



Initial Poverty and Social Analysis

Project Number: 55011-001

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Solomon Islands: Supporting Fiscal and Economic Recovery Program (Subprogram 1)

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Asian Development Bank

Currency Equivalents
(as of 4 September 2022)

Currency unit	–	Solomon Islands dollar (SI\$)}
SI\$1.00	=	\$0.12
\$1.00	=	SI\$8.13

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
SOE	–	state-owned enterprise

NOTE

In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Solomon Islands	Project Title:	Supporting Fiscal and Economic Recovery Program
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Lending/Financing Modality:	Policy-Based Loan and Grant	Department/ Division:	Pacific Department Pacific Liaison and Coordination Office
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I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The program aligns closely with the Solomon Islands National Development Strategy (NDS) 2016–2035 objective of sustained and inclusive economic growth.^a It supports other NDS objectives relating to equitably distributing the benefits of development and stable and effective governance. Reforming the tax system for fairness and equity will stimulate private sector development, a key step towards achieving inclusive economic growth. Improving public finance and debt management will increase transparency and accountability in the use of public resources and enable increased investment in economic growth and social development. Addressing corruption and strengthening the regulation of financial institutions will support private sector recovery and financial inclusion. Integrating gender equality will contribute to achieving the objectives of the National Gender Equality and Women's Development Policy, 2016–2020, and the National Strategy on the Economic Empowerment of Women and Girls 2020–2023.^b The focus on improved public sector management aligns with the Asian Development Bank (ADB) Strategy 2030 priority to strengthen governance and institutional capacity and mainstream gender equality into operations.^c The Pacific Approach 2021–2025 also emphasizes enabling value creation through financial reforms that facilitate private sector growth, such as simplifying business tax compliance, including for women entrepreneurs.^d

B. Poverty Targeting

☒ General Intervention ☐ Individual or Household (TI-H) ☐ Geographic (TI-G) ☐ Non-Income MDGs (TI-M1, M2, etc.)

Although the program is not expected to have direct poverty impacts, the program's impact on taxation, public finance, and debt management is expected to increase the sustainability of public investments that benefit the poor and vulnerable. This, together with reforms to improve the business environment, can promote productive investment and economic growth to support a resilient recovery from the impact of the coronavirus disease (COVID-19) pandemic.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. To meet its goal of alleviating poverty and ensuring the benefits of development are more equitably distributed, the Solomon Islands Government will need to ensure fair and efficient mobilization of domestic resources and well-targeted expenditure on critical public services. Poverty rates have fallen since the conflict ended in 2003, with 12.7% of the population below the poverty line in 2013. Most of the poor, 87%, live in rural areas and poverty rates vary by province, with poverty incidence above the national average in Makira, Guadalcanal, and Honiara.^e Most working-age adults in rural areas are engaged in subsistence activities – 63% compared to 31% in urban areas, with higher rates among women than men. Corruption exacerbates poverty and vulnerability. In a 2021 survey, 90% of respondents reported that corruption is a problem when doing business, and 21% had recently paid a bribe to receive public services.^f The Solomon Islands was ranked 71st out of 180 countries in the 2021 Corruption Perceptions Index.^g Social vulnerabilities and exposure to disasters from natural hazards intersect, and projected climate change risks disproportionately impact poor and vulnerable groups.^h The COVID-19 pandemic has compounded existing vulnerabilities and exacerbated poverty and insecurity. An estimated 44,589 people were at risk of being pushed into poverty in 2020–2021 due to the pandemic.ⁱ Many households have increased medium-term coping strategies, such as drawing down savings, with limited assistance from informal safety nets.^j The program will improve the enabling environment for resilience-building and recovery by strengthening the legislative and regulatory environment for (i) taxation reform and domestic resource mobilization; (ii) public financial management and debt management for sustainable and accountable public investment; and (iii) private sector recovery and financial sector development. The expected beneficiaries will be the general population and the private sector.

2. Impact channels and expected systemic changes. An improved legal and regulatory environment will promote a resilient economic recovery from the impact of COVID-19 and support sustained poverty reduction. Tax reform provides an opportunity to strengthen governance, given that the tax system is an important interface between citizens and the state. A fairer and more equitable tax system can support increased formal business ownership and employment. This, in turn, supports a more sustainable public revenue base to fund social investments. Improvements to the public financial management system will increase accountability and sustainability of public expenditure. Anti-corruption measures and improved state-owned enterprise (SOE) governance can reduce opportunities for exploitation and extortion, exacerbating poverty and inequality.

3. Focus of (and resources allocated in) the transaction TA or due diligence. The government will consult with civil society as needed on individual reforms, including consultations with women's business organizations on the proposed taxation reforms.

4. Specific analysis for policy-based lending. The program is designed to support resilience building and recovery from the COVID-19 pandemic and contribute to government commitments and priorities for inclusive economic growth, private sector recovery and financial inclusion. Short-term impacts include (i) streamlined taxation administration and a broader tax base; (ii) improved regulation and administration of budget planning, procurement, and debt financing; and (iii) strengthened regulation and oversight of independent corruption commission, financial institutions, and SOEs.

Longer-term impacts include more efficient domestic resource mobilization, improved targeting of government expenditure and a strengthened enabling environment for private sector development.

II. GENDER AND DEVELOPMENT

1. *What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program?*

The National Gender Equality and Women's Development Policy 2016–2020 recognizes that women and men are equal partners in development, and places gender equality at the heart of economic and social progress. The National Strategy on the Economic Empowerment of Women and Girls (2020–2023) prioritizes strengthening the enabling environment for women's economic participation and entrepreneurship. Women's labor force participation stood at 83% for women compared to 87% for men in 2020.^k However, 37% of women were in formal employment compared to 70% of men, and more women than men report unpaid household and care work as their primary activity, especially in urban areas.^l Just 23% of business name owners in 2020 were women, and women comprise just 11% of SOE directors.^m In 2015, 20.1% of women had a bank account compared to 31.8% of men.ⁿ Corruption impacts men and women differently, with women more likely to report being asked for sexual favors and paying bribes for public services.^o Women are more likely to be excluded from financial services and have lower literacy levels and access to digital technology than men. In 2015, 20.1% of women had a bank account compared to 31.8% of men.^p Women remain under-represented as business owners, comprising 23% of business name owners in 2020. Rates of obesity and diabetes are higher among women than men, and diabetes is the third leading cause of death for women.^q Women's income and employment have been negatively impacted by the COVID-19 pandemic, which has pushed more women into informal employment.^r

2. *Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women access to and use of opportunities, services, resources, assets, and participation in decision-making?* ☒ Yes ☐ No

The proposed program targets the following actions: (i) tax reform will be informed by gender analysis and consultation with women's business organizations; (ii) establishment of a large taxpayer office (LTO) will include appointment of at least 40% female staff; (iii) adoption of procurement regulations will support equality of opportunity and provision of economic opportunities for women; (iv) new regulations supporting the operationalization of the Solomon Islands Independent Commission Against Corruption will include a requirement for the collection and reporting of sex-disaggregated data; (v) amendments to the State Owned Enterprise Act and Regulations will include provisions to promote gender diversity among SOE staff and board members; (vi) the Ministry of Finance and Treasury will establish and operationalize a database of current and prospective SOE board members disaggregated by sex; and (vii) 90% of the SOE portfolio will publicly release their 2023 Annual Report which incorporates reporting on gender diversity.

3. *Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?*

☐ Yes ☒ No

The project will identify actions to ensure women benefit from proposed reforms and increase women's participation and engagement, including in leadership and management roles.

4. *Indicate the intended gender mainstreaming category:*

☐ GEN (gender equity) ☐ EGM (effective gender mainstreaming)
☒ SGE (some gender elements) ☐ NGE (no gender elements)

III. PARTICIPATION AND EMPOWERING THE POOR

1. *Who are the main stakeholders of the project, including beneficiaries and affected people? Explain how they will each participate in the project's design.*

All Solomon Islands citizens are potential program stakeholders of this policy-based grant and loan program. Specific interest groups include the government, SOEs, the Central Bank of Solomon Islands (CSBI), and financial institutions. The Ministry of Finance and Treasury is the implementing agency and will coordinate with SOEs and CSBI.

2. *Who are the key, active, and relevant civil society organizations (CSOs) in the project area?*

The proposed program is being designed and implemented in partnership with the Ministry of Finance and Treasury. As needed, the government is consulting the private sector and civil society on individual reform initiatives.

3. *Are there issues during project design for which participation of the poor and vulnerable is important?*

☐ Yes ☒ No If yes, what are these issues?

4. *How will the project ensure the participation of beneficiaries and affected people, particularly the poor and vulnerable and/or CSOs, during project design to address these issues?*

Not applicable.

5. *What level of CSO participation is planned during the project design?*

M Information generation and sharing M Consultation Collaboration Partnership

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category ☐ A ☐ B ☒ C ☐ FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? ☐ Yes ☒ No

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process? ☐ Resettlement plan ☐ Resettlement framework ☐ Social impact matrix
☐ Environmental and social management system arrangement ☒ None

B. Indigenous Peoples Category ☐ A ☐ B ☒ C ☐ FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? ☐ Yes ☒ No

<p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design? Not applicable. <input type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? There are no social issues and risks to be addressed in the program design.</p>
VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks? Are the relevant specialists identified? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The program will not be supported by a transaction TA.</p> <p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis; and the participation plan during the transaction TA or due diligence? The program design draws from ongoing policy dialogue with the government and development partners. The ADB Domestic Resource Mobilization Project supports the analysis that underpins the tax reforms and will support the Inland Revenue Division (IRD) in implementing the reforms.^s Gender analysis of tax reforms will be supported by ADB regional technical assistance.^t</p>

^a Solomon Islands Government. 2016. National Development Strategy 2016–2035. Honiara.

^b Ministry of Women, Youth, Children and Family Affairs (MWYCFA). National Gender Equality and Women's Development Policy 2016–2020. Honiara; MWYCFA. National Strategy on the Economic Empowerment of Women and Girls 2020–2023. Honiara.

^c ADB. 2021. Pacific Approach, 2021–2025. Manila.

^d ADB. 2018. Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific. Manila.

^e Solomon Islands National Statistics Office (SINSO). 2015. Solomon Islands Poverty Profile Based on the 2012/2013 Household Income and Expenditure Survey. Honiara.

^f Transparency International. 2021. Global Corruption Barometer Pacific 2021: Citizen's Views and Experiences of Corruption. Berlin.

^g Transparency International. 2021. Corruption Preparation Index: <https://www.transparency.org/en/cpi/2021/index/slb>

^h World Bank. 2021. Climate Risk Country Profile: Solomon Islands. Washington.

ⁱ UNESCAP. 2021. Estimating the Short-term Impact of the COVID-19 Pandemic on Poverty in Asia-Pacific LDCs. Bangkok.

^j UNICEF and World Bank Group. 2021. Solomon Islands High Frequency Survey on COVID-19: Results from Round Two. Honiara.

^k ILOSTAT <https://ilostat.ilo.org/topics/population-and-labour-force/#> Accessed 31 March 2022.

^l SINSO. 2015. Solomon Islands Household Income and Expenditure Survey 2013. Honiara.

^m Pacific Private Sector Development Initiative (PSDI). 2021. Leadership Matters: Benchmarking Women in Business Leadership in the Pacific. Sydney.

ⁿ Central Bank of Solomon Islands. 2015. Solomon Islands Financial Services Demand Side Survey. Honiara.

^o UNODC. 2022. Breaking the Silence on Gender and Corruption in the Pacific.
https://www.unodc.org/roseap/uploads/documents/pacific/2022/Gender_and_Corruption_in_the_Pacific.pdf
Accessed 12 July 2022.

^p Central Bank of Solomon Islands. 2015. Solomon Islands Financial Services Demand Side Survey. Honiara.

^q WHO. 2016. Diabetes Country Profiles: Solomon Islands; WHO. 2019. Global Health Estimates.
<https://www.who.int/data/gho/data/themes/mortality-and-global-health-estimates>. Accessed 19 July 2022.

^r ADB and UN Women. 2022. *Two Years On: The Lingering Gendered Effects of the COVID-19 Pandemic in Asia and the Pacific*. Manila.

^s ADB. [Solomon Islands: Domestic Resource Mobilization Project](#).

^t ADB. [Advancing the Transformative Gender Equality Agenda in a Post-COVID-19 Asia and the Pacific](#).

Source: Asian Development Bank.