



Solomon Islands Governance Program Design Document

July 2017 to June 2021

This document outlines the proposed design of Australian Government Governance Program in Solomon Islands from July 2017 to June 2021. It was produced by Coffey International Development and the Whitelum Group.

CONTENTS

EXECUTIVE SUMMARY.....	1
1: ANALYSIS AND STRATEGIC CONTEXT.....	4
Country/Regional and Sector Context.....	4
Rationale for Australian investment.....	7
Evidence Base and Lessons Learned.....	9
Citizen-state relations and constituent development funds (CDFs).....	12
Other Development Partners.....	16
Innovation and Private Sector Engagement.....	16
2. DEVELOPMENT PROBLEM/ ISSUE ANALYSIS.....	19
3. OVERARCHING GOALS.....	23
4. PROGRAM LOGIC.....	25
Theory of change.....	25
Expectations of achievements in two, four and ten years.....	26
Theory of Action.....	28
Principles.....	29
Assumptions.....	29
5. DELIVERY APPROACH.....	32
Delivery Modalities.....	32
6. GOVERNANCE PROGRAM DEVELOPMENT COMPONENTS.....	37
Component 1 – Fiscally responsible budgeting and borrowing policies.....	37
Component 2 – Professional Public Financial Management cadre.....	40
Component 3 – A more accountable and responsive public service.....	44
Component 4 – Strengthening coalitions for reform.....	48
7. MONITORING, EVALUATION AND LEARNING.....	50
Purpose.....	50
Key Evaluation Questions.....	51
Principles.....	51
Performance measures.....	51
Approach.....	53
Learning.....	55
8. IMPLEMENTATION ARRANGEMENTS.....	57
Budget.....	57
Governance and Management Arrangements.....	57

Transition, Inception and Implementation	61
Sustainability	62
Gender and Social Inclusion	63
Private Sector	64
Risk Management.....	64
Safeguards.....	66
ANNEXES	68
Annex A: Mapping the Governance Program to the National Development Strategy	68
Annex B: Mapping of Assessment of National Systems against governance program	70

ACRONYMS

ADB	Asian Development Bank
AFP	Australian Federal Police
AHC	Australian High Commission
AIMS	Automated Imprest Account Management System
AOFM	Australian Office of Financial Management
ASYCUDA	Automated System for Customs Data
AUD	Australian dollar
BERT	Budget Entry Reporting Tool
CDF	Constituency Development Fund
CEWG	Core Economic Working Group
CSSI	Correctional Service of Solomon Islands
DFAT	Department of Foreign Affairs and Trade
EPBC Act	Environment Protection and Biodiversity Conservation Act, 1999
EU	European Union
GBN	Government Broadband Network (Vanuatu)
GDP	Gross Domestic Product
HR	Human Resources
HRMIS	Human Resources Management Information system
ICT	Information and Communications Technology
ICTSU	Information and Communications Technology Support Unit
IPAM	Institute for Public Administration and Management
ISIA	Institute of Solomon Islands Accountants
LTA	Long-term technical assistance
MEL	Monitoring, Evaluation and Learning
MOFT	Ministry of Finance and Treasury
MP	Member of Parliament
MPS	Ministry of Public Service
NDS	National Development Strategy
NOL	No Objection Letter
OAG	Office of the Auditor General
OCO	Oceania Customs Organisation
PAC	Procurement Advisory Committee
PASAI	Pacific Association of Supreme Audit Institutions

PFM	Public Financial Management
PFMA	Public Financial Management Act 2013
PFTAC	Pacific Financial Technical Assistance Centre
PICPA	Pacific Islands Centre for Public Administration
PNG	Papua New Guinea
PV	Payment voucher
RAMSI	Regional Assistance Mission to Solomon Islands
SBD	Solomon Islands dollar
SICHE	Solomon Islands College of Higher Education
SIG	Solomon Islands Government
SIGOV	Solomon Islands Economic and Public Sector Governance Program
SINU	Solomon Islands National University
SOE	State-owned enterprise
SSGM	State, Society and Governance in Melanesia Program (ANU)
STA	Short-term assistance
TA	Technical assistance
TOR	Terms of reference
WCO	World Customs Organisation

Solomon Islands Governance Program

Start date: 1 July 2017 **End Date:** 30 June 2021

Total proposed funding allocation: \$30m

Investment Concept (IC) approved by: FAS PAD **IC Endorsed by AIC:** Yes

Quality Assurance (QA) Completed: Independent peer appraisal and peer review

EXECUTIVE SUMMARY

Solomon Islands is a post-conflict country. Its institutions are relatively weak, even by regional standards, and the government has limited influence in communities beyond Honiara. Gender equality and social inclusion challenges remain immense, both in the public sector and more generally.

Since 2003, Australia has committed considerable resources to rebuilding Solomon Islands Government (SIG) public financial management (PFM) systems and to reforms in the public service generally. Initially this was under RAMSI and more recently under the Solomon Islands Economic and Public Sector Governance (SIGOV) program, and Australia's bilateral investments in education, health, justice and infrastructure. Significant policy, technical and systemic gains have been achieved. A key lesson from recent years is that strengthening central agencies does not necessarily result in a 'trickle-down' improvement in the performance of service delivery agencies.

Commencing from 1 July 2017 as a four-year program (in parallel with co-designed programs in Police Development and in Justice), the Governance Program will build on the PFM and public sector reform gains achieved through SIGOV Program. The political environment will continue to be challenging and not always conducive to major reform (both in the area of public financial management, and public service performance). That said, there does remain a healthy appetite for reforms among the senior levels of the public service and an incremental approach to reforms will continue to be pursued. Solomon Islands' fiscal situation appears to be deteriorating with recent budgets drawing heavily on cash reserves; it is conceivable that, as the fiscal situation worsens, opportunities to pursue deeper reform may emerge.

The major challenge ahead will be to continue to reinforce all elements of SIG's PFM system and advance public sector reforms, while ensuring that the potential benefits are extended to improving service delivery for ordinary Solomon Islanders. This will require the Governance Program to focus more than it has in the past on 'horizontal' cross-government capabilities, procedures and processes affecting the performance of the public sector as a whole.

The Governance Program is an enabling program. First, its aim is to remove barriers to service delivery that come from poor PFM and public service systems and capacity. This requires working on incremental reforms, and working with Australia's programs in health, education, transport, justice and policing to remove specific barriers to service delivery in those sectors. Second, the Governance Program helps Australia implement the risk mitigation measures required to safeguard Australia's budget support in other sectors.

The mix of delivery modalities will be broader than in the past, with less emphasis on long-term technical assistance (TA) and greater focus on short-term assistance, twinning arrangements, limited budget support, and support through specialist regional organisations. In addition, the program will seek to leverage other DFAT's investments such as the scholarships programs, Australian Volunteers program and DFAT's regional and global investments in governance. Australia will also coordinate its efforts with other development partners, in particular with World Bank and Asian Development Bank and IMF, who are providing technical advice to the government on economic and financial reforms.

The Governance Program will support Australia's long-term national interests in Solomon Islands. It will support all three strategic objectives of DFAT's Aid Investment Plan for Solomon Islands by supporting stability, enabling economic growth, and enhancing human development.¹

The budget for the Governance Program will be AUD7.5m per annum. The program will include four components encompassing a number of individual activities, and overseen by a Head of Program, who will report directly to DFAT. The components include:

- Component 1 – Fiscally and socially responsible budgeting and borrowing policies;
- Component 2 – A professional public financial management cadre that facilitates improved service delivery;
- Component 3 – A more accountable and responsive public service; and
- Component 4 – Strengthening coalitions for reform.

Component 4 enables the program to explore ways of approaching governance challenges from a demand or 'citizen-centred' approach to building state capabilities. This will assist to avoid purely supply driven activities or an over reliance on anticipated trickle down effects from building capacity in formal government institutions in Honiara. The Component enables the program to fund activities that present within the life cycle of the program but which are not currently envisaged. This involves engaging with non-state actors including private sector, professional associations, and civil society, and contributing to innovation and research activities in conjunction with the Police Development and Justice Programs.

In addition to these four components, a joint MEL Team will be established that will operate in support of the Governance, Justice and Police Development Programs.

The sustainability of change brought about through the Governance Program will depend critically on the commitment and buy-in on the part of SIG (at both the political level and in the public service) and on appropriate programming on the part of the Australian aid program. Change will not be sustainable if solutions are not appropriate to the Solomon Islands context. Sustainability needs to be understood in context: state building in Solomon Islands will require a long-term commitment, one that extends well beyond the timeframe of this program.

The program will pursue improved gender and social inclusion outcomes through two specific initiatives: first, through the piloting of 'gender and social inclusion budget impact analyses' initially with the development budget, and second, by supporting greater gender equality in the public service (supporting and intensifying existing efforts to improve gender outcomes and support gender mainstreaming in the public service).

The program works close to the heart of government in Solomon Islands and therefore in an inherently politically sensitive context. The program is exposed to a high level of political risk.

¹ DFAT, *Aid Investment Plan Solomon Islands: 2015-16 to 2018-19*, 30 September 2015, p. 3

The Program is designed to be flexible and to evolve. The flexibility is to enable the program to adapt activities (and the budget) as new opportunities open up, and to pull out of areas if there is limited traction. The evolution is in recognition that, to sustainably improve service delivery, the Program needs to transition further away from technical assistance to support core functions in central institutions, to a program oriented more towards ensuring service delivery in Honiara and the provinces. Among other things, the Program includes annual structured review and reflection mechanisms to enable this flexibility and evolution. Ensuring the program is maintaining sufficient ambition will also be a key consideration for the Joint Steering Committee, and Advisory Committee.

1: ANALYSIS AND STRATEGIC CONTEXT

This part sets out the strategic context and relevant issues for the program investment. It details the country and sector context, development problems and analysis, lessons learned and finally the Australian strategic context for the Governance Program.

COUNTRY/REGIONAL AND SECTOR CONTEXT

This section outlines the broad social, security, political, policy and economic environment in which this investment is to be made. It also outlines relevant gender and social inclusion issues.

SOCIAL

Solomon Islands consists of an ethnically diverse population highly spread over six major islands and more than 900 smaller islands covering a land area of 28,400 square kilometres. More than 80 per cent of the population of 515,870² live in rural areas however this is changing. While the overall population is growing at 2.5 per cent per annum, urban growth is estimated at 4.7 per cent per year. If this were to continue it would result in the doubling of the urban population by 2025.

Due to the diverse nature of Solomon Islands, and relatively weak institutions, even by regional standards, the government enjoys only limited reach beyond Honiara and a handful of smaller population centres.³ This inability of the state to extend its authority across the country means many people have little interaction or expectations of the state. The majority of the rural population, and especially women, youth, children and people with disability, face barriers to accessing adequate health care, education, and law and order services. They also lack economic and political opportunities including formal employment opportunities.

Solomon Islands remains highly aid dependent, with Australia being the largest development partner (AUD162.0m in 2016-17) responsible for almost three quarters of total official development assistance to Solomon Islands. Capacity is low with a low adult literacy rate of around 17 per cent and Solomon Islands ranked 156 out of 187 countries in the United Nations' (UN) 2014 Human Development Index.

Solomon Islands is one of the most natural disaster prone countries in the world, and this is likely to get worse with climate change.

SECURITY

This design builds on successive, and significant, investments in Solomon Islands stability agencies since the Regional Assistance Mission to Solomon Islands (RAMSI) began in 2003, and successor bilateral programs commenced in 2013. Notwithstanding high levels of Australian support since 2003 and significant progress in a number of areas, Solomon Islands remains a post-conflict country.

² 2009 Solomon Islands Census

³ S Dinnen and M Allen, *State Absence and State Formation in Solomon Islands: Reflections on Agency, Scale and Hybridity*, Development and Change Vol 47, Issue 1 2016, pp 76-97.

See also: *Justice Delivered Locally Systems, Challenges, and Innovations in Solomon Islands*, World Bank, August 2013; <http://documents.worldbank.org/curated/en/353081468308114790/pdf/812990WP0DL0Se0Box0379833B00PUBLIC0.pdf> accessed 25 August 2016

The World Bank estimates that it takes up to 30 years for countries to recover from conflict – Solomon Islands is 14 years into this period.

Commencing from 1 July 2017, the Governance Program will be working in a new and, by some measures, less predictable context. RAMSI will formally end on 30 June 2017 and whilst considerable effort is invested in seamless transitional arrangements into a new bilateral police program, Solomon Islands will nevertheless be entering new waters with the departure of RAMSI after some 14 years. Some nervousness on the part of the general population is already evident. Meanwhile, ‘whole-of-government’ deployments (in particular from the Australian Treasury and Department of Finance) which were a feature of RAMSI, largely came to an end on 30 June 2016.

POLITICAL

The political environment in which the Program will be operating is inherently difficult to predict given Solomon Islands’ notoriously changeable political scene. Even so, on current trends the new Governance Program will be operating in a political environment that is less conducive to major reform (both in the areas of PFM and public service performance) than has been the case in the past.

Until recently, the Core Economic Working Group⁴ (CEWG) provided a forum for robust policy dialogue between SIG (political and official levels) and donors – and thereby complemented the role played by Australian advisers working within SIG. The CEWG has not been operating as effectively in recent times and cannot be relied upon as a mechanism for dialogue in its present form. It should be noted that there does remain a healthy appetite for progressive PFM-type reform among the senior levels of relevant agencies.

While there appears to be a somewhat greater appetite for ongoing reform efforts in the public service generally, including in human resource management, here too the scope for effective implementation may be obstructed by strained or ineffective relationships between key institutions and senior personnel involved.

POLICY

The Solomon Islands National Development Strategy 2016-2035 (NDS) emphasises the importance of stable and effective governance and public order. The NDS makes it clear that improved economic management and reforms are needed to ensure broad-based economic development. Poor economic growth has been identified as a direct result of poor governance and management and lack of accountability at all levels.

In addition, the NDS notes that poor governance correlated with a top-down decision making and centralised structure over the years has progressively weakened public service delivery. To help address these issues, the NDS identifies an ongoing need to build capacity of both government institutions and personnel to enable them to carry out their responsibilities in an effective manner. Medium-term strategies outlined include efficient and effective public service with a sound corporate culture and reduce corruption and improve governance at national, provincial and

⁴ <http://dfat.gov.au/aid/how-we-measure-performance/ode/Documents/case-study-cewg-fa.pdf>

community levels. While it is admirable that these issues are highlighted, change in some of these areas need to be internally driven and will take a long time. Annex D maps the Governance Program activities against NDS priorities. At the operational level, the Governance Program will support the Ministry of Finance and Treasury and Ministry of Public Service to deliver on outcomes set out in their corporate plans which are updated every two to three years.

In addition to the NDS, SIG has recently published a *Partnership Framework for Effective Development Cooperation* that outlines a strategy for the effective implementation of the *Aid Management and Development Cooperation Policy*. This describes mutually agreed actions that SIG and development partners commit to undertake to ensure the achievement of SIG's development plans. The Governance Program aligns with the NDS and the partnership framework.

ECONOMIC

While the Solomon Islands economy grew by 3 per cent in 2015, this was driven by high levels of government expenditure and record increases of log exports. Analysis suggests that Solomon Islands' fiscal situation is deteriorating⁵ with recent high spending budgets drawing heavily on cash reserves. This trend may over time, continue to deteriorate to the point of requiring difficult budget and expenditure decisions on the part of the SIG. Continued deterioration may result in an increased reliance on donor assistance and this may provide opportunities for supporting further and deeper PFM reforms. The significance of this for the present design is the need to build in scope for flexibility into the program, to enable it to respond as opportunities present themselves in future.

A significant feature of Solomon Islands' institutional development over recent years – reflected in budget allocations – has been the rise in constituency development funds (CDFs), i.e. funds under the active or effective control of Members of Parliament.⁶ These now represent at least 40 per cent of the Development Budget and 15 per cent of total outlays; CDFs are changing the way Solomon Islands is run and the way in which services are delivered.⁷ It is apparent from some senior SIG officials that SIG is serious about pursuing CDFs as a third tier of government – albeit one that needs to be much better integrated into line ministry and provincial government spending than is the case at present.

There is strong interest on the part of both the Australian Department of Foreign Affairs and Trade (DFAT) and SIG in seeing the Governance Program function more effectively as an enabler of a) better performance by line agencies and b) better service delivery to the majority of Solomon Islanders living in rural areas – as well as those living in largely unregulated urban squatter settlements in and around Honiara.

⁵ <http://www.adb.org/sites/default/files/publication/188684/pem-july-2016.pdf>, accessed 24 August 2016

⁶ J Batley, *Constituency Development Funds in Solomon Islands: State of Play*, SSGM In Brief 2015/67, Australian National University 2015

⁷ R Hou, *A Day in the Life of a Member of Parliament in Solomon Islands*, SSGM Discussion Paper, Australian National University, 2016.

See also *Solomon Islands: Towards Better Investment in Rural Communities*, World Bank 2014; <http://documents.worldbank.org/curated/en/541881468296670369/pdf/937300v20REVIS0a10Communities000WEB.pdf> accessed 25 August 2016

RATIONALE FOR AUSTRALIAN INVESTMENT

This section situates the planned Governance Program in the context of Australia's aid program in Solomon Islands and, more broadly, in the context of Australia's overall relationship with, and interests in, Solomon Islands.

Support for the governance sector is a key component in a major 30-year state-building commitment by Australia in Solomon Islands.⁸ Like many other areas of government, the governance sector effectively collapsed during the period of instability known as the Tensions. RAMSI helped Solomon Islands stabilise and rebuild its systems. For the first ten years of RAMSI, the governance program was part of the overall RAMSI engagement. In July 2013, the governance program transitioned to a bilateral program administered by Australia – the Solomon Islands Economic and Public Sector governance (SIGOV) program which runs until June 2017.

Solomon Islands is one of Australia's nearest neighbours and Australia has important national interests at stake in supporting the development of a stronger, more capable state in Solomon Islands⁹, one which is capable of delivering stronger economic growth and development for all its citizens. As Solomon Islands' nearest developed neighbour and the largest donor (by far), the international community expects Australia to take a lead in Solomon Islands' development. Australia's international and regional credibility is tied to its role in Solomon Islands.

KEY AUSTRALIAN AID POLICIES AND PLANS

The Governance Program will support two of the Australian aid program's six Investment Priorities: Effective Governance: policies, institutions and functioning economies; and Gender Equality and empowering women and girls.¹⁰

DFAT's Aid Investment Plan for Solomon Islands (2015–19) identifies three strategic objectives:

- Supporting stability;
- Enabling economic growth; and
- Enhancing human development.

Envisioned as an enabling program, the new Governance Program is reconceptualised to focus more directly on the cross-cutting institutional and policy issues that affect performance and effectiveness across the public sector, thereby supporting all three of these Aid Investment Plan's strategic objectives. It will do so by:

- supporting and fostering the conditions for effective budget and debt management, contributing to overall macroeconomic stability and economic growth;

⁸ Delivery Strategy – Solomon Islands Economic and Public Sector Governance Program 2013-17, AusAID

⁹ The 2016 Defence White Paper (p48) reads: 'Instability in our immediate region could have strategic consequences for Australia should it lead to increasing influence by actors from outside the region with interests inimical to ours. It is crucial that Australia help support the development of national resilience in the region to reduce the likelihood of instability'.

¹⁰ <http://dfat.gov.au/about-us/publications/Documents/australian-aid-development-policy.pdf>

- supporting and fostering the conditions for more effective and responsive government agencies (including greater gender equity), thereby contributing to better service delivery, both enhancing human development and supporting social stability; and
- working in collaboration and coordination with the Police Development and Justice Programs, thereby contributing to enhanced community and private sector confidence in the rule of law – an essential precondition for sustainable economic growth and for social stability.

INTERSECTIONS WITH OTHER AUSTRALIAN AID PROGRAMS

The Governance Program has been designed in parallel with new Police Development and Justice Programs. A common overarching strategy, encompassing all three programs, has been developed, reflecting the critical importance of these programs working in support of each other and promoting better cross-government planning, implementation and problem solving within SIG (Annex A). Active and engaged collaboration (not just coordination) between the Police Development, Governance and Justice Programs will be imperative to achieving program outcomes.

Under restructured program arrangements, Australian assistance through the Economic Reform Unit will form part of a new Solomon Islands Growth Program, rather than the Governance Program. It will thus be functionally separate from the public financial/budget management components of the Governance Program. Given the contribution that good PFM and budget management make to the economy, it will be critical that there is close coordination between the new governance and growth programs going forward.

The Governance Program is an enabling program for all other sector programs. Its aim is to remove barriers to service delivery that arise from poor public financial management and public service systems and capacity. In order to achieve this, the program progresses incremental reforms, and works with Australia's programs in health, education, transport, justice and policing to remove specific barriers to service delivery in those sectors. The Governance Program also helps to implement the risk mitigation measures required to safeguard Australia's budget support in other sectors. DFAT has established an internal Working in Partner Systems Working Group involving all the relevant programs and this will continue under the new program.

The Governance Program also works with the gender program on promoting women in leadership.

Further, the Governance Program works with regional and global programs funded by Australia, in particular support to specialist regional organisations and institutions. These include bodies such as the Pacific Financial Technical Assistance Centre (PFTAC), the Oceania Customs Organisation (OCO), the Pacific Islands Centre for Public Administration (PICPA, based at the University of the South Pacific) and the Pacific Association of Supreme Audit Institutions (PASAI). While Australian core funding for these organisations falls beyond the scope of the Solomon Islands bilateral program, there are likely to be opportunities for funding to be provided through the Governance Program for specified activities. The Governance Programs also works with regional and global programs that promote accountability and transparency, and address corruption.

Finally, effective management of public finances is an important part of a country's ability to manage climate change, a global priority for the Australian aid program.

EVIDENCE BASE AND LESSONS LEARNED

This section draws on both international and Solomon Islands-specific literature to derive lessons relevant for the design. It highlights, in particular, a consistent theme emerging from evaluations of governance work in Solomon Islands in recent years that suggests that strengthening central government agencies does not necessarily result in a ‘trickle-down’ improvement in the performance of line/service delivery agencies.

LONG-TERM BUT FLEXIBLE PLANNING

A fundamental lesson from international experience working in fragile and conflict-affected states is the importance of appropriately long-term planning and commitment.¹¹ While Solomon Islands has not seen a reversion to large-scale violence since the arrival of RAMSI in 2003, the lesson remains an appropriate one for this design. SIGOV was envisaged as a gradual evolution away from the post-conflict stabilisation mission that was RAMSI.¹² Australia recognised that it was important to make the transition from RAMSI to SIGOV in 2013 as seamless as possible.¹³ These lessons still apply and an evolution of existing support, not abrupt change, is recommended.

Given the dynamic nature of Solomon Islands context, important lessons have been learned about the need to be adaptive rather than rigid in program implementation. Where there has been a degree of flexibility (for example through nimble mobilisation of TA, selection of different assistance modalities and flexible funding arrangements that can respond to changes in the political landscape), experience in Solomon Islands and abroad suggests that opportunities for innovation and improved development results are maximised.

DISCONNECT BETWEEN CENTRAL AGENCIES AND SERVICE DELIVERY

There is growing consensus that strengthening central government agencies does not necessarily result in a ‘trickle-down’ improvement in the performance of line/service delivery agencies. The key example is that progress in building the capacity of Ministry of Finance and Treasury (MOFT) did not necessarily lead to, or was not matched by, parallel improvements in the capacity of line agencies, and that this gap in capacity between MOFT and the line agencies has been a constraint to more effective government in general. This point is made repeatedly in a case study on PFM and procurement reform undertaken in 2015 under the current SIGOV program.

A related and fundamental lesson can be derived from the Independent Review of SIGOV undertaken in 2014.¹⁴ Here, the author noted:

“In considering where SIGOV is headed, the review notes that it seems to be on track to continue the pattern seen during the RAMSI period; while it is undoubtedly stimulating

¹¹ <https://dfat.gov.au/about-us/publications/Documents/aid-fragile-conflict-affected-states-staff-guidance.pdf> accessed 25 August 2016

¹² Delivery Strategy –SIGOV July 2013-June 2017

¹³ Delivery Strategy – SIGOV July 2013-June 2017.

¹⁴ N Manning, Independent Review of DFAT’s Solomon Islands Economic and Public Sector Governance Program (SIGOV), 22 October 2014

change in the central agencies, there is room for doubt about whether these changes at the centre are leading to substantial downstream improvements in results.”

NOT ALL CONSTRAINTS (AND SOLUTIONS) ARE TECHNICAL

The Independent Review of SIGOV suggests a variety of explanations for the failure of the ‘trickle-down’ model of government capacity (i.e. the hypothesis that building capacity at the centre will flow through the entire system), underlining the need for detailed analysis on the binding constraints to effective service delivery. Some of these constraints may, the Independent Review notes, lie at the level of central agencies and can be addressed at that level through technical interventions; others may derive more from the basic political economy of Solomon Islands, that is, the incentives and drivers of political and bureaucratic behaviour. Such constraints would need to be approached in nuanced and non-technocratic interventions that take account of the political economy realities of Solomon Islands bureaucracy.

The growth of CDFs is a good example of the way that political behaviour has not responded to technical interventions at the level of the central agencies. It is striking that, even as the capacity of SIG central agencies grew steadily during the RAMSI period, CDFs – i.e. funds not available to line agencies – grew substantially.

CHALLENGES TO IMPROVING SERVICE DELIVERY

A range of assessments¹⁵ suggest that the focus of RAMSI and its successor programs on central government institutions has not necessarily meant that Solomon Islands citizens (at least, the majority who are remote from Honiara and the handful of other population centres) are experiencing a more responsive or accountable government. This suggests that working to build capacity in central agencies is necessary, but not sufficient, to improve the overall effectiveness of government, particularly including the delivery of services.

Effective governance of the public sector remains weak (an essential pre-condition) for effective state delivery of basic services (education, health, law and order, public goods infrastructure) and for confidence in the economy for private sector investment. Australia supported the Ministry of Public Service to undertake a Public Sector Satisfaction Survey in 2015 to ascertain public expectations and experiences of the public service provision by SIG. This initial survey was only able to be completed in Honiara and any future surveys should try to capture experiences within the provinces.

While the report noted that Honiara residents and businesses have high expectations of SIG in terms of service delivery, they were not very familiar with the types of services each Ministry offered. Respondents wanted services that are accessible, timely, of a high standard by staff who are efficient, trustworthy, behave professionally, have the public’s best interest at heart, and do not show favouritism or *wantok* loyalties.

¹⁵ Justice Delivered Locally Systems, Challenges, and Innovations in Solomon, World Bank, August 2013; Islands <http://documents.worldbank.org/curated/en/353081468308114790/pdf/812990WP0DLOSe0Box0379833B00PUBLIC0.pdf> accessed 25 August 2016

See also [Solomon Islands in Transition?](#) M Allen and S Dinnen, [The Journal Of Pacific History](#) Vol 50, Issue 4, 2015

The main frustrations identified by respondents are the ‘come back tomorrow’ system; unreliable, late or absent staff; *wantok* system; delays in service delivery; bribery/commissions; unreliability of services; issues with cost/payment/billing; lack of staff and poor customer service. While some of these could potentially be improved through support by the Governance Program, many are cultural and changes will need leadership and be internally driven.

Improvements have been made, however issues remain which impact on service delivery. The key points which can be assisted through the Governance Program are outlined below.

Strategic planning and management

- Weak linkages between central agencies, line agencies and provinces and can often mean there is no connection between strategic plans and budgets, programs, operational plans and resources. This misalignment between budget and policy priorities impacts service delivery and means community expectations are not met.

Budget planning and execution

- Poor quality of budget submissions can lead to activities not being adequately costed which require subsequent approval for budget reallocations or additional funds. This delays service delivery; and
- Weak monitoring of budget execution often results in decision makers not provided with timely information to make quality decisions on allocation of funding through the year. This often culminates in budget overruns or underspends, slowing delivery of services.

Procurement and Payments

- Weak understanding or capacity to undertake effective procurement and contract administration exists at all levels (central, line and provincial agencies). This leads to poor quality of tender and contract documentations, and ineffectual contract administration and management. Furthermore, constraints in capacity at the central agencies affect the timeliness and turnaround of major procurement decisions. Both factors contribute to delays in project implementation, payments and a risk of claims from contractors. This undermines private sector confidence in government procurement systems and unwillingness to bid for government contracts;
- Late payments including replenishment of Imprest accounts disrupt service delivery at the provincial level; and
- Reporting and audit remain weak, which leads to a lack of accountability and potential misappropriation and diversion of funds from service delivery.

HR recruitment and management

- Decentralised recruitment processes are still new and a lack of understanding of its implementation has led to a bottleneck. Ongoing delays impact through extended vacancies in ministries;
- Performance management and enforcement of staff disciplinary processes are problematic. Absenteeism is also a key issue. These factors affect service delivery and people are not often held accountable for misconduct; and

- Weak workforce planning and management result in acute skills shortages in even the most basic areas of public administration. Leadership at middle management levels needs strengthening and succession planning is almost non-existent.

Solomon Islands public administration will continue to need support over the very long term in order to deliver even a modicum of improvement of public services. Without such support, weak and ineffective governance will continue which will adversely affect all sector programs and service delivery would suffer. For Solomon Islands citizens, the most likely outcomes would be reduced economic opportunities and stagnating living standards.

The key lessons for the present design are that the program should:

- drive a greater focus on building and strengthening cross-government capabilities, procedures and processes;
- build explicit links, and share learning and experience with all Australian aid programs, in particular the Solomon Islands Growth Program;
- inform and be informed by strategic-level dialogue between SIG and the Australian Government;
- make explicit use of research/political economy analysis to further understand approaches that work and where Australia can make a difference to inform its future directions,
- make use of capacity assessments and implementation plans to strengthen the extension and implementation of reforms from the centre to the provinces,
- engage with, and support coalitions for reform, and
- allow at least some scope for engaging should the opportunity arise – on a cautious, pilot basis – with what is now both an embedded feature of Solomon Islands governance and a significant vehicle for service delivery in Solomon Islands, that is constituency funding. (Note this was also a recommendation of the 2014 SIGOV Independent Review).

CITIZEN-STATE RELATIONS AND CONSTITUENT DEVELOPMENT FUNDS (CDFS)

Collection of reliable data on the expectations and the experience that citizens have around the delivery of services by the national government has only recently been initiated. Research jointly sponsored by the World Bank and Australia supports the view that there exists a widespread sense among ordinary Solomon Islanders of the ‘retreat of the state’.¹⁶ This is notwithstanding the achievements of RAMSI, and indeed in some senses it is partly because of the perceived competence and reach of RAMSI, which is seen by Solomon Islanders as contrasting so vividly with Solomon Islands’ own institutions.

This is also supported in a recent paper by Former Finance Minister Rick Hou¹⁷ which states ‘many regions of our country feel left out. Many parts of the country feel as if the government is too far away from them, and that government services will never reach them’. While it is not yet conclusively demonstrated through empirical research, a plausible hypothesis is that constituency

¹⁶ M Allen, S Dinnen, D Evans, R Monson, Justice Delivered Locally, The World Bank, August 2013

¹⁷ R Hou, A Day in the Life of a Member of Parliament in Solomon Islands, SSGM Discussion Paper, Australian National University, 2016

funding has grown to fill this gap. This same paper stresses the extent to which Solomon Islanders view their MP as ‘the government’ and ‘constituents look to the MP as the source of all their needs’.

CDFs do not enjoy universal support among Solomon Islanders. Anecdotal evidence suggests, for instance, that opinions about CDFs vary widely among educated, urban dwelling Solomon Islanders; while World Bank staff argued that CDFs could be corrosive to social relations among rural communities.

Separate and recent World Bank research compared a range of separate streams of funding in support of rural investment and service delivery in Solomon Islands (one of these is the Rural Development Program, which is supported by the Australian aid program).¹⁸ The report concluded that constituency development funding rated highest against other funds for speed of disbursement. While CDFs rated poorly against a number of other factors (e.g. accountability, sustainability), it is their speed and responsiveness which remain important factors in underpinning the support they enjoy among both MPs and rural citizens alike, and their important place in Solomon Islands political economy.

Any work undertaken on CDFs under the Governance Program would need to be done so drawing on, and leveraging, past and current Australian activity in this area – and in particular support for the Rural Development Program.

One way to generate data on citizen perceptions of service delivery, in order to inform ongoing adjustment of the program and to track progress, may be through the successor survey to the annual People’s Surveys that were undertaken in the middle period of the RAMSI years. Australia (through Australia’s human development programs) is working with Ministry of Development Planning and Aid Coordination (MDPAC) to undertake this survey.

SUCCESS OF THE DEMAND-DRIVEN AND LOCALLY-LED APPROACH

A key lesson from Australian support for public sector reform in Solomon Islands, delivered over more than a decade, has been the significantly greater success of a demand-driven approach, as opposed to a donor-led supply-driven approach.¹⁹ In the area of public service performance, such a strategic shift was taken by RAMSI around 2011 and has seen significant gains in public sector reform, even if the momentum has now slowed somewhat. While much remains to be done, there are undoubtedly successes. This work has been largely enabled by a strong local reform champion in the form of the Chair of the Public Service Commission. The Chair has driven the reform and Australia has supported it – rather than the other way around.

FIT FOR PURPOSE ICT PROJECTS AS ENABLERS OF GOVERNMENT

It was clear from both design missions (and previous assessments²⁰) that SIG operations are becoming increasingly reliant on Information and Communications Technology (ICT) services and that there is a large demand within SIG agencies and the general public for further rollout of

¹⁸ World Bank, 2014. *Solomon Islands: Towards Better Investment in Rural Communities*.

¹⁹ SIGOV Case Study 5 *Strengthening Public Sector Leadership*, 2015

²⁰ Ibid.

government ICT services. MOFT's Information and Communications Technology Support Unit (ICTSU) is assuming an increasingly important role as an enabler for basic operations of government. Well-run government ICT systems hold the promise of more efficient government and reduced opportunities for human error and petty malfeasance.

APPETITE FOR BROADER RANGE OF DEVELOPMENT MODALITIES

A strong learning from both design missions was that long-term technical assistance (whether in-line or purely advisory) is not necessarily seen as the default model for Australian assistance by SIG senior officials. These leaders are keen to see more flexible modalities going forward (including short-term TA and twinning arrangements), and they want an ever-stronger focus on the role of advisers building capacity rather than replacing it. Senior SIG officials also spoke highly of the value they placed on assistance provided through specialist regional organisations and institutions (see below).

While it has been a feature of Australian governance assistance in Solomon Islands in the past, performance-linked aid has a mixed track record in serving as an incentive. There is good evidence of performance-linked aid continuing to work well in the education, health and transport sectors, however there is less evidence in the area of economic and financial reforms. That said, any serious deterioration in SIG's budgetary circumstances may provide an opportunity to re-engage the CEWG, and any related performance linked aid, through the Solomon Islands Growth Program.

EFFECTIVE CAPACITY BUILDING APPROACHES

From the commencement of the RAMSI governance program, the delivery modality was characterised by investing heavily in the use of technical advisers to substitute and build capacity within key institutions of state. As recently as 2012, there were 51 Australian-funded advisers under RAMSI's Economic Governance and Machinery of Governance pillars. This has reduced substantially; under SIGOV there are currently 16 advisers.

However, it should be noted that it has only been three years since the transition of the governance program from a stabilisation program which was heavily laden with TA, towards a longer-term development program. This type of interventionist program, while relevant and necessary, created dependencies that can be difficult to dismantle quickly – the ongoing transition shouldn't and can't be rushed. In some areas, SIG capacity is low or non-existent and they are therefore heavily reliant on this model – further transitions need to be measured to allow time for this capacity to be built, and to reduce impacts to core governance functions.

While recognising that improving technical capacity does not automatically translate into improved service delivery, a proportion of the Governance Program will need to continue to support technical advisers, and these advisers will need to be effective capacity builders. For instance, since 2013 a key role for governance technical assistance has been to apply ex-ante controls over Australian sectoral Budget Support to SIG. These controls have been effective to date and will continue to be required to minimise risks to the Australian aid program.

The Governance Program Head of Program and Deputy Head of Program will have a critical role in ensuring that capacity-building methods are appropriate and achieving intended outcomes. Some suggestions for strengthening the approach to capacity building are presented here.

Selecting TA with the right skills: sourcing technical advisers should focus substantially more on the relationship building skills of technical advisers, as opposed to their technical skills and experience. More often than not, the success of technical advisers rests in large part upon their ability to build strong relationships, communicate effectively, demonstrate empathy and respect, and listen well. Recruitment of technical advisers tends to put more weight on the technical area of expertise, weighting should be shifted to ‘soft’ skills.

Identifying needs and building on existing capacities: including by ensuring that capacity assessments are undertaken with counterpart officers (who should lead the process), capacity development plans are in place for all assignments, and plans are utilised to measure progress throughout a TA assignment:

- The capacity assessment should be led by the counterpart agency and identify existing capacities and how they can be built upon. It should also identify potential local and regional agents who may be drawn upon to support capacity-building efforts;
- A single capacity development plan should be long term and put in place results markers that would trigger a shift in the capacity building support offered in recognition of progress. That shift may include a differently skilled technical adviser, reduced TA inputs, or a shift to a different form of aid – for example from in-house TA to twinning arrangements; and
- Capacity development plans should draw upon Monitoring and Evaluation (M&E) information and lessons from the past in order to inform future directions.

Technical adviser objectives should continue to be jointly agreed and measurable: A clear understanding of the objectives of the technical adviser should continue to be developed between the program (and the technical adviser) and the counterpart institution, however additional questions such as “What capacities should be built, for whom, on what topics, and to what end?” need to be addressed. The objectives should also consider the different levels of capacity building (individual and organisational) and the different dimensions of capacity to be built (English language skills, decision-making skills, technical skills, analytical capacity, policy development, etc.).

Identification of a range of capacity building methods: Capacity-building efforts may draw upon a wide range of methods including shadowing, mentoring, training workshops, formal education (including scholarships), networking, conference and seminars, study tours, research, field visits, etc. The program should align the capacity-building methodologies with the objectives, and undertaken ongoing comparative assessment of the relative successes of each method in order to continuously improve methodology. In addition, there are more and less effective ways to implement each of these methods. The outcomes from a training program, for example, will be highly dependent upon the quality of the trainer, their approach and materials.

Technical advisers working across levels to build a critical mass: an institutional or organisational capacity-building plan should pay attention to all of the players in the system that have a role to play in leading, managing and implementing the organisational mandate. Building capacity at only one level of an organisation may fail to generate enough critical mass within the organisation to bring about change. Senior officials, for example, are often the subject of a good deal of technical advisory support and may have gained significant skills. However, it is those people in middle and lower order

positions that are required to implement reforms who also need support in order that change may occur.

Building the cadre of national technical advisers: international technical advisers are often drawn upon in contexts where there are limited technically qualified human resources available domestically. Development programs should invest in building the local cadre of available technical advisers, as a key component. Where possible the program could focus resources on building programs available to a wider audience in key generic skills areas on a regular and long-term basis, and supporting the establishment of domestic technical advisory organisations or companies.

These and other approaches and methods for effective capacity building through the use of technical advisers should be embedded in the new program.

OTHER DEVELOPMENT PARTNERS

Given its enabling role, all development partners in Solomon Islands have a strong stake in the space occupied by the Governance Program. However, Australia remains overwhelmingly the dominant player in this area. Activities undertaken by other partners include:

- New Zealand has had a long engagement in the internal revenue area of MOFT (although this appears to be winding down); and
- ADB and World Bank provide general budget support to MOFT and some short term technical assistance for specific research and economic and financial reforms.

Other bodies that provide assistance through funding provided by Australian Aid regional programs include:

- the IMF is engaged with MOFT on an irregular basis through the Pacific Financial Technical Assistance Centre (PFTAC);
- the Pacific Association of Supreme Audit Institutions (PASAI) provides support to the Auditor General's office; and
- Some NGOs use ANCP grants to work with communities to develop accountability.

Australia will continue to coordinate with other donors in the governance sector to improve efficiency and effectiveness and reduce duplication.

INNOVATION AND PRIVATE SECTOR ENGAGEMENT

The commencement of a new Governance Program provides an opportunity to explore – on a modest scale – innovative means of addressing governance challenges in Solomon Islands. This section outlines the key innovations envisaged for the program and flags both opportunities and constraints to expanded private sector engagement in the sector. It is anticipated that extending PFM reforms to line agencies and Provincial Departments is likely to present opportunities for innovative methods to be trialled and adopted (where successful) as the program progresses into later years – these innovations cannot be foreseen at present.

INNOVATION AND RESEARCH INITIATIVES

In order to be innovative, the Governance Program will need the ability to identify and then trial alternative methods as opportunities arise. The design incorporates a specific budget allocation for Innovation and Research Initiatives (shared with partner programs) to allow it to take advantage of opportunities as they arise.

The objective of the Innovation and Research component will be to allow the Australian Government, through the Governance, Police Development and Justice Programs, to:

- **Inform** the Program’s evolution through a better understanding of the political economy of Solomon Islands and of ‘what works’ in Solomon Islands and why;
- **Trial** new and innovative approaches and initiatives aimed at better service delivery;
- **Respond** to emerging opportunities for reform; and
- **Build** its relationship with SIG through shared decision-making.

The allocation of Innovation and Research funds should be jointly agreed with SIG, according to an agreed set of criteria. Component Four of this design provides further information on possible activities that might be undertaken under this initiative.

IMPROVING ADVISING PRACTICE

Whilst the use of technical assistance itself is not innovative, the program will employ innovative methods of LTA & STA placement to help the program transition from capacity replacement to capacity development, and implement lessons learned in Solomon Islands relating to the success of locally led initiatives and principles of effective capacity building (see “Effective Capacity Building Approaches” section above).

Proactive management of advisers will mitigate typical TA risks including tendencies towards technocratic solutions and capacity replacement, lack of role clarity, cultural insensitivity, and a lack of coaching and mentoring skills. This will be done through the creation of a supportive community of practice for advisers that will support their skills as capacity builders. Open communication between TA managers and SIG counterparts will be crucial. Specific capacity building training (such as that used by AFP for adviser preparation), or adviser-counterpart collaboration training could be used to support effective working relationships between SIG officials and counterparts, and for setting expectations for TA approaches to capacity building.

CITIZEN CENTRED APPROACH

The design requires that the program consider ways of approaching governance and better service delivery from the point of view of the citizen (i.e. the intended recipient of government services) as well as from the point of view of the agencies of government (i.e. the suppliers of those services – which has been the traditional approach of Australia’s aid program).

RAMSI and its successor programs have had a strong institutional strengthening focus with only limited investment in citizen-centred approaches (including notably, however, the Australian aid program’s support for the World Bank’s Community Governance and Grievance Management (CGGM) project). The opportunity exists under the Governance program (and the related Police Development and Justice programs) to trial further approaches to building the link between the

citizen and the state and approaching programming challenges from the perspective of the end user of services.

SCOPE FOR ENGAGING IN CONSTITUENCY FUNDING

Improving effectiveness of Constituency Development Funds is another possible area of work. Though a significant reform strategy aimed at CDFs would be counter-productive and is not recommended, there will still be scope for working on a modest, experimental, and pilot project basis (See “Citizen-State Relations and CDFs” section above).

ENGAGING THE PRIVATE SECTOR

Solomon Islands’ private sector is a key beneficiary of well-managed public finances and of a more effective and responsive public service and should, in principle, be a strong advocate for reform. In addition, the SIG supports in principle the idea of outsourcing certain PFM functions which it has done as in some cases like audits. The new market for the provision of such services is currently immature, but as it matures the program can support SIG to take advantage of it.

2. DEVELOPMENT PROBLEM/ ISSUE ANALYSIS

This section canvasses the specific development challenges facing Solomon Islands in the governance space, both in the area of PFM (on the budget and expenditure sides) and in the area of public service management and reform. It notes existing reform agendas, and constraints, in both areas. The section also analyses the gender and social inclusion context.

GENDER AND SOCIAL INCLUSION

The gender and social inclusion context in Solomon Islands offers particular challenges to an effective Governance Program. Men are more than twice as likely as women to hold a job in the formal sector. Women are over represented in low-skilled and low-paid areas, and are under-represented in supervisor and manager roles.²¹ In the public service, approximately 15% of senior management positions are held by women, and there is only one female MP (out of 50).²²

Women's employment barriers include a lack of: education (the education gender gap widens the higher the school grade); childcare; assistance with family obligations; transport; health and also gender-based violence. Solomon Islands has amongst the highest levels of gender-based violence worldwide. Public service HR managers reported to the design team that sexual harassment in the workplace is common but that it is not systematically addressed by leaders and managers.

Formal employment human resource processes do not work well, and this combined with discrimination and harassment are barriers to women's employment.²³ Women are paid less for undertaking the same/similar work.²⁴

None of this is to say that gender issues have not received attention in the public service. At present, for instance, gender mainstreaming requirements are included in all Permanent Secretary Performance Agreements. Many Ministries have appointed Gender Focal Points and a number have Gender Action Plans, although the quality and extent of these is variable.

The median age in Solomon Islands is 19.7 years. The youth population is predicted to continue to grow rapidly until 2025 and a weak education system does not serve children's interests well, and a gender education gap negatively affecting girls exists at all levels of education.²⁵

A 2005 EU disability survey identified around 14,000 people living with a disability (approx. 3.5 per cent of the population). Outcomes suggest that people with disabilities are more likely to live in poverty. People with disability are discriminated against, have limited access to any disability-specific services (health, education or otherwise) and have limited avenues via which to assert their rights.

²¹ SINSO, 2009a, Report on Economic Activity and Labour Force. Honiara: Solomon Islands Government, Solomon Islands National Statistics Office.

²² DFAT, 2015, Women in Leadership Scoping Study (2016)

²³ International Finance Corporation. 2010. Solomon Islands: Gender and Investment Climate Reform Assessment. Washington, DC.

²⁴ Country Gender Assessment Solomon Islands ADB 2015.

²⁵ Country Gender Assessment Solomon Islands, ADB 2015.

Gender/social inclusion analyses are not routinely undertaken in the preparation of individual ministry budgets or the consolidated national budget. There is therefore extremely limited reliable data concerning how budget allocations impact differentially on vulnerable groups in Solomon Islands.

BUDGET

Notwithstanding higher economic growth levels²⁶, improved revenue collections and a comfortable debt situation²⁷, Solomon Islands faces lower GDP and government revenue growth in the future as the economy comes under medium-term pressures from reducing export volumes and declining development assistance receipts. Since the election in 2014, Government has applied expansionary fiscal policy to drive economic growth²⁸, which in the face of falling cash reserves and weak medium-term budgeting capacity is likely to place pressure on SIG to borrow to fund this policy.

Where borrowing costs exceeds fiscal headroom, debt servicing obligations can force fiscal consolidation with downward pressure on health, education and other sectoral budgets, as has recently happened in the region²⁹. This may place existing macroeconomic stability in Solomon Islands at risk. Further, SIG needs to channel borrowing to budgeted expenditure that is clearly targeted at stimulating economic growth.

Fiscally responsible budgeting and borrowing policies will become increasingly important to build high-level support for fiscal discipline; and to realistically manage expectations for each budget.

EXPENDITURE

Considerable resources were committed to rebuilding SIG PFM systems during the RAMSI governance program (2003-13) and in the subsequent bilateral program (2013-17). Significant technical and systemic gains have been made in strengthening SIG budget and general ledger management, with fewer gains in improving the quality of public expenditure and strengthening the SIG accounting and audit cadre. However, the impact of the PFM gains made are mainly felt in Honiara, not in the provinces; and these gains are vulnerable to policy shifts in the Solomon Islands' political economy.

More recently, SIG has passed new public finance legislation in the *Public Financial Management Act* (PFMA) 2013; and is implementing reforms to operationalise the PFMA through the PFM Reform Roadmap 2014-17. The PFMA introduces individual responsibility and accountability for public fund expenditure, but in contrast, many aspects of public expenditure processing remain centralised within the MOFT. Further, the PFM Reform Roadmap focuses on strengthening MOFT internal

²⁶ <http://data.worldbank.org/country/solomon-islands>. Internet accessed 19 August 2016.

²⁷ After over a decade of support through RAMSI and its successor program, Solomon Islands' debt situation has gone from very serious to very comfortable. Total debt-to-GDP ratio is now only 8%, which is very low in international terms. Total debt servicing charges are forecast in the 2016 Budget at SBD100m in 2018 and SBD102m in 2019, which is very manageable in SIG revenue terms. Long term whole-of-government advisers have been provided in the Debt Management Unit since 2003; this is the last area in which whole-of-government support has continued in the 2016-17 financial year.

²⁸ Page 249, Asian Development Outlook. ADB, 2016.

²⁹ <http://devpolicy.org/pngs-frightening-final-budget-outcome-20160404/>. Internet accessed 19 August 2016.

systems and processes, with lesser emphasis³⁰ on strengthening line ministry capacities to more effectively resource and manage their Provincial Departments for better service delivery within these communities

In 2015, DFAT updated its Assessment of National Systems (ANS) for Solomon Islands (a requirement every 3 years to enable DFAT to work through partner government systems). The 2015 update found that the pace of PFM reform has slowed considerably which has provided an opportunity to focus on consolidating and institutionalising reforms undertaken to date. However, it also highlighted the lack of government leadership on PFM reforms and the potential risk that key reforms may not progress or be unwound.

The legislative and systemic architecture needed to support improved PFM is now well defined, but is not yet completely in place. One major gap in the legislative architecture is subsidiary legislation of the PFMA, including Procurement Rules and Regulations. A draft of this Regulation was prepared in May 2016, but is not made or enforced. Noting the elevated levels of risk that exist around SIG procurement rules due to their comparative newness³¹ and weak existing practices, these Regulations are key to establish a sound platform for medium to long-term capacity building efforts that drive better quality public spending.

The 2015 ANS also confirmed that major weaknesses and risks are still present in the SIG procurement systems. Low procurement capacity in MOFT and line ministries continues to negatively impact on timely service delivery and increases costs. While there are improvements in Treasury, Accounting and Reporting processes, forecasting of revenue and cashflow continue to be a challenge, undermining macroeconomic management.

While the ANS highlighted a number of ongoing PFM challenges including management of arrears, imprest and assets, it also noted improvements in transparency and accountability with stronger internal and external audit functions and greater parliamentary scrutiny of the budget process through an active Public Accounts Committee.

PUBLIC SERVICE REFORM

Australia has been engaged in the area of public sector reform since the early days of RAMSI. Over recent years, under the leadership of a reformist Public Service Commission Chair (and with Australian assistance), significant reforms have been achieved in Solomon Islands' public sector management. There has been a strong focus on public service leadership, including through the introduction of a formal performance contract system for Permanent Secretaries and peer learning and support through semi-regular Permanent Secretary Forums. Decentralised recruitment procedures have been successfully trialled in a number of Ministries, significantly reducing both the paperwork and the time required to recruit new staff. A fit-for-purpose human resource

³⁰ Revenue collections, but not expenditure management, in the Provinces are referred to on pages 22, 23 of the Public Finance Management Reform Roadmap (July 2014 - June 2017). MOFT, June 2014.

³¹ Updated Financial Instructions for procurement commenced in 2010 (previously 1978). ADB, Country Partnership Strategy: Solomon Islands, 2012–2016.

management information system (HRMIS), Aurion, has been implemented and has provided significant efficiencies in payroll processing.

Australia has also assisted the Institute for Public Administration and Management (IPAM – the government’s training provider) to expand the scope and range of courses provided for public servants, and a Public Sector Satisfaction Survey was conducted for the first time in 2015.

Significant inefficiencies and gaps remain, however, including in the public service’s overall regulatory framework, in policy, remuneration, capacity, performance and discipline. This is confirmed in the NDS which states ‘Politicisation, corruption and poor work standards and ethics that have eroded professionalism and morale in the public sector’

Consultations identified a very strong desire for extending a culture of performance management. A particular public service wide issue that intersects with work in the PFM space, and identified in the 2015 ANS update, is that SIG Public Service disciplinary processes do not function effectively to reinforce stronger PFM systems by promptly and effectively dealing with instances of financial misconduct. The absence of effective disciplinary action blunts the effectiveness of the PFM reforms and undercuts SIG’s priority to “*improve procurement systems*”³².

Further aspirations were identified including; expanding leadership training; revising organisational restructures, expanding the functionality of the HRMIS; and the passage and implementation of the Public Service Bill. The current momentum for reform appears to have slowed, perhaps as a consequence of poor relationships among the key institutions. The Public Service Bill is now in its 7th draft and despite hopes that it will go to Parliament soon, it seems this is unlikely to be realised.

RELATED GOVERNANCE ISSUES

From 2017 onwards, SIG will need to play close attention to strengthening key complementary areas of governance that work in parallel with and support effective PFM reforms, examples are the sensitive topic of awareness raising in the body politic; extending PFM reforms to all Provinces and Provincial Departments; and reinforcing SIG’s ability to successfully apply disciplinary action to Public Servants and generally engender a culture of performance and accountability in the public service.

Consistent with SIG’s current anti-corruption agenda, there is a need for more social accountability through which citizens can hold their leaders accountable without resorting to violence. This will require working with non-state entities (including NGOs, civil society organisations, media, church groups and professional bodies) to strengthen public knowledge and demand for a more responsive and transparent government. Due to capacity and resourcing issues, few of these non-state entities are active around issues of national policy importance, and rarely advocate collectively for reform.

Supporting these areas is a wider scope of work than under previous governance programs; and its delivery will require a broad mix of resources, monitoring indicators and management capacities. See Section 4 for further detail on the proposed approach for an Australian assistance package that supports SIG public service reforms with a more varied mix of resources and modalities.

³² Page 6, Public Finance Management Reform Roadmap (July 2014 - June 2017). MOFT, June 2014.

3. OVERARCHING GOALS

Whilst the Governance Program is an independent program with specific research and background providing the basis for this design document, it is nonetheless situated in the context of a portfolio of Australian Aid programs that includes the Justice Program and the Police Development Program. The benefit of this portfolio of programs being designed collectively, and thus managed jointly, is that improvements under one program can influence and inform others.

The overarching goal that the three programs contribute to is:

Communities in Solomon Islands are safer and experience better access to services

The four program Goals that the three programs will contribute to are:

1. Safer Communities;
2. The community has greater confidence in the justice system and police;
3. Better government led service delivery; and
4. Macro-economic stability.

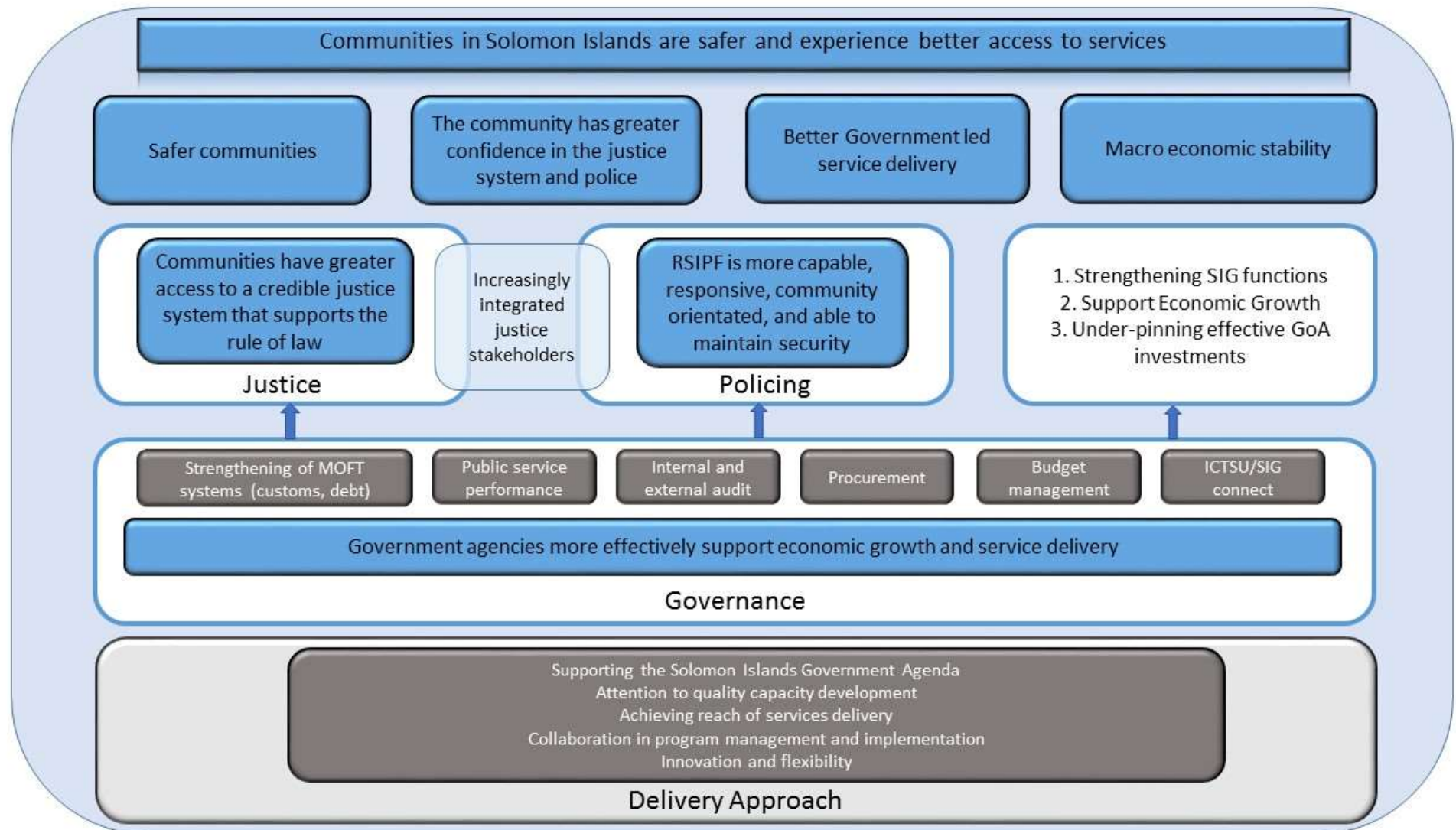
The three specific program goals are:

1. Communities in Solomon Islands have greater access to a credible justice system that supports the rule of law;
2. RSIPF is more capable, responsive, community orientated, and able to maintain security; and
3. Government agencies more effectively support economic growth and service delivery.

The program architecture diagram (below) provides a visual depiction of how these three programs deliver their outcomes, contribute to goals, and intersect. Key points to note are:

- The Governance Program contributes to both its own end of program outcome, to achievement of outcomes across SIG and across all Australian Aid investments, and to the outcomes achieved in the justice and police development programs;
- The Governance Program end of program outcome contributes directly to the economic growth goal in the Australian Government's Aid Investment Plan for Solomon Islands, as well as to the Australian Government-funded sector programs such as health and education;
- The Justice and Police Development Programs are discrete programs of the Australian Government, however the achievement of outcomes in these sectors is co-dependent, hence the need for increasing lines of intersection between the two programs; and
- The delivery approaches are cross-cutting and foundational to achieving the best possible outcomes across all three programs.

Figure 1: Whole of Program architecture



4. PROGRAM LOGIC

The program aims to influence the cross cutting institutional and policy issues that affect performance and effectiveness of service delivery, and works towards the following three End of Program Outcomes (see Figure 2 which sets out the program logic):

1. Fiscally and socially responsible budgeting and borrowing;
2. Professional PFM cadre that facilitates improved service delivery; and
3. A more accountable and responsive public service.

These End of Program Outcomes reflect the ambitions of the program. While they are in the sphere of the Governance Program's influence, they are not solely attributable to the Governance Program, and will depend on factors beyond control of the program. Having said that, the Governance Program aims to deliver the intermediate outcomes in Figure 2.

A Monitoring, Evaluation and Learning framework will be developed to track the intermediate outcomes (see Monitoring and Evaluation and Learning Section).

THEORY OF CHANGE

The link between governance (and particularly PFM) strengthening and reform on the one hand, and better service delivery on the other, is complex and non-linear in nature. Experience in Solomon Islands, and the international literature, suggests that good PFM systems are a necessary but not sufficient precondition for good service delivery performance, whereas poor PFM systems are sufficient to result in poor service delivery performance.

The Governance Program is therefore premised on the understanding that improved service delivery in Solomon Islands cannot take place in a context where PFM (and by extension, broader public service) systems are neglected, inefficient or abused. The Governance Program aims to remove this potential blockage to service delivery.

The Governance Program is a necessary enabler to improve the conditions and systems under which other service-delivery programs/agencies operate (for instance in areas such as Education, Health, Transport, Justice and Policing). Achievements (and failures) in these programs can reflect the success (or otherwise) of the Governance Program.

Activities supporting the PFM and public service systems and capacity will not necessarily fill the gap between 'necessary' and 'sufficient' in terms of ensuring better service delivery – it merely addresses some of the potential blockages. Working with Australian funded programs in Education, Health, Transport, Justice and Policing to understand and address those other blockages will be crucial. In many situations, other blockages will be better addressed through those programs than the Governance Program.

Relatedly, the Governance Program will depend on other programs to foster security and policy environments that are conducive to improved service delivery (for instance the Police Development and Growth Programs).

A further way in which the ‘necessary-sufficient gap’ might be addressed, and change achieved, is through opportunities for innovation, experimentation and learning as provided for under Component 4 of the program design. It would be naïve (indeed hubristic) to expect such initiatives to ‘solve’ the challenge of better service delivery in what remains a poor, post-conflict country. Nevertheless, targeted pilot initiatives and a better understanding of the expectations and incentives of both the providers and recipients of government services will help, over time, to sharpen the focus of the Governance Program and will provide SIG policymakers with fresh perspectives and ideas.

The Governance Program also functions to minimise the risk to Australian Government funds that are channelled through the SIG budget. The Australian Government continues to work through SIG financial systems, providing funds to support health, education, infrastructure and other initiatives. To minimise risk to the Australian aid dollar that poor PFM poses, the Governance Program puts in place ex-ante controls within SIG with the express purpose of protecting Australian Government funds. These controls are informed by Australia’s Assessment of National Systems (Annex E outlines how the ANS findings are reflected in the design). The experience to date suggests this has been highly successful (see PFM and Procurement Assessment updated 2016), and has also generated some demand from SIG for similar approaches to be developed within its own systems.

EXPECTATIONS OF ACHIEVEMENTS IN TWO, FOUR AND TEN YEARS

The Governance Program expects to see substantial gains over the coming ten years, and will need to shift in response to those gains.

Two years from the start of the Program, the Australian and Solomon Islands Governments could expect to see:

- Recent improvements in PFM and procurement are maintained and consolidated in larger line ministries and the foundation for further reform is built.
- SIG manages its debts with short-term discrete TA inputs, rather than a resident LTA.
- Customs is operating well with less advisory support (one LTA from July 2019)
- Coalitions for reform are starting to form.
- The SIG Advisory Committee is helping track whether the Program is helping improve service delivery.
- SIG-Connect is rolled-out further across the country, and there is greater uptake and usage of IT systems by SIG.
- MPS has strengthened systems, processes and capacity to take disciplinary action.
- The Program involves a reduced number of LTA in SIG agencies, and the funding increasingly goes to supporting SIG-led initiatives, targeted STA, twinning/partnerships or innovation and research activities.

- Evidence of SIG mainstreaming gender equality in its programs and development of family friendly work policies.

Four years from the start of the Program, the Australian and Solomon Islands Governments could expect to see the following End of Program outcomes:

- Fiscally and socially responsible budgeting and borrowing;
- Professional PFM cadre and systems that facilitate improved service delivery; and
- A more accountable and responsive public service.

More specifically, this will be reflected by:

- Improved budget planning and execution;
- Strengthened medium-term recurrent and development budget framework;
- Debt remains within manageable levels;
- Effective and efficient collection of customs excise;
- Improved quality of SIG expenditure;
- Improved procurement and payment process;
- Increased pool of skilled financial, procurement and audit officers;
- Strengthened internal and external auditing;
- More efficient and effective human and technical resources across government;
- Enhanced reach and capacity of SIG ICT systems;
- Strengthened civil society and private sector coalitions to influence reform;
- Increased and better opportunities for women; and
- Robust measures are in place to mitigate the fiduciary risks to budget support provided through the Australian aid program.

Indicators for these will be set out in the MEL Framework and where appropriate agreed with the relevant SIG agency. Specific indicators will be included in advisor work plans where applicable.

These outcomes will enable the Australian Government support to shift efforts away from the centre and look to more directly support PFM and procurement strengthening across line ministries (health education, infrastructure), and services delivery outside of Honiara, particularly at the Provincial centres. The program will be able to look to replicate the successes of systems strengthening and professional skills development within the central Ministries (particularly MOFT and MPS) by working more directly with the relevant professional cadre.

After four years, the Australian government can expect to be in a position to reduce the number of TA and invest more in facilitating problem-driven iterative approaches to development both within and across Ministries; invest less in Honiara and more at the provincial level; undertake more joint innovation and research activities – including potentially rolling-out successful trials; include more national staff in the project team; and undertake more joint monitoring and evaluation of the program with the relevant SIG counterparts.

By 2027 (ten years from the start of the program) the Australian and Solomon Islands Governments could expect to see the following in place as a consequence of the Governance Program investment:

- Measurable improvement in public perceptions of service delivery;
- MOFT operating effectively with greatly reduced advisory support;
- SI external debt remains sustainable;
- Efficient and effective public procurement practices across the public sector;
- An effective, public service-wide network of internal auditors;
- A measurable increase in female leadership in the public service;
- SIG ICT services operational in all provinces and at the sub-provincial level; and
- Less measures are needed to be in place to mitigate fiduciary risk to budget support provided through the Australian aid program.

After ten years, and achievement of the above objectives, DFAT will see a more stable Solomon Islands because services will be reaching more of the population – particularly justice, policing, health, education and infrastructure. The program will continue to work in support of these activities, particularly through investments that expand the quality and reach of services. More funds will be safely channelled through national systems, more confidently. The public service will be host to a more incentivised professional cadre, with merit-based promotion and more females in leadership roles. There will be less opportunity for corrupt practices and behaviours. Gender-based violence will have become more unacceptable and punishable within the law. PFM and procurement, and public sector staffing, will be more professional with fewer bottlenecks, and more rules based.

The extent of these changes is difficult to gauge at this stage, hence the need for an adaptive program that can shift as capacity builds. However, DFAT should expect that the Governance Program will be less about supporting PFM, Procurement, and other core functions and more about supporting state-citizen relationships.

THEORY OF ACTION

To achieve the outcomes, the program will need to invest in continuing the good working relationships with SIG, and responding appropriately to the political context. It will also need to evolve (as set out above) to shift the focus away from the centre and look to more directly support PFM and procurement strengthening across line ministries (health education, infrastructure), and service delivery outside of Honiara.

The program has in-built flexibility in how the budget should be deployed in furtherance of the activities (operational flexibility). However, the program also needs to continually assess if its theory of change remains sound and fits the political context.

A key mechanism to enable this assessment will be program reflection workshops, held annually. These workshops will assess whether the strategic approach and subsequent implementation of the program remains fit for purpose. These workshops will be independently facilitated and will include (in the first instance) DFAT, the program team leadership, and the Monitoring, Evaluation and Learning (MEL) Unit.

DFAT may also choose to invite key senior stakeholders from SIG to participate. The objectives would be to:

- Review the program using evidence and analysis produced through the MEL Unit;
- Agree on ratings and justifications to be included in the annual DFAT Aid Quality Checks (AQC); and
- Develop recommendations to guide the next phase of implementation, and agree any changes needed to be implemented through the next annual planning process.

This workshop should be held prior to the SIG annual planning process. SIG works on a calendar year planning process, so the workshops should ideally be held in September-October.

This will enable the program to be fully aware of and respond to SIG's needs and expectations and maintain SIG's support for the program. The program's capacity building activities will be culturally appropriate and tailored to SIG's current capacity. This will assist in the program being accepted within SIG and will contribute to the program's effectiveness.

Assessing the extent to which the Program is evolving will also be a key task of the DFAT-AFP Joint Steering Committee.

The program will also need to produce knowledge on how best to work with SIG, to position the program to be more effective and to demonstrate to SIG, DFAT and others the program's worth..

Finally, the program will be working in close collaboration with the Justice and Police Development programs to ensure that these programs benefit from the gains made through the Governance Program. This will also allow for efficiencies and ensure that the programs do not work against one another.

PRINCIPLES

The Governance Program is informed by the following principles:

- Long term planning and commitment;
- Building on what is already in place – to minimise the sense of change;
- A focus on expanding beyond Honiara beyond the 'trickle down model';
- A focus on identifying, understanding and addressing real impediments to service delivery;
- Demand-driven approach as opposed to a donor-led supply-driven approach;
- Flexible modalities;
- Capacity substitution to capacity building; and
- Coordination, collaboration and coherence among the three programs and other AFP, DFAT, donor and SIG programs.

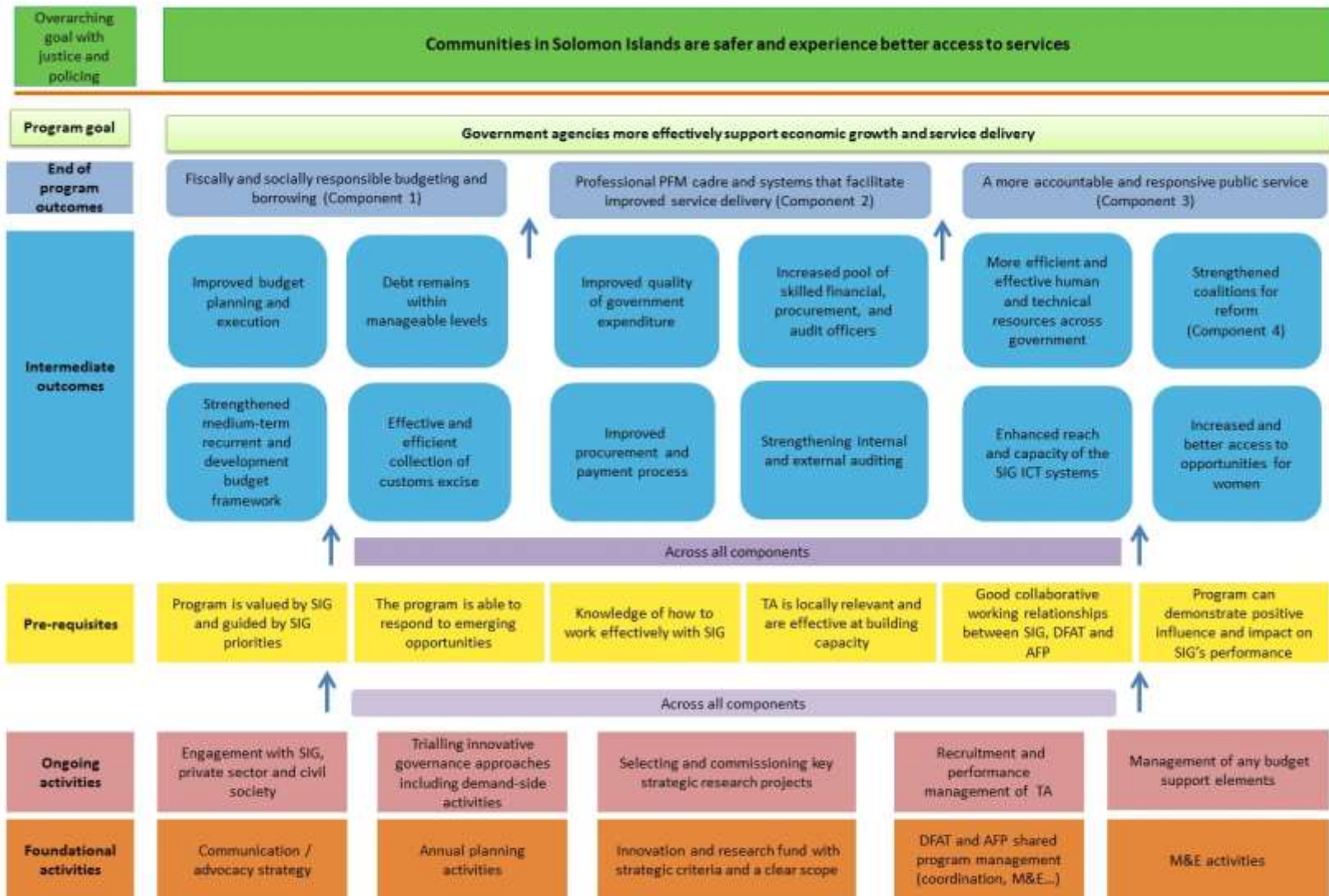
ASSUMPTIONS

The success of the Governance Program, and its ability to achieve the outcomes as identified in the Program Logic, rest upon a number of assumptions as follows:

- There will be a reasonable level of continuity among the senior leadership cadre (Chairs, Permanent Secretaries and Undersecretaries) of key public service agencies;
- There will not be a serious deterioration in the internal security situation in Solomon Islands;
- The risk of corruption within SIG will remain high;
- The Australian aid program will remain broadly at forecast levels;
- Senior High Commission and SIG personnel are able to meet on a reasonably regular basis to discuss the strategic direction of the program and to resolve emerging and outstanding issues; and
- The senior program management team will enjoy good access to relevant A-based staff at the High Commission.

These assumptions underpin numerous risks to the program, and are dealt with as such in the risk section.

Figure 2: Program Logic



5. DELIVERY APPROACH

Australia's investment in the SIG governance sector since 2003 has focussed on restoring and modernising the legislative framework and systemic tools to ensure these are fit for purpose in a small developing economy. Between 2003 and 2016 stability was generally achieved and maintained in the sector. The delivery approach included placement of in-line LTA where necessary (reducing in number over time as capacity was developed) and placement of advisory personnel to support Ministries strengthen human resources skills, and organisational systems and processes. This approach yielded good results as many of the advisers were Australian whole-of-government deployees who had the requisite training, understanding and skills for the positions. SIG notes this achievement as an important stage in its post-conflict stabilisation program, without which the existing gains may not have been made or retained.

The nature of these advisory appointments was primarily to fulfil SIG in-line responsibilities, with capacity building of available counterparts a secondary responsibility. The outcome of this approach is that both senior SIG officials and current LTA agree that capacity building of SIG officers could have been improved during this 13 years of investment. It should however be noted that the achievement of capacity development is reliant on enabling conditions that are often beyond the control of an aid program or individual LTA such as agency leadership, organisational culture and systems.

Following completion of whole-of-government arrangements on 30 June 2016, it is no longer an option to mobilise whole-of-government deployees to these positions. Accordingly, from 2017 onwards, different approaches will be taken to develop the governance sector. Interventions will need to focus on creating greater SIG self-reliance in the through capacity building and professionalisation of officers into a cadre that works to implement the long term National Development Strategy (NDS) objective of "Good governance values and practices need to be enforced and accountability and transparency enhanced at all levels of governance"³³.

The Governance Program must seek to incorporate high-level leadership and facilitation by senior Solomon Islanders to bring gravitas and moral authority for greater program impact (this is addressed below in the outline of Component 4); and to call on various regional resources to develop and deliver capacity building for public servants across the whole range of SIG agencies and institutions. The goal is to sustain technical excellence, while at the same time build broad-based capacity and support for better PFM and service delivery in the Provinces.

DELIVERY MODALITIES

This section outlines the possible ways that inputs could be mobilised to support the goals of the Governance Program. Each Component will utilise a range of modalities, overseen by the Head of Program position.

³³ Page 11, Solomon Islands National Development Strategy 2016-2035. SIG, April 2016.

BUDGET SUPPORT AND GRANTS

The limited use of budget support to SIG will be part of this program though not a dominant feature. Budget support will be used particularly with respect to supporting pre-existing SIG outsourcing arrangements of key PFM information technology functions. Specific areas have been identified within SIG that have significant potential for contributing to improved governance. The Governance Program will provide budget support to these, including for maintaining and development MOFT technical support for ICTSU managed AIMS and SIGCONNECT.

Whilst consideration was given to including grant making as a modality for further expansion of this type of budget support, the limitations of human resources markets in Solomon Islands does not offer the Governance Program significant opportunities to innovate with outsourcing, or in-sourcing of public sector or PFM capacity building as a delivery option.

It may be possible to outsource additional PFM work under this program at the activity level to the existing Solomon Islands private sector service industry where possible, noting that the professional peak bodies acknowledge their limited capacity; and express a need for further institutional development before they could be sub-contracted to reliably and sustainably take on aspects of SIG PFM capacity building.

DFAT has used Partner Government Systems to manage sector budget support in the justice, policing, education, health and infrastructure sectors. These funds are On-Plan, On-Budget and On-Report as well as being On Audit.

Since 2013, DFAT has placed *ex ante* ('before the event') controls over all³⁴ payments from Australian-funded lines in the SIG Budgets. These controls are performed by a combination of Australian-funded LTA embedded in Ministries receiving sector budget support and also in MOFT; and take the form of a desk based review, or pre-audit, of all Payment Vouchers (PVs) and a no objection letter process from DFAT for each step of the procurement process through SIG. In addition, the specific agreements for budget support require:

- Use of separate bank accounts to hold DFAT funds and use of Ledger 3 (earmarked funding);
- Additional quarterly reporting (with monthly bank reconciliations) for all DFAT-funded programs using partner government systems; and
- Requirement for external audits to be conducted annually either by SIG Office of the Auditor General or if, that is not possible, outsourced to a private audit firm, for all DFAT-funded programs using partner government systems.

This level of quality assurance also justifies the cost of the *ex-ante* control mechanism now in place; and provides a stronger demonstration effect for SIG agencies –some of which have been adopted by SIG over time.

³⁴ Thresholds for application of ex ante controls in the form of No Objection Letters (NOL) are SBD1,750,000 (AUD291,000) for the National Transportation Fund; and SBD350,000 (AUD58,000) for all other relevant ministries.

The 2015 update Assessment of National Systems found that the above ex-ante controls were effective and should be retained. For any budget support provided in the new design, these ex-ante controls should be retained.

DFAT has used Partner Government Systems to manage sector budget support in the justice, policing, education, health and infrastructure sectors. These funds are On-Plan, On-Budget and On-Report as well as being On Audit.

INNOVATION AND RESEARCH INITIATIVES

Component 4 will be a specific budget allocation dedicated to funding activities that present within the life cycle of the program but which are not currently envisaged. This is consistent with the principle of the program being adaptive to local context and emerging opportunities. The budget will be shared across the portfolio of programs and ideas for its allocation to particular activity opportunities, innovation and research will be collated by the MEL Team together with the team leadership of each program and in consultation with key program staff. Concepts and approval for the allocation of funding will be jointly developed and decided between the Australian Government and SIG.³⁵

A further possible source of funding for specific initiatives that should be noted may be through DFAT's InnovationXchange which provides grants to posts to trial innovations in development approaches.

FUNDING OUTSIDE SIG SYSTEMS

The flexible funding under Component 4 will enable us to help governance sector agencies to deliver prioritised activities in their corporate and annual plans. This funding also allows DFAT to respond quickly and flexibly to SIG requests for assistance which often address unforeseen issues, or be due to changing circumstances.

This funding may also be used to support engagement with non-state actors on governance issues following a risk and fiduciary assessment if required.

LONG-TERM AND SHORT-TERM TECHNICAL ASSISTANCE (LTA, STA)

Australian support to the governance sector has been largely in the form of LTA, with some flexible STA and direct funding of TA contracts in key areas. Given the very early stages of development of Solomon Islands adult education institutions and professional bodies, the option of outsourcing professionalization of PFM officers and general public sector capacity building to these bodies is not practicable at the outset of the program. However, where these bodies mature and become sustainable potential partners to the program, they can be re-evaluated for roles in providing capacity building inputs.

³⁵ DFAT and program management will, however, need to be mindful of the risk that discussions around flexible funding may fuel inter-agency competition for resources rather than collaborative problem-solving. This risk was identified in the 2012 Office of Development Effectiveness evaluation of Australia Law and Justice Assistance.

Consequently, future Australian support to the Governance Program will need to continue to mobilise external human resources into the Solomon Islands to deliver capacity building and some in-line services. LTA and STA will continue to be the most appropriate form of aid to the SIG governance sector in the next phase of the Program, but will be supplemented with accountable cash grants to partner organisations under long-term twinning arrangements as outlined above.

Ensuring all LTA/ STA take a common approach to implementing key PFM and public sector reforms will be essential to consistent capacity building in SIG; and to preventing any backlash to the reform agenda from a political economy that comes under pressure as future SIG budgets face funding constraints. Accordingly, it will be important for the entire LTA/ STA cadre to be regularly briefed on program modalities, priorities and goals; as well as to reflect SIG reform priorities in all TORs; and monitor and report on delivery of these priorities in LTA/ STA reporting. Lessons learned from advisory experience in Solomon Islands and the region should inform the operation and management of LTA/STA. See above for discussion on innovation in the use of LTA/STA.

REGIONAL TWINNING/SUPPORT ARRANGEMENTS

This program will use regional twinning and/or support arrangements, where these are appropriate and cost-effective, to advance particular activities and develop institutional relationships between SIG agencies and counterpart agencies in the region. Funding for such activities including exchanges, secondments and training are available with the following organisations: NSW Auditor General; University of South Pacific; PICPA (at the University of the South Pacific); Association of Internal Auditors (Solomon Islands); Institute of Solomon Islands Accountants (ISIA)); the Pacific Association of Supreme Audit Institutions (PASAI); CPA Australia; and the Institute of Internal Auditors.

The latter two organisations deliver professional development and accreditation training of staff in the Solomon Islands Office of the Auditor General and to accountants and auditors under affiliation arrangements with the Solomon Islands professional bodies. Greater professionalization of the financial management cadre, accompanied by the emergence of an active community of practice in accounting, audit and procurement, will empower this group to become a positive influence for governance strengthening over time.

The program will also consider the possibility of in-sourcing private sector capacity from other Pacific Island countries where this capacity is more highly developed and available.

TARGETED TRAINING AND ACTIVITIES TO SUPPORT PROGRAM OUTCOMES

The Governance Program will provide funding for selected training opportunities and other activities for SIG and relevant partners as outlined in all components in the activity schedule. Whilst careful consideration was given to selecting local training providers, it is likely that a combination of locally procured and regionally procured providers will be needed to deliver the quality required for the Governance Program.

Regional institutions with significant public sector procurement experience, such as Pacific Islands Centre for Public Administration (PICPA) and PFTAC in Suva offer professional development capacities that can be mobilised to design and deliver knowledge bases and structured training and accreditation programs in public procurement. At present, SIG institutions do not have the capacity

to carry out this role, but may initially be able to collaborate with partners on local logistics support and access to venues; and later take on content delivery roles as capacity builds.

IPAM, funded by the Ministry of Public Service (MPS) has research³⁶ as well as course delivery responsibilities. A recent evaluation found that IPAM is effective in public service skills training, such as the Leadership Development Program, but may have reached its course delivery limits³⁷ with existing offers. Consultations with procurement advisers confirm that IPAM does not include public procurement in its corporate learning and development series on budget and financial management.

Building a technical database, training and accreditation program and an active community of practice in public procurement with sustainable regional partners will empower the SIG procurement cadre to become change agents for more ethical, transparent and accountable public procurement and better quality public expenditure.

In terms of broader public service leadership and management training, PICPA is appreciated as a body that is capable of providing strategic-level training for public service leaders (something that IPAM cannot do), and this relationship should be fostered. At the same time, though, there appears to be little awareness about other regional training opportunities that might be available, including through the Pacific Leadership and Governance Precinct in PNG. Furthermore, there may also be scope for IPAM to develop a formal institutional relationship with the Precinct (and for the Governance Program to support this, at least initially). These are both options that will be explored actively by the program.

Finally, the Governance Program should remain mindful of possible opportunities available under the Australian scholarship program, and should engage with relevant DFAT staff to this end.

³⁶ <https://sites.google.com/a/mps.gov.sb/ministry-of-public-service-in-solomon-islands/ministerial-divisions>. Internet accessed 20 August 2016.

³⁷ Page 22, DFAT Solomon Islands Governance Program & Justice Program, Case Study Project: Draft Case Study 5 Strengthening Public Sector Leadership. DFAT, 3 November 2015.

6. GOVERNANCE PROGRAM DEVELOPMENT COMPONENTS

The program will include four components, encompassing a number of individual activities. Each component is outlined in detail below. The program is designed to be flexible and, as such, the resources required to pursue an activity, or the activities required to pursue an outcome, may change over the life of the program.

COMPONENT 1 – FISCALLY RESPONSIBLE BUDGETING AND BORROWING POLICIES

This component advances the following intermediate outcomes:

- Improved budget planning and execution;
- Strengthened medium-term recurrent and development budget framework;
- Debt remains with manageable levels; and
- Effective and efficient collection of customs excise.

ACTIVITY 1.1 – SUPPORT FOR RECURRENT BUDGET STRENGTHENING

The first activity under this component will be the provision of long-term technical advice to assist MOFT Budget Unit. The focus of the technical advice will be twofold. First, to provide advice to MOFT on its fiscal strategy and move towards a stronger medium term budgeting framework and capacity. Second, to strengthen MOFT outreach and support to line ministries on budget formulation and execution.

Both aspects will be important given the short to medium term fiscal pressures. It is proposed that initially the program maintains an LTA in the Budget Unit who will have a more outward looking focus and to support MOFT to strengthen stakeholder engagement on the budget process including the budget regulations (yet to be finalised). Over the course of the program, this could be phased out to a short-term TA or a sectoral adviser available to all ministry Budget Units. This approach will be a shift away from current TA focused on supporting Budget Unit with its core business and instead focus on improving the quality of budget submissions and execution by line ministries.

Key responsibilities could include helping MOFT to develop and implement a training and awareness program for line ministries and building a greater understanding of the roles, responsibilities and accountabilities of key stakeholders such as Cabinet, donors, Public Accounts Committee, Members of Budget Committee, Permanent Secretaries and Ministers – both of which are priorities articulated in the NDS and MOFT Corporate Plan 2016–18. The TA could assist with budget monitoring particularly at the line ministry through supporting effective functioning of the budget implementation committees and help to better budget management to minimise the number of contingency warrants and virements requested and provide better cash flow forecasting to MOFT.

The program through its TA and policy dialogue will continue to encourage the government to maintain fiscal buffers to withstand economic shocks and natural disasters. The program will also continue to assess the SIG's political and operational readiness to move towards multi-year funding allocations and development of a medium term budget framework. The program will remain flexible, and coordinate with other development partners to support these reforms.

Resources need to support this activity are:

- LTA for 24 months initially and then potentially shifting to STA.

ACTIVITY 1.2 – SUPPORT FOR DEVELOPMENT BUDGET STRENGTHENING

The second activity under this component will comprise one LTA to the Ministry of Development Planning and Aid Coordination (MDPAC) to provide strategic support to improve the preparation, monitoring and evaluation of the Development Budget and one STA to provide specialist assistance to pilot Gender and Social Inclusion Impact Analyses.

MDPAC plays an important cross-government role in leading Ministries in the development and (in principle) assessment of the Development Budget. The co-location of MDPAC with MOFT within the last year has promoted contacts between the ministries. The MDPAC Permanent Secretary is championing an ambitious agenda aimed at both improving the preparation of Development Budget bids, and improving the quality of expenditure under the Development Budget by leading a cross-agency push for better monitoring and evaluation of the development budget spend. At present the focus in line ministries is almost exclusively on ‘getting the money out of the door’. Support in this area would link closely with parallel work aimed at assisting MOFT to strengthen the budget’s macroeconomic framework. Overall, it would be consistent with the Governance Program’s horizontal, cross-government theme.

As noted earlier, there is little data (let alone public debate) on how budget allocations in Solomon Islands impact differentially on vulnerable groups. One means of addressing this, and raising the profile of gender and social inclusion issues within government and society more generally, is to undertake Gender and Social Inclusion Impact Analyses as part of the Development Budget process. This will be done on a pilot basis initially, working with relevant Permanent Secretaries and calling on their respective Gender Focal Points as key links into those Ministries selected for pilot analyses. Further consultation with SIG is needed to determine the appropriate location of this position, either within MOFT, MPDAC, in the managing contractor office, or a hybrid of these options.

Resources need to support this activity are:

- One LTA to support the Permanent Secretary (MPDAC) on improving the preparation, monitoring and evaluation of the Development Budget in line with the National Development Strategy (and aligning to the Sustainable Development Goals); and
- A single STA to pilot Gender and Social Inclusion impact analyses of the development budget.

ACTIVITY 1.3 – RESPONSIBLE DEBT MANAGEMENT

The third activity in this component is continued support to MOFT in debt management. The Debt Management Unit in MOFT has enjoyed Whole-of-Government support since the early days of RAMSI through the Australian Office of Financial Management. As noted previously, Solomon Islands’ debt situation is currently very comfortable at 8 per cent of GDP. That said, SIG is currently

looking to increase this level for key national development projects that are important but also high risk.

Given the deteriorating fiscal situation, there is a strong possibility of the SIG may continue to increase debt levels in coming years. While in current circumstances it is difficult to justify ongoing full-time technical assistance, there would be considerable benefit in, at a minimum, providing ongoing support to MOFT Debt Management Unit. The activity proposes providing an LTA for the first year and then transitioning to STA to allow for regular peer-to-peer contact and ad hoc advice. A twinning arrangement between MOFT and AOFM could also be considered to allow for institutional partnerships on agreed activities over the four-year life cycle of the program.

Resources needed to support this activity are:

- LTA for the first year then transitioning to STA or twinning arrangement between MOFT and AOFM.

ACTIVITY 1.4 - EFFECTIVE, ETHICAL AND EFFICIENT CUSTOMS AND EXCISE DIVISION

The fourth activity in this component will comprise one full-time in-line position (initially as in line Deputy Comptroller of the Customs and Excise Division of MOFT, later moving to an advisory LTA), and one LTA to provide operational advice. The Customs and Excise Division of MOFT collects between 33-40 percent of Solomon Islands domestically-sourced revenue and is therefore a critical element in SIG operations. The Division has received both in-line and advisory support from Australia for some years (currently at three full-time positions).

The long-serving Comptroller and other senior members of the Customs Division are due to retire in the coming 12 to 18 months. The next level of leadership will require support in the form of an in-line Deputy Comptroller for at least an initial period of 12 months to ensure continuity and to sustain current progress. The Division has a substantial policy and operational agenda: the ASYCUDA customs information system, launched in August 2015, is operating successfully but will need continued support in the short-medium term to ensure sustainability; and draft Customs legislation is in the pipeline and may go before Parliament in 2017.

Resources needed to support this activity are:

- LTA in the form of an in-line Deputy Comptroller of Customs for a period of one year, then moving to a Customs strategic adviser for the remaining three years of the program. Responsibilities from that point will include advising the local Comptroller and Deputy Comptroller on strategic planning priorities; implementation of Customs legislation (assuming this proceeds); and
- LTA in the form of a Customs operational adviser for two years. Responsibilities will include building local capacity in customs examinations and valuations and use and maintenance of the ASYCUDA system.

COMPONENT 2 – PROFESSIONAL PUBLIC FINANCIAL MANAGEMENT CADRE

This component is focused on developing consistent capabilities across agencies in public financial management with the intention of building a cadre of professionals who are able to consistently apply PFM requirements across government. Each activity will focus laterally on building capacity in addition to focusing inwardly on building central agency capability. This is consistent with the ECDPM model of capacity development which focuses on the capability of an organisation and its people to relate to others³⁸.

This component advances the following intermediate outcomes:

- Improved quality of government expenditure across government;
- Improved procurement and payment processes;
- Strengthened internal and external auditing; and
- Increased pool of skilled financial, procurement and audit officers.

ACTIVITY 2.1 - CONSOLIDATE ONGOING PFM REFORMS

Consolidating the PFM gains made to date in MOFT is central to continuing the PFM reform process and ensuring the benefits flow to line ministries.

The exact nature of the support to be provided under this activity is not yet confirmed. The design process, in consultation with SIG, identified four potential positions – three of which were continuation or modification of roles then existed under the 2013-2017 program: An in-line Accountant-General, Financial Adviser (called the Financial Controller under the existing SIGOV program), and Data Adviser (called the FMIS Adviser under the existing SIGOV program), plus an additional Financial Policy Adviser to help MOFT formulate a policy on delegation of Accountable Officer functions to officers other than the Permanent Secretaries, as appropriate.

However, SIG's needs and priorities are still developing in this area. DFAT will continue to liaise with SIG on the most effective way to support the consolidation of PFM reforms under this activity, and to ensure Australian aid funds are protected.

ACTIVITY 2.2 – AUTOMATED IMPREST ACCOUNT MANAGEMENT SYSTEM (AIMS)

The second activity in this component is budget support for AIMS scoping, design and implementation in support of MOFT ICTSU roll-out of an online, automated application for management of standing imprest accounts and emergency imprest accounts. To be effective for the maximum number of users, this PFM tool will need to be accessible via SIGCONNECT, the SIG

³⁸ Baser, H. and P. Morgan. 2008. *Capacity, Change and Performance Study Report. (ECDPM Discussion Paper 59B)*. Maastricht: ECDPM.

network currently being extended to all provinces; and will need to be supported by electronic document scanners and printers in all facilities.

The Law and Justice, Police and Corrections³⁹, Health and Education Ministries state that their most effective tool for day-to-day service delivery in the provinces is standing and emergency imprest accounts. Ministry standing imprest bank accounts (maximum of SBD300,000 or AUD50,000) are used to make small value cheque payments to suppliers of less than SBD5,000 (AUD850) each. It is estimated that there are hundreds⁴⁰ of standing imprest accounts in use, but there is no analysis available of the total value of SIG funding spent through imprest accounts.

Ministries provide SBD10,000 (AUD1,600) grants out of standing imprest bank accounts to provincial departments (e.g. Education⁴¹, Correctional Services) to facilitate service delivery. Retirement (or acquittal) of provincial grants is needed before a Ministry can complete the standing imprest account replenishment (or acquittal) procedures required by MOFT.

Standing Imprest bank accounts need to comply with PFMA replenishment procedures, ideally before the bank account balance is exhausted, to facilitate on-going services delivery. Standing and Emergency Imprest Account holders are required to submit the original hard-copy of all supporting documentation and a bank reconciliation to MOFT, Payroll, Revenue and Imprest Unit for compliance checking before replenishment can be made to the Imprest bank account. Issues that affect timely processing of replenishments are:

- Delays in the physical transfer of hard-copy replenishment documentation to the line ministry⁴²;
- Delays in internal line ministry sign-off procedures⁴³;
- Loss of hard-copy replenishment documentation in transit to MOFT, or in MOFT;
- Few MOFT staff (1) available for compliance and Standing Imprest replenishment; and
- Incomplete or incorrect supporting documentation delay replenishment processing.

Failure to retire or replenish standing imprest accounts can lead to ministries being placed on 'hold' in MOFT and so not able to access further Imprest accounts; which defers service delivery, most particularly in the provinces. Further, all standing and emergency Imprest accounts need to be retired at year-end; and applied for again in the next financial year. Delays in year-end retirement can also defer creation of new standing and emergency Imprest accounts in the new financial year,

³⁹ Correctional Services Solomon Islands (CSSI) note that their Standing Imprest for Prisoners Rations expends SBD3.6m (AUD600,00), or 55%, of the annual rations budget of SBD6.6m (AUD1.1m) for a total of 300 inmates (SBD60 or AUD10 per day). Consultations 27 July 2016.

⁴⁰ Consultation with SIGOV LTA, 25 July 2016.

⁴¹ In the health sector, DFAT has contracted a local accounting firm to supervise all aspects of provincial education grants management. This expedites financial accounting and reporting from the provinces and enables faster payments and imprest replenishments. However, it is costly; uses an accounting system (MYOB) which is not supported by SIG.

⁴² CSSI Auki sends hard-copy by boat to Honiara, taking one day. This is faster than mail, which can take two weeks.

⁴³ CSSI HQ notes that internal sign-off on imprest replenishment requests take 30+ days. The PS CSSI has not yet delegated Accountable Officer responsibilities to other senior officers. This is true of other Ministries also.

again deferring service delivery. SIG needs a standardised and efficient Imprest account management tool for service delivery.

Many of the above issues could be overcome through automation of the replenishment request and documentation process; effective delegation of Accountable Officer roles in line ministries; and use of internal audit to monitor quality of expenditure through Imprest accounts. These innovations are refinements of existing PFM functions and are a priority for SIG, but will need to be preceded by joint planning and careful regard for SIG agency in order to build and maintain support for reform across Government.

Resourcing for this activity will be:

- LTA/STA in collaboration with SIG under Activity 2.1 will oversee activities; and
- Australian budget support to MOFT or STA contracts for:
 - Scoping and analysis of Imprest account operations across SIG;
 - Design proposal for an Automated Imprest Management System (AIMS) for all line ministries, Provincial Governments, Provincial Departments and facilities;
 - Design, development and trialling of AIMS in late 2018; and
 - Roll-out program for AIMS implementation, training and performance monitoring across SIG in 2019.

ACTIVITY 2.3 – REINVIGORATE PUBLIC PROCUREMENT MECHANISMS

The third activity in this component will focus on strengthening the public procurement system. The efficiency of the public procurement system is a vital to ensure timely government service delivery. Leadership and accountabilities in relation to procurement in SIG are split between two areas in MOFT and the Ministry of Infrastructure Development (MID) (in relation to government infrastructure). This has made it difficult to drive, target and coordinate reform efforts. The MOFT procurement unit which currently provides the whole-of-government procurement service does not have the in-house resources in its Procurement Unit to lead revitalisation of this important function. Procurement planning is in its infancy in Solomon Islands and the poor quality of tender and contract documentation and ineffectual contract administration contribute to delays in project implementation, outstanding payments and a risk of claims from contractors.⁴⁴

Simple procurements make up the majority of SIG expenditure. The Education Ministry indicated that it has 23 Units, each with up to 10 officers responsible for initiating procurement, all of whom need practical guidance on how best to access fair quality and price of goods and services. SIG currently has limited preferred supplier arrangements in place primarily for ICT procurements, including photocopying and printing. A wider range of national preferred supplier arrangements would create efficiencies and assist SIG officers with procurement responsibilities by providing a clear framework within which to buy goods and services.

⁴⁴ DFAT, Update to Assessment of National Systems 2015.

This activity will aim to equip MOFT procurement unit to be the SIG locus for public procurement policy development, training and support. DFAT through its TA and policy dialogue will aim to build greater leadership and ownership on SIG's procurement reform program across government over the next four years from Permanent Secretaries and structures such as the Central Tender Board and the Governance Advisory Committee. This will include a careful communications strategy to ensure that stakeholders in the line ministries and the private sector understand and buy-in to the reforms. Some of the flow-on outcomes expected would be increased capacity and professionalization of SIG procurement officers in line ministries and provincial centres, and building greater private sector confidence in the public sector.

The success of this technical assistance provided under this activity will depend-on on SIG leadership on procurement reform but also the effective implementation of activity 2.6 which will support SIG to buy-in and build its human resource capacity in procurement as well as other PFM functions.

Resourcing for this activity will be determined in consultation with SIG. It may involve a mixture of technical assistance and training activities, and may include

- LTA in the form of a Procurement Adviser for DFAT based in the program office. The primarily responsibility of this position will be to provide DFAT with procurement advice for investments funded through the Solomon Islands Government systems, including support on the implementation of the DFAT no-objection letter process, a key fiduciary control to enable DFAT to procure using the public procurement system. The secondary responsibility may be to strengthen MOFT procurement outreach and support capacity. This could include development of an active community of practice in public procurement convened by the MOFT Procurement Unit and user-friendly help-desk function type support based out of MOFT, however this will need to be negotiated with SIG.

ACTIVITY 2.4 - EXTERNAL AUDIT STRENGTHENING

The fourth activity in this component is to build on the existing institutional twinning relationship between the Office of the Auditor General (OAG) and the Audit Office of New South Wales. The purpose is to build skills in critical analysis of financial data and performance (value for money) auditing. Both skill sets are needed to support the OAG's strategy of moving away from mainly compliance auditing towards more value for money auditing. Further, these broader skill sets will complement PFM reform implementation by enabling OAG to appraise Ministry procurements for value for money; and preparing robust discipline action case files for MPS.

The Office of the Auditor General is a member of the Pacific Association of Supreme Audit Institutions (PASAI) and already receives a certain level of support and assistance through this relationship: it will be important to ensure that support under the Governance Program received through the NSW Audit Office is complementary to that provided through PASAI and does not over-stretch the capacity of the OAG.

The resources needed to support this activity are:

- DFAT twinning agreement with Audit Office of New South Wales for four years that supports:
 - Professional development training delivered in-country;
 - Tailored training in preparation of SIG performance audit programs, working papers and analysis, and reporting; and
 - Regular secondments between the two offices.

ACTIVITY 2.5 - INTERNAL AUDIT STRENGTHENING

The fifth activity under this component is the provision of an annual grant, funding and twinning program with the Institute of Internal Auditors (Solomon Islands) as well as the provision of an STA on internal audit. Formation of Ministry Internal Audit Units is a recent development in SIG, with the earliest launched in 2010. Not all Internal Audit Units are in place; however, the major spending ministries are the most advanced in developing capabilities in this discipline. It is fair to describe internal audit as a nascent and vulnerable capacity within SIG.

The Institute of Internal Auditors (Solomon Islands) was established in 2013 and is affiliated with The Institute of Internal Auditors (Australia). It currently has 45 members, including from SOEs and private sector. The Institute meets monthly and encourages members to seek formal accreditation, Certificate IV in Government Investigations, through training delivered online by Australian training institutions on a fee basis.

A community of professional practice in internal auditing has formed and needs to be fostered and strengthened as a complementary governance strengthening initiative that will reinforce PFM reforms by reviewing imprest account replenishments and retirements; testing procurement transactions for value for money; and preparing good quality MPS disciplinary action case files.

When all line ministries establish an Internal Audit Unit, a total of 75 Internal Auditors (3 Internal Auditors in each of 25 Ministries) will receive support under this element of the program.

Resources needed to support this activity are:

- DFAT annual grant to the Association of Internal Auditors (Solomon Islands) for up to four years, being for employment of an Administrative Assistant to the Board and general administrative costs;
- DFAT twinning arrangement with The Institute of Internal Auditors (Australia) to provide continuing professional development over four years in the form of seminars, practice workshops and tailored training programs delivered in-country to members of the Institute of Internal Auditors (Solomon Islands); and
- STA in the form of 120 days of annual in-country inputs by an Internal Audit Advisor to assist SIG Internal Auditors in the Auditor General's Office to devise audit programs and guidance to standardise their approach to formal investigations and reporting.

COMPONENT 3 – A MORE ACCOUNTABLE AND RESPONSIVE PUBLIC SERVICE

This component focuses on activities aimed at strengthening public service management and government ICT support. DFAT will continue to engage with MPS to ensure that line ministry uptake

of recent public sector reforms e.g. rollout of the HRMIS System, Aurion, and decentralisation of recruitment and performance management processes.

As noted above, while the current scope for more reform across the public service is limited, there appears appetite to strengthen public service disciplinary processes. Faster processing of disciplinary cases will assist in improving service delivery as it will reduce the number of public servants suspended at any given time. The program will also remain prepared to support specific public service reform initiatives that are locally-owned.

Success under this component will lead to:

- More efficient and effective human and technical resources across government;
- Increased and better opportunities for women; and
- Enhanced reach and capacity of the SIG ICT systems.

ACTIVITY 3.1 - EXTEND AND MAINTAIN SIGCONNECT TO ALL MINISTRIES AND PROVINCES.

The first activity in this component is the provision of STA, LTA and budget support given the MOFT ICTSU structural and budgetary constraints to effectively establishing and maintaining a national SIG ICT network.

Structurally, ICTSU has identified the need to develop whole-of-government policy on data privacy, cyber-security and management of IT staffing resources; and then monitor implementation of this national-level policy through an eGovernment Strategy and Framework. An ICTSU five-year strategic plan will be developed with support from SIGOV between August 2016 and June 2017 that will need to consider the future legislative and administrative implications of ICTSU's structural needs.

ICTSU's role is particularly important in the area of PFM. Timely and complete financial data management and transfer is needed to support the PFM reforms; particularly as PFM functions are centralised in MOFT Honiara and the provinces are widely distributed across a remote maritime archipelago. Using electronic documents processing over the SIG network, SIGCONNECT, will facilitate implementation of PFM reforms in the provinces and so support enhanced service delivery. Vanuatu has experienced success with government data management over its eGov network, known as Government Broadband Network (GBN) and lessons from this could be used to inform this activity.

The Governance Program will support the continued roll-out of SIGCONNECT to all provinces and facilities with strategic advice, training and help desk resourcing and potentially capital funding. Such support will need to be provided against a clear analysis and understanding of the likely technical, financial and capacity risks.

Resourcing for this activity will be:

- LTA in the form of an ICT Strategic Advisor for the duration of the program to support SIG to develop and implement its SIG E-governance agenda. Initial priorities will be to support the establishment of a help desk, SIG website management and support the roll-out and usage of DFAT funded software;

- LTA for two years in the form of an ICT Technical Advisor to support accelerated implementation of the “cable-ready” SIGCONNECT network architecture⁴⁵ through sub-contracted IT suppliers;
- *Ad-hoc* inputs from Component 2 resources (procurement) to assist with ICTSU tendering of technical services and hardware supply contracts needed to deliver accelerated network implementation;
- If required and as appropriate, Australian budget support to ICTSU to finance the “gap” to ensure complete rollout of SIGCONNECT; and
- Australian budget support in ICTSU to provide electronic file lodgement software and secure data storage for MPS Standards Division.

ACTIVITY 3.2 - REINFORCE PUBLIC SERVICE DISCIPLINE

The second activity in this component is the provision of strategic support to the Ministry of Public Service (MPS) and the Public Service Commission through the placement of LTA, STA and/or volunteers to strengthen MPS Standards Division.

The absence of effective sanctions for financial misconduct in SIG has created moral hazard for officers at Grade 7 level and above⁴⁶, whose cases are considered by the Ministry of Public Service. Individual officers, upon seeing evidence that disciplinary actions may not be taken up or overturned on appeal by the Public Service Commission⁴⁷, perceive little risk to themselves from non-compliance with the PFMA and/ or financial misconduct.

Weak disciplinary capacity undermines the PFMA’s credibility, because stronger PFM systems that do detect financial misconduct are not being supported by effective disciplinary action against those responsible. Lack of disciplinary capacity in SIG is a significant brake on how far PFM reforms can impact on the quality of public expenditure.

All reports of public service misconduct must come to the Ministry of Public service, Standards Division for processing in the form of a case file. This file is usually prepared by the relevant Ministry’s Internal Audit Unit; and the matter must be considered only on the contents of the file submitted because MPS has no investigatory or seizure powers and there are no time limits or penalties for non-compliance with directions under the Act or Regulations.

Further, MPS has not issued any guidance on standards of evidence for a disciplinary action case file to guide Internal Audit Units. There is no in-house legal capacity within MPS, which relies on the Attorney General’s Office to provide legal advice when it has capacity to do so, which is not regularly or frequently. Case files and evidence are currently assessed by the MPS Policy Group.

⁴⁵ Consultations with ICTSU, 26 July 2016.

⁴⁶ Discipline of officers at Grade 6 and below is the responsibility of the Ministry Permanent Secretary.

⁴⁷ In 2015, MPS heard 52 disciplinary cases. Of these, 26 remain pending in mid-2016; 7 resulted in a Show Cause Notice; 4 in demotion; 2 in a final warning notice, 8 in termination; and 5 were closed. All 8 termination decisions were overturned by the PSC on appeal.

Finally, all case files are hard-copy, with no electronic lodgement facility, documents control registry or secure filing system in the Standards Division. Consequently, the recently appointed Director is sorting files from many years prior and there is evidence of records being misplaced. Resources needed to reinforce MPS capacity to take disciplinary actions are:

- STA/LTA to the MPS Professional Standard Unit to support development of appropriate staffing, administration and operational practices of Standards Division; and
- Facilitate legal advice to MPS Standards Unit including through a Legal Advisor if required. This would be done in collaboration with Attorney's General Chamber.

ACTIVITY 3.3 – SUPPORTING EXISTING PUBLIC SECTOR REFORMS

There are a number of public sector reforms that have been implemented relatively quickly (under RAMSI or SIGOV), but have yet to be fully embedded. The gains of these are being felt at the centre (MPS, MOFT), but further work is required to enable line ministries to benefit from these reforms. This includes:

- The HRMIS system (Aurion) is expected to be fully rolled out by June 2017. The Governance Program will need to focus on increasing usage of the system at line ministry level, and utilising Aurion's full functionality. This will also help to entrench the Performance Management Process by providing data on where issues are occurring. This will require a change in SIG policy, as well as uptake of the system;
- Decentralised recruitment. This is working well at some agencies, but less so in others. A problem driven approach will be taken to understand the bottlenecks;
- SIG is working on updating the legal framework governing the Public Service; and
- Reviewing remuneration is an ongoing issue and the Governance Program will continue to progress this issue including through an existing World Bank project.

Resources needed to implement this might include an STA or LTA, depending on the issue.

ACTIVITY 3.4 – PROMOTE GREATER GENDER EQUALITY IN THE PUBLIC SERVICE

The fourth activity in this component is the provision of LTA to work specifically on promoting greater gender equality across the public service. Where possible, this position will be based within SIG and will help to build on earlier work in promoting greater gender quality in the public service, capitalising on the pioneering work of the Public Service Commission to include gender mainstreaming requirements into performance agreements for Permanent Secretaries and the reinvigoration of SIG Gender Focal Point network. Notwithstanding such steps, there appears to have been very limited progress in women's leadership in the public service and anecdotal evidence⁴⁸ suggests that sexual harassment remains a serious issue in the workplace.

⁴⁸ For instance, a meeting held by the Design Team with eight Ministry Human Resources managers in Honiara on 3 August 2016 suggested that sexual harassment was not uncommon and effective management of reported cases was limited.

The adviser will also engage with the relevant Justice Program advisers, Police Development Program advisers and DFAT's gender and health programs to ensure all Australian aid supported gender and social inclusion work is coordinated.

Resources needed to support this activity are:

- LTA – gender equality adviser to be located full time located in SIG (where possible).

COMPONENT 4 – STRENGTHENING COALITIONS FOR REFORM

This component focuses on engagement with non-state actors, and with accountability institutions within SIG, to support potential coalitions for reform. The private sector, civil society and the media all have an important role to play in building demand and momentum for reforms, and rewarding SIG for existing reforms. The nature of activities under this component is necessarily flexible, and will respond to – and look to create – opportunities.

There are a number of accountability institutions in Solomon Islands including the Ombudsman's office, the Leadership Code Commission and the Auditor-General's Office. At times other donors work with these entities through regional and global programs. The Governance Program will continue to liaise with these programs and explore other opportunities when they arise.

SIG has recently established MOUs and taskforces between SIG agencies involved in accountability, anti-corruption and related issues. Australia will continue to look at ways to support these.

Success under this component will support all three End of Program Outcomes.

ACTIVITY 4.1 – ENGAGING WITH NON-STATE ACTORS ON PUBLIC SECTOR PERFORMANCE

This activity focuses on engaging with non-state actors, including civil society and media, around public service issues. These issues could be either in relation to public awareness or citizen accountability mechanisms. While activities will be designed to increase demand for public service reform, the exact nature of this activity is not yet determined.

There are a limited number of international and national NGOs in Solomon Islands, and civil society often lack the capacity to deliver on projects. Organisations with reach (such as the Church) often lack financial and reporting systems that can easily manage grant funding. The Governance Program will examine value for money and effective modalities for engaging these small organisations. The indicative budget therefore has the funding for this activity increasing in years three and four.

Managing a number of grants may require dedicated resources in the program office.

This activity may increase SIG transparency by working with ministries to ensure more SIG information is publicly available through websites or other approaches.

Resources needed to support this activity are:

- Budget or TA to allocate to agreed initiatives.

ACTIVITY 4.2 – ENGAGING WITH PRIVATE SECTOR AND PROFESSIONAL BODIES

This activity focuses on engaging with the private sector and professional associations on public sector and PFM issues. Activities will be designed to build a coalition to support reforms. The Government is one of the private sector's biggest customers, and has an interest in effective, ethical and timely procurement. This activity does not necessarily involve funding the private sector, but it could involve supporting professional associations which bring together the public and private sector, through targeted technical assistance. The Governance Program will leverage DFAT's current engagement with Solomon Islands Chamber of Commerce and Industry and Solomon Islands Women In Business Association (funded under the Growth Program).

Again, this activity may increase SIG transparency by working with ministries to ensure more SIG information is publicly available through websites or other approaches.

Resources needed to support this activity are:

- Budget or TA to allocate to agreed initiatives.

ACTIVITY 4.3– INNOVATION AND RESEARCH INITIATIVES

The Innovation and Research Initiatives will be managed by the Head of Program as part of regular budgetary processes for all activities under the program. The budget will be shared across the Justice, Governance and Police Development Programs and ideas for its allocation to particular activity opportunities, innovation and research will be collated by the MEL Team together with the team leadership of each program and in consultation with key program staff, and SIG. The objective of the Innovation and Research component will be to allow the Australian Government, through the Governance Program, to:

- Inform the program's evolution through a better understanding of the political economy of Solomon Islands and of 'what works' in Solomon Islands and why;
- Trial new and innovative approaches and initiatives aimed at better service delivery that can be incorporated into the Program;
- Respond to emerging opportunities for reform; and
- Build its relationship with SIG through shared decision making.

The allocation of Innovation and Research funds will be jointly agreed with SIG, according to an agreed set of criteria. Without prejudice to SIG views, these criteria could stipulate that proposed initiatives should:

- Be consistent with SIG priorities and, where possible, promote cost-sharing with SIG;
- Have a clear and well-articulated link to the issue of better service delivery for citizens;
- Harness local Solomon Islands talent and build local capacity (eg for research proposals);
- Activities must be incorporated into the Program, and enhance the Program's ability to achieve outcomes (i.e. not just research for research's sake);
- Pilot solutions in particular geographic areas and evaluate before considering scale up;
- Be well-defined and specific in scope, and the risks well-understood;
- Incorporate a clear gender and social inclusion perspective; and
- Do no harm.

In the Governance space, opportunities with potential for innovation/research may include:

- Identifying opportunities to enhance the resilience of the public governance systems to natural disasters and impacts of climate change;
- trialling a SIG PFM cadet program (recruitment of Grade 12 School-Leavers with strong mathematics scores into vacant junior PFM positions on Public Service Casual Contracts, with a view to developing a pipeline of PFM recruits, and inculcating strong ethics and practices into potential junior officers);
- delivering a high-level seminar program designed for Members of Parliament/Ministers on fiscally responsible budgeting and borrowing, drawing on eminent regional leadership figures;
- engaging in pilot activities, on a voluntary basis, aimed at improving the management and delivery of constituency funds, and developing an informal corpus of 'best practice' that might be generalised in future;
- commissioning specific research or surveys to inform programming decisions or public service delivery, with a particular focus on practical and applied comparative research. One area that may provide early dividends would be research aimed at better understanding the incentives and motivations that shape public service performance in Solomon Islands; and
- other activities that may enable an increased effectiveness of the program, for facilitation of a community of practice for capacity building program staff and their counterparts.

Resources needed to support this activity is budget to allocate to jointly agreed initiatives.

-

7. MONITORING, EVALUATION AND LEARNING

Monitoring, evaluation and learning (MEL) is an integral part of DFAT's approach to programming. DFAT has a number of guiding strategies which inform MEL, including the Gender Equality and Women's Empowerment Strategy 2016, Development for All 2015-20, and the Australian Aid Policy (Making Performance Count: Enhancing the accountability and effectiveness of Australian aid 2014).

This section sets out the foundations for an MEL Framework and Plan for the Governance Program, which will guide their development during the inception phase of the program.

PURPOSE

The primary audiences for MEL under this program are DFAT management teams, the program team and decision makers, and the relevant SIG agencies.

The MEL Framework and Plan will guide the measurement, monitoring, evaluation and learning activities for the program. The purpose of the MEL Framework and Plan is to:

- **enable accountability** to DFAT (including reporting against the Aid policy, on how the funding was invested and what it achieved) and inform SIG and DFAT of the program's performance;

- **inform the on-going delivery of the program**, including its strategic direction, activity profile and assessment of how the program is positioned to engage and support SIG governance sector development; and
- **Enable learning** from the program to lead to improvements, by iteratively applying MEL understanding to inform the ongoing evolution of the program.

KEY EVALUATION QUESTIONS

Five key evaluation questions guide the MEL activities for Governance, Police Development and Justice Programs. They have been developed to enable reporting on shared areas of interest (such as impact on the reach and quality of government service delivery), and concern (such as quality of technical assistance management). The key evaluation questions are:

1. **What impact is the program having on government service delivery in the Solomon Islands?** (consider equity of access to services – geographic, gender and social inclusion – quality of services – timeliness, spread, and more);
2. **How well has SIG’s capacity and credibility been built through the program?** (consider organizational and individual capacity, the fact capacity development is a process, and the performance of technical assistance);
3. **Is the modality for each activity appropriate** (consider if TA is building capacity as intended, are there options other than long term TA to achieve SIG’s desired objective);
4. **In what ways is the relationship between SIG and Government of Australia changing?** (consider SIG ownership of Program activities and direction);
5. **In what ways are the joined up approaches of the three programs adding value to the overall investment?** (consider efficiencies, effectiveness, other benefits/challenges).

During the process of developing the MEL Framework and Plan, additional questions and/or sub-questions may be identified.

PRINCIPLES

The following principles inform the way in which the MEL activities should be planned and delivered:

1. **Socially inclusive:** to enable data to be collected, analysed and reported disaggregated by gender, age, people with disability and for all MEL activities to be delivered in a gender and socially inclusive and sensitive way. This means recognising the power dynamics, enabling participation of women and others and ensuring that people are not adversely affected by taking part in the MEL activities;
2. **Adaptability and flexibility:** to be responsive to new opportunities and SIG demand; and
3. **Learning focused:** ensuring that M&E contributes to broad-based learning on SIG and enables the program to adapt quickly.

PERFORMANCE MEASURES

The MEL Framework provides a series of potential indicators to track program performance for the Governance Program. These performance measures focus on high level effectiveness indicators and

management quantitative and qualitative indicators. In addition, indicators and measurement methods will need to be developed for the intermediate outcome level.

All data should be collected, where appropriate and practicable in a disaggregated form which enables reporting against the thematic issues (social inclusion, gender, provincial reach, etc.). Data will be drawn from sources such as the National Development Goals Tracker (Pilot) Survey, RSIPF community survey,

See Table 1 below. Indicators should be tracked from year to year, where practicable, to determine trends over the life of the program, and where appropriate cumulate the impact overtime.

Table 1. Indicative Results framework

Performance area	Indicators
Communities in Solomon Islands are safer and experience better access to services	<ul style="list-style-type: none"> • Community satisfaction with and perceptions of government services • Proportion of the population accessing select government services • Extent of regular use of SIGConnect in line Ministries and provinces • Number of government agencies collecting and using disaggregated performance monitoring data
Fiscally and socially responsible budgeting and borrowing	<ul style="list-style-type: none"> • Robust budget preparation and execution rubric rating for selected government portfolios • Debt service ratio • Budget utilization rate • Proportion of budget for specific gender, inclusive services and actions per agency • Number of agencies undertaking gender and social inclusion budget analysis • Absence of fraud against the Australian aid program delivered through budget support
Professional PFM cadre	<ul style="list-style-type: none"> • Quality of government expenditure rubric rating for selected government portfolios • Understanding of the PFM Act subsidiary legislation by line ministries • Strengthened middle level management in SIG • Number of Performance Audits by the Auditor General • Imprest management system user satisfaction rates • Error rate on transaction process (distribution and acquittals) • Number of misconduct matters referred to MPS • Proportion of misconduct files submitted that went to case • Number of submitted, lost and progressing misconduct files per agency • Number of internal procurement officers in agencies • Number of women and people with disability in senior positions within SIG

Performance area	Indicators
	<ul style="list-style-type: none"> Number of women and people with disability working in public service (disaggregated by level)
A more accountable and responsive public service	<ul style="list-style-type: none"> Awareness of gender issues within the public sector Number of agencies connected to SIG Connect Number of agencies using SIG connect Number of agencies doing direct entry into AX system Number of new women in leadership positions per agency Number of younger women, men and people with disability involved in capacity development opportunities per agency
TA performance	<ul style="list-style-type: none"> Number and proportion of TA meeting performance expectations Reduction in TA placements due to a declining need for technical support over the life of the program, with year 1 and 2 serving as the baseline, disaggregated by line ministry and type of TA placement

APPROACH

The program requires a mixed method (quantitative and qualitative) approach to ongoing monitoring of its activities on the ground and robust evaluations of its impacts. Monitoring and reporting on Governance Program management will be the responsibility of the managing contractor. Monitoring and addressing Governance Program impact and effectiveness will be the responsibility of DFAT. There are dependencies that link program management with program impact, which DFAT will administer through the contractor performance management framework.

The monitoring for the program will be focused on producing data to respond to all KEQs. The monitoring will need to focus on the management of the program, the management and performance of the contracted TA, the performance of the program and the relationship with the Police and Justice programs.

The monitoring data needs to be produced sufficiently regularly to allow the program to make rapid adjustments to changes in contexts, the relationship with SIG and to effectively performance manage the contracted TA and the program more broadly. Furthermore, the monitoring activities will need to be set up to allow for monitoring data to be captured in a disaggregated way and analyzed to produce absolute results and trends. The monitoring activities will need to consider the indicators for the program to enable annual reporting on these where appropriate. Lastly, monitoring for the program includes both performance and situational monitoring.

Situational monitoring, where the program would provide DFAT with intelligence to inform the positioning of this and other DFAT programs. This may include observations (qualitative) from TA or overall assessments from the program team on the current capacity of SIG, SIG drivers and priorities, and more (qualitative). The program should also draw on existing situational monitoring activities such as the National Development Goals Tracker (Pilot) Survey and RSIPF community survey (quantitative).

Monitoring of program performance would draw on some of the data produced through the TA performance monitoring activities (particularly on impacts of TA on SIG staff and systems) and could also include technical audits of targeted SIG functions and systems (quantitative and qualitative). Monitoring activities should also cover monitoring of program inputs, activities and outputs.

Monitoring of TA performance could include a biannual 360 review process which would include feedback from their counterparts (consider disaggregating this by women and men counterparts), their SIG managers, the TA manager, their peers, relevant DFAT staff and others as appropriate; monthly progress meetings with the program TA manager using outcome focused individual performance plans that include attitudinal and cultural aspects of performance; a diary or TA log of observations on changes observed within the government agencies they work with; quarterly whole of TA team progress and reflection meetings lead by the program TA manager (quantitative and qualitative).

Monitoring of value of the joined up approach would draw on monitoring of input allocations and facilitated systematic reflections from DFAT, AFP, contracted TA and program management across the three programs (quantitative and qualitative).

Implementing the MEL Framework and Plan will be the responsibility the joint program MEL Unit. An MEL specialist will be recruited in early 2017 prior to the commencement of the program. The MEL specialist will coordinate existing data sets and baselines study to inform the final MEL Framework and Plan. This lead time is required given that MEL needs of the Governance Program will span multiple agencies and involve multiple audiences (Government, individuals, communities and civil society). This means that the Results Framework Performance Area indicators will need adaptation to specific agency and activity.

As part of the development of the MEL Framework and Plan, the MEL Unit will review the Governance Results Framework to ensure their ongoing relevance to both SIG and Australia. Once finalised, the MEL Unit will develop the collection, collation and analytical tools that will be used, ensuring maximum cross-program efficiencies and synergies can be achieved. The design and implementation of data gathering tools will require the input of technical advisers across all three programs, and their support in embedding and monitoring their usage in counterpart institutions.

The MEL Unit will draw on the MEL outputs (data, results, findings, reports, etc.) produced under the three programs to provide progress reports, undertake trend analysis, and also feedback to SIG and Australia to help inform future decision making.

It should be noted that it is essential that all MEL activities are selected, designed, delivered and reported in a socially inclusive and gender sensitive way. It is expected that the monitoring and evaluation results and findings will enable reporting on the impacts of the program on all program participants, including socially excluded groups, young women and men, women, people with disabilities and others.

The evidence produced from the implementation of the Results Framework will be supplemented by a mid-term evaluation. In addition, the MEL Unit may put forward a case to team leader(s) to fund targeted evaluations on specific issues or interventions. For example, an evaluation of the

performance and potential for improvement of technical advisers is an area of interest for all three programs and may be the subject of an independent evaluation (or similar).

The focus for any targeted evaluations (case studies, reflection workshops, pilot evaluations) should be discussed and agreed by the three programs through the MEL Unit. The selection for the focus of these evaluations should be informed by selection criteria that benefit the program as a whole.

Any problems with data collection should be visible through the reports provided by advisers to their respective managers (as set out in the reporting section of this Design) and addressed collaboratively between the program advisers, counter-part agencies, and the MEL Unit.

The Head of Program will include MEL data in each six monthly report, and as required, will share data with DFAT between six monthly reports. This reporting will allow the program to make adjustments to changes in contexts, the relationship with SIG and to effectively performance manage the contracted TA. Furthermore, the monitoring activities will need to be set up to allow for monitoring data to be produced in a disaggregated way.

Please refer to Program Cycle Key Dates in Part 8 (Implementation Arrangements) for additional relevant reporting requirements.

LEARNING

Drawing on the results and findings produced by the MEL Unit, the program team, DFAT managers, and the Joint Steering Committee will be in a position to reflect on the following areas:

- How effective is the program at improving delivery of services?
- What is working and not working, in relation to how the programs are engaging with SIG, recruiting and managing technical assistance, etc;
- What are we learning about SIG, in relation to its capacity, need and support for the program, etc; and
- How does the program need to be working differently to be more effective and efficient, and working more effectively with other Australian Government investments?

The MEL Unit reports to the Steering Committee (six-monthly) and the Advisory Committee (annually) will include recommendations for program changes where these are necessary, for example, where progress is less than anticipated a new approach to triggering reform may be required. Learning through MEL will be fed into the program in the following ways:

1. The MEL Unit **reports will be tailored** and provided to SIG counterparts to ensure broad-based learning across the programs. Non-traditional approaches will be utilised to ensure good uptake of the information, including **briefs, snapshots, case studies, and info-graphics**. The MEL Unit will also **host an annual outcomes presentation** that provides audiences with evidence and analysis emerging from data, and encourage dialogue; and
2. The MEL Unit will, in addition to providing data and analysis on a regular basis (as set above), will conduct regular **Reflection Workshops** with key program staff/advisers and their counterparts (where appropriate). The Reflection Workshops will provide an opportunity for whole of program learning and will therefore draw upon the MEL information to date. They will also

facilitate a solutions orientated approach to addressing the priority areas that have emerged through M&E data and analysis – leading to action points that will be taken up by nominated person(s) responsible. It is anticipated that Reflections Workshops will occur annually. Throughout the life of the program “once-off” workshops may be implemented to address specific issues and areas of concern.

8. IMPLEMENTATION ARRANGEMENTS

This section outlines the implementation arrangements for the Governance Program, including budget requirements, resourcing requirements and governance arrangements.

BUDGET

The budget for the Governance Program will be AUD7.5m per annum over four years. In addition to the four components that make up the program, budget allocations are included for the establishment of a monitoring, evaluation and learning unit as well as management fees. The primary modality for expenditure is the use of LTA and STA to provide strategic and embedded advice to agencies, oversee key activities, and in limited circumstances, occupy embedded positions.

The budget is designed to be flexible. The resources required to pursue an activity, or the activities required to pursue an outcome, are expected to change over the life of the program.

An indicative breakdown of expenditure by component is as follows:

Program Component	Indicative cost
1. Fiscally responsible budgeting and borrowing policies	\$6,075,000
2. A professional PFM cadre	\$7,860,000
3. A more accountable and responsive public service	\$5,680,000
4. Strengthened coalitions for reform	\$2,520,000
5. Management and Monitoring	\$7,150,000
Total	\$30,000,000

GOVERNANCE AND MANAGEMENT ARRANGEMENTS

The Governance, Police Development and Justice Programs will be governed by a joint high level AFP and DFAT Steering Committee, and informed by an Advisory Committee consisting of senior SIG officials involved in service delivery line ministries.

At the program implementation level, the program will be overseen by DFAT via a contractual relationship with a managing contractor, led by a Head of Program.

The Head of Program will be responsible for overseeing the program implementation in an effective, timely and efficient matter. The Head of Program will be directly responsible for the Innovation and Research Initiatives oversight. The Head of Program will work with the Justice and Police Development Program team leaders to provide strategic direction to the operations of the Monitoring, Evaluation and Learning Unit (a team that will work across the program portfolio.)

The Head of Program will be supported by a Deputy and operational staff as required, including for functions such as communications, security, finance, grants and project management and other regular program needs. The Head of Program, program staff and advisors, will be recruited through the Solomon Islands Resource Facility (SIRF). While the Head of Program will provide strategic advice, DFAT has responsibility for the program strategy. DFAT is ultimately responsible for ensuring that the mix of activities will lead to the program outcomes.

This is appropriate as issues around PFM and public service reform can be sensitive and, at times, highly political. Understanding the political dynamics, and how these impact on opportunities is critical to the overall strategy of the program. Understanding, and engaging with, these political dynamics is core business for DFAT, and this will be increasingly important as RAMSI departs. Therefore, it is not the effective or efficient for the Governance Program to be wholly outsourced to a managing contractor at the commencement of the program.

This Facility model has resource implications for DFAT and continual assessments will be made to ensure that this model continues to be the best approach, given the political complexities, and Post's resources. This will be a key question in the proposed mid-term review of both the Governance and Justice Programs.

PROGRAM MANAGEMENT STAFF ROLES AND RESPONSIBILITIES

The **Head of Program** is the most senior program team member under SIRF and is therefore responsible for all aspects of program implementation. They will be responsible for strategic advice to DFAT, and high-level management of the program; liaison with DFAT and SIG; and delivery of timely and high quality strategies, plans and reports. The Head of Program will effectively communicate information between stakeholders, and build a positive team culture that is enthusiastic for achieving program outcomes. The position will manage the team of advisers, ensuring they are well supported in their role and achieving outcomes, are engaged in whole of program strategy development and continuous professional development, and have opportunities for reflection and forward planning. The Team Leader will be responsible for achieving quality and efficiency targets.

The Head of Program should have experience in post conflict governance, highly developed skills to work collaboratively with counterpart governments, and exceptional adviser management skills. The Head of Program will:

1. build strong relationships with, and be responsive to, DFAT and SIG;
2. ensure processes for lessons learned, reporting and sharing information;
3. bring coherence and collaboration to the Governance Program as well as across all three programs; and
4. embed processes for strong communication and collaboration with SIG counterparts, providing opportunities for regular consultation, sharing of information, strategy planning and planning for innovation and opportunities.

The **Deputy Head of Program** will support the Head of Program in managing the program staff and activities, and guiding the strategic direction of the program to keep it on track to achieve its

outcomes. The Deputy will ensure the achievement of quality results in a timely manner; build and strengthen relationships between the program staff, DFAT, and SIG counterparts; support monitoring, evaluation and learning activities across the program, and coordinate annual planning and reporting activities. They will:

- Maintain strong relationships across the Australian government portfolio of programs to ensure the Governance Program is supporting them to achieve their outcomes;
- Support Innovation and Research activities including by working with the Police Development and Justice programs to identify concepts, and working with SIG and other stakeholders to design the approved activities;
- Facilitate cross-program learning and professional development, particularly in relation to effective capacity building methods;
- Potentially directly manage some of the technical advisory staff, as nominated by the team leader;
- Build relationships between the program and other stakeholders such as civil society organisations, universities, the World Bank, and so forth; and
- Facilitate and find solutions on specific issues and problems, and manage program risks together with the team leader.

The **MEL Unit Specialist** will work collaboratively with the AFP MEL Officer to jointly develop the Monitoring, Evaluation and Learning Framework for all three programs, and support its implementation across the programs. The MEL Unit Specialist will support knowledge generation and sharing with target audiences including SIG, advisers and DFAT. S/he will promote an evidence-based learning culture throughout the program and with SIG; undertake reporting and ensure the data needs of key stakeholders are met, including disaggregated data; ensure key principles underpinning the MEL approach (see MEL section) are adhered to at implementation; and identify key evaluations that promote the development outcomes of the program. The MEL Unit Specialist will also take responsibility for ensuring results related to gender equality; social inclusion and diversity are systematically captured and reported.

The program office may require **local staff** to assist to manage day to day implementation of the program.

DFAT ROLES AND RESPONSIBILITIES

DFAT will have responsibility for the strategic direction of the program, strategic relationship with SIG, and monitoring program performance. DFAT's role includes:

- Developing and maintaining relationships with senior SIG personnel; working together to negotiate strategic direction of the program;
- managing contractual and financial arrangements;
- liaison with global and thematic areas of DFAT, and whole of government;
- developing global policy and strategic direction for the program in alignment with the Department's priorities and policies;
- contributing to and approving all strategy and planning documents, budgets, etc;
- contributing to MEL and managing independent reviews and evaluations;

- trouble-shooting on security, adviser performance, and relationships; and
- liaison and relationships with political stakeholders.

DFAT will facilitate join GoA / SIG annual planning processes, and ensure SIG involvement in program decision making throughout the life of the program.

SOLOMON ISLANDS RESOURCE FACILITY

DFAT has established a SIRF that can recruit, mobilise, contract and provide support services for TA for programs. The Facility is also able to support DFAT with small scale procurement for programs. The current SIJP advisers are all recruited and contracted through SIRF. DFAT currently envisages recruiting the Head of Program, Deputy and all other advisers through SIRF.

Over the course of implementation, DFAT will continually assess if the program management structure (including involvement of SIRF) is appropriate, or could be improved.

SIRF, through either Facility staff or the Head of Program, will:

- manage the recruitment, mobilisation, training and in-country management and support for advisers;
- manage the development of capacity development plans collaboratively with SIG and advisers;
- ensure compliance with DFAT policies and program standards;
- develop (with DFAT and SIG input) the full suite of required strategies, plans and reports that are detailed in this design;
- provide ongoing operational, logistics and technical support to advisers;
- develop and manage the budget and allocation of funds; and
- provide support for annual planning processes, events, monitoring visits, etc.

Efficient and fit-for-purpose systems and processes will be established and will be adequately resourced to deliver quality human resource management, administration, finance, grants, logistics, security and marketing and communications. DFAT will consider ways to incentivise SIRF performance, possibly through performance payments.

REPORTING

The reporting cycle for the program will be determined by DFAT. An indicative outline of key reports is as follows:

Progress Reporting

Progress reports will be submitted six-monthly, aligned with the annual planning processes to ensure information and learning is used to inform the Annual Work Plan. Progress Reporting will address Key Evaluation Questions as set out in the MEL Framework and Plan.

Progress reports will include the following:

- Highlights from previous period;
- Update on progress against the Annual Work Plan targets;

- Progress against the Performance Indicators (see MEL section) and analysis demonstrating progress towards outcomes including:
 - Achievements against capacity building plans;
 - SIG systems and process strengthening achievements;
 - SIG service delivery outside of Honiara (increases / decreases and why);
 - SIG cross-agency coordination and collaboration;
 - Diversity and inclusion data.
- Health checks on the relationships with SIG counterpart Ministries and agencies;
- Innovation and Research Initiatives and outcomes;
- Risks and mitigation strategies;
- Future directions; and
- Financial report.

Progress reports will include data broken down at annual and six monthly intervals.

Adviser Reporting

Advisers will be required to submit reports at regular intervals (to be determined by DFAT and the Head of Program). The reports will outline, among other things, key achievements against the assignment Terms of Reference (ToR), challenges, opportunities (including innovation), lessons learned and recommendations for future directions. This information will guide ongoing support and inform on changes in approaches to implementation and planning for future assignments.

SIG Inclusive Reporting

Although SIG is not obliged to report to DFAT on the program, it is advised that SIG be invited to conduct regular health checks of the relationship between SIG and advisers, and be formally invited to provide an update and regular progress report to DFAT regarding the program. This will assist the program to ensure SIG has formal input into the ongoing management and direction of the program.

Financial Reporting

The Head of Program will provide DFAT with regular financial updates to enable ongoing up-to-date management of expenditure and forward commitments.

TRANSITION, INCEPTION AND IMPLEMENTATION

TRANSITION STAGE

DFAT is keen that the transition to the new program is as smooth and seamless as possible. The current program ends on 30 June 2017. A decision as to which positions, if any, will be novated to the new program is yet to be taken (and will be informed by DFAT procurement processes, and consultations with SIG).

The aim of a seamless transition is that there should be no gap in support to SIG.

DFAT intends to recruit the Head of Program in early 2017, to cover the last months of the existing SIGOV and then carry over into the new program. The Head of Program can then assist with the transition, liaise with SIG on ToR for new LTA, and assist with recruiting the LTA/STA team.

DFAT will also recruit the M&E specialist in early 2017 so they could start planning (and implementing) initial MEL work. Both the team leader and M&E specialist would be financed through the current Governance Program until 30 June 2017, then transition to the future program. The program would plan LTA recruitment in early 2017 and aim to have as many LTA as possible in place by 1 July 2017. DFAT will engage with SIG to agree the ToRs of all advisers.

INCEPTION & PLANNING

The Head of Program will develop

- Monitoring, Evaluation and Learning Framework and Plan (with the MEL Unit);
- Gender and Inclusion Strategy (with the Gender Adviser);
- Risk Register and Risk Management Plan (based on the draft risk register at Annex B); and
- Annual workplans (with advisers).

Agreeing these documents may involve a series of planning workshops and roundtables. The outcome will be to agree the strategic direction for the program, and a pathway for implementation, and immediately will set the tone of the relationships moving forward. The inception phase process will be governed by the following overarching principles:

- Transparency and integrity;
- Listening and understanding SIG perspectives;
- Working together to develop an inception and implementation program, with agreed outcomes, plans and delivery strategies;
- Focus on cross agency collaboration; and
- That personnel from senior executive, senior, middle and operational level are involved in the processes at relevant and appropriate stages.

SUSTAINABILITY

This section should be read in close conjunction with the section on Risk.

The sustainability of change brought about through the Governance Program cannot be assumed; it will depend on the following factors:

Commitment and buy-in on the part of the Solomon Islands Government (at both the political level and the public service). SIG commitment (or lack thereof) may manifest in a variety of ways: the absence of leadership for policy/legislative reform; failure to provide financial resources to support otherwise declared policy priorities; failure to fill critical public service vacancies; and churn in the senior ranks of the public service undercutting continuity and damaging relationships. In contrast, individual leadership and champions of reform will maximise the effectiveness of the program and promote sustainability of change.

Appropriate programming on the part of the Australian aid program: change will not be sustainable if solutions are not appropriate to the Solomon Islands context. That is, solutions cannot be over-elaborate, overly-dependent on adviser input, driven solely by the program without SIG buy-in or implemented in isolation from political realities. Such solutions are easily dismantled or ignored.

The strongest factor working in favour of the sustainability of change influenced by the Governance program will be results, i.e. the program's ability to demonstrate positive change, and change in which key groups are seen to benefit. Related factors which will affect the sustainability of the program include:

- Its ability to 'work with the grain', that is to identify home-grown agendas for change and reform and to support these. Even if they are not world's best practice, they may turn out to be Solomon Islands' best practice;
- Its ability to harness third party support, for instance through the business community/private sector. As noted elsewhere in this document the Solomon Islands business community is still characterised by rent-seeking behaviour. Even so, it is not unique in that and the program should actively analyse and explore entry points into the various segments of the business community, including the 'big end of town'; the Chinese community; and the indigenous business community. There are also opportunities for the program to assist in the development of professional bodies and communities of practice (for instance in the audit area) and this could play a role in creating and sustaining demand for better standards from government; and
- Australia's acceptance that the state-building project in Solomon Islands requires a long-term commitment. It is not reasonable to expect quantum improvements in the performance of the public sector in Solomon Islands over the timeframe of this program and what improvements are achieved will require an ongoing commitment that extends well beyond that timeframe.

GENDER AND SOCIAL INCLUSION

The Governance Program will pursue improved gender and social inclusion outcomes through two specific initiatives.

First, through the piloting of Gender and Social Inclusion Budget Impact Analyses in selected line ministries. This initiative will use established structures (eg the Gender Focal Point network) to introduce this initiative. The conduct of such analyses will raise awareness both within government and – subject to their public release – among civil society about the impact of budget decisions on vulnerable groups.

Second, by supporting greater gender equality in the public service. The aim of this activity is to support and intensify existing efforts to improve gender outcomes and support gender mainstreaming in the public service by identifying gaps (knowledge, skills, regulatory) and opportunities (leadership and management training, performance management, conduct and behavioural issues) that impact on gender equality in the public service.

PRIVATE SECTOR

Solomon Islands' private sector is a key beneficiary of well-managed public finances and a more effective and responsive public service. In principle, the private sector is a natural ally of the Governance Program and should advocate for reforms. That said, much of the private sector in Solomon Islands continues to display predatory and rent-seeking behaviours. The design recommends that the Governance Program Head of Program develops a strategy for engaging with the private sector and its various elements including the 'big end of town' (for instance the commercial banks); the Chinese community; and the indigenous business community. The objective will be to encourage the private sector to be more effective advocates for change in the Governance space. This activity needs to be developed in close consultation and cooperation with the Economic Growth Program.

As noted previously, over time there will be opportunities for SIG to outsource specific PFM functions to the private sector, although at present the market is not sufficiently mature for this to be a realistic option during the first phase of the Governance Program. As noted above, there may be opportunities to in-source private sector capacity from other Pacific Island countries where this capacity is more highly developed and available.

RISK MANAGEMENT

The Governance Program works close to the heart of government in Solomon Islands and therefore in an inherently politically sensitive context. This carries with it a range of risks that are not straightforward to manage.

POLICY INCOHERENCE

A key risk relates to the potential for political decisions to interfere with decision-making. A lack of policy coherence in decision-making may also create disincentives to achieving the outcomes identified. Poor, unrealistic or inconsistent policymaking is a risk

DISINCENTIVES TO PUBLIC FINANCIAL MANAGEMENT REFORM

At the same time, both the allocation and expenditure of public finances, and appointments to senior positions in the public service, can be subject to inappropriate interference and rent-seeking behaviour by others. Any reform measure – particularly in the PFM space - is carefully scrutinised by those who are not interested in reform.

Since 2003, such risks have not been eliminated, but they have been mitigated to a greater or lesser extent by the presence of Australian and other RAMSI advisers and in-line personnel in key roles in Solomon Islands' central agencies. The current cadre of senior officials appears more alert to the sort of behaviour described above. However, fundamental patterns of political behaviour in Solomon Islands have not yet changed in any significant way. The possibility of a deteriorating budget situation (outlined elsewhere in this design) may only exacerbate the risk of poor policy decisions.

Component four aims to respond to this risk, but the effectiveness of this will continue to be monitored.

FRAUD

Fraud against the Australian aid program remains an ever present risk in Solomon Islands although here, too, controls in place over recent years and particularly since 2013 appear to have been effective in mitigating this risk. DFAT's Aid Investment Plan for Solomon Islands identifies fraud as a key risk and this will remain one of the key focus areas for the Governance Program. DFAT will continue to use the Assessment of National Systems process to manage these risks. A table at Annex E sets out how the Governance Program addresses the key findings of the 2015 Update of the Assessment of National Systems.

HEAVY RELIANCE ON ADVISERS

At the Program level there are a range of (both generic and specific) risks in managing a large pool of in-country advisers whether short term or long term. These risks can be classified into the following categories:

- Performance (the risk that advisers under-perform in the key task of capacity building; and the risk that advisers overreach by substituting rather than developing capacity);
- Coherence (the risks that advisers, or adviser teams, do not coordinate adequately across programs); and
- Behaviour (the risk that personal conduct issues damage relationships, or the reputation of the program or of Australia).

The parallel design of the Police Development, Justice and Governance programs is intended to address the second of these points (although a design can only be a starting point). Collaborative program management arrangements is also part of the answer. The separation of Australian assistance through the Economic Reform Unit from the Governance Program (and its placement in the new Growth Program) is a new construct compared to the past 14 years of RAMSI and post-RAMSI assistance to MOFT and, as such, a risk to overall aid program coherence and effectiveness: it will be critical to get coordination between these two programs right.

LACK OF COORDINATION WITH OTHER AUSTRALIAN FUNDED PROGRAMS

The Governance Program is an enabling program for many other Australian funded programs that provide budget support. DFAT will need to ensure that the Governance Program collaborates with those other programs, and works to address common problems. The Working in Partner Systems Working Group (led by the Governance Program, but involving all other DFAT programs that provide budget support) helps mitigate this risk.

Additionally, the Governance Program must work with the new Growth Program, given their complementary objectives. DFAT will continue to assess if the mechanisms it has in place for this collaboration are working.

IMPLICATIONS FOR THE PROGRAM

- Senior Program staff must be politically sophisticated and nimble. Simple technical proficiency may be necessary but it is not likely to prove sufficient alone, especially at the more senior levels;

- DFAT must continue policy dialogue with SIG at multiple levels – with Ministers, MPs, and senior officials, and be cognisant that there will be a multiplicity of views among them;
- Relationships between Program staff (advisers), Program management, and the High Commission must be open and based on high levels of trust and information exchange. Advisers working in senior positions should be managed at a strategic, not a day-to-day level. Their roles will be dynamic and whilst their Terms of Reference should clearly stipulate performance expectations, it is expected that they will also be opportunistic in identifying potential quick wins and long term strategic endeavours as they emerge in this dynamic environment;
- Expectation of the mandate, performance and behaviour of advisers must be made clear by Governance Program leaders. This includes in relation to the shift of emphasis away from in-line towards capacity building, as well as in relation to protecting the reputation of the program and Australia Government more broadly;
- The program should focus on realistic and achievable objectives. Over-ambition – particularly in the current political environment – would simply be counterproductive; and
- An element of flexibility and adaptability should be front-loaded into the program design and program budget to allow it to respond to opportunities as they may arise over time. What is not politically possible today may be possible in two or three years' time.

SAFEGUARDS

DFAT safeguards for the Australian Aid Program are applied to environmental protection, displacement and resettlement, and child protection. DFAT's original Investment Concept Note for the Governance Program did not identify any potential safeguards issues, nor have specific potential safeguards issues been identified through the subsequent design process. That said, the program will need to remain cognizant of, and to adhere and apply these safeguards. Program management will refer to the DFAT website for the most up to date versions of DFAT Safeguards.

CHILD PROTECTION

The Governance Program will apply the Australian Government Child Protection Policy for the Australian Government's aid program, originally released January 2013 and reprinted June 2014, and any updates released throughout the course of the Program. The Child Protection Policy applies to all contractors and agencies funded by the Australian Government aid program. The Policy recognises the shared and collective responsibility of all adults to prevent child exploitation and abuse and DFAT's own responsibilities as the Australian Government's overseas aid agency, to working with its partners to prevent and respond to child exploitation and abuse. It further recognises that child sex offenders often seek employment or volunteer placements in organisations that work with children in Australia or overseas in order to access vulnerable children and therefore the policy is designed to protect children across the world from (or from further) exploitation and abuse and sexual, physical and psychological violation.

The goal of the policy is to protect children from exploitation and abuse of all kinds in the delivery of Australia's overseas aid program.

The guiding principles of the policy are:

- Zero tolerance of child exploitation and abuse;
- Recognition of the best interest of the child;
- Sharing responsibility for child protection;
- Risk management approach; and
- Procedural fairness.

The Governance Program is obliged, under DFAT’s Child Protection Policy, to have a DFAT compliant child protection policy. It currently consists of nine standards that provide a framework for managing and reducing the risks of child exploitation and abuse. The policy applies to any managing contractor as well as its personnel, partners and subcontractors who are using DFAT funds.

DISPLACEMENT AND RESETTLEMENT

The Governance Program is required to adhere to DFAT’s policy on *Displacement and Resettlement of People in Development Activities*, July 2015 (or its subsequent updates). Displacement may be physical or economic and may occur as a result of development activities such as the building of economic or social infrastructure. Displacement occurs wherever communities are required to move, or when their access to land is restricted, as a consequence of the activity. Resettlement of affected communities to alternative locations needs to be well planned and supported in order to ensure positive outcomes. Appropriate risk assessments and mitigation measures need to be in place in order to ensure positive outcomes for vulnerable people who may be affected by the activities, directly and indirectly.

Although it is not envisaged that the implementation of the Governance Program will result in displacement and resettlement, it will need to be mindful of, and adhere to, the DFAT guidelines.

ENVIRONMENTAL PROTECTION

The Governance Program must comply with DFAT’s Environmental Protection Policy (November 2014) and any subsequent updates. The Australian aid program and its activities are obliged, under the Environment Protection and Biodiversity Conservation Act, 1999 (‘the EPBC Act’) to consider whether overseas work will cause, or may be likely to cause, a significant impact on the environment, and take steps to avoid and/or mitigate any negative impacts. Under the provisions of the EPBC Act, potential significant impacts on the environment from the implementation of the Australian aid program must be diligently assessed and managed as prescribed under the EPBC Act.

Policy Principles for Environment Protection under the Australian aid program include the following:

- Principle 1: Do no harm;
- Principle 2: Assess and manage environmental risk and impact;
- Principle 3: Disclose information transparently;
- Principle 5: Work with partners; and
- Principle 6: Promote improved environmental outcomes.

The Governance Program is not likely to have environmental impacts through its activities.

ANNEXES

ANNEX A: MAPPING THE GOVERNANCE PROGRAM TO THE NATIONAL DEVELOPMENT STRATEGY

Solomon Islands National Development Strategy 2016-2035	Governance Program activity
Medium Term Strategy 12: Efficient and effective public service with a sound corporate culture: The objective of this strategy is to enhance efficiency and effectiveness of public sector founded on principles of transparency, accountability, trustworthy and honesty.	
Improve and enforce good governance values and practices and ensure accountability and transparency at all levels of governance, including strengthening the Service Commissions and Accountability Institutions to provide effective oversight and facilitation of government policies and programmes.	Activities 2.4, 2.5
Review, restructure and reorganise the Public Service to ensure effective and efficient delivery of goods and services at all levels including rural communities.	Activities 2.1, 2.2, 2.3, 3.1
Strengthen and reinforce systems for workforce planning and management, including the use of e-governance initiatives through the Human Resource Management Information System (HRMIS) Programme.	Activities 3.1, 3.2, 3.3
Improve planning and budget operations based on sound PFM practices as set out in the PFM Road Map such as integration of recurrent and development budgets including donor financed programmes.	Activities 1.1, 1.2, 1.3, 1.4
Establish effective performance management systems and programmes that enhances both staff and institutional performance and compliance to government policies and guidelines.	Activity 3.2
Promote the capacity development of all public officers and other stakeholders in both Honiara and Provinces to be equipped with relevant knowledge, skills and attitude to effectively perform their duties and responsibilities.	Activities 2.1, 2.3, 2.5

Review and strengthen the Human Resource Management Governance Framework including the Public Service Act, rules, regulations, orders and other related laws.	Activity 3.2
Medium Term Strategy 13: Reduce Corruption and improve governance at national, provincial and community levels: The objective of this strategy is to reduce corruption within government institutions and to instil a sound corporate culture at all levels.	
Increase efforts focused on preventing corruption and malpractice and create a good governance culture.	Activities 2.1, 2.2, 2.3, 2.4, 2.5
Support and empower watch-dog institutions to provide necessary oversight to public institutions and support programmes to civic organisations.	Activities 2.4, 2.5

ANNEX B: MAPPING OF ASSESSMENT OF NATIONAL SYSTEMS AGAINST GOVERNANCE PROGRAM

This table sets out how the Governance Program addresses the recommendations of the Assessment of National Systems 2015 Update.

Assessment of National System 2015 Update Recommendation	New Governance Program
Plan	
DFAT sector programs continue to supplement the SIG system by supporting SIG Ministries to develop and implement costed strategic policy and planning documents.	Activity 1.1: Continue existing Development Budget Adviser (LTA)
Budget	
DFAT maintain support for budget advisor role.	Activity 1.2: Continue existing Budget Adviser (LTA).
DFAT continue support for improvements to the payroll system, such as supporting MoFT to engage Aurion to conduct necessary system upgrades.	Activity 3.3, noting much of the Aurion work will be completed in 2016.
DFAT advocate for MOFT to establish mechanism to identify end of year arrears balances. This would be supported by the budget advisor finalising the proposal currently being developed regarding management of arrears.	Activity 1.2: Continue existing Budget Adviser (LTA).
Parliament	
DFAT provides ongoing support to the OAG, including through advisory support and training. DFAT advocate for improved twinning arrangement with NSW Parliament and functioning of the PAC to maintain its focus on review and transparency.	Twinning with NSW Audit office.

Assessment of National System 2015 Update Recommendation	New Governance Program
Treasury	
DFAT maintain funding for independent Accountant General position and ex ante controls in MOFT and key line ministries spending DFAT funds.	Discussions with SIG as to the nature of advisory or other support for consolidation of PFM reforms and ex ante controls.
The use of contingency warrants to be reviewed by Accountant General.	Budget Adviser may be able to assist with this work.
DFAT sector programs continue to use Ledger 3 (earmarked funding) and separate bank accounts for program funds on ongoing basis.	To be taken forward by sector programs.
DFAT engage with MoFT to track effective compliance with the PFM Act and identification of funds adequate for debt servicing.	Activity 1.3: DFAT will continue to support TA (from Australian Office of Financial Management) for SIG's debt management unit to assist SIG to sustainably manage its debts and provide advice on borrowing requirements of SOEs.
Accounting	
DFAT maintain internal audit TA available to SIG for the foreseeable future, with consideration being given to some reduction in the number of advisors in recognition of increased effectiveness of other risk controls. Fraud investigation support could be limited to situations where significant fraud relates to DFAT funding.	Activity 2.5 – Twinning, STA and Institute of Internal Audits.
DFAT advocate for MoFT's implementation of the Public Financial Technical Assistance Centre (PFTAC) recommendations on management of imprest accounts.	Will need SIG agreement. Pursued through Activity 2.2 (Automated Imprest Management System) and Activity 2.5 (internal Audit)

Assessment of National System 2015 Update Recommendation	New Governance Program
DFAT support MOFT to commence planning for introduction of an asset management system as per PAC recommendation.	Design includes flexibility to do this if a priority for MOFT.
Procurement	
DFAT sector programs continue current risk mitigation measures, including Procurement Advisers in line ministries support of procurement with Australian funds and 'No Objection Letter' process.	To be taken forward by sector programs.
Procurement Adviser, DFAT position also to be continued. DFAT funding for the Procurement Specialist position in the PPU be reconsidered, but if MoFT should decide to continue this function DFAT consider capacity building support to the official to perform the MoFT procurement compliance role. Procurement Adviser, DFAT to engage in dialogue with Accountant General on opportunities to support procurement reform work.	Activity 2.3. Procurement Adviser DFAT, Procurement Strategic Adviser.
Procurement Adviser, DFAT to engage PPU on establishment of an independent complaints review mechanism.	Design includes flexibility to do this if a priority for MOFT.
Procurement Adviser, DFAT engage with PPU to revise manuals and documents and ensure procurement advisers in line ministries, who have experience working with the documents, contribute to their revision.	Activity 2.3. Noting that currently work is underway to draft procurement regulations.

Assessment of National System 2015 Update Recommendation	New Governance Program
Procurement Adviser, DFAT and DFAT engage in policy dialogue with MoFT about appointment of senior level head of procurement and development of a comprehensive and prioritised procurement reform program.	Activity 2.3 re advocacy. Design includes flexibility to do this if a priority for MOFT.
DFAT procurement advisers in line ministries focus on preparing and implementing procurement plans, building capacity of counterparts and strengthening support systems. DFAT sector programs may need to provide some resourcing for engagement of local firm/consultant to clear any backlog of poorly drafted contracts and contractual disputes.	Activity 2.3 (working with sector programs). Current Governance Program has established a panel to help with surge work.
Procurement Adviser, DFAT support DFAT funded procurement advisers in line ministries with the development of framework contracts for common use items. Procurement Adviser, DFAT and DFAT engage in policy dialogue with the PPU and, if considered appropriate, provide support for the establishment of additional whole of government framework contracts for common use items.	Activity 2.3 re advocacy. Design includes flexibility to do this if a priority for MOFT.
DFAT and Procurement Adviser, DFAT encourage the OAG to undertake an audit of CTB operations in 2016 and review findings of any such audit.	DFAT to consider how best to approach this. Design has sufficient flexibility to provide support if needed.
In the absence of an independent audit DFAT continue to make representations to Permanent Secretary Finance to obtain an observer role for DFAT when the CTB is considering a DFAT funded procurement.	No specific activity. Issue for DFAT- SIG discussion.

Assessment of National System 2015 Update Recommendation	New Governance Program
Procurement Adviser, DFAT and DFAT encourage MoFT PPU to provide training to suppliers and hold fora with the private sector to improve SIG procurement policy and practice.	Activity 2.3. A Training Needs Analysis is currently underway under current program.
On Report	
MoFT maintain quarterly reporting requirements (with monthly bank reconciliations) for reporting to DFAT.	Issue for sector programs.
DFAT continue supporting SIG to deliver the SIG Connect roll-out.	Activity 3.1.
On Audit	
DFAT sector programs and MoFT to ensure agreements for any programs that use SIG partner government systems include provisions for an external audit to be undertaken by the OAG or outsourced as required. Funding should be provided from programs, where appropriate, to support the audits being conducted.	To be taken forward by sector programs.
DFAT continue support to the Auditor General's office, including training	Activity 2.4.
DFAT and MoFT monitor operation of the PAC and whether all tabled OAG reports are available on the OAG website.	No specific activity. Policy dialogue issue. Design has sufficient flexibility to handle if needs be.

Assessment of National System 2015 Update Recommendation	New Governance Program
DFAT representation to the PAC for it to request that Audit Committees in each line ministry or, where there is no Internal Audit Unit, in MoFT, monitor line ministries' response to OAG reports and recommendations and report to the PAC.	No specific activity. Policy dialogue issue. Design has sufficient flexibility to handle if needs be.
DFAT advocate for the passage of the Auditor General Bill.	No specific activity. Policy dialogue issue. Design has sufficient flexibility to handle if needs be.

