



Australian Government
Department of Foreign Affairs and Trade



Aid Program Performance Report 2013-14

Solomon Islands

September 2014

Key Messages

Australia's programs in Solomon Islands achieved good results, with improvements in health and education; justice services, broad-based economic growth and governance. The transition of former RAMSI development assistance programs—in law and justice, machinery of government and economic governance—into Australia's bilateral program was executed smoothly with the expanded Australia Solomon Islands Partnership for Development agreed and signed. Technical assistance is being refocused into essential areas and the conditions for further integration with Australia's broader objectives in Solomon Islands are being created. Ongoing vulnerabilities in Solomon Islands mean that progress will be variable across all sectors in which we are engaged for the foreseeable future.

The program is being adjusted in the context of the new aid paradigm. The synergies created by the integration of the Australian Agency for International Development (AusAID) with the Department of Foreign Affairs and Trade (DFAT) will increase the focus on creating an enabling environment for economic growth and ensuring the alignment of program objectives with Australia's broader national interests in stability and economic development in Solomon Islands.

The \$13.7 million reduction in the bilateral aid program for 2013-14 was managed largely through reducing cash balances in Solomon Islands accounts earmarked for health, transport and education. Australia paid half of a possible \$3 million in aid linked to performance against milestones agreed through the Core Economic Working Group (CEWG), as Solomon Islands met only half these milestones in 2013.

Context

Australia has a deep and longstanding relationship with Solomon Islands, with development assistance focused on building a stable nation underpinned by viable institutions and economic growth. The challenges in Solomon Islands are immense.

The flooding which struck Honiara and surrounding areas in April 2014 killed 23 people, damaged key infrastructure and disrupted livelihoods. The Gold Ridge Mine suspended operations. The combined impact of the flood and the mine closure saw economic growth projections revised downward from 4 per cent to around zero for 2014. The physical, social and economic impact of the floods demonstrated Solomon Islands' vulnerability.

Australia provided **\$7 million assistance in response to the floods** to address immediate humanitarian needs such as safe drinking water, emergency shelter, sanitation and hygiene, and support much needed repairs to infrastructure such as roads and bridges.

The flood response was a Whole of Government effort. The Australian Defence Force provided logistical support to deliver humanitarian aid and a team to help assess damage. The Australian Federal Police provided personnel and equipment, the Australian Civilian Corps provided engineers, and a DFAT rapid response team worked with the High Commission to assess flood damage and repair options. Australian doctors were deployed as part of a medical assistance team.

Solomon Islands' economic and budget positions are fragile and susceptible to further external shocks or poor policy decisions. The narrow economic and revenue base remains a major challenge. Solomon Islands remains reliant on logging, mining, fisheries and agriculture – and with the logging industry in decline and considerable uncertainty around the future prospects for the mining industry, supporting new sources of revenue and growth will be critical. Solomon Islands Government also needs to fund a significant reconstruction effort. Australia's \$7 million flood humanitarian and recovery package will assist.

The business environment remains constrained: utility costs, land issues and poor labour skills and productivity are constraints to investment. Government regulation is inefficient and difficult to navigate. Investment remains relatively low, at around 15 per cent of GDP. While foreign direct investment is relatively high by Pacific standards, it has fallen significantly over the last 3 years—from around 20 per cent of GDP in 2009 to around 5 per cent in 2013.

The relatively stable security landscape is still largely underwritten by the Regional Assistance Mission to Solomon Islands (RAMSI), but the capacity of the Royal Solomon Islands Police Force (RSIPF) is slowly improving.

As a fragile, post-conflict state, Solomon Islands development is prone to setbacks and shocks. Elections in late 2014 have the potential to provoke instability, or paralysis in government. Despite the difficult context, the Solomon Islands Government has made good progress in strengthening the environment for effective aid delivery and expenditure management. Australia has successfully used policy dialogue to effect change. This includes working with the Solomon Islands Government to reallocate revenue towards front-line provincial health services and contribute the equivalent of at least AUD10 million to the National Transport Fund over four years. Both commitments have been met. This has occurred in the context of resource constraints in both Australia and Solomon Islands. The Aid Investment Plan, planned for 2015, will reflect the changed resource and policy environment and consolidate the RAMSI transition to strengthen the bilateral architecture with a country that remains our third largest aid partner.

Solomon Islands is ranked 143rd out of 186 countries on the UN Human Development Index¹. Its GDP per capita, among the lowest in the region, has only now recovered to income levels before the Tensions in 1998-2003. Solomon Islands remains one of the most aid dependent countries in the world,² and development is tracking behind most Pacific island neighbours.³ Solomon Islands is off track for MDGs 3 (Promote Gender Equality and Empower Women) and 7 (Ensure Environmental Sustainability), and has 'mixed results' for the remaining indicators⁴.

Solomon Islands has significant gaps at secondary education levels. Women are under-represented in political and government institutions at national and provincial levels.⁵ Violence against women is endemic. Water and sanitation access is low, and needs to be tackled to improve overall public health. Literacy levels are likewise low.

Basic service delivery is hampered by poor governance and geography—about 550,000 people live across 92 of its 900 islands with the majority living in rural areas. The ongoing use of Constituency Development Funds, with their poor accountability and transparency to the people, present a further service delivery and budgetary challenge.

Honiara is the centre of the formal economy and the majority of employment is in the government sector. Employment growth is unable to keep up with demand, with a population growth of 2 per cent per annum and a limited labour market of around 55,500 jobs.⁶ Only 15 per cent of school leavers find paid employment⁷. Ongoing internal migration to the capital in search of jobs and the cash economy increases the pressure on services in Honiara.

Australia is the largest donor in Solomon Islands providing over 74 per cent of all ODA⁸. It is in Australia's interests to assist Solomon Islands build a stable nation sustained by viable institutions and economic development and build on the peace and stability brought by RAMSI. New Zealand, Japan, the European Union, the World Bank and the Asian Development Bank are also major partners. Australia is the primary donor on law and justice, public sector management and accountability and health. Where possible, Australia works through sector-wide approaches (SWAp). Australia works closely with New Zealand on education, supports UNDP led electoral support and works closely with the World Bank, Asian Development Bank and IMF on economic growth and governance. Along with Solomon Islands Government, key partners in the health sector include the UN and Secretariat for the Pacific Community.

¹ http://hdr.undp.org/sites/default/files/hdr2013_en_summary.pdf

² World Bank Databank – using the average per cent ODA to GNI for 2010-2012, Solomon Islands is the second most aid dependant country in the world, using data for 2012 alone, it is the 4th most dependant.

³ World Bank World Development Indicators 2012

⁴ 2013 Pacific Regional MDGs Tracking Report, Prepared by the Pacific Islands Forum Secretariat August 2013.

⁵ Solomon Islands is ranked 138/141 in the Inter Parliamentary Union World Classification: Proportion of seats held by women in single or lower houses of national parliaments (global ranking)

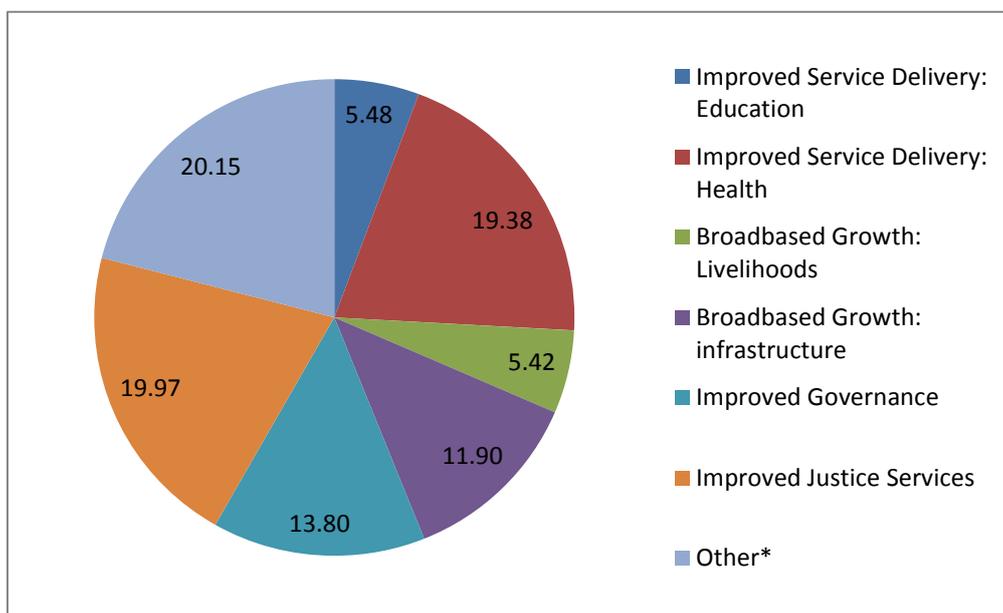
⁶ 2009 POPULATION & HOUSING CENSUS: Report on Economic Activity and Labour Force

⁷ World Bank, 2013 Country Strategy, p6

⁸ <http://www.oecd.org/dac/stats/documentupload/SLB.JPG>

Expenditure

Table 1 Expenditure in FY 2013-14 (A\$ million)



Source: AidWorks

*Other includes: Program Management (5.54), Scholarships (4.17), Democratic Governance (2.73), Humanitarian Response and Disaster Management (2.72), NGOs (2.77), Stats (1.12) and Gender (1.11)

Progress towards objectives

Table 1 Progress towards the Solomon Islands - Australia Partnership for Development objectives

Objective	Previous Rating	Current Rating
Priority Outcome 1 - Improved Service Delivery: Education	Amber	Amber
Priority Outcome 1 - Improved Service Delivery: Health	Amber	Amber
Priority Outcome 2 - Broadbased Growth: Livelihoods	Amber	Green
Priority Outcome 2 - Broadbased Growth: infrastructure	Amber	Green
Priority Outcome 3 - Improved Governance	Amber	Amber
Priority Outcome 4 - Improved Justice Services	Amber	Amber

Priority Outcome 1 - Improved Service Delivery: Education

Education supports economic growth through building human capital to address skills shortages. Literate and skilled young people are critical to a stable and prosperous Solomon Islands. The People's Survey⁹ ranks education as the number one service Solomon Islanders want from government. The Solomon Islands Government invests approximately 23 per cent of its annual budget in education.

Progress in education has been mixed and is rated as amber reflecting the profound development challenges faced and Australia's commitment to systemic change through gradual, but fundamental, improvement in government capacity. There have been significant achievements in teacher training, student assessment and improved student results in literacy and numeracy and good progress on scholarship reform. However, the Solomon Islands

⁹ People's Survey 2013, Australian National University

Government's budget execution, particularly expenditure for primary education, has fallen below expected levels. Specific assessments against **Performance Assessment Framework (PAF) Targets** are at [Attachment 1](#).

In 2013 **basic education achievements** included reduced financial barriers for 145,000 children through school grants, and an increase in trained primary teachers - from 60 to 70 per cent of the total teacher workforce of over 8,000 teachers in 2013. An improved assessment tool, developed in partnership with the Australian Council for Education Research, reported large increases in literacy and numeracy rates for year 4 and 6 students¹⁰.

Australia's **policy dialogue** with Solomon Islands focuses on improving literacy, teacher training, school based management and the Solomon Islands Government's scholarship management. Twenty per cent of Australia's education funds are targeted to performance benchmarks and allocated based on an independent annual assessment. Analysis of management of Solomon Islands Government funded scholarships showed Solomon Islands' tertiary expenditure was undermining primary education. This led to the Solomon Islands Government agreeing to reform its scholarship program.

Australia is designing a new phase of education support which will include a skills component for implementation in early 2015. This whole of sector partnership will complement the Australia-Pacific Technical College (APTC) in providing Certificate-level qualifications in areas with labour-market shortages including construction, business skills and early childhood. APTC is supporting joint-delivery of Certificate Level 2 qualifications in automotive repair and carpentry through a partnership with Don Bosco technical college. The first intake of 40 students graduated in June 2014 along with 50 technical trainers who attained an Australian-standard qualification in Training and Assessment.

The Ministry of Education and Human Resource Development has developed a **Gender Equity in Education** policy. Australia supported the Ministry to develop an inclusive education (disability) policy. Australia has advocated for disability inclusion in education priorities in Solomon Islands with other stakeholders. Girls have high enrolment rates (89 per cent) and high completion rates (83 per cent) in year 6. However, girls have lower access rates at secondary level (39 per cent) - partly due to lack of dormitory facilities and inadequate toilets and washing facilities in secondary schools.

Scholarships

Australia Awards help build Solomon Islands' human capital base supporting human resource development in priority areas for Solomon Islands such as engineering, business and accounting, health, law and education. Tertiary education options are limited in Solomon Islands—only two per cent of the population has a tertiary qualification. Tertiary scholarships to study in Australia and regional institutions are therefore valuable for education and skills development.

A 2013 study of returned graduates revealed **mixed achievements**. Australia Awards have reduced capacity gaps and improved effectiveness of organisations, but would benefit from more focus. In 2014 targeting will use the 2013 labour market analysis which prioritised construction, health, education, business and finance. Low levels of English and a low academic foundation—even by highest ranking applicants—highlight the importance of Australia's investments in basic education.

Gender targets are met within the scholarships program although fewer females than males apply. The program actively targets female recipients and gives priority to women wanting to study "traditionally male" courses (four women undertook engineering in 2013) and those undertaking gender studies (at least four recipients in the 2013 intake). In 2013 and 2014 intakes, the proportion of female recipients was higher than male recipients. Australia continues to work with the Solomon Islands Government and other scholarship stakeholders, to ensure that cross-cutting issues—particularly gender, **environment and disability**—are addressed. In 2013 four scholarships were awarded in the areas of environment, climate change, disability and rehabilitation.

¹⁰ Year 4 literacy has increased from 32 per cent in 2010 to 66.4 per cent in 2013. Year 6 literacy has increased from 40 per cent in 2010 to 62.3 per cent in 2013. Year 4 numeracy has increased from 46 per cent in 2010 to 66.7 per cent in 2013. Year 6 numeracy has increased from 46 per cent in 2010 to 86.6 per cent in 2013.

Priority Outcome 1 - Improved Service Delivery: Health

Good health services support Solomon Islands to have the healthy workforce needed to grow the economy. Progress is rated amber— despite improvements in several key indicators such as declining maternal and infant mortality rates, areas for improvement in effective delivery of health services remain. However, the Ministry did meet the majority of performance targets as confirmed by independent assessment in May 2014. Specific assessments against **PAF Targets** are at [Attachment 2](#).

Falling maternal and infant mortality rates—due to increases in skilled birth attendance and in the availability of essential medicine—demonstrate a strengthened health system, and are the program’s key achievements.

In 2013 the Pharmacy Division successfully completed the Central Province Medical Supplies Distribution Pilot and developed a distribution plan for the remainder of the country. As a result availability of essential lifesaving medicine increased at rural health clinics (from 58 per cent to more than 80 per cent) and at provincial hospitals (from less than 65 per cent in 2010 to over 88 per cent in 2013-14.) These results were independently verified in July 2014.

Reduction in malaria rates is a significant achievement of the program. Malaria is also one of the leading causes of death in Solomon Islands. The dramatic decreases in malaria rates over previous years have plateaued, and the malaria-incidence rate is now 45 cases per thousand people—close to the target of 40 cases per thousand people by 2015. This is compared with 199 per thousand in 2003. The proportion of clinics with rapid diagnostic tests or microscopes increased to 97 per cent (from 80 per cent in 2010). In 2013-14 Australia helped distribute 377,312 insecticide treated bed nets.

Australia uses **policy dialogue** to improve health outcomes and protect the system from deterioration. Australia’s financial support is complemented with targeted advice and technical support and leverages value from other donors, including multilateral partners. A health facility costing study will improve resource allocation. Coordination between development partners is strong, with monthly donor meetings and quarterly with the Solomon Islands Government. Australia works through a sector-wide approach and remains the main financier, by providing substantial and flexible targeted financing to the Ministry of Health.

Corporate functions such as human resource and public financial management are weak. However, public financial management and operational planning have improved, incentivised through Australia’s performance-linked aid leading to greater resources reliably reaching the provinces. In addition, the Ministry is piloting a recruitment program which is reducing recruitment time down from eighteen months to three. The Solomon Islands Government responded swiftly to a large scale fraud in the health sector and has successfully prosecuted one of the perpetrators. Performance elements of the program were strengthened in 2013 including by the finalisation of the Ministry’s results framework and the introduction of performance-linked-aid component of the program which ties 20 per cent of funding to the achievement of benchmarks on service delivery and better resource management.

The Solomon Islands Government’s **monitoring and health information systems** were strengthened in 2013-14 through the ongoing development of the Ministry’s Results Framework. The Ministry produced the second annual report against their Results Framework utilising real time data from the digital health information system. The report captured health information from 87 per cent of facilities.

Australia is supporting **mental health activities and disability rehabilitation support** through targeted support for clinics, community awareness, health promotion and outreach.

Priority Outcome 2 - Broad-based Growth: Improved Livelihoods

The program supports productive agriculture and increased access to financial services. Progress is rated green because of significant achievements in financial inclusion and the agricultural sector over the last year – building on previous year’s performance. Specific assessments against PAF Targets are at [Attachment 3](#).

Access to low-cost financial services is an enabler of economic growth. In 2010 only 15 per cent of Solomon Islanders were using banking and other financial services¹¹. Access to credit, a safe place to save, appropriate

¹¹ Pacific Financial Inclusion Program (2010) In Search of Sustainability: The Provision of Rural Financial Services in Solomon Islands

insurance products and efficient payment mechanisms are essential to enable people to build up financial reserves and invest in productive assets.

The target of reaching 70,000 new bank customers by 2015, set by the National Financial Inclusion Taskforce¹² was met 18 months ahead of schedule. There were also more than 100 new access points added across the country by the three commercial banks, many in rural areas. New mobile banking access has also assisted in meeting this target. Sixty per cent of Solomon Islanders now have access to banking and other financial services.

An evaluation of the Rural Development Program (RDP)¹³ found it had significant impact in improving or providing stability of access to basic services in target villages and delivering agricultural services. The evaluation found that 50 per cent of farmers who received agricultural advice from the Ministry of Agriculture and Livestock changed their farming practices as a result of that advice. RDP supported 58 rural businesses to access bank loans, expand their services for rural people and increase employment (around 350 new jobs).

The Pacific Horticultural and Agricultural Market Access Program (PHAMA) has been effective in maintaining or expanding market access for primary products from Solomon Islands. Three copra and palm oil mills were successfully reaccredited to export livestock feed to Australia (worth \$0.5m in annual exports). PHAMA also helped develop timber legality guidelines for Solomon Islands, which have been approved by Australia and will allow exports of sawn timber to continue. Solomon Islands is the first Pacific island country to achieve this status.

There was an increase in Kastom Gaden Association's Plant Material Network members – 4,339 (3,627 last year), making it the largest farmer network in Solomon Islands. It facilitated constitutions for local partner organisations and provided relevant governance and leadership training to strengthen management capacity.

Agriculture and financial inclusion have potential for furthering the goal of gender equality. Women play a vital role in food production and income generation through micro and small businesses. In 2013 one third of all new bank clients were women. Almost 80 per cent of Kastom Gaden Association's partner organisations have female representatives on their management committees and in leadership roles.

The Financial Inclusion Program is supporting the Central Bank Solomon Islands (CBSI) in its regulatory and reporting role. It supports CBSI to run the National Financial Inclusion Taskforce, which brings together Solomon Islands Government ministries, donors and the private sector and is the primary mechanism for coordination and planning of financial inclusion activities.

Priority Outcome 2 - Broad-based Growth: Infrastructure

Increasing trade, economic growth and service delivery through better access to utilities, telecommunications and transport infrastructure is crucial to Solomon Islands' prosperity and stability. The rising cost of utilities is cited as a major constraint to private sector development by a majority of Solomon Islands businesses¹⁴.

Performance was rated green because of substantial progress in improving access to economic infrastructure, despite the limited financial resources and capacity of Solomon Islands organisations which in previous years has hindered performance. Specific assessments against **PAF Targets** are at [Attachment 4](#).

Only 23 per cent of the rural population are estimated to have road access¹⁵. With Australian support, progress has been made in systematic maintenance of roads and wharves and improving access by rehabilitating or replacing damaged infrastructure—including the **maintenance of 386 km and rehabilitation of 31 km** of roads in 2013. This continues the work in 2012 where 344 kilometres of roads were maintained.

¹² The Maya Declaration is the first global and measurable set of commitments by developing and emerging country governments to unlock the economic and social potential of the 2.5 billion 'unbanked' people through greater financial inclusion. More than 90 such countries – representing more than 75 per cent of the world's unbanked population – have supported the Declaration. <http://www.afi-global.org/maya-declaration>

¹³ Evaluation of the Solomon Islands Rural Development Program, Monash University, October 2013. The Rural Development program is implemented by the World Bank and funded by Australia

¹⁴ SI Chamber of Commerce 2011

¹⁵ PRIF Review, 2012

Progress has been slower than expected but improved planning and implementation was evident during 2013-14. Contracts are underway or planned and aim to expand road maintenance to most of the maintainable network by the end of 2014. Contracting out of transport works is increasing opportunities for the **local private sector** and firms are responding to new opportunities by investing in equipment.

Transport works are creating **business management opportunities for women**: of the 56 National Transport Fund (NTF)-funded contracts operating in 2013, 17 contractors had women in management roles. NTF labour-based road maintenance and Rapid Employment Project urban infrastructure works in Honiara have an important **social inclusion** function, providing paid work for low-income earners and the unemployed.

Australian support to **Solomon Water** has seen a dramatic turnaround in the performance of the organisation since 2011. It is financially solvent and **the reliability and quality of water services have improved**. The average proportion of water samples that pass WHO bacteria standards increased from less than half in 2011 to 90 per cent in 2013. All areas of Honiara received water and daily average hours of supply increased to 18 hours. Over 40 per cent of the population can access 24-hour supply and 94 per cent can access at least 12 hours of supply¹⁶. As a result of the new debt management strategy and arrangements, the **Solomon Islands Electricity Authority** has invested heavily in new generators and transmission lines.

Continued **effective regulation of the telecommunications sector** has seen ongoing improvements to service access. An estimated 83 per cent of the population had access to a mobile signal in 2013, compared to 80 per cent in 2012 and only 20 per cent in 2009.¹⁷

Significant progress was made on the **Tina River hydropower project** during 2013-14. The project will lower electricity costs and reduce dependence on imported diesel. Electricity prices in Solomon Islands are currently among the highest in the world¹⁸. The project will be built by a private developer in the **first public-private partnership of its type** in Solomon Islands. With Australian support through the World Bank, the Solomon Islands Government has invested significant resources in addressing environmental and social safeguards issues. While difficulties and delays have been experienced, the project promises to be **a model for the management of community relations and land access in Solomon Islands**. Initial assessments show the project complies with the international best-practice of obtaining free, prior and informed consent.

The April floods caused significant damage to infrastructure. Ministry of Infrastructure Development responded quickly to prevent the collapse of the main bridge in Honiara—supported by technical advisors, including from the Australian Civilian Corps and Australian Defence Force. Australia is funding works through the National Transport Fund to restore damaged infrastructure, particularly on the main supply road in west Guadalcanal.

Solomon Water responded well, under the leadership of the Australian-funded General Manager. Solomon Water was able to increase supply quickly after the floods, including by using new pumps and increased disinfection which helped reduce water contamination. **Progress remains fragile** and dependent on Australian funded managers.

Priority Outcome 3 - Improved Governance

The Solomon Islands Economic and Public Sector Governance Program commenced in July 2013 following transition of RAMSI programs into the bilateral program. It is the first phase of a 30-year engagement. Improving the quality of governance in Solomon Islands is central to private sector confidence, service delivery and stability. The first year of SIGOV has focussed on improving the ability of government to manage the economy and its finances.

The objective was rated amber; specific assessments against **PAF Targets** are at [Attachment 5](#). The program will undertake a review after the first twelve months of operation to realign priorities with government policy and development of a more robust monitoring and evaluation framework.

In the wake of the dual shocks to both the economy and budget following the suspension of production at the Gold Ridge mine and the April floods, SIGOV officers assisted Ministry of Finance and Treasury (MoFT) develop a credible financing plan to help manage a very difficult situation.

¹⁶ Solomon Water 2013

¹⁷ Telecommunications Commission of Solomon Islands, 2013

¹⁸ ADB 2012, Solomon Islands: Outer Island Renewable Energy Project, Draft Concept Paper

The Economic Reform Unit (ERU) in MoFT has assisted the Ministry to **provide advice to government on critical investment projects** expected to deliver substantial economic and social benefits. These include investments in the electricity sector: including the Tina River Hydro Development Project; and the undersea fibre optic cable project.

The ERU has also assisted MoFT advance legislation that will improve the enabling environment for growth. The new mining tax framework was enacted by the Parliament in April 2014, meeting a long standing IMF Benchmark. Other legislative priorities have included amendments to the Sales Tax Act, work on the Customs and Excise Bill, the National Provident Fund Bill, and consultations on credit union reform.

Work on State Owned Enterprises reform has included advice on: issues around the Solomon Islands Ports Authority Board; further development of the Community Service Obligation program; a focus on efficiency and value for money; and further bedding in of the state owned enterprise framework.

Australia's advisor support has strengthened and supported implementation of the **Debt Management Framework**. From August 2012 Solomon Islands has been able to borrow for productive infrastructure investments and has the capacity to negotiate more favourable terms on new loans. Controlled and prudent borrowing is well under way.

Australia supported implementing the new *Public Financial Management Act 2013*, including delivering new fiscal responsibility products. This support is helping modernise systems using IT to improve the speed of work and protect funds from corruption. Australia is helping the Solomon Islands Government to plan and implement further improvements in financial systems, procurement, financial controls, debt management and revenue collection.

Australian support to **public sector reform** focussed on professionalism, leadership and performance. Australia has supported the introduction of performance contracts and performance assessments for all Permanent Secretaries. This is the first time a systematic assessment has been completed and it is expected to motivate public sector leaders. Work is underway to implement a performance management system for all staff.

Australia supports the Solomon Islands Government to promote **transparency and accountability**. The Solomon Islands Government released its first Final Budget Outcome statement to Parliament, comparing actual spending with budget estimates. The three **accountability** agencies in Solomon Islands have contributed to stronger internal audit within the Solomon Islands Government, and greater awareness of the roles of the agencies and how to make a complaint about government services.

Australia addresses **gender** in all of its activities. One notable achievement is the inclusion of gender mainstreaming in all Permanent Secretary performance agreements. Ministries have now appointed **Gender Focal Points**, who have received gender training. The Ministry of Public Service has commenced collecting gender-disaggregated data as part of recruitment and selection processes to support the development of a public service gender profile.

Promoting local ownership, and aligning with and building the capacity of local systems is at the heart of Australia's support to improving governance—a generational challenge. In the short to medium term, the Solomon Islands Government will continue to depend on capacity supplementation through provision of both inline and specialised technical support positions. Withdrawal of this support too quickly could have a destabilising effect as both the economy and public sector systems remain fragile.

Statistics

Australia is helping produce national statistics in Solomon Islands to support effective governance, evidence-based policy and informed decision making. The National Statistics Office (NSO) is on track to complete the analysis and dissemination of Household Income and Expenditure Survey (HIES) results by the third quarter of 2014. The NSO has completed field operations for the HIES on time and under budget, with more than 4,600 households surveyed across all nine provinces in 2013. Based on its management of the HIES, the NSO was named division of the year within the Ministry of Finance and Treasury in 2013.

Once the HIES is finalised it will provide **information for program management** including on household consumption and expenditure patterns; Gross Domestic Product (GDP); women's spending patterns; housing and general demographic characteristics of households; poverty measures; income and income inequality measures; and data for the MDG, particularly on health and education.

Capacity of the NSO office remains limited and it is likely that ongoing support will be required in the medium term to ensure ongoing sustainability. However, the experience gained by more than 70 field workers during the HIES has created build a strong cadre of enumerators for future surveys and data collection activities. Anecdotally, **female enumerators** are often able to gain better access to households and produce more reliable and higher quality data.

Democratic Governance

Well-administered, free and fair national elections in 2014 will send a strong signal to the region about Solomon Islands' progress following RAMSI's transition in 2013 and promote confidence among Solomon Islanders. A poorly-run election would pose a risk to stability and security. The integrity of the work of SIEC is particularly important and will be a key factor in the success or otherwise of the election.

Australia is providing a comprehensive package of support to the elections with two distinct categories of intended outcomes. The first relates to the successful development of a new voter roll for Solomon Islands, completely replacing the existing roll and thereby boosting public confidence in the integrity of the upcoming election and enfranchising a significant proportion of citizens not included on the existing roll. Our assistance also aims to support the conduct of the 2014 national election, with the aim of ensuring and demonstrating the integrity of the voting process in order to promote acceptance of the results by the public, reducing law and order risk factors.

The second aim of our assistance is to support institutional strengthening and reform of SIEC in order to boost its capacity to deliver future elections and by-elections. This involves a long-term approach to capacity building and periodic expert support for the legislative reform process. This work is expected to be most active in 2015-17, through implementation of lessons learned during 2014 and, parliamentary approval permitting, the passage of legislation to grant SIEC independence from the Ministry for Home Affairs.

The Solomon Islands Electoral Commission (SIEC) completed biometric voter registration in mid-2014. Australian support has been critical to this. Other achievements included the delivery of by-elections, improved staffing and capacity building for the office of the SIEC, enhanced budget submissions and preparatory steps for electoral reform.¹⁹

The **Solomon Islands Media Assistance (SOLMAS) program** ran from 2008 to December 2013. The program was strong on outputs but sustained outcomes are harder to see. The program was ended due to poor performance. Training was well-regarded but its impact is difficult to identify. Indicators on breadth of story sources, angles, and frames did not show significant improvement between the Baseline and Endline Assessments; two indicators went backwards. The program lost strategic direction through too many activities.²⁰ The Activity Completion Report²¹ noted one unexpected impact of the program was the movement of more capable media staff to government and private sector positions. The program ended up creating a degree of dependency by media organisations looking to SOLMAS to fill critical gaps.

Priority Outcome 4 - Improved Justice

For post-conflict countries, justice institutions are critical to addressing grievances, potential sources of conflict or re-lapses into conflict.²² In the Solomon Islands the sector remains highly fragile and, post RAMSI transition, has seen an anticipated regression in some areas, for example the magistrates' court, with the draw down on advisors and removal of advisors from in-line roles. In this context progress towards objectives is challenging and, therefore, rated amber.

HR management, strategic planning and coordinated service delivery in a multi-agency sector remain a serious challenge in the justice sector. However, there was some positive progress in 2013. For example the justice agencies completed their first ever strategic frameworks and agency specific annual work plans. Assessments against **PAF Targets** are at [Attachment 6](#), however it should be noted capacity to report against these indicators remains limited due to ad hoc data collection and analysis. Further refinement of the Solomon Islands

¹⁹ UNDP 2012-2015 Electoral Cycle Strengthening Program Document

²⁰ SOLMAS Phase 3 Independent Progress Review November 2012.

²¹ Activity Completion Report Solomon Islands Media Assistance Scheme February 2014.

²² World Development Report 2011

Government's performance systems and tools and Australia's related PAF is a major priority in 2014-15. Some progress has been made to address terms and conditions.

The Solomon Islands Justice Program (SIJP) aims to reduce the level of **capacity substitution** which characterised the program in the past. The number of technical advisers in justice agencies has dropped from 32 in 2012 to 25 in 2013, with no in-line advisors and all agencies headed by a Solomon Islander. Whilst this is positive and significant progress, it has led to a decline in some service delivery standards, as foreshadowed earlier.

Progress towards gender equality includes the progression of the Family Protection Bill through Cabinet and continued funding to support services for women survivors of violence. Australia's support has complemented this with continued support for an Elimination of Violence Against Women Policy Officer at the Ministry of Women, Youth, Children and Family Affairs.

Policy dialogue combined with direct budget support has allowed the development of a detailed understanding of, and therefore ability to influence, the Solomon Islands Government's budgeting and procurement processes and its practical application in justice and corrections. This area is weak and will require continued support going forward. Ensuring continued maintenance of Australian funded investments (through RAMSI) in infrastructure is an important feature.

An investigation into Correctional Services Solomon Islands' (CSSI) procurement practices in 2013 identified serious flaws in applying the SIG procurement rules. This forced a halt on CSSI's tendering of Australian-funded (budget support) projects, causing delays in spending and outcomes for corrections. It is anticipated that tenders for budget support activities will recommence in 2014. This is a positive sign by investing in direct budget support. Solomon Islands Government systems are being strengthened.

Some progress has been made in relation to policy development in the sector, most notably preparation of a constitutional amendment to allow magistrates to form part of the Executive, and attract higher remuneration accordingly. This is hoped to address challenges in attracting and retaining magistrates. SIG also finalised a policy position for new Parole Board regulations. It is hoped both of these changes are made in 2014.

Infrastructure in the sector had mixed success in 2013. Major delays to Gizo Correctional Centre resulted from a review of the design and the withdrawal of the managing contractor, and novation of the contract. There were also difficulties with work at Rove Correction Centre. However, refurbished correction centres in Lata and Kirakira opened in 2013 and a number of smaller works commenced under RAMSI were completed.

Gender equality

In 2012, Australia launched the *Pacific Women Shaping Pacific Development Initiative*, which commits \$34.8 million over 10 years to activities in Solomon Islands. The initiative focuses on building the capacity of Solomon Islands Government agencies and community organisations to advocate for and implement activities that prevent family violence, improve economic livelihoods for women and promote leadership opportunities. The majority of this support will come through gender mainstreaming in Australia's significant investments in sectoral areas, particularly human development.

Australia has provided technical assistance to the Ministry of Women, Youth, Children and Family Affairs to finalise a National Strategy for the Economic Empowerment of Women. The program is working with select ministries to assist Permanent Secretaries to meet the gender targets in their newly established performance agreements. Australia supports the Solomon Islands Women in Business Association to promote and foster women's participation in the private sector and has funded research into the links between the economic empowerment of women and gender-based violence. The design for a new community-based program that aims to reduce family violence has been completed and will commence implementation in late 2014.

The Channels of Hope for Gender program is now being implemented by World Vision in 30 communities in the Weather Coast and Temotu Province. The program has begun training community and faith-based leaders who will promote gender equality and stopping the use of violence against women using biblical messages. Some of this training was implemented in partnership with the Royal Solomon Islands Police Force in order to reinforce messages about the laws and legal consequences of family violence.

The gender program is investing in **monitoring, evaluation and research**. This focus is crucial to documenting lessons learnt and informing Australia's future programming. Opportunities for cross-learning with other programs, especially community-based activities, are being harnessed.

RAMSI - Participating Police Force

DFAT works in close partnership with the Australian Federal Police (AFP) which provides support through the RAMSI Participating Police Force (PPF). 2013 saw the signing of the *RAMSI PPF Drawdown Strategy 2013-17* which articulates RAMSI's activities and performance targets, in line with the Mission's transition to a primary focus on indigenous policing capacity development. The Strategy also outlines RAMSI's incremental draw down of activities through to 2016-17.

The RSIPF is now leading frontline policing activities with limited PPF support, consistent with its increased capabilities and the Drawdown Strategy. As part of this, the PPF has withdrawn from all but two provincial posts. In 2013, the reported crime rate increased three per cent from 2012 levels, although this may not be indicative of an actual increase in crime but a result of better data collection and increased detection rates by RSIPF.

Solomon Islands Government approving preparatory work for the limited reintroduction of firearms into the RSIPF in October 2013 was a major **achievement**. Actual rearmament is not expected to occur until 2015 at the earliest and will require further consideration and agreement by the Solomon Islands Government to proceed. In addition during 2013-14, RSIPF have managed operational planning and coordination of security for major events, assisted with a large-scale search and rescue effort, recaptured high-profile prisoner escapees and successfully responded to, and managed, public disorder incidents in Honiara.

The main **factors affecting progress** relate to the ability of the RSIPF to meet citizen expectations while struggling with resourcing shortfalls and internal corporate support failings. The reduced footprint of the PPF and an improved monitoring and evaluation framework in 2013 highlighted wider institutional challenges for the RSIPF relating to the cost of policing, logistical support and people management. PPF logistics and human resources advisors continue to provide assistance to the RSIPF to help address these issues.

The PPF has reduced the number of in-line police officers and is focusing on capacity building and promoting local ownership of issues. Solomon Islands Government funding to the RSIPF has increased over the last three years, but still falls short of the level required. The PPF continues to support the RSIPF finance area to engage with Solomon Islands Government budget processes to assist them with securing further funding. Shared funding agreements between RSIPF and the PPF are being used where possible to strengthen systems and ensure transparency over the total cost of RSIPF resources.

The *Police Act 2013* and the Police Regulations were gazetted and formally launched by the Solomon Islands Government in March 2014. They provide a sustainable foundation to support the RSIPF in strengthening its operational capacity to maintain law and order, and ensure community safety.

The PPF promotes gender equality on a number of fronts including advocacy, social mobilisation, and behavioural change. Specific examples include the undertaking of widespread community awareness programs (including remote locations) on relevant legislation and policies by the Family Violence and Community Policing units and assisting with the drafting of the Family Protection Bill—currently before the Solomon Islands Parliament.

Mutual Obligations

Solomon Islands Government has made credible progress in strengthening the environment for effective aid delivery and expenditure management in a difficult context.

Strong Solomon Islands Government -donor engagement takes place through the Core Economic Working Group (CEWG). The Solomon Islands Government has approved the Public Finance Management Reform Roadmap, published a Budget Outcome Statement and enacted the Constituency Development Fund Act, with regulations under development. More broadly, Solomon Islands has developed a Medium Term Development Plan to complement the National Development Strategy, and is working on a National Development Cooperation policy.

Australia and Solomon Islands have formally agreed mutual outcomes in the health, education, transport and governance sectors. Australia requested Solomon Islands allocate 10 per cent of their (domestically sourced) revenue to the recurrent health budget and provide at least 37 per cent of that allocation to front line provincial health services. They delivered on both these commitments in 2014. In transport, Solomon Islands was required to contribute the equivalent of at least AUD10 million to the National Transport Fund over four years. By mid-2014 they had met this commitment. In education, Solomon Islands agreed to ensure at least 22 per cent of the national budget is spent on education in the previous year. Additional performance targets were agreed by Solomon Islands, Australia and New Zealand. Independent assessment of 2013 performance confirms the 22 per cent budget target was achieved, but other targets were not, making a Performance Linked Aid payment in 2013 unlikely.

Australia has up to \$3 million available as an incentive payment for performance under the CEWG Economic and Financial Reform Matrix. Solomon Islands met only 15 out of 29 milestones in the 2012-13 matrix, and faced large and increasing expenditures on Constituency Development Funds and tertiary scholarships. Accordingly, in 2013-14, Australia paid only \$1.5 million in Performance Linked Aid to the Solomon Islands Government in incentive payments under the matrix. Partial payment provides a clear signal of Australia's commitment to progress on economic reforms against agreed priorities. The traffic-light report on the CEWG Matrix²³ provides an assessment of the Solomon Islands Government's progress. Achievements include improved linkages between policy priorities, budgets and service delivery outcomes and maintenance of sustainable and affordable levels of public debt and high quality of debt projects.

Program Quality and Management

All sector programs have PAFs. However, across the sectors there is **variable capacity to generate and use effective performance information.** The Independent Partnership Assessment Panel report (IPAP) reports some PAFs are severely constrained by poor data collection by Solomon Islands, for example justice. It takes several years for PAFs to mature into an effective performance tool and this evident in programs which have transitioned from RAMSI and completed PAFs for the first time. **A contracted monitoring and evaluation advisor** is building both government and aid program staff capacity in monitoring and evaluation.

Prior to RAMSI transition the program conducted extensive review and evaluation work, hence the low number of evaluations needed in 2013-14. The forward evaluation pipeline is at [Attachment C](#) but is subject to the development of the Aid Investment Plan.

Analysis of Quality at Implementation (QAI) Reports

The 2013-14 QAI process was described as best practice, with independent moderation, robust reporting and senior levels of engagement in the process. In 2013-14 QAI assessments, most programs scored a five or six for relevance. Exceptions were the two poorest performing programs, SOLMAS and RAMSI Solomon Islands Infrastructure Partnership (RSIIP). This is a similar trend to last year and takes into account the work done to prepare for the transition of RAMSI programs to the bilateral program where programs went through a rigorous design process. In most other criteria programs generally scored ratings of four which again reflects similar scores in previous years. Relative weakness in M&E systems resulted in SIGOV, Elections and Education programs all scoring a three. Elections also scored a rating of three for efficiency. This reflects a need to reconsider whether contributions through the UNDP program are the most efficient use of Australian funds.

Gender equality is a major challenge facing Solomon Islands. In 2013-14, the Solomon Islands Government's focus on gender issues was strengthened through the Permanent Secretary performance contracts.

The two lowest rated programs were SOLMAS and RSIIP. This was a final QAI for SOLMAS and the activity has finished because it was assessed as not performing. RSIIP has been novated to a new contractor. Post will continue to monitor project management closely and aims to complete the contract after major works finish in 2014-2015.

²³ Traffic Light Report on the CEWG Economic and Financial Report Program – 2013/14 Cycle

Partner Performance

Australia is committed to working through **partner government systems** where possible. However, due to weaknesses in the public sector, this is supported by technical assistance. The program uses a 'Managing Contractor' model for logistics support to advisors and program staff deployed in country, particularly in the governance and law and justice sectors. The program's bilateral relationship with **NGOs** is largely through SINPA which is reporting some capacity gains in NGOs.

The program works with **multilateral partners** in the electoral support program (UNDP), in health (WB), infrastructure programs (ADB, WB) and on economic and public financial management (ADB, WB).

Solomon Islands requested the UNDP enter the electoral sector in 2012 and decision of Australia to partner with UNDP (and EU) brought additional resources and diffused Australia's political risks as the sole donor in the sector. However, these benefits are offset by the increased complexity from UNDP joining the program.

Performance of SWAp partners in health remained mixed in 2013. However signs are positive with improved regional collaboration with Suva helping to keep UN partners to account for improved service delivery results. The health team requires high level support from headquarters in advocating for a more appropriate Global Fund funding model for Solomon Islands.

Donor coordination on economic and public financial management is through the CEWG. The CEWG met with the IMF during their biannual Article IV consultations. World Bank and ADB are valued partners in developing a policy agenda in Solomon Islands to support growth and economic stability. In addition, Australia chairs a donor-coordination working group on gender in Solomon Islands.

The comparative advantage of the development banks in infrastructure means they are important partners in this sector. Australia's support to energy and telecommunications is managed through the World Bank. The World Bank brings significant global expertise essential to implementing complex projects in these sectors such as the Tina River Hydropower Project.

There is room for improved coordination between DFAT and the two development banks on pipeline planning to ensure infrastructure investments are prioritised appropriately and the right mix of financing sources is applied.

Risks

The key risks facing the Solomon Islands program related to the upcoming elections and the possibility of fraud. The three major risk and mitigation actions are as follows:

1. The Solomon Islands Government is unable to conduct free, fair and timely elections (in line with constitutional requirements) are held in 2014, leading to political upheaval or paralysis.

In the past year: DFAT and UNDP programs continued including the placement of high quality technical assistance in the Solomon Islands Electoral Commission to be able to assist and monitor election preparations. In addition, a Honiara and Canberra based elections working group met regularly.

In the coming year: DFAT is ensuring surge capacity from either AEC, Civilian Corps, UNDP or NZ is available if required and is working to change current advisory support to the Electoral commission to in-line support. The HOM and Counsellor-Political will continue dialogue with the Solomon Islands Government and the Canberra and Honiara based elections working group and taskforce are closely coordinating.

2. Political uncertainty due to upcoming election

In the past year: Post held high-level dialogue with the Solomon Islands Government utilising High Commissioner and Minister Counsellor. Australia participated in regular meetings with the Core Economic Working Group and worked in donor coalitions. At the sector level, Performance Assessment Frameworks were reviewed in April 2014 and Post attended sector level Steering Committees.

In the coming year: The HLCs were held on 24 July to lock in political commitments for key issues. Australia is continuing strategic use of high level dialogue with the Solomon Islands Government to pressure them to honour budget commitments for service delivery and limit politically oriented fungibility. The RISPF/PPF are continuing risk management planning, including deployment of surge support of AFP and New Zealand into PPF.

3. A major fraud against the Australian aid program occurs

In the past year: Fraud and public financial management specialists dedicated to fraud operations in Canberra provided significant support to post including developing a plan to strengthen procedures for overseeing Australian funds (Nov 13.)The dedicated Fraud officer at Post delivered fraud training to partners and staff.

Improved financial controls and compliance measures for Australian funds were introduced where the program is using partner government systems. Australia appointed internal audit, procurement and PFM specialists within MoFT, MEHRD and MHMS and engaged a Procurement advisor (January 2014) to assist post in implementing recommendations from an assessment of procurement risks. Australia also provided additional technical assistance for MoFT internal audit to assist large fraud investigations.

In the coming year: Post will continue last year's actions including the annual visit by Fraud Control Unit on case management and fraud training (October 14). The health and education programs will transition to making payments on a reimbursable basis to reduce financial risks.

4. Humanitarian crisis or natural disaster affecting human and financial resources available to the program

In the past year: Post has built capacity of all staff to engage in humanitarian response and utilise expertise in Canberra including desk, HRB and the ACC. Budget reprioritisation enabled the program to develop an effective response package to the risk.

In the coming year: Post will utilise the ACC to provide capacity building support to the NDMO and build on in-country experience. Post will continue to maintain budget flexibility when necessary and the ability to reprioritise but the budget.

Management Responses

Despite the continuing challenges of a complex, post-conflict context, the program is well-placed to implement the government's new agenda. A focus on strengthened governance, service delivery and continued stability is reflected in the following management priorities:

- › Solomon Islands will hold **elections** in late 2014 or early 2015. We will **maintain and if necessary increase our support to the Solomon Islands Government** to help ensure that the election is free, fair and credible.
- › A new Aid Investment Plan in December 2014 will strengthen the strategic direction of the program; align the program with the Government's development policy and performance framework, and strengthen the program's investment and evaluation pipelines.
- › **Private sector engagement and innovation** will be strengthened, including through private sector partnerships in financial inclusion, agribusiness and health, using the Core Economic working Group to improve links between government and business and development of a women's economic empowerment strategy.
- › Continue to embed **gender** as a priority across all programs to ensure that 80 per cent of investments will effectively address gender issues in their implementation.
- › Build on progress made through the Core Economic Working Group to improve economic management, promote growth and improve public service delivery.
- › Support **strengthened fiduciary risk management and improved quality of expenditure**, through better budgeting, procurement, financial management, audit and policy dialogue.
- › **Consolidate our health program** following reductions in budget support, with an emphasis on protecting and building on gains to date to maintain strong performance.
- › Rebalance our support for education to **place greater weight on technical and vocational education** while maintaining a strong focus on core literacy and numeracy skills.
- › **Develop a principles-based approach to managing technical assistance** in a manner that promotes individual and organisational capacity building, and supports the Solomon Islands Government to gradually increase responsibility for key public service tasks, as agreed at the 2014 bilateral High Level Consultations.

Annex A

Progress in addressing 2012-13 management responses

Management consequences identified in 2012-13 APPR	Rating	Progress made in 2013-14
<i>RAMSI transition</i>		
Agree to a new restructured Partnership for Development which includes priority outcome statements, program descriptions and performance indicators for justice, governance and electoral assistance.	Achieved	Restructured Partnership for Development agreed in July 2013.
Design and implement new programs under Priority Outcome Areas 2 and 4 to support law and justice, public sector management, and electoral assistance.	Achieved	New programs designed and in implementation.
Develop and implement change management plans that will bring together, under one common set of objectives and management structure, High Commission staff working on RAMSI and bilateral programs.	Achieved	Common objectives and management structure achieved for all ex-RAMSI programs.
<i>Policy analysis and policy dialogue</i>		
Engage with the Solomon Islands Government and in coalition with other donors on quality of expenditure issues including Constituency Development Funds and overseas tertiary scholarships.	Achieved	Quality of expenditure raised in High Level Consultations and through CEWG with the Solomon Islands Government. Responses beyond bureaucratic level required.
Engage with the Solomon Islands Government and in coalition with other donors on budget commitments for essential services (that is, recurrent expenditure targets, education expenditure).	Achieved	Engagement with the Solomon Islands Government on these issues at sectoral level as well as through CEWG matrix.
Target incentives to promote the achievement of mutually agreed objectives in the Partnership for Development under selected priority outcome areas.	Achieved	Performance Assessment Frameworks rolled out in Health, Education, Infrastructure, Law and Justice and Governance Sectors. Some programs have performance linked aid linked to the achievement of key targets – in health, education and governance.
Target incentives to maintain the pace of reform within the Solomon Islands Government, particularly in economic and financial management through SIG's CEWG.	Achieved	CEWG matrix contains performance linked components.
Work closely with the Solomon Islands Government to jointly communicate policy and program achievements and promote the Partnership for Development.	Achieved	Ongoing work to promote partnership, including through joint participation in and response to Independent Partnership Assessment Panel report.
Work closely with the Solomon Islands Government to integrate and mainstream gender across all programs through dialogue regarding opportunities.	Partly achieved	While progress has been made, ongoing opportunities exist to mainstream gender across the program.
Conduct expenditure analyses and cost of services work in health and education.	Partly achieved	Work in this area has commenced with multilateral partners including World Bank.
<i>Program management</i>		
Develop a new dedicated three-year Solomon Islands Gender Program (2013–2016) to support women's leadership, economic empowerment and the elimination of violence against women. This program should also improve the gender impact of Australia's bilateral programs, including supporting staff to undertake gender mainstreaming where appropriate.	Partly achieved	Ending violence against women program designed and being tendered. Women's economic empowerment strategy needed.
Develop new activities supporting basic education, and technical and vocational education under Priority Outcome 1, and in financial inclusion and quarantine services under Priority Outcome 3.	Partly achieved	Education design work underway, scheduled for commencement in early 2015. Financial inclusion work in implementation and exceeding targets.
Develop a new program strategy which supports demand for better governance, accountability and transparency through the use of civil society and the media.	Not achieved	Will be considered through the Aid Investment Plan process.

Use of statistics and data—in particular on gender—to form evidence based policies and to guide program decision making.	Partly achieved	HIES analysis on track to inform program decision making. Staff trained in poverty and social analysis in effective use of data as evidence.
Work closely with partner organisations to prevent fraud and improve risk management.	Achieved	Fraud measures in place and functioning.
Work closely with regional programs to ensure the Solomon Islands Government has visibility of Australian regional expenditure going to the Solomon Islands, and to ensure close coordination with bilateral programs.	Partly achieved	Greater engagement has been achieved with the regional program however opportunities continue to exist for better coordination.
Continue to build on successes in the health sector where data has been used to target health delivery where it is needed most.	Achieved	Data used to achieve improved availability of essential medicines, targeting disease outbreaks in provinces, the planned literacy pilot intervention in two provinces, extension of early childhood support through NGOs in target provinces.
Continue to use performance assessment frameworks as a key M&E tool for tracking program performance, and ensure this methodology is embedded in SIG's own M&E systems.	Partly achieved	Performance assessment frameworks are working well in health, education, infrastructure and livelihoods sectors, and a work in progress in justice and governance sectors.
<i>Mutual Accountability</i>		
Support central and key line agencies to improve their fiduciary risk management and whole-of-government approaches, in particular targeting efforts in budgeting, procurement, financial management and internal audit.	Partly achieved	Whilst progress has been made on budgeting and procurement, progress is early and there is limited capacity and understanding for a whole of government approach.

Note:

- Achieved. Significant progress has been made in addressing the issue
- Partly achieved. Some progress has been made in addressing the issue, but the issue has not been resolved
- Not achieved. Progress in addressing the issue has been significantly below expectations

Annex B

Quality at Implementation ratings

	Relevance				Effectiveness				Efficiency				M&E				Sustainability				Gender			
	'10	'11	'12	'13	'10	'11	'12	'13	'10	'11	'12	'13	'10	'11	'12	'13	'10	'11	'12	'13	'10	'11	'12	'13
PPF	5	6	6	-	5	5	5	-	4	5	5	-	4	5	5	-	3	5	5	-	5	4	5	-
L&J	-	5	5	5	-	4	4	4	-	5	4	4	-	5	4	4	-	4	4	4	-	4	4	3
Justice	5	-	-	-	4	-	-	-	4	-	-	-	5	-	-	-	3	-	-	-	4	-	-	-
Corrections	5	-	-	-	5	-	-	-	5	-	-	-	3	-	-	-	4	-	-	-	4	-	-	-
SIGOV	-	-	-	5	-	-	-	3	-	-	-	4	-	-	-	3	-	-	-	4	-	-	-	4
Eco Gov	5	5	5	-	5	4	4	-	5	5	4	-	5	4	4	-	4	3	4	-	5	5	4	-
MOG	3	4	5	-	3	4	4	-	3	4	4	-	3	4	4	-	3	3	4	-	4	3	4	-
Elections	-	-	-	5	-	-	-	4	-	-	-	3	-	-	-	3	-	-	-	4	-	-	-	5
Health	5	6	5	5	4	4	4	4	3	3	4	4	3	3	4	4	4	4	4	4	3	4	4	4
Education	-	6	5	6	-	4	4	5	-	3	4	4	-	4	3	3	-	4	4	5	-	3	3	4
Livelihoods	3	4	5	5	3	3	4	4	3	3	4	4	2	3	4	4	3	3	4	4	4	4	4	5
Infrastructure	5	6	5	-	5	5	5	-	4	4	4	-	4	4	4	-	4	4	4	-	4	4	4	-
Transport	-	-	-	5	-	-	-	4	-	-	-	4	-	-	-	4	-	-	-	4	-	-	-	4
Utilities	-	-	-	5	-	-	-	5	-	-	-	4	-	-	-	4	-	-	-	4	-	-	-	4
Eco and fiscal- PLA	6	6	5	-	4	5	5	-	5	4	5	-	5	5	4	-	4	4	4	-	3	4	3	-
HIES	-	-	5	5	-	-	4	4	-	-	4	5	-	-	4	4	-	-	3	4	-	-	3	4
SINPA	4	4	5	5	3	3	4	4	3	3	4	4	3	2	5	4	3	4	4	4	4	4	5	6
Scholarships	5	5	5	5	4	4	4	5	4	4	3	4	3	3	3	4	3	4	4	4	4	4	5	5
SOLMAS	-	-	5	4	-	-	4	3	-	-	3	3	-	-	4	2	-	-	3	3	-	-	4	2
Gender	-	-	-	6	-	-	-	4	-	-	-	4	-	-	-	4	-	-	-	4	-	-	-	5
SIPF	-	-	-	5	-	-	-	5	-	-	-	5	-	-	-	4	-	-	-	4	-	-	-	4
Infra P'ship	-	-	-	4	-	-	-	2	-	-	-	2	-	-	-	4	-	-	-	3	-	-	-	3

Notes:

Justice and Corrections were reported on separately prior to 2012

Eco Gov and MOG: Replaced by SIGOV post RAMSI Transition

Elections: Previously covered under MOG

Education: Australia entered the sector in 2011. That was the first QAI

Infrastructure: For 2013 covered by two separate QAIs – Transport and Utilities

Performance linked aid: Now covered under SIGOV

HIES: Commenced in 2012 hence this is the first QAI

Gender: First QAI for this new program

SIPF: New program – previously covered by several separate contracts

Infrastructure Partnership: No previous QAI

Annex C

Evaluation and Review Pipeline Planning

List of evaluations **completed** in the reporting period

Name of Investment	Aidworks number	Name of evaluation	Date finalised	Date Evaluation report Uploaded into Aidworks	Date Management response uploaded into Aidworks	Published on website
Partnership for Development	11A950	Independent Partnership Assessment Panel Report	7/6/2014	N/A	N/A*(joint response to be agreed with Solomon Islands Government)	N/A
Solomon Islands Transport Sector Based Approach	INJ485	Joint Review of the Solomon Islands National Transport Fund and Mid-Term Review of Transport Sector Development Project	03/02/2014	14/05/2014	14/05/2014	In progress
Solomon Islands Transport Infrastructure	INH817	Project Completion Report Road Improvement (Sector) Project (SIRIP)	02/05/2014	06/08/2014	N/A – A management response covering phases 1 and 2 of SIRIP will be prepared after the Project Completion Report for Phase 2 is prepared in late 2014.	In progress
Solomon Islands Rural Development Program	INH615	Evaluation of Business Development Component of RDP	July 2013	July 2013	Multi-donor program, no management response prepared by DFAT but findings used in design of RDP 2	Will link to report on IFAD website once published
Solomon Islands Rural Development Program	INH615	Evaluation of Solomon Islands Rural Development Program	October 2013	May 2014	Multi-donor program, no management response prepared by DFAT but findings used in design of RDP 2	Will link to report on WB website once published

List of evaluations **planned** in the next 12 months

Name of Investment	Aidworks number	Type of evaluation	Purpose of evaluation	Expected completion date
Solomon Islands Justice Program	INK867	Mid-term review	To improve existing program	Mid-2015
Solomon Islands Health Sector Support (phase 2)	INK561	Annual Independent Assessment, ODE evaluation National Health Strategic Plan	Performance Policy dialogue, programming, budget support modality Mid-term review	Jun 2014 Jun 2015 End 2014 Early 2015
Strongim Yumi Togeta	INI854	End of program review	Verify program outcomes	End 2014
Solomon Islands Economic and Public Sector Governance Program (SIGOV)	INL122	Program review	To improve existing program	2014
Education Sector Support Program Ph 2	INK172 (TBA)	SWAP and NEAP review	Review in lead up to new NEAP cycle	May 2015

Annex D

Performance Benchmarks 2014 -15

Aid objective	2014-15 benchmark	Rationale for selecting this performance benchmark
Improved functioning of health system	Availability of critical and essential medicines (includes contraceptives) at the provincial level ²⁴ increased to 90 per cent	Taken from Core Indicator Set agreed with Solomon Islands Government. Availability of essential medicine good proxy indicator for health care system. Also intermediary indicator for improving contraceptive prevalence rate (a lagging indicator and MDG target). Also a headline result reported under the Partnership PAF. Gender benefits.
Courts and justice agencies are better able to deliver their core functions	250 cases heard and disposed of in the Central Magistrates Court in 2014-15 2500 police and other law and justice officials trained in 2014-15	An effective criminal justice system which promotes the rule of law while protecting the rights of defendants, depends on all parts of the justice system operating individually and as part of an integrated system. The civil jurisdiction of the courts is also critical to ensuring that people and businesses are able to resolve their disputes fairly and peacefully. In order to function effectively courts must be able to hear and dispose of cases efficiently. This is an indicator in the Justice PAF and data is available.
Number of women and men who increase their access to financial services	Additional 20,000 people accessing appropriate and affordable financial services ²⁵	Access to low-cost financial services is an important enabler of economic growth. It is estimated that only 15 per cent of Solomon Islanders use banking and other financial services ²⁶ . Sparse banking services coupled with a limited road network can necessitate long and often dangerous boat rides for provincial teachers, nurses and police to access their pay. This negatively impacts on rural service delivery. Access to credit, a safe place to save, appropriate insurance products and efficient payment mechanisms are essential to enable people to build up financial reserves for emergencies and investment in productive assets and businesses. Australia is supporting the Solomon Islands Financial Inclusion Taskforce by providing AUD\$2.0million in 2013-14. This benchmark is measurable and already reported in the PAF and ADR.
Gender focus of aid investments is improved towards reaching New Aid Policy benchmarks	80 per cent of QAIs for Solomon Islands program are rated as 4 or higher	The status of women in Solomon Islands is low compared to that of men. This means that development outcomes for women are poor: Solomon Islands is one of the worst countries in the world for sexual violence; there is only female member of Parliament; women's participation in the workforce is hindered by cultural attitudes and lack of appropriate regulations; and girls continue to miss out on educational opportunities. Under the Pacific Women Shaping Pacific Development initiative, and reinforced by the new aid policy, gender is a priority area for the program. In addition to implementing new programs aimed at reducing family violence, increasing economic empowerment of women, and strengthening SIG's efforts to address gender equality, the gender program aims to improve gender outcomes across existing programs. This benchmark is measurable.

²⁴ Provincial hospital (second tier medical store) level

²⁵ Financial services include but are not limited to: traditional savings; loan products providing working capital for small businesses; larger loans for durable goods; loans for children's education and to cover emergencies; safe, secure deposit services; remittances and money transfers; and banking through mobile phones.

²⁶ Source: 2013 QAI Report – Economic Livelihood

Aid objective	2014-15 benchmark	Rationale for selecting this performance benchmark
Improved transport infrastructure to support increased economic activity.	600km of roads rehabilitated or maintained in 2014-15	Transport infrastructure is essential to economic growth and access to basic services. The trade potential of Solomon Islands is hampered not only by its remoteness but particularly by its poor internal connectivity. In small economies the quality of infrastructure has a large effect on trade. Of the total road network of around 1600km, 46 per cent was in poor condition, down from 65 per cent in 2011. In 2013 Australia supported the maintenance and rehabilitation of 417km of road. Increased maintenance and rehabilitation of roads is necessary to reduce the amount of the network in a poor condition and keep the roads in a good condition. This benchmark is measurable and already reported in the PAF and ADR.
Support the Solomon Islands Government to improve the quality of financial management systems towards ensuring resources intended for better delivery or public services achieve their intended purposes.	Agreed Core Economic Working Group's Economic and Financial Reform Program matrix for 2014-15 between donor partners and the Solomon Islands Government	Since 2009, CEWG's annual EFRP matrix has encouraged economic and financial reform through donor support and linked financing. the Solomon Islands Government, the World Bank, ADB, New Zealand, EU and Australia work together to agree on actions and assess their implementation. Building on this established partnership, the CEWG currently develops a rolling matrix for 2014-17 with a focus on economic growth. Australia has up to AUD\$3million annually available as an incentive payment linked to achievements against actions in the Matrix.
Improve prospects for economic growth through aid for trade	Increase aid for trade expenditure to progress towards the global target of 20 per cent of bilateral expenditure by 2020.	Exports of commodities remain key to economic growth and government revenue in Solomon Islands. Australia will continue to support export industries in Solomon Islands through effective regulations and legislation, targeted practical support to key export sectors to improve product quality and targeting lucrative markets, and infrastructure that enables people to reach markets.

Note: Education benchmark will be developed for the AIP.

Attachment 1

Progress against sector PAFs: Service Delivery - Education

PAF targets 2013-14	QAI and Joint Annual Review
<p>Literacy and numeracy rates for year 4 as baseline established</p> <p>Plan developed to support teaching of literacy as part of teacher professional development</p>	<p>Revised Year 4 and Year 6 SISTA assessment for literacy and numeracy piloted, and implemented in October 2013, which showed large increases in functional literacy and numeracy rates. The Ministry will now begin the process of dissemination of the results to schools from the assessment in 2014.</p> <p>A focus on literacy improvements in 2013 has resulted in the National Literacy Policy and schools Literacy Strategy, the establishment of the Literacy Technical Working Group, and a plan for a Literacy Program Management Unit, to coordinate the various initiatives underway.</p>
<p>Public Expenditure Analysis of MEHRD informs the 2014 budget preparation process to ensure adequate allocation to primary education</p>	<p>At the Joint Annual review of the letter of Arrangement, independent assessment of the targets shows that MEHRD has not achieved the target for per unit cost of primary education. The increase of 1.1 per cent was not enough to include inflation. (per unit cost of primary education is at least equal to the 2012 per unit cost of primary education (SBD1769), indexed to inflation)</p>
<p>Strategies to increase on-time retirements (acquittals) of school grants are agreed and implemented</p> <p>PFM Action Plan reforms are implemented as planned</p>	<p>MEHRD established a baseline for on-time retirement which will form the basis of measuring future year's progress against this target.</p> <p>While MEHRD Executive had endorsed the action plan, and made good progress with its planned reforms, it did not complete the reforms relating to imprest and establishment of asset registers.</p>
<p>Quality review team contracted, implementation on time</p> <p>Understanding of labour market needs, skills gaps and baselines for TVET and tertiary enrolment established</p>	<p>SINU has not requested a quality review of all of its systems and this activity is now delayed until the new Education Sector Support Program is in place. It is expected that each course area will be quality assured as it is redeveloped, rather than a systemic review.</p> <p>In 2013, the program completed planned labour market mobility analysis and gained a deeper understanding of the dynamics between the demand for skilled workers and the ability of training systems to meet industry requirements. Baselines have been developed from which progress can be measured.</p>

Attachment 2

Progress against sector PAFs: Service Delivery - Health

PAF	QAI
<p>Increased access to essential health services, including an adequately staffed and stocked health facility</p> <p>Availability of critical and essential medicines at the provincial level increased to 80 per cent.</p> <p>Number of maternal deaths reduced to 15, with associated decrease in maternal mortality rate.</p> <p>Infant mortality rate reduced to less than 20/1000.</p> <p>More informed budget resource allocation process.</p> <p>Efficiency savings through more transparent procurement processes</p> <p>Stronger internal audit capacity.</p>	<p>The quality and coverage of essential primary health interventions was largely maintained in 2013, with some notable gains. (2)</p> <p>Target to improve availability at the provincial level was met. with 88.7 per cent reported availability in 2013 (Source NMS Annual Report and verified by Independent Performance Assessment, May 14).</p> <p>Availability of critical drugs and consumables at the national level has also increased from 73.8 per cent in 2010 and 81 per cent in 2011, 91 per cent in 2012 to 94 per cent in 2013. (source: NMS annual report). In 2014 we will support the MHMS roll-out the new distribution network to Afio (South Malaita), Seghe (Morovo Lagoon) and Guadalcanal Province.</p> <p>Maternal death target met. There were 15 maternal deaths reported in 2013 out of 6,936 reported live births. This result continues the downward trend in maternal deaths in Solomon Islands. (Source: DHIS and MHMS Core Indicator Set).</p> <p>Under 5 mortality has declined to 10.6 per 1,000 in 2013 from over per 1,000 in 2010.</p> <p>For the first time Costed Annual Operational Plans were linked to budget ceilings.</p> <p>Well-functioning Budget & Planning Sub-committee submitted the MHMS Budget proposal within funding ceiling and on time (MHMS was the first ministry to submit a budget in 2013 (last In 2012).</p> <p>Need to further strengthen procurement: MHMS suffered inefficiencies from slow implementation particularly in the area of infrastructure, with bottlenecks occurring during MHMS and MoFT procurement, contracting and payment processes. (3)</p> <p>Fraud cases being investigated and internal controls being strengthened. An Internal Auditor is in place in MHMS and MOFT. 75 per cent of the HR establishment audit was completed.</p>
<p>Malaria incidence rate reduced to 42/1000</p> <p>Malaria related mortality rate reduced to 1/100,000</p> <p>Availability of rapid diagnostic testing or microscopy maintained in at least 97 per cent of health facilities</p>	<p>The incidence of malaria has fallen from 199 cases per 1,000 people in 2003; to 45 cases per 1,000 in 2013. This target was not met in 2013 and incidence has plateaued. Malaria related mortality rates continue their trend downwards (Source: MIS).</p> <p>Proportion of clinics with rapid diagnostic tests or microscopes increased to 97 per cent (from 80 per cent in 2010). Over 107,000 prescriptions of antimalarial medication were distributed in 2013.</p>

<p>An approximate 2 per cent increase in access to clean water and basic sanitation (connecting an estimated 10,000 additional rural people to safe water and basic sanitation).</p>	<p>Since 2010 Australian funding has built 129 water and sanitation facilities, including 18 in 2013, providing access to an estimated additional 35998 people with safe water or basic sanitation, including an estimated 12,600 women (source: Rural Water Supply and Sanitation database).</p>
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Attachment 3

Progress against sector PAFs: Broadbased Growth - Livelihoods

PAF targets	QAI
<p>An additional 30,000 new clients with access to sustainable, affordable and sound financial services (at least 40 per cent women).</p> <p>More than 200 village infrastructure projects completed and benefiting around 150,000 people.</p> <p>More than 12,000 farmers participating in agricultural training and extension activities, including participatory cocoa research and development.</p> <p>Increased capacity of SIAQS to carry out core functions of pest and disease prevention, surveillance and control.</p>	<p>An additional 62,046 people accessed banking services by the end of 2013 compared to the baseline at the end of 2010. Of these new customers, 31,915 were added in 2013, of which at least 10,133 were female customers.</p> <p>Under component 1, RDP has a target of completing 370 village infrastructure projects with an estimated 250,000 beneficiaries. These include village water supply systems, wharves, village roads, community halls and staff houses for nurses and teachers. So far, 157 village infrastructure projects have been completed and 211 are under construction and nearing completion.</p> <p>With support from RDP, MAL continued its wide reach into rural communities, providing agricultural services to 9,643 farmers in eight provinces in 2013. To date 32,926 farmers have been involved in MAL training and research activities supported by RDP. More than 60 per cent of households that received advice from MAL were satisfied with the advice 50 per cent of households that received advice changed their farming practices as a result of that advice.</p> <p>In 2013 KGA conducted training and research activities which benefited 2,687 farmers (1,571 women). Activities included bulking and distribution of planting materials, establishment of crop trials, and training on pest and disease management, seed saving, livestock breeding, soil improvement, post harvesting and processing, value chain mapping, and financial literacy.</p> <p>The cocoa adviser has been mentoring three staff in MAL to become local cocoa specialists and to establish a cocoa genetic improvement program. Training on screening imported planting material for disease resistance has been conducted. Two participatory research groups (with 24 farmers) have been established on Guadalcanal and further sites planned for other provinces.</p> <p>The Biosecurity Development Program commenced in September with the arrival of the quarantine adviser in country. Activities included pest risk analysis training, operational assessments and leakage surveys on existing quarantine border operations, preliminary stakeholder engagement meetings with internal and external stakeholder groups and a review of the SIAQS organisational structure. Quarantine systems, inspection regimes and import conditions were also reviewed in detail, along with legislation considerations.</p>

Attachment 4

Progress against sector PAFs: Broadbased Growth - Infrastructure

PAF targets 2013-14	QAI
Growth in household incomes through an increased proportion of the rural population with reliable transport access to markets and services	<p>Transport access is improving through the rehabilitation and maintenance of roads and wharves. In 2013 Australia assisted the Solomon Islands Government to maintain or rehabilitate 417 km of roads. Two new rural wharves funded by Australia were completed in early 2014 and a third is underway. There is clear evidence that improved access to reliable transportation is leading to household income growth. A survey undertaken by SIRIP in Makira in 2012 (and anecdotal evidence in West Guadalcanal) suggests that improvements to major roads and bridges have had significant impacts on economic activity. In Makira, after the completion of road works, average monthly household income from cocoa and copra increased by 88 and 48 per cent respectively. The average travel time across the three main subprojects under SIRIP decreased by 40 per cent.</p>
Increased proportion of urban population with access to clean and reliable water supply	<p>In 2013 significant improvements in water supply reliability and quality were achieved. All areas of Honiara received water and average hours of supply increased to 18 hours. Over 40 per cent of the population could access 24-hour supply and 94 per cent could access 12 hours of supply or more. In April 2011 less than 50 per cent of Solomon Water's samples passed WHO bacteria standards. By the second half of 2013 an average of 90 per cent of samples passed.</p>
Increased proportion of the population with access to affordable telecommunications	<p>Australia supported the introduction and regulation of telecommunications competition in Solomon Islands. Rapid increases in access to telecommunications services have opened up new opportunities for Solomon Islands, such as mobile banking. Improved access has only been possible through competition.</p> <p>Mobile phone subscriber numbers increased more than five-fold from 57,000 (or 11 per cent of the population) in 2009, when the reforms began, to 323,105 (58 per cent of the population) in 2013. This represents a 7 per cent increase on the 2012 figure of 302,147 (55 per cent of the population).</p> <p>Mobile signal coverage increased to 83 per cent of the population by end of 2013 compared to 80 per cent by end 2012 and only 20 per cent in 2010.</p> <p>Following deregulation of the internet market in 2011, costs fell and subscriber numbers continued to increase. Mobile internet (3G) subscriber numbers have increased more than five-fold from 8,205 (1.8 per cent of the population) in 2010 to 44,935 (8.1 per cent of the population) in 2013. This was a 25 per cent per cent increase on the 2012 figure of 35,826. Mobile data costs in 2013 were less than half those in 2009.</p>

Attachment 5

Progress against sector PAFs: Governance

PAF targets	QAI
<p>Absenteeism policy introduced (including a mechanism to dock salaries for unauthorised absences) and implementation commences</p> <p>Recruitment delegation piloted and assessed in Ministry of Health and Medical Services (MHMS)</p> <p>50 per cent of vacancies on the Solomon Islands Government 2013 establishment (excluding TSD) filled</p> <p>OAG reports and makes public quarterly, audit recommendations that have not been acted on</p> <p>Permanent Secretaries (PSs) performance is formally assessed, including on statutory compliance and gender mainstreaming KPIs</p> <p>Data is collected on OAG report recommendations acted on</p> <p>Central agencies meet at least quarterly to jointly address public administration challenges</p> <p>OAG audit reports are tabled and made public within two months of finalisation</p> <p>OAG issues 2011 audit certificate on national accounts within 12 months of receiving financial statements ; and issues 2012 Annual Report within 4 months of end of year</p> <p>LCC and OOSI measure and make public data on number of cases/complaints received, investigated, finalised and actioned</p> <p>Sustainable voter registration system created to strengthen the integrity of the electoral cycle</p> <p>More efficient and effective administrative procedures designed and implemented for the SIEC to fulfil its mandate</p> <p>Electoral and legal reforms contribute to a stronger, independent SIEC and representative democracy</p>	<p>(see performance contracts below)</p> <p>Performance contracts for PS have been introduced, with mid-year reviews conducted. These have led to behavioural change amongst PSs, as well as further reforms, including gender mainstreaming, rollout of performance management processes across ministries and development of an absence management policy.</p> <p>Through the bilateral program and Australia’s contribution to the new UNDP program, SIEC has managed to prepare for the complete re-registration of the voter roll though the introduction of new biometric registration technology-two immensely complicated tasks. (p1)</p> <p>There have been considerable delays in the SIEC’s preparation for the BVR exercise, due to a combination of factors primarily arising out of poor leadership of SIEC, particularly through failure to make key decisions and manage timelines and manage relationships with other the Solomon Islands Government agencies to secure their cooperation (p4)</p>

Attachment 6

Progress against sector PAFs: Justice

PAF target	QAI
Courts and justice agencies are better able to deliver their core functions.	In 2013* the High Court disposed of 398 cases. In 2013* the Magistrates Court disposed of 208 cases.
Courts and justice agencies are better able to manage their human and financial resources.	<ul style="list-style-type: none"> • A Justice Sector Strategic Framework has been finalised and Agency Corporate Plans developed. A Performance Management Framework is currently being revised • A Performance Management Policy has been implemented at Head of Agency level • A Human Resource Management Annual Plan has been developed and endorsed by the MJLA. Implementation ongoing throughout the period • A Solomon Islands Government recruitment strategy, targeting key vacancies, has been implemented across the Justice sector during the period • Discrete human resource management advice has been provided to Heads of Agencies to address performance and poor discipline issues • Significant constitutional and legislative reforms have been passed in support of improved terms and conditions for employment of Magistrates. • A total of 7 internal audits have been conducted within Justice Sector agencies in relation to infrastructure expenditure and other budget discrepancies related to procurement procedures.
The delivery of a range of justice services to rural communities is expanded.	In 2013* the Local Court disposed of 81 cases.
Strengthened laws, increased services and focus on violence against women and gender equality in the workplace.	Women comprise 16 per cent of CSSI staff (as of 30 June 2014) 14 per cent of CSSI's female staff occupy leadership positions (as of 30 June 2014)
Improved correctional centre management and a sustained focus on rehabilitation.	Five out of the six correctional centres in the Solomon Islands comply with <i>UN Standards Minimum for the Treatment of Prisoners</i> . Rove Central Correctional Centre reported 39 incidents of prisoner infractions against the rules in 2013-14.

*Figures not yet available for 2014