

**Solomon Islands Government  
&  
Delegation of the European Commission in Solomon Islands**

**Joint Annual Report 2006**

**Main Report and Annexes**

**FINAL DRAFT**

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**Abbreviations and Currency Equivalents**

ADB	Asian Development Bank
ARDS	Agriculture & Rural Development Strategy
AusAID	Australian Agency for International Development
CBSI	Central Bank of SI
CSP	Community Sector Programme (AusAID)
CSP	Country Strategy Paper (EU)
DBSI	Development Bank of SI
DFEC	Department of Forestry, Environment and Conservation
DNPAC	Department of National Planning and Aid Coordination
EC	European Commission
ECD	European Commission Delegation (Honiara SI)
EC-QSG	European Commission – Quality Services Group
EDF	European Development Fund
EEZ	Exclusive Economic Zone
EIB	European Investment Bank
EPA	Economic Partnership Agreement
ERU	Economic Reform Unit
ESIRP	Education Sector Investment and Reform Programme
ESP	Education Sector Plan
ETR	End of Term Review
EU	European Union
FA	Financing Agreement
FFA	Forum Fisheries Agency
FMO	Framework of Mutual Obligations
FA	Financing Agreement
FLEGT	Forest Law Enforcement, Governance and Trade
FP	Financing Proposal
FPA	Fisheries Partnership Agreement
FSC	Forest Stewardship Council
GEF	Global Environment Facility
GPPOL	Guadalcanal Plains Palm Oil Limited
HDI	Human Development Index
HIES	Household Income and Expenditure Survey (2005/06)
IMF	International Monetary Fund
IP	Implementation Protocol
JAR	Joint Annual Report
JICA	Japan International Cooperation Agency
KFPL	Kolombangara Forest Products Limited
MAL	Ministry of Agriculture and Livestock
MDG	Millennium Development Goals
MEHRD	Ministry of Education and Human Resources Development
MFPA	Multilateral Fisheries Partnership Agreement
MHMS	Ministry of Health and Medical Services
MIP	Marine Infrastructure Project
MDPAC	Ministry of Development Planning and Aid Coordination
MPGCD	Ministry of Provincial Government & Rural Development
MPP	Micro Projects Programme
MTR	Mid Term Review

NAO	National Authorising Officer
NEMS	National Environmental Management Strategy
NERRDP	National Economic Recovery, Reform and Development Plan
NGO	Non Government Organisation
NIP	National Indicative Programme
NSA	Non State Actor
NTF	National Transport Fund
NTP	National Transport Plan
NZAID	New Zealand Agency for International Development,
PACER	Pacific Agreement for Closer Economic Relations
PACP	Pacific-ACP Countries
PG	Provincial Government
PGSP	Provincial Government Strengthening Programme
PICTA	Pacific Island Countries Trade Agreement
PICs	Pacific Island Countries
PIFS	Pacific Island Forum Secretariat
PNG	Papua New Guinea
PRIP	Pacific Regional Indicative Programme
RIPEL	Russell Island Plantation Estates Ltd
PPF	Participatory Police Force
PRHP	Pacific Region HIV Programme
PRSP	Poverty Reduction Strategy Programme
PS	Private Sector
PSec	Permanent Secretary
RAMSI	Regional Assistance Mission to the Solomon Islands
RCDF	Rural Constituency Development Fund
RDP	Rural Development Programme
ROC	Republic of China, Taiwan
RSIP	Royal SI Police
SI	Solomon Islands
SIG	Solomon Islands Government,
SICHE	Solomon Islands College of Education
SOPAC	Pacific Islands Applied Geoscience Commission
SSPFP	Strengthening of Sanitary Production of Fish Products
STI	Sexually Transmitted Infections
SWAp	Sector Wide Approach
TA	Technical Assistance
TARDP	Transitional Agriculture & Rural Development Programme
TCF	Technical Cooperation Facility
TID	Translation & Implementation Document
TSAP	Transitional Support to Agriculture Project
TVET	Technical Vocational Education and Training
UNDP	United Nations Development Program
VERIFOR	Verification of legal production and trade in timber & products
WB	World Bank

**Currency (as at end 2006)**

€ 1.0 = SI \$ 10.0

## 1. Update on the political, economic, social, and environmental situation

### 1.1. Update of the political situation

Three years of relative peace and stability since the RAMSI intervention in 2003 has encouraged a post conflict economic recovery. A peaceful electoral process in April 2006, positively assessed by international observers, was followed by the appointment of Mr Snyder Rini as Prime Minister (PM). However, allegations of outside interference in the selection of the PM led to violent riots in April and a cross over in parliament led to his resignation and the formation of a coalition of five opposition parties under Mr Manasseh Sogavare as PM. The riots were serious with civil unrest and large scale destruction of, principally Chinese owned, property in Honiara. It is estimated that the riots caused the loss of around 1,000 jobs in Honiara affecting some 10,000 to 12,000 dependents out of an urban population of around 60,000. Several law cases, involving political figures, are being handled by the judiciary in relations to these riots, and a commission of inquiry into the April 2006 Honiara unrest has been established. On the political front the decline in relations with the Australian Government and RAMSI are at the forefront following the expulsion of the Australian High Commissioner and later in the year the Australian Police Commissioner. The Government launched its development priorities and policy framework in May 2006 with emphasis on grassroots development using the constituencies as the basic unit. .

*Security Situation.* The impact of the April riots in Honiara was relatively short lived. However, the volatility that the riots exhibited has left an underlying unease. There has also been increasing criminality consistent with any urban centre faced with rapid inward migration and relatively high numbers of unemployed youth. Such criminality is expected to increase in Honiara due to the impact of the youth bulge increasing the concentration of unemployed and under-educated youth in and around the town.

*Human Rights.* SI has a relatively good record on human rights and fundamental freedoms with an independent judiciary and free press. However concerns have recently been expressed over interference between the executive and the judiciary and two EU demarches were made on this matter during the year. Improvements will be sought including through enacting the Tribes & Customary Land Titles Act and strengthening administrative efficiency of regional magistrate courts and increasing their civil jurisdiction. Moreover, the Solomon Islands have not acceded to two of the UN core human rights conventions, namely the International Covenant on Civil and Political Rights and the Convention against Torture.

*Structural/Governance Changes.* There has been a concentration of power in the Prime Ministers Office (PMO). National planning is now under the PMOs office and development planning under the newly named (at end 2006) Ministry of Development Planning and Aid Coordination (MDPAC), formerly the Department of National Planning and Aid Coordination (DNPAC). The new government's Policy Framework Document (PFD) and the Translation and Implementation Document (TID) were completed by the Policy Advisory Unit in the PMOs office. In future, the focal point for the development of a National Integrated Development Plan (based on Corporate Plans produced by each Ministry) will be the PMOs office, with technical assistance from MDPAC.

There has also been a transfer of development planning to the constituencies. The use of the Rural Constituency Development Fund (RCDF) by MPs, funded by ROC, along with the Millennium Fund, has provided funds for micro-projects and other purposes through each of the 50 constituency MPs (and was a source of controversy at the last election). Whilst this allows more development funds to reach rural areas than from SIG development budgets and donor funds, it represents a parallel structure and flow of funds, potentially distorting rural development and undermining provincial structures.

*Relations with Australia.* There has been a steady increase in tension and rhetoric between SIG and Australia and RAMSI mainly concerning independence of the judiciary and governance issues. The potential harmful consequences that this dispute could bring to SI are of concern to all parties and include a possible deterioration in law and order should RAMSI be prematurely withdrawn. SIG has offered to commence high level dialogue on the strained bilateral relations with Australia.

*The Future of RAMSI.* The SIG has requested the Pacific Islands Forum, which was instrumental in bringing RAMSI to SI in 2003, to undertake a review of RAMSI in early 2007, and has submitted a six point terms of reference which includes some contentious points such as – to review the operation of the facilitation act; to establish the original basis for RAMSI's intervention; to evaluate since its arrival the overall impact on sovereignty and integrity of the SIG; to establish a clear demarcation between RAMSI and bilateral AusAid programmes; and to determine a time table and strategy for the eventual exit of RAMSI. The debate on the future presence of RAMSI and re-arming of the police is also potentially politically divisive. The concern is that any arming could instil further tensions in the country, especially in the settler communities in and around Honiara, as at risk would be the arms free status of SI and the possibility of fresh attacks on key economic installations or the re-emergence of militia. . The Government has appointed a special envoy to RAMSI, who will take up his duties in early 2007.

## **1.2. Update of the economic situation**

*2006 Update.* The disruptions following the elections in 2006 and installation of the new government have not impacted on the end of year economic figures, as this is more likely to be longer term, particularly in terms of investor confidence. The figures show a relatively healthy continuation of the economic recovery, but heavily dependent on unsustainable logging and major donor inputs. An overview of economic trends with revised population estimates is presented in Table 1 in Annex I.

Real GDP increased by 4.3 % in 2004 and 5% in 2005 and is estimated at 6 % in 2006. This is the fourth year running that real GDP growth has exceeded 5% and the population growth rate. It reflects continued growth in the economy, fostered by the RAMSI's presence, capacity building and development efforts. However, much of the growth increase is thanks to the strengthened economic activity in Honiara while the rural areas, where the bulk of the population lives, remain constrained by the poor development conditions.

Total GDP has been reassessed due to improvements in the national accounts statistics methodology, especially the value of subsistence production and services. Total GDP for 2006 is provisionally forecast to have risen to SI\$ 2.5 billion, which in relation to the increased population figure means a per capita income of USD 589 p.c. (€453 p.c.). The GDP in income terms has gradually increased

since 2004 reflecting economic growth above population growth. The recent recovery, however, has been insufficient to restore average incomes to pre-tension levels, and per capita GDP remains nearly 20 per cent lower compared to the 1990 level. Inflation rose in 2006 to about 9 % due to high oil prices and buoyant consumption fuelled by rapid credit growth and expatriate community demand for housing, in particular. The exchange rate, which is pegged to the USD, consequently depreciated against other major trading currencies (the SI \$ has fallen from approximately 9 to 10 SI \$/€).

*Underlying Economic Issues.* The main factors contributing to the civil unrest during 1999-2003 were economic inequality, lack of income-earning opportunities and a shortage and imbalance in access to government services. In addition, the number of low income families in urban areas and young people living in absolute poverty increased. Since then, the gradual recovery of the economy combined with the underinvestment in rural services and infrastructure and short-term or permanent migration to Honiara, which has had limited trickle down effects on the rural economy, remains at the heart of underlying situation. Land tenure issues and governance in the forest sector have also contributed to social tensions. While some progress has been made in rehabilitating basic rural infrastructure and services, much remains to be done to boost the rural economy. In addition, the high population growth rate will increase pressures on the economy and the provision of social services.

*Economic Outlook.* Growth in 2006 was 6% and the short-term outlook remains positive with a forecast of real GDP growth for 2007 at 5.5% but this is still largely based on the logging activity. Logging is expected to decline dramatically in 5 years time as the resource becomes exhausted, which is likely to considerably diminish export earnings. Investor interest has increased in 2006, but whether confidence has been affected by the riots and associated volatility remains to be seen. The ANZ Bank has recently introduced rural banking facilities in certain provinces. In the longer term, the economy has to rapidly expand and diversify in rural areas given the country's fast growing population and its dependence upon traditional but unsustainable exports of timber, and fisheries exports. Private sector ventures including the GPPOL Oil Palm plantation, the Goldridge Mine, the Soltai tuna cannery, KFPL in sustainable forestry and other initiatives, together with considerable potential for tourism, stand to boost the economy. Progress with the main large-scale private sector enterprises, which were systematically looted and trashed between 1999 and 2003, as well as prospects for new developments are summarised in the Table 10 in Annex 1.

In summary, business interest in SI has been growing, but confidence is fragile due to the destabilising events of 2006, the recent political tension between Australia and SI and especially the issue of the on-going presence of RAMSI. This has created some nervousness amongst the local business community and potential investors both from abroad and locally. Any further deterioration in the rule of law could substantially damage the economic outlook.

*Debt.* A substantial public debt with a large arrears burden remains a concern although SIG has made positive progress to handle the problem. SIG approached the major creditors for debt relief at the Honiara Club meeting in October 2005, at which a two year borrowing moratorium was agreed by some creditors (not EC/EIB) based on a number of conditionalities, including that SIG would not take on any new loans and that the debt servicing burden would not exceed 15% of its domestically sourced revenue.

*Development Expenditure Estimates for 2007 and Recurrent Expenditure Estimates for 2007.* Donor support in the development spending is estimated at SI \$ 2 billion and is presented in Annex I. The Draft 2007 Development Budget anticipates an increase in overseas development assistance of 22% over 2006, including RAMSI. In terms of sector coverage, there is a continued dominance of public order and safety (53%), which includes support to the police under RAMSI and TA assistance to prisons and justice. If the amount spent on these public order and safety items, including support to the Police Force under RAMSI of SI\$ 0.85 million, were absent, donor development assistance would be about half of the present total aid to SI and about equal to the present recurrent expenditure budget. There are relatively minor allocations to socio-economic sectors: health (4%), education (9%) and economic affairs (18%) in which agriculture, forestry and fishing amounts to approximately SI \$ 103 million or €25.7 million or 5% of the total development expenditure envelope. Environmental protection amounts to SI \$ 1.7 million or less than 0.1% of the total budget (although environmental aspects are also included under forestry).

*Government Development Strategies.* The new government development strategies, which were prepared in May 2006 without donor consultation, recognise the above and address the relatively low level of private sector involvement, the need for sources of growth beyond logging of natural forests, the limited progress in the diversification of exports that are mainly copra, cocoa, oil palm and tuna and the lack of participation in the planning process at provincial level.

The new government's long term agenda is set out in policy and implementation documents, namely the Policy Framework Document (May 2006), and the Policy Translation & Implementation Document (TID) (August 2006). These documents represent proposals aimed at improving rural livelihood and employment. They cover all facets including productive sectors, social sectors, commerce and industry, infrastructure, environment, tourism, foreign affairs, police and security, as well as governance, anti-corruption, gender and social welfare. The TID represents an ambitious agenda but is not yet sufficiently developed to be a credible successor to the former National Economic Recovery, Reform and Development Plan (NERRDP), 2003-2006, which had been the main instrument for national planning.

*The Economic Partnership Agreement (EPA).* The EPA is still in the negotiation stages with the SIG using the Pacific Island Forum Secretariat (PIFS) which coordinates EPA negotiations for the Pacific ACP countries. The latter submitted to the EU a negotiating document in mid-2006 covering reforms on the rules of origin, a quota based labour mobility scheme (Mode IV) and proposals to enable European investment sources to more effectively address the needs of SMEs. At a meeting of Pacific ACP leaders in October 2006, concerns were raised regarding fisheries, Mode IV and the funding mechanism for the development costs for the EPA, as it was perceived that adjustment costs would come from existing EU programmes rather than an additional allocation. It was also stressed that negotiations need to be accelerated in order to meet the deadline for conclusion of negotiations by the end of 2007.

Trade features more prominently in the new government's framework and includes enhancing the capacity of the trade negotiators in trying to achieve the best deal for SI at the various fronts (WTO, EPA, MSG, PICTA, etc) and especially those geared towards developing agriculture, fisheries and other sectors which affect rural livelihood. A draft Multilateral Fisheries Partnership Agreement (MFPA) has also been submitted to the EC.



*Bilateral Agreement.* On the 9th October 2006, the new bilateral Fisheries Partnership Agreement (FPA) between the EU and SI entered into force for an initial period of three years. This FPA covers a reference tonnage of 6,000 tons of tuna per year and fishing opportunities for four purse seine vessels and 10 long-liners. From the second year, at the request of the Community, the number of purse seine vessels may be increased if scientific assessment warrants such an increase.

The financial contribution is of 400,000 €/year, out of which 30% will be devoted to promote responsible and sustainable fisheries in the Islands' waters.

### 1.3. Update of the social situation

*Population.* The population figures have been adjusted from previous JARs as the Household Income and Expenditure Survey (HIES) in 2005/06 revealed that the total population in 2005 was 533,672. This is significantly higher (+65,000) than the previous population estimate for 2005 of 469,000. The annual growth rate between 1999 and 2005 was found to be 4.4%. This is attributable to the 1999 census figures, which were reportedly undercounted due to the ethnic tensions coinciding with the census field enumeration. Combining the growth rate from 1986 to 1999 of 2.8% with the growth rate from 1999 to 2005 of 4.4% gives a long term average annual growth rate from 1986 to 2005 of 3.4%, which represents a very high population growth and may still not be correct. The forecast figures used in Table I in Annex I for 2006 and 2007 are based on 3.4% growth to give a forecast population of 552,000 in 2006 and 570,000 in 2007. Further analysis of the survey data is expected and may give more insight into development issues. A fresh census is scheduled for 2009, which should clarify the situation, as the population forecasts have a major bearing on provincial economic and social service demands. In addition, there is a need for government to develop a population policy.

*Youth Explosion.* The population figures also reveal that 50% of the population is below the age of 19 years, and that 40% is below the age of 15 years. The implications as this bulge moves forward for schooling, employment, urban drift, the potential spread of HIV/AIDS and the disruptions caused by disenfranchised young people, especially those in and around Honiara, are significant.

*Achievements in Poverty Reduction.* There is limited data on the prevalence of poverty and inequality. Without an agreed poverty line and a means of verification, achievement of the MDG poverty reduction target cannot be verified. The impact of the economic growth since 2003 on poverty in rural areas is considered likely to be relatively small as most of the economic growth is due to logging and higher commodity prices, although in 2006 growth in the agricultural sector was recorded which may have had a small impact in certain rural areas. The government has not yet undertaken a PRSP process, but has indicated it would like to do so using 10<sup>th</sup> EDF funds in the non-focal sector.

*Achievements in Social Sectors and MDGs.* SI is one of the least developed among PICs with social and health indicators amongst the lowest in the Pacific. Measured by the most recent Human Development Index (HDI) SI ranks below all PICs except PNG and fell from 123<sup>rd</sup> last year to a ranking of 128<sup>th</sup> out of 177 countries in 2006. An overview of the MDG indicators and where data is lacking is presented in Table 2 in Annex I, along with selected other social indicators. The SI is making some progress on the MDG's, particularly where statistical data is available, but in other cases, lack of statistics makes it difficult to analyse progress.

*Health.* Social services declined seriously during the period of civil unrest. Progress on the preparation of infant and child health indicators is limited, as childhood morbidity and mortality is linked to poverty which remains widespread. Maternal mortality ratio has been high, though it is now falling. Rural communities continue to experience health problems consistent with high poverty levels and fertility rates, a rising incidence of “first world” diseases such as heart disease, diabetes and cancer and high incidences of water borne diseases (diarrhoea). Malaria incidence is high and increased from 1999 to 2003, but fell slightly in 2004. It is still endemic and represents a serious disease in SI, especially the incidence in pregnant women. A National Health Strategic Plan for 2006-2010 is being developed following a National Health Review in 2006, and the establishment of an improved Health Information System. The aims of the Plan are to improve access to primary health care services to 84% of the population living in the rural areas, to reduce malaria, high maternal mortality and high infant morbidity and mortality and reduce the threat of HIV/AIDS outbreak. In addition, it intends to increase its integration with NGOs and community based organisations (CBOs) through partnership developments. AusAID is the main donor in this sector.

*Education.* Intake rates into primary school have increased dramatically to 93% by 2005 due to the removal of primary school fees. However, there has been a worrying decline again to 91% for 2006. In secondary schools enrolment is still low at 29% for junior secondary and 20% for senior secondary in 2006, but the intake will increase as the primary numbers feed through and may be further boosted if Secondary Schools middle level examinations are abolished. A rapid increase will put a major strain on the sector which is critically short of trained teachers and school facilities. Primary school participation for girls is nearly the same as for boys (92.5% compared to 94.1%). However, gender disparity in favour of boys is more pronounced as pupils’ progress through the system, as reflected in the junior and secondary school ratios. Other targets concerning teacher pupil ratios have improved, but ratios of clean water at primary schools and toilets remain below government target standards. The high population growth rate combined with the increase in primary school enrolment will place particular pressures on the secondary educational system and delivery of improved education for all.

There is a general paucity of accurate and reliable data on many education sector performance indicators in the Solomon Islands and where there are such they often compare poorly to other Pacific Islands countries. The most recent official literacy statistics, based on the 1999 national census, give a 76.6% rate of adult literacy and 62% for youth. However, recent reports have put these figures into question given general flaws in census based data. Studies in some regions claim much lower actual literacy rates, with rates of literate youths at 23% for males and 17.4% for women. For adults, the rates for literates were lower at 19.4% for men and 12.3% for women, with the rest being classified as either semi-literate or non-literate. There is a need to follow up the information claimed in these studies to verify the data and take appropriate action.

In 2004 the sectoral distribution in the budget was ECE at 2.6%, primary at 48%, secondary at 32%, Tertiary at 17% and TVET at less than 1%. Proportions allocated to primary and secondary are rising each year; a situation facilitated by the formal sector agreement between government and its two main donor partners (EC and NZAID) to maintain budget support at a minimum of 22% of the discretionary budget. In fact this proportion has been exceeded every year since 2004; with the figure for 2006 being 27%.

SIG was severely criticised by donors in early 2006 for excessive tertiary scholarships and patronage in their awards. Tertiary expenditure as a proportion of the National Education Budget remains high at an average of 18% over 2004/6 ; given that there are only 800 students studying overseas at an annual average cost of SBD \$52,000 per student ( in 2006), and at least 180 students enrolled annually at the USP Extension Centre in Honiara.. In addition the Solomon Islands College of Higher Education has an average enrolment of 1,800 per year at considerably less cost. These costs must be compared to a average of SBD \$804 spent annually on primary students and SBD \$2,061 spent per secondary student. In actuality the costs of Tertiary are higher than indicated as supplementaries are approved every year to finance Tertiary overspending. The Ministry of Education is well aware of the implications of this and two initiatives are planned within the recently published National Education Action Plan 2007 -2009. In 2007 the Ministry will initiate a Tertiary Policy Review and also continue the process of formulating a National Training Plan as a follow up to the comprehensive study conducted jointly in 2006 by the World Bank and MEHRD (Stabex 99 funds). The intent is to manage tertiary expenditure more effectively by ensuring that government scholarships are targeted at skill areas in short supply.

Further investment is still needed in school infrastructure, especially with the high population growth, and delivery of all levels of education, including vocational education, especially those that benefit rural people, and improvement in the quality of education are priorities.

The government continues to prioritise education improvements. It devoted 27% of its 2006 recurrent expenditure budget to MEHRD and has produced an Education Strategic Framework (ESF) 2007-2015 in October 2006 for medium/longer term perspective and a National Education Action Plan (NEAP) for 2007-2009 for the short term. The strategies and plans focus on provincial level priorities to ensure a bottom up approach from the grass roots, movement away from the present centralised system, capacity building and to redress some imbalances in sub-sector funding.

*Progress towards MDG Targets.* Provision of adequate social infrastructure and services, especially in rural areas remains a difficult task due to financial and management constraints, poor transport and communications and significant capacity constraints and in relation to the high population growth. Nevertheless government, supported by donor assisted sector wide programmes is giving high priority to improving health, education and transport services targeted at the rural population to complement the core rural development strategy, which is expected to achieve greater progress on a number of MDGs.

*Gender.* Women were severely affected by the tensions and domestic violence is reputed to be widespread with women and children at risk of physical and sexual abuse. The figures on total number and relative proportion of adult illiterate women reveal one of the highest levels of illiteracy amongst adult women in the Pacific. Gender disparity develops in secondary schools. Women are also severely under-represented in many political and government institutions and Parliament and women are generally denied a role in community decision making and in land use decisions. Achieving a significant improvement in gender balances through education of both women and men, but without entirely discarding traditional cultures, is a long term process. Several donor funded programmes aim at promoting gender equity, empowerment and improving women's livelihood and the government is to provide additional resources to the National Council of Women. As women typically play the major productive role within subsistence agricultural systems, the rural development strategy has a major

focus on women as both stakeholders and target beneficiaries. The EU will highlight gender in the planned support to NSAs, its educational programmes in secondary and tertiary education and in micro-projects under MPP2.

At present the sector framework does not accommodate non formal education (apart from TVET) and adult literacy. However the Ministry has implemented a pilot programme to provide community access to distance education through the Distance Learning Centres Project, financed by Stabex 99, with all of the nine centres soon to be operational in rural Community High Schools (one per province). Additional donor financing is being sought to build upon this successful pilot and extend adult learning opportunities by distance education throughout rural areas in Solomon Islands.

*HIV/Aids.* The number of cases is only 8 with 1 death in the country as a whole, but with low levels of testing, the real numbers are not known. However, with increasing STIs the potential spread of HIV/Aids is a major concern. The WHO conservatively estimates 350 cases by 2010 as it is likely that HIV/Aids will increase due to the youth bulge. In addition, access to fishing boats and logging teams employing foreign workers constitute a serious vector for the spread of the disease. The Ministry of Health has recently updated its HIV/Aids National Strategic Plan, and a National Aids Council has recently been formed. Five HIV/Aids testing and counselling centres have been established and several AusAID programmes focus on prevention. There are challenges, generally low levels of education and awareness among youth and because it is not easy to access the crews of large fishing boats and remote logging camps. The current Stabex Education programme includes a small component of support for HIV/Aids in collaboration with the National Aids Council and MHMS.

#### 1.4 Update of the environmental situation

SI has fragile ecological systems including primary and secondary forests and marine systems (coastal and marine, such as mangroves, fish, plants and coral reefs), in which unsustainable and ill-managed logging and over-fishing represent real threats. SI is yet to produce a 'Country Environmental Profile' of its own. The major environmental issues faced by the country include: (i) *unsustainable logging practices* (aggravated by corrupt practices which undermine good governance in rural areas) that result in widespread adverse environmental impacts on streams, rivers and marine reefs; (ii) *inappropriate land use practices* due to slash-and-burn and steep-slope farming systems that accelerate land degradation; (iii) *unsustainable fishing practices* that are depleting valuable and fragile coastal and marine resources; and (iv) *increased risk from extreme weather events* due to climate change, thereby posing threats to food security.

The legislative and regulatory framework is inadequate to ensure sound resource allocation and management, including the application of a sound code of logging practice, which could help reduce the damaging impact and facilitate earlier recovery. The Forestry Act (1969) currently in force is dated, but a 2004 Forestry Bill remains to be considered by Parliament. The forestry audit completed in 2005 exposed some serious examples of corrupt practices, and while some progress has been made, including the termination of tax exemptions to logging companies, many of the others remain to be acted upon. The new Forestry Bill combined with a markedly firmer political commitment to good governance in the sector bring about significant changes, but nearly all accessible forest areas are now licensed and are either being logged or will be in the near future, such that forest resources are

expected to be exhausted by 2015 or earlier. The new EU funded forestry programme will be able to monitor the sector and provide feedback on SIG commitments.

## 2. Overview of past and ongoing co-operation

### 2.1 Overview

The MTR of EDF 9 carried out in 2005 did not propose any change in focal sector, but did recognise the need to support capacity building and in this respect the remaining funds have been used to programme support to TVET (€8.3 million) and the PGSP (€4.6 million). Cross cutting issues remain important, particularly on gender, human rights and governance, environment and HIV AIDS. The ETR of EDF 9 confirmed the MTR proposals.

*Sector Approach.* A sector wide approach is being implemented with donor support in education, and is being developed for rural development and transport sectors. Stabex 99 funds are being used to support the SIG sector wide educational reform programme by the MEHRD with TA assistance in a PMU located in the MEHRD. A new education SWAP arrangement will be signed in early 2007 between SIG and the EU and NZAID, and will extend for a further three years a joint agreement (Joint MOU) signed in June 2004. However, a Government-led donor coordination meeting did not take place in 2006.

Table 5 in Annex I present a summary of funds allocated to the SI by the EU through a number of mechanisms: the NIP, SAP, STABEX, budget lines. Over the last 8 years there has been a total allocation of € 188.4 million to SI. EDF 8 allocation was €19 million and EDF 9 was € 14.5 million. This compares with higher funding allocations from Stabex (€ 29.1 million under Stabex 99 and € 41.8 million under Stabex 98).

*EU Programme/Project Performance.* The identification and preparation of Stabex and 9<sup>th</sup> EDF projects has been delayed due to the lack of resources available in both the NAO-PMU and DNPAC but is due to be largely completed by early 2007. . Significant short term TA inputs were utilised and cooperation with other donors, especially the WB (who were able to rapidly mobilise TA teams) assisted with the considerable programming required. In DNPAC, the lack of capacity to support the programming processes was due to the many vacancies at both senior and supporting levels to support the programming processes. However SIG has, during 2006, filled several senior positions and other vacant positions, as well as created several new posts.

An external MTR of the NAO-PMU Phase II was undertaken in mid 2006 in which the shortcomings resulting from the lack of human resources were noted and recommended that, under Phase III, increased efforts should be made to increase the support to the NAO in monitoring and evaluation, programming and strengthen implementation administration. The MTR emphasised the need for greater capacity building and also raised the issues of the lack of real indicators being developed and lack of monitoring capacity. Finally, the sustainability of the NAO-PMU after Phase III was recognised, for which integration of the PMU into MDPAC will be planned within an exit strategy.

Total disbursements in 2006 remain relatively low and slightly below the 2005 level at € 5.4 million. The main reason for this was the number of old projects that were closed, coupled to the programming

of new projects that have not yet started disbursement. Other implementation problems have contributed to slow disbursements, as well as reducing the performance of the EU aid programme: (i) internal management problem in microprojects; (ii) incompatibility between certain 9<sup>th</sup> EDF procedures and regulations and the reality of a country such as Solomon Islands emerging from a period of ethnic tensions with such limited public and private sector capacity (particularly evident in any programmes interacting with civil society and rural communities. Certain procedures and low ceilings for various categories of expenditure, and the lack of capacity in local suppliers to prepare complex bids and provide bank guarantees have accentuated delays. Refresher courses and greater capacity building in EDF procedures is needed at all levels.

Disbursements will build up in future due to the large number of projects that were programmed during 2006. Only three programmes remain to be finalised, and which are expected to be completed in early 2007. This will result in a rapid acceleration in disbursements in 2007, 2008 and 2009. The increase in PMU staff and TA team under the Phase III Project commencing in May 2007 should increase the financial processing capacity of the NAO-PMU.

## 2.2. Focal Sectors of EDF 9

The main focal area of the EDF 9 (€ 21.2 m) is **sustainable rural development, including capacity building**.

### 2.2.1 Focal Sector Rural Development, including capacity building

Whilst there is currently no formal sector wide approach in rural development, the ARDS being completed in 2007 has developed priorities in the sector for implementation under the RDP and other programmes and a series of sector indicators (refer Table 12 in Annex I). The interventions will be coordinated by the World Bank and by government line ministries.

Micro Projects Programme, Phase II (€ 5.7 m). The TA arrived at the end of 2005 for a three year programme. The project aims at social infrastructure and income generation grants at community level throughout the SI and utilises NSAs as the main implementing agencies. The main quantified indicators and means of verification are reflected in the Log frame presented as Table 13 in Annex I.

*Results and Progress.* It is too early to assess results at either programme or sector level as management/financial problems characterised the first year of operation in 2006 resulting in delays and temporary closure in September/October 2006 and the replacement of the original TA Programme Manager and local Programme Coordinator. Nevertheless, implementation is back on course with new management staff in place and some 70 projects will be under implementation by June 2007. This has only been achieved by increasing the amount of TA envisaged and this will require a rider to the FA to ensure adequate budget and implementation period.

The main outcome indicators, which will enable an assessment to be made of the impact of the programme during reviews and evaluations, are given in the log frame in Table 13 in Annex I. The main criterion that will distinguish this programme from its predecessor will be the increased emphasis placed on participatory bottom-up approach and follow-up technical support to sustain income generating enterprises, and through engendering ownership of infrastructure inputs though

successfully applying a community development approach. The lessons learnt regarding implementation modalities will also provide important guidelines to government/donors for future projects in the sector.

Key policy measures being undertaken by the government comprise (i) to permit NSAs to act as project carriers where local government services are inadequate, (ii) to provide strategic planning support by relevant government agencies and assist in selection of projects. The programme is being implemented by external TA in a PMU with the main government contribution being the provision of office facilities and overall coordination.

*Degree of Integration of Cross –Cutting Themes.* The programme utilises NSAs as implementers and there is a degree of women's (and youth's) involvement in specific group enterprises and the programme has linked to education to supply water to selected schools.

There are a number of programmes/projects currently still in the pipeline for implementation in 2007.

Non State Actors (€ 1.56 m). FA signed October 2006. This direct support project to NSAs aims to reinforce the network organisations with appropriate skills and the means to deliver requested development services to their members effectively and efficiently and to enable a constructive dialogue with the Government and donors. Tender dossiers for this capacity building project were launched locally but the total lack of response by local NSAs indicates that a different approach will be needed relying on more external TA. This has led to the cancellation of the tender and recruitment of a short term TA in early 2007 to revise the TOR and budget, which will also entail a rider to the FA to allow for the changes proposed.

Technical and Vocational Education Training (TVET) (€ 8.23 million under 9<sup>th</sup> EDF) A draft FP was submitted in October 2006 and was finalised in May 2007. FA approval is scheduled for September 2007, with the start of the project expected in early 2008. Support to the TVET policy will mean that there is a continuing involvement in the educational sector through enhancing the institutional framework for future capacity building foreseen in rural areas.

Provincial Governance Strengthening Programme (PGSP) (€4.6 million under 9<sup>th</sup> EDF). A preparation team has addressed issues relating to management, the target group and linkage with the RDP. In addition, there are issues concerning the different approaches and time frames adopted by the other partners, as well as the new government's constituency based development. A PIF was submitted in December 2006 in which the UNDP would manage this multi donor project. Total funding would be €11.0 million with contributions from RAMSI of € 4.8 million and € 1.6 million from UNDP. To be included in the 9<sup>th</sup> EDF, the FP will be submitted by the end of March 2007. The programme is scheduled to start in early 2008.

*Degree of Integration of Cross –Cutting Themes.* The NSA project targets NSAs and the TVET programme will specifically include women in its vocational education approach. Environmental issues, and in particular the promotion of sustainability, are key features of staxex 98 programmes (rural development, forestry, infrastructure) and linkages will be maintained with the new 9<sup>th</sup> EDF projects mentioned above, especially in raising awareness among NSA's and the youth.

## 2.3 Macro-economic support.

Macro-economic and budget support has not been possible because of the unsatisfactory fulfilment of the eligibility criteria as defined in the EC budget support guidelines, and because of the poor management of public funds prior to the arrival of RAMSI. In particular, there remain weaknesses in the PFM system, and although a range of economic reforms have been prepared with RAMSI support there are doubts about the SIG's commitment, or ability, to sustain these reforms and to maintain a stable macroeconomic environment, particularly in what remains a fragile political context. At present no formal agreement exists with the IMF and no PRSP has been prepared. It is however envisaged under the 10<sup>th</sup> EDF to launch some preparatory activities such as a PEFA exercise.

## 2.4 Other Programmes and Budgets outside focal sectors

Technical Cooperation Facility (€ 1.3m). The FA was signed in 2006 for recruitment of short term TA, studies and project preparation and for workshops/conferences (including by SI personnel).

## 2.5 Utilisation of Resources for Non-State Actors

NSAs at present have limitations in organisation and resources. Other donors are active in supporting NSAs, in particular Australia and New Zealand along with Japan, ROC and UNDP. NSAs have received limited assistance from the EU to date, but under the 9<sup>th</sup> EDF, provision of €1.56 million for NSA capacity building is programmed with implementation expected to start in 2007. The start up has been delayed because of the limited capacity of the NSA sector which was foreseen to be used to implement the programme.

## 2.6 Utilisation of envelope B

€7.25 million of the B envelope in EDF 9 was mobilised by order of services dated 13 March 2003 and the subsequent MTR approved the use of these funds in the same sectors as envelope A for capacity building, together with residues from EDF 6, 7 and 8 (€0.98 million) for support to vocational training (TVET programme, €8.23 m). The remaining €0.55 m has been allocated to a multi-country disaster preparedness programme (currently under preparation by SOPAC). The ETR, completed at the end of 2006, confirmed these allocations.

## 2.7 Other Instruments

### 2.7.1 Stabex 98

Stabex 98 funds exceed the focal sector allocations under the NIP with € 41.820.222 + interest of about €8.3 m at the end of 2006. The main focal area is **sustainable rural development and capacity building**. The planned coverage of the main sub-sectors is as follows: rural transport (54%) Forestry (16%) Marine resources (8%) Agriculture (13%), and Institutional support and capacity building in sector programme management (9%) to support strengthening of the PMU at the NAO to manage implementation.



The main outcome indicators, which will enable an assessment to be made of the impact of the programme, are given in the log frame presented in Table 4 in Annex I. Key sector support policy measures to be undertaken by the government have only been partially completed: (i) in Forestry, there has been some progress in addressing institutional weaknesses as evidenced by the Forest Audit and follow-up, but the Forestry Bill remains to be enacted; (ii) in Agriculture, institutional reform of MAL is being addressed in the ARDS; (iii) in Government Staffing, appointment of public service positions in DNPAC and MID was delayed but was effected in 2006 and (iv) Transport, the government commitment to support the transport sector component is addressed in its National Transport Plan and in the Transport Development Fund IP under preparation.

*a) Rural Transport. Transport Development Fund* (€ 11.9 million under Stabex 98) - involving the support for implementation of a major maintenance and new infrastructure programme targeted at inter-island shipping, wharves, roads etc. An IP was submitted in October 2006, but was subsequently reworked to ensure that all funds could be committed within the deadline for stabex disbursements, and still remains to be approved.

*b) Forestry. (i) Sustainable Forestry and Conservation Project* (€ 4.5 million). The IP was signed in August 2006. Activities include support for the implementation of the SI Forest Conservation Strategy; sustainable protection of an area of 12,000 ha of un-logged lowland forest, a Forest Conservation Grant Scheme accessible to community organisations and other NSAs for smaller scale activities promoting sustainable forest use and forest conservation, landowner advocacy and legal support and SI participation in VERIFOR. The TA tender has been launched and award of contract is expected in early 2007.

*(ii) Sustainable Plantations Forestry Project* (€ 4.4 million) The IP was signed in October 2006. It allocates € 3.5 million to ensuring a sustainable forest plantation industry in the SI and € 0.9 million to support the trial harvesting and marketing of mature small holder woodlots, and the trial of sustainable natural forest management by customary forest owners. The former supports KPFL in the rehabilitation/replanting of some 3,750 ha (about one third of its total forest area) and is due to start early 2007 in conjunction with an EIB loan of €3.5 million and capital from New Forest Pty Ltd in a joint venture with SIG.

*c) Marine Resources. (i) Support to Production of Seaweed* (€ 1.2 million). The project commenced in mid 2005 with ongoing TA support to develop dried seaweed production for export to the EU, as part of income diversification in rural areas. Five sites in a number of provinces have been established along with some warehousing and communication facilities. After one year, target production of 170 tons and export to EU of 150 tons was achieved with further production increases expected in 2007. A MTR is scheduled for 2007 and the project is due to close in 2008.

*(ii) Competent Authority for Sanitary Production of Fish Products* (€0.95 million). The project commenced in 2005 and involves capacity building and the provision of laboratory equipment to enable SI exports of tuna to the EU to meet EU List 1 status health standards, a measure that is essential to sustain the important SI tuna export industry. . The project is being implemented satisfactorily, although a significant delay in building (funded/implemented by AusAID/RAMSI) has delayed installation of the EU equipment and subsequent training, but it is still expected to be completed by project completion date. The TA was particularly successful as it resulted in securing of

commercial bank funds for upgrading and expansion of the Soltai cannery at Noro. An ETR should be undertaken in 2008. The project is due to close in 2008.

(iii) Marine Infrastructure Programme (MIP II) (€ 8.0 million). The project, which started in 2006 involved further wharf construction, plus the provision of aids to navigation. There have been serious delays due to difficulties in obtaining visas/work permits for contractor staff from Australia/PNG, but wharf construction did start at the beginning of 2007, and a study has been completed on navigational aids.

d) Agriculture. Agriculture & Rural Development Strategy (ARDS), Rural Development Programme (RDP) and Transitional Agriculture & Rural Development Programme (TARDP) (Total € 9.0 million for the three components). The strategy preparation has proceeded rapidly with the ARDS Draft Strategy document being submitted in December 2006 with a Final Report expected in March 2007 after a national workshop and stakeholder consultations in February 2007. The RDP (IP signed in 2006) is under preparation in early 2007 by a joint funded EU/WB/AusAID preparation team. The programme is due to start at the end of 2007 and to close at the end of 2010. A TA tender for a transitional phase was launched in early 2007. Under this phase a Survey of Black Pearl Oysters has been contracted to World Fish to assist in the development of the pearl industry in SI.

e) Institutional Support. (i) NAO/PMU Phase 2 (€ 3.98 million) Phase 2 TA management started in February 2003 and is due to close in May 2007, although it may be extended by a month to allow handover to the Phase 3 TA. The findings of the MTR of this project, which oversees a large number of projects and programmes under the EDF and Stabex 98 and 99 focal sectors is discussed in the overview in Section 2.1.

(ii) NAO/PMU Phase 3. (€ 4.3 million) IP signed Oct 2006. TA tender launched in early 2007 for start at the end of May 2007 for a further three years by a three person team comprising a Project Manager, Financial Manager, a Monitoring & Evaluation Manager and 18 months of short term TA support, plus some additional local staff. This represents a significant strengthening of the capacity of the NAO/PMU to handle the increased implementation workload expected and to strengthen monitoring.

#### 2.7.2 Stabex 99.

Stabex 99 funds also exceed the focal sector allocations under the NIP with a € 29,173,956 allocation + €2.6 million earned as interest. The focal sector is on **education and human resource development**. These funds form part of a sector wide approach (SWAp) between EU, NZAID and SIG, the framework being the Education Sector Investment and Reform Programme (ESIRP). ESIRP was established through the signing of a Letter of Intent in April 2004 and a Joint Memorandum of Understanding in June 2004, these forming the legal, financial, technical and administrative framework for the ESIRP. In April 2007 SIG, EU and NZAID signed a Letter of Agreement renewing their commitment to the sector, and establishing the long term technical and financial support for the ESIRP, phase II, and the National Education Action Plan 2007-09.

The ESIRP's implementation plan, the Education Strategic Plan (2004-2006) (ESP) set out to provide equitable access to quality basic education for all children in the SI. The revision of the ESP produced the Education Strategic Framework (ESF) 2007-2015, setting a long term vision for the sector and the

challenges to get there. The National Education Action Plan (NEAP) 2007-2009 implements the ESF, with prioritised activities for the immediate future. Provincial Education Action Plans are being finalized in all the provinces.

The Stabex 99 Funds are mainly directed towards reforms in the secondary and tertiary sectors, whilst NZAID has tended to focus on primary education. The NZAID is currently providing sector budget support to the MEHRD, however, still targeting specific budget lines for their financing.

The Stabex 99 Education Programme covers nine components, these forming part of the overall ESIRP framework: Secondary Schools Grants, the National Secondary School Infrastructure Project, Support to Curriculum Development (including the supply of textbooks), Support to Technical Vocational Education and Training, Institutional Strengthening (including support to sector coordination and management), the Distance and Flexible Learning Programme, Support to Tertiary Education, and Selected Initiatives in Special Education. The ninth component is support for the management of these interventions, i.e. the Programme Implementation Unit (PIU).

*Results and Progress.* Table 12 in Annex I gives an overview of the progress to date on the Stabex 99 outputs as of October 2007. The outputs for the programme include improved teachers houses and classrooms in remote areas (Annex 1, table 12, result area 2), improved communications between district and provincial centres with remote schools (result area 5), improved distance and flexible learning (result area 6).

Progress, especially with regard to the more progress related indicators of the programme, is regularly monitored by quarterly Stabex Education Sector Coordinating Committee meetings and an Annual Joint Review. An EC MTR took place in October 2006 and a NZAID MTR in 2005. At programme level, government mainly provides office facilities to the TA team in the MEHRD and at certain provincial offices.

The MTR by NZAID in mid-2005 recommended that the SWAp partners take a longer term view, reassess what can be achieved in relation to capacity constraints and address the balance of funding between tertiary, secondary and primary education. The main findings of the MTR by the EC of Stabex 99 in October 2006 were as follows:

- **Secondary School Grants Programme (SSGP):** This has been the largest financial component. Operational grants have been disbursed to all secondary schools and there has been extensive training of school management teams including a financial system. Reports from principals indicate that the grants have been key to the functioning of schools. However, sustainability and the high maintenance cost of the present system are of concern and hence attention needs to be given as to how the scheme will be transferred to the MEHRD.
- **National Secondary School Infrastructure Programme (NSSIP):** The initial target for the NSSIP was infrastructural support (classrooms, staff housing, libraries, water and sanitation, etc) to some 120 schools. The number of secondary schools as now increased to 173. Considerable effort has been put into mobilising schools and communities. However, achievement in terms of the number of schools assisted with actual infrastructural development is low. If the NSSIP targets are to be met, the approach needs to be revised.

- **Curriculum Development:** Since 2005 there has been steady progress; revision of syllabi and development of materials is being implemented in accordance with the schedule set out in the components log frame. Staff training is ongoing. The component also includes the procurement of 140,000 textbooks for Forms 1 to 3. Even with this input there will continue to be an acute shortage of textbooks in the schools, particularly in Forms 4 to 7. There are concerns about curriculum, especially the secondary curriculum, as few of the community high schools have the facilities, equipment, or the funds to purchase materials. As the secondary schools expand there will also be a shortage of trained teachers in practical subjects.
- **Technical Vocational Education and Training (TVET):** The main activities under the TVET component have been support to the development of a TVET policy and the subsequent preparation of an FP, which has been submitted to the EC for approval under the 9<sup>th</sup> EDF.
- **Institutional Strengthening:** The problems of staff shortages and under-skilled personnel still persist. Nonetheless, considerable steps have been taken to strengthen planning, budgeting, management and monitoring systems in MEHRD and at the provincial level. However, the results for this component will not be fully achieved unless there is a more concentrated focus on developing the capacity of MEHRD personnel. This should be a priority in Phase 2.
- **Distance and Flexible Learning:** The focus has been on developing eLearning capacity at nine Distance Learning Centres (DLCs) using PFNet. Extensive work has been done on researching both the technology and the availability of eLearning materials. Difficulties in the negotiations with SI Telekom, and protracted delays in preparation of tender dossiers and the awarding of tenders for equipment has negatively impacted on the component. Only one DLC is operating. TA support to the component will be extended by one year.
- **Tertiary Education:** This included support for scholarships and was completed in 2006 when support to the remaining students (nine medical students) ended, the National Skills Survey, and Solomon Island Institute of Higher Education (SICHE). Assistance to the re-structuring of SICHE has been by far the biggest element of this component. It builds on institutional reviews (financed by EC) in 2003 and 2005. A staff rationalisation exercise is ongoing, management systems are being revised, the legal framework is under review, and strategic and business development planning is in progress. However the plans include change in working practices and redundancies and as such some of the reforms are resisted by the trade union.
- **Special Education Initiatives:** The component has been used to give limited financial support to activities related to cross cutting issues of disability, HIV/AIDS and cultural diversity.
- **Programme Implementation Unit (PIU).** The PIU, under the leadership of the Education Adviser, has responsibility for coordinating the Stabex 99 programme. There are currently seven local TAs and administrative support staff. Whilst the need for coordination continues there is a risk that parallel management systems are being developed. Priority needs to be given to integrating the PIU into the mainstream of MEHRD, as recommended by the MTR.

The MTRs overall assessment was that the activities are based on clearly defined key areas in SIG plans and meet the needs and concerns at the provincial and community level, but that efficiency is low due to long delays in the procurement of services and supplies and overly complicated approaches to the implementation of infrastructure facilities, which has had a negative impact on the implementation of all components. Monitoring has been weak due to limited use of log frames. Nevertheless, the foundation has been laid in most of the components, but pace of implementation needs to be improved if benefits are to be realised. In addition, sustainability needs to be given greater attention and there needs to be stronger cooperation between ESIRP partners. Currently there is no

over-arching log frame to monitor ESIRP. These are essential elements if ESIRP partners are to move closer to a truly SWAp approach.

An addendum to the FMO was signed in early 2006 to extend the programme until the end of 2009 to continue a second phase of sector support. The long-term TA tender has been launched and award of contract will be made in early 2007 with mobilisation expected in May 2007 and closure is due in 2010. During this phase, the PIU will be progressively integrated into MEHRD, together with the development of an exit strategy to ensure long term sustainability. The programme will actively support elements of the new ESF 2007-2015 and the NEAP 2007-09.

### 2.7.3 Budget Lines

Two projects are currently under implementation. Technical training in life skills for secondary school leavers (EC contribution € 0.75 million) is a 3-year project, which commenced in 2005, and is being implemented by an NGO in Honiara. A conservation and sustainable use of marine and coastal biodiversity project (EC contribution € 1.8 million of which one third is destined for Solomon Islands) started at end of 2005 and is being implemented by the WWF. It covers the SI, PNG and the Papua Province of Indonesia (Solomon and Bismarck Seas).

### 2.7.4 European Investment Bank (EIB)

The EIB public sector activities in the SI were suspended after the Development Bank of Solomon Islands (DBSI) defaulted on its repayments. The DBSI is now under administration and repayment of the debt to the EIB remains an issue to be resolved. The EIB signed a loan (Euro 3.5 M) with Kolombangara Forest Products Limited (KFPL), a majority privately owned company, which has been Forest Stewardship Council certified and therefore achieves independently assessed standards for environmental sustainability and social responsibility. The project has also been an excellent opportunity to cooperate with the European Commission on a project basis through the Sustainable Plantations Forestry Project under Stabex 98, whereby €3.5 m stabex 98 funds were made available as part of the SIG shareholding.

### 2.7.5 Others

There has been no emergency or humanitarian aid provided through ECHO, nor has the country been successful yet in tapping into any of the facilities such as energy or water, primarily because of lack of awareness and capacity. The SI energy agency has recently submitted a substantial proposal for rural electrification under the energy facility.<sup>1</sup>

### 2.7.6 Pacific Regional Programmes

The 9<sup>th</sup> EDF Pacific Regional Indicative Programme was initially allocated a total of €29 million. An additional € 10 million at the MTR was allocated to Regional Economic Integration (€ 2 million), Fisheries (€ 4 million) and the Non-Focal Sector benefited from a new agriculture initiative

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<sup>1</sup> The earthquake and tsunami which struck Western and Choiseul Provinces on 2<sup>nd</sup> April 2007 resulted in a major disaster requiring widespread donor interventions, including an ECHO intervention of €0.55m and has also required some refocus of the transport infrastructure IP under stabex 98.

supporting export and trade (€ 4 million). With the increase to the 9<sup>th</sup> EDF the breakdown per sector is as follows:

- Regional Economic Integration € 11 million (28%)
- Human Resource Development € 8 million (21%)
- Fisheries € 9 million (23%)
- Non-focal Sector € 11 million (28%)

The Pacific Regional Indicative Programme (PRIP) currently has 17 projects being implemented and valued at €68 million under EDF 8 and 9. The projects are presented in Table 9 in Annex I. The regional authorising officer (RAO) of the PRIP is the Forum Secretariat in Fiji. Despite the fact that staff of Regional programs and consultants involved in these projects may inform the NAO and the EC Delegation in Honiara whenever they are on missions, this does not seem enough to ensure sufficiently coordination, complementarities and visibility with other EC actions at national level.

### 3. Assessment of Performance Indicators

Programme/project indicators are defined in respective log frames, but monitoring systems in some of the programme/projects are weak, as well as those conducted by the NAO-PMU. Sector performance indicators in the education sector have been developed in the NZAID/EU/SIG SWAp approach and in the National Education Plan. Sector indicators for the rural development will be developed following the completion of the ARDS. All projects now systematically include an MTR which looks critically at project impact using indicators developed in the log frame presented as part of the financing proposal or IP. MTR's were carried out in 2006 on Stabex 99 (education sector support) and the PMU, and more are foreseen in 2007. The NIP also includes a log frame which can be used to assess overall impact of the programme.

EU programmes/projects have their own output indicators as given in the project intervention frameworks to allow assessment of each project's results and progress.(for example in the logframe for MPP2 at Annex 1 Table 13). Monitoring however is generally weak at both project and NAO-PMU levels (due to workload priorities and capacity constraints). The Phase III NAO-PMU includes the appointment of an M & E Manager and creation of a Monitoring Unit to improve monitoring efforts. This post will work closely with the SIG monitoring systems and will assist in the transfer of know-how. Sector indicators have not been specifically developed, although the education sector has sector targets in the National Educational Action Plan and individual project indicators have been developed for the Stabex 99 educational programme (Table 12 in Annex I). In the rural development sector, Stabex 98 indicators are presented in Table 4, Annex I, which are similar to those in the CSP and further sector indicators are proposed in the ARDS (refer Table 11 in Annex I).

### 4. Donor Coordination and Harmonisation Road Map

Coordination and harmonisation between donors takes place around regular donor meetings. However not all elements of the RAMSI programme are shared at these open meetings. More problematic has been the donor government coordination. Normally there have been high level donor consultations each year in November, and this has provided the opportunity to take stock of progress and constraints, as well as identifying priorities. However no such high level meeting was held in 2006

and was of concern to donors, although lower level SIG/donor meetings have continued. Furthermore there has been a transfer of national planning responsibilities from the Ministry of Planning to the Prime Minister's Office where the necessary expertise has not yet been acquired.

A harmonisation road map has not been prepared for SI. The Paris Declaration has been discussed with the principle donors, Australia, New Zealand and Japan in the monthly donor coordination meetings. However, because of the particular nature of political environment, and the overwhelming presence of RAMSI with a very specific agenda, agreed country specific objectives in relation to harmonisation and alignment have not been formulated. Although on a less formal basis there is close coordination achieved through the regular donor meetings, the specific political agenda of ROC in Solomon Islands means that their programmes cannot be readily aligned to those of other donor partners, and the best that can be achieved is disclosure of information.

Donors have however agreed to a sector approach and in a number of instances to pooled funding which will ensure alignment. In particular, this has been adopted in the agricultural sector where there is joint funding between EU, Aus Aid and the WB, and in the Provincial Governance Support Programme (PGSP) for capacity building in the provinces where pool funding is envisaged between the EU, RAMSI and UN. A sector wide programme is already being implemented in the education sector between SIG, EU and NZAID. A similarly coordinated sector wide approach is envisaged in the transport and infrastructure sector with ADB.

There are no EU member states with cooperation programmes in the Solomon Islands. The UK is the only MS with a diplomatic presence in the country and does always participate in donor meetings. The EU delegation holds regular briefing meetings with the UK to ensure that their political knowledge can be incorporated in cooperation programming and to maximise coherence and harmony in meetings with SIG. They take an active interest in the programmes and attend opening ceremonies whenever possible.

## **5. Dialogue in country with the NAO and NSAs**

There has been close dialogue between the EC and NAO in terms of preparing the MTR and ETR of the 9<sup>th</sup> EDF and the programming of the 10<sup>th</sup> EDF, in addition to routine meetings (sector programmes, Stabex committee, etc). At programme level, the change in government core development strategies have necessitated a higher priority and emphasis to programmes relating to the rural sector. The focal sectors in EDF 9 and Stabex 98 and 99 remain relevant to the new strategy. A CSP and NIP for the 10<sup>th</sup> EDF period (2008-2013) was submitted for approval in December 2006 and took into account the change in government development strategies. This is consistent with past policies, but with an even stronger emphasis on rural development and capacity building. Given the size of the envelope it was recommended that only one focal sector be chosen, sustainable rural development with capacity building to support the intervention. Under the 10<sup>th</sup> EDF, there will also be increasing attention to governance indicators, which will be used to determine the Incentive Tranche.

*NSAs* are in regular dialogue with the EC and in certain projects they are major implementers. However, due to lack of capacity within the NSA sector, the EU is to fund a capacity building project, as well as already incorporating NSA capacity building into some projects. *Local authorities* have very little capacity for implementation due to both funding and manpower constraints and therefore

involvement to date has been minimal. However, the new Provincial Government Strengthening Project, along with government's priority focus, aims at raising capacity at local levels in the provinces.

## 6. Conclusions

*Key political, economic, social and environmental developments over the past year.*

*Political Developments.* After descending into civil unrest between 1999-2003, law and order was restored in July 2003 with arrival of RAMSI, and SIG embarked on a series of reform measures, with the support of RAMSI and donors, to restore law and order, improve governance and commence economic recovery. A peaceful electoral process in April 2006, positively assessed by international observers, was followed by allegations of outside interference in the selection of the PM and led to violent riots on 18/19<sup>th</sup> April and a cross over in parliament, which saw the formation of a coalition of five opposition parties under a new PM, Mr Manasseh Sogavare.

Since then, there have been significant policy changes in government and governance, particularly the formulation of new core policies to resolve underlying governance and economic issues. However differences between SIG and the Australian Government and RAMSI have emerged concerning independence of the judiciary and standards of governance, which has also raised issues on the future presence of RAMSI and rearming the SI Police Force. The EU and other donors have expressed concerns regarding: (i) an apparent decline in standards of governance (the EU has submitted two demarches to SIG in 2006 on this matter), (ii) the security situation, especially if RAMSI is prematurely withdrawn and (iii) lack of consultation with government over its development agenda. Political relations with Australia deteriorated to such an extent that the new government expelled the Australian High Commissioner and later in the year proclaimed Australian Police Commissioner an undesirable immigrant. Relations remain frosty as the Government demands a clear exit strategy for RAMSI. The specific agenda of ROC in Solomon Islands complicates this relationship.

*Economy.* Recovery has continued, with real GDP growth estimated at 6% in 2006 and forecast at 5.5% for 2007, although still dependent on unsustainable logging (exports of which are expected to reach of a record 1.4 million m<sup>3</sup> in 2007) and relatively massive donor support. The impact of the riots and on-going political events may have long term consequences on investor confidence. One of the main problems facing the country is the high population growth rate combined with a lack of capacity to sustainably exploit the agricultural and natural resources. The economy faces major challenges and remains fragile, as the reforms have not sufficiently embraced all stakeholders, especially the rural population.

*Government Development Policies.* In May 2006, the new government produced its long term agenda and set out its policy and implementation strategies in detail in the Policy Framework Document and the Policy Transition and Implementation Document. The strategies aim at the rural population, which constitutes 84% of the population, based on a bottom-up approach, and at building capacity at provincial levels so that benefits will accrue at grass roots level. They represent a comprehensive approach to address poverty, rural livelihoods, unemployment in rural areas and urban drift, and are supported by priorities to improve rural health, education, finance, transport services and to promote the private sector. They are actively supported by the donor community through programmes across



all sectors, particularly the Agricultural and Rural Development Strategy (ARDS) and three other related programmes, the Rural Development Programme (RDP), the Provincial Government Strengthening Programme (PGSP) and the National Transport Fund (NTF), which are seen as the key mechanisms to support the new strategy.

*Social.* Social indicators for SI remain unclear due to lack of data. Government has targeted basic social services and income earning opportunities in rural areas as its core strategy where key priority areas include education and health, transport infrastructure and boosting rural incomes. At this stage, progress has mainly been made in the education indicators, but improvements in health indicators are also expected. A household census carried out in 2006 sheds doubt on the reliability of the last population census (believed to have underestimated). A new census is planned for 2009.

*Environment.* Weak institutions at both national and provincial levels have led to ineffective environmental monitoring and management of natural resources. However, under the new core strategy, management of natural resources by rural stakeholders forms a key part of the ARDS. The major environmental issues include: (i) unsustainable logging practices (aggravated by corrupt practices which undermine good governance in rural areas) that result in widespread adverse environmental impacts on streams, rivers and marine reefs; (ii) inappropriate land use practices due to slash-and-burn and steep-slope farming systems that accelerate land degradation; (iii) unsustainable fishing practices that are depleting valuable and fragile coastal and marine resources; and (iv) increased risk from extreme weather due to climate change, thereby posing threats to food security.

*Progress achieved in poverty reduction.* Poverty has proven difficult to define due to lack of data, especially in relation to subsistence and monetary incomes and lack of agreement on the definition of poverty in the SI context. The impact of the economic growth since 2003 on poverty in rural areas is considered likely to be relatively small to date, as most of the economic growth is due to logging and higher commodity prices little of which filters down to community level. Growth in the agricultural sector in 2006 may have had an impact in certain rural areas, and significant progress is expected as a result of the government's core rural development strategy.

*Efforts in the Refinement of Indicators to Measure Performance in focal sectors* are underway in the education and rural development focal sectors, though problems remain in defining poverty in SI. However, monitoring and sector/programme diagnosis is relatively weak and should be improved with the establishment of a Monitoring Unit in the NAO-PMU and appointment of a TA Monitoring & Evaluation Specialist and provisions for monitoring in the educational and rural development sectors.

*Results in Focal Sectors and Relevant Programmes.* Performance of the EDF and Stabex 98 and 99 programmes has been mixed mainly because cooperation virtually ceased during the tensions. Under the EDF, some good results are expected in the rural development focal sector (marine resources projects), but some projects have been slow to start (MPP2 and MIP2) due to a number of problems in implementation, especially concerning the application of the 9<sup>th</sup> EDF procedures and in obtaining entry visas for Australian/PNG contractor personnel. Under the Stabex 98, good progress has been made in programming new programmes/projects in the forestry sector and some large multi-donor funded programmes in rural development, transport and provincial government strengthening. All these support the new government's core rural development and capacity building strategies to

address underlying problems in SI and should result in long term improvements in rural income generation and poverty alleviation.

In the educational focal sector under Stabex 99 a sector wide approach has made progress towards sector targets, including the MDG targets in education. However, there have been delays in the procurement of services and supplies and difficulties in determining implementation modalities for infrastructure facilities, and weaknesses in monitoring but nevertheless, the foundation has been laid in most of the components Sustainability needs to be given greater attention with the PIU being physically integrated into the MEHRD and there needs to be stronger cooperation between ESIRP partners to strengthen the sector wide approach.

*Involvement of NSAs and Donor Harmonisation/Dialogue.* Coordination and harmonisation between donors takes place around monthly donor meetings. However not all elements of the RAMSI programme are shared at these open meetings. Furthermore the ROC cooperation strategy cannot be aligned with other donors. Even more problematic has been the lack of satisfactory donor-government coordination and there was no high level donor-SIG meeting in November 2006, which is of concern to donors, although lower level SIG/donor meetings have continued.

The Paris Declaration has been discussed in the monthly donor meetings. No specific harmonisation road map has been prepared partly because of the specific nature of the Australia RAMSI cooperation with SI, and because there is no member states with a cooperation programme in SI. Dialogue has continued with the NAO on the reviews of the 9<sup>th</sup> EDF and the programming of the 10<sup>th</sup> EDF. However donors have agreed a sector approach particularly in education, rural development, and transport infrastructure and in a number of instances to pool funding which will ensure alignment. This has been adopted in the agricultural sector, where there is joint funding between EU, Aus Aid and the WB, in the preparation of capacity building in the provinces, where pool funding is envisaged between the EU, RAMSI and UN, and a sector wide programme is already being implemented in the education sector between EU and NZAID. A similarly coordinated sector wide approach is envisaged in the transport and infrastructure sector with ADB. In addition the EU is placing emphasis on integrating the final phases of the PIU and PMU into their respective ministries, the MEHRD and MDPAC.

NSAs make an important contribution to implementation of a number of projects where there is lack of government capacity, especially in remoter rural areas. However NSAs also lack capacity for which an NSA capacity building programme is under preparation.

## I. General Annex

Table 1 Summary of Macro-Economic Indicators

Indicator	2001	2004	2005	2006*	2007**
Population (000)	446	507	534	552	570
Population growth rate	4.4	4.4	4.4	3.4	3.4
GDP per capita (USD)	n/a	572	560	589	599
<b>Growth in Real GDP (%)</b>	<b>-9.0</b>	<b>4.2</b>	<b>5.0</b>	<b>6.2</b>	<b>5.0</b>
Gross capital Formation (% of GDP)	n/a	n/a	n/a	n/a	n/a
External Debt as % of GDP	49	62	54	50	47
External debt service as % of GDP		25	17	n/a	10
Exports as % of GDP		49.2	54	51	48
Main Exports Timber (m3 000)	534	1043	1030	1100	1400
Fish (tons)	17720	27249	23800	29597	25,000
Copra (tons)	1701	21831	27000	19,909	30,000
Cocoa (tons)	2038	4181	4600	3977	5,000
Palm Oil (tons)	-	-	-	5427	23,000
Trade Balance as % of GDP	-11.8	5.0	-11	-16	-16
Government income as % of GDP	23.5	48.9	54.5	53.7	52.1
Government expend. As % of GDP	36.2	40.6	52.2	53.1	51.1
Budget Deficit as % of GDP	-13.3	+8.3	2.3	0.6	1.0
Inflation (% per annum)	7.6	5.6	8.4	9.2	8.0
Exchange Rate (SI \$ to €)	5.0	10.1	9.3	10.0	10.0

Note: GDP/capita figures 2004, 2005 and 2006 readjusted based on revised unofficial population figures refer text below \* Estimate for 2006 with provisional GDP estimate \*\*Forecast for 2007. Sources: CBSI, IMF, HIES.

Table 2 Indicators for the Ten Core MDG Indicators plus Other Social Indicators

Indicator	2000	2003	2004	2005	2006	2015 MDG
% Population below 1\$/day	n/a					50% reduction
% Under 5 yrs underweight	21(1999)					
% Under 5 yrs mortality rate	73 (1999)					66% reduction
Primary education enrolment, % net	88	81	85	93	91	100
Primary education enrolment, % gross	112	103	108	118	117	
Primary completion rate %		30		70	n/a	100
Pupil/ teacher ratio/ primary education		29.8	26.4	26.8	24.9	
Secondary enrolment						
<i>Junior Secondary, net</i>	18.6	27	26	28	29	
<i>Junior Secondary, gross</i>	35	53	51	54	56	
<i>Senior Secondary, net</i>	11	17	18	19	20	
<i>Senior Secondary, gross</i>	11.5	18	19	20	21	
% Junior secondary completion rate		66			n/a	
Ratio boys to girls –						
Primary	0.87	0.88	0.88	0.89	0.87	
Secondary	0.71	0.76	0.78	0.89	0.89	
Tertiary	0.71	0.76	0.76	0.75	0.76	
% births attended by skilled person						
% 1 yr old immunised against measles	55	61				
HIV cases in total population		2	3	5 (8 in 06)		Halt and begin
% popln with access improved water	62 (1999)	62				50% reduction
% popln with access improved sanitn.	23 (1999)					50% reduction
% rural popln with improved water	44 (1999)	52				

Sources: SIEMIS, ADB, SIG MDG Dev Goals Report 2004, MEHRD Digest of Education Statistics 2005, National Health Review 2006 and SI Health Status Assessment 2005.

**Table 3 : Summary of EC-funded Projects & Programmes**

A summary of ongoing and prospective EC-funded projects and programmes as at May 2007 by funding source is set out below :

Funding Source Projects/Programmes	Amount (SBD) <sup>2</sup>	Amount (€)	Status
<b>Stabex 98</b>			
Post Conflict MOU Activities	\$283,700,313	€ 2,897,000	<ul style="list-style-type: none"> <li>• Majority of Activities under Post Conflict MOU 18<sup>th</sup> July 2001.</li> <li>• Subsequent activities include Stabex Audits</li> </ul>
NAO/PMU Phase 2	\$38,975,742	€3,980,000	<ul style="list-style-type: none"> <li>• Ongoing Programme Estimate 2 runs to August 2007</li> <li>• Phase 2 (TA management contract closes May 2007)</li> <li>• Phase 3 will commence in June 2007 – see below)</li> </ul>
Commercialisation of seaweed	\$11,516,450	€1,176,000	<ul style="list-style-type: none"> <li>• IP signed</li> <li>• Ongoing (TA contract with GPA) and Prog Estimate to Sept 2007.</li> <li>• MTR Scheduled for early 2007</li> <li>• Due to close 2008</li> </ul>
Marine infrastructure project – Phase 2	\$78,343,200	€8,000,000	<ul style="list-style-type: none"> <li>• IP signed</li> <li>• Ongoing (Works Contract with Nawae Construction Ltd PNG)</li> <li>• Supervision Contract (Roughtons Ltd). Prog Estimate for rehab of NavAids</li> <li>• Due to close 2007</li> </ul>
Competent authority for sanitary production of fish products	\$9,303,255	€950,000	<ul style="list-style-type: none"> <li>• IP signed</li> <li>• Ongoing (TA contract with GPA)</li> <li>• Lab equipment supply contracts with Bioethic and DRC</li> <li>• Due to close 2008</li> </ul>
Agriculture & Rural Development Strategy (ARDS)	\$88,136,100	€9,000,000	<ul style="list-style-type: none"> <li>• IP signed for ARDS/ ARDP / TARDP – August 2006</li> <li>• Final Document launched April 2007</li> </ul>

<sup>2</sup> Exchange Rate: €1= SBD9.792900

(Source: [http://www.europa.eu.int/comm/budget/inforeuro/index.cfm?fuseaction=dsp\\_html\\_monthly\\_rates&Language=en](http://www.europa.eu.int/comm/budget/inforeuro/index.cfm?fuseaction=dsp_html_monthly_rates&Language=en) January 2007)

Funding Source Projects/Programmes	Amount (SBD)?	Amount (€)	Status
Rural Development Programme (RDP)			<ul style="list-style-type: none"> <li>• Under preparation – with appraisal in May 2007</li> <li>• Submission to World Bank in August 2007</li> <li>• Design contract awarded Dec 06.</li> <li>• Joint funding EU/WB/ AusAid</li> <li>• Due to start late 2007 to end 2010</li> </ul>
Transitional Agriculture & Rural Development Programme (TARDP)			<ul style="list-style-type: none"> <li>• Ongoing (Tender for TA is launched).</li> <li>• Due to start early 2007</li> <li>• Due to close mid 2008</li> </ul>
Sustainable forestry and conservation	\$44,068,050	€4,500,000	<ul style="list-style-type: none"> <li>• IP signed 4 August 2006</li> <li>• TA recruited and starts June 2007</li> <li>• Due to close 2010</li> </ul>
Sustainable forestry plantations	\$43,088,760	€4,400,000	<ul style="list-style-type: none"> <li>• IP signed 23 Oct 2006</li> <li>• PE for KFPL commenced April 2007</li> <li>• Due to close 2010</li> </ul>
Sustainable Rural Transport	\$112,618,350.00	€9,900,000	<ul style="list-style-type: none"> <li>• Draft IP prepared June 2007</li> <li>• Ready for Signature</li> <li>• Start up of PPTA September 2007</li> <li>• Due to close 2010</li> </ul>
PMU Phase 3	\$32,316,570.00	€3,300,000	<ul style="list-style-type: none"> <li>• IP signed 23 Oct 2006</li> <li>• Management contract awarded to SOFRECO</li> <li>• Start up early June 2007</li> <li>• Due to close end June 2010</li> </ul>
Schools Rehabilitation in Tsunami affected Areas	\$19,585,800.00	€ 2,000,000	<ul style="list-style-type: none"> <li>• Rider 2 to FMO 98 including schools in new final draft</li> <li>• Draft IP prepared &amp; awaiting EC's approval</li> <li>• Due to start early August</li> </ul>
	<b>\$ 490,722,219</b>	<b>€ 50,109,000</b>	
<b>Stabex 99</b>			
Education Sector Investment and Reform Programme	\$304,559,190	€31,809,000	<ul style="list-style-type: none"> <li>• Started 2002</li> <li>• Includes Solomons Island College of Higher Education investments</li> <li>• MTR completed November 2006</li> <li>• L/term TA contract awarded (LINPICO) – mobilisation June 2007.</li> <li>• Due to close 2009</li> </ul>
	<b>\$ 304,559,190</b>	<b>€ 31,809,000</b>	

Funding Source Projects/Programmes	Amount (SBD) <sup>2</sup>	Amount (€)	Status
<b>EDF 9</b>			
Micro-projects programme Phase 2	\$55,819,530	€5,700,000	<ul style="list-style-type: none"> <li>• FA signed March 2005</li> <li>• Started end 2005 (TA contract Landell Mills)</li> <li>• Current Prog estimate runs to June 2007</li> <li>• Due to close 2009</li> </ul>
Non state actors	\$15,276,924	€1,560,000	<ul style="list-style-type: none"> <li>• FA signed 23 Oct 2006</li> <li>• TOR / Tender dossier being finalised</li> <li>• Start Sept/Oct 2007</li> <li>• Due to close 2010</li> </ul>
Technical Cooperation Facility	\$12,730,770	€1,300,000	<ul style="list-style-type: none"> <li>• FA signed 2006</li> <li>• Ongoing</li> </ul>
Technical and vocational education and training	\$78,343,200	€8,230,000	<ul style="list-style-type: none"> <li>• FP submitted May 2007</li> <li>• FA approval scheduled July 2007</li> <li>• Start early 2008 Due to close 2011</li> </ul>
Multi-sector disaster preparedness	\$55,000,000	€550,000	<ul style="list-style-type: none"> <li>• FP to be submitted in July 2007 by SOPAC</li> </ul>
Provincial governance strengthening programme	\$44,068,050	€4,600,000	<ul style="list-style-type: none"> <li>• FP submitted by March 2007</li> <li>• Start late 2007 (with UNDP and AusAid)</li> <li>• Due to close 2010</li> </ul>
	<b>\$261,258,474</b>	<b>€21,940,000</b>	
<b>EDF 10</b>			
Sustainable rural development and Capacity building	\$80,000,000	€8,000,000	<ul style="list-style-type: none"> <li>• CSP draft to EC June 2006 with revisions finalised by May 2007</li> <li>• Programming late 2007/early 2008</li> </ul>
Non focal sectors	\$26,000,000	€2,600,000	<ul style="list-style-type: none"> <li>• Implementation period will depend on periods in financing proposals</li> </ul>
Non programmed funds (incentive tranche)	Not Known	Not known	<ul style="list-style-type: none"> <li>• Amount could be up to €10 million but will depend on SI's governance commitments for reform</li> </ul>
	<b>\$106,000,000</b>	<b>€10,600,000</b>	

**Table 4 Logical Framework for Revised STABEX FMO 98**  
(this follows closely the original matrix in the CSP 9<sup>th</sup> EDF)

INTERVENTION LOGIC	OBJECTIVE VERIFIABLE INDICATORS
<b><u>Overall Objectives</u></b>	
Poverty Reduction (see Lomé)	
<b><u>Specific Objective</u></b>	
The enhancement of sustainable rural livelihoods (through support to the rural economy, including improved infrastructure, export commodity competitiveness and greater diversification)	<ul style="list-style-type: none"> <li>➤ Rural household incomes increased in real terms each year through to 2008, and beyond.</li> <li>➤ Improved quality and quantity of rural infrastructure in active use with ongoing and practical arrangements for maintenance and repair in place and operating, including user and community contributions as appropriate.</li> <li>➤ Export earnings from renewable resource products (produced on a sustainable basis) increased to producers and government through enhanced product quality and diversification.</li> </ul>
<b><u>Expected Results (Outputs)</u></b>	
1. Rural income of smallholders increased on a sustainable basis, through support of productive rural sectors, including rural transport, agriculture forestry, and fisheries;	<ul style="list-style-type: none"> <li>➤ Inter-island shipping tonnages increased to at least mid-1990s levels by 2010</li> <li>➤ Private sector led regular inter-island passenger &amp; freight shipping services reaching at least 70% of the rural population and compliant with SI Marine legislation by (date)</li> <li>➤ 7 major wharves and 20 mini-wharves constructed</li> <li>➤ 200 km of rural roads rehabilitated with provincial/community based arrangements for ongoing maintenance. by (date)</li> <li>➤ improved access to markets and information for rural households</li> <li>➤ Mechanisms (including the establishment and operation of a transport trust fund) for the provision of ongoing maintenance and support to rural infrastructure and communications, in place and operating by (date).</li> </ul>
2. Improved sustainability of export earnings from renewable resource commodities secured and increased to both government and producers	<ul style="list-style-type: none"> <li>➤ Renewable resource commodity export earnings for the SI to be based on the principle of long term sustainability of production.</li> <li>➤ Range of SI export commodities from natural resources increased</li> <li>➤ Introduction of modalities (notably enhanced market awareness and monitoring/enforcement) for</li> </ul>



INTERVENTION LOGIC	OBJECTIVE VERIFIABLE INDICATORS
	<p>securing more equitable returns to resource owners</p> <ul style="list-style-type: none"> <li>➤ More effective revenue capture through market awareness, and application of appropriate regulations.</li> </ul>
<p>3. Enhanced sustainable management of the country's natural resources</p>	<ul style="list-style-type: none"> <li>➤ Proportion of export of sustainably-produced forest products increased in relation to overall export of forest products by (date)</li> <li>➤ Long term export markets for fish products secured and based on sustainable catch levels, sound environmental practices and viable processing facilities by (date).</li> <li>➤ Improved production and marketing arrangements for both agricultural and aquacultural commodities with enhanced quality levels in place and operating by (date)</li> <li>➤ Models of sustainable resource management developed, including the conservation of marine and terrestrial biodiversity and key habitats, acceptable to local communities and providing enhanced and sustainable rural household incomes. Objective successfully developed and operating by (date) The development of a conservation and sustainable development endowment fund envisaged as a mechanism to facilitate this objective for the medium/longer term.</li> </ul>
<p>4. Improved in-country management and financial administration of development funds from Stabex.</p>	<ul style="list-style-type: none"> <li>➤ Support to the National Authorising Officer (NAO) to programme, manage and administer STABEX funds provided, to ensure fulfilment of NAO obligations and responsibilities under the Lomé and Cotonou agreements.</li> <li>➤ Government arrangements and competence in programming, managing and administering donor aid funds (and STABEX funds in particular) developed and long term international TA no longer required by 2008.</li> </ul>

Table 5 Allocations and Disbursements to End 2006 (€ million)

Funds source	Amount Allocated	De-Commits /Transfers /Interest	Yr of 1 <sup>st</sup> Disburse	Disbursements							TOTAL	Total Undisbursed
				to 2000	2001	2002	2003	2004	2005	2006		
<b>NIP</b>												
EDF 6	17.0	(0.7)	1998	14.7	1.0	0.2	0.1	0.0			16.0	0.3
EDF 7	20.9	(1.4)	1998	14.8	2.5	1.2	0.6	0.4			19.5	
EDF 8	19.0	(4.8)	2000	1.0	2.2	2.6	3.6	1.5	1.5	0.8	13.2	1.3
EDF 9	14.5	6.6	2003	0	0	0	0	0.1		0.2	0.3	21.0
<b>Total NIP</b>	<b>71.4</b>			<b>30.5</b>	<b>5.7</b>	<b>4.0</b>	<b>4.3</b>	<b>2.0</b>	<b>1.5</b>	<b>1.0</b>	<b>49.0</b>	<b>23.1</b>
<b>SAP</b>	<b>4.2</b>	<b>(2.0)</b>	<b>1998</b>	<b>1.8</b>	<b>0.4</b>	-	-	-			<b>2.2</b>	
<b>STABEX</b>												
EDF 6	31.3			31.3							31.3	
EDF 7	8.1			8.1							8.1	
EDF 8 98 FMO	41.8	7.2			0.6	0.4	1.4	1.5	1.0	2.7	7.6	42.5
EDF 8 99 FMO	29.1	2.3			1.0	1.5	6.3	5.8	3.2	1.5	19.3	12.4
<b>Total Stabex</b>	<b>110.3</b>	<b>9.5</b>		<b>39.4</b>	<b>1.6</b>	<b>1.9</b>	<b>7.7</b>	<b>7.3</b>	<b>4.2</b>	<b>4.2</b>	<b>66.3</b>	<b>54.9</b>
<b>Budget Lines</b>	<b>2.5</b>		<b>2005</b>						0.3	0.2	0.5	2.0
<b>TOTAL</b>	<b>188.4</b>	<b>7.5</b>		<b>71.7</b>	<b>7.7</b>	<b>5.9</b>	<b>12.0</b>	<b>9.3</b>	<b>6.0</b>	<b>5.4</b>	<b>117.8</b>	<b>80.0</b>

Table 6 Total EU Funds Committed and Uncommitted as at end December 2006 (€ million)

Programme Funds	Total Available <sup>3</sup>	Total Committed	Total Uncommitted
Stabex 98	50.1	38.2	11.9
Stabex 99	31.8	25.1	6.7
<b>Total Stabex</b>	<b>81.9</b>	<b>63.3</b>	<b>18.6</b>
EDF 6,7,8,9a	13.4	8.7	4.7
EDF 9b (capacity building) and balances from earlier EDFs	8.7		8.7
<b>Total EDF 6,7,8,9</b>	<b>22.1</b>	<b>8.7</b>	<b>13.4</b>
<b>Total</b>	<b>104.0</b>	<b>72.0</b>	<b>32.0</b>

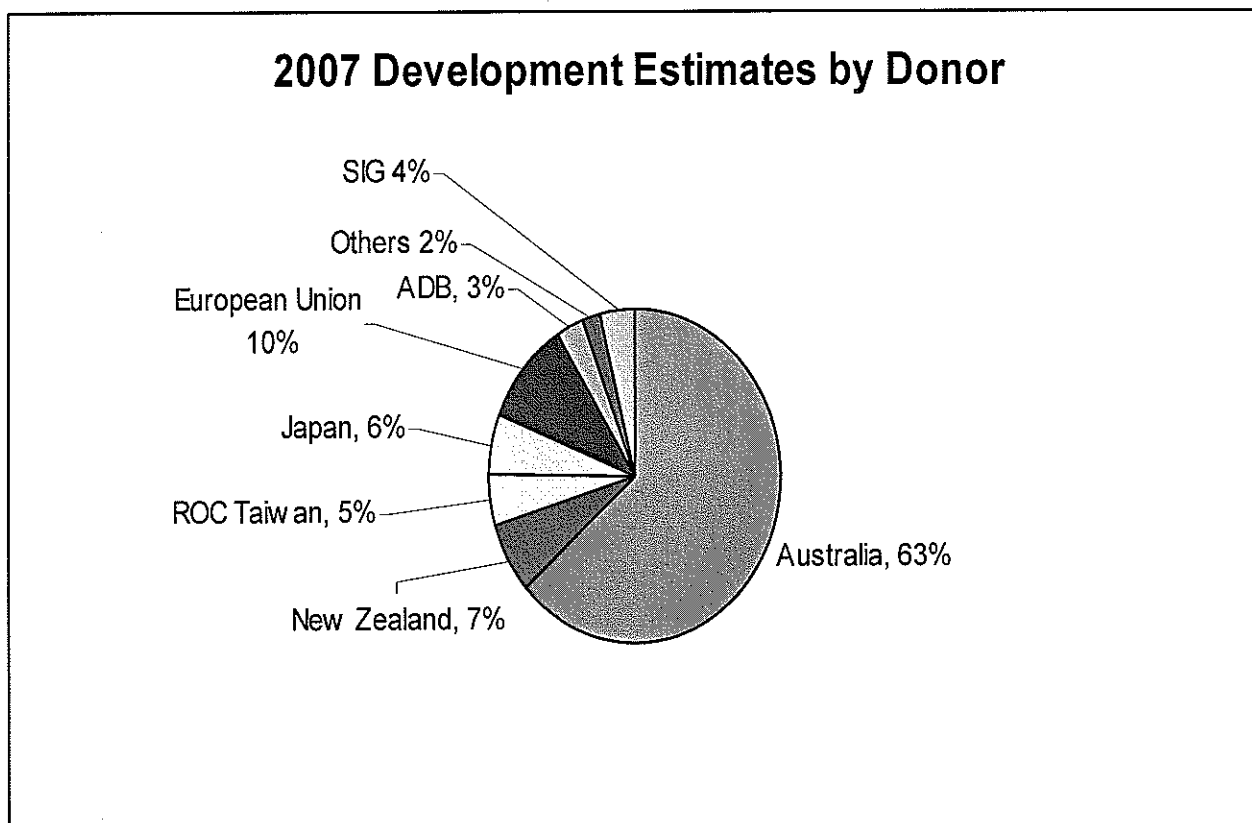
The table above reveals that € 72 million of the total funds available of € 104 million have been committed. This is less than expected and is due to delays in three programmes whose programming has yet to be completed, although should be completed in early 2007.

<sup>3</sup> Stabex includes interest earned to 31<sup>st</sup> Dec 2006

**Table 7 Total Development Funding by Donors and SIG for 2007 (SI \$ million)**

	AUSAID/ RAMSI	NZ	ROC	Japan	EU	ADB	Other s	SIG	Total	%
<b>Total</b>	<b>1364</b>	<b>150</b>	<b>109</b>	<b>116</b>	<b>211</b>	<b>53</b>	<b>55</b>	<b>88</b>	<b>2148</b>	<b>100</b>
%	63	7	5	6	10	3	2	4	100	

Source: SIG Year Draft 2007 Development Estimates: Others include WB, FAO and other UN agencies. ROC includes the RCDF

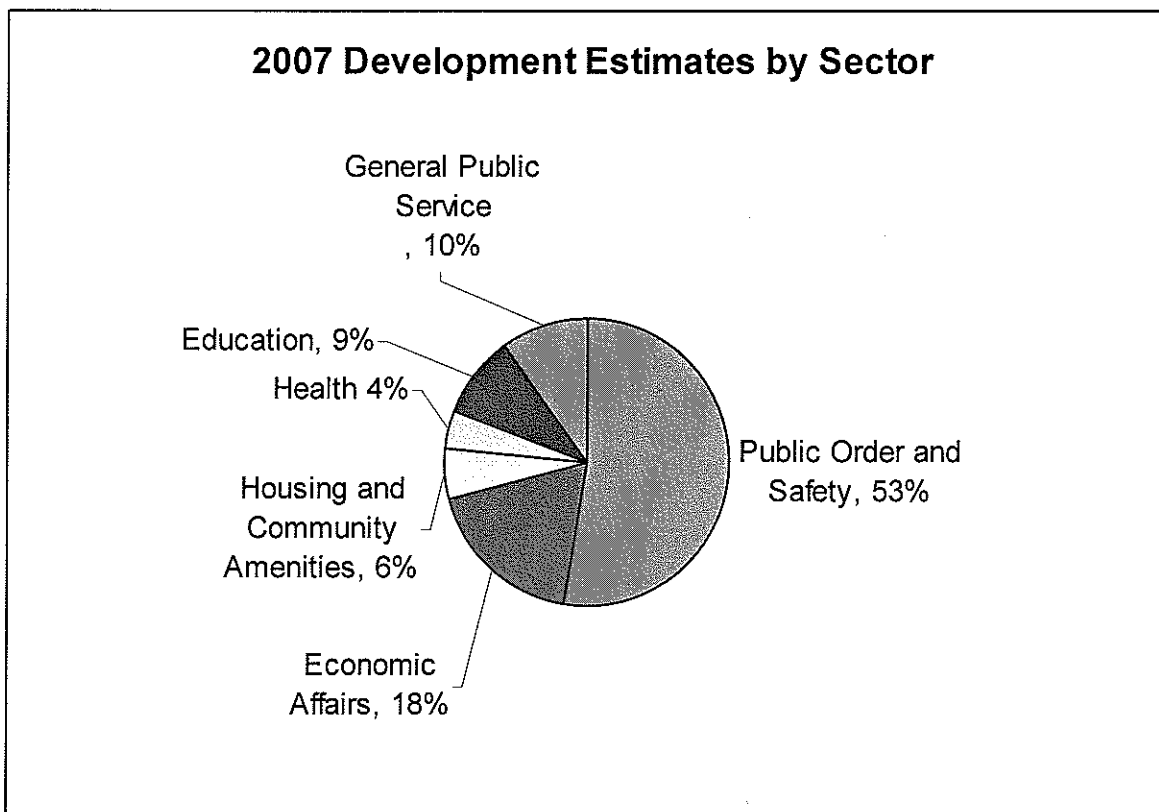


In addition there are consolidated and special funds from by SIG and ROC and amounting in total to SBS\$ 184 million or € 18. 4 million and which focuses mainly on the provinces, although 36% is allocated to national level.

**Table 8 2007 Development Estimates by Sector (SBI \$ million)**

Sector	SBI \$	%
Public Order and Safety	1,087	53
Economic Affairs	382	18
Housing and Community Amenities	134	6
Health	81	4
Education	186	9
General Public Service	217	10
<b>Total</b>	<b>2108</b>	<b>100</b>

Source: SIG Year Draft 2007 Development Estimates:



The dominance of public order and safety at 53% is attributable to RAMSI and the relatively minor allocations to health (4%) and education (9%) are some of the main points arising.

**Table 9 Pacific Regional Programmes**

- |        |  |
|--------|--|
| (i)    | DEVFISH (€3m), which aims to assist Pacific-ACP Countries in the development of tuna fishing so as to raise the benefits to the local fishing industries; it is implemented through the SI based Forum Fisheries Agency (FFA)/Secretariat for Pacific Community (SPC)      |
| (ii)   | PROCFISH, which combines former coastal marine management and an oceanic fishing programme and is assisting the SI fisheries sector  |
| (iii)  | FFA is a multi-donor (AusAID/NZ/EU and others) regional programme based in SI to support member countries fishing industries through advice, surveillance, capacity building, administration of multi-lateral fishing agreements and to provide a useful discussion forum; |
| (iv)   | SOPAC a South Pacific Oceanic Resources project aimed at sub-marine mineral resources,   |
| (v)    | The Foundation of People in the South Pacific International (FSPI) – a multi-donor marine resources and coastal communities targeted programme, which was completed in 2005.   |
| (vi)   | DSAP a regional agricultural programme for developing sustainable agriculture,   |
| (vii)  | South Pacific Tourism Programme,   |
| (viii) | South Pacific Regional Environmental Programme (SPRET),  |
| (ix)   | Pacific Regional Development of Education (PRIDE) and  |
| (x)    | Pacific Environment Information Network (PEIN) for 3 years to establish environmental information networks across all ACP Pacific countries.   |

**Table 10 Progress with the Main Large Scale Private Sector Enterprises in SI**

- **The Guadalcanal Plains Palm Oil Ltd (GPPOL)**, which was shut down during the height of the ethnic tensions in 1998/99, re-opened in April 2005 and is the first palm-oil estate to restart with sales in 2006 and it is forecast to increase progressively over the next 10 years to reach over 50,000 tons by 2015.
- **The Goldridge mine** in Guadalcanal has still not reopened since closing in June 2001, although the Manager expects it to reopen in early 2008, following review of various factors including viability due to high fuel costs as the extraction process uses large amounts of energy. Investigations are being conducted on the possibility of building a hydro-dam with WB funds which, in conjunction with energy produced from locally grown palm oil, could reduce future energy costs. Land disputes and labour difficulties are also factors yet to be resolved.
- A significant **nickel-cobalt deposit** in the Bugotu region of Isabel province has been under exploration for some time.
- **The Russell Island Plantation Estates Ltd (RIPEL)**, a coconut plantation, has not recommenced due to a long lasting strike and land disputes with complex origins. It has been suggested by some observers that changing to a smallholder model from a corporate model may be the solution for an area which has the potential to reach 7,000 tonnes per annum by 2015.
- **The Auluta Palm Oil Project** on Malaita has been officially launched to establish both a nucleus commercial estate and a 10,000 ha out-growers scheme to be developed later and will bring much needed development to Malaita. Actual development has not yet started.
- **The KFPL Forestry Plantation** in Western Province where an additional rehabilitation/replanting project, supported under Stabex 98 in conjunction with EIB and another private investor, was agreed at the end of 2006.
- **The Soltai Cannery** in Western Province, has obtained, through assistance from an EU-TA input, a commercial bank (ANZ) loan for about SI \$ 35 million to upgrade/expand its tuna processing capacity and storage facilities. In addition, an international fish marketing company, Tri Marine Ltd, has provided a loan for USD 1 million for the installation of new cannery lines in a new agreement with National Fisheries Development (NFD) Ltd (to catch), Soltai (to process) and Tri Marine (to market) that will increase export of frozen tuna for canning in Europe by approx 30 tons/month increasing to 55 ton/month.

**Table 11: Proposed Key indicators for the ARDS**

Objective	Indicator
Improved local governance and service delivery	<ul style="list-style-type: none"> <li>• Increase in resources for rural development, including by sector and by province;</li> <li>• Increase in resources of provincial governments</li> <li>• Number of provinces with annual development plan funded by budget</li> <li>• Number of villages with funded village development plan</li> <li>• Access to key infrastructure and services by province</li> <li>• No. businesses registered by province</li> <li>• Share of donor resources through government systems</li> </ul>
More inclusive growth	<ul style="list-style-type: none"> <li>• Rural incomes (baseline: 2006 Households survey)</li> <li>• Agricultural productivity (key commodities)</li> <li>• Cost of telecommunications in the provinces</li> <li>• Access to ICT in the provinces (no. and cost)</li> <li>• No. bank loans for rural entrepreneurs and value</li> </ul>
Sustainable natural resources management	<ul style="list-style-type: none"> <li>• Coastal areas under local management plans</li> <li>• Log export monitoring (percent/target)</li> <li>• Tuna catch monitoring (percent/target)</li> </ul>

<b>Table 12: Summary of the Expected Output and Progress to Date of the Stabex 99 Education Programme</b>		
<b>Programme / Result Areas</b>	<b>Output Indicators</b>	<b>Progress (as of October 2007)</b>
1 Secondary School Grants	Efficient disbursement of grants to the secondary schools, and training in financial procedures delivered at school and provincial level. Transfer of accounting system to MEHRD.	-186 secondary schools up to date with quarterly grants and last disbursements retired. -450 Principals, Bursars and school committee chairpersons trained. -Exit Strategy for transfer agreed. -10 provincial accountants for decentralised operations hired
2 National Secondary School Infrastructure Programme. Significant infrastructure provision and improvement in secondary schools.	Support for the development of procedures to support school infrastructure improvement – 20 schools in Phase 1 (pilot) and 40 schools in Phase 2 plus preparation of an implementation plan for support to remaining 72 schools Development and implementation of a National Schools Maintenance Programme	Phase 1 :24 schools with major projects completed Phase 2 ; Minor Capital Works Programme implemented with 15 completed and 105 on going: classrooms and staff houses in remote areas.
2 Textbooks. Quality of Learning through the provision of textbooks for secondary schools	Procurement of 140,000 text books for 140 secondary schools	140,000 secondary text books procured and distributed
3 Support to Curriculum Development	Revision of the primary and secondary education curricula; CDC capacity building.	Curriculum Review on going. Capacity Building agreement with Pearson/Longman signed.
4 Support for Technical & Vocational Education & Training. Major programme for TVET designed and initial implementation of TVET policy into formal/non-formal started	Consultancy support to develop Phase 3 of EU assistance to TVET Bridging support for post-Phase 2 Support to selected TVET interventions as a result of recommendations of Phase 3 planning in advance of Phase 3 start-up.	Consultancy completed and EDF 9 TVET programme Financing Agreement for Euro 8.6 millions signed. SIARTC supported and pre-TVET programme activities ongoing. Expansion of Vanga Teachers College agreed and design/BQ completed.
5 Institutional Strengthening: Capacity at National HQ and Provincial Education Offices ( <i>ESIRP Work Programme No 1</i> )	Support to Provincial Capacity Building Programme Support to SIEMIS Equipment and infrastructure support to selected Provincial Education Offices Reorganization and renovation of MEHRD offices Policy development (including Review of Education Act) and local consultancy fund. Staff development and in-service training	Joint MEHRD/Stabex 99 provincial grant programme on going in 9 provinces with 2006 grants retired and 2007 work programmes approved. -7 Provincial Education Offices renovated. - 17 boats and outboard motors distributed to provinces.
6 Distance and flexible learning. Distance and flexible learning programmes established in	Policy development for a distance and flexible education	5 Distance Learning Centres online, 4 being completed at the moment.



<b>Table 12: Summary of the Expected Output and Progress to Date of the Stabex 99 Education Programme Progress (as of October 2007)</b>		
<b>Programme / Result Areas</b>	<b>Output Indicators</b>	<b>Progress (as of October 2007)</b>
rural areas	Support for the Distance Learning Centres Project	
<b>7. Strengthening of tertiary institutions</b> tertiary institutions in Solomon Islands strengthened and improved.	Tracer studies for SICHE and USP/PNG students Local cost support to National Skills Survey (WB) and dev of National Training and HRD Plan Scholarships for 9 medical students Develop and supervising the restructuring of SICHE (TA support, academic review, IT procurement, redundancy programme)	- National Skills Training Plan completed. - SICHE Management restructuring on going. - 50 employees retired under Redundancy Programme.
<b>8 Sector Programme Management and Support.</b> Ongoing sector programme management and coordination effectively delivered	Support to Sector Coordination Office and sector management process Public relations and advocacy	Sector co-ordination supported; - National Education Action Plan 2007-09 produced. - Education Strategic Framework 2007 -15 produced. 4 ESCC meetings held and Annual Monitoring tour.

Table 13: Programme LOGICAL FRAMEWORK MPP2

Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions & Risks
<p><b>Overall Objectives:</b></p> <ol style="list-style-type: none"> <li>Contribute to decrease tensions between the communities and therefore stabilise the political situation</li> <li>Participate in the improvement of the GDP per capita up to the 1999 figures</li> <li>Reverse the migration to urban centres, primarily Honiara and therefore decrease the concomitant urban unemployment rates</li> </ol>	<ul style="list-style-type: none"> <li>Reduced urban drift</li> <li>Increased access and quality of health and education in rural areas</li> <li>Increased per capita income in rural areas</li> <li>Gender disaggregated data showing decrease in gender inequality for above social and economic indicators</li> </ul>	<ul style="list-style-type: none"> <li>Progress reports</li> <li>MIS</li> <li>GDP statistics</li> <li>Unemployment statistics</li> <li>Household surveys and income statistics</li> <li>Gendered Early Warning reports</li> <li>Baseline surveys CSP</li> </ul>	<ul style="list-style-type: none"> <li>No major shocks to the economy</li> <li>Motivation and commitment from Government of SI</li> <li>Newly elected government stays in power for its term</li> <li>No repetition of the tensions of 1999-2003</li> <li>No major cyclones</li> </ul>
<p><b>Project Purpose:</b></p> <p>To provide rural communities with greater access to improved social services and to sources of cash income.</p>	<ul style="list-style-type: none"> <li>Increased access and quality of health and education services in rural areas</li> <li>Increased per capita income in rural areas</li> <li>Increased access to business development services in rural areas</li> <li>Gender disaggregated data showing decrease in gender inequality for above social and economic indicators</li> </ul>	<ul style="list-style-type: none"> <li>Progress reports</li> <li>MIS</li> <li>GDP statistics</li> <li>Household income and expenditure statistics</li> <li>Gendered Early Warning reports</li> </ul>	<ul style="list-style-type: none"> <li>No major shocks to the economy</li> <li>Motivation and commitment from rural communities</li> <li>Sufficient TA made available</li> <li>Timely disbursement of programme resources</li> </ul>
<p><b>Project Results:</b></p> <ol style="list-style-type: none"> <li>Selected NSAs with improved capacity to plan and implement rural development activities</li> </ol> <ol style="list-style-type: none"> <li>Increased access to improved social service delivery and maintenance</li> </ol>	<ul style="list-style-type: none"> <li>200 micro projects completed by end of Phase II</li> <li>70% of micro-projects implemented by NSAs</li> <li>85% of contracted NSAs achieved expected results of service contract</li> <li>150 communities with improved access and quality of social services</li> </ul>	<ul style="list-style-type: none"> <li>PSC Endorsed Operational Manual</li> <li>Signed End of Project reports</li> <li>Service Contracts</li> <li>MIS</li> <li>Mid term review</li> <li>Final review</li> <li>Project report</li> <li>MIS</li> <li>Mid term review</li> <li>Final review</li> </ul>	<ul style="list-style-type: none"> <li>Project staff and logistical support available</li> <li>Availability of adequate number of NSAs</li> <li>Motivation and commitment from relevant government agencies, NSAs and rural communities</li> </ul>

<p>3. Sustainable income generating activities identified and operating</p> <p>4. Youth, Women and Cultural and Sporting organisations competent to plan and implement activities on a more financially sustainable basis</p>	<ul style="list-style-type: none"> <li>• 400 entrepreneurs with improved access and quality of Business Development Services and financial services</li> <li>• 100 MEs incubated at end of Phase II</li> <li>• 33 % of supported enterprises with a sustainable improvement in income at the end of Phase II</li> <li>• 40 organisations with increased capacity to plan and fund their core activities</li> </ul>	<ul style="list-style-type: none"> <li>• Project report</li> <li>• MIS</li> <li>• Mid term review</li> <li>• Final review</li> <li>• Ex-post Impact Assessment</li>   <li>• Project report</li> <li>• MIS</li> <li>• Mid term review</li> <li>• Final review</li> </ul>	
<b>Project Activities:</b>			
<b>Result 1</b>			
1.1. Develop and implement effective screening, appraisal, monitoring and evaluation procedures	<ul style="list-style-type: none"> <li>• By end of the inception phase Operational Manual developed and refined during the first Work Programme</li> </ul>		<ul style="list-style-type: none"> <li>• Project staff and logistical support available</li> </ul>
1.2. Design, and train staff to maintain, a computer based MIS	<ul style="list-style-type: none"> <li>• By the end of the inception phase MIS operational and refined during the first Work Programme</li> </ul>		<ul style="list-style-type: none"> <li>• Availability of NSAs</li> </ul>
1.3. Train staff to a level of competency to implement improved programme management systems and strategies	<ul style="list-style-type: none"> <li>• MPO staff and 10 implementation partners (NSAs) trained in processes by end of Phase II</li> </ul>		<ul style="list-style-type: none"> <li>• Motivation and commitment from relevant government agencies, NSAs and rural communities</li> </ul>
1.4. Improve coordination with relevant government agencies and donor activities	<ul style="list-style-type: none"> <li>• 200 micro projects approved and completed by end of Phase II</li> <li>• Active participation in coordination and advisory groups at national and provincial levels</li> </ul>		
1.5. Identify and contract agents to assist in MPP management and the provision of technical training and services	<ul style="list-style-type: none"> <li>• 10 implementation partners (NSAs) contracted by end of Phase II</li> </ul>		
1.6. Monitor and support agents development of training curricula and service provision	<ul style="list-style-type: none"> <li>• TOTs undertaken for staff of 8 partners by end of first Work Programme</li> <li>• 150 participant communities have established management committees,</li> </ul>		

<p>1.7. Facilitate training and ongoing support for community based organisations, e.g. school and health management committees, and to entrepreneurs and associations</p>	<p>trained in management and maintenance of social and economic infrastructure by end of Phase II</p> <ul style="list-style-type: none"> <li>• 400 entrepreneurs received business-relevant training and other business development services</li> <li>• Results of sub-sector analyses, participatory value chain analyses and feasibility studies made available to 400 entrepreneurs and 10 producers and marketing associations</li> <li>• 30 rural production and marketing training workshops conducted by end of Phase II</li> </ul>	
<p><b>Result 2</b></p>		
<p>2.1. Provide grants for communities to plan, construct and maintain improved community infrastructure</p>	<ul style="list-style-type: none"> <li>• 40 water and sanitation systems constructions completed by end of Phase II</li> </ul>	<ul style="list-style-type: none"> <li>• Project staff and logistical support available</li> </ul>
<p>2.2. Develop a rural construction and maintenance capacity</p>	<ul style="list-style-type: none"> <li>• 10 health infrastructure constructions completed by end of Phase II</li> <li>• 40 education infrastructure constructions completed by end of Phase II</li> <li>• 30 community and economic infrastructure constructions (such as community centres, market places) completed by end of Phase II</li> </ul>	<ul style="list-style-type: none"> <li>• Availability of NSAs</li> <li>• Motivation and commitment from rural communities</li> <li>• Completion of strategic plans by relevant government agencies</li> </ul>
<p>2.3. Train communities in health and sanitation awareness</p>	<ul style="list-style-type: none"> <li>• Demonstrations on alternative power sources supported in 10 communities by end of Phase II</li> </ul>	
<p>2.4. Establish and develop demonstrations on alternative energy sources at the community level</p>	<ul style="list-style-type: none"> <li>• 150 participant communities trained in management and maintenance of social and economic infrastructure by end of Phase II</li> <li>• Artisans from 150 participant communities trained by end of Phase II</li> </ul>	
<p><b>Result 3</b></p>		
<p>3.1. Facilitate the provision of training, matching grants and other relevant business development services for existing and established micro enterprises (MEs)</p>	<ul style="list-style-type: none"> <li>• 100 MEs incubated by end of Phase II</li> <li>• 30 rural production and marketing training workshops conducted by end of Phase II</li> </ul>	<ul style="list-style-type: none"> <li>• Project staff and logistical support available</li> <li>• Availability of NSAs</li> </ul>
<p>3.2. Facilitate improved knowledge and application for production and marketing with producers, traders, exporters and buyers</p>	<ul style="list-style-type: none"> <li>• 10 producers and marketing associations supported by end of Phase II</li> <li>• 15 savings and credit organisations (Credit Unions, Village Savings and Credit Associations) trained in management and operations</li> <li>• On-farm trials for sustainable agricultural production supported in 20 communities by end of Phase II</li> </ul>	<ul style="list-style-type: none"> <li>• Motivation and commitment from relevant government agencies, NSAs and rural communities</li> </ul>
<p>3.3. Facilitate support for the development of producer and marketing associations and their capacity</p>		

<p>3.4. Facilitate capacity building of savings and credit organisations</p>			
<p>3.5. Establish and develop on-farm trials for sustainable agricultural production</p>			
<p><b>Result 4</b></p>			
<p>4.1 Identify and support youth, women and cultural and sporting organisations</p>			
<p>4.2. Facilitate training in management and financial sustainability for youth, women, cultural and sporting organisations</p>			
<p>4.3. Provide grants to selected youth, women, cultural and sporting organisations.</p>		<ul style="list-style-type: none"> <li>• 60 organisations trained and financially supported out of which 40 have a management committee operational to plan and raise funds for their core activities</li> </ul>	<ul style="list-style-type: none"> <li>• Project staff and logistical support available</li> <li>• Availability of NSAs</li> <li>• Motivation and commitment from youth, women and cultural organisations and networks</li> </ul>

**ANNEX II. Annexes with a Retrospective Character  
FINANCIAL SITUATION FOR 6<sup>th</sup>, 7<sup>th</sup> 8<sup>th</sup> & 9<sup>th</sup> grants**

Financial situation for 6th, 7th, 8th & 9th EDF grants (in EURO)

NIP (total)	Primary commitments				Secondary commitments				Disbursements				Total						
	Before 2003	2003	2004	2005	2006	Total	Before 2003	2003	2004	2005	2006	Total		Before 2003	2003	2004	2005	2006	Total
unused bal b/f	597,596				597,596		597,596						597,596						597,596
6th EDF (17,000,000)	16,454,233	-119,254		-134,931	-232,911	16,086,399	-11,846	-26,203	-7,292	-176,127	16,086,399	74,782	28,409	-7,123					16,086,399
7th EDF (20,900,000)	20,365,044	-119,254		-789,876	108,162	19,564,076	307,519	5,398	-1,313	-184,458	19,564,011	606,318	368,968	-19,862					19,518,004
8th EDF (19,000,000)	14,274,018	394,509		-188,831		14,479,696	4,251,765	-446,177	757,542	529,925	14,564,309	3,561,421	1,410,304	1,833,258	774,436				13,505,739
9th EDF (14,500,000)	81,000	81,000		1,292,301	1,661,542	2,734,843	38,449	-8,542	529,850	2,131,426	2,691,183	73,301	42,855	198,091					314,247
<b>Sub-total</b>	<b>51,690,891</b>	<b>356,255</b>	<b>5,700,000</b>	<b>178,063</b>	<b>959,197</b>	<b>58,865,006</b>	<b>4,585,887</b>	<b>-475,524</b>	<b>1,278,787</b>	<b>1,703,180</b>	<b>52,681,893</b>	<b>4,242,721</b>	<b>1,881,182</b>	<b>1,849,128</b>	<b>1,005,061</b>				<b>50,022,027</b>
SAP																			
8th EDF	4,200,000					4,200,000					2,189,000								2,189,000
<b>Sub-total</b>	<b>4,200,000</b>					<b>4,200,000</b>					<b>2,189,000</b>								<b>2,189,458</b>
<b>Commitments to joint account EU/ACP</b>																			
<b>Commitments (same as primary one)</b>																			
<b>Disbursements to joint account EU/ACP</b>																			
STABEX																			
6th EDF	31,268,104					31,268,104					31,268,104								31,268,104
7th EDF	8,097,193					8,097,193					8,097,193								8,097,193
8th EDF	71,171,189					71,171,189					71,171,189								71,171,189
<b>Sub-total</b>	<b>110,542,486</b>					<b>110,542,486</b>					<b>110,542,486</b>								<b>110,542,486</b>
<b>Commitments (same as primary one)</b>																			
<b>Disbursements</b>																			
EIB																			
6th EDF	2,000,000					2,000,000					2,000,000								2,000,000
7th EDF	1,929,500					1,929,500					1,929,500								1,929,500
8th EDF	3,929,500					3,929,500					4,000,000								3,299,500
<b>Sub-total</b>	<b>7,859,000</b>					<b>7,859,000</b>					<b>7,929,500</b>								<b>7,229,000</b>
<b>Commitments (same as primary one)</b>																			
<b>Disbursements</b>																			
Budget lines																			
Before 2003	2,104,578					2,104,578					2,104,578								2,104,578
Sub-total	2,104,578					2,104,578					2,104,578								2,104,578
<b>OVERALL TOTAL</b>	<b>179,467,455</b>	<b>356,255</b>	<b>5,700,000</b>	<b>2,728,663</b>	<b>959,197</b>	<b>182,191,570</b>	<b>1,644,252,637</b>	<b>-475,524</b>	<b>3,828,787</b>	<b>3,828,787</b>	<b>174,067,957</b>	<b>159,170,957</b>	<b>4,242,721</b>	<b>1,881,182</b>	<b>2,127,128</b>	<b>1,005,061</b>			<b>168,427,049</b>

Actual payments for STABEX projects

	Before 2003	2003	2004	2005	2006	(committed in 2006)
EDF 6 and 7	39,359,599	5,698				
EDF 8	3,267,603	8,030,043	7,125,434	4,332,634	4,224,754	2,721,071
<b>TOTAL</b>	<b>42,627,202</b>	<b>8,035,741</b>	<b>7,125,434</b>	<b>4,332,634</b>	<b>4,224,754</b>	<b>2,721,071</b>

balance of FMO 86-93 and 94-95  
FMO 98 signed end 2000, FMO 99 signed July 2001 (incorporating FMO 86-93 and 94-95 for the year 2002)

(NIP, SAP, EIB, budget lines + STABEX)

# COMMITMENTS & PAYMENTS IN 2006

## STABEX

### Commitments and Payments from Stabex Projects for 2006

all figures in Euro

Project Number	Project Name	TOTAL FMO / Implementation Protocol	SECONDARY COMMITMENTS (CONTRACT & WORK PROGRAMMES)			PAYMENTS			Balance of FMO Un-committed to Projects	Balance Un-disbursed
			Cumulative start 2005	Cumulative end 2006	Contracts in 2006	Cumulative start 2005	Cumulative end 2006	Payments in 2006		
<b>FMO 1998</b>			<b>41,820,222</b>							
Interest (3 other) to 31 Dec. 2006			<b>5,289,784</b>							
total available			<b>50,109,006</b>							
<b>sub-total</b>			<b>38,221,763</b>	<b>12,740,941</b>	<b>5,141,457</b>	<b>4,977,237</b>	<b>7,695,025</b>	<b>2,717,768</b>	<b>29,075,281</b>	<b>5,045,916</b>
STABEX 99/001	NAO / PMU Support (Agritor)	35,471	35,471	35,471	378,094	35,471	35,471	578,259		1,240,410
STABEX 99/002	NAO / PMU Phase 2 (Agrisystems & PE)	3,945,185	3,657,091	3,645,185		2,125,516	2,704,775			
STABEX 99/003	STTA Solid	22,314	22,314	22,314		22,314	22,314			
STABEX 99/004	Multi-Donor Economic Governance	65,784	65,784	65,784		65,784	65,784			
STABEX 99/005	Microprojects - Agr	2,205,902	2,362,147	2,205,902	(156,245)	2,205,902	2,205,902	(2)		
STABEX 99/006	Support to MIVYCA	16,133	16,133	16,133		207,024	205,902	(1,928)		1,928
STABEX 99/009	Densification of Special Constables	42,264	42,264	42,264	(5,913)	207,024	205,902	(1,928)		
STABEX 99/013	Sanitary Production of Fish Products	1,176,500	838,104	1,111,186	273,084	129,532	571,842	441,810	539,546	
STABEX 99/012	Marine Infrastructure Project Phase 2	8,000,000	850,000	878,413	522,924	432,693	377,728	455,720	2,672,483	
STABEX 99/020	Transport Trust Funds Review	180,396	92,740	180,396	3,466,077	180,396	108,238	108,238	72,168	
STABEX 99/014	25 Audits	9,000,000	92,740	92,740	180,396	92,740	29,077	29,077	63,883	
STABEX 99/018	Agric & Rural Development Strategy	4,500,000	4,500,000	4,500,000	380,000	380,000	380,000	380,000		
STABEX 99/021	Forestry Plantations	4,500,000	4,500,000	4,500,000						
STABEX 99/022	NAO / PMU Phase II	3,300,000								
<b>balance un-committed</b>			<b>11,887,243</b>	<b>25,187,089</b>	<b>(2,420,386)</b>	<b>17,777,017</b>	<b>19,367,180</b>	<b>1,505,886</b>	<b>6,622,574</b>	<b>5,819,909</b>
<b>FMO 1999</b>			<b>29,173,978</b>							
Interest to 31 Dec. 2005			<b>2,635,865</b>							
total available			<b>31,809,863</b>							
<b>sub-total</b>			<b>25,187,089</b>	<b>13,479,446</b>	<b>(7,953)</b>	<b>1,347,946</b>	<b>1,347,946</b>	<b>1,347,946</b>		
STABEX 99/001	Secondary School 2002	1,347,946	1,347,946	1,347,946		1,347,946	1,347,946			
STABEX 99/002	Secondary School 2003	1,434,819	1,434,819	1,434,819	(106,917)	1,327,702	1,327,702			
STABEX 99/003	TA Education, Dalgarno	694,396	694,396	694,396	65,040	471,475	602,702	130,652	92,771	
STABEX 99/004	Stabex Education PU Admin YRP	1,137,570	1,137,570	1,137,570	(86,235)	886,617	1,064,122	175,505	73,448	
STABEX 99/005	Emergency Funding Tertiary Students - Current Students	1,026,840	1,026,840	1,026,840	(610,267)	1,637,107	1,026,840	(610,267)		
STABEX 99/006	Emergency Funding Tertiary Students - Arrears	3,886,481	3,886,481	3,886,481	610,267	3,276,214	3,886,481	610,267		
STABEX 99/007	SICHE - Support & Re-Structuring 2002/03	613,967	613,967	613,967	1	613,969	613,967	(2)		
STABEX 99/008	SICHE Restructuring Phase I	1,181,241	1,181,241	1,181,241	32,507	901,613	1,181,241	279,628		
STABEX 99/009	Tertiary Students 2004	1,462,811	1,462,811	1,462,811		1,370,170	1,351,112	(3,059)	95,699	
STABEX 99/010	ESRP - Education Materials	4,018	4,018	4,018		4,018	4,018			
STABEX 99/011	ESRP - Education Infrastructure	319,273	1,884,135	1,884,135	(1,545,882)	87,253	91,918	(604,922)		
STABEX 99/012	Secondary School Building	1,884,135	1,884,135	1,884,135	(890,183)	1,033,952	919,666	(67,563)		
STABEX 99/013	Secondary School Building 2004	1,211,487	1,211,487	1,211,487	(1,181,533)	1,218,704	1,211,487	(1,257)		
STABEX 99/014	Education Sector Coordinator	396,034	396,034	396,034		95,646	211,842	115,008	184,380	
STABEX 99/015	Tertiary Students 2005	379,272	535,486	379,272	(156,214)	291,055	379,272	88,217		
STABEX 99/017	Secondary School 2005	1,874,428	1,874,428	1,874,428	(50,185)	993,891	1,218,160	224,266	456,288	
STABEX 99/018	GPE 2005/06	5,617,738	5,617,738	5,617,738	164,692	1,131,525	1,768,893	637,368	3,848,345	
STABEX 99/022	TA Learning	197,857	197,857	197,857	65,857	67,289	125,019	57,930	74,938	
STABEX 99/023	4 LTTA CDC & SICHE	1,581,846	1,581,846	1,581,846	149,534	277,832	854,043	378,411	927,803	
STABEX 99/024	Mid Term Review	149,534	149,534	149,534			85,177		66,357	
<b>balance un-committed</b>			<b>6,622,574</b>	<b>149,534</b>	<b>(2,420,386)</b>	<b>17,777,017</b>	<b>19,367,180</b>	<b>1,505,886</b>	<b>6,622,574</b>	<b>5,819,909</b>

Source: Stabex encl. 2006

**EDF 9**

**Commitments and Payments from EDF Projects in 2005 (NIP, SAP & EIB)**  
*(All figures in Euro)*

Project Number	Project Name	PROJECT ALLOCATION	SECONDARY COMMITMENTS (CONTRACTS & WORK PROGRAMMES)				PAYMENTS			Balance Un-committed to Projects	Balance Un-disbursed	
			Cumulative start 2005	Cumulative end 2005	Contracts in 2005	Cumulative end 2005	Cumulative start 2005	Cumulative end 2005	Payments in 2005			
<b>9th EDF National Indicative Programme</b>		<b>14,500,000</b>										
	Envelope A:	6,700,000										
	Transferred from earlier EDFs (6.7.8)	8,645,087										
		<b>13,345,087</b>										
	sub-total allocated / committed / disbursed	<b>7,073,301</b>	<b>73,851</b>	<b>603,401</b>	<b>629,850</b>	<b>73,301</b>	<b>1,16,186</b>	<b>42,885</b>	<b>6,469,900</b>	<b>487,215</b>		
9SCL01	Non State Actors	38,159	38,159	38,159	(250)	38,159	38,159	0	38,159	0		
9SCL02	Structural Adjustment - closure audit	35,102	35,102	35,102	0	35,102	35,102	0	35,102	0		
9SCL03	Micro-Projects Programme	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	42,885	5,169,900	487,215		
9SCL04	Technical Cooperation Facility	1,300,000	1,300,000	1,300,000					1,300,000			
	balance remaining	<b>6,271,736</b>										
	EDF 9 un-committed - Envelope B:	<b>7,800,000</b>										

**SUMMARY OF CARRIED FORWARD BALANCES FROM 6th, 7th & 8th NIP, SAP & EIB**

PROJECT ALLOCATION	SECONDARY COMMITMENTS (CONTRACTS & WORK PROGRAMMES)				PAYMENTS			Balance Un-committed to Projects as at 31 Dec 2005	Balance Un-disbursed
	Cumulative start 2005	Cumulative end 2005	Contracts in 2005	Cumulative end 2005	Cumulative start 2005	Cumulative end 2005	Payments in 2005		
<b>6th EDF National Indicative Programme (after transfers)</b>	<b>16,319,302</b>	<b>16,282,516</b>						<b>59,091</b>	<b>176,125</b>
Per OAS 31 December 2005	16,320,609								
Outstanding disbursements									
balance available	<b>1,306</b>							<b>59,091</b>	<b>176,125</b>
<b>7th EDF National Indicative Programme (after transfers)</b>	<b>19,456,914</b>	<b>19,748,478</b>						<b>368,217</b>	<b>262,948</b>
Per OAS 31 December 2005	20,136,695								
Outstanding disbursements									
balance available	<b>689,781</b>							<b>368,217</b>	<b>262,948</b>
<b>8th EDF National Indicative Programme (after transfers)</b>	<b>14,479,696</b>	<b>13,810,276</b>						<b>689,320</b>	<b>1,079,071</b>
Per OAS 31 December 2005	14,479,696								
Outstanding disbursements									
balance available	<b>0</b>							<b>689,320</b>	<b>1,079,071</b>
<b>Other 8th EDF (Structural Adjustment Support) - after fifs</b>	<b>2,180,459</b>	<b>2,180,459</b>						<b>0</b>	<b>814,178</b>
Structural Adjustment Programme (SASP 1.1999/2000)	2,180,459								
Outstanding disbursements									
Balance available	<b>0</b>							<b>600,666</b>	<b>814,178</b>
<b>TOTAL AVAILABLE</b>	<b>682,086</b>							<b>614,962</b>	<b>703,966</b>
								<b>682,086</b>	
								<b>514,962</b>	
								<b>703,966</b>	
								<b>536,842</b>	
									<b>703,966</b>
									<b>814,178</b>
									<b>814,178</b>



EDF 8

Project Number	Project Name	PROJECT ALLOCATION		SECONDARY COMMITMENTS (CONTRACTS & WORK PROGRAMMES)			PAYMENTS			Balance Un-committed to Projects	Balance Un-disbursed as at 31 Dec 2006
				Cumulative start 2006	Cumulative end 2006	Contracts in 2006	Cumulative start 2006	Cumulative end 2006	Payments in 2006		
	<b>8th EDF National Indicative Programme</b>	<b>19,000,000</b>		<b>13,810,376</b>	<b>14,340,309</b>	<b>525,933</b>	<b>12,731,305</b>	<b>13,505,799</b>	<b>774,434</b>	<b>139,387</b>	<b>834,570</b>
	Transfers to/from other EDFs	4,520,304									
	<b>sub-total</b>	<b>14,479,696</b>		<b>13,810,376</b>	<b>14,340,309</b>	<b>525,933</b>	<b>12,731,305</b>	<b>13,505,799</b>	<b>774,434</b>	<b>139,387</b>	<b>834,570</b>
8SOL4	Inter-Island Shipping Project (ISP)			1,711,169	1,711,169	0	1,711,169	1,711,169			
8SOL5	Capacity Strengthening to Ministry of Health in area of Seafood			51,799	51,799	0	51,799	51,799			
8SOL6	Rural Training Centres Phase II			1,950,000	1,950,900	(100)	1,943,381	1,955,927		100	3,573
8SOL7	Tourism Development Project - Identification Study			84,038	84,039	0	84,039	84,039			
8SOL8	Solomon Islands Micro Projects Programme			3,000,000	2,982,156	(37,844)	2,406,440	2,406,440		37,844	555,716
8SOL12	Marine Infrastructure Project			5,000,000	5,959,146	569,452	4,966,504	5,524,756		100,652	274,352
8SOL16	Elections Preparatory Support - 2001			78,183	78,183	0	78,183	78,183			
8SOL17	Support to the 2001 General Election			1,106,510	1,106,510	0	1,106,510	1,106,510			
8SOL18	Police Commissioner for Solomon Islands			459,000	467,459	(591)	462,384	466,680		591	529
	<i>balance remaining</i>	(0)									
	<b>Other 8th EDF (Structural Adjustment Support)</b>	<b>4,200,000</b>									
	Transfers to / from other EDFs	2,019,541									
	<b>sub-total</b>	<b>2,180,459</b>									
8SOL2	Structural Adjustment Programme (SASP 1 1999/2000)			2,180,459	2,180,459	(0)	2,180,459	2,180,459			0
	<i>balance remaining</i>	0									

EDF 7

Project Number	Project Name	PROJECT ALLOCATION		SECONDARY COMMITMENTS (CONTRACTS & WORK PROGRAMMES)			PAYMENTS			Balance Un-committed to Projects	Balance Un-committed to disbursed Projects	
		20,900,000	763,304	20,136,696	19,564,011	(184,467)	19,485,530	19,518,054	32,524			
<p><b>7th EDF National Indicative Programme</b>                      Transfers to / from other EDFs</p>												
7SOL4	Economic Advisor, Ministry of Finance & Economic Planning			59,688	59,688							
7SOL5	Fish Market 7 (marketing ST, for Rural Fishing Emis. Pro)			30,718	30,718							
7SOL8	Upgrading of Henderson Airport Runway Fees, And Design ST.			29,199	29,199							
7SOL9	Human Resources Development Programme ( RTCs)			1,860,320	1,860,320							
7SOL10	Guadalcanal Road			135,703	135,703							
7SOL11	Legal Consultant (Privatisation)			10,020	10,020							
7SOL12	Legal Consultant (Privatisation)			146,804	146,804							
7SOL13	Re-appraisal on Malaita Rural Integrated Development			24,733	24,733							
7SOL14	Evaluation of Rural Fishing Enterprises Project			14,025	14,025							
7SOL15	Cyclone Nina Rehabilitation Programme			696,324	696,324							
7SOL19	T.A. to Ministry of Agriculture & Lands - Agric. Extension			267,926	267,926							
7SOL20	Rural Fishing Enterprises Project			1,448,989	1,448,989							
7SOL21	Malaita Rural Infrastructure Project			5,929,244	5,929,244							
7SOL23	Financial Advisor Ministry of Finance			200,392	200,392							
7SOL24	T.A. to Ministry Agriculture & Fisheries - Agric Economics			322,521	322,521							
7SOL26	Provincial Power Supply Improvement Project			19,000	19,000							
7SOL27	EDF Programme Coordinator MTWU			189,928	189,928							
7SOL28	Shipping & marine Sector Study			300,096	300,096							
7SOL31	T.A. Managing Director of Development Bank											
7SOL32	Guadalcanal Road Design Study											
7SOL37	EDF Training			25,465	25,465							
7SOL38	Population Census 1997			2,146,864	2,146,864							
7SOL39	TA Advisor to Ministry of Finance			552,649	552,649							
7SOL40	Director of Health & Medical Services, Guadalcanal Province											
7SOL41	Programme Management Unit			189,534	189,534							
7SOL42	Seminar of EDF Procedures			1,319,904	1,319,904							
7SOL43	Reconstruction of Ministry of Finance Building			27,291	27,291							
7SOL44	Rehabilitation Programme Education Sector			1,185,133	1,185,133							
7SOL45	Guadalcanal			34,330	34,330							
7SOL45	Review of the Development Bank			66,390	66,390							
7SOL46	Rural Fishing Project Phase III			1,510,925	1,510,925							
7SOL47	Review of Commodities Export Marketing Authority											
7SOL47	CEMA			126,557	126,557							
7SOL48	Capacity Building Assistance to the Royal Solomon Islands Police			152,788	152,788							
7SOL49	Support to Peace Process			53,298	53,298							
7SOL50	Solomon Islands Weapons Exchange Programme			449,452	449,452							
7SOL51	T.A. to Ministry of Planning											
<p style="text-align: right;">balance remaining</p>												
		480,430	480,430	480,430	480,430	(960,861)	480,430	480,430	480,430	0	17,154	18,906
<b>Other 7th EDF (balances 5th EDF and EIB)</b>												
		480,430	480,430	480,430	480,430	(960,861)	480,430	480,430	480,430	0	17,154	18,906
7SOL16	Small Rural Infrastructure			123,391	123,391	0	123,391	123,391	123,391			
7SOL17	DBSI (Development Bank) Managing Director			31,017	31,017	(246,783)	31,017	31,017	31,017			
7SOL18	Malaita Integrated Rural Development Programme					(82,034)						
7SOL30	Macroeconomic & Planning Advisor Ministry of Finance			161,181	161,181	(322,362)	161,181	161,181	161,181			
7SOL33	T.A. Managing Director of Dev Bank of Solomon Islands			164,841	164,841	(329,682)	164,841	164,841	164,841			

EDF 6

Project Number	Project Name	PROJECT ALLOCATION		SECONDARY COMMITMENTS (CONTRACTS & WORK PROGRAMMES)			PAYMENTS			Balance Un-committed to Projects as at 31 Dec 2006	Balance Un-disbursed
		Cumulative start 2006	Cumulative end 2006	Contracts in 2006	Cumulative start 2006	Cumulative end 2006	Payments in 2006				
<b>6th EDF National Indicative Programme</b>		<b>17,000,000</b>									
Transfers to / from other EDFs -		913,009									
		<b>16,086,391</b>									
<b>sub-total</b>		<b>16,086,391</b>	<b>16,086,390</b>	<b>(176,126)</b>	<b>16,086,391</b>	<b>16,086,391</b>	<b>16,086,391</b>	<b>16,086,391</b>	<b>16,086,391</b>	<b>16,086,391</b>	<b>0</b>
6SOL.1	TA Population Census	281,362	281,362		281,362	281,362	281,362	281,362	281,362		
6SOL.3	TA Agric Planning	37,127	37,127		37,127	37,127	37,127	37,127	37,127		
6SOL.4	Rehab Prog after Cyclone Namu	1,272,262	1,272,262		1,272,262	1,272,262	1,272,262	1,272,262	1,272,262		
6SOL.5	Project Annulled										
6SOL.6	Dev Human Resources Training	3,396,171	3,396,171		3,396,171	3,396,171	3,396,171	3,396,171	3,396,171		
6SOL.9	TA Ministry of Finance	95,665	95,665		95,665	95,665	95,665	95,665	95,665		
6SOL.10	TA Development Bank of Solomon Islands	194,684	194,684		194,684	194,684	194,684	194,684	194,684		
6SOL.11	Smallholder Development Project	2,165,039	2,165,039		2,165,039	2,165,039	2,165,039	2,165,039	2,165,039		
6SOL.12	ST for Manager Fishing Vessels	43,634	43,634		43,634	43,634	43,634	43,634	43,634		
6SOL.15	AT Rural Transport ST Contract	47,143	47,143		47,143	47,143	47,143	47,143	47,143		
6SOL.16	AT Rural Health Study	23,265	23,265		23,265	23,265	23,265	23,265	23,265		
6SOL.17	Dev Rural Fishing Enterprises	567,252	567,252		567,252	567,252	567,252	567,252	567,252		
6SOL.18	TA Mineral Deposits & Laborat Faci	23,536	23,536		23,536	23,536	23,536	23,536	23,536		
6SOL.19	Proj Coord Rural Fishing Enter	262,660	262,660		262,660	262,660	262,660	262,660	262,660		
6SOL.20	Rural Transport Project	1,444,527	1,444,527		1,444,527	1,444,527	1,444,527	1,444,527	1,444,527		
6SOL.21	Rural Health Project	2,898,457	2,898,457	(65,297)	2,898,457	2,898,457	2,898,457	2,898,457	2,898,457		
6SOL.22	AT Programming Loma 4	60,766	60,766		60,766	60,766	60,766	60,766	60,766		
6SOL.23	ST Urban Devel Projec Site Survey	11,784	11,784		11,784	11,784	11,784	11,784	11,784		
6SOL.24	ST Industrial Develop Corporation	23,296	23,296		23,296	23,296	23,296	23,296	23,296		
6SOL.27	TA Human resource Develo Proj	28,557	28,557		28,557	28,557	28,557	28,557	28,557		
6SOL.28	ST Tourist Devel Project	53,516	53,516		53,516	53,516	53,516	53,516	53,516		
6SOL.29	Rural Fishing Center Volunteer	1,677,327	1,677,327		1,677,327	1,677,327	1,677,327	1,677,327	1,677,327		
6SOL.30	Honiara Urban Devel Project	70,114	70,114		70,114	70,114	70,114	70,114	70,114		
6SOL.32	Macroeconomic Policy Advisor	69,447	69,447		69,447	69,447	69,447	69,447	69,447		
6SOL.33	TA Ministry of Finance	127,496	127,496		127,496	127,496	127,496	127,496	127,496		
6SOL.36	Tropical Forestry Study	1,067,326	1,067,326	(120,629)	1,067,326	1,067,326	1,067,326	1,067,326	1,067,326		
6SOL.37	Komblito Water Supply Study	142,708	142,708		142,708	142,708	142,708	142,708	142,708		
6SOL.38	Malaita Rural Infrastructure Project										
6SOL.39	Addition to 7 ACP Komblito water supply study										
<b>balance remaining</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other 6th EDF (balances 4th emergency atd &amp; EIB)</b>		<b>2,544,420</b>	<b>2,544,420</b>	<b>0</b>	<b>2,544,420</b>	<b>2,544,420</b>	<b>2,544,420</b>	<b>2,544,420</b>	<b>2,544,420</b>	<b>2,544,420</b>	<b>0</b>
6SOL.2	Emerg Aid Namu Hurricane	427,251	427,251	0	427,251	427,251	427,251	427,251	427,251	0	0
6SOL.31	Macroeconomic Policy Advisor	117,169	117,169	0	117,169	117,169	117,169	117,169	117,169	0	0
6SOL.25	DBSI Tranche A - EIB	1,200,000	1,200,000	0	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	0	0
6SOL.26	DBSI Tranche B - EIB	800,000	800,000	0	800,000	800,000	800,000	800,000	800,000	0	0

Annex III. Annexes with a prospective character EDF FORECASTS 2007-2008 (EAMR)

**SALOMON ISLANDS**

	FORECASTS 2007							TARGET ANNEE			
	1st SEMESTER	LOW	MEDIUM	HIGH	Target 100%L-50%M	2nd SEMESTER	LOW		MEDIUM	HIGH	Target 100%L-50%M
New Global Commitments	13,150,000										13,150,000
New individual Commitments	1,293,000	440,507	852,493	0	866,763	5,990,000	4,716,383	961,273	312,344	5,197,020	6,063,773
Payments	1,668,400	668,400	1,100,000	0	1,118,400	4,410,845	3,472,994	707,851	230,000	3,826,920	4,945,320
Decommitments back to the NIP	969,553					0					969,553
Decommitments to recommit	0					0					0
Reduction of Old RAL	1,252,094	1,252,094	0	0	1,252,094	112,100	69,600	42,500	0	90,850	1,342,944

	FORECASTS 2008							TARGET ANNEE			
	1st SEMESTER	LOW	MEDIUM	HIGH	Target 100%L-50%M	2nd SEMESTER	LOW		MEDIUM	HIGH	Target 100%L-50%M
Engagements individuals	2,380,000	938,750	1,319,325	121,925	1,598,413	490,000	395,439	94,561	0	442,719	2,041,132
Payments	1,688,500	666,000	936,000	86,500	1,134,000	570,000	460,000	110,000	0	515,000	1,649,000

	SITUATION on 01/01/2007		SITUATION on 31/12/2007	
	ALL PROJECTS	PROJECTS decided before YEAR 2007	ALL PROJECTS	PROJECTS decided before YEAR 2007
RAL	58,887,518	49,838,518	71,357,821	49,654,411
Σ Ongoing GLOBAL COMMITMENTS	6,258,109	260,105	13,158,639	48,002
RAC	2,560,839	759,582	2,895,435	79,745
RAP	8,818,948	1,019,687	16,054,076	323,267
% RAL / Σ GLOBAL COMMIT.	15%	2%	22%	-1%
Nbr of years to absorb RAL	2		3	

Ceiling increase riders  
Extension Date  
Reamangement budgetaire  
Modification DTA  
Total number of projects

	Amount	Nbr
	0	0
		1
		0
		0
		1

**GLOBAL COMMITMENTS ON AVAILABLE EDF ALLOCATIONS UNTIL END 2007**

SUMMARY of	AMOUNT
CUMULATED TOTAL GLOBAL COMMITMENTS on 31/12/2006	8,633,301
TOTAL NEW GLOBAL COMMITMENTS FORSEEN in 2007	13,150,000
TOTAL GLOBAL COMMITMENTS	21,783,301

SUMMARY of	AMOUNT
COUNTRY ENVELOPE A & B AT 31-12-2006	21,850,381
DECOMMITMENTS OVER THE PERIOD OF 2007	969,553
TOTAL EDF AVAILABLE COUNTRY RESOURCES	22,819,934
USE OF AVAILABLE RESOURCES in %	95.46%
EDF COUNTRY RESOURCES THAT COULD BE LOST	1,036,633

## TIMETABLE OF ACTIVITIES (EDF &amp; Stabex Projects)

## Time-table of activities (EDF &amp; Stabex projects)

6th , 7th, 8th &amp; 9th EDF (NIP, SAP and STABEX) - open projects

Ref.	PROJECTS	Commitment (Euro)	NIP/SAP/STABEX	Sectors / Ministries	PROJECT TIME-TABLE	
					Project Status	End (year/qr)
	<b>TOTAL</b>	<b>117,683,058</b>				
<b>EDF 10</b>	<b>FOCAL SECTOR</b>					
	- Sustainable rural development	5,000,000	NIP	Planning	to design	
	- Capacity building for sustainable rural development	3,000,000	NIP	Planning	to design	
	<b>NON FOCAL SECTORS</b>					
	- Technical co-operation facility	600,000	NIP	Planning	to design	
	- Other non-focal sectors	1,997,500	NIP	Planning	to design	
<b>EDF 9</b>						
9/5	Non State Actors Programme	1,560,000	NIP	Planning	not started yet	2009/2
9/4	Technical Cooperation Facility	1,300,000	NIP	Planning	ongoing	2009/2
9/	Capacity Building - remaining balance	1,700,000	NIP	Planning	to design	2009/4
	Capacity Building Provincial Govt	4,600,000	NIP	Provincia Gov.	to design	2010
9/	TVET	8,000,000	NIP	Education	to design	2010
9/3	Microprojects	5,700,000	NIP	Planning	ongoing	2008/3
<b>STABEX 98</b>						
Stabex '98	NAO-PMU phase II (Agrisystems + WPs)	3,980,656	FMO 98	Planning	ongoing	2007/2
Stabex '98	NAO-PMU phase III	3,300,000	FMO 98	Planning	contracting	2010
Stabex '98	Microprojects phase 1	2,205,902	FMO 98	Planning	to close	2003/04
Stabex '98	Aquaculture Commercialisation - Seaweed	1,176,000	FMO 98	Fisheries	ongoing	2008/2
Stabex '98/013	National Competant Authority (EU list 1 compliance)	950,000	FMO 98	Fisheries	ongoing	2007/02
Stabex 98	Wharf Construction	8,000,000	FMO 98	Works	ongoing	2008/2
Stabex 98	Transport & Infrastructure	12,500,000	FMO 98	Works	to design	2012
Stabex 98	Sustainable forestry & conservation	8,900,000	FMO 98	Works	contracting	2012
Stabex 98	Agriculture & RD Strategy & Programme	9,000,000	FMO 98	Works	contracting	2012
<b>STABEX 99</b>						
Stabex '99/7 & 8	Emergency support SICHE	1,795,000	FMO 99	Education	to close	2005/3
Stabex '99/5,6,9,15	Support to Overseas Students 03-05	6,755,000	FMO99	Education	to close	2005/4
Stabex '99/11	Education Infrastructure	318,000	FMO99	Education	to close	2005/3
Stabex '99/12	Capacity Building	971,000	FMO99	Education	to close	2005/3
Stabex '99	LT TA Education	4,170,000	FMO 99	Education	ongoing	2010
Stabex '99/1,2,13,17	Support 2ndary Schools 2002-6	5,567,000	FMO 99	Education	to close	2006/1
Stabex '99	Education Prog Impln Unit	1,137,000	FMO99	Education	ongoing	2007/2
Stabex 99/18	Global Programme Estimate 1	5,500,000	FMO99	Education	ongoing	2007/1
Stabex 99/-	Global Programme Estimate 2 & 3	8,000,000	FMO99	Education	to design	2010

## Summary by Focal Sector

Capacity Building	20,390,656
Infrastructure	20,500,000
Education	42,213,000
Agriculture/Aquaculture/Rural Developme	23,081,902
Forestry	8,900,000
Other	2,597,500
	<u>117,683,058</u>

## STABEX Forecast of Disbursements &amp; Commitments

## Forecast of disbursements

## STABEX PROJECTS

Ref.	PROJECTS	Amount (Euro) - Primary	NIP / SAP / STABEX	Cumulative at Dec 06	DISBURSEMENTS (in Euro by half year)					
					2007		2008		2009	
					1	2	1	2	1	2
	<b>TOTAL</b>	<b>76,225,558</b>		<b>26,512,289</b>	<b>4,768,000</b>	<b>6,318,000</b>	<b>7,890,000</b>	<b>5,890,000</b>	<b>5,736,500</b>	<b>5,736,500</b>
<b>STABEX 98</b>										
Stabex 98	NAO-PMU phase II (Agrisystems + WPs)	3,980,656	FMO 98	2,740,246	500,000	500,000				
Stabex 98	NAO-PMU phase III	3,300,000	FMO 98			500,000	500,000	500,000	500,000	500,000
Stabex 98	Microprojects phase 1	2,205,902	FMO 98	2,205,902						
Stabex 98	Aquaculture Commercialisation - Seaweed	1,176,000	FMO 98	571,642	300,000	300,000				
Stabex 98/013	National Competant Authority (EU list 1 compliance)	950,000	FMO 98	422,692	450,000					
Stabex 98	Wharf Construction	8,000,000	FMO 98	793,584	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Stabex 98	Transport & Infrastructure	12,500,000	FMO 98	108,238		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Stabex 98	Sustainable forestry & conservation	8,900,000	FMO 98		1,501,000	1,501,000	973,000	973,000	819,500	819,500
Stabex 98	Agriculture & RD Strategy & Programme	9,000,000	FMO 98	390,000			3,000,000	1,000,000	1,000,000	1,000,000
				7,232,304	3,951,000	6,001,000	7,673,000	5,673,000	5,519,500	5,519,500
<b>STABEX 99</b>										
Stabex 99/7 & 8	Emergency support SICHE	1,795,000	FMO 99	1,795,208						
Stabex 99/5,6,9,15	Support to Overseas Students 03-05	6,755,000	FMO99	6,659,705						
Stabex 99/11	Education Infrastructure	318,000	FMO99	318,273						
Stabex 99/12	Capacity Building	971,000	FMO99	971,688						
Stabex 99	LT TA Education	4,170,000	FMO 99	1,590,841	217,000	217,000	217,000	217,000	217,000	217,000
Stabex 99/1,2,13,17	Support 2ndary Schools 2002-6	5,567,000	FMO 99	5,111,255						
Stabex 99	Education Prog Impln Unit	1,137,000	FMO99	1,064,122	100,000	100,000				
Stabex 99/18	Global Programme Estimate 1	5,500,000	FMO99	1,768,893	500,000					
Stabex 99/-	Global Programme Estimate 2 & 3	8,000,000	FMO99		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
				19,279,985	817,000	317,000	217,000	217,000	217,000	217,000
<b>Summary by Focal Sector</b>										
	Capacity Building	20,390,656		3,162,938	950,000	1,000,000	500,000	500,000	500,000	500,000
	Infrastructure	20,500,000		901,822	1,200,000	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
	Education	42,213,000		38,559,970	3,634,000	2,634,000	2,434,000	2,434,000	2,434,000	2,434,000
	Agriculture/Aquaculture/Rural Development	23,081,902		3,167,544	300,000	300,000	3,000,000	1,000,000	1,000,000	1,000,000
	Forestry	8,900,000		-	1,501,000	1,501,000	973,000	973,000	819,500	819,500
		117,683,058		45,792,274	7,585,000	8,635,000	10,107,000	8,107,000	7,953,500	7,953,500

## Indicative time-table for commitments

## STABEX PROJECTS

Forecast of commitments 6th, 7th, 8th &amp; 9th EDF resources - NIP, SAP, STABEX (in €) - open projects

Ref.	PROJECTS	Amount (Euro) - Primary Comm.	NIP / SAP / STABEX	Cumulative at Dec 06	SECONDARY COMMITMENTS (in Euro by half year)					
					2007		2008		2009	
					1	2	1	2	1	2
	<b>TOTAL</b>	<b>84,225,558</b>			<b>6,003,000</b>	<b>15,020,000</b>	<b>4,400,000</b>	<b>14,800,000</b>	<b>4,000,000</b>	<b>-</b>
<b>STABEX 98</b>										
Stabex '98	NAO-PMU phase II (Agrisystems + WPs)	3,980,656	FMO 98	3,980,656						
Stabex '98	NAO-PMU phase III	3,300,000	FMO 98		1,700,000	750,000		750,000		
Stabex '98	Microprojects phase 1	2,205,902	FMO 98	2,205,902						
Stabex '98	Aquaculture Commercialisation - Seaweed	1,176,000	FMO 98	1,111,188	65,000					
Stabex '98/013	National Competant Authority (EU list 1	950,000	FMO 98	878,413		70,000				
Stabex '98	Wharf Construction	8,000,000	FMO 98	3,466,077			4,400,000			
Stabex '98	Transport & Infrastructure	12,500,000	FMO 98	180,396		6,150,000		6,000,000		
Stabex '98	Sustainable forestry & conservation	8,900,000	FMO 98		645,000	4,050,000		4,050,000		
Stabex '98	Agriculture & RD Strategy & Programme	9,000,000	FMO 98	390,000	550,000	4,000,000		4,000,000		
				12,212,632	2,960,000	15,020,000	4,400,000	14,800,000		
<b>STABEX 99</b>										
Stabex '99/7 & 8	Emergency support SICHE	1,795,000	FMO 99	1,795,208						
Stabex	Support to Overseas Students 03-05	6,755,000	FMO99	6,755,404						
Stabex '99/11	Education Infrastructure	318,000	FMO99	318,273						
Stabex '99/12	Capacity Building	971,000	FMO99	971,688						
Stabex '99	LT TA Education	4,170,000	FMO 99	2,870,133	1,300,000					
Stabex	Support 2ndary Schools 2002-6	5,567,000	FMO 99	5,567,523	(457,000)					
'99/1,2,13,17										
Stabex '99	Education Prog Impln Unit	1,137,000	FMO99	1,137,570	200,000					
Stabex 99/18	Global Programme Estimate 1	5,500,000	FMO99	5,617,738	(2,000,000)					
Stabex 99/-	Global Programme Estimate 2 & 3	8,000,000	FMO99		4,000,000			4,000,000		
				25,033,537	3,043,000	-	-	-	4,000,000	-

Summary by  
Focal Sector

Capacity Building	8,230,656	1,700,000	820,000	-	750,000	-	-
Infrastructure	20,500,000	-	6,150,000	4,400,000	6,000,000	-	-
Education	34,213,000	3,043,000	-	-	-	4,000,000	-
Agriculture/Aquaculture/Rural Development	12,381,902	615,000	4,000,000	-	4,000,000	-	-
Forestry	8,900,000	645,000	4,050,000	-	4,050,000	-	-
	<b>84,225,558</b>	<b>6,003,000</b>	<b>15,020,000</b>	<b>4,400,000</b>	<b>14,800,000</b>	<b>4,000,000</b>	<b>-</b>

