

Independent Evaluation of the Solomon Islands Forestry Management Project Phase II

MANAGEMENT RESPONSE

Prepared by: Solomon Islands Bilateral Program

Approved by: Kirsten Hawke, A/g Development Coordinator, AusAID

Date Approved:

Aid Activity Summary

Aid Activity Name	Solomon Islands Forestry Management Project Phase II		
AidWorks initiative number	INF874		
Commencement date	4 October 2004	Completion date	30 June 2009
Total Australian \$	AUD8.2 million		
Total other \$	Not applicable		
Delivery organisation(s)	URS Australia Limited		
Implementing Partner(s)	Ministry of Forestry – Solomon Islands Government (SIG)		
Country/Region	Solomon Islands		
Primary Sector	Forestry		

Aid Activity Objective:

Phase II of the Forestry Management Project aimed to improve forestry management in Solomon Islands mainly by strengthening the processes and systems in the Ministry of Forestry. It followed Phase I which had broadly similar aims. Phase II ran from late 2004 to mid 2009. It had four project components and objectives. They were as follows:

1. **Legislative Framework and Capacity Strengthening.** Objective – to assist in improving the competence of SIG agencies in administering forestry legislation at national/ provincial levels in order to improve the management of forestry resources.
2. **Organisational development of the Ministry of Forests.** Objective – to strengthen the MoF organisational structure and systems, as well as develop the skills and knowledge of MoF senior managers, staff and field officers, in order to build capacity to effectively manage the nation's forestry resources.
3. **Engage stakeholders in sectoral development.** Objective – to assist in strengthening MoF capacity to engage stakeholders in plantation establishment, management, processing/marketing, in order to maximise forestry sector benefits.
4. **Project design and management.** Objective – to manage all project inputs in an efficient and accountable manner to ensure desired outputs, and sustainable, successful, within budget and on line outcomes.

Additional Support to the Forestry Sector in Solomon Islands

The Australian Centre for International Agricultural Research (ACIAR) is undertaking pilot projects to develop agroforestry systems in Solomon Islands. The pilot projects aim to develop agroforestry systems suitable for small holders of tree species that could be harvested commercially at an earlier age and support and emerging community based teak plantation industry.

- The project titled “Improving Silvicultural and economic outcomes for community timber plantations in the Solomon Islands by interplanting with *Flueggea flexuosa* and other Pacific agroforestry species” began in 2007 and will end in 2012 with a budget of \$1.1 million.

AusAID continues to liaise with and support NGOs many of whom have forestry programs.

Independent Evaluation Summary

Evaluation Objective:

Evaluation Completion Date: March-August 2010

Evaluation Team: Tony Hughes (team leader), Paul Crawford, Helen Sutch, and Luca Tacconi

The project was implemented by URS Australia, who had also implemented Phase I, so that the experience of the earlier project was well known to the managers assigned to the Program (Phase II).

Phase II was an Australian-sponsored intervention into the governance of a highly politicised and deeply corrupted sector of the SI economy. This background would have daunted most project managers. The program was fortunate in having robust and energetic individuals as its team leaders. Such achievements as there were owe much to their resilience and perseverance. They were generally well supported by national and overseas staff working under singularly difficult conditions, but defects in the project design, weak monitoring arrangements and imperfect communications hampered implementation. The institutional development needs of the Ministry were never thoroughly addressed. Systems and procedures that worked when Program personnel ran them quickly broke down when they left.

The ICR concluded that lessons available from Phase I and from experience in capacity building in comparably difficult institutional and governance settings had not been sufficiently taken into account in design and implementation of Phase II. The project was not well integrated into the Forestry Ministry and the sustainability of its improvements consequently suffered. Nevertheless, the ICR found that Forestry Ministry and Solomon Islands forest policy were now in better shape than they would have been without the program.

The Program was rated by the ICR under the eight “DAC+” categories used by AusAID on a performance quality scale of 1 (very poor) to 6 (very high) as below.

Evaluation Criteria	Rating (1 – 6) ¹
Relevance	5
Effectiveness	4
Efficiency	4
Impact	3
Sustainability	3
Gender Equality	3
Monitoring & Evaluation	3
Analysis & learning	3

Management Response

The overall quality of the ICR evaluation is high. It provides an excellent assessment of both the strengths and weaknesses of the program. In particular the report provides frank assessments of how the difficult operational and governance conditions affected strategic directions, management decisions and implementation, and ultimately, undermined program performance.

Outlined below are the two recommendations of the report and AusAID’s response to them. AusAID’s responses to these recommendations are based upon the analysis provided in the report as well as current governance and operation conditions in the forestry sector.

This Management Response also covers additional issues not specifically referred to in Recommendations but central to the performance of the program.

1. _____

¹ 1=very poor quality; 2=poor quality; 3=less than adequate quality; 4=adequate quality; 5=good quality; 6=very high quality.

Operating Environment

The program was implemented during a period of instability and political turbulence in Solomon Islands. As such this was a difficult operating environment for the program to implement activities and effect lasting change.

- There was concerted opposition within the sector to introducing stronger legal controls on logging
- There have, however, been some more positive recent indications from the Solomon Islands authorities over the need to reform the sector
 - In October 2010 the then Minister for Finance and Treasury, Hon Gordon Darcy Lilo, announced that the government had agreed to increase the determined value of log exports in two stages out to mid-2011. (Determining the value of round log exports in line with international prices also ensures that fair export duties are paid for the logs being exported from the Solomon Islands).
- Australia will continue to take appropriate opportunities to engage on discussion in this sector.

Economic Impact

AusAID recognises that the projected declines in the forestry resources could have a significant impact on the Solomon Islands economy. In the face of declining logging revenues, Australia is playing a lead role in supporting the Solomon Islands Government to address the country's fiscal and economic challenges, including through the Solomon Islands Government-Donor Core Economic Working Group (CEWG)

- the CEWG seeks to influence government decisions that can improve public financial management and the environment for new business investment
- the announced increase in the taxable price of logs late last year is an example of how the CEWG can improve policy outcomes
- more generally, significant improvements in cash management and financial management reforms focused on increased revenue collection allowed the Solomon Islands Government to provide a small surplus in the 2011 budget.

Specific Recommendations

Recommendation One

Australia should stay in close touch with SIG over forest policy and the need for effective planning and regulation of the present and future wood industry. The form and content of continuing bilateral collaboration requires frank and thorough consultations, drawing on past experience to address future issues.

Response and Actions to Recommendation 1: AusAID agrees with Recommendation 1 that there is a need for effective planning and regulation of the wood industry. However, given the assessments made in the ICR on governance and operational issues affecting the industry, at this point, AusAID does not believe it is opportune for close consultations with SIG on improving planning and regulation in the wood industry. AusAID will monitor developments in this sector with a view to dialogue only when there is a clear commitment from Government to improve governance and some progress has been made.

Our bilateral assistance is delivered under the framework of the Solomon Islands Australia Partnership for Development. Further assistance to this sector has not currently been identified as a priority by Solomon Islands government. Were such a request to be received it would, however, be considered on its merits., AusAID's 2020 project suggests that moves away from logging of native forests to plantation and reforestation will require sustained donor input and cannot quickly replace the extractive industry. Again, we would need to assess any new reforestation proposals on their merits.

The Partnership for Development talks in 2011 agreed that AusAID and the Solomon Island Government would have a draft implementation strategy ready for discussion and endorsement at the 2012 talks. The issues raised by this evaluation will feature in the discussions over the implementation strategy.

AusAID currently provides support to the livelihoods and rural development sector through three programs. These programs are: the Rural Development program which builds small-scale village infrastructure, supports capacity building in the Ministry for Agriculture and Livestock and assists with finance for small to medium sized rural businesses; funding for an agricultural NGO that supports improved productivity and incomes growth for subsistence farmers; an, Cocoa Livelihoods Improvement Project which is increasing the

productivity of coca growers and assisting with marketing. We are currently assessing the scope and nature of our support in this area in the context of our discussion with the Solomon Islands Government on an implementation strategy. In addition to the livelihoods and rural development programs mentioned above AusAID also provides significant funding for rural roads and infrastructure in collaboration with the ADB and other donors. These infrastructure investments are fundamental to growth in the rural economy in Solomon Islands.

Recommendation Two

Such consultations should include the scope for assistance in these areas:

- **the potential Australian market for SI wood exports** will quickly expand as the industry moves from commodity-type bulk-exports of natural forest logs to Asia, to selective niche-type marketing of plantation species and locally processed or treated timber. Technical and commercial advice to help develop this market falls within the scope of Australia's assistance under PACER Plus trade promotion arrangements, using VATA and other links.
- **SIG's forestry department will continue to need support** to develop the necessary management and organisational capacity to carry out its policy and regulatory functions. Specifically, assistance will be needed to continue the professional development of SI foresters for FD and for the industry, and to develop a cadre of foresters who are also competent managers; to help build the morale and sense of mission of the government forestry team; to make FD's financial management effective and responsive to operational needs; to strengthen the internal systems of data collection, analysis and use in monitoring and policy-making and put them on a sustainable basis; and to help design and implement the integration of effective forestry extension services with broad-based programmes of support to rural livelihoods.
- **the scope for SI to benefit from carbon-trading schemes** aimed at slowing the rate of global warming and climate change is now high on the list of matters requiring analysis and appropriate policy by SIG. Re-afforestation and plantation forestry offer significant carbon-trading potential for SI, and Australia is already active in this field. The ICR therefore concludes with a text box, overleaf, providing a note on context and pointers to a way forward.

Response and Actions to Recommendation 2: AusAID agrees with Recommendation 2 that there is potential for Solomon Islands to benefit from wood exports to Australia and other markets as the industry moves towards more selective niche-type marketing of plantation species and locally processed or treated timber.

AusAID is also aware of several innovative community-based agro-forestry programs and pilot projects run by different groups, including ACIAR, in various parts of the Solomon Islands such as Kolombangara Island in Western Province. AusAID believes these types of forestry activities have great potential to improve livelihoods in some areas of the Solomon Islands and will continue to monitor progress. AusAID believes there is potential for donor support in this area of the forestry sector.

AusAID agrees with Recommendation 2b that the Ministry of Forestry needs support to develop the necessary management and organisational capacity to carry out its policy and regulatory functions. However, as outlined in the response to Recommendation 1, AusAID believes that while governance remains weak, investments in improving planning would not result in changes to the management of the sector.

AusAID agrees with Recommendation 2c that there is potential for Solomon Islands to benefit from carbon-trading schemes aimed at slowing the rate of global warming and climate change. AusAID will monitor the opportunities for donor support in this area and hold discussions with the World Bank which has an interest in this area. AusAID believes that any bilateral development cooperation in this area would be best done with multilateral partners.