



GOVERNMENT OF SOLOMON ISLANDS

2019 Final Budget Outcome

April, 2020

Table of Contents

MINISTER’S FORWARD	4
1 INTRODUCTION	5
2 KEY POINTS	6
3 ECONOMY- YEAR IN REVIEW	6
4 FISCAL OVERVIEW	11
5 REVENUE.....	12
Inland Revenue	12
Customs Revenue.....	13
Other Revenue	14
Budget Support	15
6 EXPENDITURE	15
Domestic Funded Recurrent Expenditure (Ledger 2)	15
Donor Funded Recurrent Budget and General Budget Support (Ledger 3).....	20
Consolidated Development Budget (Ledger 4).....	22
7 ISSUES AND CHALLENGES WITH THE EXECUTION OF THE 2019 BUDGET.....	22
8 2019 DEVELOPMENT BUDGET EXECUTION AND KEY ACHIEVEMENTS	24
9 SUMMARY OF VIREMENTS	28
10 2019 BUDGET MANAGEMENT MEASURES AND IMPLEMENTATION	32
11 CONCLUSION.....	34
12 SUMMARY TABLES.....	35
TABLE 1: FINAL BUDGET OUTCOME - FISCAL POSITION.....	35
TABLE 2: FINAL BUDGET OUTCOME- SUMMARY OF REVENUE	36
TABLE 3: FBO – SUMMARY OF TOTAL DOMESTIC REVENUE.....	37
TABLE 4: FBO – SUMMARY OF TOTAL RECURRENT EXPENDITURE (L2)	38
TABLE 5: FBO – SUMMARY OF PAYROLL CHARGES EXPENDITURE (L2)	39
TABLE 6: FBO – SUMMARY OF OTHER CHARGES EXPENDITURE (L2)	40
TABLE 7: FBO – SUMMARY OF TOTAL RECURRENT BUDGET SUPPORT EXPENDITURE (L3)....	41
TABLE 8: FBO – SUMMARY OF DEVELOPMENT EXPENDITURE (L4).....	42
TABLE 9: OVERVIEW OF VIREMENT – (L2, L3 & L4).....	43
Attachment A.....	45
Attachment B.....	46

MINISTER'S FORWARD

This is the sixth year of providing a Final Budget Outcome report in accordance with Section 52 (b) of the *Public Financial Management Act 2013*.

This document provides a full overview to the National Parliament on the execution of the 2019 Budget. It provides advice to citizens, parliamentarians, donor partners and other stakeholders on actual revenues and expenditures against the budget for 2019.

In line with section 102 of the Constitution, Minister of Finance tabled the 2019 Budget and passed in Parliament under the leadership of the Solomon Islands Democratic Coalition for Change Government (SIDCCG) in late December 2018.

The 2019 budget ended with a surplus of \$94.6 million compared to \$373.4 million in 2018 and a budget deficit in 2017. The government has achieved its commitment to maintain macro-fiscal stability and discipline and favourably restore positive cash balance at the end of the financial year. Additional supplementary approved by the government was funded from additional resources secured from revenues measures and improvements in compliance and tax administration.

2019 fiscal year was a challenging year as the incoming government worked tirelessly in the first half of the year to finalise the government policy priorities, ensuring the 100 days policy priorities are implemented as planned and at the same time ensure key social and essential services continued to be delivered to the people of Solomon Islands.

The total revised budget was \$4260.5 million, a reduction of approximately \$55 million (1.3 per cent) from \$4315.5 million in 2018. Budget implementation was low in the first quarter and into the second quarter of 2019 as the budgetary provisions such as virement and contingency and advance warrants in the caretaker period was restricted until such time the new Government is formally formed.

The overall domestic revenue collection was less than what was projected by \$141.3 million (or 4 per cent) below the revised revenue of \$3532.6 million. The 2019 budget was executed fairly close to the original budget estimates by 89 per cent or 11 per cent (or \$462.1 million) below the revised budget. The recurrent budget was executed by 93.4 per cent against the revised Budget of \$3247.4 million, \$214.8 million (or 6.6 per cent) underspent. Development expenditure was 82 per cent and underspend by \$128.4 million (or 18 per cent).

This report also brings to the attention of the Public Accounts Committee, in accordance with Section 102 (4) of the Constitution, the spending and variances in expenditures at Head level. These are outlined in Section 6.

I commend this document to the National Parliament.



Hon. Harry Kuma

Minister of Finance & Treasury

1 INTRODUCTION

The 2019 Final Budget Outcome (FBO) had been prepared in accordance with Section 52 (b) of the *Public Financial Management Act 2013* (the Act).

It is required that this report must be released by April to provide a summary of the performance of the budget to managers, ministers and the general public. It is therefore based on yet to be audited accounts and nominal figures. The 2019 audit reports will be released after 31st June in the current financial year (2020) in accordance with timelines required under the PFM Act section 77 (1). The FBO provides the best possible account of actual budget performance made available at this point in time, but is not expected to materially change for subsequent audit purposes.

The report is designed to closely match the presentation of the Annual Budget, as required under the Act, and provides a summary of expenditure and revenue outcomes against the budget. It provides a summary of the execution of the 2019 Budget in comparison to prior fiscal years, 2018 and 2017. In future documents, this will be a key area of examination - with the intention that trends from prior years can be presented and the underlying issues identified in order to continuously and successively improve the execution of Solomon Islands Government Budgets.

The data used to provide this Final Budget Outcome was the December 2019 figures taken from the Financial Management Information Systems (AX & SIGINFO) through the Budget Entry and Reporting Tool (BERT) on February, 2020. All figures provided in this report are in nominal terms. Key information can be found in the Summary Tables 1 to 9, and Attachment A and B provides final budget outcome for 2018 and 2017 for a comparative basis.

2 KEY POINTS

- Percentage changes to real GDP growth for 2019 are estimated at 2.84 per cent, a 0.6 percentage point drop from 2018 and 0.7 per cent below real GDP estimates for 2017.
- The 2019 fiscal year ended with a surplus of \$94.6 million against a revised budget deficit of \$226.2 million compared to \$1.2 million surplus in 2018.
- Total SIG revenue collections was \$141.3 million (or 4 per cent) below the revised estimates of \$3532.6 million, both IRD and non-tax revenue collections from Other Ministries were below the revised estimates by \$167.1 million while receipts from Customs and Excise were overtaking by \$25.8 million.
- A supplementary budget of \$145.3 million was approved by Parliament in 2019, which includes \$47.1 million for additional supplementary expenditure, \$4.95 million contingency warrant and \$93.2 million advance warrant.
- Total consolidated expenditure for 2019 was \$3798.4 million of the revised budget of \$4260.5 million, which represents 89 per cent spending. This was \$462.1 million (or 10.8 per cent) below the revised budget of \$4260.5 million.
- The Recurrent Budget expenditures by Government Ministries and Agencies spent within their appropriation except for head Pensions and Gratuities was overspent by 14 percent or 2.2 million.
- The Donor Budget Support spending was 63 per cent, inversely underspent by \$116.9 million (or 37.2 per cent) of the revised budget \$197.1 million
- The Development Budget including donor funded spending was 82 per cent, inversely underspent by \$128.4 million (or 18.4 per cent) of the revised budget \$697.2 million.
- Total consolidated virement accounted for \$236 million, which represents 5.5 per cent of the total revised budget of \$4260.5 million. This was an increase of around \$5.3 million (or 2.3 per cent) compared to 2018.

3 ECONOMY- YEAR IN REVIEW

Synchronised slowdown in global growth

In 2019, the global economy was in synchronized slowdown with economic growth for 2019 revised downward to 2.9 per cent. Despite persistently low interest rates since the global financial crisis, the pace of gross value addition has slowed down across all economies. Global growth is projected to rise from an estimated 2.9 per cent on 2019 to 3.3 per cent in 2020. Slower than expected growth is a likely consequence of on-trend secular stagnation dampening the growth of advanced economies in the past few years. Trade uncertainty due to US-China trade tensions also contributed towards overall sluggish investment trends faced in the Asia Pacific region including the Solomon Islands.

Growth for advanced economies is estimated to slow down to 1.7 per cent in 2019 and 1.6 per cent in 2020, while emerging market and developing economies are projected to experience a growth pick up from 3.9 per cent in 2019 to 4.6 per cent in 2020. Expected economic recovery among emerging markets such as Turkey, Argentina and Iran will likely

contribute to International Monetary Fund's (IMF) projected 4.6 per cent estimate for growth among emerging market developing economies.

Subdued domestic growth indicators

Economic activity in the Solomon Islands has slowed down since 2017. The drop in economic activity was due to a slowdown in trade in line with sluggish investment trends. Production from logging decreased to \$2.34 million cubic meters in 2019 from \$2.73 million in 2018 associated with lower export commodity prices in the first half of the year, which in turn contributed to an overall decline in domestic consumption and private-sector investment.

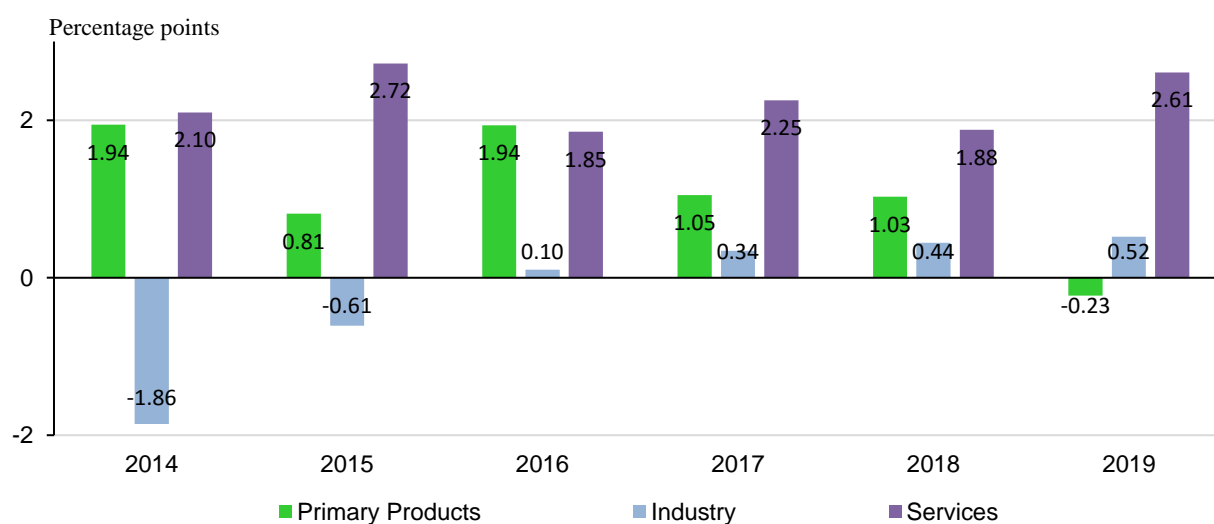
A decline in per cent of economic growth year-on-year

Percentage changes to real Gross Domestic Product (GDP) growth for 2019 are estimated at 2.84 per cent, a 0.56 percentage point drop from 2018 and 0.7 per cent below real GDP estimates for 2017. This can be attributed to a slowdown in the production of Solomon Islands logs as well as the national general election at the cusp of the first and 2nd quarter.

Of the 2.8 per cent in terms of growth, the Services sector contributed 2.6 percentage points and the Industrial sector (for example, Manufacturing and Construction) contributed 0.5 percentage points to economic growth. However, the Agriculture sector contracted by 0.23 per cent due to lower than expected prices in terms of key agricultural commodities and weak international demand in the first half of 2019.

Both, Manufacturing and Services sectors were both negatively affected during the period of national general elections and pick up in terms of domestic investment and foreign investment was slow throughout the second quarter as well.

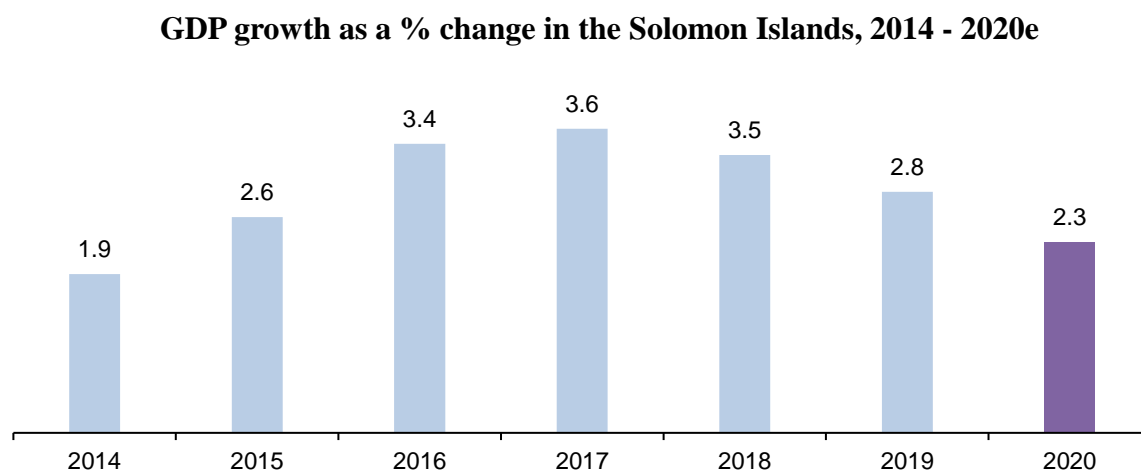
Figure 01: Sectoral contribution to economic growth (%)



In terms of percentage changes to growth in real terms, initial Economic Reform Unit (ERU) projections indicate GDP in the Solomon Islands to decline from 2.8 per cent in 2019 to 2.3 per cent in 2020. The demand for round logs primarily originates from the People's Republic of China where aggregate production estimates were revised downwards due to the trade tensions between United State of America (USA) and China.

The Agricultural sector is expected to further contract in 2020 primarily due to downward trending commodity prices affecting global production - China being the largest exporter in the world. Public sector led growth is expected to contribute to total domestic growth in 2020 due to a number of infrastructure projects commencing including the Tina River Hydropower project.

Figure 02: Real GDP Growth (as a % change)



Commodity price fluctuations affected volumes of production in the domestic market. A large number of key commodity prices decreased in 2019 with Coconut oil falling by 40 per cent to \$4128 USD/mt in December 2019. Palm Kernel oil declining by 29 per cent to \$7943 USD/mt and crude palm oil declined by 1 per cent to \$7218 USD/mt in 2019.

The price of fuel decreased in 2019 by 10 per cent to \$768 USD from \$853 USD last year and fish also declined by 3 per cent to \$15692 USD/mt which led to a marginal increase in the volumes of production by 8.1 per cent compared to 2018. On the upside, the price of Cocoa increased by 2 per cent to \$28,100 in 2019 while the price of logs rose by 1 per cent to \$3,277 from \$3,237 USD/mt the previous year.

On volumes of production, total agricultural commodities declined by 9 per cent to 58,849 tonnes from 64,684 tonnes in 2018 despite marginal growth in Palm Kernel oil (increasing by 129 per cent to 8,923 tonnes) and Cocoa (rising by 40 per cent to 4,335 tonnes from 3097 tonnes the previous year). As expected, Log and Timber productions declined by 3.9 per cent to 2,626 tonnes from 2,734 tonnes in 2018.

Figure 03: Volumes of production for Logs, Fish and Agricultural commodity prices (Palm oil, Cocoa, Copra)

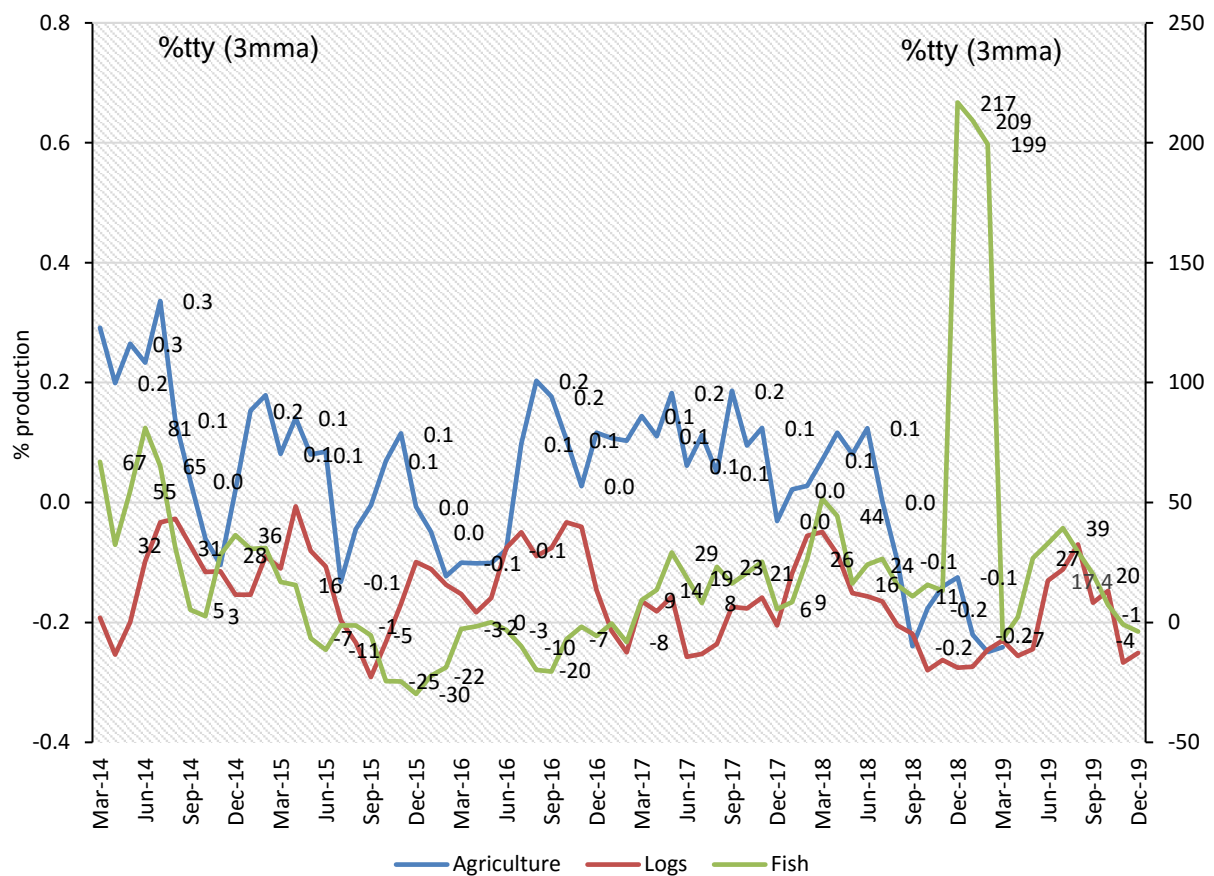
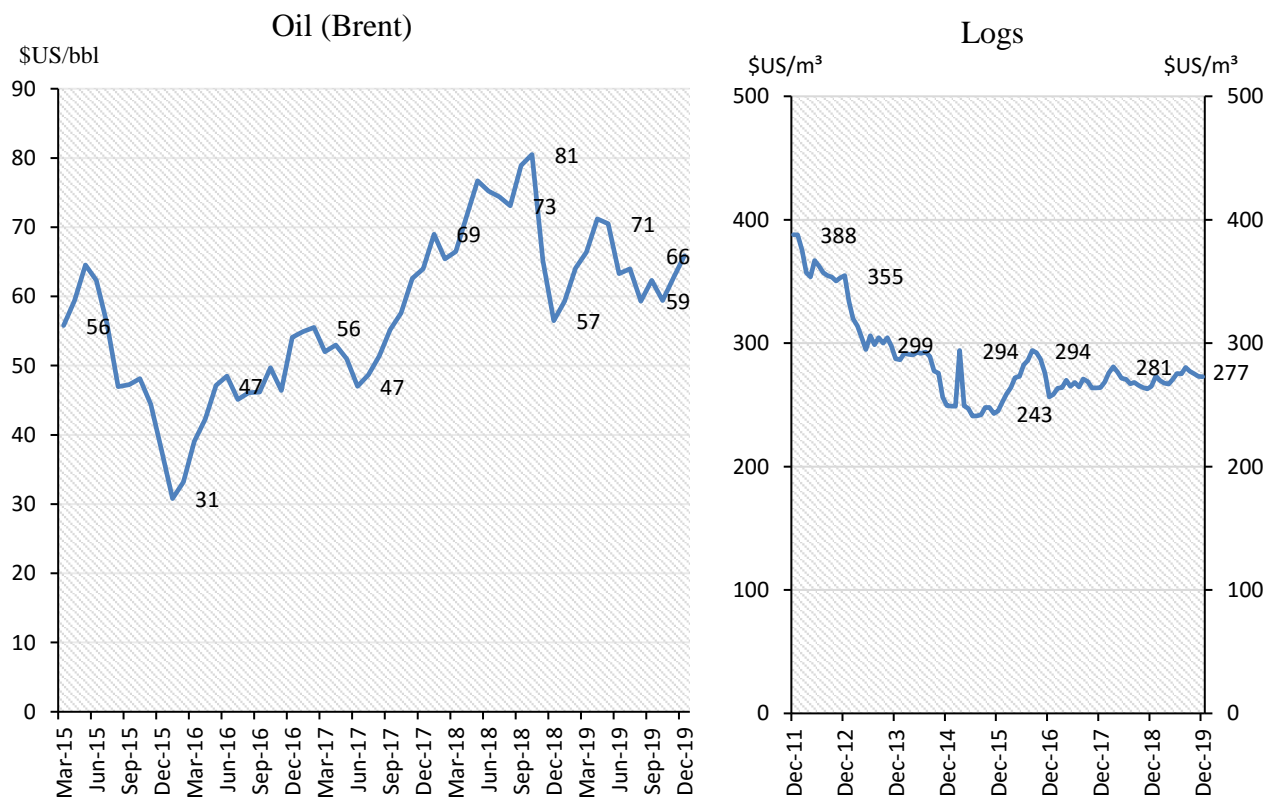


Figure 04 : Price for Oil (crude Brent) and Logs

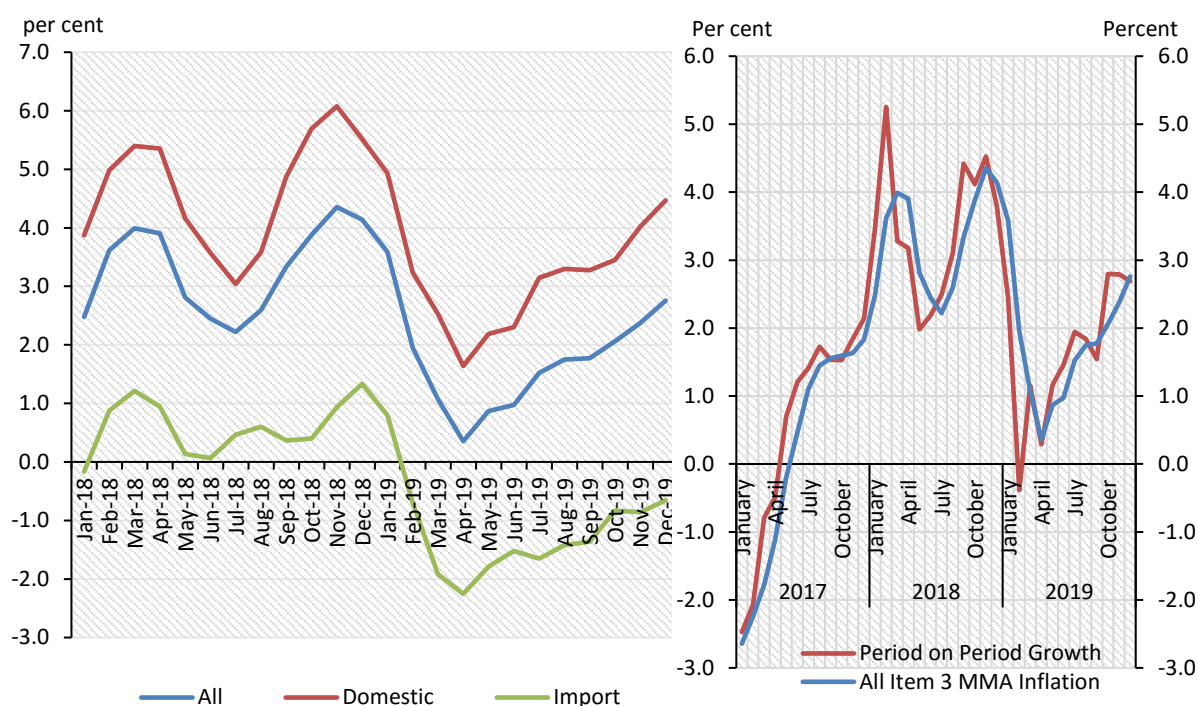


Upward trending core inflation

The overall average inflation measured by the National Consumer Price Index is estimated to decrease to 1.8 per cent in 2019 from 3.5 per cent in 2018. The decline in headline inflation in 2019 is reflected by the reduction in global oil prices reflective of the ongoing re-alignment in global oil market where the rate of supply continues to increase faster than the rate of global demand for oil. In 2020, headline inflation is projected to be contained at 2.7 per cent.

Core inflation or underlying inflation which excludes volatile items was lower than estimated in the 2nd and 3rd quarter of the year but began trending upwards in the 4th quarter of 2019.

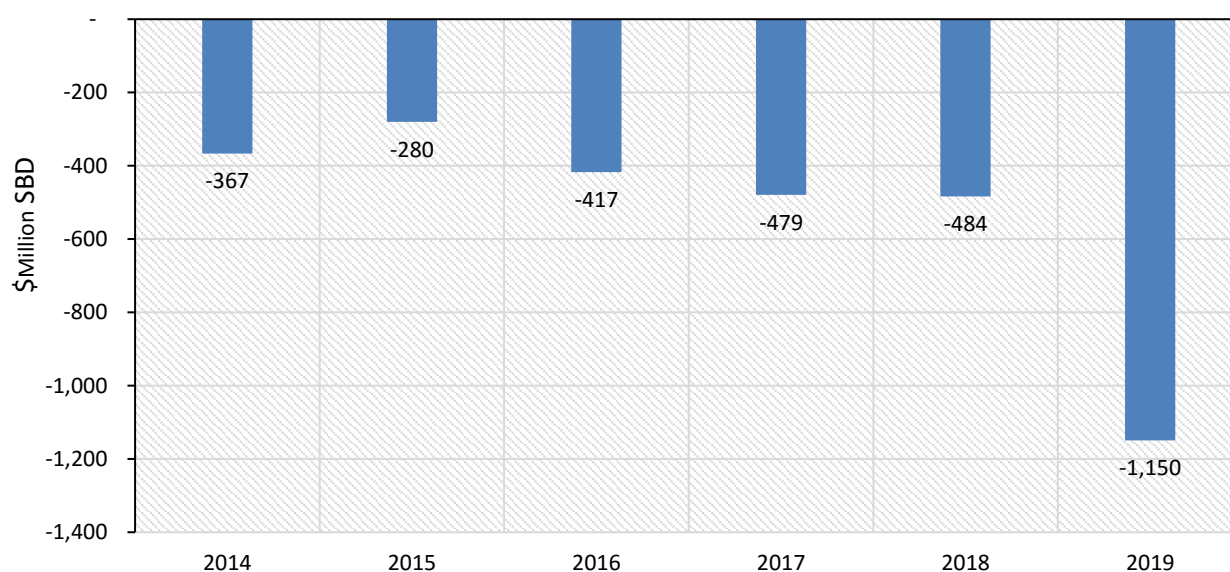
Figure 05: Annual inflation rate



Current account deficit in the external sector

The overall balance of payments position in 2019 recorded a deficit of around \$291.73 million compared to a surplus of \$527 million in 2018. A significant deficit in the current account of around \$1149.6 million offset any surpluses gained in the capital and financial accounts of \$576.24 million.

Gross foreign reserves in 2019 declined by 5.6 per cent to \$4706 million from \$4984 million in 2018 and was sufficient to cover 12 months of import goods and services in 2019. The balance on Trade in Goods for 2019 recorded a deficit of \$306.6 million, a substantial drop from a surplus of \$30 million in 2018.

Figure 06: Solomon Islands Current Account Deficit in 2019

The economic conditions for the Solomon Islands were more challenging than expected. Lower than expected capital investments led to less than expected productivity gains. Production trends driven by price changes that only just rose in the 4th quarter for key commodity exports such as Palm Oil changed much more rapidly than in previous years.

4 FISCAL OVERVIEW

The 2019 fiscal year ended with a surplus of \$94.6 million against a revised budgeted deficit of \$226.2 million compared to \$1.2 million surplus in 2018. Table 1 provides an overview of the fiscal situation for 2019.

Domestic revenue collections were \$3391.3 million in total, 4 per cent (or \$141.3 million) lower than the revised Budget of \$3532.9 million compared to 3.7 per cent (or \$137.7 million) higher than the revised budget of \$3678.0 million in 2018. Revenue collections from Customs and Excise is favourable by 2.4 per cent (or \$25.8 million). Revenue receipts from Inland Revenue and Other Ministries were 8.3 per cent (or \$164.7 million) and 0.5 per cent (or \$2.4 million) respectively below their expected collection.

Expenditure on Recurrent Payroll was below the revised Budget of \$1247.6 million by 1.3 per cent (or \$16.2 million) compared to 6.3 per cent (or \$69.4 million) above the revised budget in 2018. In 2019, Ministry of Public Service had strengthened the management of the public service schemes of services and manpower establishment unlike in previous financial year where by substantial payroll increases in expenditure such as different allowance rates. In contrast, Recurrent Other Charges including debt servicing execution was under budget by 9.9 per cent (or \$198.6 million) which shows an improvement in execution from 4.1 per cent (or \$70.8 million) in 2018.

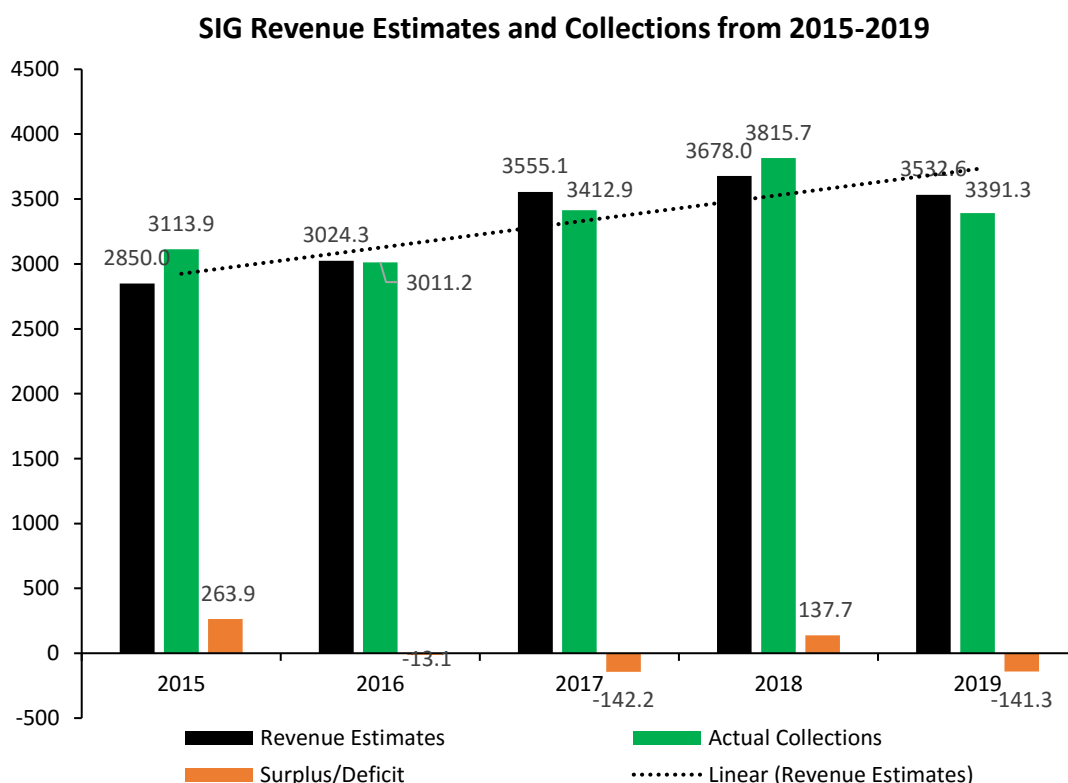
The consolidated development Budget was executed at 81.6 per cent (or \$568.7 million) in 2019 compared to historically higher execution rates in 2018 by 93 per cent (or \$819.2 million) of the \$897 million of the revised Budget. The execution rate could have been higher if there was no delay in the formation of the DCGA regime after the National General Election on the 3rd April 2019. The key development Budget expenditures and achievements for 2019 are outlined in [Table 8 and Section 8](#).

5 REVENUE

Total domestic or SIG revenue was below revised Budget estimates in 2019. This was represented by \$141.3 million (or 4 per cent) below revised budget of \$3532.6 million, which is dissimilar to \$137.7 million (or 3.6 per cent) higher from actual collections in 2018. This comprised a combination of collections being slightly above revised budget revenue collections by Customs and Excise and under collection both from IRD and Other Ministries.

[Table 2](#) provides a breakdown of key domestic revenue sources between Inland Revenue, Customs, Other Revenue and Budget Support. [Table 3](#) provides an overview of the revenue collection by Ministry for 2019. Receipts for key revenue heads are outlined below.

Figure 07: Illustrated SIG Revenue Estimates against Actual Collections from 2015-2019.



Inland Revenue

Total Inland Revenue (IRD) receipts were \$1821 million for 2019. This was \$164.7 million below the revised estimate of \$1986.5 million for 2019 which is a shortfall of \$165.5 million or 4.4 per cent from the actual collection of \$1987.4 million in 2018. Although there were

higher than expected earnings for license revenue and other fees, personal tax and stamp duty and, a substantial shortfall in company, goods, sales and withholding tax earnings resulted in an eventual shortfall in collections for IRD.

- Collection from the goods tax was \$111.1 million (or 14.4 per cent) below the revised budget of \$773.4 million. That is approximately \$116.4 million (or 5.9 per cent) lower than the actual \$778.7 million collected in 2018 and \$74.7 million (or 10.6 per cent) lower than the actual collections of \$704.0 million in 2017.
- Total Withholding tax receipts were approximately \$238.3 million, \$55.9 million below the revised budget estimate of \$294.2 million and \$45.6 million lower than actual receipts of \$283.9 million in 2018. Limited resources in relation to audit and compliance contributed to lower than estimated withholding tax collections through the year.
- Sales tax receipts were \$76.2 million dollars. This is slightly lower (\$1.6 million) than the 2019 revised budget estimates of \$77.8 million and \$7.1 million (or 4.7 per cent) below \$83.4 million collected in 2018.
- Personal tax receipts were \$518.73 million, an increase of around \$9.3 million against 2019 revised budget estimates of \$509.5 million and are \$12.8 million (or 1.5 per cent) higher than actual collections of \$505.9 million in 2018. The rise in personal tax collections resulted from a higher than expected collection of PAYE –personal provisional and notice tax and income tax arrears.
- Company tax receipts actuals were \$292.2 million, which is \$9.5 million lower than 2019 revised budget estimates of \$301.6 million and are \$7.9 million (or 2.2 per cent) lower than actual collection of \$300.1 million in 2018.
- Stamp duty receipts were around \$2.2 million higher than the 2019 revised budget estimate of \$12.5 million and are \$0.8 million (or 4.5 per cent) lower than actual collections of \$15.5 million in 2018.

The overall decline in 2019 total IRD revenue can be attributed to many domestic and international economic factors. Domestically, lower than expected inflationary pressures could have had a dampening effect on tax revenue collections. Outcome contraction in global economic activity, coupled with a drop in world energy and commodity prices are also factors that could be responsible for the fall in IRD revenue collections. However, the increased in IRD revenue collections are attributed to improve in compliance measures by Inland Revenue Division. The implementation of Joint Task Force between Inland Revenue Division and Customs and Excise Division was one added compliance measure implemented.

Customs Revenue

Revenue collections for Customs and Exercise were \$1088.8 million in 2019. This was \$25.8 million (or 2.4 per cent) above the 2019 revised budget estimate of \$1063.0 million. However, collections in 2019 were \$236.6 million (or 3.9 per cent) lower than actual collections of \$1325.4 million in 2018. Overall, collections from export duty and excise duty were slightly higher than expected, while receipts from fees and charges were significantly

higher than the 2019 revised budget estimates due to more stringent controls which were established by the recently appointed Customs Comptroller. While, import duty collections were below the revised budget estimates.

Customs tax collections included:

- Import duty receipts were \$261.2 million which is \$50.4 million (or 16.2 per cent) lower than the revised budget estimate and approximately \$34.9 million lower than the actual collection of \$296.1 million in 2018. A fall in imports reflects slower domestic demand. In the absence of substitute goods, it can be hypothesized that consumers purchased more local produce than in the previous years.
- Export duties totalled to \$624.3 million. This is \$62.1 million (or 11 per cent) higher than the revised budget estimate of \$562.2 million. A shortfall of \$169.7 million (or 1.1 per cent) was incurred when comparing 2018 collections of \$794 million. This is primarily due to the gradual trend of slowing production volumes of Solomon Island logs.
- Excise duty collections were \$10.1 million (or 5.4 per cent) above revised budget estimates of \$188 million. A shortage of \$34.6 million (or 14.2 per cent) was incurred when comparing 2018 excise duty collections of \$232.7 million.
- Licence and fees collections were \$5.2 million which were substantially above the 2019 revised budget by \$4.1 million and were \$2.6 million above the actual collection of \$2.7 million in 2018.

Other Revenue

Receipts from other Government ministries' revenue were \$480.6 million which was lower than the revised Budget estimates of \$483.1 million by \$2.4 million (or 0.5 per cent) - a decreased of around \$22.3 million (or 17 per cent) compared to receipts of \$502.9 million in 2018. Non-tax collections were below the revised Budget estimates due to slow-moving revenue administration, weak compliance performance by certain ministries. That said also due to lack of resourcing and loopholes in enforcement controls. One such example is the Ministry of Lands. The cost of enforcement in collecting rental arrears is cost-prohibitive and usually involves having to seek payment through legal proceedings.

A total of \$351.5 million was collected by the Ministry of Fishery and Marine Resources, which was \$15.3 million (or 4.5 per cent) higher than the revised budget estimate of \$336.3 million. This is \$22.7 million (or 6.1 per cent) below from \$374.2 million of receipts collected in 2018. An increase of allocations on the Vessel Day Scheme days to domestic fleets drove down estimated revenues for 2019 while ongoing climate effects in relation to El Nina also adversely affected fish catch volumes for 2019.

There were several other ministries contributed to the collection of non-tax receipts above their revised 2019 estimates. They include the Ministry of; Infrastructure Development by \$7 million (or 51 per cent), Commerce and Immigration \$3.5 million (11 per cent), National Judiciary \$2.6 million (or 142 per cent), Home Affairs \$0.7 million (or 13 per cent), Office of

the Auditor General \$0.4 million (or 16 per cent) and Police and National Security by \$0.3 million (or 54 per cent).

Government Agencies that collected below their revised budget include; Electoral Office \$2.4 million (or 100 per cent), Ministry of Agriculture \$1.2 million (or 10 per cent), Education \$0.1 million (or 2 per cent), Health \$0.2 million (or 35 per cent), Forestry \$3.7 million (or 62 per cent), Lands \$1 million (or 12 per cent), Tourism \$0.1 million (or 41 per cent), Aviation \$3.1 million (or 17 per cent), Justice \$0.1 million (or 8 per cent), Mines \$1.1 million (or 35 per cent) and Environment by \$0.2 million (or 40 per cent)

Budget Support

Total Donor Support receipts including ledger 3 and ledger 4 were equal to the revised budget of \$501.8 million. An increase of \$82.9 million (20 per cent) from the actuals collected \$418.9 million in 2018. A key reason for the significant increase in revenue was of the fact that there were some ministries with financial agreement that attached to their implementation plan utilized the advanced warrants provisions in 2019.

Noted that Revised Budget and Actual collections of \$187.8 million for “Donor Funded Development” is inclusive of \$80 million from People’s Republic of China (PRC) and other revenue received from DFAT, ADB and ROC through an advance warrant provision.

6 EXPENDITURE

Consolidated Government Expenditure in 2019 was \$3798.4 million, which was \$462.1 million (or 10.8 per cent) below the revised Budget estimate of \$4260.5 million compared to \$304.3 million (or 7 per cent) below revised Budget of \$4315.5 million in 2018. Total Recurrent expenditure in 2019 is 93.4 per cent compared to 91.1 per cent in 2018 and 87 per cent in 2017. Domestic expenditures on Recurrent Other Charges was around 90.1 per cent of the revised budget including debt servicing, 98.7 per cent for the payroll budget compared to 106 per cent in 2018 and approximately 81.6 per cent - the Development budget.

Domestic Funded Recurrent Expenditure (Ledger 2)

Total domestic funded recurrent expenditure (Ledger 2) was below the revised Budget estimates by \$214.8 million (or 6.6 per cent). Actual expenditures were \$3032.6 million against a revised Budget estimate of \$3247.5 million. Similarly, in 2018 recurrent expenditure were below the revised estimate of \$2998.9 million by \$99.9 million (or 3.4 per cent). Table 4 provides an overview of SIG’s domestic expenditure (Recurrent Expenditure) through Ledger 2.

A key point to note is that the revised 2019 Budget columns of domestic funded Recurrent (Table 4), Donor Support recurrent (Table 7) and Development expenditures (Table 8) include Supplementary Appropriations that was approved in 2019. The utilized Contingency and Advance Warrants were also regularized through the 2019 Supplementary Appropriation Acts 2019.

Supplementary Appropriations Act includes additional funding approved by parliament to cater for mostly outstanding arrears and ongoing key government policy initiatives and pressures. However, Supplementary is not ideally as it often demonstrates poor ministries internal budget coordination and planning, costings, budget allocation and implementations at ministry level. Expenditures pressures could be well managed within the appropriation if ministries adhered to budget guidelines and instructions during the formulation of the budget.

The specific requirements for considering Contingency Warrants (CW) are prescribed in the PFM Act Sections 58 (1 - 4) as being for additional or unbudgeted expenditures for Ministries that are 'urgent, unforeseen and cannot be delayed without detrimental effects to the public interests and, issued from the consolidated fund. CW ceilings are approved during the budget formulation process and formalized in the Appropriation Act annually, to cater for any additional and unforeseen expenditures outside of the approved budget annually.

An Advance Warrant (AW) in accordance with Section 60 (1 - 3) of the PFM Act is the disbursement of monies which form part of the Consolidated Fund. Generally, donor support funding that is received after the budget formulation process during the following financial year are captured through AW in order for the Solomon Islands Government (SIG) to expend these funds through the consolidated fund.

In 2019, there is one approved supplementary appropriations worth \$145.3 million compared to two approved in 2018. Various programmes granted for CW accounted for \$4.95 million and Government agencies utilized donor support funding through the provision for AW is totalled to \$93.22 million and additional supplementary expenditure totalled to \$47.08 million. These were reflected in Tables 4, 7 & 8 respectively. A summary had been provided below for expenditures that were committed through the domestically funded recurrent Budget. These expenditures were also covered (or partly) for the total variances of \$99 million from the Original to Revised Budget.

- \$10,400,000 under the Solomon Islands Electoral Office had increased the revised budget \$56.4 million. This amount provides additional funding through the AW funded by ADB to cater for outstanding bills and for East Makira bye election (Head 268).
- \$954,620 under the Ministry of Agriculture and Livestock Development had increased the revised budget \$36.7 million. This amount provides additional funding through the CW provision as an assistance for the development of agriculture and livestock sector growth and investment plan 2020 to 2030 (Head 270).
- \$22,700,000 under the Ministry of Education and Human Resources Development had increased the revised budget \$1198.1 million. This amount provides additional funding of \$15,000,000 through the AW funded by ROC to cater for the SISEE phasing program and \$7,700,000 through the supplementary provision to cater for the reimbursement of amount paid to clear the outstanding arrears for 2018 Members of Parliament constituency scholarships from the domestic training scholarships allocation (Head 272).
- \$13,672,855 under the Ministry of Finance and Treasury had increased the revised budget \$164.3 million. This amount provides additional funding of \$6,452,811 through

the AW funded by Proceeds from Development Bond-NPF to cater for the establishment of Development Bank of Solomon Islands (DBSI) and \$4,220,044 an additional funding through CW provision to settle the cost to avoid shutting down of Provincial Site Link to the SIG Network and \$300,000,000 funded through the supplementary to cater for designing of new Inland Revenue Division vehicle plates and to meet Gary Calcot's outstanding salary (Head 273).

- \$1,000,000 under the Office of the Governor General had increased the revised budget \$11.7 million. This amount provides additional funding through the supplementary to cater for the newly elected Governor General's overseas medical trip and trip to London to receive knighthood (Head 275).
- \$50,000 under the Ministry of Health and Medical Services provides additional funding through the AW funded by Coral Sea Resort to purchase cleaning equipment and materials for the National Referral Hospital (Head 276).
- \$14,565,000 under the Ministry of Infrastructure Development had increased the revised budget \$83.2 million. This amount provides additional funding through the supplementary to cater for outstanding bills for the green terrace house repairs done from 2016 to 2019, Buala Agriculture building and vehicles for the remaining Members of Parliament and Constitutional post holders (Head 277).
- \$1,000,000 under the Office of the Prime Minister and Cabinet had increased the revised budget \$126.1 million. This amount provides additional funding through the supplementary to cater for claim for the damages caused to Pacific Casino Hotel during the election of the Prime Minister (Head 281).
- \$29,201,037 under the Ministry of Police, National Security and Correctional Services had increased the revised budget \$327.1 million. This amount provides additional funding of \$8,000,000 through the AW provision funded by ADB grant to settle court order for the purchase of land at Hells Point, and also another additional of \$5,830,705 through the CW provision to provide security during the Bougainville Referendum-Police Operation for the Western and Choiseul Provinces and \$15,370,332 to cater for fuels, border security operations, telephone, water, house rentals, annual leave, and outstanding medical fee for late officer Forest Dofa and claim for outstanding dirty allowances for correctional officers (Head 283).
- \$700,000 under the Ministry of Justice and Legal Affairs had increased the revised budget \$34.5 million. This amount provides additional funding through the supplementary to cater for the logistics for the Director Public Prosecutor's (DPP) prosecutors and witness costs to conduct court circuits and desktop computers for new recruited lawyers and support staff (Head 292)
- \$1,000,000 under the Ministry of Mines, Energy and Rural Electrification had increased the revised budget \$17.7 million. This amount provides additional funding to settle the cost of Development Permit to Guadalcanal Province and was approved through the Provision of CW (Head 295).
- \$2,524,927 under the National Judiciary had increased the revised budget \$37.3 million. This amount provides additional funding through the supplementary to cater for Judges' claim for an increase as per their revised terms and conditions recently

approved by Prime Minister, claiming payback for 28 months from the 1st September 2016 to 31st December 2019. Also, to cater for extra Court of Appeal sitting in October and rental for external court rooms to conduct hearing of the election petition cases (Head 296).

- \$900,000 under the Ministry of Women, Youth, Children and Family Affairs had increased the revised budget \$13.2 million. This amount provides additional funding through the supplementary to cater for office rental at City Centre building (Head 297).
- \$323,128 under the Ministry of Rural Development had increased the revised budget \$19.5 million. This amount provides additional funding through supplementary to cater for 2018 outstanding rental arrears for the previous office building at King George VI (Head 298).

Recurrent Budget execution in 2018 reported seven (7) ministries have been overspent from their Head allocations. In 2019 as shown in [Table 4](#), out of the thirty two Government Ministries and Agencies, only Pension & Gratuities signalled an overspent by \$2.2 million (or 16 per cent) of the total revised budget of \$13.7 million. That depicts an improvement in expenditure performance in 2019 compared to previous years and, could be assumed due to the continuous emphasises on the budget reforms to improve budget planning and implementation through introduction of the ‘output based budgeting’ and establishment of the ‘ministry budget committee’ as an internal working group to oversee the formulation, implementation and review of the budget.

These instances of overspending at the Ministry level are hereby reported to the Public Accounts Committee, with the variance explanation as above, as required by Section 102 (4) of the Constitution. The key reason that overspending is occurring is due to the difficulty in managing the control of expenditures on payroll at the Head level. This is due to the necessary operational requirement to delegate a range of payroll expenditure controls to the Ministry, while limited ability at the Ministry of Finance and Treasury and through the human resource management system to subsequently limit spending on payroll that was not budgeted for.

There are number of ministries executed their recurrent Budget within their head allocation at an average of 89.2 per cent. However, Ministries that executed or expended their budgets at a higher rate compared to other Ministries were;

- Ministries that underspent by 10 per cent or less than of their total revised Budget of \$2452.4 million by \$105.3 million (or 4.3 per cent) are; Electoral, Auditor General and Governor General Offices, Ministry of Education, Health, Infrastructure, Forestry, Police, Provincial Government, Lands, Commerce, Public Service, Justice and Mines, Energy and Rural Electrification.
- Ministries that underspent by more than 10 per cent of their total revised Budget of \$616.9 million by \$107.9 million (or 17.5 per cent) are; Office of the Ombudsman and the Prime Minister & Cabinet, National Debt, Parliament, Unity, Judiciary and Planning, and Ministry of Culture and Tourism, Aviation, Fishery, Agriculture, and Rural Development and, Ministry of Home and Foreign Affairs.

Payroll

Total Payroll spending was 98.7 percent, inversely expenditure across all ministries was less than the revised Budget by \$16.2 million (or 1.3 per cent) as represented by actual expenditure of \$1231.4 million against a revised Budget of \$1247.6 million in 2019. This is approximately 5.4 per cent (or \$62.9 million) increased from \$1168.6 million payroll actuals in 2018. [Table 5](#) provides the details of payroll expenditure.

- Ministries that overspent more than 100 per cent of their total revised budget of \$844.5 million by \$52.5 million (or 6.2 per cent) are; Pensions and Gratuities, Office of the Governor General and Ministry of Education, Finance & Treasury, Health, Provincial Government, Commerce, Justice and Home Affairs. The highest overspend budget lines were various, overtime, special duty and housing allowances (public servants and elected members), pensions & gratuities, gratuities under agreement and workers compensation.
- The Office of the Auditor General and Ministry of Foreign Affairs, Infrastructure, Forestry, Lands, Tourism, Aviation, Public Service and Environment expend equal to or below 10 per cent of their consolidated revised Budget of \$82.8 million by \$4.8 million (or 5.8 per cent). The most frequently underspent budget lines were accounted from various allowances – others, gratuities under agreement, various allowances, overtime and salaries (public servants) and, NPF (7.5%) - employer contribution.
- Ministries that underspent above 10 per cent of their Head revised allocations of \$320.2 million by 63.9 million (or 19.9 per cent) were; Office of Ombudsman, Electoral and Prime Minister & Cabinet, Ministry of Agriculture, Parliament, Police, National Planning, Judiciary and Unity, Fisheries, Mines, Youth and Rural Development. The most frequently underspent budget lines were accounted from long service benefits, various allowances – others, housing allowance & salaries (statutory), workers compensation, gratuities under agreement, overtime, special duty, various, housing & salaries (public servants), NPF (7.5%) - employers contribution.

Payroll had a variances of \$5.2 million from the Original to Revised budget compared to \$22.1 million in 2018. These variances had been covered for in the variances explanation under the Domestic Funded Recurrent Expenditure (Ledger 2) above.

Other Charges

Total Other Charges expenditure by all Ministries was below the revised budget by \$198.6 million (or 9.9 per cent). This was due to actual expenditures of \$1801.2 million being significantly lower than the revised other charges budget of \$1999.8 million. Total other charges spending is 90.1 per cent of the revised budget. [Table 6](#) details other charges expenditure¹.

¹Note that the recurrent other charges totals includes National Debt Servicing

As shown in Table 6, on average all ministries executed approximately 87 per cent of their revised Budget close to their appropriation (as defined by execution of 49 per cent and up).

Other Charges expenditure is restricted by the procurement system to ensure that expenditure does not exceed the budget and evidently other charges execution was on the right track.

Donor Funded Recurrent Budget and General Budget Support (Ledger 3)

Total donor funded Other Charges Budget (Ledger 3) expended under budget by \$116.9 million (or 37 per cent) below the revised Budget estimates. Actual expenditures were \$197.1 million (or 63 per cent) against a revised Budget estimate of \$314 million which is significantly above average and higher than the 155 million by \$27 per cent implemented in 2018. In absolute terms, spending in 2019 was \$42.1 million higher than in 2018. One of the reason for the improvement in the budget support performance in 2019 is the implementation started early unlike in 2018 where the interim period and also the changed of government and leadership assumed to contradict with policy prioritises. Table 7 provides a summary of Donor Budget Support Expenditure (Other Charges Expenditure) through Ledger 3.

2019 donor funded expenditure across all programs were well below their revised Budgets around 47 per cent on average. Implementing Ministries still require improvements in management of appropriated and non-appropriated donor budget support, planning and provision of annual cash flow requirements in order for their budgets to be effectively implemented.

To highlight some of the issues faced, Ministry of National Planning and Development Coordination (MNPDC) and Ministry of Finance and Treasury (MoFT) anticipated to receive donor partner Budget support indicative estimates when the SIG budget submissions are due to MoFT so that they could form part of the Budget Strategy and fiscal estimates that presented to Caucus, Cabinet, and then Parliament. These information is usually shared out to ministries during the annual Budget launch (June/July) every year. However, ministries responsible sometimes did not comply due to receiving late financial agreement from their donor partners resulted delays in the implementation awaiting advanced warrants to be processed in the course of the financial year.

Ministries that have under spent the revised Budget support by half their appropriation or below were as follows;

- Ministry of Finance and Treasury reported to underspend by \$17.2 million (or 55 per cent) from its revised Budget of \$31.4 million. Line items that were heavily under-utilized more than a million were Consultancy Fees, Salaries - Public Servants, , Capex - Computer Software and Hardware
- Ministry of Foreign Affairs underspent by \$10.8 million (or 93 per cent) from its revised Budget of \$11.6 million. The actual expenditure was only \$0.8 million which illustrates most of its budget lines were underspent frequently from consultancy fees, general stores and spares, training other and subvention and grant;

- Ministry of Police, National Security & Correctional Services was 100 per cent (or \$5.9 million) underspent which shows zero execution from its expenditure lines items namely consultancy fees, maintain non-residential and residential buildings and capex residential buildings.

The variances of \$100.5 million from the Original to Revised appropriations for Donor Support were due to the following budget adjustments or additions;

- \$29,137,818 Budget Support provided by Australian Government and New Zealand Government through the AW for the implementation of learning resources and Infrastructure Support. This is for the implementation of Learning Resources Project for the distribution of school text books and other school resources throughout the Solomon Islands under the Ministry of Education and Human Resources Development (Head 372).
- \$31,425,940 Budget Support collectively provided by MFAT, DFAT and ROC through the AW to improve the Inland Revenue Division and information systems for Treasury Division, ICTSU to improve communication and technology system and to support National Statistics Office to implement census project under the Ministry of Finance and Treasury (Head 373).
- \$11,643,499 of Budget Support provided by UNOPS through the AW for the Implementation of Solomon Islands Tourism for inclusive development project and funding to cater for Enhancing Solomon Islands Trade Related capacity project Tier 1 and 2 under the Ministry of Foreign Affairs and External Trade (Head 374).
- \$14,474,906 of the Budget Support jointly provided by DFAT, UNICEF, ROC, Global Fund and WHO through the AW to construct health centres, conduct workshops in provincial centres, roll over NRH capex works, fund OBM and repair boats and also for minister to attend meetings under the Ministry of Health and Medical Services (Head 376).
- \$10,000,000 Budget Support under the Office of the Prime Minister and Cabinet was provided by PRC through the AW to support members of Parliament to implement a number of important projects within their Constituencies under the Office of the Prime Minister and Cabinet (Head 381).
- \$1,630,038 Budget Support funded by DFAT through the AW for Correctional Service housing construction and Maintenance under the Ministry of Police, National Security and Correctional Services (Head 383).
- \$761,456 of Budget Support provided by MFAT through the AW for additional funds to cater for the construction of the Tilapia Hatchery at Aruligo, West Guadalcanal under the Ministry of Fisheries and Marine Resources (Head 390).
- \$1,423,755 is a Budget Support provided by European Union – GIZ ACSE through the AW for implementation of 2 new solar hybrid projects for Selwyn National Secondary school and Solomon Islands National University (SINU) under the Ministry of Environment, Climate Change, Disaster Management and Meteorology (Head 399).

Consolidated Development Budget (Ledger 4)

The domestic and donor funded development budget (Ledger 4) were under spend by 128.4 million (or 18.4 per cent). It was reported that in 2019, actual expenditure was \$568.7 million (or 81.6 per cent) of the revised budget of \$697.2 million. Table 12 outlines expenditure in the Development Budget and Table 8 and Section 8 provides some updates on the actual implementation status of projects to date.

2019 development expenditure across all projects were below their revised Budgets, executing at an average of 79.8 per cent. Implementing Ministries still require improvements in project management, planning and provision of annual cash flow requirements in order for their budgets to be effectively implemented. However, the overall execution rate was only 81.6 per cent, which is significantly below by 30 per cent (or \$240.6 million) implemented in 2018.

There were four (4) Ministries sought to supplement their budgets in 2019. It is an emerging area of concern when the development Budget is well under-utilized but still there were Ministries sought additional funds in 2019 to increase their budgets but did deliver close to their original budgets. This raises serious questions about the way in which supplementary budget processes are treated by Ministries, suggesting that there is a view that you should ‘have a go’ even if you have no need.

- Ministry of Finance and Treasury increased its revised budget from \$24 million to \$61.8 million with a vast spending of \$61.7 million (or 99.8%). The additional funding of \$37,800,000 is to support National Statistics office to implement the census project. This funding is jointly provided by DFAT, ADB and ROC funds through the AW provision.
- Ministry of Health and Medical Services increased its revised Budget from \$23 million to \$27.9 million and spent \$23.2 million (or 83 per cent). The additional funding of \$4,950,750 was funded through the CW provision to purchase the CT scanner for the National Referral Hospital.
- National Parliament received a Development Budget Support funded by SIG/ROC refund of \$4,100,000 through the AW to implement its unbudgeted development projects.
- Ministry of Rural Development increased its revised budget from \$120 million to \$225 million through a development Budget Support and expended about 75.6 per cent. The additional funding of \$105 million is funded by ROC and PRC through the AW provision purposely to provide additional funding to help deliver National Development and SIG Support to Constituency Developments in 2019.

7 ISSUES AND CHALLENGES WITH THE EXECUTION OF THE 2019 BUDGET

The 2019 Budget Appropriation was built on the key guiding principles to maintain fiscal stability and discipline and ensure that the 2019 Budget is affordable. That was an important objective of the DCGA to re-establishing fiscal buffers to ensure that execution of the budget is efficient and effective by targeting the Government priority policy areas and commitments

within a stable macro-fiscal framework that will deliver results. In order to maintain the fiscal stands and meet the credibility of the 2019 Budget, below are some challenges faced and measures put in place during the formulation and implementation of the Budget.

Budget Adjustments

Processing of CW and supplementary budget were not allowed in the first four months of the 2019 financial year including virement and AW. Virement were strictly scrutinized and processed only for critical and legitimate payments that cannot be delayed or deferred. Development budget adjustments in particular were on hold awaiting the new government namely DCGA that was officially formed in mid-2019. Advance warrant was not allowed however, there are exceptions for some ministries who have ongoing projects with financial agreement that have funding available and that are required to immediately implement their pressing work plans in the first quarter of the year.

With the new Government was formed its key policy and priority areas and ongoing SIG contractual commitments have to be honoured. Any revision within the appropriation have to be offset by savings and resources that can be collected within 2019 financial year.

Supplementary Budget

In line to section 51 (a - b) of the PFM Act, there was a supplementary budget namely, 2019 Supplementary Appropriation Act 2019 had enacted by Parliament. The supplementary collectively call for an additional \$145 million, which includes \$4.9 million for CW, \$93 million for AW and \$47 million for additional supplementary expenditures for the services in the year ended 31st December, 2019.

The total additional budget support received \$93 million by SIG from its primary Development Partners through AW were fully funded but, was not included in the 2019 Appropriation Act. Contingency Warrant \$19 million was budget for and within the 2019 budget framework. The additional supplementary expenditures of \$47.1 million were funded from new revenues measures that the government is expected to collect in 2019.

These upward revisions to the ministry budgets were legitimate and funded from additional resources identified and secured or being offset through efficiency savings within the 2019 Appropriation Act.

Change of Government

The 2019 Appropriation was approved by the former SIDCCG in December 2018 before it dissolved in preparation for the National General Election on the 3rd April 2019. For the 1st quarter of 2019, the Government was in a caretaker mode. However, the new DCGA assumed power on 24th April 2019 and had amended some changes to its institutional arrangements and leadership and officially launched its policy statement and translation on the 26th July 2019. DCGA regime then started with the implementation of its 100 Day Policy Priorities by aligning its priorities and strategic actions across sectoral approach of the Government as a whole to policy implementation and delivery. In honouring Government's commitments, implementing ministries have realigned their work plans and reallocate resources within the approved appropriation.

Budget Reforms

The introduction of an “Activity-Output Based Budgeting” is partly contributed to the Government approach to maintain fiscal stability since 2018. In which, Ministries were encouraged to establish a “Ministry Budget Committee (MBC)” to coordinate internally and prepare budget as required through an activity based budgeting and outputs as a focus for budget decision making and in-year adjustments.

The “Baseline Template” was introduced and shared to support ministries properly prepare their baseline budgets aligning to their work plans/activities and also outputs expected to be delivered. Ministries were also encouraged to reprioritize their budget needs within the baseline and demonstrate the value for money activities.

Prior to the start of the 2019 budget process, there was a “Pre Budget Consultation” conducted to assist ministries much earlier with their budget preparation. Ministries were informed of the key required documents such as the corporate and annual work plans that they could use to easily link their budgets to achieving their planned activities based on the policy direction of the Government.

In 2019, to support the ongoing reform agenda of strengthening the capacity of ministries particular in budget planning, budget formulation and implementation, Asian Development Bank Technical Advisors (ADB TAs - local and international) had supported Budget Unit to work closely with identified ministries and agencies to carry out pilot studies and develop tools to assist MBC to effectively roll out its mandate ensuring it is active and conduct regular meeting as required. The pilot agencies identified for the ADB TAs to work with and carry out the exercise were the Office of the Ombudsman, Ministry of Education and Human Resource Development, Ministry Finance and Treasury and Ministry of Justice and Legal Affairs.

The outturn to these reforms were interesting as the pilot ministries already formed their budget committee. Also in 2019 is the first time the TAs initiative was introduced which is very helpful for ministries especially in realignment of the budget to annual work plan and articulating key outputs. Some ministries however, have had an active budget committees while line item budgeting is still a norm in other ministries.

8 2019 DEVELOPMENT BUDGET EXECUTION AND KEY ACHIEVEMENTS

The 2019 development budget with an estimate of \$545.3 million was appropriated by parliament in December 2018 to cater for a total of seventy-eight (78) development programmes of which seventy-seven (77) ongoing and one (1) is a new programme. That is a reduction of 2.5 per cent from 80 programmes in 2018 and 12.1 per cent from 91 programmes in 2018. These development programmes were implemented by twenty-one (21) government ministries and three (3) agencies. Solomon Islands Electoral Office, Office of the Ombudsman, Ministry of Foreign Affairs and External Trade, Office of the Governor General, Ministry of Public Service, and Ministry of Traditional Governance Peace and Ecclesiastical Affairs have no development budget allocation in 2019. The National Parliament had a revised of \$4.1 million through an AW provision funded by the Republic of China (ROC) to implement its unbudgeted development project.

An additional \$151.9 million from revised budget estimate of \$697.2 million was credited through the AW and CW provisions (explained under sub-section 'Consolidated Development Budget (Ledger 4)'. The actual expenditure of \$568.7 million was still below 2018 expenditure \$809.3 million by approximately 30 per cent. Overall budget disbursement status as at end of 2019 financial year was 81.6 per cent with \$128.4 million (or 18 per cent) unspent.

According to overall Development Budget disbursement by Sectors (Figure 08), Rural Development and Other scored the highest expenditure by 30.5 per cent (or \$173.7 million) and Public Service sectors with 30.2 per cent (or \$171.5 million). The expenditure was corresponded to the increased in their revised budget through an AW from development donor partners by \$146.9 million.

The Infrastructure Sector with a disbursement rate of 13.3 per cent (or \$75.7 million) is the third highest followed by the Education Sector with 9.5 per cent (or \$54.0 million) compared to 20.5 per cent and 5.5 per cent respectively in 2018.

The Economic Sector overall expenditure is 8.8 per cent (or \$50.1 million) from a revised budget of \$65.1 million compared to 7.4 per cent (\$59.5 million) from revised budget of \$71.4 million in 2018.

For Health Sector, its revised budget is increased by \$4.9 million through a CW for a CT scanner. The actual expenditure recorded \$23.2 million which is equivalent to its original Budget. That raised a question whether the additional funding is utilized or 100 per cent underspent. However, the overall expenditure revealed 4.1 per cent compared to 2.3 per cent in 2018.

The Public Order and Safety Sector expended 2.6 per cent (or \$14.9 million) whilst Environment and Disaster Sector spent at least 1 per cent (or \$5.6 million) in the 2019 financial year.

In terms of budget actual expenditure by ministries, six (6) ministries including the Ministry of Education, Finance, National Parliament, Provincial Government, National Planning and Mines and Energy utilised their budget allocations above 90 per cent.

Five (5) ministries including Ministry of Health, Infrastructure Development, Police, Commerce and Justice expended from 80 per cent to 90 per cent whilst the other thirteen (13) Ministries/ Agencies implemented their budget allocations below 80 per cent.

Development budget and actual expenditures in 2019 compared to the past three successive financial years is less across every sector. Hence, ongoing monitoring, reporting and evaluation for both new and ongoing programmes is required in order to determine tangible impacts of the increasing expenditure on social and economic development. From the total of 78 development programmes implemented in 2019, the quality of progressive report received needs improvement and depends on how well the available information reflects reality. The reports were important for further analysis and determination of level of funding against service delivery coordinated by key Sectors.

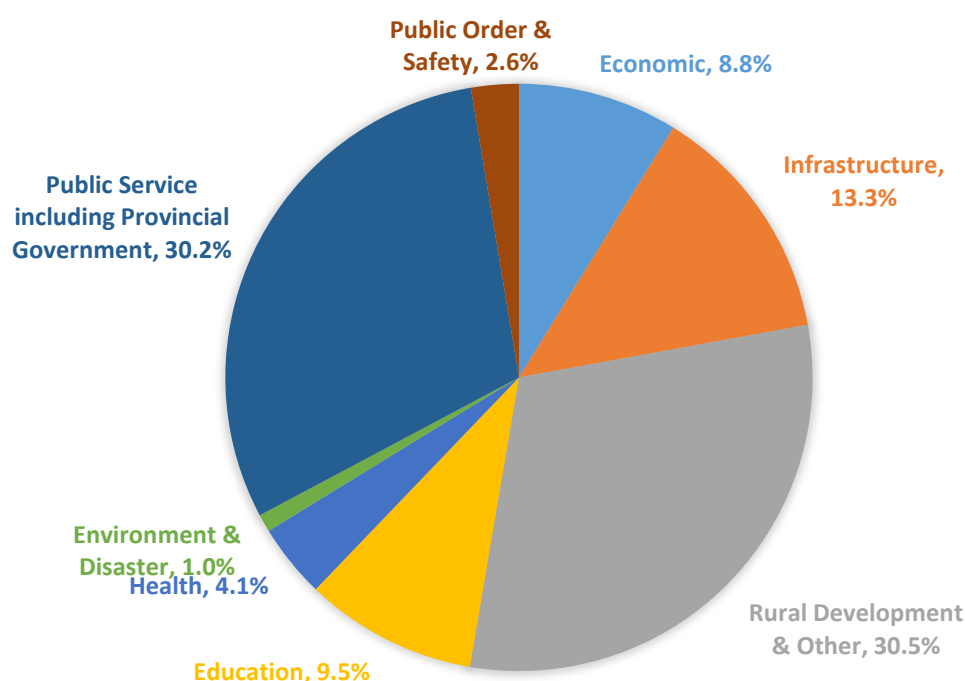
Summary of key Achievements

- Tina Hydro project phase one implementation has been started with road access construction underway. An ongoing project for next couple of years until its completion.
- Following successful completion of the Under Sea Cable phase one to Solomon Islands capital. Phase two development progressed well with focus on Malaita, Western and Choiseul provinces. The cable extension to these three provinces were successfully completed in 2019.
- Construction work at the Solomon Islands National University (SINU) Panatina Complex is about 97 per cent completion. The project was properly managed and implementation was done according to schedule. With the work currently underway, the project is expected to be completed before end of the second quarter of this year (2020).
- With regards to Education Infrastructure program, construction work on school projects with the help of communities is still on progress. The 2019 budget allocation for this program is mainly for ongoing and outstanding contractual commitments.
- Implementation of Industrial Commercial Estate downstream projects continued in 2019. Key outputs include food technology studies for Bonale Pineapple project. Master plan for Gojoruru commercial and industrial estate now ready for submission to Cabinet. Developer of Mamara industrial and township project had submitted the concept plan and construction of road access by the Ministry of Infrastructure (MID) has been started. For Lavado cocoa factory, concept design, awarding of contractor and first mobilisation payment has been made before end of 2019 financial year.
- Construction of projects under Primary Health Care program targeting clinics and mini hospitals in the provinces throughout the country was ongoing. Some of the projects nearly completion include Afio mini hospital, Tingoa and Naha which mainly funded by Australia government. Work will continue in year 2020.
- Computerized Tomography (CT) scan project at National Referral Hospital work still on progress. Upon completion, this project would be one of the key achievement that will enhance life saving for all Solomon Islanders.
- Construction on Munda International Airport with support from New Zealand government has been completed in year 2019. For Henderson International airport, signing of contract has been done and Japan International Cooperation Agency (JICA) already started with mobilisation work.
- Rehabilitation work on provincial airstrips progressed according to schedule. During the year, few airstrips had been rehabilitated and resume domestic flight operations. An ongoing activity in 2020 under Provincial Airport Development Programme.
- Institutional Strengthening programme continued to deliver tangible investments to communities and provincial headquarters during 2019 financial year. Key output under this programme include provincial chambers, school dormitories, staff houses and office buildings. This programme was implemented by the nine provincial governments

with support from the Ministry of Provincial Government and Institutional Strengthening.

Summary of issues and challenges

- There are several development programmes that were ongoing for more than ten (10) years now. Most of the programmes were recurrent in nature hence should shift to recurrent budget in order to allow the development budget to be more focus on capital investment projects that really drives economic growth of this country.
- Reporting is still an ongoing issue with most government ministries and agencies that implemented the 2019 development budget. Out of the total 78 development programmes, total progress reports received for first and second six (6) months still need improvement.
- Capacity constraint also has significant implication on implementation of most development programmes. There is a need for Ministry Budget Committee (MBC) under each ministry to review technical capacity of project management unit. Some of the projects were cross-sectoral and that requires proper coordination across sectors to ensure smooth implementation and on time reporting.
- Compliance remains an ongoing challenge for most ministries especially when preparing Medium Term Development Plans (MTDP), Annual Development Budget Bid Proposals and Reporting Documents as required under the PFM Act 2013.
- Most of the development projects faced land issues. In Solomon Islands most lands were customarily owned and the process of securing land at times really complicated and time consuming before actual project implementation. Land issues also set drawbacks during project implementation.
- Consideration of ongoing commitments and contracts management is a challenge moving forward as this has to be managed and control at respective Ministry levels. The Ministry Tender Board (MTB) and MBC should be proactive in playing their roles.
- Coordination of Development budget programmes from line Ministries in line with its priorities from MTDP and budget is not connected or linked properly. For instance, the MTDP preparation process often done prior to finalisation of annual development budget. This resulted in gap between MTDP and approved annual budget.
- Hosting of major programmes like 2023 Pacific Games which is yet to see major infrastructure project implemented given the short time period is of importance as this is a National project which needs the resources to be implemented on time. Current National Hosting Authority need to be proactive in providing the support and ensuring reports on activities and expenditures is reported on time.

Figure 08: 2018 Development Budget Actual Expenditure by Sector

9 SUMMARY OF VIREMENTS

The Provisions for virements are stipulated in the PFM Act Section 53 and 54 (1 - 6). It is a movement of budgetary resources within a Government ministry or agency's programs, policy areas, expenditure categories or line items. The virement provision permits flexibility for ministries to move funds across priorities within their Budget appropriations at the head level in Ledger 2, 3 and 4 respectively but, not between Heads or Ledgers. It allows for adjustments within Other Charges, or Payroll or Development Budget projects without affecting the total budget for each Head.

Table 9 shows that across all Ministries, a total of 1855 adjustments or virements were made which accounted for \$236.0 million compared to 1678 virements made in 2018 and accounted for \$230.8 million and 1,404 virements made in 2017 worth \$298.1 million. This demonstrate a growth in the number of virement adjustments by 11 per cent and an increase of around 2 per cent of the value of adjustments from 2018.

The report relieved that in 2019, these were seven (6) Ministries rated high in terms of more than \$10 million they had been reallocated within their appropriation.

- Ministry of Education and Human Resources Development had 24 virement movements from ledger 2, 3 and 4 with a total fund movement of \$42.6 million (or 18 per cent) of the total fund moved. These movements' highlighted Head 272 had increased by 4 per cent funding reallocated within from 2018 to 2019.
- Ministry of Finance and Treasury had 182 virement movements for ledger 2 3 and 4 worth a total of \$37.7 million (or 16 per cent) of the total fund moved. The report stated Head 273

had decreased from 225 virements (or 24 per cent) in 2019. It is therefore Ministry of Finance still needs to properly plan and hope to reduce virement this year 2020 to avoid unnecessary increase of virements.

- Ministry of Rural Development had 9 virement with a total fund movement of \$35.86 million (or 15 per cent) of the total fund moved of \$236.04 million from its ledger 2, 3 and 4. This shows, Head 298 had decreased to 49 per cent virement movement within its accounting codes compared from its total number of virements in 2018.
- Ministry of Health and Medical Services reported to move \$22.4 million with a total of 187 virements (or 9 per cent) of the total fund moved. The ministry in 2019 illustrated an increased in both the number of virements and funded associated from 92 virements (or 51 per cent) with \$22.4 million (or 38 per cent) from 2018.
- Ministry of Infrastructure Development has decreased from 99 to 34 virement movements (or 66 per cent) and increased in fund movement from \$10.9 million to \$13.3 million (or 22 per cent) in 2019. The fund moved in 2019 is around 5.7 per cent of the total fund moved.
- Ministry of Police, National Security and Correctional Services adjusted approximately \$10.7 million with 90 virements (or 5 per cent) of total funded moved). That depicts a decreased from 117 virements (or 67 per cent) with a decreased from \$17.8 million to \$10.7 million in 2019.

Virement report shows there are various account that were usually vired. In 2019, there were 204 natural account codes that were usually vired from and 153 account codes that were usually vired to;

The common account codes fund usually vired ‘from’ in 2019 and classified in terms of more than \$10 million funds moved were;

- **Training oversea (2605)** is total to \$26.4 million (or 11 per cent) of the total fund moved (or \$236.03 million) and recorded the highest movement with 8 times (or 0.5 per cent) of the total virements (1855) in terms of expenditures it associated from.
- **Consultancy fees (2004)** is second highest recorded 126 times (or 7 per cent) of the total virement and accounted for \$20.1 million (or 9 per cent).
- **Capex-Office equipment (5580)** is the third highest account code that was commonly vired fund from. It accounted for \$15.2 million (or 6 per cent) of the total fund moved and vired 12 times (or 1 per cent) of the total virements.
- **Subvention and grant (4027)** is recorded 29 times (or 2 per cent) of the total virement and accounted for \$13.8 million (or 6 per cent).
- **Capex residential buildings (5150)** was noted down 11 times (or 1 per cent) of the total virement and accounted for \$12.9 million (or 5 per cent).

The common account codes fund usually vired ‘to’ in 2019 and categorized in terms of more than \$6 - \$10 million funds moved were;

- **Subventions and grant (4027)** is the highest with \$25.3 million (or 11 per cent) of the total fund moved (\$236.0 million). And funds reallocated to this particular

expenditure budget line has only 5 movements (or 0.3 per cent) of the total number of virements (1855).

- **Training other (2604)** is the second and with \$21.4 million (or 9 per cent) and vired to by 21 times (or 11 per cent) of the total number of virements.
- **Capex- Other equipment (5580)** is the third highest in terms of fund moved \$12.0 million (or 5 per cent) and also the third highest in terms of the number of virements 27 (or 8.6 per cent).
- **Maintain non residential buildings (2501)** is likewise the fourth highest in terms of funds moved \$11.5 million (or 5 per cent) and also the first highest in terms of the number of virement 121 (or 7 per cent).
- **Consultancy fees (2004)** is the fifth highest in terms of funds moved \$8.6 million (or 4 per cent) and has the second highest in terms of number of virements 65 (or 4 per cent)
- **Court judgement (3509)** is the sixth highest of all the account codes that were commonly vired to. It accounted for \$7.9 million (or 3.4 per cent) of the total fund moved and vired to 12 times (or 4 per cent) out of the 1855 total number of virements.

The continues high number of virements raises a number of questions that need to be resolved in terms of effective budget planning, management and execution:

- Many virements are for small amounts of funds to be moved, usually less than \$1 million. Ministries need to ensure that their baseline budgets are formulated against proposed activities and projects in line with their corporate or strategic plans and that they keep within these costs during the execution of their budgets.
- Many virements contain movements from more than 10 account codes to a single accounting code. This suggests a 'shake the tin' approach to expenditure, where the budgets of many codes are raided indicating that little attempt is being made to actually reprioritise expenditure and activities and just attempting to 'share the pain' across a number of areas.

Both of these occurrences indicate a poor level of planning by the MBC and equally a need for the Budget Unit and the Budget Coordination Committee (BCC) to do more to scrutinise the work being undertaken by Ministries.

On the other hand, we also have Ministries in Ledger 2, 3 and 4 with total number of virement movement that are less than 20 virement movements within their accounting codes, and the funds moved to finance other accounting codes were less than \$1 million.

- Ministry of National Planning and Development Coordination (Head 286) have 13 virements (or 3.0 per cent) with a total of \$0.7 million (or 0.3 per cent) fund movements to other accounting codes in ledger 2 and 4. Funds that were vired was purposely to cater for printing and photocopying of the 2019 revised development budget, training of the Master of Business Administration (MBA) students, increase

office stationeries, provincial workshops National Development Strategy (NDS) and for maintenance of motor vehicle.

- Office of the Auditor General (Head 271) had reallocated approximately \$0.5 million (or 0.2 per cent) with a total of 12 movement (or 0.6 per cent) between its accounting codes. Funds that were vired was purposely to cater for printing, vehicle repair, conference and maintenances of office and guard house by repairing the convenient room and replacement of glass frames.
- Ministry of Women, Youth and Children Affairs (Head 297) had a total of 11 virement (or 1 per cent) valued \$0.5 million (or 0.2 per cent) purposely to cater for staff house rentals, payment of outstanding bills to Solomon star and for Minister and delegation travelling to Bangkok for the declaration of Convention to Eliminate Discrimination and violence against Women (CEDAW).
- Ministry of Public Service (Head 291) had reallocated approximately \$0.4 million (or 0.2 per cent) with a total of 15 movements (or 0.8 per cent) between its accounting codes. Funds that were vired was purposely to cater for telephone bills, cover overspent in sitting allowance, house rental, SIG public officers undertaking MBA program (HRM Stream) at USPSI Campus and printing of the 2020 Establishment Books for the Public Accounts Committee (PAC) and Parliament meetings.
- Office of the Ombudsman (Head 269) had reallocated \$0.2 million (or 0.1 per cent) in its ledger 2 with a total of only 4 movement (or 0.2 per cent) between its accounting codes. Funds that were vired was purposely to cater for installation of air condition, electrical repairs and plumbing works and for the retirement of ministry's standing imprest.

In summary, Ministries are forced to use virements due to poor budget planning and coordination, budget allocation and prioritization of spending priorities during budget formulation and mid year budget review. In some instances, they used virement provision in order to cater for unexpected programmes due to changes or switch of the National Government priorities and policies. Government Ministries and Agencies also use virements when incorrect accounting codes are used for certain payments.

For Development Budget virements, they have significant changes from programme scope, activities, costings and key outputs indicated in original work plans received during bidding process and recommendation. As such most development programmes and projects were diverted from planned activities to deliver short term priorities. This is an area where monitoring and evaluation report is required to provide outputs and tangible deliverables on the ground of these implemented programmes.

In the past financial years including 2019, virements were still not being published as required under the Public Financial Management Act, Section 54 (6) and this needs to be addressed in 2020.

10 2019 BUDGET MANAGEMENT MEASURES AND IMPLEMENTATION

Pursuant to section 44 (1) (2) of the Public Financial Management (PFM) Act 2013, the Ministry of Finance and Treasury is responsible for the preparation, management and monitoring of the budget process and procedures in accordance with the said Act and the subsidiary legislation. SIG had continuously faced growing pressure on managing cash and effectively processing payments. As such, in recognising the importance of coordination across Government, MoFT together with MNPDC and Ministry of Public Service (MPS) is committed to assisting and supporting Ministries across Government to improve the effective execution of the 2019 National Budget.

Below are the financial circular and memorandum that were issued to guide ministries in implementing their 2019 Budget appropriations. These instructions were believe to have contributed to the expenditure performances and services delivery throughout the year;

- **Financial Circular 01/2019.** This circular articulated the “*General guidelines on the execute of the 2019 Budget, procurement requirements and clarifications of MoFT internal processes*” and was issued on 22nd March 2019. The purpose of this circular was to ensure that all Accountable Officers, Accounting Officers and Financial Controllers are aware of and comply with the requirements for executing the 2019 Budget appropriation. In line with section 12, 13 and 14 of the PFM Act (2013), all Accountable Officers and Accounting Officers and Financial Controllers in every Ministry should ensure full compliance with and adherence to the instructions in this Circular in order to support MoFT with the smooth execution of the Budget for 2019. In brief, the instruction in the circulars remind ministries of;
 - A. *General guidelines on the execution of the 2019 Budget* which includes implementing ministries should from a MBC so that they can effectively coordinate the budget process from preparation to approving the Budget. It further remind ministries of the processes and legal provisions under the PFM Act of the budget adjustments such as virement, contingency warrants and advanced warrants and not to apply for them during the caretaker period until such time as the new government is formed. This section also shares to ministries the tentative budget timelines and key dates for the 2020 National Budget process.
 - B. *Procurement requirements for the 2019 Budget.* This section reminds accountable officers as per part 9, Clause 72 [2] of the PFM Act 2013 to plan and prioritize their procurement activities with a view to achieving maximum value for public expenditure so that procurement transactions are carried out within the Appropriation Act and Subsidiary Legislation, given the scarcity of financial resources, other limitations and at the most favourable time.
 - C. *Submission of and processing of payments and preparation of public accounts.* Again this section calls for the accountable and accounting officers of the processes involved and financial instructions to comply with regards to obtaining the local purchasing orders, processing of payments and preparation of public accounts.
- **Memorandum.** This memo was an “*Invitation to establish MBC in ministries*” that was issued on 20th May 2019. Following the Financial Circular 01/2019, invitation was

sent to all ministries to ensure all required members of the MBC, including Accountable Officers, Accounting Officers, Financial Controllers and Heads of Divisions (HODs) aware of their roles and responsibilities of the MBC and to effectively carry out duties in their respective ministries as stipulated under the MBC Terms of Reference. Budget Unit then consulted ministries on the 23rd - 30th May urgently to ensure ministries established their MBCs to effectively oversee and manage their 2019 budget and also in preparation for the 2020 budget. This is a mandatory requirement as part of the ongoing PFM reforms being implemented by MoFT to enhance the capacity of ministries to plan and provide greater autonomy to make better decisions about how they manage their funds and their budget and bring these recommendations to the Budget Coordinating Committee (BCC) including MoFT, MNPDC and MPS for consideration.

As part of assisting line ministries to manage and supplement their annual approved budgets, there was a 2019 Supplementary Appropriation Act 2019 (No. 2 of 2019) was enacted by the National Parliament in the fourth quarter in 2019. The supplementary budgets adjustments partly reason the variations in expenditure against original estimates in the 2019 appropriation implementation.

The supplementary budget “2019 Supplementary Appropriation Act 2019 (No. 2 of 2019) was enacted by the National Parliament and collectively called for an additional \$145.25 million, which includes \$4.95 million for Contingency Warrant, \$93.22 million for AW and \$47.08 million for additional supplementary expenditures for the services in the year ended 31st December, 2019.

The government remains committed to its overall 2019 budget key strategic priority, which is to remain committed to fiscal stability and discipline and ensure that the 2019 Budget is fully funded. Thus, these upward revisions to the ministries budgets were legitimate and secured through identified resources to reserve the 2019 Appropriation Act.

11 CONCLUSION

The Solomon Islands Government (SIG) had so far expended approximately \$3.8 billion or 89.2 per cent out of a revised 2019 budget of \$4.3 billion. In comparison, the SIG had collected a total of \$4.9 billion which is 3.5 per cent lower than the actual estimate with a surplus of \$94.6 million. This illustrated a commitments of how the budget was managed and executed in 2019.

In terms of revenue, domestic collections for tax and non-tax sources performed fairly well however, there were under-collections across other ministries by \$2.4 million (or 0.5 per cent). Customs collections performed strongly in 2018 and so in 2019 whilst collection from Inland Revenue was underperformed by \$164.7 million (or 8.3 per cent) of the expected receipts. Non-tax collections from Fisheries had excelled by \$15.3 million (or 4.5 per cent). Total expenditure across the Recurrent Budget was close to the original budget by 93.4 per cent. Donor Partners Budget Support and Development Budget project expenditures underperformed as a result of continual capacity constraints and poor project management and design. Payroll overspends across ministries that were experienced in the last three succeeding financial years was improved and on target in 2019.

There were of course some variations in revenue and expenditure against initial estimates due to the budgetary provisions such as Advance and Contingency Warrants requests and additional expenditures appropriated through the Supplementary Budgets within and across Ministries. These budget adjustments are ongoing issue that will have to be addressed during the execution of the 2020 Budget to ensure that there is improved management in the execution of the budget and 'off budget' considerations are to be limited in order to demonstrate better budget discipline and credibility of the National Budget.

12 SUMMARY TABLES

TABLE 1: FINAL BUDGET OUTCOME - FISCAL POSITION

	2019 Original Estimates \$m	2019 Revised Budget \$m	2019 Actuals \$m	"Variance" \$m
<u>CONSOLIDATED BUDGET FUNDING</u>				
REVENUE				
Domestically Sourced Revenue				
Inland Revenue	2044.0	1986.5	1821.8	(164.7)
Customs and Excise	1096.6	1063.0	1088.8	25.8
Other Ministries	502.2	483.1	480.6	(2.4)
Total Domestically Source Revenue	3642.8	3532.6	3391.3	(141.3)
Externally Sourced Funding				
Budget Support (Recurrent)	213.0	314.0	314.0	0.0
Domestic Borrowing	0.0	0.0	0.0	0.0
Donor Funding (Consolidated Development)	70.0	187.8	187.8	0.0
Total Externally Sourced Funding	283.0	501.8	501.8	0.0
TOTAL REVENUE	3926.0	4034.4	3893.1	(141.3)
<u>CONSOLIDATED EXPENDITURE</u>				
Recurrent Budget				
Payroll	1243.0	1247.6	1231.4	(16.2)
National Debt Servicing	78.3	78.3	64.9	(13.4)
Other Charges	1828.0	1921.4	1736.3	(185.2)
Total Recurrent Budget	3149.0	3247.4	3032.6	(214.8)
Budget Support				
Sector Budget Support-L3	213.0	314.0	197.1	(116.9)
Total Consolidated Development Budget	545.0	697.2	568.7	(128.4)
SIG Funded Development	475.0	509.4	451.0	(58.3)
Donor Funded Development	70.0	187.8	117.7	(70.1)
Contingency Warrant Provision	19.0	2.0	0.0	(2.0)
TOTAL CONSOLIDATED EXPENDITURE	3926.0	4260.5	3798.4	(462.1)
FISCAL POSITION	0.0	(226.2)	94.6	320.8

TABLE 2: FINAL BUDGET OUTCOME- SUMMARY OF REVENUE

Revenue Type	2019 Original Estimates	2019 Revised Budget	2019 Revised MYBR	2019 Revised Supplementary	2019 Actuals	"Variance"
	\$m	\$m	\$m	\$m	\$m	\$m
OTHER REVENUE						
Fees, charges and other	155.6	162.1	153.6	154.6	137.5	(17.1)
License Revenue	346.7	346.7	328.5	328.5	343.2	14.7
Total	502.3	508.8	482.1	483.1	480.6	(2.4)
INLAND REVENUE						
Company Tax	320.8	320.8	301.6	301.6	292.2	(9.5)
Goods Tax	787.5	787.5	755.7	773.5	662.4	(111.1)
License Revenue	16.5	16.5	17.4	17.4	18.8	1.4
Personal Tax	509.5	509.5	509.5	509.5	518.7	9.3
Sales Tax	80.8	80.8	77.8	77.8	76.2	(1.6)
Stamp Duty	14.0	14.0	12.5	12.5	14.7	2.2
Withholding Tax	315.0	315.0	294.2	294.2	238.3	(55.9)
Fees, charges and other	0.0	0.0	0.0	0.0	0.5	0.5
Total	2044.1	2044.1	1968.8	1986.5	1821.8	(164.7)
CUSTOMS REVENUE						
Excise Duty	230.3	230.3	188.0	188.0	198.1	10.1
Export Duty	562.1	562.1	562.2	562.2	624.3	62.1
Fees, charges and other	1.1	1.1	1.1	1.2	5.2	4.1
Import Duty	303.2	303.2	246.1	311.6	261.2	(50.4)
Total	1096.7	1096.7	997.5	1063.0	1088.8	25.8
Domestic Revenue Total	3643.1	3649.6	3448.4	3532.6	3391.3	(141.3)
GRANTS AND BUDGET SUPPORT						
Budget Support (L3)	213.5	314.0	314.0	314.0	314.0	0.0
Domestic Borrowing	0.0	0.0	0.0	0.0	0.0	0.0
Budget Support (L4)	70.0	187.8	187.8	187.8	187.8	0.0
General Support	0.0	0.0	0.0	0.0	0.0	0.0
Development Bond (NPF)	0.0	0.0	0.0	0.0	0.0	0.0
Budget Support Total	283.5	501.8	501.8	501.8	501.8	0.0
REVENUE TOTAL	3,926.5	4,151.3	3,950.2	4,034.4	3,893.1	(141.3)

TABLE 3: FBO – SUMMARY OF TOTAL DOMESTIC REVENUE

Head Of Expenditure		2019 Original Estimate	2019 Revised Budget	2019 Revised Budget MYBR	2019 Revised Budget Suppl	2019 Actuals	"Variance"
		\$m	\$m	\$m	\$m	\$m	\$m
268	Solomon Islands Electoral Office	2.5	2.5	2.4	2.4	0.0	(2.4)
270	Agriculture and Livestock Development	11.9	11.9	11.3	11.3	10.1	(1.2)
271	Office of the Auditor General	2.5	2.5	2.4	2.4	2.8	0.4
272	Education & Human Resources Development	3.6	3.6	3.4	3.4	3.3	(0.1)
273	Finance and Treasury	30.1	36.5	34.6	34.6	15.7	(18.9)
274	Foreign Affairs and External Trade	0.0	0.0	0.0	0.0	0.0	0.0
275	Office of the Governor General	0.0	0.0	0.0	0.0	0.0	0.0
276	Health and Medical Services	0.7	0.7	0.7	0.7	0.4	(0.2)
277	Infrastructure Development	14.3	14.3	13.6	13.6	20.6	7.0
278	National Debt Servicing	0.0	0.0	0.0	0.0	0.0	0.0
279	National Parliament	0.0	0.0	0.0	0.0	0.0	0.0
280	Forestry & Research	6.3	6.3	6.0	6.0	2.3	(3.7)
281	Office of the Prime Minister and Cabinet	0.1	0.1	0.1	0.1	0.0	(0.0)
283	Police, Nat. Security & Correctional Services	0.5	0.5	0.5	0.5	0.8	0.3
284	Provincial Gov't & Institutional Strengthening	0.0	0.0	0.0	0.0	0.0	0.0
285	Lands, Housing and Survey	9.2	9.2	8.7	8.7	7.6	(1.0)
287	Culture and Tourism	0.3	0.3	0.3	0.3	0.2	(0.1)
288	Commerce, Industries, Labour and Immigration	34.1	34.1	32.3	32.3	35.8	3.5
289	Communication & Aviation	19.8	19.8	18.7	18.7	15.6	(3.1)
290	Fisheries and Marine Resources	354.9	354.9	336.3	336.3	351.5	15.3
291	Public Service	0.0	0.0	0.0	0.0	0.0	(0.0)
292	Justice and Legal Affairs	1.1	1.1	1.0	1.0	0.9	(0.1)
293	Home Affairs	4.7	4.7	4.4	5.4	6.1	0.7
295	Mines, Energy & Rural Electrification	3.2	3.2	3.1	3.1	2.0	(1.1)
296	National Judiciary	2.0	2.0	1.9	1.9	4.5	2.6
298	Rural Development	0.0	0.0	0.0	0.0	0.0	0.0
299	Environment, Climate Chng, Disaster Mgmt & Met.	0.7	0.7	0.6	0.6	0.4	(0.2)
TOTAL		502.3	508.8	482.1	483.1	480.6	(28.2)

TABLE 4: FBO – SUMMARY OF TOTAL RECURRENT EXPENDITURE (L2)

	Head Of Expenditure	2019 Original Estimates	2019 Revised Budget	2019 Actuals	"Variance"
		\$m	\$m	\$m	\$m
268	Solomon Islands Electoral Office	46.0	56.4	51.9	(4.5)
269	Office of the Ombudsman	5.6	5.6	3.6	(2.0)
270	Agriculture and Livestock Development	35.8	36.7	32.8	(3.9)
271	Office of the Auditor General	9.0	9.0	8.3	(0.6)
272	Education & Human Resources Development	1175.4	1198.1	1150.7	(47.4)
273	Finance and Treasury	150.6	164.3	160.5	(3.8)
274	Foreign Affairs and External Trade	67.8	67.8	56.0	(11.8)
275	Office of the Governor General	10.7	11.7	11.8	0.0
276	Health and Medical Services	428.5	428.5	421.9	(6.6)
277	Infrastructure Development	68.6	83.2	80.6	(2.6)
278	National Debt Servicing	78.3	78.3	64.9	(13.4)
279	National Parliament	102.6	102.6	88.4	(14.2)
280	Forestry & Research	25.8	25.8	23.2	(2.6)
281	Office of the Prime Minister and Cabinet	125.1	126.1	92.6	(33.5)
282	Pensions and Gratuities	13.7	13.7	15.9	2.2
283	Police, Nat. Security & Correctional Services	297.9	327.1	295.1	(32.0)
284	Provincial Gov't & Institutional Strengthening	121.3	121.3	120.6	(0.7)
285	Lands, Housing and Survey	19.1	19.1	17.2	(1.9)
286	Development Planning and Aid Coord.	7.1	7.1	5.8	(1.3)
287	Culture and Tourism	28.1	28.1	24.8	(3.3)
288	Commerce, Industries, Labour and Immigration	44.4	44.4	43.5	(0.9)
289	Communication & Aviation	48.8	48.8	41.5	(7.3)
290	Fisheries and Marine Resources	23.9	23.9	21.0	(2.9)
291	Public Service	30.7	30.7	28.6	(2.0)
292	Justice and Legal Affairs	33.8	34.5	33.8	(0.7)
293	Home Affairs	17.5	17.5	15.2	(2.2)
294	National Unity, Reconciliation and Peace	17.6	17.6	15.5	(2.0)
295	Mines, Energy & Rural Electrification	16.7	17.7	16.9	(0.8)
296	National Judiciary	34.8	37.3	32.8	(4.6)
297	Women, Youth and Children's Affairs	12.3	13.2	12.0	(1.2)
298	Rural Development	19.2	19.5	14.0	(5.5)
299	Environment, Climate Chng, Disaster Mgmt & Met.	31.8	31.8	31.0	(0.8)
TOTAL		3148.5	3247.5	3032.6	(214.9)

TABLE 5: FBO – SUMMARY OF PAYROLL CHARGES EXPENDITURE (L2)

	Head Of Expenditure	2019 Original Estimates \$m	2019 Revised Budget \$m	2019 Actuals \$m	"Variance" \$m
268	Solomon Islands Electoral Office	3.0	3.0	1.1	(1.8)
269	Office of the Ombudsman	2.2	2.2	1.9	(0.3)
270	Agriculture and Livestock Development	17.4	17.4	14.4	(3.0)
271	Office of the Auditor General	2.8	2.8	2.5	(0.3)
272	Education & Human Resources Development	498.8	498.8	541.9	43.1
273	Finance and Treasury	32.7	34.2	35.5	1.2
274	Foreign Affairs and External Trade	6.8	6.8	6.3	(0.5)
275	Office of the Governor General	3.1	3.1	3.3	0.2
276	Health and Medical Services	246.7	246.7	250.0	3.3
277	Infrastructure Development	10.1	10.1	10.1	(0.1)
278	National Debt Servicing	0.0	0.0	0.0	0.0
279	National Parliament	46.2	46.2	38.1	(8.1)
280	Forestry & Research	11.6	11.6	10.6	(1.0)
281	Office of the Prime Minister and Cabinet	50.2	50.2	29.9	(20.3)
282	Pensions and Gratuities	13.7	13.7	15.9	2.2
283	Police, Nat. Security & Correctional Services	139.2	141.3	123.0	(18.3)
284	Provincial Gov't & Institutional Strengthening	21.0	21.0	22.4	1.5
285	Lands, Housing and Survey	7.1	7.1	6.8	(0.3)
286	Development Planning and Aid Coord.	3.0	3.0	2.5	(0.5)
287	Culture and Tourism	3.6	3.6	3.3	(0.3)
288	Commerce, Industries, Labour and Immigration	11.4	11.4	11.6	0.2
289	Communication & Aviation	12.5	12.5	11.8	(0.7)
290	Fisheries and Marine Resources	9.8	9.8	8.5	(1.4)
291	Public Service	17.3	17.3	15.9	(1.4)
292	Justice and Legal Affairs	13.9	13.9	14.3	0.4
293	Home Affairs	1.7	1.7	2.1	0.3
294	National Unity, Reconciliation and Peace	5.4	5.4	4.0	(1.5)
295	Mines, Energy & Rural Electrification	6.3	6.3	5.6	(0.7)
296	National Judiciary	18.3	19.9	16.6	(3.3)
297	Women, Youth and Children's Affairs	2.8	2.8	2.2	(0.5)
298	Rural Development	12.7	12.7	8.5	(4.2)
299	Environment, Climate Chng, Disaster Mgmt & Met.	10.9	10.9	10.6	(0.3)
TOTAL		1242.4	1247.6	1231.4	(16.2)

TABLE 6: FBO – SUMMARY OF OTHER CHARGES EXPENDITURE (L2)

Head Of Expenditure		2019 Original Estimates	2019 Revised Budget	2019 Actuals	"Variance"
		\$m	\$m	\$m	\$m
268	Solomon Islands Electoral Office	43.0	53.4	50.8	(2.7)
269	Office of the Ombudsman	3.3	3.3	1.6	(1.7)
270	Agriculture and Livestock Development	18.3	19.3	18.4	(0.9)
271	Office of the Auditor General	6.2	6.2	5.8	(0.3)
272	Education & Human Resources Development	676.6	699.3	608.8	(90.5)
273	Finance and Treasury	117.9	130.1	125.0	(5.0)
274	Foreign Affairs and External Trade	61.0	61.0	49.7	(11.2)
275	Office of the Governor General	7.7	8.7	8.5	(0.2)
276	Health and Medical Services	181.8	181.8	171.9	(9.9)
277	Infrastructure Development	58.5	73.0	70.5	(2.5)
278	National Debt Servicing	78.3	78.3	64.9	(13.4)
279	National Parliament	56.4	56.4	50.3	(6.1)
280	Forestry & Research	14.2	14.2	12.6	(1.6)
281	Office of the Prime Minister and Cabinet	75.0	76.0	62.8	(13.2)
282	Pensions and Gratuities	0.0	0.0	0.0	0.0
283	Police, Nat. Security & Correctional Services	158.6	185.8	172.1	(13.7)
284	Provincial Gov't & Institutional Strengthening	100.3	100.3	98.2	(2.1)
285	Lands, Housing and Survey	12.0	12.0	10.4	(1.5)
286	Development Planning and Aid Coord.	4.1	4.1	3.2	(0.8)
287	Culture and Tourism	24.5	24.5	21.5	(3.0)
288	Commerce, Industries, Labour and Immigration	33.0	33.0	31.9	(1.1)
289	Communication & Aviation	36.3	36.3	29.7	(6.6)
290	Fisheries and Marine Resources	14.1	14.1	12.6	(1.5)
291	Public Service	13.3	13.3	12.7	(0.6)
292	Justice and Legal Affairs	19.9	20.6	19.5	(1.1)
293	Home Affairs	15.7	15.7	13.2	(2.6)
294	National Unity, Reconciliation and Peace	12.1	12.1	11.6	(0.5)
295	Mines, Energy & Rural Electrification	10.4	11.4	11.3	(0.1)
296	National Judiciary	16.6	17.4	16.1	(1.3)
297	Women, Youth and Children's Affairs	9.5	10.4	9.7	(0.7)
298	Rural Development	6.5	6.9	5.6	(1.3)
299	Environment, Climate Chng, Disaster Mgmt & Met.	20.9	20.9	20.4	(0.6)
TOTAL		1906.0	1999.8	1801.2	(198.6)

L

**TABLE 7: FBO – SUMMARY OF TOTAL RECURRENT BUDGET SUPPORT
EXPENDITURE (L3)**

Head Of Expenditure		2019 Original Estimates	2019 Revised Budget	2019 Actuals	"Variance"
		\$m	\$m	\$m	\$m
370	Agriculture and Livestock Development	0.0	0.0	0.0	0.0
372	Education & Human Resources Development	65.3	94.4	64.7	(29.7)
373	Finance and Treasury	0.0	31.4	14.2	(17.2)
374	Foreign Affairs & External Trade	0.0	11.6	0.8	(10.8)
376	Health and Medical Services	134.7	149.2	99.2	(50.0)
381	Office of the Prime Minister and Cabinet	0.0	10.0	10.0	0.0
383	Police, Nat Security & Correctional Services	4.2	5.9	0.0	(5.9)
390	Fisheries and Marine Resources	7.1	7.9	5.9	(2.0)
392	Justice and Legal Affairs	0.0	0.0	0.0	0.0
396	National Judiciary	0.0	0.0	0.0	0.0
399	Environment, Climate Chng, Disaster Mgmt & Met	2.2	3.6	2.2	(1.4)
TOTAL		213.5	314.0	197.1	(116.9)

TABLE 8: FBO – SUMMARY OF DEVELOPMENT EXPENDITURE (L4)

Head Of Expenditure		2019 Original Estimates \$m	2019 Revised Budget \$m	2019 Actuals \$m	"Variance" \$m
Economic		65.1	65.1	50.1	(15.0)
470	Agriculture and Livestock Development	12.2	12.2	9.3	(2.9)
480	Forestry & Research	6.7	6.7	5.0	(1.7)
487	Culture and Tourism	7.8	7.8	3.7	(4.1)
488	Commerce, Industry & Employment	10.7	10.7	9.3	(1.4)
489	Communication & Aviation	14.0	14.0	11.0	(3.0)
490	Fisheries & Marine Resources	4.7	4.7	3.1	(1.6)
495	Mines, Energy & Rural Electrification	9.0	9.0	8.7	(0.3)
Infrastructure		85.5	85.5	75.7	(9.8)
477	Infrastructure Development	85.5	85.5	75.7	(9.8)
Rural Development & Other		125.1	230.1	173.7	(56.4)
485	Lands, Housing & Survey	4.0	4.0	2.8	(1.2)
497	Women, Youth & Children's Affairs	1.1	1.1	0.8	(0.3)
498	Rural Development	120.0	225.0	170.1	(54.9)
Education		58.0	58.0	54.0	(4.0)
472	Education & Human Resource Management	58.0	58.0	54.0	(4.0)
Health		23.0	28.0	23.2	(4.8)
476	Health & Medical Services	23.0	28.0	23.2	(4.8)
Environment & Disaster		8.0	8.0	5.6	(2.4)
499	Environment, Climate Chng, Disaster Mgmt & Met	8.0	8.0	5.6	(2.4)
Public Service including Provincial Government		162.0	203.9	171.5	(32.4)
471	Office of the Auditor General	1.0	1.0	0.8	(0.2)
473	Finance & Treasury	24.0	61.8	61.7	(0.1)
474	Foreign Affairs & External Trade	0.0	0.0	0.0	0.0
475	Office of the Governor General	0.0	0.0	0.0	0.0
479	National Parliament	0.0	4.1	4.1	0.0
481	Office of the Prime Minister & Cabinet	76.5	76.5	44.9	(31.6)
484	Provincial Gov't & Institutional Strengthening	40.0	40.0	40.0	0.0
486	Development Planning & Aid Coord.	20.5	20.5	20.1	(0.4)
491	Public Service	0.0	0.0	0.0	0.0
Public Order & Safety		18.6	18.6	14.9	(3.7)
483	Police, Nat. Security & Correctional Services	15.0	15.0	12.0	(3.0)
492	Justice and Legal Affairs	2.1	2.1	1.9	(0.2)
493	Home Affairs	0.5	0.5	0.3	(0.2)
494	National Unity, Reconciliation & Peace	0.0	0.0	0.0	0.0
496	National Judiciary	1.0	1.0	0.7	(0.3)
TOTAL		545.3	697.2	568.7	(128.4)

TABLE 9: OVERVIEW OF VIREMENT – (L2, L3 & L4)

Head: Ledger 2	Total number of Virements 2016	Total number of Virements 2017	Total number of Virements 2018	Total number of virements 2019	Total Funds moved 2016 (\$)	Total Funds moved 2017 (\$)	Total Funds Moved 2018 (\$)	Total Funds Moved 2019 (\$)
268				13				1,860,800
269	0	0	3	4	0	0	390,000	237,000
270	13	25	11	28	812,221	1,473,688	1,605,545	1,154,567
271	24	18	23	10	527,000	987,700	359,000	322,750
272	25	56	32	16	16,617,712	30,996,902	31,811,671	34,326,482
273	161	120	211	124	18,403,810	19,758,320	32,200,545	25,612,592
274	20	25	20	2	1,564,306	1,681,774	2,078,314	1,213,908
275	42	18	22	50	1,095,462	1,028,150	1,400,641	2,428,553
276	16	20	43	147	550,810	3,296,526	5,322,519	12,030,081
277	45	37	26	20	10,952,071	5,414,730	4,763,876	2,978,992
278	8	1	0	0	74,593,743	5,000,000	0	0
279	34	31	29	14	2,887,500	3,204,805	2,059,570	3,199,262
280	53	54	57	53	1,424,397	904,865	1,312,135	2,032,900
281	140	56	97	42	13,952,263	6,835,615	10,296,030	5,033,966
283	103	110	104	82	29,113,463	22,930,215	15,293,250	9,181,719
284	20	25	2	40	8,515,829	9,219,438	90,000	4,184,470
285	33	6	16	31	1,398,615	300,000	2,912,091	2,187,058.00
286	28	19	19	7	2,236,700	452,800	852,800	259,000
287	32	8	69	48	1,835,046	1,883,739	10,001,618	3,044,871
288	45	73	141	143	1,805,951	2,529,794	2,799,284	3,070,341
289	49	23	4	15	3,213,512	1,795,206	413,000	1,523,200
290	39	58	12	43	809,208	602,963	125,327	474,420
291	35	17	17	15	2,556,000	1,128,000	622,720	377,513
292	78	70	51	83	2,580,011	1,414,675	747,286	2,086,386
293	46	32	13	18	3,850,076	1,110,823	2,286,072	1,434,258
294	89	22	63	53	2,432,784	1,107,500	1,057,785	2,469,001
295	79	20	100	91	1,521,817	382,639	2,384,464	1,156,180
296	78	86	62	114	2,895,875	3,314,143	1,552,029	2,969,271
297	9	26	18	5	321,615	341,800	561,932	307,877
298	10	20	0	6	912,702	1,306,271	0	166,090
299	79	41	81	59	3,909,938	1,493,134	3,764,044	2,791,530
Ledger 2 Sub Total	1,433	1,117	1,346	1,376	213,290,437	131,896,215	139,063,548	130,115,038
Head: Ledger 3								
372	0	2	10	8	0	3,067,891	9,182,019	8,279,500
373	10	5	5	12	5,645,085	2,202,108	2,150,394	1,984,555
374	1	6	7	0	12,000	331,905	560,000	0
376	37	27	28	28	8,650,508	4,548,851	3,967,343	7,022,906
390	2	18	14	22	30,200	616,625	2,767,850	1,058,704
399	0	0	0	9				377,200
Ledger 2 Sub Total	50	58	64	79	14,337,793	10,767,380	18,627,606	18,722,865

Head, Ledger 4								
470	53	0	48	65	3,838,410	0	1,641,796	2,816,697
471	0	1	0	2	0	384,986	0	180,000
472	0	0	0	0	0	0	0	0
473	21	7	39	46	353,000	280,000	2,298,296	10,143,540
474	0	0	0	0	0	0	0	0
475	0	0	0	0	0	0	0	0
476	21	11	21	12	710,000	3,029,556	4,596,048	3,360,624
477	0	13	9	14	0	58,807,315	671,928	10,360,000
478	0	0	0	0	0	0	0	0
479	3	0	4	0	1,427,026	0	408,800	0
480	4	19	10	13	1,350,000	1,796,324	792,000	722,480
481	9	3	2	5	2,389,000	1,500,000	600,000	650,000
483	5	2	13	8	2,300,000	130,000	2,482,610	1,478,226
484	0	10	0	0	0	5,500,000	0	0
485	5	7	8	16	1,122,190	2,303,500	350,000	2,605,100
486	6	3	1	6	270,000	450,000	190,000	405,000
487	4	0	0	9	5,534,070	0	0	510,000
488	1	0	3	53	2,500,000	0	840,000	3,249,218
489	9	5	0	13	11,600,000	20,200,000	0	6,651,283
490	17	3	10	41	4,472,000	10,414,286	567,390	2,189,730
491	0	0	0	0	0	0	0	0
492	1	0	0	2	71,222	0	0	397,663
493	5	26	0	8	584,940	11,087,892	0	299,000
494	9	7	3	0	1,271,500	1,077,297	372,019	0
495	8	80	51	58	1,000,000	8,471,183	2,557,296	3,583,299
496	0	12	1	4	0	1,400,000	400,000	578,400
497	5	0	0	6	720,000	0	0	180,708
498	3	13	8	3	24,361,325	28,360,707	53,272,046	35,698,966
499	20	4	37	16	1,078,989	250,000	1,032,500	1,139,740
Ledger 4 Sub Total	209	226	268	400	66,953,672	155,443,046	73,072,729	87,199,674
Grand Total	1,692	1,401	1,678	1,855	294,581,902	298,106,641	230,763,883	236,037,577

Attachment A

2018 FINAL BUDGET OUTCOME - FISCAL POSITION

	2018 Original Budget Estimates \$m	2018 Revised Budget \$m	2018 Actuals \$m	"Variance" \$m
<u>CONSOLIDATED BUDGET FUNDING</u>				
REVENUE				
Domestically Sourced Revenue				
Inland Revenue	1,909.1	1,954.1	1,987.4	33.3
Customs and Excise	1,097.3	1,177.3	1,325.4	148.1
Other Ministries	536.6	546.6	502.9	-43.7
Total Domestically Source Revenue	3,543.0	3,678.0	3,815.7	137.7
Externally Sourced Funding				
Budget Support (Recurrent)	224.8	281.6	281.6	0.0
Domestic Borrowing	0.0	29.7	0.0	-29.7
Donor Funding (Consolidated Development)	70.0	70.0	70.0	0.0
General Budget Support	80.0	107.4	67.3	-40.1
Total Externally Sourced Funding	374.8	488.7	418.9	-69.8
Development Bond (NPF)	150.0	150.0	150.0	0.0
TOTAL REVENUE	4,067.8	4,316.7	4,384.6	67.9
<u>CONSOLIDATED EXPENDITURE</u>				
Recurrent Budget				
Payroll	1,077.1	1,099.2	1,168.6	69.4
National Debt Servicing	77.8	77.8	69.7	-8.1
Other Charges	1,743.1	1,821.9	1,660.7	-161.2
Total Recurrent Budget	2,898.0	2,998.9	2,899.0	-99.9
Budget Support				
Sector Budget Support (L3)	224.8	281.6	155.0	-126.6
Total Consolidated Development Budget	701.0	897.0	819.2	-77.8
SIG Funded Development	481.0	677.0	625.7	-51.3
Donor Funded Development	70.0	70.0	70.0	0.0
Recapitalization of ICSI	150.0	150.0	123.5	-26.5
Contingency Warrant Provision	26.0	0.0	0.0	0.0
2017 Outstanding Arrears	138.0	138.0	138.0	0.0
<u>TOTAL CONSOLIDATED EXPENDITURE</u>	3,987.8	4,315.5	4,011.2	-304.3
Fiscal Balance¹	80.0	1.2	373.4	372.2

¹ Note that the positive balance of \$80m is funding under the general budget support from ADB and World Bank, only reflected under the revenue side but not in expenditure since it does not tie to any expenditure.

Attachment B

2017 FINAL BUDGET OUTCOME – FISCAL POSITION

	2017 Original Estimates \$m	2017 Revised Budget \$m	2017 Actuals \$m	"Variance" \$m
<u>CONSOLIDATED BUDGET FUNDING</u>				
REVENUE				
Domestically Sourced Revenue				
Inland Revenue	1990.2	1990.2	1906.1	(84.1)
Customs and Excise	997.5	997.5	1048.3	50.8
Other Ministries	567.8	567.8	579.4	11.6
Total Domestically Source Revenue	3555.5	3555.5	3533.8	(21.7)
Externally Sourced Funding				
Budget Support (Recurrent)	283.9	320.1	153.8	(166.3)
Donor Funding (Consolidated Development)	70.0	70.0	98.5	28.5
Total Externally Sourced Funding	353.9	390.1	252.3	(137.8)
TOTAL REVENUE	3909.4	3945.6	3786.1	(159.5)
<u>CONSOLIDATED EXPENDITURE</u>				
Recurrent Budget				
Payroll	1028.5	1027.3	1112.8	85.4
Debt Management Account	71.1	71.1	168.5	97.5
Other Charges	1523.5	1779.4	1547.1	(232.3)
Total Recurrent Budget	2623.0	2877.8	2828.4	(49.4)
Budget Support	203.9	264.6	144.5	(120.1)
Total Consolidated Development Budget	1180.9	1489.6	1078.5	(411.2)
TOTAL CONSOLIDATED EXPENDITURE	4007.8	4632.0	4051.3	(580.6)
FISCAL POSITION	(98.4)	(686.4)	(265.2)	421.1