✓ Acquire more comprehensive knowledge and skills in a range of adobe applications;
- ✓ Work with the several different learned adobe applications;

- ✓ Explore how all the applications "fit together";
- ✓ Apply new knowledge and skills in strategising communication for PGSP, MPGIS and PGs;
- ✓ Maintain and manage arrays of effective print, digital and audio communications for the PGSP, MPGIS and PGs;
- ✓ Produce and edit video on DVD

Result 3: Knowledge management and knowledge sharing developed: The following reports and documents have been published in the website in 2013 (shortly after the official launching of the website) for the purpose of knowledge sharing, knowledge management and documentation of work being undertaken by the Ministry, Provinces and PGSP.

1. Consolidated key issues of 2012 PCDF annual assessment reports
2. Annual Performance Assessment of PCDF in relation to the 2013/14
3. 2012 revised PCDF Operational Manual
4. 2012 revised Performance Assessment Manual
5. Consolidated AWP 2013 and review of 2012 AWP
6. Meeting with LOC of Western Provincial Government
7. Consolidated Comments on – Provincial Governments Draft Plans and Budgets 2013-14.
8. Concept note on 7th Premiers conference.
9. 2013/14 Approved annual work plans and budgets of provincial governments
10. Submission to MDPAC on PCDF projects on Local Economic Development
11. June 2013 edition of the MPGIS/PGSP Newsletter
12. Ordinances of provincial governments
13. The revised Provincial Assembly Standing Orders
14. The final Annual Progress Report of Provincial Governance Strengthening Programme 2012
15. The final results of 2013 PCDF Annual Performance Assessment Report shall also be uploaded in December 2013

The website address is: www.mpgis.gov.sb. The newly uploaded website can be viewed and navigated.

Result 4: Satellite internet provision (high speed internet connectivity) in provincial governments:

Results - the provision of satellite internet connectivity in Isabel, Choiseul, Makira Ulawa, Renbel, and Central provinces has improved communications between the five remote provinces and the rest of the country. Viewing and directly accessing documents through the internet is facilitated as a result of the internet facilities. In addition, the updating of MYOB software online has also been facilitated as a result of the satellite internet in remote provinces.

Readily available high speed internet facility has enabled the staff to communicate and make use of social media available on the net. The remaining four Provinces: Malaita, Guadalcanal, Western and Temotu shall have their VSATs installed by the beginning of PGSP phase II.

"At first we thought our Province has not been doing well but the release of PCDF assessment results on the websites enabled us to know that our province is among those that have performed. Our PG is indeed doing well", said a resident in Lata, **through a social network** " **Temotu face book forum**".

Facebook forum started coming up in most of the provinces just after the installation of VSATs in 2011. Temotu has established " Temotu facebook forum" whilst Choiseul has established "Lauru Group Facebook Forum". The provision of VSATs has enabled provincial officers to be active members of various group discussions, which are mainly on development and political issues relating to the province.



The photo above is the first solar powered internet cafe in Choiseul Province established in Choiseul Bay Community High School providing internet connectivity to pupils and communities. The construction of the computer lab including the solar power system was fully funded by PCDF through the provincial government of Choiseul but the internet is being provided by Telekom. The province is thinking of extending such facilities to other remote locations if VSATs bandwidth could be expanded.

"Considering the absence of any established library in the school, access to internet can now facilitate our research work. Materials that we cannot access in hard copies can now be accessed in softcopies", said one of the senior students in the community high school.

Output 3.3: An effective system of central support and supervision of provincial governments is enhanced.

Output Target: 3.3.2. A system to provide technical and legal advisory services to provincial government is in place.

Result 1: capacity development in provincial governments and MPGIS were supported as a direct result of the successful employment of advisors in all nine provinces throughout 2013 including new officers recruited for Malaita, Guadalcanal and Choiseul Provinces. The National Advisors in the provinces as well as the Technical Advisors in the Ministry continued to provide on the job training to their counter parts in order to transfer skills for the whole duration of PGSP phase I.

The Ministry based technical advisors provided technical support and on the job training to the Ministry Finance team on financial issues to ensure effective financial reforms, worked with the Ministry Executive to develop policies and strategies for Cabinet approval and capacity building support to the provincial executive in policy design, development and implementation. The team also provided on-the-job training and mentoring to other divisions within the Ministry. For details of capacity building support provided to the Ministry of Provincial Government and Institutional Strengthening and provincial government for over five years, see annex 1 to this report.

The project operations team based in the Ministry continued to provide logistic support to the smooth implementation of the programme in the organization of workshops and daily official runs of the Ministry and the programme.

PGSP Phase I: Human Resources Capacity

Table 17 shows the progress made on human resource development followed by analysis of changes of staffing that took place in the course of phase I.

Table 17: PGSP Human Resources from 2008 - 2013 and staff changes in phase I

Position Descriptions	Vacancies Approved	Positions filled					
		2008	2009	2010	2011	2012	2013
TA International, MPGIS	3	1	3	2	3	2	1
I UNVs	9	2	5	5	4	4	1
TA National Advisors	9	0	5	6	7	9	8
Operations (Int.) UNDP office	1	1	1	1	1	1	1
Operations UNDP Office	3	3	3	3	3	3	3
Operations MPGIS	7	1	2	3	6	6	6
Total	32	8	19	20	24	25	24
Actual human capacity available/year compared to 32 (100%) what was required to deliver the project.		25%	59%	63%	75%	78%	75%

The above analysis indicates that the PGSP, despite enormous efforts made by UNDP recruitment section, could not operate with the required staff on board as per JOC approved vacancies. The highest number of staff was recorded in 2012 when the project operated at a capacity of 78% compared to 25% in 2008. This was 12% less than the anticipated human capacity required to support the delivery of project components.

Staff movement during the life of the project:

The first Capacity Development Officer for the programme resigned from his post in December 2009 just under one year after taking up the position. His replacement came in October 2010. The new Capacity Development Officer stayed with the project for two years but he left in October 2012 as a result of lack of funding for the position for 2013.

The first Chief Technical Advisor of the project resigned in April 2010 just 18 months after leading the project. The position was left vacant but the Local Government Finance Specialist was asked by UNCDF to oversee the project implementation for 11 months until the second CTA was recruited in January 2011.

About nine months into his assignment, the second CTA was relieved of his job on 14th September 2011. The UNCDF asked the Local Government Finance Specialist to run the programme as Interim CTA from September 2011 until 31st March 2014.

In another development, the Project Steering Committee combined the responsibilities of the Local Finance Specialist and the CTA for financial and strategic reasons in January 2012. From January 2012 the PGSP was being run by one technical advisor until its final closure.

Monitoring and Evaluation Officer was appointed by the Programme in 2011 but resigned to pick up another job in 2012 just about one year into her contract. Since the programme was coming to an end, there was no replacement but then the ministry appointed two monitoring officers to be in charge of monitoring with the help of Chief Planning Officers and the remaining Provincial Advisors.

Phase I was designed to recruit nine IUNVs and 9 National Advisors to support the capacity building at provincial level. After three years of advertisements and recruitments, the programme eventually recruited National Advisors for all provinces in 2012.

The UNV office found it difficult to source nine IUNVs for the whole duration of phase I. As indicated in table 3 above, the maximum number of IUNVs the programme had was 5 in 2011. This number reduced to 1 in 2013 as a result of limited funding during the no-cost extension period.

Result 2: Policy development support to central Ministry provided:

Results: The policy formulation and implementation capacity of the Ministry and the Provinces in terms of supporting the provinces to deliver services and also for the Ministry to introduce new systems for sustained reforms has been strengthened as a result of the continuous technical support from MPGIS based PGSP technical officials in phase I.

The Ministry was technically supported by the programme to develop its three year Corporate Plan in 2011 - 2013 and the latest edition of the 2014-2016 Corporate Plan.

The project technically supported the drafting of the hand book on Premiers conference procedures and processes, which was approved by the Cabinet in January 2014.

A four year policy statement (2014 - 2017) was produced and handed over to the provincial executive of Western Province as a result of the technical support provided to the provincial executive by PGSP and MPGIS in January 2014. The policy development was undertaken as a form of on-the-job training and mentoring for the provincial executive and divisional heads. A one-day training was also delivered to the provincial executive and divisional heads on PCDF processes in preparation for the formulation of annual work plans and the review of three- year development plans.

The programme supported the Ministry and Provincial Governments to technically develop and also implement the following policies which are now having impact on service delivery and accountability to public resources and also influencing national policy directions:

1. Participatory and integrated planning framework was developed and endorsed by the Cabinet in 2012. Seven out of nine provinces have formed the Provincial Planning and Development Committees with appointment of members confirmed by the provincial executives.
2. Policy on functional assignment studies was developed and endorsed by the Cabinet in 2012. This led to the second round of studies on functional assignments in 2013.
3. Cabinet paper to carry out costing of service delivery was developed and approved by the Cabinet in 2012. The actual work on this exercise may commence in phase II if funding allows.
4. Audit review committee and internal control framework procedures were developed and endorsed by the Cabinet in 2012. The Cabinet also endorsed the formation of an Internal Audit division in the Ministry of Provincial Government and Institutional Strengthening. The audit division has now been created.
5. Cabinet Paper on PCDF up- scaling was developed and endorsed by the Cabinet in August 2011. This led to the up scaling of PCDF. Government increased its contribution from SBD5.4m to SBD25m in 2012, SBD22.5m in 2013 and to SBD30m in 2014.
6. Policy on the expanded responsibilities of Provincial Public Accounts Committees (PPAC) was developed in 2011 and endorsed by the Cabinet in 2012. The Cabinet endorsement led to

the design of capacity building of about 60 members of the provincial public accounts committee with the help of the Centre for Democratic Institute in Canberra, Australia. The training enabled provincial PAC members to understand their roles and responsibilities with regards to scrutinizing provincial budgets and expenditures.

7. As a result of the Cabinet endorsement of the PAC policy, each Province formed a Provincial Public Accounts Committee in accordance with the Cabinet endorsement. The immediate outcome of the policy was the formation and operation of the PPAC by non-Executive members of the Provincial Assemblies, in order to ensure effective scrutiny of the Executive's budget and expenditure in accordance with the Section 39 (4b) of PGA 1997. Before this policy was developed, the provincial PACs were not functioning committees and it comprised of provincial Executives as members who did little or no scrutiny of their own approved budgets and expenditures.
8. Strategy on effective organization of Premiers' conference was developed and endorsed by the Cabinet in 2011. The development of this strategy and its implementation led to a successful Premiers conference in Choiseul in 2011. From then onward the conference found its right footing and kept on improving.
9. Policies and Procedures on Premiers conference - a hand book on policies and procedures was developed and endorsed by the Premiers in Gizo in July 2013. The Cabinet endorsed it in February 2014. In addition, the programme supported the Ministry in developing various Cabinet Papers on Premier's conference Communiqués.
10. A handbook on accounting and budgeting for the training for provincial governments was developed in 2010 by the Local Finance Specialist of PGSP. The manual used as the training manual for the training of Treasurers in 2010 and in subsequent years' training. .
11. Supported the Ministry in developing a Key Results Areas Handbook in line with the Ministry of Public Service Performance Management Processes. The MPGIS is declared as one of the first Ministries to have positively responded to the new policy of PMP by conceptualising and developing KRAs for its entire core staff in the Provinces and in the Ministry. The document has been endorsed by the Cabinet in 2013.
12. Cabinet Paper on the recurrent revenue support for PGSP phase II was developed and endorsed by the Cabinet in September 2013. Even though it was approved, the paper did not attract funding from the government until 2015.
13. Guidelines for annual work plans and budgets were developed and endorsed by the Ministry annually since 2010/11 to guide the annual work planning processes, link the work plans to budgets and the three year investment programming. The guidelines were based on the approved planning manuals developed at the start of PGSP phase I.
14. A major policy reform was carried out in May 2010 with the introduction of IPSAS Cash Basis of Accounting. This makes the provinces to be IPSAS compliant even before the National Government. The introduction of IPSAS cash as the basis of accounting by the SIG in July 2010 makes the provincial accounting framework be in line with the National Government. Since the Ministry introduced the IPSAS concept, the programme in coordination with OAG and MoFT conducted series of trainings for the provincial Treasurers to introduce them to the underlying concepts of the new standards.
15. Cabinet Paper on Ward Profiling and Strategic Plans was developed and endorsed by the Cabinet in 2012. This paved the way for the start of ward profiling in six provinces which will serve as the basis of five year strategic development plans for the provinces. This is hoped to facilitate the process of localization of NDS by identifying development priorities of the provinces and wards.

16. Policy statement for Central Province was developed and endorsed by the provincial governments in 2012.
17. Policy statement for the newly elected provincial government of Western Province was developed and launched on January 28th 2014.

Output Target 3.3.3. A system to monitor the provincial government performance is in place

Result: project database designed: The utilization of PCDF resources and the performance of provincial governments were monitored through a database which was created by the project Capacity Development Specialist in 2009. The spreadsheet database was used by the ministry to generate information on individual projects in each province. Data was inputted into the system on quarterly basis by the Principal Accountant of the Ministry after carrying out a thorough analysis of the individual provincial financial and output reports.

The database was designed for the first five years of the programme to December 2012. Efforts to create a more suitable database for the Ministry coincided with the end of the programme but this has now been re-prioritized in phase II of the project.

Output Target 3.3.4. A system to exercise State controls on the legality of acts of provincial governments is in place.

Results: the implementation of Provincial Capacity Development Fund was facilitated by the preparation and adoption of the following legal documents before the implementation of phase I started:

1. **Provincial Financial Ordinance** - the programme (through design stage consultancies) reviewed the FMOs of provincial governments and produced a standardized version for adaption by each province after January 2008. It also became a pre-condition, to access to PCDF, an individual province must have a signed FMO passed by its provincial assemblies. Each province was also encouraged to gazette its FMO.
2. **Provincial Financial Instructions** - Financial instructions based on the framework of National Financial Instructions were designed as a standardized instruction for all nine provinces. The instruction contains basic internal control procedures and processes that the provincial governments required to ensure public funds were properly accounted for.
3. **Procurement Manual** - The programme developed a procurement training manual for trainers and participants for the training of provincial Chief Planning Officers. A contract manual to guide the procurement processes for PCDF projects was also developed. The manual was based on the procurement guidelines of the National Government except for the Central Tender Board which does not apply to the provincial government procurement processes. Several trainings were conducted for the provincial planning officers before the start of the programme in 2008 and during the course of programme implementation.
4. **Planning manual** - was developed for the programme just before the start of phase I to guide the planning processes at provincial level. Since then annual planning guidelines were being produced based on the main planning manual developed for the provinces. These updated versions of planning guidelines are printed and provided to each province before planning season commenced.

Output 4: PGSP Monitoring and Evaluation

4.1 An effective Monitoring and Evaluation system of PGSP is in place.

Output Target 4.1.1: A system for policy direction for PGSP is in place

Project Steering Committee (Joint Oversight Committee) established: In the design the programme gave recognition and consideration to three levels of responsibility:

1. Policy direction, program funding and overall program performance monitoring;
2. Execution of the program and
3. Implementation of the program

Of the three levels of responsibility, the policy direction, programme funding and overall programme performance monitoring has been entrusted to Solomon Island's Government, PGSP Joint Oversight Committee. Throughout phase I, JOC played its role in providing high level policy direction, presided over programme funding and monitored the performance of the programme.

The committee held 16 meetings (*average of three meetings per year- see table 17 below*) to take important decisions on the running of the project; approve recommendations made by the Provincial Fiscal Grant Coordination Committee, decided on the results of the PCDF assessment that was being conducted annually; reviewed all assessments and evaluation reports on the programme, made recommendations for the Ministry to follow up on behalf of the committee. Throughout phase I, all major decisions relating to PGSP were made by the Joint Oversight Committee with the Permanent Secretary of MPGIS as the Chairman.

The composition of the Joint Oversight Committee: the JOC is an integrated structure comprising senior representatives of SIG and the implementing support Agencies. The committee started with 12 members but this was revised upwards to 16 members based on recommendations of the Midterm Evaluation conducted in 2011/12. However, by end of phase I of the programme, the membership of

JOC comprised of 11 senior Permanent Secretaries, three Provincial Secretaries, UNCDF, UNDP and two observers (Ausaid and EU). The three Provincial Secretaries who attend JOC meetings were selected on rotational basis.

As part of its responsibility, the Joint Oversight Committee, in April 2009, created technical committee called the Provincial Fiscal Grant Coordinating Committee to provide technical advice to the project steering committee in the following areas:

1. Provincial fixed service grant
2. Provincial capacity development fund
3. Inter-governmental financing arrangement, including revenue sharing
4. Advise in other technical areas related to PGSP as directed by the JOC

During the course of phase I of PGSP, the Provincial Fiscal Grant Coordination Committee held 10 meetings by end of 31st December 2013 (see table 18). The membership of PFGCC comprises of all Provincial Secretaries and Under Secretaries of all line ministries that are members of the project steering committee. The committee is designed to meet more frequently and make recommendations to the JOC for possible actions.

TABLE 18: JOINT OVERSIGHT COMMITTEES MEETINGS HELD FROM 2008 - 2014

2008	2009	2010	2011	2012	2013	2014
20 th /06/2008	22 nd 04/2009	2 nd /08/ 2010	28 th /01/2011	26 th /06/ 2012	08 th /11/2013	28 th /02/ 2014
18 th /11/ 2008	03 rd /07/2009	16/12/ 2010	18 th /08/ 2011	20 th /12/2012	13 th /12/2013	
	24 th /11/ 2009		9 th /09/2011			
			8 th /12/2011			

TABLE 19: PROVINCIAL FISCAL GRANT COORDINATION MEETINGS HELD FROM 2009 - 2014

2009	2010	2011	2012	2013
1 st /07/2009	14 th /12/2010	16 th /08/2011	25 th /05/2012	5 th -6/12/ 2013
23 rd /11/ 2009	16/12/2010	6 th /12/2011	14 th /12/ 2012	
Committee was formed in 2009				

Output Target 4.1.2. Monitoring and Evaluation framework, indicators and plan developed and implemented

Results: Monitoring and Evaluation Framework developed: The baseline study of PGSP phase I for the purpose of developing a monitoring and evaluation framework was carried out in late 2009 and the final report with M&E framework was produced by end of 2010. The indicators were reviewed and finalized by a group of consultants hired from Philippines.

With the receipt of the monitoring and evaluation report, the program recruited a monitoring and evaluation officer to support the ministry to implement the newly developed framework at provincial level. The officer was recruited in May 2011 but she later resigned in 2012 just under one year into her assignment.

During phase I, some of the issues affecting the implementation of provincial government projects were identified and solutions of how to address them on time were found as a result of feedbacks

generated from the field monitoring conducted by the Ministry Monitoring Officers and the Provincial Advisors based in the Provinces. A consolidated monitoring report (2008 - 2012/13) was produced for most provinces based on the monitoring feedbacks provided by provincial advisors.

Mainstreaming M+E; As a result of the recommendations of the Midterm Evaluation report and the requirements of PGSP platform 2, the ministry decided to gradually mainstream the M&E into its recurrent budget for the purpose of sustainability as recommended by the Mid Term Evaluation, hence, the recruitment of two Monitoring and Evaluation officers in 2013. The Ministry monitoring team conducted monitoring in Malaita, Makira Ulawa, Rennell & Bellona, Guadalcanal and Temotu Provinces. Feedbacks on the field monitoring were provided to the ministry and the programme.

In one of the monitoring trips to Rennell & Bellona, the UNDP Governance Assistant accompanied the ministry monitoring and evaluation officers to see progress on PCDF activities in the Province.

These officers shall have a project M & E counterpart in phase II to ensure on-the-job training for transfer of skills. The programme shall also hire a monitoring and evaluation expert to build the capacities of the new monitoring team.

In addition to the annual performance assessment, the finance division analyzed the quarterly reports of the provincial governments on how PCDF was utilized. Feedbacks on these reports were sent to the provinces for improvements on the quality of their reports.

Independent Evaluations and Monitoring Missions to PGSP

1. ***Annual Joint Supervision Mission:*** Independent (International) consultants supported by the Ministry of Provincial Government and Institutional Strengthening and one official from RAMSI conducted Annual Joint Supervision Mission (AJSM) in 2010 to review the operations of the project after about one year of its operations. A comprehensive report was submitted to the Ministry and the implementing partners with 42 recommendations.

The project since the receipt of the report started implementing the recommendation made in the report particularly the need to integrate the programme into the ministry and to create space for the Ministry to lead the programme.

2. ***Midterm Evaluation of PGSP:*** A three-man team of international (2) and local consultant (1) was engaged to carry out a midterm evaluation of the programme in November 2011 with the objective of assessing the effectiveness, efficiency and sustainability of PGSP after three years of implementation. The final report was circulated to all key stakeholders in February 2012.

3. ***European ROM:*** two Results Oriented Monitoring trips were conducted by the European Union as follows:

3.1. From 18th October 2010 to 29th October 2010 to assess:

- ✓ The relevance and quality of design of PGSP
- ✓ Efficiency of implementation to date
- ✓ Effectiveness to date
- ✓ Impact prospect and
- ✓ Potential sustainability

3.2. In October 2012 the second ROM mission was conducted to assess the following:

- ✓ Financial/economic viability of the project;
- ✓ The level of ownership of the project by target groups and whether it will continue after the end of external support;

- ✓ The level of policy support provided and the degree of interaction between project and policy level;
- ✓ How well the project is contributing to institutional and management capacity;

V. Partnerships and inter-agency collaborations

Output Target 4.1.3. Institutional Assessment, capacity building and logistic support to MDPAC

The programme provided financial and logistic support to MDPAC in 2010 and 2011 to facilitate the National Development Strategy consultation processes at provincial level. Of all the provinces visited, the Ministry and PGSP representatives participated and also paid for the cost of consultations. The two Ministries also coordinated in the designing of the terms of reference for the ward profiles and strategic plans of provincial governments, the objective of which is to facilitate localisation of NDS at provincial level. The phase II project document was anchored on the main thematic areas of the National Development Strategy 2011 -2020.

PGSP has established synergies and partnerships with some donors and the government i.e. MPGIS, EU and AusAID/RAMSI. Partnerships has also been established with the IPAM / MPS, the Parliamentary Strengthening Project (PSP) and, to some extent, MDPAC / RDP, while it has not been possible to foster a better understanding with MRD / RCDF, which also intervene at sub provincial level. The UNCDF approach through the PCDF is acknowledged widely by SIG and development partners, while the LED concept is still in need to be developed further, including in its role in advocacy for LED. PGSP Midterm Evaluation report, February 2012.

The NDS objective 8 has specifically mentioned PGSP to support strengthening of provincial governments, " Increase efficiency, effectiveness and transparency of provincial governments through adoption of streamlined business processes and results-based management by provincial institutions, in close collaboration with the Provincial Governance Strengthening Programme (PGSP) of the MPGIS, supported by training in leadership, management, planning and finance and by predictable and appropriate levels of resources", NDS 2011-2020, page 45..

Partnership with Ministry of Education: The Ministry of Provincial Government and institutional Strengthening and the Provincial Governance Strengthening Programme (PGSP) are currently members of the Ministry of Education and Human Resource Development task force which is piloting the decentralization of some of the education service delivery in piloted provinces of Makira Ulawa Western and four church education authorities.

There have also been discussions with the officials of the Ministry of Education about education infrastructure service delivery in the context of the functional assignment studies. The MPGIS shall continue with such discussions not only with the Ministry of Education and Human Resources but also with the Ministry of Health and Medical Services, Ministry of Agriculture and Livestock and MECDM.

Partnership with the Ministry of Environment, Climate Change, Disaster and Meteorology:

Under the cluster arrangement, the Ministry worked closely with the Ministry of Women, Youth, Children and Family Affairs who chairs the Welfare/IDP cluster while MPGIS co-chairs and are members of the National Disaster Operation Centre (NDOC). The cluster was very much involved in the deployment of its members to carry out assessment and delivery of food, shelter supplies and other basic needs to Makira province who was hit by cyclone Freda in December 2012 and Temotu province that was badly affected by a Tsunami in February 2013. The cluster held a total of 10 meetings and was chaired by the co-chair (Under Secretary of MPGIS).

PGSP was very instrumental in providing technical support in the formulation of the Welfare/IDP budget under its National Plan of Action and as a result the cluster was able to complete its work plan and budget on time. This enabled the committee to put in the timely request to the National Disaster Management Office on time and thus achieved its two mandated objectives.

Partnership with the RDP and MRD: based on the participatory planning framework developed by the Ministry of Provincial Government and Institutional Strengthening and approved by the Cabinet in 2012, MPGIS with the Rural Development Programme and the Ministry of Rural Development formed a working group that started looking at the areas of possible coordination between various stakeholders at the provincial level for effective planning and service delivery. Two effective meetings were held with agreements reached on ways to help implement an integrated and participatory planning framework in order to avoid duplication of efforts and enhance synergies.

Partnership in delivering capacity building: The programme had also partnered with training institutions to provide training to the Ministry and provincial government officials. In 2010 and 2011 two trainings (one week each) on accounting were partly facilitated by the Solomon Islands College of Higher Education and the PGSP. SICHE facilitated repeated training for the same participants (Treasurers) in 2012 in order to reinforce their understanding in basic accounting.

The Institute of Public Administration of Solomon Islands had, in 2010, six of its training modules delivered on: management of external environment, management of resources, strategic planning, problem solving, customer services, managing others and effective communications to participants at the training organised for provincial officers.

The Centre for Democratic Institutions in Canberra coordinated with the Ministry, the PGSP and the National Parliament and trained about 60 members of the Provincial PAC in 2012 in two groups. In addition to providing technical specialist to conduct the trainings, the CDI also provided financial support to pay for the cost of the two trainings. In addition to the PAC training, CDI also hired a specialist on behalf of the Ministry who modernized and standardized the provincial standing orders in 2013.

The National Parliament (Parliamentary Strengthening Programme of UNDP) collaborated with the PGSP and MPGIS in a number of occasions to provide trainings to the Speakers and Clerks in 2011. The National Parliament trainers also facilitated the trainings organised for provincial PACs in 2012 alongside the CDI.

The programme established links with the Common Wealth Local Government Forum who conducted the first set of trainings on competences on Local Elected Leaders trainings. The organisation is now financially supporting some of the trainings being co-ordinated by the Ministry for Members of Provincial Assemblies.

Cooperation with the Office of the Auditor General (OAG): throughout PGSP phase I, the project through the Ministry established and maintained good working relationships with the office of the Auditor General by ensuring that provinces submit their Financial Statements on or before 31st December to avoid disqualifications from minimum conditions related to financial statement and not to break the PGA provision. This has been successful so far as the MPGIS finance division proactively follow up with the provinces to ensure the statements are submitted on time.

The OAG introduced interim audit, which is being conducted in every six months. The reports are provided to the PCDF assessment teams so as to facilitate the assessment process of provincial governments. When IPSAS was initially introduced for the provincial governments, the OAG provided a team of trainers to carry out the first set of training on how financial statements under IPSAS should be prepared and to meet the expectations of external auditors. The trainings enhanced the understanding of the underlying concepts of the new international accounting standards.

VI. CROSS CUTTING ISSUES

Gender mainstreaming

Even though the PGSP does not have a gender strategy yet, it carried out gender aware training in 2010 and 2011 to 60 participants from the nine provincial governments. Training modules were developed on gender-based planning and budgeting and the training as part of the training manual designed for provincial officers in 2010/11. Since the completion of the 2010 training, all nine provinces have created women divisions funded mainly by the provincial governments. The officers responsible for the divisions are direct employees of the individual provinces. The officers, so far, are very instrumental in ensuring that women and youth issues are incorporated into every provincial plans. The officer (head of women division), amongst other responsibilities, also coordinates the women councils in each province. Each Province has women council whose leaders also represent women in the Provincial Planning and Development Committees (a planning institution that coordinates provincial planning and budgeting at provincial level).

The Ministry, in 2013, appointed a gender focal person (Human Resource Manager) based in the Ministry to be responsible for the implementation of gender mainstreaming strategies. The appointment was a result of the Public Service Commission policy to mainstream gender in each ministry and for gender policies to be developed. Promoting gender equality has been made a key result area of the Permanent Secretaries in their annual assessment.

The Ministry Corporate Plan 2014-2016 highlights the strategies for development of gender policy in order to achieve gender equality not only in the Ministry but also in the Provinces.

Climate change

Local Climate Adaptive Living Facility:

Results achieved: The concept note for Local Climate Adaptive Living Facility was completed in June 2013 based on a scoping mission conducted by the Retainer Consultants of UNCDF who were assisted by the Ministry and the Provincial Governments. The draft concept note was submitted to the Ministry in September 2013. The final project document of PGSP Phase II also has climate change as part of component II intended to support Provinces to mitigate and adapt to climate change. The

CRISP project funded by the World Bank and implemented by the MEDCM confirmed to use the PCDF modality to provided some climate change funded projects in provinces. Initial discussions were held with the MEDCM. The World Bank funding has already been confirmed for MEDCM.

VII. RISKS, ISSUES AND DIFFICULTIES ENCOUNTERED IN PHASE I

Political and other pressures on PCDF

There is a lot of political pressure from some provinces for the PCDF minimum conditions to be reviewed in order to make it more flexible on the basis that most of the funds are now provided by the SIG. This comes particularly from provinces that are not performing well but who still feel that they should have direct access to the funds. This remains a real threat to the PCDF modality. The PCDF modality, so far, seems to be working well as public expenditure management systems in most provinces have started to improve and the performance based grant system is being entrenched.

In addition to improved PEM as evidenced by the recent audit reports and statements from the Auditor General, the SIG seems to be recognizing the performance based grant as effective. This is demonstrated by the SIG decisions (in recent years) to up-scale the grants and to provide some recurrent budget support to PGSP.

If the performance base grant is diluted before it becomes sustainable, many fear that the misuse of funds by less performing provinces may be hard to stop. The minimum conditions are basic requirements of the PGA, FMOs and the General Orders of SIG and since its introduction; it has facilitated the implementation of the PGA 1997. Comparatively those aspects of the PGA that have not yet been worked into the MCs are hardly implemented (see Section 39 sub-sections of the PGA 1997).

The JOC (with the help of the MPGIS) has been strengthening and reinforcing the minimum conditions and performance measures and this should continue until it becomes sustainable. Many fear that a pre-mature dilution of the systems could lead to complete collapse. The fact that a couple of provinces are complying indicates that, with time, the problem provinces will be up to speed with the rest.

The donor contribution to PCDF should be sought to complement the efforts being made by the SIG.

Lack of compliance to internal control procedures and processes

There is still a risk that continuous lack of compliance to internal control issues in order to address external audit queries may continue to affect the qualification of some provinces and also affect their overall scores in the performance measures. Some of the compliance measures only require the administrative will to comply and not so much of lack of capacity.

The efforts by the Ministry to create an internal audit division and to conduct annual audit of projects is helping to boost compliance in the Ministry and in the Provinces.

Political interference in the administration of the core staff

Continuous political interference in the administration of core staff has created a lot of risks of lack of continuity and its long term impact on staff morale. This probably could be mitigated through the re-distribution of the natural justice MOU that all Provinces signed back in 2008 for their understanding and to ensure compliance.

Another mitigating measure being used is having audiences with provincial executives in various provinces for them to have a firm understanding of the natural justice principles which is a provision of Solomon Island General Orders.

Even though no province has, for the past three years, missed the minimum condition on natural justice, it still remains a risk for the future assessments, if political inference continues to rise.

The programme encountered difficulties in mobilizing officers of the required skills and maintaining them over a longer duration. Many of the IUNVs found the living conditions a bit harder and especially the cost of living in some locations compared to their living allowances. The situation was not helped by lack of communication facilities and internet in the early days of the programme.

It took long to recruit National Advisors for all provinces due to lack of qualified people in the market. Isabel and Makira Provinces had their advisors in 2012 after four years of advertisements and interviews by UNDP.

The project management underwent so many changes as indicated under staff changes in page 40.

Frequent reshuffling of senior government officers

Frequent reshuffling of senior officers has been a risk and it still remains. Officers who were initially trained by the programme are no longer around except for two of them.

The Chief Planning Officers who are the focal persons for PCDF in all provinces have been affected by reshuffling over the years. These are officers who had undergone initial planning and procurement trainings with the hope that they will train others in subsequent years. The reshuffling and changes would mean continuous training for new officers with possibilities of steep learning curve.

Frequent changes in the provincial executives also affect the composition and effective functioning of the Provincial Public Accounts Committees who had undergone series of trainings in the last two years. Any time the provincial executive changes, there will be new members enlisted in the Provincial Public Accounts Committees who may require further trainings. Public Accounts Committee members are appointed outside the provincial executive.

To mitigate the impact of the frequent changes on the Provincial PACs, the training on PACs should probably focus more on the Clerks and Speakers of the Provincial Assemblies. Whenever new members come in, the clerks will conduct in house trainings for the new members of Provincial PACs. This will ensure sustainability. The Clerks and Speakers should be trained as trainers and supported by the National Parliament Officers.

Support from MID: Despite efforts made by the Ministry to establish a Project implementation Unit to technically support the planning and Works Divisions, provincial deliveries of PCDF in some of the projects got delayed due to lack of support from MID for the necessary technical inputs.

The Permanent Secretary of MID attributed the non-presence of works officers in provinces to lack of office space or non availability of suitable land for office premises by the provincial governments. He confirmed that as soon as land and office spaces are provided, he will post his officers to provinces to provide support.

The Joint Oversight Committee of PGSP has partially addressed this issue by increasing the level of investment servicing costs from 5 to 7.5% of PCDF including own funding. For 2014/15, about SBD2, 362,500 (USD324, 074) was made available for provinces to pay for technical inputs directly

through outsourcing as a measure to mitigate shortage of technical design inputs. This measure was introduced in 2012 after the Joint Oversight Committee meeting endorsed it in December 2011.

The ministry has also secured the establishment for two positions for work officers who will be based in the Provinces to support the technical work of planning and works divisions.

Geographical dispersion: the location of some of the provinces had contributed to high cost of service delivery for the past five years of PCDF operation and it will continue to be a contributing factor in the near future.

One way to mitigate this risk factor shall be to conduct the costing of essential services being delivered by the provincial governments so as to modify the formula being used in resource allocation amongst provinces. The successful completion of service costing may also help the ministry to determine the expenditure needs of each province, which may in future help alleviate difficulties being faced in resource allocation.

Provincial business arms: Provinces have business arms funded through the provincial governments (100% ownership) but yet the investments are not being fully accounted for. There are no established accounts for them and the results from the operations are not consolidated with the PG financial statement. Even though provinces are 100% Share holders of these businesses, there is hardly any recognized dividends payable to provincial Treasury. The Auditor General confirmed that this will continue to be an audit query for the provinces as long there is no compliance and it will impact on their final audit reports.

To address the continuous audit queries on the provincial business arms with regards to the business arms, provincial governments should follow and comply with the recommendations of the Auditor General and ensure the financial statements of the business arms are fully consolidated and transactions are transparent and auditable.

Ward development grants: a very high percentage of fixed service grants is being paid as ward development grants in most provinces thus leaving less funds for actual service delivery. This sometimes affects the payment of basic recurrent costs such as salaries and utilities.⁸In 2013 provinces paid 30% of total fixed service grants as ward and micro development grants (SBD13.9m) directly or indirectly to Members of Provincial Assemblies without any measure of accountability for this fund. Provincial Executives and the MPAs prioritize the payment of their grants the moment funds are transferred from the Ministry.

From 2009 to 2013, a total of SBD52.4m was paid out as ward development grants representing 27% of the total funds disbursed by the SIG as fixed service grants, which are not fully accounted for as per OAG reports. On average, each MPA received about SBD308, 000 as ward development grants in the last five years.

To mitigate this, the MPGIS should try to look at the PGA and advise the Hon. Minister to exercise his powers to ensure public funds, either fixed service grants or own source revenues, are spent in the best interest of the provincial people. The Hon. Minister has the powers under Section 35 (2) of the PGA 1997 to suspend, cancel or limit any provincial expenditure lines appropriated by the provincial assemblies in the best interest of the public.

Political issues: larger provinces seem to have ongoing political problems that are continuously affecting their performance. The smaller provinces have been taking the lead in performance since the process started in 2009 mainly due to a stable political system and the ability to comply with basic

⁸ Reference from the baseline report of September 2014, table 9 on page 31.

minimum compliance requirements. Political changes that took place in Guadalcanal province and Renbel in 2013 did not help the two provinces in terms of performance as the changes were followed by removal of some officers from their posts.

The JOC (with the help of MPGIS) should re-look at Minimum Condition number 2 on natural justice to ensure its proper reinforcement in order to give more protection to seconded officers serving in the provinces.

Digital Divide: most remote communities do not have access to digital information and social media networks thus making it difficult for them to participate in online discussions pertaining to development issues affecting their provinces.

The effort by PGSP to install VSATs in provinces should be supported for further expansion in order to ensure digital inclusion. The fourth component of PGSP phase II, which is social accountability, cannot be fully implemented without increased access to digital information by wider communities. This can be done by increasing the VSAT bandwidths and install more VSATs in remote areas through proposed community internet cafés. This should be done through negotiations with private internet providers.

Inadequate banking facilities: Lack of access to banking facilities affects service delivery and development of small scale businesses in most communities. Banks are located mainly in provincial centres most of whom are closing down their branches in the provinces for cost reasons. Teachers and other civil servants in distance Islands do travel a long way to access the commercial banks.

The Electronic fund transfer systems called "in-store banking", which is being installed in lot of communities is encouraging and promoting branchless banking in remote islands. People with bank accounts may soon have easy access to deposit or withdraw funds from their accounts. Communities should also be encouraged to open accounts in in-store banks.

Annex 1: **TABLE 19: SUMMARY OF CAPACITY DEVELOPMENT TRAININGS CONDUCTED 2009- 2014**

Topic	Provinces	Participants	Gender	Date	MPGIS Division
Induction courses for MPAs	Choiseul	14	100%	March 2009	PGD
Induction courses for MPA	Western Province	26	96% M4% F	March 2009	PGD
Induction courses for MPAs	Makira	20	100% M	2012	PGD
Induction Training for MPAs	Malaita	39	100 % M	3-6th April	PGD

Induction Training for MPAs	CIP	21	100% M	13-16th Feb 2011	PGD
Induction Training for MPAs	RenBel	16	100% M	9-12 Feb 2011	PGD
Induction Training for MPAs	Isabel	21	1% F, 99 % M	9-12 Mar 2011	PGD
Induction Training for MPAs	Temotu	23	100% M	22-26 Mar 2011	PGD
Induction Training for MPAs	Guadalcanal	29	1% F, 99 % M	17-18 March 2011	PGD
Accounting training for PGs	Five provinces & MPGIS	25	85% M, 15%F	September 2010	Finance Division
Accounting training for PGS	Four provinces & MPGIS	20	90% M, 10 F	October 2010	Finance Division
MYOB training for Treasurers	All PGs	27	70% M, 30% F	June 2010	Finance Division
Locally Elected Leadership	Guadalcanal	26	1% F,99% M	18th -20 July 2011	PGD
Locally Elected Leadership (TOT)	(Honiara)	17	50% F,50 %M,	11-15 July 2011	PGD
Capacity Development Needs Assessment training	Guad, Mal, West, Isabel & MPGIS	25	41% F, 49% M	22-26th August 2011	PGD
Clerk and Speakers (Group 1)	4 PGs	9	18% F, 82% M	11-15th April 2011	Finance Division
Clerk and Speakers (Group 2)	5 PGS + City Council	12	100% M	6th -9th June 2011	Finance Division
IPSAS Trainings	Nine provinces & MPGIS	18	30% F,70% M,	4-8th July 2011	Finance Division
Planning and Budgeting	Nine provinces & MPGIS	35	30%F, 70% M,	11-15th July 2011	Finance Division
PAC training - group 1	Mal, Cent, Renb, West & MPGIS	27	97% M, 3% F	26th-28th July 2011	Finance Division
PAC training group 2	Malaia, Makira, GPG, TPG, Choiseul & MPGIS	35	93% M, 7% F	July 2012	Finance Division
Training for Executive members and HoDs	Western Province	33	95% M, 5% F	September 2012	MPGIS Executive
IPSAS Training	9 PGs & MPGIS	35	70% M, 30% F	11th - 15/07/2011	Finance Division
Planning and budgeting training	9 PGs & MPGIS	35	70% M, 30% F	04-08/07/2011	Finance Division
Planning & Budgeting	9 provinces & MPGIS	30	83% M, 17% F	18-22 Nov. 2013	Finance Division
Website training	9 Provinces & MPGIS	20	83% M, 17% F	13 - 15 Nov. 2013	Corporate Div.
Budget review and training	9 PGs & MPGIS	40	70% M, 30% F	January 2011	Finance Division
Budget reviews and training	9PGs & MPGIS	42	71% M, 29 F	January 2012	Finance Division
Budget review and training	9PGs & MPGIS	40	76% M, 24 F	February 2013	Finance Division
Budget review and training	9PGs & MPGIS	45	75% M, 25% F	February 2014	Finance Division
Provincial Policy Development Workshop training	Central Province	35	80% M, 20% F	September 2012	MPGIS Executive
Provincial Policy Development Training workshop	Western	32	85% M, 15% F	January 2014	MPGIS Executive

**ANNEX 2: PCDF PROJECTS DESIGNED TO PROMOTE LOCAL ECONOMIC DEVELOPMENT
TABLE : 16**

Project description	Amount	Province	Year	Status
1. Copra crushing mill - Biluro	167,861	Isabel	2014/15	Ongoing
2. Guest house – Mundo/Tatamba	200512	Isabel	2014/15	Ongoing
3. Virgin coconut oil	20,000	Isabel	2014/15	Complete
4. Gozururu virgin oil	130,000	Isabel	2013/14	Ongoing
5. Tatamba fisheries	113,855	Isabel	2012/13	complete
6. Tasia sower unit project	100,000	Isabel	2012/13	complete
7. Buala fisheries centre	17,875	Isabel	2012/13	Ongoing
Sub-total	750, 000			
8. Wagina seaweed storage	499,950	Choiseul	2014/15	Ongoing
9. Taro market improvement	660,000	Choiseul	2014/15	Ongoing
10. Cocoa fermentors	118,000	Choiseul	2013/14	On going
Sub-total	1, 277, 950			
11. Commercial stadium wing	70,000	Temotu	2014/15	Ongoing
12. Upgrade of Lata fisheries centre	600,000	Temotu	2013/14	completed
13. Lata market fencing	100,000	Temotu	2012/13	Ongoing
14. Upgrading of landing market	60,000	Temotu	2012/13	Ongoing
Sub- total	830, 000			
15. Hada bay storage shed	200,000	Makira	2014/15	Ongoing
16. Fisheries centre ward 2	150,000	Makira	2014/15	On going
17. MUPG EC Dev creating market	15,000	Makira	2013/14	On going
18. Market house ward 7	150,000	Makira	2013/14	Completed
19. Santa Anna fisheries centre	21,568	Makira	2013/14	Completed
20. Fisheries centre ward 4	180,000	Makira	2013/14	Completed
21. MUPG EC Dev reviving	30,000	Makira	2012/13	Completed
22. Agaehu storage shed	72,000	Makira	2012/13	Completed
23. Storage shed ward 9	170,000	Makira	2012/13	completed
24. Namunga fisheries centre	140,000	Makira	2012/13	On going
25. New fisheries centre	167,000	Makira	2012/13	
Sub- total	1, 295, 568			
26. Tulagi mini commercial centre	652,827	central	2014/15	New project
27. Yandina fisheries ice making machine	395,000	Central	2014/15	New project
28. Copra milling refining	250,000	central	2013/14	Ongoing
29. Hakama farm - cattle	100,000	Central	2012/13	completed
30. Tulagi fisheries centre	130,000	Central	2012/13	Ongoing
31. Yandina fisheries centre	150,000	Central	2012/13	Ongoing
32. Semege fisheries centre	150,000	Central	2012/13	Ongoing
Sub - total	1, 827, 827			
33. Market storage shed - veramogho	66,450	Guadalcanal	2012/13	Completed
34. Marau fishery centre	50,000	Guadalcanal	2010/11	Completed
35. Lambi fishery centre	100,000	Guadalcanal	2008/9	Completed
Sub- total	216, 450			
36. Community market shed	37,000	Renbel	2011/12	Completed

37. Kanaba handicraft centre ward 4	6,436	Renbel	2012/13	
38. Community market shed ward 3	13,061	Renbel	2011/12	Completed
39. Lavangu storage shed ward 3	15,000	Renbel	2011/12	
Sub- total	71, 497			
40. Dala market house	169,930	Malaita	2012/13	completed
41. Slaughter house road access	200,000	Malaita	2011/12	New
Sub- total	369, 930			
42. Bunikalo Fisheries centre	600, 000	Western	2014/15	Ongoing
43. Gizo fisheries centre	100, 000	Western	2014/15	Ongoing
44. Korovou fisheries centre	400, 000	Western	2014/15	Ongoing
45. Boro fisheries centre	400, 000	Western	2014/15	Ongoing
46. Three cocoa dryers - ward 9	62, 062	Western	2014/15	Ongoing
47. Renovation of provincial piggery house	97, 552	Western	2014/15	Ongoing
Sub - total	1, 659, 613			
Grand Total				7, 928, 905

