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**Consolidated Final Report on Activities Implemented  
under the Joint Programme “Provincial Governance  
Strengthening”  
in Solomon Islands**

**Report of the Administrative Agent  
for the period 1 July 2008 – 31 March 2014**

**Multi-Partner Trust Fund Office**  
Bureau of Management  
United Nations Development Programme  
GATEWAY: <http://mptf.undp.org>

31 May 2014

## PARTICIPATING ORGANIZATIONS



United Nations Capital Development Fund (UNCDF)



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United Nations Development Programme (UNDP)

## CONTRIBUTORS



Australian Agency for International Development  
(AusAID)

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## 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 1 July 2008 to 31 March 2014 (with 2013 in detail). 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.

The Multi-Partner Trust Fund Office (MPTF Office) of the United Nations Development Programme (UNDP) serves as the Administrative Agent for the 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. March 31st 2014 being the operational closure of the programme, this report represents the final annual report of the first phase (Phase I).

This Report consists of two parts: A) Final Narrative Report and B) Financial Report as of 31 December 2013 of the pass-through funded portion of the JP.

Part A – Narrative report is divided into the following seven 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 under four programme outputs.
- V. Partnerships and inter-agency collaboration.
- VI. Cross-cutting Issues. Gender, climate adaptation, and transparency/accountability
- VII. Risks and issues.

Ministry of Provincial Government & Institutional Strengthening



*Mekem strong Provinsol Gavman fo helpem iumi*



# **PROVINCIAL GOVERNANCE STRENGTHENING PROGRAMME**

## **NARRATIVE REPORT**

**1<sup>ST</sup> JULY 2008  
To  
31<sup>ST</sup> MARCH 2014**



**PART A: FINAL NARRATIVE REPORT**  
**REPORTING PERIOD: FROM 1 JULY 2008 TO 31 MARCH 2014**

<div style="background-color: #f2f2f2; padding: 2px;"><b>Programme Title &amp; Number</b></div> <p>Programme Title: Provincial Governance Strengthening Programme          Programme Number:          UNCDF Atlas Award ID: 00049954, 00049957, 00056494          UNDP Atlas Award ID: 00049698          MPTF Office Atlas Number: 00067653</p>	<div style="background-color: #f2f2f2; padding: 2px;"><b>Country, Locality(s), Thematic Area(s)</b></div> <p>Solomon Islands          Local Development, Governance, Poverty Reduction</p>
<div style="background-color: #f2f2f2; padding: 2px;"><b>Participating Organization(s)</b></div> <ul style="list-style-type: none"> <li>UNCDF</li> <li>UNDP</li> </ul>	<div style="background-color: #f2f2f2; padding: 2px;"><b>Implementing Partners</b></div> <ul style="list-style-type: none"> <li>Ministry of Provincial Government and Institutional Strengthening</li> <li>Provincial Governments</li> <li>AusAID through RAMSI</li> <li>European Union</li> </ul>
<div style="background-color: #f2f2f2; padding: 2px;"><b>Joint Programme Cost (US\$)</b></div> <p><b>Joint Programme/pass-through:</b>          AusAID/UNCDF: 4.8 mil. USD          AusAID/UNDP: 1.6 mil. USD  <b>Agency Contribution</b>          UNCDF/core: 1 mil. USD  <b>UNDP/core: 1 mil. USD</b>  <b>Government Contribution</b>  <b>SIG: 3.5 mil.USD</b>  <b>Other Contribution</b>          EU/UNCDF: 2.6 mil. USD          EU/UNDP: 3.6 mil. USD  <b>TOTAL: 18.1 million USD</b></p>	<div style="background-color: #f2f2f2; padding: 2px;"><b>Programme Duration (months)</b></div> <p>Overall Duration: 60 months           Start Date: 1 July 2008           End Date: 31st March 2014<sup>1</sup>           Operational Closure Date: 31st March 2014           Expected Financial Closure Date:</p>
<div style="background-color: #f2f2f2; padding: 2px;"><b>Programme Assessments/Mid-Term Evaluation</b></div> <p>Assessment Completed - if applicable <i>please attach report</i>  <input checked="" type="checkbox"/> <b>Yes</b>    <input type="checkbox"/> <b>No</b>    Date: December 2011  <a href="#">Mid-term Evaluation Report</a></p>	<div style="background-color: #f2f2f2; padding: 2px;"><b>Submitted By</b></div> <p>Name: Akiko Suzaki          Title: Deputy Resident Representative          Participating Organization (Lead): UNDP          Email address: <a href="mailto:akiko.suzaki@undp.org">akiko.suzaki@undp.org</a></p>

<sup>1</sup> An evaluation of the programme is being carried out until 30 June 2014 in order to prepare the Phase II of the JP.

## 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
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 March 2014.

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, a three month extension to the programme (January - March 2014) to allow for proper closure of the programme.

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 institutionalisation of PCDF and an increase in the funding being disbursed to Provinces. As a result of this resolution, and the follow up by the Ministry, the PCDF fund for 2014 was increased by SBD7.5 million to SBD30 million (USD4.2m). The project has had a great support from the Solomon

***'.....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.

Islands Government because of the interest the government has in strengthening provincial governments as a mechanism for effective service delivery as indicated in Objective 8 of SOI National Development Strategy and UNDAF Outcome 5.

The phase II project document was endorsed by the Provincial Premiers through a special resolution in the October 2012 Premiers' conference in Kira Kira. The National Government was asked to be more committed to the Provincial Governance Strengthening Programme (PGSP) in order ensure sustainable capacity building for the provincial service delivery.

***'.....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.

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. The provincial revenue collection jumped from SBD28 million (USD3.9) in 2011/12 to SBD34 m (USD4.7m) 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 extensive ward data 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, lot of efforts have been made in trying 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 of additional four VSATS for Malaita, Guadalcanal, Temotu and Western Provinces is also a significant step in providing a reliable but high speed internet connectivity in rural Solomon Islands. The next phase of the programme has plans to install further 18 larger VSATs in 18 communities in the nine provinces so as to facilitate e-governance, participatory planning and social accountability by enabling citizen participation in debates and discussions (through social networks etc) on local development issues of their communities. The VSAT platform should in future enable provision of banking facilities to a large number of unbanked population through the tablet technology and EFTPOS (in-store banking).

In 2011 five VSATs were procured and delivered to: Central Province, Isabel Province, Rennell & Bellona, Choiseul and Makira Ulawa Provinces. Since the commissioning of the VSATs in the five Provinces, the communication between the 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. Provinces are gradually realising reduction in their telephone bills as a result of easy access to emails and the world wide web facilities.

The recruitment of two Monitoring and Evaluation Officers by the Ministry in the second half of 2013 has led to frequent monitoring and evaluation of PCDF funded projects 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 areas of monitoring but concluded that the project made a steady progress in delivering its designed outputs and also gradually influencing national policies.

**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.

## 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.

**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 funding modality for UNDP, UNCDF, EU and SIG contributions and pass-through funding modality for AusAID/RAMSI contribution. The 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 Organizations (UNCDF and UNDP) and entered into a Standard Administrative Agreement (SAA) 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 the recent SIG decision to increase its contribution to a higher level. In 2012, the SIG contribution to PCDF was about USD3.4 million, in 2013, the SIG contribution was USD3.1 million and in 2014 SIG contribution went up to USD4.2 million. Therefore the total contributions to the project have increased to USD28.3 million as a result of the scaling up by the SIG.

*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
<b>TOTAL</b>	<b>18.1</b>	

*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	1.0	Parallel
UNDP	1.0	Parallel
SIG	13.7	Parallel
<b>TOTAL</b>	<b>28.3</b>	

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:* Provincial Governments co-funded the PCDF grants at the rate of 5% of funding received in 2013, which is approximately USD190, 000 (SBD1.4 million).

It should be noted that the provincial governments have a different fiscal year and therefore their actual expenditures for 2013/14 are only expected by April 2014. By then the actual utilisation of funds disbursed to Provinces shall also be known.

*Annual work plan and budget:* In December 2012, the JOC approved, in principle, the Annual Work Plan (AWP) of USD 1, 868,000 for 2013. The approved budget was revised downwards in December 2013 to USD1, 763,180 (6%) when actual expenditure figures indicated that the funding available was indeed less than the original amount. The revised budget was approved by the JOC on December 13th 2013.

## 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.

**Table 3: PGSP Human Resources from 2008 - 2013**

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
<b>Total</b>	<b>32</b>	<b>8</b>	<b>19</b>	<b>20</b>	<b>24</b>	<b>25</b>	<b>24</b>
Actual human capacity available/year compared to 32 (100%) that was required to deliver the project.		25%	59%	63%	75%	78%	75%

The above analysis indicates that the PGSP, despite enormous efforts made, the project could not operate with the required staff on board as per 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.

Human Resource; MPGIS: from the ministry side, additional officers were recruited to strengthen the capacity of the Ministry. Two monitoring and evaluation officers were recruited to be conducting field monitoring of projects being implemented through the programme and also through 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 Auditors came on board in the month of August 2013 but he later passed away in the month of October 2013.

### **III. Implementation and Monitoring Arrangements**

Responsibility for policy guidance and high-level monitoring of PGSP is assigned to the Joint Oversight Committee (JOC). The JOC Members are the representatives of the main line ministries, provincial governments, UN Agencies and donors as observers. MPGIS provides the Secretariat of the JOC and the Permanent Secretary of MPGIS acts as its Chair. The membership to the Joint Oversight Committee was expanded to include Ministries of Education, Health 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, NIM auditing and also final evaluation. The three month extension of the project was approved by the Steering Committee in December 2013.

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

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 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 is conducted by the advisors based in the provinces, the monitoring officers based in the ministry (by working closely with Chief Planning Officers). The provincial advisors are also required to submit monthly **reports** on their work.

## **IV. Results:**

### **OUTPUT 1: RESPONSIBILITIES OF PGs ARE CLARIFIED AND GRADUALLY EXPANDED**

#### **Output 1.1 Provincial Government Own Functions are Clarified and Expanded**

**Results achieved:** The Ministry of Provincial Government and Institutional Strengthening has 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. As part of the implementation of the recommendations of the functional assignment studies report, the MPGIS shall be carrying out further consultations with the Ministries of Education and Human Resources Development, Health and Medical Services, Agriculture and Livestock and Environment, Climate Change Disaster and Meteorology.

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. The objective of the two 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.

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. 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. The Ministries of Education, Health and Environment were also consulted.

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

**Results Achieved:** 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 .

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

### **Output 2.1 Domestic Resources flow to the Provincial Government is enhanced**

**Results achieved:** four out of nine Provincial Governments have increased their level of revenue collections. Western Province' local revenue collections constituted about 62% of the entire recurrent revenue in 2013/14 compared to 45% in 2012/13. Despite a drop in revenue performance, Isabel's local revenue performance in 2013/14 was 71% of its total actual recurrent revenue compared to 80% in 2012/13. Malaita has improved by 2.5% over 2011/12 performance whilst Choiseul improved by 16.9%. Guadalcanal on the other hand contributed 54% of its total recurrent revenue budget through local revenues (a drop by 2%) compared to 52% in 2013/14. Its performance increased overall by 46% from 2011/12.

Even though the provincial actual revenues collected this year will not be declared until the end of March 2014, the provisional figures indicate an increase of 18.1% above 2011/12 and 5.9% above 2012/13 collections, an increase of SBD6m in absolute terms. This improvement was as a result of the technical advices and on the job mentoring being offered to the provincial government Treasury divisions and revenue collectors by technical officers based in each province for the whole of the project life. Provincial governments have indeed made genuine progress to improve not only collections of revenues but also accounting for revenues to their respective treasuries, as evidenced below.



**Table 4: Local revenue collection results from 2011 - 2013**

Provinces	2011/12	2012/13	2013/14	Increase/decrease 2014 and 2011	% Difference
Choiseul	1,665,940	1,933,143	1,992,535	326,595	16.9
Central Province	548,995	1,106,840	532,017	- 16,978	-1.5
Isabel Province	13,887,096	11,231,748	7,477,502	- 6,409,594	-57.1
Makira Ulawa	2,020,733	2,396,911	1,557,501	- 463,232	-19.3
Malaita Province	1,889,483	1,783,495	1,937,755	48,272	2.7
Guadalcanal Province	4,487,876	7,535,965	8,000,000	3,512,124	46.6
Temotu Province	1,067,640	1,008,741	951,669	- 115,971	-11.5
Western Province	3,397,982	5,997,405	12,477,490	9,079,508	151.4
<b>Total actual receipts</b>	<b>28,965,745</b>	<b>32,994,248</b>	<b>34,926,469</b>	<b>5,960,724</b>	<b>18.1</b>

**Revenue mobilization strategy:** The revenue mobilization efforts of the provincial governments are expected to improve greatly in the future as a result of the completion of the "revenue mobilization strategy" that has been developed by the Ministry (through PGSP funding). The final report has been delivered to the Ministry which shall be followed by a training programme designed for revenue collectors and treasurers some time in 2014. The objective of the strategy is to help improve the revenue raising capabilities of provincial governments most of whom depend a lot on the grants from the National Government.

#### **Reform of the fixed service grant allocation system: Formula based grant allocation system**

The allocation system of fiscal service grants provided by SIG to the nine provincial governments became clearer as a result of the introduction of a simple formula in 2009 that kick-started in 2010 based on the 20:80 ratios as:

20% of total fixed service grants being allocated to nine Provinces equally despite the size of the Province. This was designed to take care of the unique issues in Provinces such as distance, cost of delivery of materials, remoteness etc.

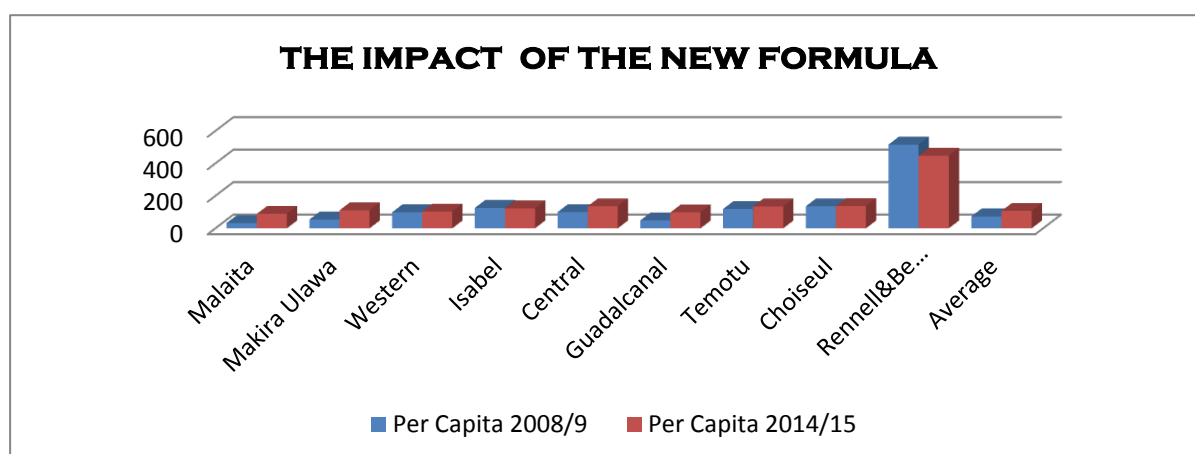
80% of the total fixed service grant is being allocated based on the population factor.

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 5: 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 were being allocated not based on any pre-determined formula. It was impossible for one to indicate how and why smaller Provinces were receiving more than bigger provinces.

As a result of the new formula, the "per capital" and the overall earnings of bigger Provinces improved but are still a bit below average (see table 6 below).

**TABLE 6: 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 but also 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 were benefiting more realized reduction until the formula stabilizes. The situation was mitigated by the phase introduction of the new allocation system over four years.

### **Reforms on fixed service grants: Introduction of performance measures in the allocation of fixed service grants**

The successful 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 was 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 provinces to do well.

**Table 7: 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
<b>Total</b>	<b>48,810,002</b>	<b>38,728,002</b>		<b>9,682,000</b>	<b>48,410,002</b>	

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

**Results Achieved:** a total sum of SBD23, 278,775 was disbursed to Provinces as against SBD27, 684,124 which was originally allocated for qualifying Provinces. The reason for the difference of SBD4, 405,349 was because of the deductions carried out from the allocations of sums carried forward by Provinces from 2012/13 without actually being committed and obligated through contractual means.

By end of 2012/13 Provinces were allowed to commit and carry forward 45% of their total PCDF funds for 2012/13 on condition that they were obligated through signed contracts by end of 31st March 2013. Unfortunately most of the Provinces could not ensure that the balance of funds were obligated and carried forward through re-appropriations. The Ministry therefore applied the relevant **Section 5.2 of the Operational Manual** trigger on commitments (see table below). The total disbursement amount represents 84.1% of the total allocation of 2013/14.

**TABLE 8: APPROVED ALLOCATION VERSUS FINAL ALLOCATION OF PCDF IN 2013/14**

Provinces	October Allocation	Amount Deducted	Balanced disbursed
Makira Ulawa	3,805,540	444,225	3,361,315
Western	5,492,773	107,612	5,385,161
Isabel	2,784,438	516,195	2,268,243
Central Islands	2,739,989	186,070	2,553,919
Guadalcanal	5,184,310	1,710,130	3,474,180
Temotu	2,771,118	687,755	2,083,363
Choiseul	3,268,998	753,362	2,515,636
Renbel	1,686,961	0	1,686,961
<b>Total</b>	<b>27,684,127</b>	<b>4,405,349</b>	<b>23,278,778</b>

As a result of the transfer of 80% of the amounts due to qualifying Provinces, Provincial Governments had since April 2013 started implementing infrastructure projects as per their annual work plan of 2013/14. A total of 163 projects have been initiated for this fiscal year.

The remaining tranche was released by the Central Bank of Solomon Islands into provincial government accounts by mid-March 2014.

The table below shows the allocation for the qualifying provinces as well as an indication of provincial governments own co-funding paid in 2013/14. The only Province that did not qualify for funding this year (2013/14) was Malaita Province. Malaita could not meet four out of the seven minimum criteria that provinces were assessed on in 2012/13.

**TABLE 9 : FUND ALLOCATION AND ACTUAL DISBURSEMENT 2013/14**

Provinces	2013/14 Allocation SBD	Amount paid after adjust. SBD	5% co- funding SBD	Total Available for Projects SBD
Makira Ulawa	3,805,540	3,361,315	190,277	3,551,592
Isabel	2,784,438	2,268,243	139,222	2,407,465
Western	5,492,773	5,385,161	274,639	5,659,800
Central	2,739,989	2,553,919	136,999	2,690,918
Guadalcanal	5,184,307	3,474,177	259,215	3,733,392
Temotu	2,771,118	2,083,363	138,556	2,221,919
Choiseul	3,268,998	2,515,636	163,450	2,679,086
Rennell&Bellona	1,636,961	1,636,961	81,848	1,718,809
<b>Total</b>	<b>27,684,124</b>	<b>23,278,775</b>	<b>1,384,206</b>	<b>24,662,981</b>

**Resource flow from SIG:** In 2013/14 the Ministry received a sum of SBD22.5 million (USD3.1 million) from the National Government as its contribution to PCDF against SBD35 million that it submitted as a bid for the capital development budget. The SBD22.5 million was SBD2.5 million (10%) less than the SIG actual contribution in 2012/13. The Ministry was, however, able to disburse SBD23 million as a result of the balance of funds brought forward from 2012/13.

**SHOWCASE 1: Midterm Evaluation Report**

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 Assemblies and audits by the OAG)

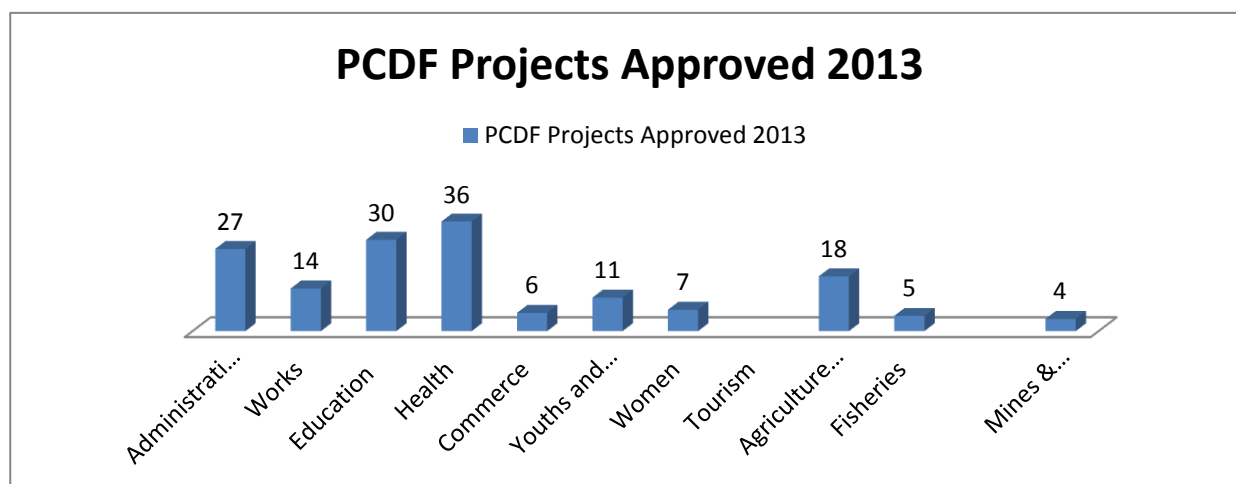
The initially agreed contribution for PCDF, according to the MOU, was for a total annual allocation of SBD10.8 million (USD1.5 million) per annum. The total PCDF agreed

**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.

was therefore USD7.0 million. As a result of the Cabinet decision in August 2011, the SIG contribution increased to USD3.4 million in 2012, USD3.1 million in 2013, and USD4.2 million in 2014 respectively.

**Graph 2: Allocation of PCDF projects by sector for 2013/14**

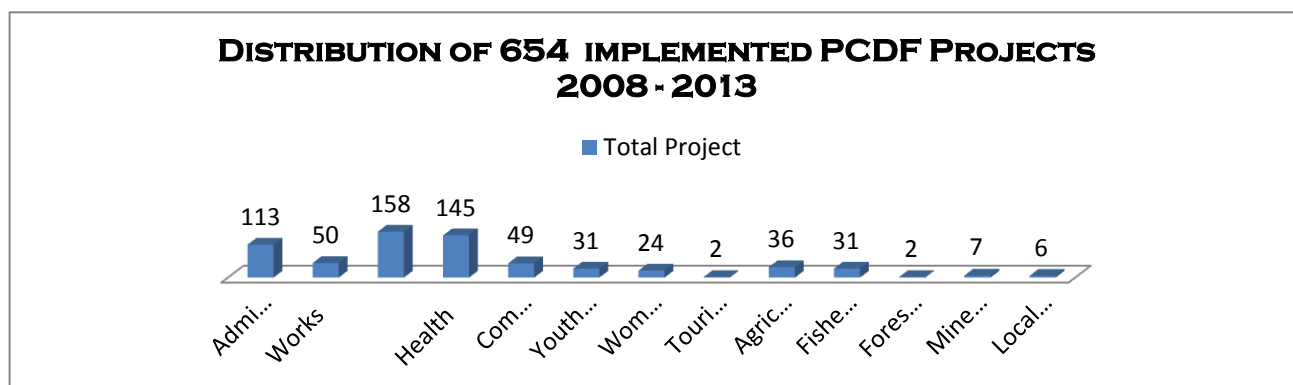


**TABLE 10: OVERVIEW OF PROVINCIAL CAPACITY DEVELOPMENT FUND PROJECTS FROM 2008/9 - 2013/14**

Sectors	Total Project	Projects implemented 2008-2012	Projects implemented 2013	Total Project
Administration	113	86	27	113
Works	50	36	14	50
Education	158	128	30	158
Health	145	109	36	145
Commerce	49	43	6	49
Youths and sports	31	20	11	31
Women	24	17	7	24
Tourism	2	2		2
Agriculture & Environment	36	18	18	36
Fisheries	31	26	5	31
Forestry	2	2		2
Mines & Energy	7	3	4	7
Local councils	6	6		6
<b>Total</b>	<b>654</b>	<b>490</b>	<b>158</b>	<b>654</b>



**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 Leomuni**



The photo above was shot in December 2013 when Ministry, PGSP, and media team made documentary of the impact of PCDF projects on rural communities. A foot bridge of about 90 meters long was constructed by Choiseul Provincial Government through PCDF and completed in 2013/14 fiscal year. The bridge reinforced with large steel rods and season timber, was constructed in response to demands from the villages who used to have difficulties in crossing Molevanga stream in order to take their children to schools in Konamana village and also attend clinics in Loemuni village on the other side of the stream.

"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. Any simple flood, we used to be cut off completely. Now we can reach the markets and health centres, thanks to PGSP". Said a community leader during the inauguration of the foot bridge.

Before its completion every parent from the village used to ensure his/her child was safely taken across the stream every morning and afternoon. Instead of parents focusing on fending for livelihoods, they spent most of their time in ensuring their children crossed the long stream safely. The project has enabled children from Saga Saga village, which lies 25 minutes from Konamana Community High School to attend school regularly. The community high school is located in Konamana.

Inter-community activities including market outlets for basic commodities like vegetables and cash crops such as copra could not flourish because of difficulties in crossing the stream when it floods. As a result of the completion of the bridge, copra and cocoa farmers became the happiest as they can now cross with loads of copra and cocoa to the copra sheds on both sides of the bridge. The cocoa nut crashing mill located in Loemuni could now flourish as good private business undertakings since transporting cocoa and copra across to Loemuni is facilitated by the completion of the new bridge.

The completion of the footbridge has improved the living conditions of the people of Molevanga, Konamana, Saga

"I can say with certainty that our economic well being has greatly improved as a result of the construction of the footbridge. Those of us who are cocoa and copra farmers have a lot to celebrate as our livelihoods depend so much on the crossing of the stream. With the bridge done, we can see future improvement in commercial activities in our communities. We pray for Choiseul, PGSP, MPGIS and their donor partners for changing our lives", said a community copra farmer in Choiseul.

Saga and Loemuni villages. Parents in both villages are now relaxed as the safety of their children whilst crossing the stream is well assured. Health conditions will now improve as a result of easy crossing by everyone to attend to the clinic in Loemuni, which was a difficult task before.

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



Living in the darkness for too long has affected the way of life of hundreds of people living in Lata, the location of the provincial headquarter of Temotu. 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 people of Lata are indeed enjoying the new street light.

"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.



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

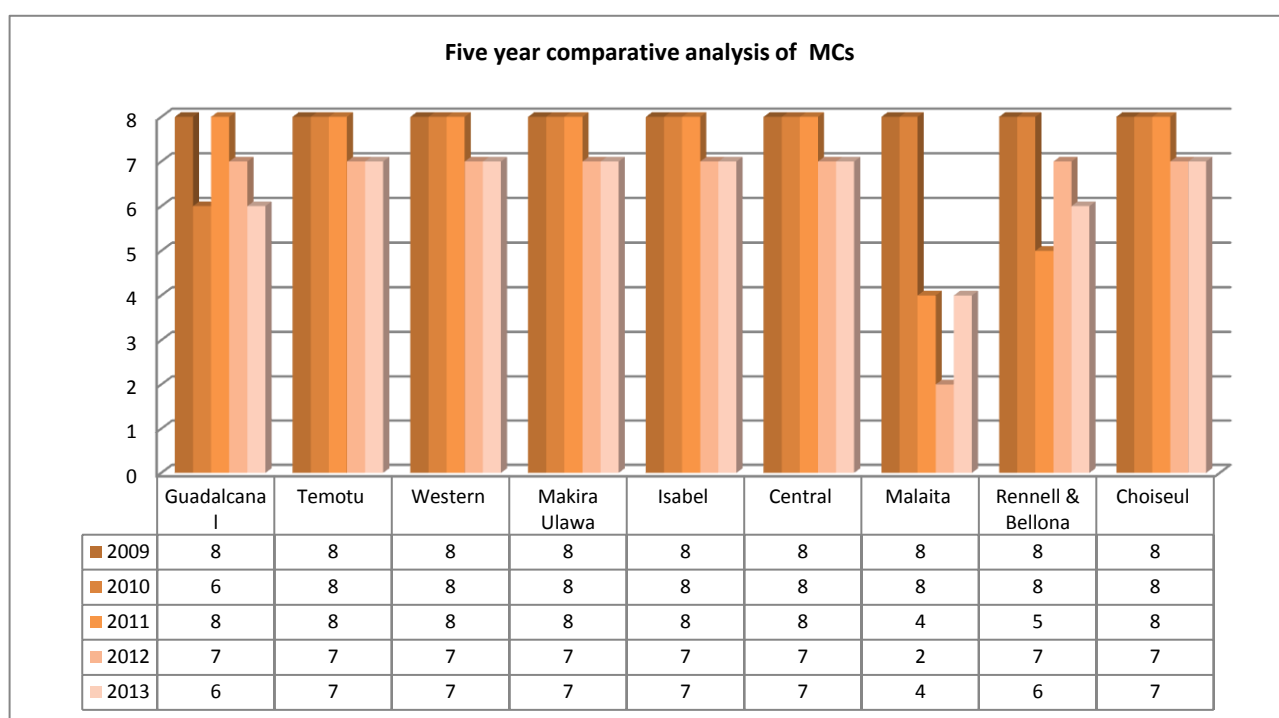
### **Results of PCDF annual assessment conducted in 2013 and comparative five year analysis**

**Minimum conditions:** six out of nine provinces met the minimum conditions in the 2013 annual performance assessment. Four provinces: Choiseul, Western, Isabel, and Central met the seven minimum conditions in the first round of assessment whilst Makira Ulawa and Temotu Provinces met the minimum conditions in the second round of assessment. Three provinces, Malaita, Renbel and Guadalcanal Provinces could not meet the seven minimum conditions in this year's assessment as indicated in the results table below.

**TABLE 11: FIVE YEAR COMPARATIVE ANALYSIS OF MINIMUM CONDITIONS**

<b>Provinces</b>	<b>Conditions met by Provinces based on 8 MCs</b>			<b>Conditions met based 7 MCs</b>	
	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%

**GRAPH 4: FIVE YEAR COMPARATIVE ANALYSIS**



The table and the graph above show a summary of the provinces in terms of minimum conditions since 2009. The records indicate that it was only in 2009 when 100% of the provinces received PCDF funds. This was as a result of the re-assessments that took place in Rennell & Bellona, Temotu and Malaita. One province missed out in 2010, two Provinces missed out in 2011, one province missed out in 2012 and three missed out in 2013.

The review of the minimum conditions in 2012 reinforces the requirements to meet minimum condition no. 3. Before 2012 review of minimum conditions, provinces were only required to establish a bank account dedicated to PCDF but the revised conditions now goes further to assess the management of PCDF accounts. This explains the reason for the failure of MC3 by Malaita, Guadalcanal and Renbel in 2013.

## PERFORMANCE MEASURES

Provincial Governments' performance in 2013 PCDF assessment, as shown in the graph 5 and the table 9, has dropped. Choiseul still continues to top the table with 61 points compared to 75 points in last year's assessment. The nearest rival this year is Central Province with 58 points. Isabel that used to be second in the past three years has dropped to 8th position with 36 points.

"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.

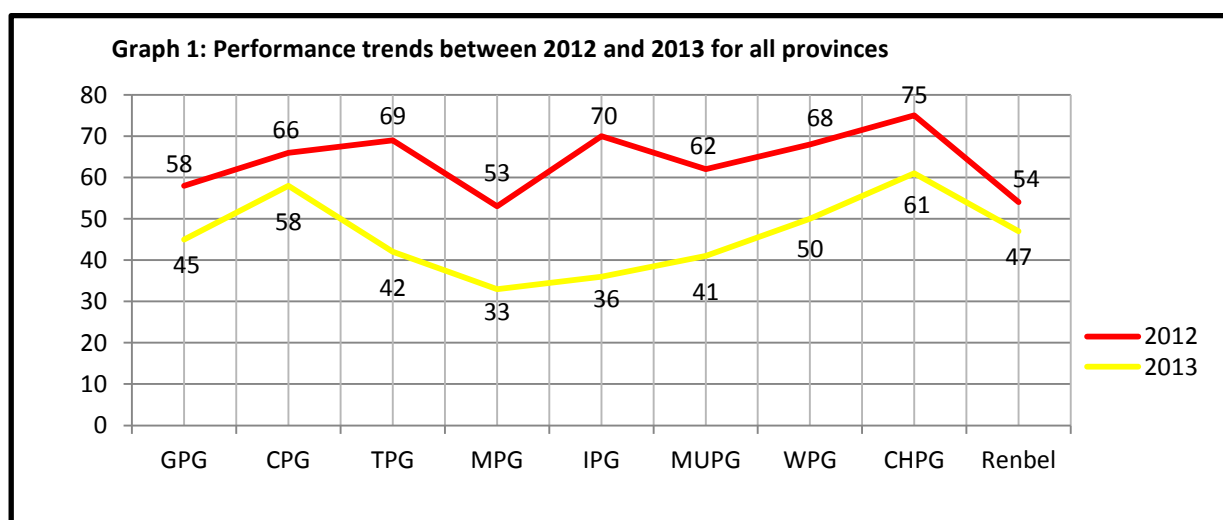
As observed by the assessment team, the reasons for the low performance and the inability of

### 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.

Malaita, Guadalcanal and Renbel provincial governments to meet all MCs is mainly because of non-compliance to internal control measures over public funds. Low level of compliance to basic internal control measures thus remain a major challenge for the Ministry and the Provincial Governments to resolve. Political disturbances and interference in some provinces seem to have affected the performance of some of the provinces.

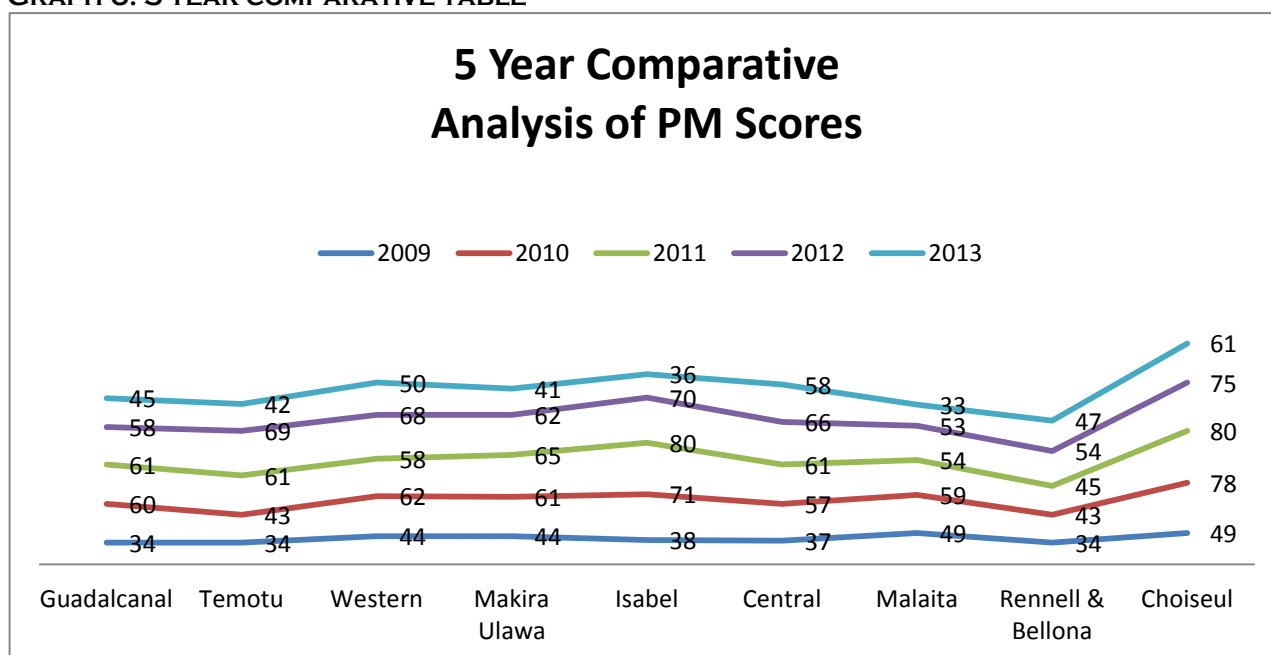
**GRAPH 5: PERFORMANCE MEASURES**



**TABLE 12: 5 YEAR COMPARATIVE PERFORMANCE IN PMs**

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

**GRAPH 6: 5 YEAR COMPARATIVE TABLE**



Analysis of the scores indicates that provinces did well in "operation of the provincial assemblies and executive" where they pulled an average score of 4.2 out of 6 representing 70% of the total scores available.

The scores in planning and budgeting were quite encouraging as provinces scored 12.2, on average, representing 68% of the total scores available.

What pulls the provinces down was the financial management performance where the average score stands at 5.6 representing (out of 28) just 20% of the total 28 points available.

The reason for low performance in financial management is basically compliance. Reports indicated that there is low compliance to basic internal control procedures and standards set in the financial instructions and financial

"Our efforts from now on would be to provide the support necessary to achieve clean audit by the Ministry and provincial governments through compliance to internal control procedures, observation of audit trails and processes" said the Permanent Secretary of MPGIS during a workshop that reviewed the provincial budgets and work plans in February 2014.

management ordinances of provincial governments. Basic procedures in approving documents for payments, the observation of audit trails, the outstanding imprests (cash advances) with officers, the outstanding PAYE that should have been remitted to Inland Revenue, the outstanding National Provident Fund that should have been remitted to NPF immediately for direct employees and the non accountability for business arms and the ward development grants of provincial governments have culminated into low performance.

In a bid to improve compliance to internal controls, the Ministry enhanced the scores in the performance measures in the 2012 review of PMs giving more weighting to audit issues. Another effort made by the ministry and the project was to technically support and train planning officers and treasurers on how to build in the performance measures into work plans

and budgets. Such efforts may probably have a positive impact on performance in future years if combined with administrative and political will to ensure compliance.

Political changes in provinces such as Guadalcanal and Rennell & Bellona might have, to some extent, affected the performance of the two Provinces. Guadalcanal and Rennell & Bellona changed the Executive through vote of no confidence in early 2013, which do not seem to have paid immediate dividends with regards to performance assessment.

The key lesson learned from this assessment is 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.

There have, however, been improvements in the reduction of audit queries by few Provinces. Choiseul Province has reduced its audit queries by 50% whilst Isabel and Western Provinces reduced theirs by 20% and 10% respectively. It is therefore not a coincidence that the province that has succeeded in reducing its audit queries by 50% has scored the highest point in the assessment (Choiseul).

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.

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 resources are allocated to audit issues indicators as a way of motivating provinces to comply.

### PCDF ALLOCATION FOR 2014/15

For 2014, Solomon Island Government approved SBD30 million (USD4.2m) for PCDF for the provincial governments. The fund shall be disbursed to the qualifying provinces as indicated below for the fiscal year 2014/15.

**TABLE 13: PCDF ALLOCATION 2014/15**

Items	Provinces	PCDF Allocation SBD	5% co-Funding SBD	Total PCDF available SBD
1	Makira Ulawa	3,619,969	<b>180,998</b>	<b>3,800,967</b>
2	Western Province	9,419,124	<b>470,956</b>	<b>9,890,081</b>
3	Isabel Province	3,967,214	<b>198,361</b>	<b>4,165,574</b>
4	Central Province	5,106,661	<b>255,333</b>	<b>5,361,994</b>
5	Temotu Province	2,590,161	<b>129,508</b>	<b>2,719,669</b>
6	Choiseul Province	5,296,871	<b>264,844</b>	<b>5,561,715</b>
Total		30,000,000	<b>1,500,000</b>	<b>31,500,000</b>

The own contribution by the provincial governments is about SBD1.5 million (USD206, 000) based on 5% contribution. Since the provincial governments will pass their budgets on or before 31st March each year, the projects that will be funded from the SBD31.5 million shall be confirmed only by 1st April after the provincial assemblies have passed the appropriation ordinances in their respective Provinces.

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

#### **Output 3.1.2: The capacities of members of provincial assemblies are developed**

**Results achieved to date:** The members of the nine provincial assemblies are gradually improving their understanding of their basic roles and responsibilities as elected representatives. This was as a result of the series of training tailored for their needs (see table 16 for training details).

All elected members have been trained through induction programmes. Inductions were first organized for the provinces of Choiseul and Western Provinces shortly after their provincial elections in 2009. This was followed 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 elections, local elected leaders trainings have since 2011 being conducted for MPAs. So far the following provinces: Guadalcanal, Renbel, Central and Malaita Provinces have been covered by the LEL trainings. The training covers competences in leadership, policy making, communications, and enabling, empowering and presentation techniques.

#### **Support to Premiers Conference:**

**Results Achieved to date:** 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. One of the resolutions that resulted from the Gizo conference was for Solomon Islands Government to increase PCDF and 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 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**

### **Ward profiling and strategic plans:**

**Results achieved:** 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 for ward profiles.

The 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 case there is second phase of the project.

### **Internal Controls and internal auditing:**

**Results Achieved:** 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 auditor 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.

### **Effective Provincial Governments organizations are developed:**

**Results Achieved:** Provincial Treasurers are providing regular 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 the MYOB consultant. All nine provinces submitted their financial statements to OAG and all statements were audited as a result of improved computerized accounting. The MYOB consultant worked with the Treasurers of all nine Provinces in 2013 to improve their understanding in accounting including computerized accounting.

The programme has been hiring the MYOB consultants (mobile accountants) from 2009 – 2013, period 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 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.

Eight of the nine Provinces have had their payrolls installed through the MYOB package and payroll clerks were capacitated in computerized payroll management in 2011/12. This was the first time the provincial governments direct employees ever received pay slips indicating their salary packages and the deductibles.

"This is the first time I have ever been issued a payslip in my 20 year working career in the provincial government of Isabel Province", said a provincial direct employee of IPG in 2011.

**TABLE 14: COMPARATIVE ANALYSIS PG PEM PERFORMANCE**  
Baseline in 2007 (PFMIP) and the tangible results achieved from 2008 - 2014  
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

**Table 15: Portion of the grant fund accounted for in the audited reports (PFMIP)**

Item no.	Province	Last Audit Year	Total grants 1993 - 2006	Expenditures accounted for	Unaccounted grants	% of unaccounted grants
1	Malaita	1995	36,309,641	10,820,789	25,488,852	70%
2	Western	1997	47,078,702	17,441,585	29,637,117	63%
3	Guadalcanal	2001	33,178,644	*1,520,926	31,657,718	95%
4	Isabel	2003	18,835,472	1,541,101	17,294,371	92%
5	Makira	Nil	21,316,608	0	21,316,608	100%
6	Temotu	Nil	16,285,865	0	16,285,865	100%
7	Central	Nil	17,721,982	0	17,721,982	100%
8	Choiseul	Nil	19,878,785	0	19,878,785	100%
9	Renbel	Nil	12,295,937	1,002,631	11,293,306	92%
	Totals		222,901,636	32,327,032	190,574,604	
	%			14%	86%	



## Results achieved from 2008 compared to the baseline of 2007

### Financial reporting

- Financial report which is a PGA requirement became a minimum condition in 2008.
- All provinces submitted their financial report on or after 31st December 2008.
- For every year, since 2008, at least 67% of the provinces (average) submitted their financial reports to the Auditor General before the deadline of 31st December.
- For every year since 2008, on average, 33% did submit late but they all eventually submitted Financial reports for auditing.

### Auditing of financial reports

Auditing of financial statement is a minimum condition and the reports are required to be presented to the assembly

1. About 90% of the financial reports were audited and feedback was 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 90% by 2013/14.
4. About SBD222.9m was disbursed from 1993 - 2007 but only 14% (SBD33.3m) was accounted for.
5. About 86% of the funds were not accounted for.
6. From 2008 - 2014 about SBD277m of fixed service grant was disbursed to provinces of which over 90% was reported on and also audited.

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.

"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.

### Planning and budgeting:

**Results achieved:** as indicated by the scores in performance measures in this year's 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 Folotalu (MP) Minister for MPGIS, at Parliament, 28 Nov 2011).*

The Chief Planning Officers' understanding of formulating log frames and performance based planning improved (as evidenced by the quality of annual work plans), as a result of the series of practical trainings provided to them since 2008. 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 page table 16 on trainings conducted since 2009).

The signing of provincial budgets into law by the Hon. Minister has been made relatively easy as a result of gradual improvements in the quality of provincial budgets and plans. The PGSP funded the review of provincial government budgets and work plans 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 2013. 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 table on training for details on review workshops). The MPGIS fully funded the review workshop of 2014.

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.

At the ministry level, the CTA (Interim) 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.

### **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.

## **Human Resources Management**

The functions of the five divisions 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 the Malcom Bell and Lynda's reports of 2009 and 2011 were used by the project and the ministry to clearly define the functions of the divisions in the ministry. It also assisted in the development of key result areas of all core positions in the ministry and in the provincial governments. A hand book on key result areas was developed and presented to the Public Service Commission for approval.

**TABLE 16: 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% M 4% 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

## Communications and Information Technology:

**Results Achieved:** 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.

The MPGIS/PGSP newsletter was published twice in the month of March and June 2013. The publication of newsletters has improved the visibility of the programme. The publication was supposed to be four editions a year, but was limited to two editions in 2013 due to final year budgetary constraints. Two editions were published in 2012 and in 2011.

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 has been developed for each of the provinces.

"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.

The capacities of Ministry and Provincial officers (IT focal persons) have been built to navigate websites, download and upload materials as a result of the training offered to them by the programme in November 2013. The officers trained included the Chief Planning Officers, Treasurers and Advisors from each province plus the Ministry divisional heads.

The communication strategy of the programme was developed in 2009 which is now being fully implemented including the development of the capacity of the programme communication officer.

**Knowledge management and knowledge sharing:** The following reports and documents have been published in 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 7<sup>th</sup> 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

Some of the documents have been prepared for uploading onto the MPGIS website. The website address is: [www.mpgis.gov.sb](http://www.mpgis.gov.sb). The newly uploaded website can be viewed and navigated.

### **Satellite internet provision (high speed internet connectivity):**

**Results achieved** - the provision of satellite internet connectivity in provinces has improved communication between the remote provinces and the rest of the country, and even beyond. Viewing and directly accessing documents has now become easier as a result of the internet facilities in five of the remote provinces of Isabel, Choiseul, Makira, Renbel and Central 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 April

"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***"

2014. The equipment when installed shall provide access to high speed internet to the four provincial governments and their line ministries operating in each province.

Facebook forum started coming up in most 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 the provincial officers to be active members of the group discussions. Discussions are centered on development and political issues of the province.



The photo above is the first solar powered internet cafe in Choiseul Province established in the community high school providing internet connectivity to pupils and communities. The computer lab was fully funded by PCDF through the provincial government of Choiseul. 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.**

**Results Achieved:** capacities 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.

The Ministry based technical advisor (CTA interim) also continued to provide technical support and on the job training to the Ministry Finance team on financial issues and policies, Ministry Executive on policy areas, conceptualization of important policies for the Ministry and the Provinces, and the provision of on-the-job training and mentoring to other divisions within the Ministry.

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

### **Policy development support:**

**Results achieved:** The policy direction 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 greatly strengthened as a result of the continuous technical support from MPGIS based PGSP technical officials from 2012 to date.

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 heads of divisions 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 from 2012 to date which are now having positive impact on service delivery and accountability:

1. Participatory and integrated planning framework was developed and endorsed by the Cabinet in 2012. Provinces have started implementing this policy. 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.
3. Studies into the cost of service delivery were developed and approved by the Cabinet in 2012. The actual work on costing of service delivery may commence in 2014 with the start of phase II.
4. Audit 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.
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 capacity building of about 60 members of the provincial public accounts committee with the help of the Centre for Democratic Institute in Canberra, Australia. In addition, each Province has now formed a PPAC, and the composition is restricted to non-Executive members of the Provincial Assemblies, in order to ensure effective scrutiny into the Executive's budget and expenditure.
7. Strategy on effective organization of the 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.

8. Policies and procedures on Premiers conference - a hand book was developed and endorsed by the Cabinet in February 2014. This will be discussed by the National parliament by April this year.
9. Supported the Ministry in developing various Cabinet Papers on Premier's conference Communiqués.
10. A handbook on accounting training for provincial governments was developed in 2010 by the Local Finance Specialist of PGSP and used as the training manual for the training of Treasurers. This was used in the training of provincial officers 2010 and 2011.
11. Supported the Ministry in developing a Key Results Areas Handbook in line with Public Service Performance Management Processes. The MPGIS is declared as one of the first Ministries to positively respond to the new policy of PMP by developing KRAs for its entire core staff in the Provinces and in the Ministry. The document has been presented to the Public Service Commission for formal approval. This may be replicated in other Ministries with MPGIS support, if necessary.
12. Cabinet Paper on the recurrent revenue support for PGSP was developed and endorsed by the Cabinet in September 2013. Even though it was approved, the paper did not attract funding from the government in 2014.
13. Guidelines for annual work plans and budgets are being developed and endorsed by the Ministry annually since 2011 to guide the annual work planning processes, link the work plans to budgets and the three year investment programming.
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.
15. Capacities are being developed to sustain the implementation of this important policy framework (IPSAS).
16. 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 be the basis of five year strategic development plans for the provinces. This is hoped to facilitate the process of localization of NDS.
17. Policy statement for Central Province was developed and endorsed by the provincial governments in 2012.
18. Policy statement for the newly elected provincial government of Western Province was developed and launched on January 28th 2014.

## **Output 4: PGSP Monitoring and Evaluation**

### **4.1 Monitoring and Evaluation Framework is implemented, PFGCC and JOC meetings are held.**

**Results achieved:** The issues affecting the implementation of provincial government projects are being highlighted and solutions being found to address on time as a result of feedbacks being generated from the field monitoring being conducted by the Ministry Monitoring Officers and the Provincial Advisors based in the Provinces.

Field monitoring reports are now being provided to the Ministry and the programme. The PGSP technical advisor in the Ministry is providing on the job training and mentoring to the ministry monitoring team.

The ministry is gradually mainstreaming 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 2014.

In addition to the monitoring conducted by the province based advisors, who monitored and provided report on all projects, the Ministry monitoring team also visited and 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.

The recently drafted Corporate Plan of the Ministry has provided for the establishment of a monitoring division that will focus mainly on monitoring and evaluation. The recurrent budget for the new division shall be provided for in 2015 establishment.

Two Joint Oversight Committee meetings were held in the months of November and December 2013. The first meeting discussed the final draft of the PGSP phase II project document and approved the draft.

The second meeting was held to discuss the results of the annual performance assessment report which was concluded in November 2013. The revised budget of 2013 was also tabled and approved by the JOC.

The December 2013 meeting approved three months extension of the project from January 2014 - 31st March 2014 to allow proper closure of the project and to ensure smooth transition from phase I to Phase II. An evaluation of the Programme is being carried out until 30 June 2014 in order to prepare the Phase II of the JP.

The first JOC meeting in 2014 was held in February 2014 to finalize the results of the second round of assessment conducted in Makira Ulawa and Temotu Provinces. The meeting confirmed the qualifications of Makira and Temotu after a successful re-assessment. Central and Isabel Provinces were also declared as having met the MCs.

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

**TABLE 17: JOINT OVERSIGHT COMMITTEES MEETINGS HELD FROM 2008 - 2014**

2008	2009	2010	2011	2012	2013	2014
20 <sup>th</sup> /06/2008	22 <sup>nd</sup> 04/2009	2 <sup>nd</sup> /08/ 2010	28 <sup>th</sup> /01/2011	26 <sup>th</sup> /06/ 2012	8 <sup>th</sup> /11/2013	28 <sup>th</sup> /02/ 2014
18 <sup>th</sup> /11/ 2008	3 <sup>rd</sup> /07/2009	16/12/ 2010	18 <sup>th</sup> /08/ 2011	20 <sup>th</sup> /12/2012	13 <sup>th</sup> /12/2013	
	24 <sup>th</sup> /11/ 2009		9 <sup>th</sup> /09/2011			
			8 <sup>th</sup> /12/2011			

**TABLE 18: PROVINCIAL FISCAL GRANT COORDINATION MEETINGS HELD FROM 2009 - 2014**

2008	2009	2010	2011	2012	2013
PFGCC was formed in 2009	1 <sup>st</sup> /07/2009	14 <sup>th</sup> /12/2010	16 <sup>th</sup> /08/2011	25 <sup>th</sup> /05/2012	5 <sup>th</sup> -6/12/ 2013
	23 <sup>rd</sup> /11/ 2009	16/12/2010	6 <sup>th</sup> /12/2011	14 <sup>th</sup> /12/ 2012	

## V. Partnerships and inter-agency collaborations

### Collaboration with other line ministries and development partners

There has been a lot of coordination with the MDPAC in the areas of linking provincial plans to the National Development Plans. One of the local consultants for the strategic planning and ward profiling (funded by the Ministry, PGSP and Provincial Governments) is agreed to be funded by MDPAC. The two ministries are working closely to localize the NDS at provincial and community level.

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 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.

Other key Ministry partners in this task force are the Ministry of Public Service and the Ministry of Finance and Treasury. Two meetings have so far been held whereby the Ministry/PGSP contributed enormously in ensuring that there is effective service delivery in the piloted education authorities. Further discussions in 2013 were held on how provincial governments could support the service delivery of the Ministry of Education.

The Ministry and the programme made a presentation in the Education review meeting in December 2013 which was followed by an inter-ministry meeting in February 2014. Further meeting at high level that shall be held around the education service delivery in provinces, particularly on education infrastructures where about 30% of PCDF is being invested by the provincial governments, will follow.

The Ministry also worked closely with the climate change and disaster committees established under the Ministry of Environment, Climate Change, Disaster and Meteorology and facilitated by the Ministry of Development Planning and Aid Coordination.

Under the cluster arrangement, the Ministry worked closely with the Ministry of Women, Youth, Children and Family Affair 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.

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 submit its budget to the National Disaster Management Office on time and achieved its two mandated objectives.

**Partnership with the Ministry of Education:** 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.

Both Ministries of Education and Human Resources Development and the Medical & Health Services are members of the Joint Oversight Committee of PGSP who are contributing enormously in making important decisions on the future of the programme.

**Partnership with the RDP and MRD:** The Ministry of Provincial Government and Institutional Strengthening, Rural Development Programme and the Ministry of Rural Development have formed a working group that is looking at the areas of possible coordination between various stakeholders at the provincial level for effective planning and service delivery. Two meetings have so far been held and guidelines are being written to help implement an integrated and participatory planning framework approved by the Cabinet in 2012. This may help 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 week trainings on accounting were held partly facilitated by the Solomon Islands College of Higher Education and the ministry.

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.

In 2010/11, the Solomon Island College of Higher Education supported the ministry by providing trainings in basic accounting which was repeated in 2012. These trainings aimed at developing the capacities of provincial Treasurers and the personal officers in the provinces and the MPGIS officers.

The Centre for Democratic Institutions in Canberra coordinated with the Ministry, the PGSP and the National Parliament and trained the members of the Provincial PAC in 2012 in two groups. The CDI did not only provide a technical specialist to conduct the training but it also provided financial support to pay for the cost of the training. In addition to the PAC training, CDI also hired a specialist on behalf of the Ministry who modernized and standardized the provincial standing orders.

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 coordinated by the Ministry for MPAs.

**Cooperation with the Office of the Auditor General (OAG):** In 2013 the project through the Ministry continued to work closely with the office of the Auditor General by:

- Coordinating efforts to ensure that provinces submit their Financial Statements on or before 31<sup>st</sup> December to avoid disqualifications. This has been successful so far. Eight out of nine provinces submitted their financial statements to the OAG on or before 31st December 2012 and also in 2013.
- Aligned the timing of interim audit and annual audit of provincial accounts and financial statements.
- Provision of interim audit details to the assessment team so as to facilitate the assessment of provincial accounts and financial statements.
- For the introduction of IPSAS as financial reporting framework, the ministry finance division in coordination with the Office of the Auditor General held a one-week training programme for the Provincial Treasurers by going through practical exercises in October 2010 in preparation for the production of the first financial statement for provincial governments.

## **VI. Cross Cutting Issues**

### ***Gender mainstreaming***

The Ministry has appointed a gender focal person (Human Resource Manager) based in the Ministry who is responsible not only for implementing gender mainstreaming strategies but also for providing support to initiatives in the Provinces. Each province has appointed a direct employee in charge of the women division. 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).

The Ministry Corporate Plan 2014-2016 highlighted the strategies for development of gender policy in order to achieve gender equality not only in the Ministry but also in the Provinces. In the work plan of the HR Manager (2014), gender mainstreaming has been incorporated as an output to be achieved.

### ***Climate change***

The concept note for the Local Climate Adaptive Living Facility was completed in June this year based on a scoping mission conducted by the Retainer Consultants 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 has climate change as part of component II intended to support Provinces to mitigate and adapt to climate change.

## **VII. Risks and Issues**

### ***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 still feel that they should have direct access to the funds. This remains a real threat to the PCDF modality. The PCDF modality seems to be working well as public expenditure management systems in provinces have started to improve and in most provinces the performance based grant system is being entrenched.

### ***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. The efforts by the Ministry to create an internal audit division and to conduct annual audit of projects will help 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. Before end of 2013 officers have been moved from their posts (in two Provinces) as a result of political interference. This probably could be mitigated through the re-distribution of the natural justice MOU that all Provinces signed back in 2008 for their understanding.

Another mitigating measure is to have 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 given what has happened towards end of 2013.

### ***Frequent reshuffling of senior government officers***

Frequent reshuffling of senior officers has been a risk and it still remains. All those 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 procurement trainings. 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 of the Provincial Public Accounts Committees who had undergone training 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 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.

**Support from MID:** Despite the 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 officer in provinces to the lack of office space or suitable land made available for office premises by the provincial governments. He confirmed that as soon as land and office space is 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) will be 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 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 six years of PCDF operation and it will continue to be a contributing factor in the near future.

**Provincial business arms:** Provinces have business arms funded through the provinces. These business arms are not being fully accounted for. There are no established accounts for most of them. Even though provinces are 100% Share holders of these businesses, there is no record of dividends payable to provincial Treasury. The Auditor General confirmed that this will continue to be an audit query for the provinces and it will impact on their final audit reports.

**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.

**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.

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

**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. Teachers and other civil servants in distance Islands do travel a long way to access the commercial banks.



**Way forward:**

- Strengthen internal control systems;
- Develop a policy on ward development grant for Cabinet endorsement;
- Establish Monitoring and Evaluation Division in order to mainstream M&E into the MPGIS work plan;
- Free up more fixed service grants to enable provinces to recruit direct employees to deliver services;
- Coordinate well with the Ministry of Public Service to recruit more officers for provincial core positions;
- Establish ICT for development to increase access to IT led development initiatives such as electronic banking etc;
- Use ICT4 Dev to increase civil society participation in local development decision making processes;
- Use ICT4 Dev to improve accountability through genuine citizen participation in local development decision making by improving citizen engagement through social networks, support e-health and disaster alert initiatives;
- Provide more VSATs in the communities to promote social accountability and participatory planning by having increased access to online and most up to date information;
- Finalize discussions with line ministries on functional responsibilities;
- Conduct on the job training and mentoring for provincial officers on PEM and internal control compliances;
- Reinforce efforts made in financial management reforms and ensure its sustainability;
- Strengthen capacity in revenue mobilization to improve provincial government own revenues;
- Encourage more investments in alternative sources of growth (local economic development) to stimulate local economic growth;
- Encourage more PCDF investments in water and sanitation;
- Conduct studies on cost of service delivery to determine the expenditure needs of provincial government (cost of service delivery);
- Continuous training for provincial members to improve their legislative competences;
- Strengthen revenue raising capabilities of provincial governments through on the job training on the newly developed revenue mobilization strategy.
- Review the Provincial Government structures in line with the functional assignment report.
- PFGCC to carry out more technical work on functional assignment report for JOC.
- Implementation of recommendations and strategies developed based on the findings of the revenue studies on provinces.

**Part B: Annual Financial  
Report of the Administrative Agent  
of the JP Solomon Islands PGSP  
for the period 1 January to 31 December 2013**

Multi-Partner Trust Fund Office  
Bureau of Management  
United Nations Development Programme  
[GATEWAY: http://mptf.undp.org](http://mptf.undp.org)

## DEFINITIONS

### **Allocation**

Amount approved by the Steering Committee for a project/programme.

### **Approved Project/Programme**

A project/programme including budget, etc., that is approved by the Steering Committee for fund allocation purposes.

### **Contributor Commitment**

Amount(s) committed by a donor to a Fund in a signed Standard Administrative Arrangement (SAA) with the UNDP Multi-Partner Trust Fund Office (MPTF Office), in its capacity as the Administrative Agent. A commitment may be paid or pending payment.

### **Contributor Deposit**

Cash deposit received by the MPTF Office for the Fund from a contributor in accordance with a signed Standard Administrative Arrangement.

### **Delivery Rate**

The percentage of funds that have been utilized, calculated by comparing expenditures reported by a Participating Organization against the 'net funded amount'.

### **Indirect Support Costs**

A general cost that cannot be directly related to any particular programme or activity of the Participating Organizations. UNDG policy establishes a fixed indirect cost rate of 7% of programmable costs.

### **Net Funded Amount**

Amount transferred to a Participating Organization less any refunds transferred back to the MPTF Office by a Participating Organization.

### **Participating Organization**

A UN Organization or other inter-governmental Organization that is an implementing partner in a Fund, as represented by signing a Memorandum of Understanding (MOU) with the MPTF Office for a particular Fund.

### **Project Expenditure**

The sum of expenses and/or expenditure reported by all Participating Organizations for a Fund irrespective of which basis of accounting each Participating Organization follows for donor reporting.

### **Project Financial Closure**

A project or programme is considered financially closed when all financial obligations of an operationally completed project or programme have been settled, and no further financial charges may be incurred.

### **Project Operational Closure**

A project or programme is considered operationally closed when all programmatic activities for which Participating Organization(s) received funding have been completed.

### **Project Start Date**

Date of transfer of first instalment from the MPTF Office to the Participating Organization.

### **Total Approved Budget**

This represents the cumulative amount of allocations approved by the Steering Committee.

## 2013 FINANCIAL PERFORMANCE

This chapter presents financial data and analysis of the JP Solomon Islands PGSP funds using the pass-through funding modality as of 31 December **2013**. Financial information for this Fund is also available on the MPTF Office GATEWAY, at the following address:

<http://mptf.undp.org/factsheet/fund/JSB00>.

### 1. SOURCES AND USES OF FUNDS

As of 31 December **2013**, one contributor has deposited US\$ **6,193,801** in contributions and US\$ **90,853** has been earned in interest,

bringing the cumulative source of funds to US\$ **6,284,653** (see respectively, Tables 2 and 3).

Of this amount, US\$ **6,221,625** has been transferred to two Participating Organizations, of which US\$ **5,958,602** has been reported as expenditure. The Administrative Agent fee has been charged at the approved rate of 1% on deposits and amounts to US\$ **61,938**. Table 1 provides an overview of the overall sources, uses, and balance of the JP Solomon Islands PGSP as of 31 December **2013**.

**Table 1. Financial Overview, as of 31 December 2013 (in US Dollars)\***

	Annual 2012	Annual 2013	Cumulative
<b>Sources of Funds</b>			
Gross Contributions	-	-	6,193,801
Fund Earned Interest and Investment Income	1,725	1,026	80,530
Interest Income received from Participating Organizations	-	-	10,323
Refunds by Administrative Agent to Contributors	-	-	-
Fund balance transferred to another MDTF	-	-	-
Other Revenues	-	-	-
<b>Total: Sources of Funds</b>	<b>1,725</b>	<b>1,026</b>	<b>6,284,653</b>
<b>Uses of Funds</b>			
Transfers to Participating Organizations	-	288,979	6,221,625
Refunds received from Participating Organizations	-	-	-
<b>Net Funded Amount to Participating Organizations</b>	<b>-</b>	<b>288,979</b>	<b>6,221,625</b>
Administrative Agent Fees	-	-	61,938
Direct Costs: (Steering Committee, Secretariat...etc.)	-	-	-
Bank Charges	12	20	84
Other Expenditures	-	-	-
<b>Total: Uses of Funds</b>	<b>12</b>	<b>288,999</b>	<b>6,283,647</b>
<b>Change in Fund cash balance with Administrative Agent</b>	<b>1,713</b>	<b>(287,973)</b>	<b>1,006</b>
Opening Fund balance (1 January)	287,266	288,979	-
<b>Closing Fund balance (31 December)</b>	<b>288,979</b>	<b>1,006</b>	<b>1,006</b>
Net Funded Amount to Participating Organizations	-	288,979	6,221,625
Participating Organizations' Expenditure	502,279	241,834	5,958,602
<b>Balance of Funds with Participating Organizations</b>			<b>263,022</b>

\* Due to rounding of numbers, totals may not add up. This applies to all numbers in this report.

## 2. PARTNER CONTRIBUTIONS

Table 2 provides information on cumulative contributions received from all contributors to this Fund as of 31 December **2013**.

**Table 2. Contributors' Deposits, as of 31 December 2013 (in US Dollars)\***

Contributors	Prior Years as of 31-Dec-2012	Current Year Jan-Dec-2013	Total
Australian Agency for International Development	6,193,801	-	6,193,801
<b>Grand Total</b>	<b>6,193,801</b>	<b>-</b>	<b>6,193,801</b>

## 3. INTEREST EARNED

Interest income is earned in two ways: 1) on the balance of funds held by the Administrative Agent ('Fund earned interest'), and 2) on the balance of funds held by the Participating Organizations ('Agency earned interest') where their Financial Regulations and Rules allow return of interest

to the AA. As of 31 December **2013**, Fund earned interest amounts to US\$ **80,530** and interest received from Participating Organizations amounts to US\$ **10,323**, bringing the cumulative interest received to US\$ **90,853**. Details are provided in the table below.

**Table 3. Sources of Interest and Investment Income, as of 31 December 2013 (in US Dollars)\***

Interest Earned	Prior Years as of 31-Dec-2012	Current Year Jan-Dec-2013	Total
<b>Administrative Agent</b>			
Fund Earned Interest and Investment Income	79,503	1,026	80,530
<b>Total: Fund Earned Interest</b>	<b>79,503</b>	<b>1,026</b>	<b>80,530</b>
<b>Participating Organization</b>			
UNDP	10,323	-	10,323
<b>Total: Agency earned interest</b>	<b>10,323</b>	<b>-</b>	<b>10,323</b>
<b>Grand Total</b>	<b>89,826</b>	<b>1,026</b>	<b>90,853</b>

#### 4. TRANSFER OF FUNDS

Allocations to Participating Organizations are approved by the Steering Committee and disbursed by the Administrative Agent. As of 31 December 2013, the AA has transferred US\$ 6,221,625 to two Participating Organizations (see list below).

Table 4 provides additional information on the refunds received by the MPTF Office, and the net funded amount for each of the Participating Organizations.

**Table 4. Transfer, Refund, and Net Funded Amount by Participating Organization, as of 31 December 2013 (in US Dollars)\***

Participating Organization	Prior Years as of 31-Dec-2012			Current Year Jan-Dec-2013			Total		
	Transfers	Refunds	Net Funded	Transfers	Refunds	Net Funded	Transfers	Refunds	Net Funded
UNCDF	4,636,027	-	4,636,027	92,408	-	92,408	4,728,435	-	4,728,435
UNDP	1,296,619	-	1,296,619	196,571	-	196,571	1,493,190	-	1,493,190
<b>Grand Total</b>	<b>5,932,646</b>	<b>-</b>	<b>5,932,646</b>	<b>288,979</b>	<b>-</b>	<b>288,979</b>	<b>6,221,625</b>	<b>-</b>	<b>6,221,625</b>

#### 5. EXPENDITURE AND FINANCIAL DELIVERY RATES

All final expenditures reported for the year 2013 were submitted by the Headquarters of the Participating Organizations. These were consolidated by the MPTF Office.

##### 5.1 EXPENDITURE REPORTED BY PARTICIPATING ORGANIZATION

As shown in table 5 below, the cumulative net funded amount is US\$ 6,221,625 and cumulative expenditures reported by the Participating Organizations amount to US\$ 5,958,602. This equates to an overall Fund expenditure delivery rate of 96 percent. The agency with the highest delivery rate is UNCDF (100%), followed by UNDP (82%).

**Table 5. Net Funded Amount, Reported Expenditure, and Financial Delivery by Participating Organization, as of 31 December 2013 (in US Dollars)\***

Participating Organization	Approved Amount	Net Funded Amount	Expenditure			Delivery Rate %
			Prior Years as of 31-Dec-2012	Current Year Jan-Dec-2013	Cumulative	
UNCDF	4,728,435	4,728,435	4,594,250	134,185	4,728,435	100.00
UNDP	1,493,190	1,493,190	1,122,518	107,649	1,230,167	82.39
<b>Grand Total</b>	<b>6,221,625</b>	<b>6,221,625</b>	<b>5,716,768</b>	<b>241,834</b>	<b>5,958,602</b>	<b>95.77</b>

## 5.2 EXPENDITURE REPORTED BY CATEGORY

Project expenditures are incurred and monitored by each Participating Organization and are reported as per the agreed categories for inter-agency harmonized reporting. In 2006 the UN Development Group (UNDG) established six categories against which UN entities must report inter-agency project expenditures. Effective 1 January 2012, the UN Chief Executive Board (CEB) modified these categories as a result of IPSAS adoption to comprise eight categories. All expenditures incurred prior to 1 January 2012 have been reported in the old categories; post 1 January 2012 all expenditures are reported in the new eight categories. The old and new categories are noted to the right.

Table 6 reflects expenditure reported in the UNDG expense categories. Where the Fund has been operational pre and post 1 January 2012, the expenditures are reported using both categories. Where a Fund became operational post 1 January 2012, only the new categories are used.

In **2013**, the highest percentage of expenditure was on Staff and personnel costs (55%). The second highest expenditure was on Contractual services (36%), and the third highest expenditure was on General operating (8%).

2012 CEB Expense Categories	2006 UNDG Expense Categories
1. Staff and personnel costs	1. Supplies, commodities, equipment & transport
2. Supplies, commodities and materials	2. Personnel
3. Equipment, vehicles, furniture and depreciation	3. Training counterparts
4. Contractual services	4. Contracts
5. Travel	5. Other direct costs
6. Transfers and grants	6. Indirect costs
7. General operating expenses	
8. Indirect costs	

**Table 6. Expenditure by UNDG Budget Category, as of 31 December 2013 (in US Dollars)\***

Category	Expenditure			Percentage of Total Programme Cost
	Prior Years as of 31-Dec-2012	Current Year Jan-Dec-2013	Total	
Supplies, Commodities, Equipment and Transport (Old)	83,069	-	83,069	1.57
Personnel (Old)	3,254,185	-	3,254,185	61.41
Training of Counterparts (Old)	145,494	-	145,494	2.75
Contracts (Old)	448,135	-	448,135	8.46
Other direct costs (Old)	630,235	-	630,235	11.89
Staff & Personnel Costs (New)	369,997	133,566	503,563	9.50
Suppl, Comm, Materials (New)	81,571	(11,994)	69,577	1.31
Equip, Veh, Furn, Depn (New)	-	-	-	
Contractual Services (New)	-	87,382	87,382	1.65
Travel (New)	25,731	456	26,187	0.49
Transfers and Grants (New)	-	6,221	6,221	0.12
General Operating (New)	24,979	19,736	44,715	0.84
<b>Programme Costs Total</b>	<b>5,063,398</b>	<b>235,366</b>	<b>5,298,764</b>	<b>100.00</b>
Indirect Support Costs Total	653,370	6,468	659,838	12.45
<b>Total</b>	<b>5,716,768</b>	<b>241,834</b>	<b>5,958,602</b>	

**Indirect Support Costs:** The timing of when Indirect Support Costs are charged to a project depends on each Participating Organization's financial regulations, rules or policies. These Support Costs can be deducted upfront on receipt of a transfer based on the approved programmatic amount, or a later stage during implementation.

## 6. COST RECOVERY

Cost recovery policies for the Fund are guided by the applicable provisions of the JP Project Document, the MOU concluded between the Administrative Agent and Participating Organizations, and the SAAs concluded between the Administrative Agent and Contributors, based on rates approved by UNDG.

The policies in place, as of 31 December **2013**, were as follows:

- **The Administrative Agent (AA) fee:** 1% is charged at the time of contributor deposit and covers services provided on that contribution for the entire duration of the Fund. Cumulatively, as of 31 December **2013**, US\$ **61,938** has been charged in AA-fees.
- **Indirect Costs of Participating Organizations:** Participating Organizations may charge 7% indirect costs. In the current reporting period US\$ **6,468** was deducted in indirect costs by Participating Organizations. Cumulatively, indirect costs amount to US\$ **659,838** as of 31 December **2013**.
- **Direct Costs:** The Fund governance mechanism may approve an allocation to a Participating Organization to cover costs associated with Secretariat services and overall coordination, as well as Fund level reviews and evaluations. These allocations are referred to as 'direct costs'. In **2013**, there were no direct costs charged to the Fund.

Therefore, the Indirect Support Costs percentage may appear to exceed the agreed upon rate of 7% for on-going projects, whereas when all projects are financially closed, this number is not to exceed 7%.

## 7. ACCOUNTABILITY AND TRANSPARENCY

In order to effectively provide fund administration services and facilitate monitoring and reporting to the UN system and its partners, the MPTF Office has developed a public website, the MPTF Office Gateway (<http://mptf.undp.org>). Refreshed in real time every two hours from an internal enterprise resource planning system, the MPTF Office Gateway has become a standard setter for providing transparent and accountable trust fund administration services.

The Gateway provides financial information including: contributor commitments and deposits, approved programme budgets, transfers to and expenditures reported by Participating Organizations, interest income and other expenses. In addition, the Gateway provides an overview of the MPTF Office portfolio and extensive information on individual Funds, including their purpose, governance structure and key documents. By providing easy access to the growing number of narrative and financial reports, as well as related project documents, the Gateway collects and preserves important institutional knowledge and facilitates knowledge sharing and management among UN Organizations and their development partners, thereby contributing to UN coherence and development effectiveness.