



Australian Government
Department of Foreign Affairs and Trade

**Australian
Aid** 



INDEPENDENT EVALUATION OF PHASE 2 OF THE AUSTRALIAN AID PROGRAM'S URBAN WATER PROGRAM IN SOLOMON ISLANDS: DFAT MANAGEMENT RESPONSE

February 2018

BACKGROUND

In 2010, the Solomon Islands Government requested Australian assistance for the management and operations of the Solomon Islands Water Authority (Solomon Water), which was on the verge of collapse. Australia responded with the development and implementation of a *Recovery Strategy and Action Plan 2011–2013* to stabilise Solomon Water's financial capacity and improve service levels. Australia then continued with a second phase of support for the implementation of the *Solomon Water Development Plan 2013–2017* (Development Plan). The objective of the Development Plan is to improve service levels (in terms of quantity, quality and reliability) to a larger proportion of people in the existing service area, based on a sound financial position.

SUMMARY OF THE INDEPENDENT EVALUATION

In May 2016, Australia's Department of Foreign Affairs and Trade (DFAT) commissioned an independent evaluation to assess the performance of Australia's support to Solomon Water through the Development Plan and associated technical assistance.

Overall, the evaluation found that the second phase of Australia's urban water program in Solomon Islands has successfully built upon previous support to Solomon Water, and that the objective of the Development Plan has been largely achieved. The program achieved some impressive results, particularly in the improvement of water supply to Honiara residents, notably:

- 78 per cent of households in Honiara had access to 24-hour water supply in 2015, compared to less than 39 per cent in 2013.
- 96.3 per cent of water samples passed WHO e-coli standards in 2015 compared to less than 50 per cent in 2011.
- Solomon Water's financial status improved from an operational loss of SBD30 million in 2010 to an operating surplus of SBD7 million by the end of 2015.

Nonetheless, the urban water program in Solomon Islands has not been without its challenges. The implementation of the Development Plan was originally due to be completed in mid-2015, but due to a series of unforeseen difficulties and delays, Solomon Water and Australia agreed to extend its completion date to 30 June 2017. The evaluation report identifies some ongoing challenges for Solomon Water, including in the areas of financial sustainability, organisational capacity, land access and use, water quality and safety, non-revenue water and government engagement.

DFAT RESPONSE TO EVALUATION FINDINGS AND RECOMMENDATIONS

Australia's current support for Solomon Water is due to conclude in June 2017. Although new European Union (EU) support for the organisation is anticipated to commence in 2018, there could be a funding gap of up to 18 months. This gap and the ongoing challenges identified above risk the sustainability of the positive outcomes achieved by Australia's urban water program to date. In response, DFAT initiated a formal dialogue with Solomon Water and the EU to develop a transition plan for phasing out Australia's support to

the urban water sector. The dialogue will also help to ensure that the new EU support maintains and builds upon the gains made under the Development Plan.

The evaluation report outlines 11 key recommendations for Solomon Water and DFAT. As outlined in the table below, DFAT is supportive of all of the recommendations and, where possible, will work with Solomon Water and key stakeholders to implement them as part of DFAT's transition plan.

Evaluation recommendations	DFAT response
Recommendation 1 Solomon Water undertakes more frequent water quality testing. Solomon Water liaises with the Ministry of Health to bring about more frequent independent water quality testing.	Agree DFAT is supportive of Solomon Water's efforts to implement this recommendation.
Recommendation 2 Solomon Water updates, approve and operationalises the draft Drinking Water Safety Plan in the near future.	Agree DFAT is supportive of Solomon Water's efforts to implement this recommendation.
Recommendation 3 Solomon Water undertakes further customer education about the communication process and the responsibilities of Solomon Water and customers, especially related to water pricing, service disruptions, water quality, billing and payment and disconnections. This should be outlined in the Communications Plan and understood by all Solomon Water staff.	Agree DFAT is supportive of Solomon Water's efforts to implement this recommendation.
Recommendation 4 Solomon Water implements the key areas identified for strengthening organisational capacity.	Agree DFAT is supportive of Solomon Water's efforts to implement this recommendation.
Recommendation 5 Solomon Water develops a stakeholder consultation strategy to support the strategic planning process. The consultation strategy should support Solomon Water to strengthen future co-ordination and engagement with key partners in the water sector.	Agree DFAT is supportive of Solomon Water's efforts to implement this recommendation.

Evaluation recommendations	DFAT response
Recommendation 6 Solomon Water establishes a project management capability (in-house or outsourced) to oversight construction and non-construction projects, especially those involving donor funding.	Agree DFAT is supportive of Solomon Water's efforts to implement this recommendation.
Recommendation 7 For future capital works programs, Solomon Water ensures that the appropriate safeguard policies and activities are undertaken during the project preparation phase in advance of implementation.	Agree DFAT is supportive of Solomon Water's efforts to implement this recommendation.
Recommendation 8 DFAT considers alternative approaches for the recruitment and performance management of in-line management positions to those used for long term and short term technical advisers.	Agree The recruitment and management of advisers for the Australian Aid Program is undertaken in accordance with the Adviser Remuneration Framework (ARF). In Solomon Islands, Australian aid advisers in the infrastructure sector are managed by the Solomon Islands Resource Facility according to the ARF. Recognising the achievements in Solomon Water's organisational capacity, DFAT has commenced discussions with the Solomon Water Board on the Board's long-term management of its executive team and how DFAT can best support the transition of technical assistance to Board management.
Recommendation 9 Solomon Water management and Board and, where appropriate, DFAT or other donors, encourage the Solomon Islands Government to adhere to state-owned enterprises regulations.	Agree DFAT will continue to engage with the Solomon Islands Government on macroeconomic policy issues, including state-owned enterprise governance and regulation, through donor coordination mechanisms and technical advisory support to the Economic Reform Unit of the Ministry of Finance and Treasury.

Evaluation recommendations	DFAT response
<p>Recommendation 10</p> <p>DFAT use donor co-ordination mechanisms to advocate for the design of the European Development Fund 11 support to Solomon Water to, as far as possible, build on the successful implementation of the Development Plan.</p>	<p>Agree</p> <p>DFAT and Solomon Water have commenced structured engagement with the EU to develop DFAT's transition plan, including to ensure the design of any future support builds on the achievements of the Development Plan. This will also be supported by the development of Solomon Water's new 30-year Strategic Plan and Five-Year Action Plan, which are currently in draft.</p>
<p>Recommendation 11</p> <p>DFAT, Solomon Water management and Board agree on (i) DFAT considers to fully or partially fund the General Manager and Finance and Administration Manager positions beyond June 2017; and (ii) a timeframe for discussions with the EU regarding transition planning.</p>	<p>Agree in principle</p> <p>(i) DFAT and Solomon Water have commenced discussions about the organisation's technical advisory needs beyond June 2017. DFAT will consider this recommendation as part of the development of the transition plan, in the broader context of the Australian Aid Program in Solomon Islands.</p> <p>(ii) DFAT, Solomon Water and the EU have commenced formal discussions about transition planning.</p>

