



Solomon Islands Annual Program Performance Report 2011

June 2012



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Summary

This Annual Program Performance Report (APPR) summarises progress made during 2011 towards the goals and objectives of the Partnership for Development, agreed between the governments of Australia and Solomon Islands.

Context

Solomon Islands is a fragile post-conflict state which is still recovering from the period known as the ‘tensions’ (1998–2003). The country is relatively stable, with widespread but incomplete national reconciliation. While the political situation remains changeable, substantial economic reform and economic progress have been achieved. Development progress is also being achieved, but slowly. As is typical for post conflict fragile states, Solomon Islands will require development assistance for the long term.

Solomon Islands is ranked 142 out of 177 countries in the United Nations 2011 Human Development Index and remains one of the poorest countries in the Pacific. More than 70 per cent of the population (of over half a million people) is under 24 years of age. The population growth rate is over 2.2 per cent.

In 2011, Gross Domestic Product (GDP) grew at a record 10.7 per cent driven by strong demand from Asia for log exports and the resumption of gold production.¹ Growth is expected to moderate to 4 to 6 per cent in 2012. This reflects reduced output from logging, which is offset by increasing gold production from the Gold Ridge mine, and a strengthening in other commodity exports. Over the longer term, growth is likely to be modest reflecting an expected decline of the logging industry resulting from dwindling forestry reserves. Despite consistent economic growth since 2003, real GDP per capita is still lower than it was in 1998, as Solomon Islands lost nearly 25 per cent of its GDP between 1998 and 2003.

About 87 per cent of the people of Solomon Islands live in rural areas where the main source of economic activity is small-holder agricultural production. There is some plantation agriculture, including palm oil. Economic opportunity in the rural areas is constrained by unreliable and costly access to markets and limited access to basic services such as health, education, water and sanitation, and economic infrastructure. The benefits of economic growth are unevenly distributed across the country. Estimates are that 23 per cent of the population lives below the basic needs poverty line.² The World Bank also reports that there is rising urban ‘non-food’ poverty in Honiara with 33.2 per cent of the population living below the poverty line.³

Competition in the mobile phone market halved costs and increased mobile subscribers by 500 per cent during 2010 and 2011. These reforms in telecommunications resulted in the most significant change in Solomon Islanders’ lives as reported in the 2011 People’s Survey, with access up from 23 per cent of the population in 2009 to 75 per cent in 2011.⁴

¹ Central Bank 2011 annual report.

² Asian Development Bank, Solomon Islands 2010 economic report.

³ World Bank, 2011, Sources of growth, background note 3: *Factors hindering growth in Solomon Islands*.

⁴ ANU Enterprise (2012) *People’s Survey 2011*, February 2012, p.6.



Over 2011, there have been improvements in economic management and reform, supporting stronger private sector growth. In a recent Chamber of Commerce members' survey, almost 70 per cent of participants said they expected their business to be in a stronger position in 2012. The great majority of participants expected increases in average wages, gross sales revenue and capital investment. Solomon Islands also increased 17 places in the World Bank's ease of doing business rankings and now sits at 74 out of 183 countries.

While some of the increased government revenue has been used to strengthen funding for core services, major challenges remain with the quality of expenditure and the lack of linkages between policy and budget or the cost of service delivery and budgeted resources.

2011 was a year of political stability in Solomon Islands, despite the change of prime minister within the National Coalition for Rural Advancement Government. However, parliamentary sittings were rare, resulting in legislation not being passed. While progress is being made, underlying drivers of conflict remain. These include land management, urbanisation, high population growth, rural-urban migration, unemployment, and family based violence. Corruption remains a widespread public concern with low scores on the Transparency Corruption Index,⁵ and only 32 per cent of Solomon Islanders trusting their member of parliament.⁶

Program objectives and strategy

The Partnership for Development (2009) captures the strategic objectives for Australia's aid program to Solomon Islands. Agreed in 2009, it commits Australia and Solomon Islands to make more rapid progress towards the Millennium Development Goals (MDGs) and national development priorities.

There are four priority outcome areas:

- improved service delivery:
 - *in health*: improving health indicators in maternal and child mortality, malaria incidence, pharmaceutical stocks, and access to clean water and proper sanitation
 - *in education*: improving the quality and access of basic education including improvements in literacy and numeracy, increasing access to technical and vocational education and training, improving leadership in education and the use of resources
- improved economic livelihoods: increasing rural incomes and levels of employment from sustainable agriculture, increasing numbers of people accessing rural banking and financial services
- improved economic infrastructure: increasing people's access to markets and services through improved transport infrastructure, improving access to reliable and affordable energy and telecommunications

⁵ Corruption continues to be perceived as widespread with Solomon Islands ranked 120th out of 183 countries scoring 2.7 (0 = highly corrupt, 10 = clean) in the 2011 Corruptions Perception Index.

⁶ ANU Enterprise (2012) *People's Survey 2011*, February 2012, p.9.

- address economic and fiscal challenges: economic and financial reforms that are led by the Solomon Islands Government Core Economic Working Group. Objectives include an affordable and sustainable budget, and structural reform that supports a more conducive business environment.

As well as these four priority outcome areas there are additional programs within the bilateral aid program. These include the Solomon Islands NGO Partnership Agreement, the provision of scholarships at Australian and regional universities, and the provision of humanitarian assistance in response to natural disasters.

Figure 1: Estimated expenditure in 2011

Objective	A\$ million	% of bilateral program
Priority outcome 1	22.8	39
Priority outcome 2	4.3	7
Priority outcome 3	22.0	37
Priority outcome 4	3.0	5
Other	7.3	12

Source: AidWorks SB1 Program Fund Plan.

The fundamental principles underlying the Partnership are mutual respect and mutual responsibility, with a focus on country ownership, partner country leadership, mutual accountability, and a mutual commitment to results. The Partnership gives effect to Australia's commitments under the Paris Declaration on Aid Effectiveness, Accra Agenda, Busan and the New Deal to increasingly align assistance with partner government planning and implementation systems.

The Partnership for Development remains highly relevant to the country context and to the development needs of Solomon Islands. During 2011, the service delivery outcome area (priority outcome 1) expanded to include education to reflect the development needs in basic education (Year 1 to Year 9) and also the technical and vocational training sector. During 2012–13, the Partnership is expected to be renegotiated to accommodate Regional Assistance Mission to Solomon Islands (RAMSI) transition, with the cessation of RAMSI development programs (Law and Justice, Economic Governance, Machinery of Government) in mid-2013. It is expected that new priority outcome areas in governance (covering economic and financial management, public sector management and accountability) and law and justice will be developed and added to the partnership in 2013.

Australia is the largest aid donor⁷ in Solomon Islands, both as a bilateral donor (\$64 million estimated in 2011–12) and also by a large proportion when Australia's contribution to RAMSI is taken into account (approximately A\$170 million).⁸ Australia is the lead donor in health and transport infrastructure, while New Zealand

⁷ Other than AusAID and RAMSI, key donors are New Zealand, the Asian Development Bank, World Bank and European Union. Solomon Islands has the highest aid per capita in the world (also due to its small population) which was US\$435 a head in 2010 – cited in OECD (2010) *Resource flows to fragile and conflict affected states*. This represents 50 per cent of GDP in World Bank 2011 Sources of growth, background note 3: *Factors hindering growth in Solomon Islands*.

⁸ In 2011–12, the cost of the RAMSI development program was \$56 million and the RAMSI Participating Police Force component was \$113 million.



is the lead donor in education and partners with Australia. The Asian Development Bank and the World Bank both partner with Australia in transport, telecommunications, energy and rural development respectively. Donor collaboration in the country is strong, particularly in the area of economic and financial reform, and policy dialogue. The AusAID bilateral aid program is currently growing at an average of 10 per cent a year with two flagship sectors (health and infrastructure) and a large commitment in education soon to be introduced as a third flagship sector.

Figure 2: Australian official development assistance (ODA)

	Estimated 2010–11	Estimated 2011–12
AusAID – bilateral	\$56.2 million	\$64.2 million
AusAID – RAMSI	\$60.2 million	\$56 million
Other ODA including RAMSI policing	\$122.5 million	\$123.0 million
Australian total	\$238.9 million	\$243.2 million

Progress against objectives

Solomon Islands is a difficult context for development programs. As a small island state it struggles with a lack of consistent leadership, limited financial and human resources, weak planning and accountabilities, and high transaction costs. All development partners need to take a long-term view of capacity development and service delivery outcomes.

A new education program commenced in 2011 with a focus on basic education, as well as technical and vocational education and training. In 2011 AusAID began to shift its transport infrastructure program away from stand-alone projects to a sector-based approach led by the Solomon Islands Government (SIG). Livelihoods programs are having a solid impact in the cocoa and sustainable agriculture sector, but are fragmented and need to be consolidated into an implementation strategy under the partnership. Similarly, our agricultural assistance needs to be complemented by greater support to the enabling environment in quarantine and rural financial services.

Progress with economic and financial reform within the Ministry of Finance is impressive. However, the reform program is ambitious and needs to be reprioritised and sequenced to consolidate implementation and embed realistic long-term gains. The Solomon Islands NGO Partnership Agreement was redesigned and improved during 2011, including important changes to improve financial and risk management. The scholarships program continues to make an important contribution to building the professional skills of Solomon Islanders, although more can be done to link our scholarships to the key areas of skills shortage, and to conduct tracer studies on long term impacts.



Figure 3: Ratings of the program's progress in 2011 towards the objectives of the partnership for development

Objective	Rating in 2011	Relative to previous rating
Priority outcome one: improved service delivery	Orange	Unchanged
Priority outcome two: improved economic livelihoods	Red	Unchanged
Priority outcome three: improved economic infrastructure	Green	Improved
Priority outcome four: addressing economic and fiscal challenges: Solomon Islands performance linked aid	Orange	Unchanged
The Solomon Islands NGO Partnership Agreement	Orange	Improved
Australian Scholarships for Solomon Islands	Orange	Unchanged

Note:

- The objective will be fully achieved within the timeframe of the strategy.
- The objective will be partly achieved within the timeframe of the strategy.
- The objective is unlikely to be achieved within the timeframe of the strategy.

Priority outcome one: improved service delivery – health

Objective: To strengthen public health functions that are responsive to community health needs and improve progress towards the MDG targets of 2015.

Australia's support to the health sector is primarily provided through the Solomon Islands Government-led health sector wide approach. AusAID's health sector support provides the government with long term predictable funding to address priority health needs. Funding is delivered through government systems, maximising local leadership and ownership. It addresses priorities established by the Ministry of Health's National Health Strategic Plan (2011–2015) launched in 2011, with a focus on improving primary health service delivery at the provincial level.

At the partnership level, local ownership is evident. A strong working relationship has been built with the Ministry of Health and annual partnership milestones are jointly agreed, regular high level strategic discussions take place, and AusAID has played an active role in improving policy dialogue, procurement systems strengthening, and donor coordination.



In 2011, AusAID support helped the health sector with the following achievements:

- improving coverage rates for routine childhood immunisations to 91 per cent, and measles (up to 76 per cent from 68 in 2010) (MDGs 4 and 5)
- reducing acute respiratory infection from 300 cases per 1000 people in 2008 to 200 per 1000 cases in 2010, and reducing diarrhoea from 48 to 30 cases per 1000 people from 2007–2010 (MDGs 4 and 5)
- increasing health promotion and surveillance in preparation for administration of AusAID-funded cholera vaccine
- achieving impressive gains in malaria elimination. With AusAID providing almost half of all malaria funding, annual incidence has been reduced to 2014 targets, down from 75 cases per 1000 people in 2010 to 46 cases per 1000 people in 2011. This is due to distributing approximately 350 000 bed nets in 2010 and 2011 and spraying approximately 40 000 houses
- improving supplies of essential medicines and ensuring the National Medical Stores have availability of 88 per cent of critical items across all provinces
- funding a two-year SAFENET program to improve referrals for victims of gender based violence. The Ministry of Health now uses clinical protocols for minimum standards for treatment of survivors to guide health practitioners with referrals to police, counselling, and shelter services. A crisis hotline is soon to be established.

Factors contributing to or hampering success

Strengths include the partnership approach between AusAID and the Solomon Islands government in the health sector, which includes government leadership, local ownership and priority setting. A highlight of 2011 was the local partnership between the government, AusAID, World Vision and the Adventist Development and Relief Agency which led to improvements in water and sanitation in 17 remote communities.

Improving systems and accountability remains a priority for AusAID with sector funding managed through government systems. AusAID is working with the Health Procurement Task Force to strengthen risk mitigation measures to protect its investments in health. Bottlenecks and capacity problems have emerged in maternal and child health funding to provinces and will be addressed by engaging additional resources in provincial health planning. This will improve absorptive capacity and link funding to better health outcomes in the field.

Linkages with the government's Core Economic Working Group have helped to improve the policy and budget linkages between the Ministry of Health and the Ministry of Finance and Treasury, and maintain government health expenditure at 14 per cent of total budget in 2011.

Infrastructure capacity in building and maintenance are behind schedule. The delays in housing and health clinics are slowing the Ministry of Health's reform efforts in rural health care. Donor fragmentation remains a significant problem with donors supporting off-budget projects that also stretch the ministry's limited capacity.



The process of monitoring accountability and results is working well through the partnership, with jointly agreed annual milestones in the performance assessment framework. However, the processes are still very limited and there is still a need to improve data collection and statistics within the Ministry of Health to improve results reporting and management information.

Priority outcome one: improved service delivery – education

Objective: To manage and monitor resources efficiently and effectively to achieve equitable access and improve the quality of education for all people in Solomon Islands

Obtaining a quality education is an ongoing problem for children and young people in Solomon Islands. MDG2 (education) has recently been assessed as ‘of concern’.⁹ Although Solomon Islands commits more than 22 per cent of its budget to education, and primary enrolment is over 90 per cent, the primary completion rate has declined in recent years to 76 per cent suggesting deterioration in the quality of education and retention issues. Almost half of all primary teachers are not qualified. Only 32 per cent of students in Year 4 achieved satisfactory levels of literacy,¹⁰ and one study found only 17 per cent of adults are literate. Few young people get jobs partly due to the lack of quality skills training courses available.

Australia formally joined the education sector in Solomon Islands in 2011 guided by the Partnership for Development, aligned with the government’s National Education Action Plan (2010–2012), and in collaboration with New Zealand in the sector wide approach. It is a long-term commitment focused on addressing the quality of teaching and learning in basic education and strengthening skills training. The approach is inclusive of all marginalised people.

In 2011, Australia made a three-year commitment to education of \$31 million to 2014. The first year has been considered an establishment phase, with expenditure of A\$360 000. Establishing a strong program base has been a key outcome, including building relationships with the Solomon Islands government and donor partners, strengthening the analytical base of the sector, and working with New Zealand to reposition donor support in the next three year National Education Action Plan.

AusAID has provided key inputs towards improving learning outcomes and has supported the National Education Action Plan through formal technical assistance to a number of key studies, technical feedback on terms of reference, draft policies and plans, and through contributions to Ministry of Education reforms. These inputs include:

- an information paper on implementing a tertiary student loan scheme in Solomon Islands
- a review of the impact of the fee-free basic education policy and school grants policy

⁹ 2010 Pacific Regional MDG Tracking Report (July 2010).

¹⁰ Secretariat of the Pacific Community and Secretariat of the Pacific Board for Educational Assessment (2011), Solomon Islands Standardised Tests of Achievement – *A report on the national monitoring of literacy and numeracy achievements at the end of Year 4 in 2010*.

- an education sector structure review pilot project
- revision of the Solomon Islands Education Monitoring Information System data collection forms
- a strategic plan for the Solomon Islands College of Higher Education.

In 2011 Australia contributed to outcomes in the education sector by reducing the financial barriers for 140 000 children for the first nine years of school, helping them to stay in school through AusAID Performance Linked Aid funding to support the government's fee-free education policy through school grants.

Factors contributing to or hampering success

Strengths include the partnership approach between donors and the Solomon Islands government in the education sector since 2004. The established sector wide approach has made it relatively easy for AusAID to enter the sector, with evidence of strong local ownership and a firm policy basis through the National Education Action Plan (2010–2012), and a performance assessment framework that is fully aligned with National Education Action Plan indicators. Australia is also planning ahead to support the next phase of the National Education Action Plan (2013–2015).

Improving public financial management in the ministry remains a priority for AusAID with sector funding managed through government systems. AusAID is working with the newly established internal audit unit to address audit findings quickly and improve systems in finance contracting and procurement.

Priority outcome two: improved economic livelihoods

Objective: To support more productive and sustainable utilisation of agricultural land, forests and marine resources, and the improved operation of markets for the benefit of rural households towards the MDG targets of 2015.

Australia's support to livelihoods under the partnership for development is in four key areas:

- implementing a Rural Development Program focusing on small-scale village infrastructure, agricultural extension services and rural businesses
- increasing productivity and incomes for cocoa farmers and improving cocoa marketing
- strengthening family food security and income generation through the Kastom Gaden Association
- increasing access to financial services among low income and rural households.

For the livelihoods area, 2011 marked the start of a transition away from small stand-alone projects and towards initiatives that can achieve sector level impacts. During 2012, the program will further consolidate to focus on key gaps, particularly improving financial services in rural areas (only 25 per cent of Solomon Islanders



have access to banking services)¹¹, and supporting the Solomon Islands Quarantine Service to protect the country's agricultural assets and facilitate access to international markets.

Key achievements under the partnership include:

- completing 27 infrastructure projects in village water supply, clinics and solar electricity under the Rural Development Program, with another 350 under construction or in planning stages
- reaching more than 11 000 farmers with agricultural extension services under the Rural Development Program, and benefiting 40 rural businesses with rural financing
- accrediting three cocoa and palm oil mills through the Australian Quarantine and Inspection Service, so they can now export livestock feed to Australia
- assisting 2700 cocoa farmers to apply integrated pest and disease management on their farms, which has substantially increased their production.

Factors contributing to or hampering success

The diverse nature of livelihoods and breadth of areas cited under this priority outcome have been an obstacle to a clear agreement between Australia and Solomon Islands on an implementation schedule. Without the strategic direction provided by an agreed implementation schedule, individual programs are at risk of having a reduced impact.

A priority in 2012 has been to agree with the government a more narrowly and clearly defined set of outcomes for livelihoods. Preliminary discussions in early 2012 have narrowed the focus to ongoing support for the Rural Development Program and areas where Australian assistance can have sector wide impacts. This includes financial services and support for key systems within the Ministry of Agriculture and Livestock such as quarantine. Australia and Solomon Islands agreed to a new schedule at annual Partnership Talks on 31 July 2012.

The links between livelihoods and the economic infrastructure priority outcome of the partnership are also critical. A key constraint to increasing rural incomes is access to markets, which is enabled through interconnected transport routes such as roads, bridges and wharves. This is especially important in an archipelago such as Solomon Islands which has a small population scattered across 90 inhabited islands. In this respect, the work that AusAID undertakes under the third priority outcome area – economic infrastructure – makes a substantial contribution to livelihoods across the country.

¹¹ ANU Enterprise (2012), *People's Survey 2011*, February 2012, p.7.



Priority outcome three: improved economic infrastructure

Objective: To improve market access and service delivery through improved access to reliable transport, energy and telecommunication services towards the MDG targets of 2015.

Australia's assistance to economic infrastructure through the partnership for development is in five key areas:

- transport sector-based approach
- contributing to Asian Development Bank-managed roads improvement projects
- assistance to the Ministry of Infrastructure Development on asset management, policy and road works
- support for the Solomon Islands Telecommunications Commission to increase access and service delivery through well-regulated competition
- assistance to the Solomon Islands Water Authority to reform its business and urgently repair critical infrastructure to ensure urban water supplies.

AusAID's transport infrastructure support was marked in 2011 by the start of a sector-based approach in transport which is managed through the Solomon Islands government-led National Transport Fund Board, and governed by the country's National Transport Plan, which prioritises all transport infrastructure spending.

Key achievements under the partnership include:

- maintaining or rehabilitating 370 kilometres of roads, creating almost 200 000 days of work for Solomon Islanders. At least 40 per cent of these opportunities were taken up by women
- building or repairing 27 major river crossings after flood damage in Makira and west Guadalcanal. The 12 000 residents in west Guadalcanal now have reliable access to markets and services in Honiara. Residents of northern Makira can now access markets, schools and health clinics in the provincial capital Kira Kira
- achieving a massive uptake of mobile phone use as a result of AusAID's support for competition in the telecommunications sector. Users have increased from 57 000 in 2009 to 275 000 in 2011, and the costs have almost halved. In the annual People's Survey, 75 per cent of Solomon Islanders had access to a mobile phone in 2011 compared to just 23 per cent in 2009¹²
- rectifying bacterial contamination in the country's water supplies and averting a potential collapse of the urban water supply system. In April 2011, 50 per cent of the Solomon Islands Water Authority's water samples were contaminated, but with AusAID assistance, this figure had fallen to 30 per cent by November 2011.

¹² ANU Enterprise (2012), *People's Survey 2011*, February 2012, p.6.



Factors contributing to or hampering success

Donor partnerships are working well. AusAID works in close partnership with other development partners including the Asian Development Bank (transport), World Bank (telecommunications), New Zealand (transport) and Japan (urban water).

In 2011, support was delivered through Solomon Islands Government systems in the transport sector for the first time. The shift to a sector-based approach reflects the principles of the Partnership for Development, in particular local ownership, alignment with partner government plans (National Transport Plan) and alignment with government procurement and financial systems (National Transport Fund). The government's endorsement of the National Transport Plan in 2011 was a significant step in prioritising key transport investments. However, the country would benefit further from a national infrastructure investment plan that provides a clear statement of how the government will prioritise major investments across all types of infrastructure.

The economic infrastructure programs have clear linkages to the livelihoods programs as reliable infrastructure provides Solomon Islanders with the means to access markets and services. Through an Asian Development Bank-managed roads project, Australia is also making investments in climate change adaptation, particularly in Guadalcanal and Malaita.

Priority outcome four: addressing economic and fiscal challenges – performance linked aid

Objective: To assist Solomon Islands to manage expected economic and fiscal challenges and to improve the environment for long term fiscal certainty, more effective public expenditure and broad-based economic growth towards the MDG targets of 2015.

Australia's support to Solomon Islands to address its economic and fiscal challenges is in two key areas:

- policy dialogue on economic and financial reform priorities and the negotiation of an annual agreed reform matrix through the Core Economic Working Group
- the provision of performance linked aid, linked to the completion of milestones in the reform matrix. This aid has been used to fund primary and secondary education in 2010 and 2011.

Key achievements under the partnership in 2011 include:

- helping achieve fiscal stability and a stronger external position, and meeting International Monetary Fund benchmarks, through the Economic and Financial Reform Program
- facilitating adoption of the National Development Strategy, which is the framework for Solomon Islands' longer-term development
- strengthening the government's revenue base through more effective tax administration, and a new focus on integrity in collecting import and export duties at Customs

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- improving the budget preparation process through deeper engagement with line ministries, consultations with Solomon Islands civil society organisations, and ongoing improvements in budget transparency
 - gaining greater control over government expenditure through improved cash management, and ongoing development of public financial management systems including payroll, financial tracking and internal audit
 - improving management and oversight of state owned enterprises and their financial reporting
 - helping remove school fees and facilitating progress towards meeting MDG 2 (universal basic education) through performance linked aid funding. This enabled the government to remove school fees for primary students in 2009, and the Australian contribution enabled this to be extended to junior secondary students in 2010. These combined initiatives helped reduce financial barriers for 140 000 students for the first nine years of education, helping them to stay in school
 - completing infrastructure works on six secondary schools, which also created local employment. The program, which is funded through performance linked aid, helps the government manage the increased number of junior secondary students resulting from fee-free education.

Factors contributing to or hampering success

Donor partnerships are working well. AusAID works in close partnership with the World Bank, Asian Development Bank, European Union, New Zealand, and RAMSI on the Core Economic Working Group in terms of robust policy dialogue on economic and financial reforms. On the distribution of performance linked aid, Australia has worked very closely with New Zealand on assistance to fee-free education and assistance to secondary education.

The Core Economic Working Group (CEWG) is a model for the region. It is not only being replicated in other countries but the principles that have made it a success are being applied to other program areas such as health. The CEWG supports a multi-year reform program, and Australia is adjusting its performance linked aid to a multi-year model to support this reform framework.

Engagement by the Ministry of Finance and Treasury has been very strong. The working group would benefit from greater engagement from other ministries, such as the Ministry of Public Service and Ministry of Planning, to ensure budget linkages to the national development strategy and service delivery, and to address systemic human resourcing issues in the public service alongside technical reforms.

Solomon Islands NGO Partnership Agreement

Objective: By working together, Solomon Islanders improve their long-term health, wellbeing and livelihoods.

Government systems are weak and the reach of state services is limited. This makes civil society an important partner for development in terms of delivering services to the poor, extending the reach of the state and holding the government accountable.



The Solomon Islands NGO Partnership Agreement works with five accredited Australian non-government organisations to partner with a range of civil society organisations including faith based, community-based and local non-government organisations. Agreement partners are:

- Save the Children Australia and Solomon Islands
- International Women’s Development Agency with Live and Learn Environmental Education (Solomon Islands)
- Oxfam (Australia) with the Family Support Centre (Solomon Islands)
- Adventist Development and Relief Agency Australia and Solomon Islands
- Union Aid Abroad Australia and Solomon Islands.

The agreement is currently working in approximately 120 communities across six provinces in a range of areas that include water and sanitation, micro-credit, sustainable small business, and elimination of violence against women and children.

Key achievements under the partnership in 2011 include:

- helping communities complete 61 livelihoods projects including poultry, bee-keeping, tailoring, vegetable gardening and commercial fuel depot projects
- helping 57 communities integrate into the formal economy through micro-credit schemes linked to income generation projects. This includes 14 communities with microfinance groups comprised solely of women who have managed to save 100 000 Solomon Islands dollars between them over six months
- helping communities set up and resource 28 community based technical training centres
- supporting campaigns and advocacy on violence against women and children
- supporting approximately 400 women, children and men to access domestic violence support services a year. These are provided by the Solomon Islands Family Support Centre and include counselling, legal and referral services.

AusAID also supported three volunteer programs contributing to Solomon Islands development—Australian Youth Ambassadors for Development, Australian Volunteers for International Development, and Australian Business Volunteers. In 2011, over 40 volunteers contributed their skills and human resource capacity to the Solomon Islands government and other public and private organisations.

Factors contributing to or hampering success

The mid-term evaluation of the Solomon Islands NGO Partnership Agreement in 2011 found that its assets were in its partnership approach and its strengths-based approach to development. The partnership approach has reduced competition between the five Solomon Islands partners, and partners regularly share knowledge and experience to improve the partnership’s impact. The strengths-based approach encourages communities to contribute to their own development. It is more



sustainable than a small grants scheme and has shown that it can reduce external costs for village infrastructure projects, in some cases by more than 80 per cent.

Local non-government organisations can lack the financial skills required to meet Australian financial standards. Australia has asked Australian non-government organisations to play a stronger role in building the capacity of their local partners, is supporting ongoing financial management training for the staff of these organisations, and has engaged a local auditing firm to provide support and, in one case, mentor a local non-government organisation in financial management.

AusAID also terminated its contract with one Australian non-government organisation partner following discussions about the financial management capacity of their Solomon Islands partner.

Australian scholarships for Solomon Islands

Objective: To contribute to the development of Solomon Islands human resource capacity.

Australia's support to Solomon Islands is through three scholarship programs:

- Australian Development Scholarships to universities in Australia
- Australian Regional Developments Scholarships in the Pacific region
- Australian Leadership Awards.

In 2011, 53 scholarships were awarded for the 2012 intake for students to study in Australia, Fiji and Papua New Guinea in medicine, law, information technology, engineering, community development, politics, arts, forensic science, business, governance and environment. This brings the total to 172 current scholarship awardees, the highest number to date, which contributes to addressing the professional human resource development needs of Solomon Islands.

Priorities for 2012 are in conducting a tracer study on the development impact of scholarships over the longer term, and in launching an alumni of returned scholars. Members of the alumni association include former prime ministers, a bank governor, permanent secretaries, senior members of parliament, senior officials and prominent local business people.

Factors contributing to or hampering success

Scholarships have made some progress in supporting wider educational goals but more is needed. Tertiary education works best if a solid foundation of quality schooling exists. Of concern is that a high number of scholarship applicants demonstrated a poor educational background and awardees can struggle to pass their courses.

The Solomon Islands Government can make disproportionate investments in tertiary scholarships. There is the risk that this reduces the effectiveness of government expenditure at the tertiary level and is at the expense of higher return investments in basic and secondary education—that is underspending in basic education and overspending in tertiary education. Australia will use its membership of the Core Economic Working Group to engage in policy dialogue with the



government on the quality and balance of expenditure to basic, secondary and tertiary education.

Program quality

An independent Performance Assessment Panel comprising three specialists assesses the Partnership for Development each year and not only reviews achievements and tangible progress in its performance assessment framework, but also the ‘how’ of the relationship according to international best practice for donors. These are the principles of ownership, alignment, harmonisation, mutual results and mutual accountability. The partnership panel found that the aid relationship matured during 2011 and steady progress has been recorded in terms of intermediate results across most areas. The panel counselled that the relationship may emphasise aid management processes and transactions, and should also focus on service delivery outcomes and sector reforms to make lasting changes to the lives of Solomon Islanders. The panel also observed that the partnership was experiencing a much improved level and quality of dialogue, greater levels of trust and ownership by the Solomon Islands Government.

The program overall has invested in improving aid coordination and harmonisation across all sectors of engagement. Aid coordination remains an issue in health where a number of key players as well as regional programs remain outside of the sector wide approach, however in the other outcome areas (education, livelihoods, infrastructure, economic and fiscal challenges) mechanisms are working well for donor coordination and harmonisation. The Core Economic Working Group (under the Economic and Fiscal Challenges Outcome Area) has operated since 2009 as a mechanism for multi-donor policy dialogue on economic and financial reform. It is best practice and being replicated in the region. In 2012, we expect to see the Core Economic Working Group expand its policy dialogue into areas of public sector reform to complement the progress in economic policy, financial reform and procurement. Partnerships with the World Bank and Asian Development Bank continued across infrastructure and through the Core Economic Working Group. AusAID is partnering with the World Bank on public financial reform to support better service delivery in health.

The Quality at Implementation process indicates that the Solomon Islands program remains highly relevant to the local context. Areas rated as having less than adequate quality included economic livelihoods where the necessary review and restructure are well advanced. Continued improvement is also needed in gender equality, and with program monitoring and evaluation. There has, however, been a general improvement in monitoring and evaluation since 2010, particularly in alignment with partner government systems, across health, education, infrastructure, and economic programs. The Partnership for Development has a detailed Performance Assessment Framework (PAF) for each outcome area except for livelihoods – this is due to the absence of an implementation schedule for this outcome area, which will be developed in 2012.

A dedicated gender position in the bilateral program in 2012 will support the program’s stronger engagement in mainstreaming gender through service delivery, and ensure alignment with the government’s Gender Equity and Women’s Development Policy. Gender based violence and women’s participation are a



feature of the current health, education and infrastructure portfolios. More can be done on integrating disability across all programs, although disability is well integrated into education, in particular ensuring access and equity for students with disability for the first nine years of school. Environment and climate change adaptation is integrated in the infrastructure and water and sanitation programs. Further, work is being done to better integrate environmental policy in the work of the Core Economic Working Group to promote clean energy and energy efficiency.

The bilateral aid program pipeline is in good shape. Planning is underway in a number of key areas. The second phase of the health program is being designed during 2012. Education has a three-year funding commitment to 2014. The transport sector-based approach is a five-year commitment commencing in 2011. New governance and law and justice programs are in design stages to 2018 and 2020 respectively. Proliferation is being addressed by aligning initiatives on AidWorks with each priority outcome area of the partnership.

The program is therefore well positioned for growth as long as it continues to consistently invest in working through partner government systems, with particular attention to public financial management, procurement reform and internal audit across the Ministry of Finance and Treasury (MoFT) and the key service delivery agencies. This investment is primarily with government systems and processes, but it also develops a skilled workforce for AusAID with staff developing stronger public administration and policy dialogue skills.

The Quality at Implementation peer review process with AusAID, the Solomon Islands Government and other donor partners was robust and resulted in realistic scoring for each initiative. The process was frank and ensured scoring reflects the reality of the long term nature of our partnerships, and the work needed to reposition them for working in partner systems over the long term.



Figure 4: Summary of 2011 Quality at Implementation scores

Name of Initiative or activity	Relevance	Effectiveness	Efficiency	Monitoring and evaluation	Sustainability	Gender equality
Health program	■	■	■	■	■	■
Education	■	■	■	■	■	■
Economic livelihoods	■	■	■	■	■	■
Economic infrastructure	■	■	■	■	■	■
Economic and fiscal challenges	■	■	■	■	■	■
Solomon Islands NGO Partnership Agreement	■	■	■	■	■	■
Scholarships	■	■	■	■	■	■

Definitions of rating scale:

Satisfactory (4, 5 and 6)

■ = 6 = Very high quality

■ = 5 = Good quality

■ = 4 = Adequate quality, needs some work

Less than satisfactory (1, 2 and 3)

■ = 3 = Less than adequate quality; needs significant work

■ = 2 = Poor quality; needs major work to improve

■ = 1 = Very poor quality; needs major overhaul

Note: The above ratings are provided for only aid activities with total funding approval of more than \$3 million.

The following risks have been identified for the Solomon Islands program as applicable to bilateral program.

Priority	High or very high risk	Monitoring and reporting system
Program investments in health and education.	<u>High</u> : changing Canberra processes for delivery strategies, and high risk strategic investments, may delay the phase 2 in health and entry into the basic education and technical and vocational education and training sector.	Early engagement with specialist advisers in the division. SES leadership and stewardship through peer review, Secretariat of the Pacific Community and Development Effectiveness Steering Committee processes.
Fraud in Solomon Islands.	<u>High</u> : while the loss of funds to the Commonwealth remains very low, the number of active fraud cases detected is increasing and fraud is the highest priority in terms of fiduciary and reputation risk to the aid program.	Appointment of fraud managers and public finance specialists supported by fraud strategies. We also conduct regular reviews, spot-checks and audits of AusAID-funded programs.
Skilled staff at Post and access to specialist staff in Canberra.	<u>High</u> : (i) difficulty in attracting skilled staff to Post; and (ii) difficulty in engaging adequate specialist expertise to support programs.	i) Promotion of Post internally within AusAID, intensive training programs at Post through coaching on core program skills, AidWorks and finance, management training, executive coaching, division restructure to support program pipeline and design. ii) Specialist staff streams developed for Posts and within the division, access to specialist advisers within the division.



Multilateral organisations, in particular the banks, are important partners to the bilateral program. Development in Solomon Islands is best done in coalitions and not individually. All the bilateral programs are delivered in concert with one or more partners. Most importantly the policy dialogue work, particularly the SIG-led Core Economic Working Group, is a partnership of six between AusAID, the World Bank, Asian Development Bank, European Union, New Zealand and RAMSI. The long-term role of the multilateral organisations in this partnership is crucial.

Summary of results of the bilateral program to Solomon Islands

Table 2: Key results in 2011 by objective

Objective	Results
Priority outcome one: improved service delivery - health	<ul style="list-style-type: none"> Malaria cases per 1000 reduced from 199 in 2003 to 77 in 2009 to 46 in 2011. (assisted by multi-donor programs) Improved access to clean water and sanitation for 23 600 people in 2010-11. 86% of births in 2010 attended by skilled health personnel. Health facilities have essential medical equipment and supplies around 90% of the time (70% in 2008). An additional 4623 births made safer due to the attendance by skilled health personnel.
Priority outcome one: improved service delivery - education	<ul style="list-style-type: none"> Removal of school fees in 2011, helping more than 140 000 young Solomon Islanders get an education (supported through Performance Linked Aid). New long-term (50) and short-term (28) scholarships awarded (up from a total of 54 in 2010). Provided access to agricultural technologies for 2400 poor women and men through Kastom Gaden Association research and training activities.
Priority outcome two: improved economic livelihoods	<ul style="list-style-type: none"> Enabled 2700 cocoa farmers to apply integrated pest and disease management on their farms through the Cocoa Livelihood Improvement Project. Facilitated US\$3.7 million in additional export earnings from cocoa through the Cocoa Livelihood Improvement Project. Created around 800 full-time equivalent jobs in the cocoa industry as a result of additional production due to the Cocoa Livelihood Improvement Project
Priority outcome three: improved economic infrastructure	<ul style="list-style-type: none"> Maintained or rehabilitated 370 kilometres of roads, creating almost 200 000 days of employment for Solomon Islanders. Women took up at least 40 per cent of these employment opportunities. Completed 27 major water crossings, creating over 34 643 days of employment and contributing over 2 million Solomon Island dollars into the local economy through income for workers. Increased mobile phone subscriber numbers from 57 000 in 2009 when the reforms began to 274 872 in 2011. Improved urban water supply quality. In November 2011 less than 30 per cent of samples failed bacteria tests.
Priority outcome four: addressing economic and fiscal challenges – Solomon Islands performance linked aid	<ul style="list-style-type: none"> Deepened policy dialogue within the Core Economic Working Group. Solomon Islands is willing to expand its reform agenda to encompass areas of interest to donors. Despite changes at the political level, including a new prime minister and minister of finance, the government continues to express a strong commitment to an ongoing dialogue through the group.



Objective	Results
Solomon Islands NGO Partnership Agreement	<ul style="list-style-type: none"> Helped communities complete 61 livelihoods projects including poultry, bee keeping, tailoring, vegetable gardening and commercial fuel depot. Helped 57 communities integrate into the formal economy through micro-credit schemes linked to income generation projects. This includes 14 communities with microfinance groups comprised solely of women who have managed to save 100 000 Solomon Island dollars between them over six months. Helped communities set up and resource 28 community based technical training centres. Supported campaigns and advocacy on violence against women and children. Supported approximately 400 women, children and men to access domestic violence support services a year. These are provided by the Solomon Islands Family Support Centre and include counselling, legal and referral services.
Australian scholarships for Solomon Islands	<ul style="list-style-type: none"> Continued to increase support to quality tertiary education in Solomon Islands by providing 52 scholarships in 2011. Advanced five high performing students to a higher qualification.

Management consequences

Key management focuses for 2012 include the following:

RAMSI transition

- Seek Solomon Islands agreement for transition of governance and law and justice programs from RAMSI into the Partnership for Development.
 - With RAMSI, develop a follow-on governance program (2013–2018), covering economic and financial management (including Core Economic Working Group), public sector management and public sector accountability.
 - A follow-on law and justice sector program, including support for correctional services, the Ministry of Justice and Legal Affairs, and the administration of the national judiciary, will be closely coordinated with the ongoing RAMSI policing program.
 - Continue work in electoral management.
- Reach agreement with Solomon Islands on the structure of the post 2013 Partnership for Development.

Update Partnership for Development

- Rescope and redefine the Livelihoods Program and increase our investments in broad based growth through infrastructure, rural banking, and quarantine services. Finalise and gain agreement on a new Livelihoods Implementation Strategy under outcome area 2.

Strengthening policy dialogue

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- Support stronger policy, economic and financial management and accountability for better service outcomes at a sector and whole-of-government level by fostering better linkages between the economic governance program, Core Economic Working Group processes and sector programs
 - Support collaborative analytical work with other donors in relation to public expenditure and financial accountability, and public expenditure assessment activities during 2012.
 - Support cost of service delivery analysis in policy dialogue (in education and health) to enable better quality dialogue on budgeting, services and performance.

Strengthening program quality and program management

- Strengthen the use of government systems for service delivery (and better position the bilateral program for scaling up) including an increased focus on strengthening partner agency planning and budgeting, and public administration.
 - Finalise national systems and fiduciary and procurement risk assessments (at national and sector level), and link to Core Economic Working Group processes for prioritising financial management strengthening.
 - Focus on systems strengthening within partner organisations to manage risk and reduce the incidence of fraud.

Program development and pipeline

- Take forward program designs and implementation. Programs will continue to be consolidated within the Partnership for Development outcome areas.

Support better data collection and monitoring and evaluation for evidence based management

- At the sector/service delivery level and by developing a program of support for the National Statistics Office to improve the quality and availability of statistical data.
- Support Solomon Islands to manage the Household Income Expenditure Survey in 2012.

Attachment A: 2010 management consequences

Table 1: Achievement of management consequences from 2010 APPR

Management consequence	Status	Comment
Revise the implementation strategies under the partnerships for development.	Partly achieved	Work to design the implementation strategy for Outcome 2, Livelihoods, is ongoing and will be continued in 2012. The progress indicators for the other implementation strategies are updated on an annual basis.
Finalise the bilateral program pipeline for the next two to three years.	Partly achieved	Four year budget estimates prepared. Next phase of health and education programs in development. Pipeline for Outcome 2, Livelihoods, is dependent on the development of an agreed implementation strategy (see above). The Performance Linked Aid Pipeline is being designed in 2012.
Strengthen the use of partner government systems for service delivery, including undertaking assessments of national systems, fiduciary and procurement risk assessments.	Fully achieved	Assessment of national systems and procurement assessments undertaken during 2011. Sector public financial management assessments to be undertaken in 2012.
Support collaborative analytical work with other donors in relation to public expenditure and financial accountability, public expenditure assessment activities and costs of service delivery during 2011.	Partly achieved	Public expenditure review work commenced in 2012. The public expenditure and financial accountability assessment has been delayed until 2012. Cost of service delivery work has been undertaken in selected sectors, and continues in education and health in 2012.
Support better data collection and monitoring and evaluation to support evidence based management.	Partly achieved	Statistics program in development with the Ministry of Finance to strengthen national statistics. The Household Income Expenditure Survey will be undertaken during 2012. Partnership for development indicators have been prepared for outcome areas 1, 3 and 4. Mid-term review of Solomon Islands NGO Partnership Agreement conducted in 2011. Tracer study for scholarship holders will be conducted in 2012.
Implement the recommendations of the adviser review and the Adviser Remuneration Framework.	Fully achieved	Short and long term advisers are employed under the Adviser Remuneration Framework. The recommendations of the adviser review were implemented in 2011.
Commence engagement with donors on civil society, demand for better governance and drivers of change analysis.	Fully achieved	Engagement has commenced with work to be progressed during 2012.
Updated country situational analysis.	Partly achieved	Country situational analysis will be finalised during 2012.