

Summary National Indicative Programme (NIP) of Solomon Islands

Solomon Islands is since 1978 a constitutional monarchy within the Commonwealth, consisting of 922 islands in the Pacific covering a land area of 28,400 square kilometres, but an Exclusive Economic Zone of 1.34 million square kilometres. The population is estimated at 550 000 from which 94.5% is Melanesian. The country is classified as a lesser developed nation with a GDP growth of 2.9% in 2013 and an average annual income per capita (PPP) of EUR 2400. 75% of the labour force is engaged in subsistence farming and fishing. The 2014 Human Development Index (0.49) ranks the country as 157th out of 187 countries.

The Government formulated a '*National Development Strategy (NDS) 2011-2020*'. The strategy sets out a framework for Development Programmes and the basis for dialogue with the Development Partners and Stakeholders for support and implementation through eight objectives. The country has rolling, multi-year '*Medium Term Development Plans*' (MTDP) towards sustainable economic and rural development complemented by development of a '*Medium Term Expenditure Framework*' (MTEF) with as priorities creating economic and livelihood opportunities for rural people, diversifying sustainable productive sectors and institutional and infrastructure development.

Under the 10th EDF, the EU's contribution focussed on '*Sustainable Rural Development with Capacity Building*' and '*Rural Water, Sanitation and Hygiene (RWASH)*'. Cooperation under the 11th EDF will strengthen both focal sectors in line with the MTDP main priority. Support to the provision of basic services will continue in WASH, but expanding the portfolio by including urban areas. The rural development programme will target inclusive economic growth through work on private sector and institutional development aiming at creating employment and increased income with a focus on the agricultural sector. This is in response to the Government's request for assistance in reducing dependency on logging as a mainstay of the economy.

The 11th EDF 'A envelope' of EUR 40 million (indicative amount) will cover the following long-term interventions:

<i>Focal area</i>	<i>Indicative amount in million EUR</i>	<i>% of total</i>
<i>Water, Sanitation and Hygiene</i>	26	65% of total
<i>Rural Development</i>	10	25% of total
<i>Support measures</i>	4	10% of total

Aligned to the NDS objectives and with support of the 11th EDF, the government will:

- WASH sector: enable a healthier and safer environment in households reducing the impact of water borne diseases and hygiene related illnesses in rural and urban communities and improve governance and quality of service delivery in the context of climate change.
- Rural Development sector: alleviate poverty and increase rural-based economic opportunities aimed at increasing the rate of economic growth and equitable distribution of benefits of employment and higher incomes amongst all provinces and population.

The EU will continue to engage actively with the Core Economic Working Group (CEWG) on the Government's Economic and Financial Reform Programme. The CEWG donors collectively provide considerable support and capacity building on Public Finance Management and initiate the annual joint review mission.

A support facility which aims to support or accompany the programming, preparation or implementation of actions is included and will focus on capacity building of ministries involved in implementing the focal sectors' programmes, as well as to conduct analytical work jointly with Government to inform our programming.

Civil society will be supported through EU thematic budget lines and will include special consideration towards gender equality and sustainable development.

Solomon Islands - European Union
National Indicative Programme
for the period 2014-2020

GENERAL CLAUSES

The Government of Solomon Islands and the European Commission hereby agree as follows:

- (1) The Government of Solomon Islands, (represented by *<name and title>*,) and the European Commission, (represented by *<name and title>*,) hereinafter referred to as the Parties, determined the general orientations for cooperation for the period *2014-2020*.
These orientations which are included in the National Indicative Programme (NIP), concern the European Union aid in favour of Solomon Islands and were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, revised and signed in Luxemburg on 25 June 2005 and revised and signed in Ouagadougou on 22 June 2010.
The National Indicative Programme, is annexed to the present document.
- (2) As regards the indicative programmable financial resources which the European Union envisages to make available to Solomon Islands for the period *2014-2020*, an amount of EUR 40 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation). A B-allocation referred to in Article 3.2 (b) can be established to cover unforeseen needs. This allocation is at EUR 0 until a need arises. These allocations are not entitlements and may be revised by the Commission, following the mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects. The National Indicative Programme concerns the resources of the A-allocation. It also takes into consideration financing from which Solomon Islands benefits or could benefit under other European Union resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as humanitarian, emergency and post emergency assistance, where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate exogenous shocks. The B-allocation shall be established according to specific mechanisms and procedures and does therefore not constitute a part of the programming.
- (5) Pending the entry into force of the Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting with the Council on the financing of European Union Aid under the multiannual financial framework for the period 2014 to 2020, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of Solomon Islands within the limits of the A- and B-allocations referred to in this document under the condition that sufficient financial resources are available in the transitional measures ("Bridging Facility") composed of uncommitted balances from the previous EDFs and from funds decommitted from projects or programmes under those EDFs. The respective projects and programmes shall be implemented according to the rules and procedures of the 10th EDF until the entry into force of the 11th EDF implementing rules and financial regulation.
- (6) The European Investment Bank may contribute to the implementation of the present National Indicative Programme by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 2c and 3 of the 11th EDF multi-annual financial framework for the period 2014-2020.

- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Indicative Programme document as well as the A-and B-allocations can be revised following the mid-term review and the end-of-term review or ad hoc reviews.

Signatures

For the Government of Solomon Islands

For the Commission

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List of principal acronyms and abbreviations

ACP	African, Caribbean and Pacific Countries
ADB	Asian Development Bank
CBSI	Central Bank Solomon Islands
CDF	Constituency Development Fund
CEWG	Core Economic Working Group
CSO-LA	Civil Society Organisations & Local Authorities
DAC	Development Assistance Committee
DFAT	Department of Foreign Affairs & Trade (Australia)
DMAC	Debt Management Advisory Committee
EC	European Commission
EDF	European Development Fund
EHD	Environmental Health Division
EIA	Environmental Impact Assessment
EIDHR	European Instrument for Democracy and Human Rights
EITI	Extractive Industries Transparency Initiative
EU / EUD	European Union / European Union Delegation
EUR	Euro
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFDRR	Global Facility for Disaster Reduction & Recovery
HIES	Health Information Survey
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
JICA	Japan International Cooperation Agency
JRM	Joint Review Mission
MAL	Ministry of Agriculture & Livestock
MDG	Millennium Development Goals
MDPAC	Ministry of Development Planning & Aid Coordination
M&E	Monitoring & Evaluation
MHMS	Ministry of Health & Medical Services
MoFT	Ministry of Finance & Treasury
MRD	Ministry of Rural Development
MTDP	Medium Term Development Plan
MTEF	Medium Term Expenditure Framework
NAO	National Authorising Officer

NDRR	Natural Disaster Risk Reduction
NDS	National Development Strategy
NGO	Non-Governmental Organisation
NIP	National Indicative Programme
OAG	Office of the Auditor General
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation & Development
ODF	Open Defecation Free
O&M	Operations & Maintenance
PEFA	Public Expenditure and Financial Accountability
PFA	Public Finance Act
PFM	Public Finance Management
PNG	Papua New Guinea
PSG	Peace building & State building Goals
RAMSI	Regional Assistance Mission to Solomon Islands
RAP	Recovery & Action Plan
RDP	Rural Development Programme
RWASH	Rural Water, Sanitation and Hygiene
RWOC	Rural Water Oversight Committee
RWSS	Rural Water Supply & Sanitation
SI	Solomon Islands
SIDS	Small Island Developing State
SIG	Solomon Islands Government
SIGOV	Solomon Islands Economic & Public Sector Governance Programme
SOE	State Owned Enterprise
SRC	Sector Reform Contract
SW	Solomon Water
TA	Technical Assistance
TCF	Technical Cooperation Facility
WASH	Water, Sanitation and Hygiene
WB	World Bank
WGI	World Bank Governance Indicator

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NATIONAL INDICATIVE PROGRAMME SOLOMON ISLANDS-EUROPEAN UNION

1. The overall lines for the EU response

1.1. Strategic objectives of the EU's relationship with the partner country

The objectives of the ACP-EU Partnership Agreement, signed on 23 June 2000 and revised in 2005 and in 2010 (*Cotonou Agreement*) are to promote the development of a common strategic approach to reducing and eventually eradicating poverty consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy. The general policy framework is set through the *'European Consensus on Development'* and the *'Policy Coherence for Development'* that links the approach with the Millennium Development Goals (MDGs), Human Rights and Good Governance.

The Commission Communications *'EU Strategy for a strengthened partnership with the Pacific'* (2006)¹ and the joint Communication *'Towards a renewed EU-Pacific development partnership'* (2012)² address the policy response towards enhanced political dialogue, strengthened trade relations, reinforced partnership through more streamlined delivery of aid and scaled up climate change financing.

Solomon Islands signed the *'New Deal'* endorsed during the *'Busan Partnership for Effective Development Cooperation'* (2011) which places peacebuilding and state building through five goals (PSGs) at the core for international assistance to achieve the MDGs and to lay the foundation for long-term development. Solomon Islands is listed as a fragile state by the OECD and World Bank, but since 2011 it is not anymore considered a country of crisis by the EU. The country is prone to natural disasters (earth quakes, tsunamis, floods, etc.). Disaster preparedness, with a view to enhancing self-help capacity, remains a challenge. Structural interventions may be necessary as recent flooding indicated. The Global Facility for Disaster Reduction & Recovery (GFDRR) with support through the ACP-EU Natural Disaster Risk Reduction (NDRR) conducted immediately a *'High Level Economic Analysis'* followed by a *'Detailed Recovery Assessment'* to assist government. Humanitarian relief was supplied through Non-Governmental Organisations (NGOs) while rehabilitation of WASH facilities is being considered under the B-allocation.

The EU has Fisheries Partnership Agreement (FPA) with Solomon Islands since 2004 but no operational Protocol in force. The Protocol expired 8 October 2012. The FPA was twice renegotiated, and is in force until October 2015. Negotiations on the new Protocol were launched in 2012, however interrupted due to different approaches held by the parties on the system to be used for the financial calculation relating to access to resources. The negotiations on the new Protocol are currently at a stand-still, but not prevented from being resumed if the parties agree on the system to measure catches.

The Solomon Islands economy, over dependent on a few sectors, needs to diversify. It has successfully emerged from a conflict situation but has a growing population with high expectations. EU will support Solomon Islands in delivering basic services, diversifying the economy, improving governance and continue strengthening the legitimacy of national and provincial government

GDP growth for 2013 was 2.9% declining from 8% in 2010 according to World Bank and Asian Development Bank reports. The average annual income per capita (PPP) is around EUR 2,400 and 75% of the labour force is engaged in subsistence farming and fishing. The economic activities weakened due to declining international prices and production of cash crops, lower foreign- and domestically-financed investment and a decrease in production and income of the key drivers forestry and gold mining. The 2014 Human Development Index (0.49) ranks the country as 157th out of 187 countries. The 2009 Solomon Islands Population and Housing Census indicated an annual population growth of 2.3% with urban growth at 4.7%; 40.6% of the population under the

¹ COM(2006) 248, 29 May 2006

² JOIN (2012) 6, 21 March 2012

age of 15 years; and a 84.1% literacy rate. Youth unemployment has become the main challenge and government is looking at options to support inclusive growth.

The Ministry of Women, Youth, Children and Family in cooperation with the Asian Development Bank (ADB) is conducting a Country Gender Assessment that will provide data and priority recommendations for the government. This is the first country wide assessment that will set the standard for future interventions as of the end of 2014. Detailed gender analysis will be done during the identification of the specific actions.

The Government formulated a '*National Development Strategy (NDS) 2011-2020*'. The NDS is the blueprint for sustainable development that sets out the country's vision and priorities to advance both human, as well as, economic development. The strategy sets out a framework for Development Programmes and the basis for dialogue with development partners and stakeholders for support and implementation of the NDS priorities in the next ten years through eight objectives. To achieve these, objectives are linked to detailed plans of implementation actions of line ministries, provinces and communities. Key amongst these implementation plans are the rolling, multi-year '*Medium Term Development Plans*' (MTDP) and its constituent multi-year implementation plan for each Ministry - complemented by development of a '*Medium Term Expenditure Framework*' (MTEF).

The main priority of the MTDP is '*Sustainable Economic and Rural Development*' through:

- *Impacts on the Rural People*: increasing economic and livelihood opportunities and improving rural education and health services for all Solomon Islanders;
- *Productive Sectors*: through diversification, increased value added in environmentally sustainable productive activities providing a fair share of benefits for government;
- *Institutional Development*: to facilitate private sector activities, promote public private partnerships in utilities and infrastructure, and establish capacity and processes to mainstream environmental issues, especially climate change;
- *Infrastructure Development*: to facilitate development in rural and remote communities, maintain infrastructure in a fully usable condition, and demonstrate that public private partnership works well in Solomon Islands.

Priority 4 '*Health and Medical Services*' indicates Water and Sanitation Programmes are intensified to substantially increase the number of communities served.

During the 10th EDF the focal sector was '*Sustainable Rural Development with Capacity Building*'. Funds were committed to the Rural Development Programme Phase I (RDP I), a programme in cooperation with the World Bank, IFAD and Australia that focussed on demand driven social infrastructure, capacity building of extension services and providing supplementary equity to businesses. '*Rural Water, Sanitation and Hygiene (RWASH)*' was added at the end of the 10th EDF as second focal sector financed with funds remaining from STABEX and uncommitted funds of on-going projects. Funds were also earmarked to strengthen the office of the National Authorising Officer (NAO) through a specific capacity building programme and the Technical Cooperation Facility (TCF).

Under the 11th EDF, the EU will support two focal sectors in line with the MTDP main priority. Support to the provision of basic services will continue in the '*Water, Sanitation and Hygiene sector*' for both rural and urban areas while '*Rural Development*' will work on private sector and institutional development aiming at creating employment and increased income with a focus on the agricultural sector. This is in response to the Government's request for assistance in reducing dependency on logging as a mainstay of the economy. In line with the EU '*Security Development Nexus*', programmes in both sectors will be developed taking into account the prevention of possible conflicts, sustainability of peace and reduction of poverty.

Furthermore, through the TCF, capacity will be built in the Ministry of Development Planning and Aid Coordination (MDPAC) to plan, monitor and evaluate results oriented programme frameworks designed to serve NDS objectives at national, provincial, ward and village level.

1.2. Choice of sectors

1.2.1 Sector context

WASH

Improving access to water and sanitation can help mitigate poverty and disease, and accelerate achievement of the MDGs, especially MDG 7 to ensure environmental sustainability of the water sources. Institutional, financial and human capacity building of the sector is crucial to improve service delivery and to create stability in the provinces by limiting migration to the capital Honiara (PSG 5 'Revenues & Services').

Rural communities across the nine provinces face health problems caused by lack of access to clean water and proper sanitation, and through poor hygiene behaviour. Many communities spend inordinate amounts of time collecting water for basic living, while open defecation is common. With the population increasing at the rate of approximately 2.3% per annum, further pressure will be placed on resources to provide water and sanitation infrastructure to rural villages (*Rural WASH Policy*, 2013).

RWASH status figures indicate poor coverage for water supply and sanitation compared to progress regionally and internationally. The estimated coverage of functioning water supply systems in the Solomon Islands is 35-40%.

The high failure rate of water supply systems can be attributed to several factors. The government and other implementing agencies lack the resources to maintain systems and, more importantly, communities generally lack the awareness that they are responsible for minor maintenance. Furthermore, adequate and appropriate training is not provided to communities to give them the skills to operate and maintain the schemes.

Only 18% of the households have proper sanitation facilities, and there is an even bigger challenge due to the lack of awareness of the importance of sanitation. This is compounded by a poor sanitation approach in many instances: promotion of a single (often inappropriate) technical solution, poor technical design, full subsidization, and in some cases active discouragement of other, quite appropriate and more sustainable technical options.

Proper hygiene behaviour, in particular hand washing with soap, is rarely practiced in rural areas. A comprehensive set of hygiene materials is not available for use. Hygiene awareness is a key component of WASH projects and requires more attention.

The Ministry of Health and Medical Services (MHMS), Environmental Health Division (EHD), Rural Water Supply and Sanitation Unit (RWSS) is responsible for rural WASH activities. It is recognized that several Provinces have Provincial Ordinances governing the implementation of community WASH projects.

Solomon Water (SW) is a 100% state-owned enterprise. It is mandated to operate as the provider of municipal water and wastewater services. As a state-owned enterprise it is also subject to the State-Owned Enterprise Act of 2007 modified in 2010.

SW presently provides municipal water and wastewater services in Honiara and municipal water services only in the provincial urban centres of Auki, Noro and Tulagi. An estimated 100,000 people benefit from water services in Honiara and about 8,000 in the Provincial centres. Municipal wastewater services are provided to about 30,000 people (30%) in Honiara through an under-capacity and aging conventional gravity sewerage system; the remaining households have traditional septic tanks or no system in place.

A two-year action and investment programme 2013-2015 for the improvement of municipal water and wastewater services was developed while a Master Plan will be drafted during the second half of 2014.

Rural Development

Under PSG 4 'Economic Foundations', support to the sector in rural areas will not only generate employment and improve livelihoods, but will mitigate the risk of young people moving to the

capital in search for jobs. MDG 1 'Eradicate Extreme Poverty & Hunger' will be addressed through targeting the most vulnerable people by achieving full and productive employment and decent work for all, including women and young people.

The Government therefore strongly requested to endorse rural development as second focal sector to stimulate inclusive economic growth. The rationale for choosing this sector was based on assessment reports highlighting that economic growth is expected to slow down from 2013, as forestry (the traditional engine of growth) is expected to be adversely affected by the depletion of logging stocks. In this regard, it was strongly suggested in the 15th Core Economic Working Group (CEWG) meeting that stronger focus on inclusive economic growth must be pursued. Similar important assertion was highlighted in the NDS 2013 performance report recommendations, i.e. the need for a greater focus on how policy could better help to foster economic growth.

The Government identified rural development as the key sector to maximize the return to provide revenues for public services and development and opportunities for its growing population.

1.2.2 Sector 1: Water, Sanitation and Hygiene (WASH)

Rural WASH

To support the priorities in RWASH, the MHMS and its partners/stakeholders have developed:

i. A RWASH Policy

The Policy describes what to achieve:

- To contribute to the health and wellbeing of recipient communities and individuals through improved and appropriate RWASH facilities and hygiene practices;
- To increase the capacity of all levels of government and civil society to assist, promote, plan, design and implement high quality, appropriate RWASH facilities and hygiene practices;
- To promote community managed, operated and maintained systems;
- To increase and develop cooperation and coordination between all sector stakeholders;
- To promote, encourage, and develop sector alignment in technical design, hygiene promotion, community O&M and gender equity;
- To encourage environmentally sustainable development of water and sanitation services supported by information campaigns and continuous educational interventions at all levels.

The EU Delegation, as a member of the RWASH Stakeholder Working Group and the Oversight Committee played a key role in developing the policy by bringing in the climate change aspects.

ii. A Strategic Plan for RWASH 2015-2020

The Government's vision is that all will have easy access to sufficient quantity and quality of water, appropriate sanitation and will be living in a safe and hygienic environment by 2024.

The Strategic Plan outlines how the RWASH will be developed over the next five years (2015-19) to lay the foundations for the achievement of the vision by 2024. Under the Strategic Plan, the RWASH sector will be transformed through a national effort, involving government, churches, communities, civil society, the media and private business. New ways of working will be introduced and will build national WASH capacity to implement schemes faster across the entire country.

The strategic 5-year and 10-year targets are:

Target	2014	2019	2024
Communities with improved drinking water supplies	35%	60%	100%
Communities Open Defecation Free (ODF)	1%	50%	100%
People hand-washing with soap at critical times.	5-10%	40%	100%

iii. A Capacity Development Roadmap and Technical Assistance (TA) Needs

The roadmap sets out the TA positions required to develop capacity within the MHMS, defines functions and staff needed within MHMS to sustain RWASH and determines the role of the NGOs and private sector for service delivery.

iv. A Transition Plan 2013 - 2015

This 2-year plan focusses on the immediate steps required to scale up the delivery of RWASH services through actions by the MHMS in partnership with civil society, churches and the private sector. The plan aims to strengthen national systems to absorb significant higher levels of funding over the next five years, including the EU financing through the on-going Sector Reform Contract under the 10th EDF.

Urban WASH

SW has drafted:

i. The Solomon Water Development Plan 2013-2015

This Plan is a follow-up to the Recovery and Action Plan 2011-2013 (RAP) that proposed a series of measures and investments designed to halt SW's decline, stabilise the operation and delivery of water and enable SW to recover to a position in which it was able to begin the long process of improvement. The two key priorities were to ensure its financial survival and improve, so far as was possible, the water supply service provided.

The challenges now facing SW after the complete implementation of the RAP improvements are identified as:

- A water distribution network that is largely incapable of transferring water from the mainly adequate large-diameter transmission pipes through the under-sized and hydraulically inefficient smaller diameter distribution network;
- A water distribution network that is subject to operation under high static water pressures that greatly exceed the ability of the pipe system to withstand such pressures. This and other factors (unauthorized consumption, apparent losses etc.) results in an unsustainable level of non-revenue water losses;
- A low public reputation that must be enhanced through the continued development and improvement of much better customer care provision and communications strategies;
- A still fragile financial status that must be consolidated and improved to ensure the sustainability of the organisation;
- Critical weaknesses in the capacity of the organisation to manage efficiently and effectively. Weaknesses exist throughout the business and its logistical assets.

In order to tackle these, SW has identified five outputs for the Plan:

- Improved levels of service for water supply;
- Improved customer care and communications;
- Strengthened financial management and administration;
- Improved organisational capacity;
- Improved strategic planning.

ii. A Master Plan

Preparations for the Master Plan will start during the second half of 2014. This plan will determine the priorities for the 11th EDF interventions in the urban WASH and will also lead to an Urban WASH Policy document.

1.2.3 Sector 2: Rural Development

In line with current Government's Policy Statement and the NDS and its Medium Development Strategies, rural development will be the preferred means and therefore approaches towards contributing to the achievement of the desired inclusive economic growth. Rural development is a broad area and donors have contributed their support through the RDP Phase I (2010-2014).

The 11th EDF support, however, is expected to focus on the agricultural sector within rural development including creating employment opportunities for both trained and untrained rural dwellers and strengthening the private sector development and its linkage to the public sector. The choice of the agricultural sector is justified as it serves to be the second highest productive sector (15-20%) - after forestry (30%) - contributor of the country's GDP. Even so, 80% of the population lives in rural areas, and agriculturally-based activities remain their main livelihood.

The Ministry of Agriculture and Livestock (MAL) has significantly rebuilt its capacity to support farmers through staff training, activity-based planning and improved budget processes. As of April 2013, nearly 27,000 farmers from all eight provinces have participated in extension and training activities.

Community-driven planning processes have been completed in all eight target provinces. More than 64,000 people are currently benefitting from improved access to education, health care, water supply and other rural services. At the end of 2014, the number of beneficiaries of the rural social infrastructure services is expected to reach 300,000, which represents more than half of the population.

There are a number of potential agricultural sectors that can be developed to provide rural employment, add value in country and significant export earnings. There is also a need to develop institutional capacity in relevant line ministries to maximise this potential. Analytical work currently being undertaken by Government and development partners will identify the specific agricultural sectors with greatest potential.

2. Financial overview (indicative amounts)

The 11th EDF 'A envelope' of EUR 40 million will cover the following long-term interventions:

<i>Focal area</i>	<i>Indicative amount in million EUR</i>	<i>% of total</i>
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3. EU support per sector

3.1 Water, Sanitation and Hygiene (indicative amount of EUR 26 million)

3.1.1 The following overall and specific **objectives** will be pursued:

The **overall objective** is *'to improve the living conditions of men, women and children through contributing to increased coverage for water and sanitation and improved hygiene behaviour in line with the Rural Water, Sanitation and Hygiene Policy and the future Urban Water, Sanitation and Hygiene Policy'*.

The **specific objectives** are twofold:

- *to enable a healthier and safer environment in households reducing the impact of water borne diseases and hygiene related illnesses in rural and urban communities; and*
- *to improve governance and quality of service delivery in the WASH sector in the context of climate change.*

3.1.2. For each of the specific objectives the main expected **results** are:

- Result 1: Increased service delivery of sufficient quantity safe water and appropriate sanitation through the implementation of the WASH Policies for the rural and urban population
- Result 2: Increased awareness of population on importance of hygiene and sanitation, and reduction of frequency in number of cases of diseases with oral – faecal transmission
- Result 3: Implementation of WASH Policies with an initial focus on strengthening the institutional framework and enabling environment
- Result 4: Improved planning, monitoring and evaluation of WASH service delivery including community service obligations.

3.1.3. For each result, the main **indicators** are:

The official source of data on water and sanitation is the 2009 Solomon Islands Population and Housing Census indicating only Honiara, the capital, as urban area. Under the 10th EDF RWASH programme a database will be established within the MHMS while through a snapshot survey of projects, baseline data will be determined. Process indicators will be utilised for specific objective 2. Baseline data collected under the 10th EDF RWASH will be gender disaggregated.

The **Millennium Development Goal MDG 7C 7.8 and 7.9** 'Reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation' translates into a series of internationally agreed targets and indicators:

- Proportion of population using an improved drinking water source (MDG 7C 7.8)
- Proportion of population using an improved sanitation facility (MDG 7C 7.9)

The main indicators for measuring the aforementioned results are contained in the Sector Intervention Framework and Performance Indicators enclosed in Attachment 1.

3.1.4. **Donor coordination and policy dialogue** are:

For RWASH the Oversight Committee (RWOC) - consisting of the MHMS, MoFT, MDPAC and the two donors Australia and the EU - meetings are the link between the RWASH Stakeholders group and the MHMS executive and seek broader endorsement on changes in the policy direction, execution and implementation of RWASH objectives, activities, indicators and targets described in the key documents. The RWOC meetings are an opportunity for the MHMS to develop health systems more broadly, by identifying challenges and opportunities for all stakeholders and partners in the WASH programme.

The RWOC meetings also provide other governance arrangements within the MHMS, including Ministerial Executive Meetings, the health donors group, Development Partners Coordination group, and the broader-scoping MHMS Annual Performance Review, with succinct information which can enhance their ability to make informed decisions at a more senior level.

Urban WASH implemented through SW has currently two donors, Australia and the Japan International Cooperation Agency (JICA). Australia has been involved through the Solomon Islands Water Authority Short-Term Recovery Strategy and Action Plan (RAP) and has committed funds for a further two years through its Improved Economic Infrastructure component. JICA has been supporting SW since 2005 with a development survey. This led to a grant-aid project for the improvement of water supply systems in Honiara and Auki and a technical cooperation project for

non-revenue water reduction. With growing urbanisation in (almost 20% of the population lives in towns), the EU has been requested to support the growing demand for safe water and improved sanitation. The Master Plan will complement existing projects through dialogue and collaborative planning in order to maximise the benefit of all projects and enable SW to better achieve the objectives. To ensure this close collaboration with the three donors, a Memorandum of Agreement will be signed by Australia, JICA, EU and SW and regular steering committee meetings will be conducted.

3.1.5. The government's **financial and policy commitments** are:

Government and SW have made considerable efforts in developing policies, transitional and strategic plans and road maps and are in the process to draft an urban WASH policy and Master Plan as described in 1.2.2. The challenge is now in implementing these, taking into account the very limited human and financial resources and the absorption capacity of the existing structures.

Government's financial contribution to RWASH through its annual budget is not clearly determined as RWASH is one unit of the Environmental Health Division (EHD) that consists of four units and for which one budget is allocated. Fact is that the contribution is less than 1% of the annual budget, the internationally recognized minimum.

Apart from JICA's projects which are accounted for separately, SW is financing its capital operations for the two years' Development Plan 2013-2015 for 13.7% while Australia is covering the balance. SW aims at improving its cost recovery by 15% during the next two years.

3.1.6. Appropriate type of **environmental assessment**

For large sewerage and water supply projects, environmental impact assessments will be conducted in line with government's policies, the Environment Act (1998), the Environmental Health Act (1996, Cap 99) and the Environment Regulations (2008).

3.1.7. The overall **risk assessment** of the sector intervention:

Insufficient capacity of MHMS, MDPAC (NAO) and SW to deliver commitments is the main risk as they do not have the right expertise to implement complex development projects in line with EU procedures. Chances for ineligible expenses are high. Capacity building and restructuring will be necessary in line with the studies and plans prepared as well as considering other implementation approaches where appropriate e.g. through contribution agreements.

Risk of misappropriation of funds is real as discovered in the MHMS in 2013. Close monitoring in cooperation with the other donors is necessary to keep the pressure on government to take the necessary measures to identify misappropriation, to improve the financial systems and to take legal action when needed. The EU will continue to engage actively with the CEWG on the Government's Economic and Financial Reform Programme. The CEWG donors collectively provide considerable support and capacity building on PFM.

Absorption capacity of government and SW to implement programmes is weak. The risk is high that not all committed funds will be utilized.

As a LDC Small Island Developing State (SIDS), climate change is an important environmental and developmental issue. The majority of the population lives on the low-lying coastal plains of the hundreds of islands that make up the country. With sea level rise, the country faces many challenges to provide, sustain and maintain WASH facilities.

To mitigate these risks, policy dialogue with the WASH stakeholders and oversight committee need to be re-enforced. Institutional strengthening at all levels through technical assistance and training based on a comprehensive needs assessment need to be implemented. Additionally the support to the NAO will strengthen coordination between line and central ministries, as well as the NDS M&E framework, to support delivery of services and meeting targets.

3.2 Rural Development (indicative amount of EUR 10 million)

3.2.1 The following overall and specific **objectives** will be pursued:

The **overall objective** of this sector intervention is strictly aligned to the eight Solomon Islands NDS objectives, and of which this sector intervention will contribute:

'to alleviate poverty and increase rural-based economic opportunities aimed at increasing the rate of Economic Growth and equitable distribution of benefits of employment and higher incomes amongst all provinces and population'

The **Specific Objectives** are twofold:

- *to increase and diversify rural-based agricultural economic activity and livelihood opportunities for all Solomon Islanders in an inclusive manner; and*
- *to create the enabling environment that enhances and strengthens the partnership between the private sector and the public sector to facilitate improved and diversified agricultural production from rural areas, and thereby contribute substantially to economic growth.*

3.2.2. For each of the specific objectives the main expected **results** are:

- Result 1: Established environmentally sustainable agricultural-based economic activities in Provinces and are operating with adequate level of capacities and competencies
- Result 2: Increased equitable and sustainable employment opportunities and income per capita in the rural areas
- Result 3: Women participation in small agriculturally-based activities is promoted and increased
- Result 4: Enabling regulative policies and legislation are in place and enforced to facilitate conducive private sector environment for increased production that meets international market requirements, and income for both farmers and entrepreneurs
- Result 5: Promotion of partnerships between public and private sectors leading to increased number of farming households engaged in partnerships with the private sector
- Result 6: Commercial agricultural products are diversified, with increased value added for new and existing products
- Result 7: Capacities of entrepreneurs and traders of agricultural products are strengthened

3.2.3. For each result, the main **indicators** are:

The indicators are in line with those stipulated in the MTDP in relation to rural development and economic growth objectives.

The main indicators for measuring the aforementioned results are contained in the Sector Intervention Framework and Performance Indicators enclosed in Attachment 1. The new programmes identified and formulated under the 11th EDF will establish the necessary baseline data needed for measuring progress on the basis of the end-of-project survey conducted early 2015 for RDP Phase I. Data collected and analysed will be gender disaggregated.

3.2.4. **Donor coordination** and **policy dialogue** are:

The CEWG is the main avenue where donors and government discuss policy matters pertaining to the overall country's economic and financial performance. The Joint Review Mission (JRM) of 2013 and IMF staff reports have recommended to make a stronger focus on inclusive economic growth. Similar important assertion was highlighted in the NDS 2013 performance report recommendations.

Rural Development, as the national development objective, is enshrined in government's current policy objectives, and subsequently highlighted in the National Development Strategy and the

Medium Term Development Strategy as the first main medium term priority. Both donors and government continue to play a major role in supporting rural development.

Donor Coordination meetings, manned by MDPAC, is the mechanism where donors streamline their respective support and intervention challenges in line with the principles of the Paris Declaration.

Government is committed to ensure that rural development interventions are effectively coordinated through an overseeing technical body. As part of government's Aid Coordination Strategy, this will be established. The Agricultural Sector lacks an overall coordinating body, however, very specific commercial crops do have steering committees or secretariats where all partners involved meet. These need to be strengthened (e.g. cocoa and coconut).

The development of the second phase of the RDP will lead to more policy dialogue between government and donors.

3.2.5. The government's **financial and policy commitments** are:

The agricultural sector has an endorsed National Agricultural Policy, a Corporate Plan (10 years) with subsidiary legal documentations which includes the Bio-security Policy, Livestock Policy, Food and Nutrition Safety Policy, Cocoa policy, Coconut Strategy, Women in Agriculture Framework, etc. It will be necessary that government considers addressing further policy needs aimed at creating conducive environment for farmers, traders, entrepreneurs and exporters of agricultural products to operate effectively and productively. The chain of relationship between the private sector and the farmers needs great enhancement, if rural development is to make improved difference in contributing to the economy.

Government's financial commitment towards rural development is expressed by increased budgets towards the Constituency Developments Funds (CDFs) through the Ministry of Rural Development (MRD) and managed for each Constituency by the Member of Parliament. As there are significant donor funds committed for rural development and budget support, Government will need to effectively coordinate all interventions as alluded to in 3.2.4. Government has committed to finalise the CDF regulations to ensure transparency and accountability.

3.2.6. When needed, the appropriate type of **environmental assessment**

Government is committed towards protecting natural resources and any large intervention in rural development will be subject to an Environmental Impact Assessment (EIA).

3.2.7. The overall **risk assessment** of the sector intervention:

Key risks in relation to the success of rural development interventions are: natural disasters (cyclones, sea level rise and other climate change effects); pandemic pests to agricultural crops and animals; unclear land ownership which hampers progress; civil unrest with the upcoming 2014 elections; misappropriation of funds due to weak capacity and control systems or greediness of staff involved in implementation; and fluctuations in international commodity prices.

To mitigate these risks institutional strengthening at all levels will be built, a risk disaster strategy will be in place, landownership need to be addressed and adequate measures will be implemented to minimise mismanagement of funds.

4. **Measures in favour of civil society**

It was agreed with the Government not to allocate funds to civil society through the 'A envelope'. Civil society will be supported through EU thematic budget lines and will include special consideration towards gender equality and sustainable development.

5. B-allocation

A B-allocation may be included in the NIP for unforeseen needs (specifically relevant for fragility situations). This allocation is at EUR 0 until a need arises. In case of necessity, a Financing Decision to meet an unforeseen or urgent need can always be taken notwithstanding the status of the indicative B-allocation mentioned in the NIP.

6. Support measures

6.1. Measures to support or accompany the programming, preparation or implementation

A support facility (Technical Cooperation Facility - TCF) which aims to support or accompany the programming, preparation or implementation of actions, is foreseen in the programming through a specific allocation of an indicative amount of EUR 4,000,000. The facility is not considered as a sector and will be used for supporting activities and capacity building in MDPAC (NAO) and line ministries involved in implementing the focal sectors' programmes, as well as to conduct analytical work jointly with Government to inform our programming. It will also support further i) mainstreaming of gender including the identification of actions and gender disaggregated indicators and ii) the strengthening of risk analyses and the identification of mitigating measures in the preparation of new projects and programmes.

The mid-term and end-term reviews of the support systems to the NAO under EDF 10 indicated that capacity of personnel through a support unit was built outside Public Service and entirely funded by EDF and therefore not sustainable. Linkages with sectorial ministries, agencies and non-state actors are underdeveloped while there are real weaknesses in programming, general management and monitoring & evaluation. New modalities to support the NAO and line ministries will be agreed based on integrating the current support structures into MDPAC, the undertaking of a needs assessment/capacity analysis and the organisational restructuring within MDPAC. To this end supporting measures may include statistical capacity building to enhance the availability and quality of the results and their assessment.

6.2. Support to the National Authorising Officer

The support to the NAO is included in the TCF.

Attachments

1. Sector intervention framework and performance indicators (see Template in Attachment 1)
2. Indicative timetable for commitment of funds (see Template in Attachment 2)
3. Donor matrix showing the indicative allocations per sector (Attachment 3)
4. Country at a glance (i.e. macro-economic indicators and indicators derived from the MDGs, as well as possible other indicators relevant for the country, including risk indicators for disaster prone countries) (Attachment 4)

Attachment 1: Template for Sector intervention framework

Sector 1: Water, Sanitation and Hygiene (WASH)		
Specific objective 1: <i>to enable a healthier and safer environment in households reducing the impact of water borne diseases and hygiene related illnesses in rural and urban communities</i>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
a) Increased service delivery of sufficient quantity safe water and appropriate sanitation through the implementation of the WASH Policies for the rural and urban population	a1) Proportion or number of persons (disaggregated by gender) with access to improved drinking water a2) Proportion or number of persons (disaggregated by gender) with access to improved sanitation a3) % of schools with access to safe water and improved sanitation a4) % of clinics with access to safe water and improved sanitation a5) Capacity (volume) of sewage systems in urban areas	<ul style="list-style-type: none"> ▪ Database of MHMS (to be established under 10th EDF WASH programme) ▪ WASH survey ▪ SW database ▪ Project data ▪ Annual snap shot survey
b) Increased awareness of population on importance of hygiene and sanitation, and reduction of frequency in number of cases of diseases with oral – faecal transmission	b1) Morbidity and mortality rate caused by water borne diseases (measured by number of deaths by the total population and per different population group e.g. children under 5 years) b2) % of communities aware of health benefits from use of improved sanitation, hand washing and hygiene practices	<ul style="list-style-type: none"> ▪ Database of MHMS on health cases addressed ▪ WASH survey ▪ SW database ▪ Project data ▪ Annual snap shot survey
Specific objective 2: <i>to improve governance and quality of service delivery in the WASH sector in the context of climate change</i>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
a) Implementation of WASH Policies with an initial focus on strengthening the institutional framework and enabling environment	a1) Status of WASH policies <u>Milestones:</u> <ul style="list-style-type: none"> ▪ Strategic Plan for rural WASH implemented ▪ Master Plan for urban WASH implemented to guide the development and up-scaling of WASH over the next five years (2015-20) ▪ Urban WASH policy developed ▪ Urban WASH policy approved ▪ Organisational review conducted to consider how best to deliver WASH services at all levels 	<ul style="list-style-type: none"> ▪ Minutes meetings oversight committee and stakeholders working group ▪ Approved plans and policies ▪ Reports of studies

<p>b) Improved planning, monitoring and evaluation of WASH service delivery including community service obligations</p>	<p>b1) Status of budget allocation for WASH <u>Milestones:</u> Budget allocated according to:</p> <ul style="list-style-type: none"> • Priorities based on data collected on annual basis (database analysis) • domestic and external funds availability • Audited expenditures • Reporting of RWASH unit <p>b2) Status of decisions on WASH by the Oversight Committee for Rural WASH <u>Milestones</u></p> <ul style="list-style-type: none"> ▪ Strategy for implementing Rural WASH decisions adopted ▪ Policy for Rural WASH decisions adopted ▪ Funding and allocations for Rural WASH decisions established ▪ Implementation of the Rural WASH sector monitored 	<ul style="list-style-type: none"> ▪ Minutes meetings oversight committee and stakeholders working group ▪ Approved plans and policies ▪ Reports of studies ▪ Audit reports ▪ Budget approvals ▪ MHMS database
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Sector 2: Rural Development		
Specific Objective 1: to increase and diversify rural-based agricultural economic activity and livelihood opportunities for all Solomon Islanders in an inclusive manner		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>a) Established environmentally sustainable agricultural-based economic activities in Provinces and are operating with adequate level of capacities and competencies</p>	<p>a1) Annual % change in quantity of agricultural produce in tonnes by location (national, provincial and ward)</p> <p>a2) % of land under sustainable agriculture where improved technologies are used (ploughing, fertilization, etc.)</p> <p>a3) % of land under sustainable agriculture where improved management practices are used (e.g. contours, ridging, potholing, etc.)</p>	<ul style="list-style-type: none"> ▪ MAL statistics ▪ Project data ▪ Surveys
<p>b) Increased equitable and sustainable employment opportunities and income per capita in the rural areas</p>	<p>b1) % of national income from the agricultural sector</p> <p>b2) Rural employment rate</p> <p>b3) Ratio of domestic food production to food imports</p>	<ul style="list-style-type: none"> ▪ World Bank Country data series ▪ IMF Country Reports ▪ CBSI economic and financial reports

c) Women's participation in small agriculturally-based economic activities is promoted and increased	c1) % of woman benefiting from small agriculturally-based economic activities as a % of the total population	<ul style="list-style-type: none"> ▪ MAL statistics ▪ ME reports ▪ MAL research and extension annual reports ▪ HIES/census reports
Specific Objective 2: <i>to create the enabling environment that enhances and strengthens the partnership between the private sector and the public sector to facilitate improved and diversified agricultural production from rural areas, and thereby contribute substantially to economic growth</i>		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
a) Enabling regulative policies and legislation are in place and enforced to facilitate conducive private sector environment for increased production that meets international market requirements, and income for both the farmers and the entrepreneurs.	a1) Status of policies and regulations to facilitate private sector environment <u>Milestones:</u> <ul style="list-style-type: none"> ▪ Policies and regulations are approved ▪ Policies and regulations are enforced a2) % of investment made by the private sector (local and foreign) a3) % agricultural sector contribution to the overall GDP	<ul style="list-style-type: none"> ▪ Approved plans and policies ▪ MAL annual reports ▪ Ministry of Commerce and Industry annual reports ▪ CBSI, WB & IMF economic and financial reports
b) Effective promotion of partnerships between public and private sectors leading to increased number of farming households engaged in partnerships with the private sector.	b1) % of farmers with partnerships with entrepreneurs (processors, exporters, etc.)	<ul style="list-style-type: none"> ▪ MAL annual reports ▪ Ministry of Commerce and Industry annual reports ▪ Surveys
c) Commercial agricultural products are diversified, and there is increased value added in both the new and existing products.	c1) % of registered agriculture-focussed products as a % of all products c2) Contribution, in %, of private sector to overall GDP c3) % of people employed through the private sector, as % of total employment c4) % of agricultural contribution to global export shares c5) % of agricultural contribution to regional export shares	<ul style="list-style-type: none"> ▪ MAL annual reports ▪ Ministry of Commerce and Industry annual reports ▪ CBSI, WB & IMF economic and financial reports
d) Capacities of potential entrepreneurs and traders of agricultural products are strengthened.	d1) % of entrepreneurs whose capacities have been strengthened through training d2) Number of training sessions conducted	<ul style="list-style-type: none"> ▪ Entrepreneurs and traders capacity assessment reports ▪ Chamber of Commerce database

Attachment 2: **Template for Indicative timetable for commitments**

	Indicative allocation amount in million EUR						
	2014	2015	2016	2017	2018	2019	2020
SECTOR – Water, Sanitation and Hygiene			18		8		
SECTOR – Rural Development			10				
<i>For ACP:</i>							
Other measures (support to civil society)							
B- allocation							
Support measures							
▪ Measures to support or accompany the programming, preparation or implementation of actions		2			2		
▪ Support to the National Authorizing Officer (included in above)							
TOTAL COMMITMENTS		2	28		10		

The amounts mentioned in this table are indicative.

Attachment 3: **Donor matrix with indicative allocations per sector (estimates)**

	Indicative allocation in million	2014	2015	2016
SECTOR – Water, Sanitation and Hygiene				
DFAT-Australia (SW)	AUD	3.5		2
DFAT-Australia (MHMS)	AUD	2	1.5	1.5
JICA (SW through projects)	JPY	1	0	0
EU (10 th EDF to MHMS)	EUR	0	5	2.5
SECTOR –Rural Development				
DFAT-Australia	USD –13.3			
WB	USD 9			
IFAD	USD 4.6			

Attachment 4: **Country at a glance**

Year	2009	2010	2011	2012	2013	2014 (est)
Economic indicators						
GDP (current USD million)	601.3	678.6	866.7	1,008.4	1,096.7	1,205.5
GDP growth (annual %)	(1)	7	9	4	2.9	4
<i>Of which : non-timber, non-mining</i>		5.4	7.3	3.5	4.1	5.0
Total reserves (% of total external debt)	85	115	160	219		
Central government operations (% of GDP)		62.6	60.3	53.7	53.5	49.6
<i>Of which: grants</i>		30.7	27.1	19.2	19.9	17.4
Agriculture, value added (current USD million)	268.3					
Agriculture, value added (annual % growth)	(8)					
Agriculture, value added (% of GDP)	39					
Logging exports (current USD million)		124.7	191.4	219.2	199.9	183.9
ODA						
Net bilateral aid flows from DAC donors, Total (current USD million)	205.9	321.4	305.2			
% ODA from EU institutions	2	8	2			
% ODA from Australia	82	79	83			
Net ODA received (% of GNI)	44	61	50			
Net ODA received per capita (current USD)	400	647	620			
Social Indicators						
School enrolment, primary (% net)		72	92	93		
School enrolment, secondary, female (% net)		41	41	42		
School enrolment, secondary, male (% net)		44	42	42		
Improved sanitation facilities (% of population with access)	28	28	29			
Improved sanitation facilities, rural	15	15	15			

(% of rural population with access)						
Improved sanitation facilities, urban (% of urban population with access)	30	30	30			
Labour force participation rate, total (% of total population ages 15-64)	69	69	69	69		
Demographic Indicators						
Life expectancy at birth, total (years)	67	67	67			
Fertility rate, total (births per woman)	4	4	4			
Population ages 0-14 (% of total)	41	41	41	40		
Population ages 15-64 (% of total)	56	56	56	56		
Population ages 65 and above (% of total)	3	3	3	3		
Rural population growth (annual %)	2	2	2	2		
Rural population (% of total population)	80	80	80	79		
Urban population growth (annual %)	5	4	4	4		
Urban population (% of total)	20	20	20	21		

Sources: World Bank Country data series, **IMF Country Report No. 14/12**, SW Development Plan 2013-15