

INTERNATIONAL MONETARY FUND

# Strengthening Fiscal Data Governance in Solomon Islands

Yuwawan Rattakul

SIP/2025/62

IMF Selected Issues Papers are prepared by IMF staff as background documentation for periodic consultations with member countries. It is based on the information available at the time it was completed on January 29, 2025. This paper is also published separately as IMF Country Report No 25/50.

**2025**  
**MAY**



SELECTED ISSUES PAPER

**IMF Selected Issues Paper**  
Asia Pacific Department

**Strengthening Fiscal Data Governance in Solomon Islands**  
**Prepared by Yuwawan Rattakul\***

Authorized for distribution by Nada Choueiri  
February 2025

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**ABSTRACT:** Solomon Islands faces challenges in fiscal data governance despite reforms. While the Public Financial Management Act (PFMA) of 2013 aimed to enhance transparency, inconsistent implementation and resource constraints persist. This paper highlights key issues and recommendations, including adherence to public finance management good practices, enhanced and regularly disseminated financial reporting, and better utilization of the current Financial Management Information System. Strengthening coordination and capacity building is crucial for robust fiscal governance, fostering transparency and investor confidence. Addressing these challenges can enhance public finance management and long-term economic stability.

**RECOMMENDED CITATION:** Yuwawan Rattakul. 2025. "Strengthening Fiscal Data Governance in Solomon Islands" IMF Selected Issues Paper (SIP/2025/62) Washington D.C.: International Monetary Fund.

|                             |   |
|-----------------------------|---|
| JEL Classification Numbers: | H83; E62  |
| Keywords:                   | Fiscal data governance, Public financial management, Financial Management Information System, Fiscal transparency, Fiscal reporting, Data Dissemination, Budget execution, Cash management, Government finance statistics, International Public Sector Accounting Standards, Public expenditure, Policy coordination, Debt sustainability, Investor confidence, Accountability and compliance |
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SELECTED ISSUES PAPERS

# **Strengthening Fiscal Data Governance in Solomon Islands**

Solomon Islands

Prepared by Yuwawan Rattakul<sup>1</sup>

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<sup>1</sup> The author would like to thank Mr. Masafumi Yabara, Ms. Nada Choueiri, and Mr. Ojima Yasuhisa for their meticulous reviews and suggestions.



# SOLOMON ISLANDS

## SELECTED ISSUES

January 29, 2025

Approved By  
**Asia and Pacific  
Department**

Prepared By Yuwawan Rattakul (STA)

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# STRENGTHENING FISCAL DATA GOVERNANCE IN SOLOMON ISLANDS<sup>1</sup>

## A. Background

**1. Despite a commendable level of coordination among authorities and development partners, fundamental challenges persist in Solomon Islands that impede the efficiency and effectiveness of fiscal management.** Solomon Islands is currently navigating through a critical phase in enhancing its fiscal governance structures. Continuous technical assistance missions, including those from the IMF in 2017, 2021, 2023, and 2024<sup>2</sup>, alongside evaluations from partners such as the World Bank in 2022 and the Asian Development Bank in 2024, supported the improvement of fiscal reporting. These evaluations provided policy recommendations for both the short and long term, emphasizing the importance of data and transparency for successful policy implementation. A significant concern is the performance of the Financial Management Information System (FMIS), upgraded in 2021, which has not functioned as anticipated.

**2. This paper, as part of bilateral surveillance, underscores broader issues of governance and the necessity for a comprehensive approach to bolster fiscal data governance.** It lays out high-level policy recommendations as summarized in Table 1 and identifies specific technical assistance needs where the Fund can support the improvement of fiscal reporting and data within the transparency framework for better integration of surveillance and capacity development.

## B. Fiscal Transparency and Best Practices

**3. Solomon Islands enacted the Public Financial Management Act (PFMA) in 2013, alongside a public financial management (PFM) reform plan spanning 2014-2017; however, implementation has fallen short of expectations.** The PFMA 2013 broadly addresses cash management, reporting requirements, and the integrity of implementation processes. While PFM reforms have consistently been on the Solomon Islands Government (SIG)'s agenda, actual follow-through and effective implementation have been sporadic. Resource challenges such as low absorption capacity and heavy reliance on external support have hindered the progress. The Auditor General's inability to express opinion, due to the insufficient audit evidence in the SIG financial statements and the untimely submission of the statements (OAG, 2020), were in line with observations made by the IMF (2018b) regarding challenges to the overall control over budget, cash and procedure; timely accounting; and reporting.<sup>3</sup>

<sup>1</sup> Prepared by Yuwawan Rattakul (STA). The author appreciates Mr. Masafumi Yabara, Ms. Nada Choueiri, and Mr. Ojima Yasuhisa for their meticulous reviews and suggestions.

<sup>2</sup> Silins, Mark (forthcoming), from the latest PFTAC technical assistance mission, explored and recommended the process improvement in public finance management to enhance fiscal reporting.

<sup>3</sup> This issue has existed even before the enactment of the PFM Act in 2013, highlighting a longstanding challenge. The PEFA assessment by the World Bank in 2012 revealed only marginal improvements in public finance management for the years 2008-2012.

**Table 1. Solomon Islands: Summary of Recommendations**

| Priority | Recommendation   | Date              | Responsibility |
|----------|--|-------------------|----------------|
| High     | Adhere to international standard practices for public finance management.  |                   | MOFT           |
|          | <ul style="list-style-type: none"> <li>Compliance with PFMA2013: Regular dissemination.</li> </ul>   | December 2025     |                |
|          | <ul style="list-style-type: none"> <li>Amending the PFMA to adopt the fiscal transparency framework.</li> </ul>  | December 2027     |                |
| High     | Strengthen the capacity of staff in relevant agencies through targeted training and development programs focused on fiscal data management and analysis.     | From April 2025   | AG             |
| Medium   | Ensure that the FMIS performs effectively.   |                   | AG             |
|          | <ul style="list-style-type: none"> <li>Collaborate with PFM experts to address challenges utilizing Microsoft D365 for public finance management.</li> </ul> | March 2025        |                |
|          | <ul style="list-style-type: none"> <li>Ensure all government agencies' accessibility.</li> </ul>   | December 2025     |                |
| Medium   | Increment regular reports, public finance management reform, and transparency.   |                   | AG             |
|          | <ul style="list-style-type: none"> <li>Commit to cash management and control.</li> </ul>   | From June 2025    |                |
|          | <ul style="list-style-type: none"> <li>Recommence the release of quarterly and monthly budget outturns.</li> </ul>   | From June 2025    |                |
|          | <ul style="list-style-type: none"> <li>Align fiscal reporting templates with IPSAS and/or GFS standards.</li> </ul>  | From January 2026 |                |
| Medium   | Engage with stakeholders regularly to enhance coordination.  | From January 2025 | MOFT           |
|          | <ul style="list-style-type: none"> <li>Recommence monthly policy implementation meetings between MOFT agencies and the CBSI.</li> </ul>                      |                   |                |
|          | <ul style="list-style-type: none"> <li>Establish a memorandum of understanding to facilitate data sharing and timely submission.</li> </ul>                  |                   |                |

Table 2. Solomon Islands: Standard Requirements of Fiscal Report

| Pillar I. Fiscal reports should provide a comprehensive, relevant, timely, and reliable overview of the government's financial position and performance.                               |   |  |  |  |   |
|--|---|--|--|--|---|
| Dimension 1.1 Coverage: Fiscal reports should provide a comprehensive overview of the fiscal activities of the public sector and its subsectors, according to international standards. |   |  | Dimension 1.2. Frequency and Timeliness: Fiscal reports should be published in a frequent, regular, and timely manner.   |  |   |
| Principle 1.1  | Basic                                       | Advanced   | Principle 1.2  | Basic  | Advanced  |
| 1.1.1. Coverage of Institutions: All entities of ..  | Central government                          | Public sector and report on each subsector   | 1.2.1. Frequency of In-Year Reporting:   | Quarterly basis, within a quarter.   | Monthly basis, within a month.  |
| 1.1.2. Coverage of Stocks:   | Government cash and deposits and all debt.  | All financial and nonfinancial assets and liabilities and net worth.   |  |  |   |
| 1.1.3. Coverage of Flows:  | Cash revenues, expenditures, and financing. | Cash flows, accrued revenues, expenditures and financing, and other economic flows.  | 1.2.2. Timeliness of Annual Financial Statements: Audited or final annual financial statements.  | Within 12 months after financial year ends   | Within six months after financial year ends   |
| 1.1.4. Coverage of Tax Expenditures:   | Published the estimates at least annually.  | <ul style="list-style-type: none"> <li>▪ Published by sector or policy area, annually.</li> <li>▪ Budgetary control or target for tax expenditure size</li> </ul>                        |  |  |   |
| Dimension 1.3. Quality: Information in fiscal reports should be relevant, internationally comparable, and internally and historically consistent.                                      |   |  | Dimension 1.4. Integrity: Fiscal statistics and financial statements should be reliable, subject to external scrutiny, and facilitate accountability.              |  |   |
| Principle 1.3  | Basic                                       | Advanced   | Principle 1.4  | Basic  | Advanced  |
| 1.3.1. Classification: consistent with international standard  | Administrative and economic classifications | Administrative, economic, functional, and program classifications  | 1.4.1. Statistical Integrity:  | Disseminated in line with international standards.   | <ul style="list-style-type: none"> <li>▪ Disseminated in line with international standards.</li> <li>▪ Compiled by a professionally independent body.</li> </ul>                              |
| 1.3.2. Internal Consistency with reconciliations between (i) fiscal balance and financing (ii) debt issued and debt holdings (iii) financing and the change in the stock of debt       | One of the recommended reconciliations      | All three of the recommended reconciliations   | 1.4.2. External Audit: Annual financial statements are subject to a published audit by an independent supreme audit institution which validates their reliability. | An independent audit report is published on the reliability of the government's annual financial statements. | An independent audit report is published and consistent with international standards, stating whether the financial statements present a true and fair view and without major qualifications. |
| 1.3.3. Historical Revisions: Major revisions to historical fiscal statistics are disclosed and explained.  | Revisions are reported                      | <ul style="list-style-type: none"> <li>▪ They are reported</li> <li>▪ An explanation for each major revision</li> <li>▪ A bridging table between the old and new time series.</li> </ul> | 1.4.3. Comparability of Fiscal Data: Budget execution report, fiscal statistics and financial statements   | A fiscal report is prepared on the same basis as the fiscal forecast/budget.                                 | <ul style="list-style-type: none"> <li>▪ Fiscal forecasts/budget &amp; outturn are comparable, the outturn is reconciled with both fiscal statistics and final accounts.</li> </ul>           |
| Source: Excerpt from Fiscal Transparency Handbook (2018a).   |   |  |  |  |   |

**4. Fiscal transparency is crucial for effective fiscal management and accountability.** It involves clarity, reliability, timeliness, and relevance of public reporting on the state of public finances. The companion handbook (IMF, 2018a) provides detailed guidance on the implementation of the Fiscal Transparency Code.<sup>4</sup> Table 2 compares the basic requirements and the advanced components for a good fiscal report in four dimensions: (1.1) coverages, (1.2) frequency and timeliness, (1.3) quality, and (1.4) integrity. There are several international standards and guidelines around fiscal reporting, including the Government Finance Statistics Manual 2014 (GFSM 2014), the Data Quality Assessment Framework (DQAF), the Public Expenditure and Financial Accountability (PEFA) framework, and the International Public Sector Accounting Standards (IPSAS). Publishing reliable economic data helps governments make informed policy decisions and fosters accountability. To achieve these objectives, the budget preparation and implementation processes must be transparent. This entails ensuring data availability, accessibility, adherence to international standards, and timeliness.

**5. The primary recommendation is to ensure that the PFMA adheres to international standards in the medium term.** The PFM framework, fiscal transparency guidelines, the GFSM2014, and the DQAFs share many overlapping topics, all emphasizing the efficiency and effectiveness of public policy that affects both domestic populace and the global community. The quick win for fiscal transparency is compliance with the PFMA 2013, establishing the minimum criteria for transparency. In comparing the PFMA 2013 with the IMF fiscal transparency framework, the PFMA 2013 focuses on the central government, with monthly in-year reporting and the full annual financial statement, including balance sheet audited by an external institution in a format determined by the Minister of Finance, which broadly aligns with the fiscal transparency framework for fiscal reporting (as summarized in Table 1). The SIG-audited financial statements and technical assistance reports reveal the burdens associated with reporting and auditing across various standards. These efforts highlight the critical role of data as the foundation for sound policy planning and public communication. Furthermore, aligning the financial statements and in-year reporting with international standards will reduce the report burden, increase the confidence of external donors and investors, and improve fiscal policy practices.

## C. Usage for Fiscal Analysis

### *Data Availability*

**6. The rollout of a new platform (Microsoft Dynamics 365: D365) for the FMIS initially resulted in the unavailability of operation or management reports, presenting a significant challenge at the operational level.** The availability of comprehensive and reliable data plays a pivotal role in conducting extensive fiscal analysis and assessing debt sustainability. Therefore, upgrading the capabilities for data collection and processing is fundamental to facilitate informed decisions in policymaking. It required some time before the system could be utilized even for basic

<sup>4</sup> The IMF's Fiscal Transparency Code (IMF, 2019), which was approved by the IMF Board in 2014, is the international standard for disclosing information about public finances, based on four pillars: fiscal reporting, fiscal forecasting and budgeting, fiscal risk analysis and management, and resource revenue management.



functions. Eventually, the Accountant General succeeded in extracting data in Excel format from the system for others' use. It has been reported by the Accountant General that they were able to obtain preliminary outputs for the Fiscal Year 2023. However, it is important to note that these data were subject to frequent revisions, and their quality varied over time.

**7. The lack of fiscal reporting prevailed even before the implementation of D365 in 2020.**

In 2018, when the country was still using Microsoft Dynamics AX 2009, the technical assistance report on strengthening the fundamentals of PFM underscored the importance of data reporting for budget execution, cash management, effective control, and arrears management. The last fiscal quarterly report compiled by the Treasury was available in 2011. The most recent audited annual report publicly available was for the 2014 budget. Although the Central Bank of Solomon Islands (CBSI) has consistently published fiscal statistics, it is essential that the official information be distributed and endorsed by the Ministry of Finance and Treasury (MOFT). This ensures clear communication of policy direction, liquidity management, and expenditure control within government agencies and to the public.

***Adherence to the International Standards***

**8. The presentation of the budget document did not follow the GFSM 2014 for the cash flow statement, nor did it comply with the IPSAS 24, which details the presentation of budget information in financial statements.**

The format used for presenting budget fiscal tables did not align with these international standards and was subject to frequent modifications. Although countries' budget documents are not mandated to comply with the IPSAS or GFSM 2014, SIG would benefit significantly from adopting either standard. This approach would reduce the costs associated with trial and error in making frequent adjustments to the budget template, improve communication of budget presentation to the public, and enhance confidence among the public, external donors, and creditors. A PFM technical assistance report from May 2021<sup>5</sup>, focusing on compliance with the revised Cash Basis IPSAS (2017), highlighted discrepancies in the financial statements and recommended the inclusion of a Statement of Budgetary Performance. Figure 1 presents IPSAS and GFSM 2014 templates for the statements on cash basis, clearly distinguishing various types of cash flows.

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<sup>5</sup> Cavanagh, Joe (2021). Solomon Islands: Compliance with the Cash Basis IPSAS, Technical Assistance Report, PFTAC, IMF.

**Figure 1. Templates of the Cash Basis IPSAS and the GFSM2014 Statement of Sources and Uses of Cash**

| APPENDIX 1A – GOVERNMENT A  |      |            |                     |
|---|------|------------|---------------------|
| FINANCIAL STATEMENTS FOR NATIONAL GOVERNMENT A                          |      |            |                     |
| STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR YEAR ENDED 31 DECEMBER 200X |      |            |                     |
| (RECEIPTS ONLY)   |      |            |                     |
|   | Note | 200X       | 200X-1              |
|   |      | Receipts/  | Receipts/(Payments) |
| (In thousands of currency units)  |      | (Payments) |                     |
| <b>RECEIPTS</b>   |      |            |                     |
| <b>Taxation</b>   |      |            |                     |
| Income tax  |      | X          | X                   |
| Value-added tax   |      | X          | X                   |
| Property tax  |      | X          | X                   |
| Other taxes   |      | X          | X                   |
|   |      | X          | X                   |
| <b>Donations, Grants and Other Aid</b>                                  | 10   | X          | X                   |
| <b>Borrowings</b>   |      |            |                     |
| Proceeds from:  |      |            |                     |
| Commercial institutions   | 3    | X          |                     |
| Development Banks and similar organizations                             |      | X          |                     |
| <b>Capital Receipts</b>   |      |            |                     |
| Proceeds from disposal of plant and equipment                           |      |            |                     |
|   |      | X          | X                   |
| Proceeds from disposal of financial instruments                         |      |            |                     |
|   |      | X          | X                   |
|   |      | X          | X                   |
| <b>Trading Activities</b>   |      |            |                     |
| Receipts from trading activities  |      | X          | X                   |
| Other receipts  | 4    | X          | X                   |
| <b>Total receipts</b>   |      | <b>X</b>   | <b>X</b>            |

  

| <b>PAYMENTS</b>                              |   |            |            |
|--|---|------------|------------|
| <b>Operations</b>                            |   |            |            |
| Wages, salaries and employee benefits        |   |            |            |
|  |   | (X)        | (X)        |
| Supplies and consumables                     |   |            |            |
|  |   | (X)        | (X)        |
| <b>Transfers</b>                             |   |            |            |
| Grants                                       |   |            |            |
|  |   | (X)        | (X)        |
| Other transfer payments                      |   |            |            |
|  |   | (X)        | (X)        |
| <b>Capital Payments</b>                      |   |            |            |
| Purchase/construction of plant and equipment |   |            |            |
|  |   | (X)        | (X)        |
| Purchase of financial instruments            |   |            |            |
|  |   | (X)        | (X)        |
| <b>Loan and Interest Repayments</b>          |   |            |            |
| Repayment of borrowings                      |   |            |            |
|  |   | (X)        | (X)        |
| Interest payments                            |   |            |            |
|  |   | (X)        | (X)        |
| <b>Other payments</b>                        |   |            |            |
|  |   | (X)        | (X)        |
| <b>Total payments</b>                        |   | <b>(X)</b> | <b>(X)</b> |
| <b>Increase/(Decrease)Cash</b>               |   | <b>X</b>   | <b>X</b>   |
| <b>Cash beginning of year</b>                | 2 | <b>X</b>   | <b>X</b>   |
| <b>Increase/(Decrease)Cash</b>               |   | <b>X</b>   | <b>X</b>   |
| <b>Cash at end of year</b>                   | 2 | <b>X</b>   | <b>X</b>   |

**Table 4.2. Statement of Sources and Uses of Cash**

|  |  |
|--|--|
| <b>Cash Flows from Operating Activities:</b>   |  |
| C1   | Reverse cash flows   |
| C11  | Taxes  |
| C12  | Social contributions   |
| C13  | Grants   |
| C14  | Other receipts   |
| C2   | Expense cash flows   |
| C21  | Compensation of employees  |
| C22  | Purchases of goods and services                                      |
| C24  | Interest   |
| C25  | Subsidies  |
| C26  | Grants   |
| C27  | Social benefits  |
| C28  | Other payments   |
| C10  | Net cash inflow from operating activities (C1-C2)                    |
| <b>Cash Flows from Transactions in Nonfinancial Assets:</b>                          |  |
| C31  | Net cash outflow from investment in nonfinancial assets <sup>1</sup> |
| C311   | Fixed assets   |
| C312   | Intangible <sup>2</sup>  |
| C313   | Valuables  |
| C314   | Nonproduced assets   |
| C31M   | Expenditure cash flows (C2+C31)                                      |
| C3D  | Cash surplus (+) / Cash deficit (-) (C1-C2-C31 = C1-C2M - C32-C33)   |
| <b>Cash Flows from Transactions in Financial Assets and Liabilities (Financing):</b> |  |
| C32a   | Net acquisition of financial assets other than cash                  |
| C321x  | Domestic <sup>2</sup>  |
| C322x  | External <sup>2</sup>  |
| C33  | Net incurrence of liabilities  |
| C331   | Domestic <sup>2</sup>  |
| C332   | External <sup>2</sup>  |
| NFB  | Net cash inflow from financing activities (C3D-NFB)                  |
| NCB  | Net change in the stock of cash (C3D+NFB = C321a+C322)               |

<sup>1</sup>The net cash outflow from investment in nonfinancial assets equals purchases minus sales.  
<sup>2</sup>On a cash basis, the category inventories (C312) is limited to changes in strategic stocks. Other inventories are, by definition of the cash basis of recording, considered an expense when acquired.  
<sup>3</sup>Classified by instrument and/or sector of the counterparty (see Tables 9.1 and 9.2).

Sources: Appendix 1A is based on IPSAS and Table 4.2 is based on GFSM2014

**9. The International Public Sector Accounting Standards Board (IPSASB) recommends that authorities responsible for presenting financial statements should maintain consistency in the presentation format used for budget reports.** The MOFT, particularly the Accountant General, is responsible for the preparation of the financial statements in accordance with an applicable financial reporting framework, according to the PFMA2013 (OAG 2017(1) and (2)). It is unclear why the MOFT submitted two separate copies of the PFMA and IPSAS for audit. As in the PFMA 2013, the reporting standard shall be established by the Minister of Finance. Issuing a ministerial order or subsidiary legislation to adopt templates recommended in the IPSAS 24 for fiscal reporting by SIG will help reduce inconsistencies, deviations of templates, and the reporting burden. This recommendation aims to enhance accountability and simplify oversight by ensuring that actual amounts or budget outcomes are disclosed alongside the financial statements. Such transparency is pivotal for evaluating budget execution performance and adherence to budgetary constraints.

**10. Given the significant role of fiscal policy in influencing macroeconomic factors such as development, distribution, sustainability, and the debt burden, it is crucial that the information presented is useful for policy analysis and evaluation.** This is particularly important for countries that depend on external financing. The confidence and credibility of the government

become focal points for donors and external lenders when setting fiscal targets and monitoring the outcomes of their contributions. These stakeholders are keenly interested in observing the impact of their financial support on economies and countries. Adhering to international standards in presenting budget and fiscal documents, coupled with the provision of comprehensive metadata, significantly improves the assessment of fiscal policy. This approach enables authorities to effectively utilize the analytical tools and frameworks provided by international organizations to evaluate the direction and trajectory of fiscal policy.

### ***Coverage, Accessibility, Frequency, and Timeliness***

**11. The precise delineation of Government Finance Statistics (GFS) by government sub-sectors and the consolidated statistics are instrumental in setting effective goals and monitoring policy execution.** Presenting the public sector or general government data broken down by sub-sectors would facilitate the communication of policy designs aimed at targeted policies. Currently, information disclosed in budget documents and the GFS disseminated on the CBSI website focuses on the budgetary central government, whereas the GFS that is compiled by the CBSI and submitted to the IMF encompasses a broader scope. The prevalence of expenditure managed outside the budget system and financed by external concessional loans complicates the management of finances and hinders the comprehensive assessment of the impact of fiscal policy and government investment activities.

**12. Both budget documents and actual fiscal outcomes should be made accessible to the general public.** The MOFT has successfully disseminated the budget document through its website since 2020. The GFS are released on a quarterly basis on the CBSI website. However, due to the utilization of differing templates, it becomes nearly impossible to compare the policy outcomes using the CBSI's information with that of the SIG annual budget. It is highly recommended that the MOFT releases monthly fiscal outturns, which should include budget implementation, revenue collection, and financing. Additionally, the MOFT and the CBSI should collaborate to present the government budget in the GFSM 2014 format.

**13. The most urgent problem to be resolved is the timeliness of the actual/preliminary budget disbursement.** The budget outturns for FY2022 were not published until November 2024, and the most recent debt bulletin was issued in June 2023. During the budget process, the budget disbursement would be projected, and the preliminary numbers would be provided. Enhancing the coverage, accessibility, frequency, and timeliness of fiscal data dissemination can markedly improve fiscal governance. These enhancements foster a more dynamic and responsive approach to fiscal policy formulation and implementation, enabling stakeholders to make more informed decisions and assessments.

### ***Consistency with Other Macroeconomic Statistics***

**14. Fiscal data must align with other macroeconomic statistics to provide a coherent view of the economy.** This consistency ensures that fiscal policy is based on a complete and accurate economic assessment. This also helps using the information from other statistics for estimating

when the data are unavailable due to frequency or timeliness. Table 3 demonstrates the discrepancies of government debt disseminated on different sources.

**Table 3. Solomon Islands: Government Debt Data Disseminated by the MOFT and the CBSI**

|   | 2021    | 2022    | 2023    |
|---|---------|---------|---------|
| SIG - Total official debt*  |         |         | (Q2)    |
| Domestic Debt   | 747.8   | 751.3   | 924.3   |
| External Debt   | 1,163.2 | 1,140.0 | 1,263.4 |
| Total debt  | 1,911.0 | 1,891.3 | 2,187.6 |
| CBSI- Quarterly Review Table 1.25b Issuance                           |         |         |         |
| Domestic Debt   | 747.8   | 819.1   | 1,192.1 |
| External Debt   | 1,137.9 | 1,265.1 | 1,635.1 |
| Total debt  | 1,885.7 | 2,084.2 | 2,827.2 |
| CBSI- Public Sector Debt Statistics Table 1.1 Central Government Debt |         |         |         |
| Domestic Debt   | 747.8   | 817.9   | 1,192.1 |
| External Debt   | 1,223.1 | 1,229.7 | 1,716.2 |
| Total Debt  | 1,970.9 | 2,047.6 | 2,908.4 |

Source: SIG and CBSI websites. Note: SIG data are available up to 2023 (Q2)

**15. The inconsistency of grants between the Balance of Payments and GFS has been addressed in the data submitted to the IMF, though there is still room for improvement.** Article IV missions regularly raised questions regarding the significant discrepancies between grants data in the Balance of Payments and grants revenue in the GFS. The CBSI has now addressed this issue by using the donor survey as a common data source for compiling grants for both sets of statistics. There were the discrepancies between changes in external borrowing in the government debt data and the government external borrowing in the budget document, which were addressed as the non(budget)-appropriated spending. However, these discrepancies highlight the need for further improvements in the consistency and coverage of the GFS, which could be enhanced by refining the coverage and source data in the metadata.

**16. As noted in the GFS technical assistance report (Rattakul, 2022), the inconsistency between the Monetary and Financial Statistics (MFS) and the GFS was taken care of, but further refinement is possible.** This was due to the unavailability of information on government treasury accounts. The government financing in the GFS is compiled from the MFS government deposits with depository corporations, which has a wider coverage than the budgetary central government. The data on government securities issued by the government and the holder information disseminated by the CBSI were found to be inconsistent. The dissemination of data by the CBSI could significantly benefit from the provision of metadata on its website.

## D. Fiscal Documents

**17. The SIG's most recent annual financial statement published on the website is for 2015, which was released in 2020.** The latest audit report (OAG, 2020) covered the SIG national accounts for 2016 and 2017, but it lacked the financial statements. Observations on quality from the Office of the Auditor General (OAG) mirrored those in the Fund's TA reports of 2018, noting that the statements failed to meet international accounting standards and the requirements set forth in the PFMA 2013.

**18. There are gaps in current budget documents, highlighting areas for targeted interventions.** A thorough review of budget documents, data shared in monthly meetings, and publicly available data from key institutions (MOFT, Ministry of National Planning and Development Coordination, CBSI, and Solomon Islands National Statistics Office) is imperative. The recent 2024 budget presentation has been organized into three broad categories: revenue, expenditure, and financing. However, the terminology employed within the budget overlaps with that of international standards, albeit with differing meanings, leading to confusion among the international community. The examples are as follows:

- **Cash Flow Identification:** It is crucial to separate the cash flows arising from operating activities and those from financing activities. For instance, debt servicing payments, which are outflows related to financing activities, were incorrectly categorized under 'Other Charges' within recurrent expenditure. This classification should be clarified to avoid misinterpretation.
- **External Development Financing:** This category comprises government borrowings; however, it excludes borrowings that finance the non-appropriated investment. Meanwhile, the fiscal balance refers to the 'remaining deficit' that still requires funding. It is important to differentiate between these concepts to provide a clear understanding of the government's financial position.
- **Financing Flows:** The inflows from financing activities were grouped under the revenue sub-category, although externally sourced funding has been excluded from total revenue since 2021 and is now presented below the deficit. This reclassification needs to be communicated effectively to avoid misrepresentation of revenue sources.
- **Treasury Cash and Deposit Accounts:** These should be accurately represented as both sources of financing and financial assets to reflect their role in the government's financial management.

## E. Recommendations

**19. The key recommendation is to adhere to the international standard practices for PFM.** Compliance to the PFMA 2013 by December 2025 will set the SIG to the right course for achieving minimum fiscal transparency, while concurrently preparing to amend the PFMA to adopt the fiscal transparency framework, targeting December 2027. Improving the coverage, accessibility, frequency, and timeliness of fiscal data dissemination can significantly enhance fiscal governance. The ultimate aim is to have the PFMA cover the general government. Regular and timely dissemination includes,

but is not limited to, the annual budget and mid-year budget documents, monthly fiscal outturns for the budgetary central government, quarterly financial statements, and annual financial statements and balance sheets. By addressing these areas, budget presentation can be improved to provide a clearer and more accurate reflection of the government's fiscal position and intentions, fostering better understanding and confidence among the international community.

**20. It is important to ensure that the FMIS performs standard PFM functions effectively.**

Microsoft Dynamic 365 is equipped with modules for public finance management. As a cloud-based system, it allows accessibility for all government agencies with internet connection. If properly utilized, its built-in reporting, general ledger, bank management modules can greatly assist financial management. Free basic and intermediate training courses of the Microsoft D365 are available online. The authorities would benefit from collaborating with PFM experts, by March 2025, to address these challenges. Access to D365 should be granted to all line ministries by December 2025.

**21. The government should aim to recommence the release of quarterly and monthly budget outturns and to complete improvements in cash management and control by June 2025.**

Commitment to cash management and control, along with regular reporting on budget execution, fiscal analyses, and overall fiscal presentations, is vital for fostering transparency and accountability. A phased approach to reforms should prioritize areas that can yield immediate improvements in fiscal data quality and governance.<sup>6</sup> Thus recommencing the release of quarterly and monthly budget outturns should be implemented by June 2025. The subsidiary legislation (according to the PFMA 2013 part 10) should be amended to align a fiscal reporting template for all public accounts with both accounting principles for the IPSAS and the GFS presentation standards. This will ensure consistency and clarity in budget documentation. The full adoption of IPSAS accrual accounting takes time, thus it is highly recommended that the MOFT first revise the report templates following the IPSAS by December 2025 and commence it in January 2026.

**22. The capacity of staff in relevant agencies should be strengthened through targeted training and development programs focused on fiscal data management and analysis, starting in April 2025.**

The IMF stands ready to provide technical assistance in fiscal reporting and the GFS. There is room for improvement in three key areas: the FMIS (particularly D365), PFM, and the GFS for staff who are responsible for the budget and accounting in the budget department, the treasury, and line ministries. They will benefit from participating in the technical assistance for fiscal reporting and the GFS. Seeking technical assistance from international organizations will help align the Solomon Islands' fiscal governance practices with global standards: PFM and GFS technical assistance provided by the Fund can significantly enhance the quality and accuracy of fiscal reporting, ensuring that it meets international benchmarks.

**23. The government should engage with stakeholders regularly, starting from January 2025.**

Coordination among stakeholders can be enhanced in targeting on redistributing tasks to optimize efficiency and improving statistical compilation and fiscal analysis. Monthly meetings serve

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<sup>6</sup> IMF (2018) recommended an action plan to strengthen the basic PFM, which could still be updated and followed.

as a platform for interaction between MOFT agencies and the CBSI to discuss statistics, which helps raise awareness of data quality and budget implementation. A memorandum of understanding can also facilitate data sharing and timely submission, aiding macroeconomic statistics compiler in achieving consistent collaboration. Enhanced coordination is needed between the treasury unit of the MOFT and the CBSI. Utilizing the mapping developed by the GFS TA and CBSI can aid in aligning with international standards. The Ministry of Development Planning and Aid Coordination, the CBSI, the MOFT, and donors should also collaborate to exchange timely and consistent grant data.

## F. Conclusion

**24. Solomon Islands faced the challenges in PMF and the need to strengthen fiscal data governance.** The non-adherence to international standards has caused a burden in preparing financial reports in accordance with several different standards. Delays in fiscal reporting were aggravated by the implementation of the new FMIS during the pandemic. The adherence to the PFMA 2013 and alignment with the international standards, such as the Fiscal Transparency Code, GFS, and the Data Dissemination Standard, are critical factors for effective PFM and accountability. The challenge with FMIS should be discussed with the PFTAC PFM expert in order to get technical support to fully utilize available FMIS public finance functions. The MOFT staff will benefit from capacity development training on PFM and the GFS. As fiscal data has a critical role in sound policy planning and public communication, regular dissemination of fiscal and budget data will immensely enhance policy credibility and attract investors and donors.

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