

SI FOREST MANAGEMENT PROJECT II (FMP2)

INDEPENDENT COMPLETION REPORT (ICR)

REPORT

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Aid Activity Summary, to be provided by AusAid

Acknowledgement

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Authors' details are given in section A.2 of the report.

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Abbreviations

In this report:

- the national government of Solomon Islands is referred to as SIG
- Solomon Islands Forest Management Project II is referred to as FMP2
- the SIG ministry or department dealing with forestry is referred to as FD
- MF means the Ministry of Finance

Other abbreviations used are:

ACR Activity Completion Report, prepared by the implementing contractor

COLP Code of Logging Practice

DAC Development Advisory Committee of OECD

DVS Determined Value Schedule

FEO Field extension Officers

FMP1 SI Forest Management Project I

HRM Human Resource Management

HRS Human Resource Strategy

ICR Independent Completion Report, prepared by consultants engaged for the task

M&E Monitoring and Evaluation

PACER Plus Pacific-Australia Closer Economic Relations, with assistance (= Plus)

PCC Project Coordinating Committee

RAMSI Regional Assistance Mission to Solomon Islands (in place since June 2003)

VATA Value Added Timber Association

Summary

FMP2, aiming to strengthen and support the management of forestry in Solomon Islands as a key area of economic governance, ran from late 2004 to mid 2009. It followed FMP1, with broadly similar aims, which had operated as best it could during four years of intermittent civil strife and chronic breakdown of law and order and general government services. Log exports from the natural forest had increased rapidly during the previous decade and were now many times greater than the estimated sustainable annual cut. FD, the forestry regulator, was widely perceived as corrupt, and routinely subject to political direction at the behest of logging companies. The omens for FMP2's task were thus not encouraging.

The project was at once involved in an ultimately unsuccessful struggle by FD and its supporters in civil society to take forward a new forestry law providing for tighter controls and better revenue collection to be applied to the industry. At the same time interest was spreading among villagers in the planting of teak as a high-value longer-term cash crop. This was seen by FD and FMP2 as a way both to increase forest areas and improve rural incomes, and adjustments were accordingly made to the project's objectives and activities.

In 2006 AusAID undertook a review of Australian involvement in forestry in SI, which served as a mid-term review of FMP2. This recommended development of supervision and support for an industry structure comprising the remaining natural forest, several commercial plantations, large numbers of smallholder plantations with extension service support, and an expanding local wood industry processing timber for export and local use.

For this FMP2 would train FD officers in regulatory and legal procedures, strengthen FD's industry database, build capacity to inspect logging operations and export shipments, and develop extension support to smallholder plantations and the emerging association of local timber processors known as VATA. The 2006 review noted that FMP2 appeared to be operating alongside FD rather than integrating with it. Management reported that greater efforts to integrate were subsequently made, but the ICR found continued separatism, exemplified by the superior working conditions and facilities available to FMP2 personnel.

The project was implemented by URS Australia, who had also implemented FMP1, so that the experience of the earlier project was well known to the managers assigned to FMP2. These were personally energetic and resourceful, but defects in FMP2's project design, weak monitoring arrangements and imperfect communications hampered implementation. The institutional development needs of FD, critical to the sustainability of any improvements that might be attempted, were never thoroughly addressed. Systems and procedures that worked when FMP2 personnel ran them quickly broke down when they left. FMP2 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), scoring a 5, two 4s and five 3s.

The ICR concluded that lessons available from FMP1 and from experience in capacity-building in comparably difficult settings had not been sufficiently taken into account in design and implementation of FMP2. The project was not well integrated into FD and the sustainability of its improvements consequently suffered. Nevertheless, the ICR found that FD and SI forest policy were now in better shape than they would have been without FMP2.

The ICR recommends that AusAID consult SIG about the scope for further collaboration in forestry, including the continued strengthening of long-term governance of the sector and support for SI promotion of processed timber exports and access to forest carbon markets.

A. Introduction

1. Activity Background

FMP2, aiming to strengthen and support the management of forestry in Solomon Islands, began in October 2004 and closed in June 2009. It spanned a period of political turbulence and chronically weak public sector performance. Its predecessor FMP1, with a broadly similar aim, had suffered from disruption of government and public services by civil strife in 1998-2000, a political coup in mid-2000 and subsequent general lawlessness up to the RAMSI intervention of June 2003. The prospects for FMP2 were thus institutionally and politically unpromising, but AusAID/RAMSI took the view that withdrawal from the forestry sector just when it was in deep trouble would send the wrong signals to all concerned, and a request from SIG for a successor to FMP1 was duly forthcoming.

By the start of FMP2 log exports were a multiple of the estimated sustainable cut and were set to rise further. The presence of RAMSI had ended the rule of armed gangs but the national government had no appetite for reform of the forest industry. A steep decline in log exports was being forecast for 2010-2015, when the main forest stands would have been logged. Donor and NGO-supported attempts to introduce stronger legal controls through a new forest law were effectively blocked by organised opposition from logging companies and their well-placed allies, even as a series of damning audit reports documented gross official misconduct and provided the basis for criminal prosecutions.

Much of the overall forestry picture was bleak. Natural forests were being depleted, soils and freshwater reserves damaged and lagoon reefs silted over. Tribes and families in formerly forest-rich areas were bitterly divided over the destruction of the forest and the sharing of logging's short-lived financial income, and dismayed at the lack of enduring benefits. Export duty revenues, though always well below the levels legally due, had become an unhealthily large proportion of SIG income, while key officials, politicians, 'commercial chiefs' and local Mr Fixits were on the payroll of logging companies.

On the positive side, and giving some basis of hope for FMP2, public tolerance of official corruption was showing signs of diminishing, two 12,000ha commercial plantations were growing hardwoods for export on land in Western Province leased from SIG, and a wave of interest in smallholder planting of teak as a cash crop had established large numbers of small woodlots in Western and Guadalcanal provinces that needed extension support.

Thus as FMP2 got under way it was beginning to appear that the long-term shape of the SI wood and wood-products industry might comprise four main areas of activity:

- 1) more effective conservation and sustainable use of the remaining natural forests
- 2) three or four large-scale commercially owned timber plantations on leased land
- 3) a large number of smallholders growing wood for sale and home use
- 4) an expanding wood-processing sector, including bio-mass for power generation.

The structure of the cultivated forest industry would resemble that of tree-crop agriculture, with extension services, nucleus estates, out-grower smallholders, marketing structures, and degrees of local processing before export and local use of timber. Wood-growing smallholders would also be engaged in food and cash-crop production, presupposing the farm-scale application of deliberate land-use planning. A blend of government regulation, public infrastructure and commercial services would be needed for each component of the industry. FMP2's role was to help lay the foundations for this.

There can have been few illusions about the task ahead. The thrust of the project management briefing for FMP2 was apparently '*Pick up what's left from FMP1, hang in there, and do what you can to strengthen management and sustainability*'. Hence the adoption of a 'rolling design', further discussed below, and the concern of the 2006 sector review that FMP2 must integrate more closely with FD. This reason for this concern became increasingly clear in 2007-8, but the response was less than effective.

It was very apparent that FMP2 was an Australian-sponsored intervention into the governance of a highly politicised and deeply corrupted sector of the SI economy. For over twenty years repeated attempts had been made to inject sound management and strong technical parameters into SI forest policy, such as had obtained up to the mid-1970s. These had largely failed, leaving only traces of their efforts in discarded policy papers, unenforced regulations, and a few long-serving FD staff who remembered better days. The battle to enact new forestry legislation had just been lost.

This background would have daunted most project managers. FMP2 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.

2. ICR Scope and Methods

Scope

According to the contracted Scope of Services the ICR is to validate the analysis and conclusions of the implementing contractor's Activity Completion Report (ACR) and by implication to assess the quality of the implementation. The contractor was URS Australia, which had also implemented FMP1 from 1999-2004.

FMP2 ran from October 2004 to September 2008, with an extension to June 2009. The ACR is dated February 2009. By the time of the ICR team's fieldwork in March 2010 a number of advisers had left the country and national staff had changed jobs. Nevertheless sufficient interviews with relevant persons in SI were held ¹ for the purposes of the ICR and AusAID arranged an effective teleconference with URS personnel overseas.

The ACR appropriately drew attention to the challenges of operating in a 'fragile state' environment, while asserting that many outputs were nevertheless delivered that 'will contribute to more sustainable forest management in SI'. The ACR compares targeted outputs and actual outputs under the four Key Performance Indicators (or more correctly, Areas) of (i) legislative and capacity strengthening, (ii) organisational development of FD, (iii) engaging stakeholders in development of the sector, and (iv) plantation development.

Achievements are recorded, with impressive numbers where people are involved (eg '33 FD staff trained', '8200 rural people received advice') and descriptions of the impact of advice, training and production of manuals in improved performances, but in the words of the ACR itself 'these gains are fragile and require further assistance to ensure... sustainability.' The overall performance of FMP2 is assessed and the ACR's conclusions examined in the body of this report.

¹ Interviews about VATA took place two weeks later.

Methods

The ICR team reviewed material and conducted most interviews as a team. Luca Tacconi could not be present for all interviews but took part in the field visits to Western and Guadalcanal Provinces. There was an unfailingly helpful response from AusAID and FD to all the team's requests for information, though the data sought was not always readily available. Background documents became available progressively during the mission to Honiara and after its departure.

An Aide-Memoire or exit report was presented to AusAID before the team left Honiara.

Team: this comprised Helen Sutch, an economist and public sector governance specialist, with experience working on governance, corruption and forestry in East Asia and the Pacific; Luca Tacconi, a natural resource management specialist with extensive experience in the forest sector in Asia, Africa and the Pacific; Paul Crawford, a specialist in M&E of aid-financed activities with wide experience in Africa and Asia; and Tony Hughes, a consultant in the economic management of small states, resident in Solomon Islands, as team leader.

B. Evaluation Ratings

1. Scores under DAC+ headings

FMP2 met the required standards of relevance, effectiveness and efficiency, but performed less well on the other five criteria. Scores are in the range 3-5. Interviewees generally considered that the work done by the project was of good technical and professional quality. Where this report is critical, the origins of the shortcomings cited are generally to be found in how the project responded to institutional deficiencies and the evolving political and social context.

| Evaluation Criteria | Rating (1 – 6) ² |
|-------------------------|-----------------------------|
| Relevance | 5 |
| Effectiveness | 4 |
| Efficiency | 4 |
| Impact | 3 |
| Sustainability | 3 |
| Gender Equality | 3 |
| Monitoring & Evaluation | 3 |
| Analysis & learning | 3 |

2. Relevance

This criterion addresses both the alignment of the project objectives with the priorities of SIG and AusAID, and the extent to which these objectives addressed a recognised need. The relevance of FMP2 was rated good (5/6).

The broad relevance of the project to Solomon Islands' development was clear, given the significance of forest industry export earnings and the social and ecological impact of deforestation of customary land. The project was aligned with AusAID's country

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

strategy objectives at the time, with the SIG 2003 statement of forest policy (which in most respects remained unimplemented) and with the stated objectives of SIG in relation to economic growth, good governance and improved livelihoods.

Legislative reform was (and continues to be) an unavoidable part of any agenda to achieve fair returns for Solomon Islanders from natural forest logging, especially given the findings of the Auditor General concerning systemic fraud. Similarly, efforts to strengthen the institutional and organisational capacity of FD were highly relevant given the acknowledged technical, managerial and procedural weaknesses within FD.

The rationale for a 'rolling design' was appropriate in the highly volatile context of the Solomon Islands at the time the project was conceived. Following the government's failure to take forward the proposed Forestry Act, the project shifted focus to promoting smallholder reforestation. This was seen as an appropriate way to increase wood reserves for local/household use, diversify rural livelihoods and contribute to reforestation.

The ICR's concern about relevance mainly relates to the appropriateness of establishing a forestry extension network which by-passes provincial structures for rural service delivery. This might have been avoided by combining with other current initiatives aimed at improving rural livelihoods and services to smallholder farmers, with similar need for coordination at field level. The absence of 'whole farm planning' alongside forestry extension services amounts to a significant weakness, though admittedly hard to avoid given the almost total absence of general farm support services at that time.

3. Effectiveness

This assesses the extent to which objectives were achieved, and the wider merit of these objectives. The effectiveness of FMP2 was rated adequate (4/6).

The design of FMP2 identified three substantive objectives concerned with a) legislative reform, b) organisational development of the ministry, and c) small holder plantation development. The considerable effort invested during FMP1 in the preparation of a new forestry law was not rewarded with its passage through parliament, as a result of a very effective campaign to stop it by vested interests within the logging industry. Nevertheless, finalisation and adoption of the Code of Logging Practice (COLP) represented an important step towards effective in field-level supervision and regulation of the logging sector (as discussed further below, capacity to enforce the code continued to cause concern). The project provided direct support to FD to enable monitoring and extension activities to take place.

Individuals within the ministry were supported with both short-term training and the acquisition of formal forestry qualifications. These persons are now considered to be important assets. The appointment of an adviser to the Commissioner of Forests was an effective and much appreciated investment, due (as usual) to the rapid establishment and maintenance of a sound working accord between the two persons concerned, based on mutual respect. The forestry extension network provided tree husbandry advice to a large number of smallholder farmers, and there is evidence to indicate that the service was effective in helping to increase numbers and quality of planted woodlots.

It was difficult to assess the effectiveness of the project in terms of 'achievement of objectives' owing to its rolling design and the revisions to the objectives, purpose and goal during the life of the project. The project management team faced significant

contextual challenges, not least that during the four-and-half years of implementation there were six Ministers, five Permanent Secretaries and four Commissioners of Forests.

Individual training was effective at the personal level. Broader capacity building within the ministry was unsuccessful in tackling systemic institutional issues known to be critical for operations; especially financial management systems, record keeping and IT system maintenance. These issues remain fundamental to the performance of FD.

The concept design explicitly identified the need to strengthen the capacity and position of landholders in negotiations with logging companies, but this was never addressed in implementation, apparently for lack of FD and FMP2 staff preparedness to manage the risk of confrontations in the field. This left a major gap in the targeting of objectives.

On the production side, though FD and FMP2 staff were aware of the need, only limited analysis of the value chain for smallholder plantations was carried out, leading to persistent concerns, shared by the ICR team, about how smallholders might derive optimum value from their woodlots. Concern on this score is also felt by VATA.

4. Efficiency

This criterion considers implementation performance against time and budget parameters. FMP2's efficiency was rated adequate (4/6).

A precise assessment of efficiency by the ICR was difficult owing to the amount of time since the project had concluded and the selective character or rapid fading of corporate and individual memory. The ICR team did not identify any obvious areas of waste or inefficient resource use, and the project broadly delivered the planned outputs – noting that these were defined and redefined on an annual or biannual basis. Stakeholders generally considered the project team to be productive, and the project generated analysis and documentation of wider relevance.

The value of intensive investments in individual education and training may be debatable (the persons trained often leave for greener pastures), but nevertheless these were widely considered to have improved the overall capacity of the ministry. The establishment of the forestry extension network was a cost-intensive exercise, and by deliberate decision diverted resources away from core functions such as monitoring. This may have been a valid choice, but it was not sufficiently evaluated *ex ante*.

5. Impact

This looks for significant and lasting changes (both intended and unintended) fostered by the project. FMP2's impact was less than adequate (3/6).

In a fragmented and difficult environment for achievement of impact there were nevertheless some positive results. Establishment of the Code of Logging Practice (COLP) represents an important improvement in the regulatory environment for the logging industry, necessarily requiring enforcement in notoriously difficult circumstances. Work to promote the Forestry Bill, although unsuccessful, raised awareness about key issues which may be foundational to the success of future reforms.

The training invested in FD should improve its effectiveness in the medium term, but there was little evidence of longer-term institutional strengthening that might improve FD's ability to deploy its skills effectively. FD data suggest that with over 5000ha planted and some 7000 smallholders engaged, the project succeeded in expanding the area of smallholder plantations and the quality of woodlots, which has the potential to generate medium-term rural income and provide a source of timber for local utilisation.

Generally project impact was hard to assess, in large part because of the changes in direction resulting from the rolling design and weak evidence of causality between project activities and perceived changes. 'Impact' as defined by the final project goal related to economic reform by SIG – an ambitious aim to which there was no real evidence of a contribution by the project. Some institutional linkages between the ministry and other government departments were established but could have been further strengthened with greater perseverance.

Institutional and organisational constraints within the ministry persist in eroding performance. The logging industry has continued to exploit Solomon Islanders and their forests with minimal official restraint or direction. As noted earlier, the lack of value chain analysis for smallholder plantations creates uncertainty about the reasonable revenue expectations and the motivation for smallholders remaining in wood production after, or even until, the first commercial harvest. This analysis is still required. It could be provided by FD or more broad-based rural economic services.

6. Sustainability

This criterion considers the likelihood that project benefits will endure. The sustainability of FMP2 outcomes is rated less than adequate (3/6).

Again, there are some positives. Implementation of the COLP, if it is fully and consistently enforced (a major challenge), will help to minimise the social and ecological impact of logging operations into the future. The individuals trained and educated by FMP2 may well prove of enduring value to Solomon Islands forestry, if not to FD directly. The forestry extension network has been embedded within FD and forms an important contribution of the project that is now internally resourced.

Of greatest concern was the general perception that the project was largely external to FD, with limited FD ownership of important aspects of its activities. This had been raised by the sector review in 2006 and efforts had been made to rectify it but apparently with scant success. Project focus was on individuals, not on institutional development, and a number of important technical systems supported by the project have broken down since completion (e.g. databases, record keeping etc.). Forestry field staff are reportedly still handicapped in performance of their duties by financial management constraints, some of which are government-wide but others, including some particularly troublesome ones relating to imprests, seem to be peculiar to FD.

On the regulatory side, put in perspective the COLP is just that, rules about logging: it does not require logging companies to implement socially responsible policies towards the communities they impact, lack of which compounds the unsustainable nature of the industry. Landholder communities still have no ready access to competent legal or technical assistance to strengthen their position in negotiations with logging companies, and as a result they are constantly being exploited socially and commercially while the authorities look the other way.

7. Gender

This criterion embraces the extent to which the project fostered greater equality between the genders. FMP2 is rated less than adequate (3/6). It is worth noting that in a male-dominated society and male-dominated industry, the project engaged a number of female forestry extension workers. Further, two female ministry employees were supported with further education. The project recorded basic gender participation data and could report the proportion of females involved in training sessions.

This is outweighed by the absence of any comprehensive gender analysis, especially in relation to the role of women in smallholder plantations, or the different roles and opportunities facing female extension workers *vis-a-vis* male extension workers. Pursuing the original aim of strengthening the capacity of landholders in negotiating with logging companies could have provided a valuable way to engage women in important social, economic and ecological issues, but as noted above this was not done.

8. Monitoring & Evaluation

This is discussed in Section C2, below. FMP2 is rated less than adequate (3/6).

9. Analysis & Learning

This is closely related to M&E. It concerns the extent to which analysis of the context was carried out and lessons identified, so as to inform project design, implementation and management decisions. Here too FMP2 is rated less than adequate (3/6).

The decision to adopt a rolling design assumed an operating culture that encouraged learning and being responsive to experience. There was evidence that the project did identify and learn from some key changes in the operating environment, but it did not appear to analyse or learn from the institutional and organisational constraints within FD that confronted the project and seriously undermined the sustainability of its outcomes. The M&E Framework (prepared after criticism by the sector review, see Box I below) explicitly identified learning as a priority, and proposed a framework to facilitate this. Two years later, the ICR team were told by national interviewees that they appreciated the engagement in, and knowledge of, the sector by most members of the project team – though some misconceptions persisted that were relevant to project outputs, for example about the nature of ‘community’ involvement in forestry.

Much of the learning process embraced by the project seems to have been tacit rather than systematic, relying on a kind of intellectual osmosis, in which case any lessons learned are likely to reside with the individuals involved rather than being institutionalised. It was unclear to the ICR team how far the M&E Framework (which in itself was a good plan) was indeed operationalised, especially with respect to ways of identifying lessons and learning from them.

Box I AusAid’s 2006 SI Forest Sector Review

In 2006, eighteen months after FMP2 got under way, AusAID undertook a review of Australian involvement in the SI forestry sector. This also served as a mid-term review of FMP2. Besides analysing the strategic context for aid-funded interventions and the likely future shape of the industry, the review made these recommendations about the project:

“Changes required to FMP2 fall into four main areas:

- *Integration with the FD* – in particular, the project needs to make sure that its activities are integrated more effectively with the Division and that all FD staff are aware of the role of the project. Project reporting also needs to change, with reports being issued through the Commissioner rather than bypassing him. Much more frequent meetings are necessary to bring the two organisations closer together. These are the most urgent changes needed to the project.

(cont. below)

- *Effective succession planning* – the project must make much clearer arrangements for the absorption of its current responsibilities into FD on project completion. In particular, there needs to be a clear strategy for helping the FD to take on plantation extension and legal advice. The project has taken on its own staff to undertake both these activities, so a key issue will be how FD might absorb the funding for these positions.
- *More effective performance management frameworks* – original proposals outlined in the 2004 concept design foresaw a comprehensive baseline survey against which progress could be judged. This has not happened, with the result that the project’s performance management capacity is weak.
- *More responsive technical support* – the past few months have thrown up at least two urgent areas of technical assistance for the FD: reforestation programs and external export monitoring. FMP2 staff are assisting where they can, but a more effective approach would have been to procure relevant international experts. The FD is also going to have to move into new areas – such as policy analysis and plantation extension – where it has no traditional strength. In future, the project needs to be more responsive to emerging technical needs.”

C. Selected aspects of performance

1. The ‘rolling approach’ to project design: managing flexibility

The Design Concept for FMP2 was prepared during a mission in December 2003, and included the preparation of a logframe. The Scope of Services subsequently formalised this logframe and endorsed the proposed ‘rolling design’ approach in which “*the Contractor’s outputs/activities and associated inputs will be defined in advance of five time periods...taking into account the overarching concept design goals and purpose*” (Schedule 1, Section 3).

The ‘rolling design’ was justified on the basis of the rapidly evolving context within the Solomon Islands at that time, and hence the need for the project to remain flexible and responsive. However, the above quotation makes it clear that this flexibility was meant to extend to **the methods and approaches employed (i.e. outputs and activities undertaken) not to the fundamental purpose and intent of the intervention**. As it turned out, besides the effect of the annual review and refinement of the activities and outputs, the goal and purpose were also changed a further two times during the life of the project.

The result was a shift in focus from strengthening FD’s capacity in its established roles to pioneering the performance of new ones. As these tended to be intrinsically more interesting in a developmental sense, and likely to be politically more popular (or at least less unpopular) and so easier to implement, they were naturally attractive to project and FD staff, and received priority support in allocation of time and money.

The third and final revision (December 2006) of the logframe consolidated much of the detail in earlier versions but did little to strengthen the rigor of the design logic, eg:

“Organisational development of Forestry Division” (Component 2) is carried out “to build capacity within the Forestry Division” (Purpose) in order “to strengthen the Forestry Division” (Goal) [emphasis and parentheses added]

This weakness may reflect ambiguity in the overarching rationale of the project. Perhaps in the volatile circumstances in Solomon Islands at that time the design team was unable to articulate *why* there should be a FMP2 after what happened with FMP1, and if there should, *what* it should accomplish. The ‘evaluability assessment’ carried out as part of the M&E process after the logframe was revised in December 2006 identified a range of such weaknesses including: *“omitted outputs and activities from previous annual plans; weak horizontal logic...and the means of verification are blurred; dubious vertical logic...; assumptions of the vertical logic are not always made clear”*.

Certainly FMP2 was characterised by changing objectives and ill-defined connections to other areas of the overall SI development effort. At different times and in different documents the intervention was variously described as a project for:

- economic governance and SIG revenue consolidation,
- institutional strengthening within the forestry sector,
- rural livelihoods development,
- forest conservation

--all worthy aims, but lack of precision about FMP2’s aims, combined with the lack of an explicit theory of change, made the project vulnerable to opportunistic re-direction and tended to isolate it from other parts of the ‘big picture’.

Thus, the ICR team was told by both AusAID staff and contractor staff of periodic changes in emphasis required by the Government of Australia and other stakeholder interests. The December 2006 M&E framework traced significant changes in the foci of the project since inception and reported that (p 18):

“The changing project structure has not been recorded in annual plans that..... provide justification for revisions to the project design, or an appraisal of their impact on project outcomes and budget”.

Ironically, there were also instances where the project appeared to miss opportunities to be proactively redirected to address emerging and important issues. For example, the issue of financial management (especially the use of imprest accounts) within FD emerged as a critical operational issue that was apparently considered to be beyond the ambit of the project. .

In this context of design ambiguity, it is not surprising that the more practical aspects of the project were highlighted in the views of individuals and non-government stakeholders interviewed during the ICR mission. Many of these indicated that the most significant output of the project was the establishment of a forestry extension service – Component 3³ – aimed largely at diversifying smallholder production, with a predominant emphasis on teak woodlots, and the assistance given to the emergence of VATA, which is described further below.

³ The major contribution of Component 1 seemed to be the adoption of the Code of Logging Practice (COLP); while Component 2 supported the training FD staff, including the formal education of key staff members now working as managers in the Ministry of Forestry. These naturally attracted less public and political attention than the response to ‘teak fever’.

FMP2 thus provides a case study in management of tensions between 1) the concept design, with its pre-engagement analysis of the situation, needs and feasibilities that would shape the project and the design parameters that follow, and 2) what the project managers think when, with mud on their boots, they assess what can best be done with available resources when they are in place and confronting conditions on the ground.

Military history (and contemporary experience) provides handy parallels. The expeditionary force fighting its way forward finds conditions on the ground different from the war planners' assumptions. In making apparently necessary tactical changes to the local battle plan – some difficult objectives are left to one side, more achievable targets given priority – actions of the commanders in the field may begin to affect the strategic direction and even the aims of the war itself. But tactical factors are not the whole story, and local commanders cannot weigh all the issues at stake in the battle. Flexibility in the face of changing or unforeseen circumstances is clearly important, but so is perseverance in response to difficulties and ingenuity in surmounting obstacles.

Successful management both in war and in economic development needs a significant degree of coherence between its strategic and tactical levels of operations. This implies functioning systems of monitoring, communication, analysis, review and command, of which most were apparently ineffective or under-used at one time or another in FMP2.

2. The M&E experience of FMP2

For reasons just stated, comprehensive M&E arrangements are a basic requirement of all AusAID initiatives. Underlying this contractual obligation is a general recognition of the fundamental role of information in the pursuit of effectiveness – especially in the context of a 'rolling design'. Robust M&E arrangements and risk management systems are commonly found at the heart of a responsive and flexible project – as elaborated in the original design concept for FMP2. Without such systems, the 'responsiveness' and 'flexibility' that underpin a rolling design are likely to be ill-informed.

In response to critical findings in the sector review at the project's midterm (see Box I), the contractor engaged a consultant to facilitate the development of a M&E plan (December 2006). The resulting M&E framework acknowledged that:

"A weakness of this flexible approach...was that despite incorporating a 'rolling design', the project has not developed the kind of performance management framework needed to make measured adaptations to the original design"

This sits oddly with the claims made early in the project's Annual Plan 05 – 06 (submitted September 2005): *"A project Monitoring and Evaluation Plan was completed in the first year of (FMP2). The plan reflects the operational requirements of the Project for management information to assess impacts of the Project. The Plan defines performance indicators for achieving outputs and identifies the data needed to verify achievement of outputs. Baseline data already exists across many areas as a result of the activities of (FMP2), however additional monitoring systems have been established mainly covering activities under Component Three."*

Nevertheless, the 2006 M&E Framework represents good practice and provided, at least during the latter part of the project, a basis for ensuring accountability to stakeholders, and for supporting management decisions and the capture of lessons learned.

A key strength of the Framework was the recognition that risk identification and the capture of lessons should be systematically integrated within routine management processes to drive learning and responsiveness. However, it was unclear from the documents available to the ICR how this thinking was put into practice, beyond the conventional annual updates of the risk matrix within the annual plans.

An element of the M&E arrangements (and an early milestone in the first year) was intended to be a baseline study to identify the pre-intervention status of key dimensions of change. But this seems not to have been carried out, and hence there is little empirical evidence of the impact of the project. Further, sustainability and gender outcomes were ambiguous, with limited systematic capture of data to assess levers of change or performance in these areas.

The M&E Framework identified key areas for capacity building and strengthening that were needed to ensure good quality data, and to promote the sustainability of the M&E arrangements within the ministry. Persistent issues noted during the ICR mission indicated that either the capacity building had not eventuated, or perhaps had been unsuccessful.

The project supported the development of five databases, relating respectively to log exports, licensing, sawmilling, smallholder plantations ⁴, and project M&E. The databases on log exports and licensing were developed in the late 1990s, and maintained/enhanced by the project. The other databases were developed using sub-contractors during FMP2.

The ICR team were told that all databases were working effectively and supporting information needs within FD at project completion. However, none of the databases was working during the ICR mission – ie, all had stopped working between June 2009 and March 2010. This was understandably a matter of serious concern to officials such as the Permanent Secretary and management staff within the ministry who rely on working systems to update records and generate management reports.

FMP2 management stated that IT issues had been a constant agenda item in the weekly Senior Management Team meetings but there was limited ownership or progression of the issues by FD, and efforts that were made were not properly executed in accordance with SIG procedures. All the databases will have suffered from this lack of dedicated attention, and it will have greatly handicapped the M&E arrangements, which required regular reporting and analysis of activities against targets.

Overall, the ICR team formed the view that the M&E Framework for FMP2 was consistent with good practice, but it was developed late in the life of the project, lacked the degree of interest and support by project management needed for its consistent and effective application, and was not fully put into operation. Combined with the regularly revised logic of the design, this meant that there was limited information available to evaluate the project's theory of change, or indeed to identify it. That should be, though too rarely is, a concern of project management; but it is certainly a concern of project sponsors and evaluators.

⁴ Developed in 2005 and 'handed over' to the FD in October 2007. The purpose of this database was to enable the identification of trends in smallholder plantation development. Data includes: plantation locations, species, plantation age (by year) and plantation quality.

3. Support for FD's core and emerging functions

a) Legislation and enforcement capacity

The project design of FMP2 included support for the passage and implementation of the new Forestry Bill, which had been prepared with the support of FMP1 but had not yet reached Parliament. To support the implementation of the legislation the design included, for example, awareness training of SIG agency staff at national and provincial levels, and awareness workshops for stakeholders to inform them of their rights and obligations. These were appropriate activities to be included in the design, given the unsustainable level of harvest that was occurring in the SI at the time of the design. In the event, successive governments have not proceeded with the introduction of the legislation to Parliament because of intensive industry lobbying and the vested interests of some politicians in continuing with the status quo.

The main opposition to the Bill was from the Solomon Islands Forestry Association whose members were opposed (among many other objections) to the idea of making third party contracting illegal. This widespread practice involves a 'technology agreement' between a local land owner company, which holds the license, and an expatriate logging company that does the work. The FD has no say in these agreements. The balance of power (made up of grossly asymmetric understanding and availability of information on the nature and value of the resource, practical knowledge of possible alternative logging arrangements, access to legal and technical advice, the impact of offers of bundles of cash for excessive concessions and personal services by cash-starved villagers – the list goes on) is invariably one-sided in the logging company's favour.

The proposed Act also contained license moratoriums, provincial logging quotas, a set percentage royalties to the landowners (based on FOB log prices) – all provisions that would have improved the returns to Solomon Islands (both to government and landowners) and would have promoted increased sustainability of logging, but obviously would reduce the logging companies' profits. The Bill did not make it to Parliament.

FMP2 had more success with the support provided for the legalisation of the Code of Logging Practice (COLP), which had been developed in 2002. The project provided assistance to prepare amendments to the regulatory provisions of the existing Forest Resources and Timber Utilisation Act 1990 and the gazettal of the COLP under that Act. The COLP could be a good tool for sustainable forest management by ensuring that logging operations do not cause environmental damage.

Forestry field staff now have the power to halt operations if operators fail to comply with the COLP: the question is whether they have the will and resources to do so. As with all efforts to strengthen regulatory control of logging, the effectiveness of the COLP will depend on the energy, integrity and courage of the officials responsible for enforcing it, and on having the personnel present on site to monitor compliance. That in turn depends on the quality of leadership provided by SI politicians and officials and the practical feasibility of applying legal sanctions in physically remote locations.

FMP2 appears to have successfully trained the ministry of forestry's staff in the implementation of the COLP through on the job (in the field) training of FD staff

involved in monitoring of logging operations. However, the effectiveness of the implementation of the COLP is being limited by three factors.

First, the COLP includes a clause by which landowners can apply for exemptions in order to allow logging to proceed in areas normally off-limit under the COLP, such as close to rivers and coastal areas. This clause is a significant threat to the environmental effectiveness of the COLP; the ICR team understand from interviews that these exemptions are sought in many cases, but was not able to validate this information through an analysis of official documents.

Second, as recognised in the ACR, field activities are constrained by ineffective accounting practices that significantly extend the time required by field staff to obtain funds to undertake monitoring activities, as well as limited amount of funding for these activities.

Third, there appears to be a lack of political will to enforce actions on COLP breaches, as reported in the ACR, e.g. there are numerous examples where, following recommendations from field staff, the CoF suspended logging operations, but the Minister overturned the decision.

The general enforcement capacity of the FD, with implications for the implementation of the COLP and monitoring of timber exports, was supported by FMP2 by: i) training senior FD staff in legal and case management training; ii) development of protocols for interaction with other key SIG agencies, such as the Attorney General's Office, iii) establishment of an Enforcement Section in the FD which, nevertheless, remains rather weak with limited resources assigned to it.

b) Management of the national forest resource

FMP2 supported updates of the National Forest Assessment in 2005 and 2007. The assessments show that annual harvest rates were expected to be maintained in 2008-10, followed by a rather sharp decline, with the exhaustion of the natural forest in 2012. This would result in wood production in 2013 collapsing to about 300,000m³, half of it extracted from plantations, compared to about 1.45 million m³ reached in 2007.

The forecast of future timber harvest is based on the assumption that there will not be re-entry of logged areas in the short term. However, second and third time re-entry is already occurring. The occurrence of re-entry, and the existence of illegal logging activities (noted in the FMP2's National Forest Assessment of 2006), are likely to lead to a decline in timber harvest that is not as steep as currently forecast, and shown on a widely reproduced FMP2 chart. That has positive short-term economic implications as it would allow the economy a longer period to adjust to reduced timber production, and related decline of export and tax revenues. However, re-entry logging has negative long-term implications because it significantly degrades the forest and reduces the future sustainable timber yield – the current landowners and government are basically using the resources that would have otherwise been available to future generations.

The forecast of timber volumes also relies on assumed yields of timber plantations. These yields are, however, far from certain and could be lower than the assumed level, as further discussed below when discussing smallholder plantations. This implies that

the overall volume of harvested timber might not decline as sharply as forecast, but the long term harvest level could be lower than the forecasted one as a result of the extensive degradation of natural forests and somewhat limited productivity of smallholder plantations.

FMP2 sought to contribute to the capacity of FD to manage forests through an audit of all felling licences and licence applications current at the time of the report (2006), by supporting changes to the logging license application (Form A) and performance bond fees. Improvements in licensing operations may be sustained if the Licensing Section (which the project helped set up) is maintained by FD, but staff in the section noted that they have very limited resources for their operations, and certainly not enough to run advisory sessions for the landowners before they enter into the technology agreement with companies.

FMP2's contribution to natural forest management also involved support for the preparation of a paper (submitted by the Forestry Minister to Cabinet) on options for the monitoring of log export operations. The paper recommended that an independent log monitoring agency be employed, but the Cabinet did not approve the recommendation. This is unfortunate: experience with independent monitoring in PNG suggests that SI revenues would have benefited substantially.

FMP2 also contributed to log export monitoring by supporting the preparation of proposals for the revision of the Determined Value Schedule (DVS). The SIG did not act on recommendations to increase the DVS in 2006 and 2007, but it approved a small increase at the beginning of 2008.

Despite the efforts made by FMP2 to improve forest management in SI, the situation worsened over the period of the implementation of the project for reasons largely outside its control. In 2006, FMP2 estimated the sustainable rate of harvest from the natural forest at 248,000 cubic metres per year.⁵ In 2005, the formally reported log harvest was over one million cubic metres and it had climbed to about 1.45 million cubic metres by 2007.

c) Promoting smallholder forestry

In 2003 a land owner from Guadalcanal exported 27 cubic metres of teak and mahogany timber from the plantation he had established on his land in 1978, and received US\$190 per cubic metre. This event was the beginning of the so called 'teak fever'. When the news of the export appeared in the local newspaper and spread, landowners throughout the country began to establish smallholder plantations, mostly planted with teak.

Smallholders' interest in setting up timber plantations was supported by FMP2 in several ways. At the policy level, it contributed to proposals for legislative reforms for the plantation sector (2006) and a report on the design of a National Plantation Forestry Program (2007). At the agency level, FMP2 helped revitalise the Reforestation Section in FD, expanding the functions and organisational mentality of FD to embrace support for villagers' capacity to benefit from small scale plantation activities, and-- perhaps unwittingly -- reducing the emphasis on enforcement of forest policy .

⁵ In the 1980s, when the sustainability threat from logging was apparent but major forest areas were still intact, the estimated annual sustainable yield was 400,000 cubic metres.

The new Reforestation Section was supported by FMP2 by: i) training staff of FD and Field Extension Officers (FEOs); ii) setting up a National Smallholders Plantation Database, a useful tool that can support the Reforestation Section's annual planning process as well as inform national policy and planning for the development of the plantation sector.

In relation to the advice to be provided to villagers, FMP2 trained extension staff to provide advice on the two main exotic species that were being planted by villagers (teak and mahogany), but also sought to encourage them to plant local species used as firewood and house construction and supported the development of a research project (funded by ACIAR) aimed at improving smallholder plantations by intercropping with appropriate agro-forestry species (see Box II, below).

At the time of the ICR all the FEOs had been suspended due to an apparent irregularity in the way they had been contracted under the project. FD's senior staff noted that this did not indicate an intention to do away with the FEOs model, and that the suspended officers would soon be re-contracted following the appropriate process.

Establishing timber plantations is a long term investment for smallholders and it is important that they have enough land for planting crops that yield sufficient cash and food in the short and medium term. The advice provided to smallholders made some attempt to take the risks of over-specialisation into account. However, the potential financial benefits from the plantations themselves do not appear to have been assessed with an appropriate degree of precision. As a result smallholders have established plantations without having a good idea of the expected financial benefits.

FMP2 prepared a basic spreadsheet analysis of the potential returns from smallholders' plantations, but this analysis is not sufficient to fully assess whether the plantations are financially viable and to identify the risks associated with them. For instance, the smallholders visited by the ICR Team could not find any buyers for the thinnings, which in the above mentioned analysis are assumed to be sold. The smallholder plantations are often at a considerable distance from each other, which makes the marketing of thinnings problematic because of the limited volumes involved.

Box II Forestry and rural livelihoods

The basic Solomon Islands production unit in smallholder agriculture, forestry and artisanal fisheries—and in many SME-scale businesses—is not the community but the household, consisting of a nuclear family plus co-resident members of the extended family. This unit tries to apply a balanced and resilient strategy to the use of its limited labour and skill resources, such financial income and assets as it can mobilise, and the land to which it has or can acquire secure use-rights. In these circumstances it is wasteful and confusing to mobilise separate extension services each proposing a different route to economic prosperity.

At sub-provincial and household level, extension contacts and relationships need to be multi-purpose and user-friendly, encouraging self-reliance by households in assessing issues and allocating productive resources. At this 'general practitioner' extension level, field staff need to be able to recognise and talk sensibly about matters outside their own specialisation, and to be able to call up specialist analytical and instructional skills from provincial or sub-provincial levels to deal with problems and issues identified through these household contacts.

The management and operation of social and economic extension services at provincial and island levels needs to be coordinated through a provincial team, in which all government services and other stakeholders are represented at an appropriate level. At national and provincial level, planning and policy-making also need to recognise the whole-life nature of household-level economic activity, and to reflect this in a co-ordinated approach to development and allocation of resources. An integrated, inter-disciplinary and client-needs-based approach is required among all SIG departments and aid-funded projects aiming to assist rural livelihoods.

Simple land-use planning at the household level can bring out the varying qualities and potential of available land, matching it to the availability of labour and finance under several crop-combination options, and setting this against the foreseeable needs of the producing unit over the next two or three decades. Individual FMP2 staff are aware of this requirement for the sustainability of smallholder plantings, but it seems not to have had much impact on Project or FD operations so far. The SIG-World Bank-AusAID Agricultural and Rural Development Strategy is expected to propose approaches to development extension work that will take smallholder forestry into account alongside other uses of rural land, labour and capital.

Source: 2006 Forest Sector Review

A financial analysis of smallholder plantations should have included a sensitivity analysis of various parameters, including the marketable volumes of timbers achieved, given that it can be expected that smallholders would produce timber of a variable quality, as observed by the ICR Team during their field visit. FMP2 did not carry out this full assessment because, apparently, a European Union funded project was supposed to look at this issue. It is unclear whether this happened or not.

Assessing the quality of timber stocks on smallholders' plantations is also important for national policy making. The National Forest Resource Assessment Update, produced by FMP2 projected between 150,000 and 200,000 cubic metres of timber from smallholders plantations starting around the year 2025, with potential revenues of over SBD300 million at 2007 prices. This forecast would have to be validated by a detailed assessment of the quality of the timber stocks in smallholder plantations. This information does not appear currently to be included in the National Smallholders Plantation Database which was established by FMP2, and which was not functioning at the time of the ICR Team visit, apparently as a result of IT maintenance problems mentioned earlier.

d) Assisting development of the wood industry : VATA

FMP2's interest in 'downstream' activities in the wood industry emerged during the first two years of the project and was recognised in adjustments to its work programme in 2005. It provides the clearest example of FMP2 responding to changes in its operating environment under the 'rolling design' concept and reallocating resources accordingly.

The huge growth in logging of the natural forest in the period 1985-2005 produced large quantities of logs that were not exportable in log form for legal or technical reasons, and become available for local use. At the same time, skill levels and investible capital rose and portable sawmills become more easily available. By the start of FMP2 there was a substantial local wood industry supplying local needs, with individual producers or middlemen exporting small amounts of sawn timber as opportunities arose.

Awareness of this led to FD and FMP2 contact with members of the industry, and the formation in 2005 of the Value Added Timber Association (VATA). Registered as a

charitable trust in 2006, VATA had over 500 members at the start of 2010. According to its mission statement it aims to develop a strong export sector in value-added timber products, based on high quality natural forest and plantation species. VATA is run by an executive committee of eight and a technical adviser who is a staff member of FD. The current chairman is a practising lawyer whose interest was aroused by acting in disputes over what he regarded as very poor deals between loggers and tree-owners.

If it can be sustained, helping to set up VATA is potentially one of FMP2's most useful achievements. There is some way to go. In order to promote exports VATA decided to get involved in exporting itself. At the time of the ICR it was in the early stages of this, making trade contacts, taking trial orders, grading members' timber, stuffing containers for export on a site at Honiara port, charging members a fee for its services, and supplying information by Internet to develop the sawn-timber market with Australia and neighbouring countries. Importantly it is seeking FSC certification for its members' timber, with the help of SPC to facilitate the approval process.

The technical adviser and another FD professional are assigned by FD to assist VATA with administrative, marketing and technical matters. Until VATA has sufficient income and staff of its own, continued FD support will be needed to ensure follow-through on these promising beginnings. FD's creation of a Utilisation Section is a positive sign.

4. Systemic FD issues

a) Integration of FMP2 with FD

Despite recommendations sparked by experience under FMP1 and strongly expressed in the 2006 sector review, FMP2 did not integrate particularly well with FD, and there were some tensions between project and departmental staff. It does not seem to have been embraced by management as a high priority. Some high-level FD counterparts felt that the project acted as a parallel ministry and did not build ownership, and that project staff did not discuss activities and were reluctant to use country systems. Project staff also had better accommodation than ministry staff both at HQ and in the field, and efforts at collaboration were generally weak.

After the 2006 review, however, the project adopted the same planning framework as FD, and supplied an adviser to the Commissioner of Forests, who thereafter played a highly valued role. The Permanent Secretary considers VATA and the Forestry Extension Officer network the successes of FMP2, to the extent that the Ministry has added a Development and Reforestation Division to continue the work of the project on support for smallholder plantations. The FD also established a Utilisation (sawn timber) Section in 2009. These developments represent the integration into FD of activities initiated by the project outside of the existing structure.

b) Consistency of policy

Strengthening the long-term sustainability of forests and forest policy was a core purpose of FMP2. Overall, several aspects of sustainability remain problematic, given the project's uneven impact on the relevant regulatory framework under the existing Act, and the limited attention given to organisational structure, functions and systems in FD. The 2006 sector review's recommendations on FMP2 may have helped to distract FMP2 resources away from its core functions (which include protection of the natural

forest and enforcement of laws and regulations governing log extraction and export) towards small-scale plantations and downstream processing. Yet those older core functions remained the central role of FD, and they remained under pressure throughout FMP2: in this sense the 2006 review may have handicapped the integration of FMP2 with FD that it was simultaneously advocating.

The Audit Report of March 2005 identified the need to control timber extraction to a sustainable level, enforce licences, control exemptions, and reduce the loss of revenues and payments due, but the monitoring and enforcement functions of FD could not keep up. Meanwhile, project energies and resources were largely diverted to smallholder plantations. During the duration of the project, logging accelerated to five to six times the sustainable rate undermining macroeconomic and environmental sustainability and the basis of many rural livelihoods.

FMP2 recognised that the 2005 Audit Report also constituted what was essentially a diagnostic assessment of the ministry which should be used to identify specific institutional weaknesses and construct an agenda of actions needed, but this was not the approach the project took. These were missed opportunities, and sustainability suffered as a result.

c) Legislation and regulation

The failure to present the 2004 Forestry Bill to Parliament was a major disappointment, though it was not unexpected in view of the strength of the opposing forces and the ease with which the Bill was tagged by its opponents as an Australian intervention in SI affairs. But there were still opportunities on the regulatory front, and much to do to strengthen implementation and compliance. Some of these issues were well tackled, eg, through the decision (after non-presentation of the 2004 Bill) to tighten performance under the existing 1969 Act and strengthen its regulations, where the most notable success was the achievement of legal status for the Code of Logging Practice (COLP) together with some improvement in COLP compliance. There were also some improvements in licensing procedures and charges, and the development of a licensing manual. FMP2 identified the need for a Legal Adviser in the FD, initially supplied by the project, who made some progress towards ensuring that Ministry actions were legally compliant and help it pursue its own legal actions, but project staff felt that any further efforts would be stymied by lack of political will and poor cooperation from Police and Attorney-General. They also cited limits to the willingness of FD officers to forgo the benefits they derived from breaches in transparency and statutory procedures.

d) Management and organisational development

FMP2 identified the 2005 Audit as a source document whose recommendations the project should help implement, and noted *'As a snapshot of FD's current performance, the Audit revealed many shortcomings in procedures and practices, poor management and administration, lack of accountability and transparency, as well as deficiencies in internal controls.'*⁶ It also identified the organisational culture of FD as the key factor.

Yet FMP2 focused on individual development rather than institutional or organisational development. Most of the activities listed in the ACR under this heading involve

⁶ Report on Legal Support to the Forestry Division, 23 September 2005, p6

training of individuals rather than attention to the systemic weaknesses noted in a series of Audit Reports. Scholarships were awarded to five senior public officials, of whom two undertook degree courses of 3-4 years. In the opinion of the ICR team, this investment has borne excellent fruit and is likely to continue to do so, though only one remains at the FD. Senior managers were given personal development plans, and encouraged to implement them. On the other hand, some project practices may have bypassed and undermined lower level management, as project officers were embedded in order to keep licensing and log monitoring databases functioning, and enable calculation of the Determined Value Schedule which is used to assess export duty due. At the end of the project, the ACR recognised that there was still an immediate need to strengthen management capacity⁷.

To some extent organisational capacity development seems to have been treated as a matter of shifting from core forestry functions to embrace functions of a rural development ministry⁸ (despite the duplication this would have implied with other government agencies), rather than strengthening the systems and processes common to any organisation. To support sustainability of gains made, more attention was needed to management systems by strengthening processes of delegation, supervision, and reporting, attention to internal communication and cooperation with the Ministry, external communications, and development of a professional and enabling organisational culture. Greater effort to sort out the difficult interface with public sector-wide control systems in financial and human resource management, and access to network servers, would have been beneficial.

The project devoted a great deal of energy and resources to upgrading skills and knowledge through on the job training in the field, officer training, and training in log-scaling in the field and grading at the ship as part of the monitoring of logging operations. Training in log-scaling was reported as being particularly useful, and it resulted in revenue gains. Not all training was perceived to be sufficiently practical or effective, however, and the considerable benefits from training would have been more productive within a stronger management and accountability framework. Training has largely stopped since the project ended.

e) Financial management and compliance

A succession of audit reports documented widespread non-compliance with public finance laws and SIG Financial Instructions, including:

- breakdown in critical management and accounting systems and procedures, including lack of proper financial and non-financial records
- millions of dollars lost through poor management, diversion of royalty payments and travel advances, abuse of trust accounts
- corrupt officials using their positions to assist family and friends
- conflicts of interest
- lack of monitoring by senior officials of financial flows and outcomes
- failure to acquit imprest accounts.

⁷ ACR, Overall Conclusions, p20.

⁸ FMP2 Capacity Development Plan for Forestry Division Senior Staff, 21 December 2007, p 6

FMP2 does not appear to have engaged with these problems of transparency, probity and accountability in FD as a whole, and the Auditor-General noted little follow-up on audit reports. Transparency and probity are essential for well-functioning organisations, and accountability is expressed through the reporting structure both internally and externally. Transparency and accountability also create positive incentives. Reliable and accessible records and accounts, on a continuing basis, are needed to underpin all three. These institutional characteristics also support sustainability of gains made, and help to combat corruption.

The project had little impact on the cluster of problems that beset imprest account functioning, which were due partly to blocking behaviour by FD's Chief Accountant as well as to unproductive relations with the Ministry of Finance, and failures by staff and FEOs to acquit advances, although some efforts were made to engage with corporate services personnel and the Ministry of Finance.⁹ There was reportedly no attempt to train relevant staff in basic accounting or accountability requirements, and the ACR noted that there remained a strong need to overhaul the FD Accounting Section. More assistance in dealing with access to both development and recurrent budgets would also have been helpful.

Transparency and accountability rely on effective records management, but there was little sign of any focus on strengthening file security and tracking systems in FD, or improved systems for return of records from the field, or staff training on the use and maintenance of databases. Some databases contained mistakes, and parts of the inventory may have been based on unreasonably optimistic projections, e.g. from the numbers of seeds planted to the numbers of trees surviving, or remaining after thinning operations.

Although the project devoted time and resources to developing and linking databases, staff have unfortunately had no opportunity to update, validate and improve the quality of the databases as there were no network back-ups, and they have been inaccessible since the end of the project, although all were reported to be in working order at the handover. This is a grave handicap to the Forest Industry Division in particular, as it covers operations, licensing, log export monitoring and database programming. More effective arrangements should have been made for future IT support, including by training existing ministry staff in lower level IT problem-solving.

Later in the project, the Technical Assistant (adviser) to the Commissioner of Forests gave valuable help to the ministry to strengthen and justify budget submissions, and presented an issues paper on financial management concerns and lack of accountability, but in general, FMP2 did little to tackle financial management or other key systems under the institutional strengthening component of the project framework.

f) Human Resource Management (HRM)

On paper, the Human Resource Strategy (HRS) 2005-08 contained a number of positive elements, such as building a service culture, improving communications, basic office administration skills, work quality and timeliness, promoting a Diversity Management Plan (covering ethnicity, gender and religion), and aligning staffing arrangements with

⁹ Under FMP1, the project disbursed its own funds directly but disbursements under FMP2 were meant to go through the Consolidated Account.

functional objectives. It sought to tackle the central HRM areas of job design, recruitment, career development and succession planning. But it was not implemented, as far as the ICR team could tell, and is not mentioned in the ACR.

It appears that the HRS was not based on an adequate analysis of existing practices and context. It may have run up against the centralized rules that govern the public service, and put too much emphasis on the introduction of performance systems and devolution of decision-making in ways better suited to developed countries. Seeking restructuring and redundancies early on may not have been a wise step.

FMP did succeed in recruiting and training a good number of female extension officers (twenty-six percent of FEOs were female), women were involved in tree planting programs and formal training courses, and the project team included some women. But a gender analysis and broader efforts to support gender objectives were lacking, and there appear to have been no efforts to promote gender equity Ministry-wide.

g) Governance and advocacy

As noted earlier, the project had to grapple with an unstoppable drive to log the highly profitable natural forests as fast as possible, without reference to macroeconomic or environmental sustainability, rural livelihoods or any concerns beyond the rapid conversion of trees to cash. Political governance was hijacked by politicians with close links with powerful logging companies, while unscrupulous intermediaries with mobile phones rushed about doing deals that left village dwellers bemused or angry at the disappearance of their forests in return for minimal cash and in-kind payments.

FMP2 confronted the results of two decades of weak administration, political interference and largely unpunished official corruption on the will and capacity of SIG's forestry organisation to reform itself. As an externally financed and staffed project, working in a technical department whose responsible minister and many of whose staff were compromised, FMP2 was in a weak position to counter the enormous incentives available from logging, and the privileged access the logging industry has to ministers. To be effective, any move to change this balance of influence would have to draw powerful support from within SIG itself. The feeling within FMP2 and AusAID was that the odds were against this happening any time soon.

In such adverse circumstances, it makes sense for the advocates of change to strengthen any countervailing forces that are available. The immediate governance body for the project was the Project Coordinating Committee (PCC), which included some of the most powerful agencies in SI. Its effectiveness was hampered by the rapid turnover of FD senior managers, but the project could have made it a priority to develop the PCC role and build on the concerns and influence of the Central Bank, the Prime Minister's Office, the Ministry of Finance, the Ministry of Foreign Affairs and Trade, and other SI and donor agencies represented on the PCC.

A coalition of the PCC agencies, prepared to speak to SIG and the public with a unified voice, might have helped to educate the nation on the consequences of the loss of SI's greatest natural asset and the need to manage sustainably what remained. This could have emboldened SIG to bring under control the rush to remove the remaining forests.

In the event little was achieved in this area because little was attempted. The task was felt to be too big, and the resources not sufficient or not appropriate for the job. The best judgment on FMP2's efforts in governance and advocacy is probably that FMP2 doing useful things in the sector contributed to the rebuilding of morale among SIG foresters, and supported the revival of a sense of purpose, as new and better FD leadership emerged out of the ruins created by two decades of rampant commercial logging.

D. Conclusion

1. Assessment

- a) FMP2 was conceived under unusually difficult conditions that were clearly acknowledged by its sponsors, but whose implications were not fully taken into account by AusAID or the implementing contractor, either in the design or during the implementation of the project. The need for consultation with other stakeholders before and during the project was underestimated, and the constraints on its impact and sustainability were not adequately foreseen.
- b) FMP2 fell short of its aims and the expectations of its supporters because of flaws in its design, the inadequacy of its M&E arrangements, and weak or non-existent links to potential sources of mutual reinforcement within and outside SIG. Good work by the project in several areas took place in isolation, with limited impact in building capacity and resulting doubts about its sustainability.
- c) Most of the shortcomings identified in this ICR are not peculiar to FMP2 or to forestry projects. They apply to most projects that aim to intervene in poorly performing countries or sectors by strengthening weak or damaged agencies. FMP2 did not take sufficient account of lessons available from that wider experience, either because its designers and managers were not aware of them or thought they were irrelevant. This unnecessarily burdened FMP2 with the need to identify capacity deficits and develop capacity-building skills 'on the run'.
- d) Despite these shortcomings, there is little doubt that without FMP2 the present condition and prospects of both FD and the SI forestry sector would be significantly worse than they are. FMP2 provided important psychological and practical support to FD during a prolonged period of low morale and weakened professional standards, in effect helping it to survive. The concept of the likely structure of a long-term permanent SI forest industry, on which work began during FMP1 and continued during FMP2 – though born of necessity out of the shambles created by SIG's chronic inability to control the existing industry – now provides the intellectual basis for coherent policy-making and effective regulation and promotion of a sustainable industry.

2. Recommendation

1. **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.

2. 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-forestation 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.

Box III: Forests, plantations, and climate change

Logging in SI has contributed to the acceleration of global climate change. It is estimated by FMP contractors URS that SI greenhouse gas emissions from deforestation and degradation increased from 1 million tonnes of carbon dioxide annually in 1995 to 10 million tonnes in 2007. SI could now help to slow this process through reforestation, afforestation, and a return to sustainable forest management.

The Clean Development Mechanism (CDM). Set up by the Kyoto Protocol, this enables less developed countries to sell emission reduction or removal units based on reforestation or afforestation in the form of carbon credits to developed countries. This may be difficult for Solomon Islands to use. Reforestation is recognised only if the land has not been forested since December 1989, and afforestation only if it has had no forest for 50 years. Some grassland areas of Guadalcanal and some natural forest areas logged before 1989 might qualify, but overall the opportunities for SI within the current framework appear limited.

REDD. It is more probable that SI could benefit from funding through the 'Reducing Emissions from Deforestation and forest Degradation' (REDD) mechanism (if it is agreed by the Parties to United Nations Framework Convention on Climate Change - UNFCCC). Such funding could be used to promote alternative livelihoods and other sources of economic growth and revenue. The REDD mechanism is designed to reward the reduction of emissions from deforestation and forest degradation by implementation of sustainable management of forests and conservation (still to be clearly defined).

The REDD mechanism that now looks most likely would involve initial donor funding for countries to prepare the necessary institutional and monitoring structures. Funding for actual reductions of emissions would become available through a fund or bilateral arrangements, and the third step would involve the REDD implementing country entering a formal carbon market, whose structure is yet to be determined.

Some countries, such as Brazil and Indonesia, are already receiving substantial international funding and this opportunity could open up also for the SI. Some national governments in developed countries have launched bilateral arrangements with obvious potential for SI. In 2008, Australia launched its International Forest and Carbon Initiative (IFCI) with most funding dedicated to the Forest Carbon Partnerships with Indonesia and Papua New Guinea. Recently, Norway agreed to provide funding to Brazil and Indonesia to support their policies and activities aimed at reducing emissions from the forest sector. Each programme is to disburse US\$ 1 billion over several years, conditional on the implementation of agreed actions.

Other markets. Carbon credits are in growing demand to respond to corporate commitments to become carbon neutral or for speculation in carbon futures. Projects in this voluntary market produce certified emission reductions and can also contribute to biodiversity and other sustainability objectives, such as conservation of unlogged natural forest. Although this market remains relatively small, several voluntary projects have already been certified around the world and SI could explore this option while negotiations on a REDD mechanism continue.

Preparation for participation. Considerable effort is required to access these opportunities, but help is available. In order to prepare for either type of mechanism, SI would need to clarify rights to carbon, develop a database of land management information including estimates of forest biomass in logged and unlogged natural forest, and create a national carbon accounting system. For reforestation projects under CDM there would need to be a register of land status in 1989. The World Bank Forest Carbon Partnership Facility helps countries to develop activities that will qualify within the recognised market frameworks. The Bank has a representative office in Honiara that could facilitate SI investigation of this possibility.

Benefits for Solomon Islands. Benefits would include not only the revenue from carbon credits and partnership agreements, but accelerated restoration of the forest as the country's main renewable natural asset, a boost to environmentally sustainable rural development, and a reliable long-term income and revenue stream from sustainably harvested timber.

Source: various, compiled by ICR team

Annex A: Aide Memoire (Exit Report) on completion of ICR field visit, 12 March 2010

1. Political economy of FMP2

The project had its roots in twenty years of Australian support to SIG forestry, starting in the mid-1980s with a forest inventory and efforts to police and tax the expanding logging industry. The latter had met with limited success. Geographic dispersion meant much of the industry was untouched by the civil disorders of 1998-2003, while the widespread collapse of government services enabled the industry to grow and prosper with minimal supervision.

By the start of FMP2 log exports were a multiple of the estimated sustainable cut and were set to rise further. RAMSI had ended the rule of armed gangs in mid-2003 but the national government had no appetite for reform of the forest industry. A steep decline in log exports was being forecast for 2010-2015 when the main forest stands would have been logged. Attempts to introduce stronger legal controls through a new forest law failed in the face of opposition from logging companies and their allies, even as a series of audit reports documented gross official misconduct and provided the basis for criminal prosecution.

Much of the overall forestry picture was bleak. Natural forests were being depleted, soils and freshwater reserves damaged and reefs silted over. Tribes and families were bitterly divided about logging or the sharing of its limited financial benefits, or both. Export duty revenues, though well below the legally due level, were a dangerously large source of SIG income, while key officials, politicians and 'commercial chiefs' were in the pay of logging companies.

On the positive side public tolerance of official corruption was diminishing, two 14,000ha commercial plantations were growing hardwoods for export on land leased from SIG, and a wave of interest in smallholder planting of teak as a cash crop had established large numbers of small woodlots in Western and Guadalcanal provinces. Given the natural resilience of soils and climate it appeared these factors could form part of a sustainable economic sector.

The structure of a potential long-term forest industry was likely to have four segments:

- 1) rigorous management of the widely dispersed remnants of the natural forests;
- 2) three or four commercial plantations on leased land;
- 3) a large number of smallholders (of which a substantial subset belong to two communities in New Georgia) growing wood for sale and home use
- 4) a developing domestic wood-processing and utilisation sector.

Tree-growing smallholders would also be engaged in food and cash-crop production, presupposing deliberate land-use planning. The structure of the cultivated forest industry would thus resemble that of tree-crop agriculture, with extension services, nucleus estates, out-grower smallholders, marketing structures, and degrees of local processing before export. An appropriate blend of government regulation, public infrastructure and commercial services would be needed for each component of the industry.

FMP2 was intended to strengthen SIG's forestry capability, which may be best judged by its capacity to direct and support the sound growth of a sustainable long-term industry.

2. Project design and M&E

A Design Concept for FMP2 was prepared in December 2003, including a logframe. The Scope of Services subsequently formalised this and endorsed the proposed 'rolling design' approach. However this went beyond the annual review and refinement of the activities and outputs. The goal and purpose were also changed a further two times during the life of the project, the result being a subtle but profound shift in focus¹⁰. At different times and in different documents the FMP2 was variously described as a project for :

- economic governance and SIG revenue consolidation
- institutional strengthening within the forestry sector
- rural livelihoods development
- forest conservation

AusAID and contractor staff referred in our discussions to changes in emphasis required by the Government of Australia and other stakeholder interests. Ironically, there were also instances where the project appeared to miss opportunities to suggest redirection to address emerging and important issues¹¹. What ultimately emerged as the practical focus of the project was reflected in the views of stakeholders interviewed during the ICR mission. These indicated that the major achievement of the project was the establishment of a forestry extension service aimed largely at supporting smallholder production – with a predominant emphasis on teak woodlots.

A monitoring and evaluation (M&E) Plan was a contractor deliverable, required to inform project management decisions, to capture lessons learned and to ensure accountability to stakeholders (principally SIG and AusAID). The M&E Plan was produced during the first year of the project, but was not sighted by the ICR team during the mission. An element of the M&E arrangements (and an early milestone in the first year) was to be a baseline study, but this seems not to have been carried out. The predominant source of performance information reflected in the log-frame was 'training records'. A risk matrix was also prepared and updated as part of standard AusAID annual reporting requirements. While there was evidence of 'tacit risk management processes' arising from the in-depth knowledge and engagement of the project team in the local context, there was no formal way to systematically capture lessons learned. Weaknesses in the M&E arrangements were acknowledged by several key informants though comprehensive M&E arrangements are a basic requirement of all AusAID initiatives, and are at the heart of a responsive and flexible project – as elaborated in the original design concept.

The project supported the development of five databases covering log exports, licensing, sawmilling, smallholder plantations and project M&E. The first two were developed in the late 1990s, and maintained or enhanced by the project. The other databases were developed using local and foreign sub-contractors during the life of FMP2. The ICR team were advised that all databases were working effectively and supporting information needs within the Ministry of Forestry at project completion. However, none of the databases were working

¹⁰ The 'rolling design' was justified on the basis of the highly dynamic and evolving context within the Solomon Islands at that time, and hence the need for the project to remain flexible and responsive. However, this flexibility was to extend to the methods and approaches employed (i.e. outputs and activities undertaken) *not* to the fundamental purpose and intent of the intervention.

¹¹ For example, the issue of financial management (especially imprest account management) within the Ministry of Forestry emerged as a critical operational issue that was broadly considered to be beyond the ambit of the project.

during the ICR mission – a source of consternation for key stakeholders such as the Permanent Secretary and key management staff within the ministry who rely on working systems to update new records and to generate management reports.

Overall, the M&E arrangements for FMP2 were inadequate to furnish stakeholders with a clear picture of the performance of the project. There was some evidence available to assess performance in strengthening FD capacity and supporting rural livelihoods. Sustainability and gender outcomes were ambiguous with limited data to assess performance in these areas. The M&E arrangements could have been improved by a comprehensive and coherent approach to the issue, which will be elaborated in the ICR report.

3. Project activities

The execution of FMP2 was strongly conditioned by the political economy of the Solomon Islands described earlier. More could have been done to publicise the social and economic consequences of the way the forest industry was evolving, and to mobilise the concerns and influence of the SI and donor agencies represented on the Project Coordinating Committee. There is no evidence of backup from RAMSI Economic Governance and Machinery of Government programs.

After the mid-term review the project took stronger steps to align its planning process to that of the ministry. Personal development plans and relevant university-level education for senior staff continue to bear fruit, as do “Making a Difference” and other training programs. FMP2 also recruited and trained female extension officers, but a gender analysis and broader efforts to support gender objectives were lacking. The aim identified in the concept design to strengthen the ability of landholder families to negotiate with the industry and to share the benefits more equitably did not proceed. Successful models were available in other countries of the region.¹²

The project seems not to have engaged with the systemic challenges facing the ministry although these were clearly identified in reports by the Auditor-General: failures of management, administration and records management, and therefore of transparency and accountability. The HR Strategy prepared under FMP1 for implementation under FMP2 was not implemented, and apart from training on making budget submissions, provided late in the project by the adviser to the Commissioner of Forests, there appears to have been no effort to strengthen the ministry’s financial management systems. The continuing difficulties with imprest accounts meant that village-based extension officers often lacked fuel and other supplies necessary to their operations. Problems of access to funds in the Development Budget were not addressed.

Project officers were placed within the ministry in order to keep licensing and log monitoring databases functioning, and enable calculation of the determined price which is used to assess export duty due. To support this work, they restored the relevant databases and tried to network them. But there was no building of a cadre of staff who could maintain the databases and provide IT support across the ministry. None of the ministry’s automated databases is now functioning.

By contrast, there was some success with legislative strengthening, particularly in revising and legislating the Code of Logging Practice under Forestry Act regulations, improving logging licence procedures, training staff in legal processes, and organising support for the

¹² This appears to have been on AusAID instructions.

Forestry Bill, 2004. Although that Bill did not become law the need to enact an improved statute has not diminished. Without it many of the improvements to morale and effectiveness of forestry staff made under FMP2 are vulnerable to attack.

The project's effectiveness suffered from failure to enact the new Forestry Bill, drafted with its support. Gazettal of the Code of Logging Practice (COLP) in September 2005 was an important step in reducing the impact of logging operations, provided that ministry staff are able to enforce the Code. FMP2 improved this capacity by on-the-job training of staff to monitor logging operations, and other support for general enforcement capacity.

FMP2 contributed to log export monitoring through the preparation of a revised Determined Value Schedule. FMP2 also supported changes to the logging license application which reportedly raised SIG revenue, as did the introduction of performance bond fees. A sustained improvement in licensing operations and revenue will depend on the ministry's ability to maintain the newly established Licensing Section (which the project helped set up).

The project also strengthened the monitoring of logging operations by preparing an audit of all current (in 2006) felling licences and licence applications, and contributing to a paper on options for the monitoring of log export operations. The latter paper recommended that an independent log monitoring agency be employed. The recommendation was not accepted by SIG. The general enforcement capacity of the ministry with implications for the implementation of the COLP and monitoring of timber exports, was supported by FMP2 by training senior staff in legal and case management training, development of protocols for interaction with other key SIG agencies, such as the Attorney's General Office, and establishment of an Enforcement Section.

The project supported the engagement of smallholders in forestry by a policy paper on legislative reforms for the plantation sector (2006) and a report on the design of a National Plantation Forestry Program (2007). At the agency level, it helped revitalise the Reforestation Section adding support for villagers' capacity to benefit from small scale plantation activities to its existing enforcement and policing role. The new Section was supported by training ministry staff and Field Extension Officers, and setting up a National Smallholders Plantation Database. FMP2 trained extension staff to provide advice on the two main timber species (teak and mahogany) that were being planted by villagers. Some advice was also given on planting local species for firewood and house construction. The project facilitated research funded by ACIAR aimed at improving smallholder plantations by intercropping with appropriate agro-forestry species

4. Summary and prospects

Despite its uncertain beginnings FMP2 made a valuable contribution to SI forestry management under difficult conditions. The project's reformist and regulatory aims changed in the face of the reality of logging industry capture of political government, the emphasis shifting to promotion of smallholder participation in the industry. As the power of commercial logging interests wanes with falling log output, it is important that SIG grasps the opportunity to build a sustainable long-term wood industry on the lines described above. A continued Australian presence in this endeavour has merit. It would 'make a difference', and if carefully designed in consultation with the current Permanent Secretary and senior forestry staff, would be welcomed by SIG.

Annex B

Documents reviewed

As part of the comprehensive preparations for the ICR by Collin Potakana of the Honiara AusAID team, we were provided with a list of over seventy reports and studies connected to SI forestry and FMP2. The full list is available from Collin.Potakana@ausaid.gov.au.

We found particularly helpful the Annual and Final Plans prepared for FMP2; the regular reports by URS/FMP2 of the accelerating depletion of the national forest estate, taking place apparently with the approval of the national government; the plans describing under various agencies and headings the intentions of SIG and AusAID for supporting rural livelihoods; the Audit Reports of 2008 spelling out the extent and depth of the rot within FD on which action is still pending in the SI legal system; and AusAID's SI Forestry Sector Review of 2006, which does not appear in the main list.

When the time comes to write the history of this extraordinary period, there is a rich source of material in these reports.

Annex C

Persons consulted

AusAID

Paul Kelly, Juliet Brassington, Kamal Azmi, Paul Greener, Pakwasi Nyamekye, Peter Wilson, Collin Potakana

SIG

Forestry ('FD' in this report): Gordon Konairamo, Richard Raomae, Margaret Salini, Basil Gua, Kevin Alu, Jim Konai, Lucy Takaoa, Julius Houria, Simeon Pitakaka.

Audit: Edward Ronia, Peter Johnson.

Finance: Harry Kuma, David Kavanagh, Andrew Minto, Christine Heiser

Central Bank of SI: Raynick Aquillah

Forest industry

Solomon Forest Association: Austin Holmes

Value Added Timber Association (VATA): James Apaniai, Julius Houria

Customary landholders/planters: families at Vonavona (WP) and Tadhimboko (GP)

NGOs and CSOs

Tetepare Descendants Association: Allan, Ingrid.

WWF: Alan Smith

Conservation International: Keyvan Izard

The Nature Conservancy: William Atu

Solomon Islands Development Trust: Dr John Roughan

Transparency Solomon Islands: Caroline Qilokomala (formerly FMP2), Bob Pollard

FMP2 management: Phil Montgomery, Dan Raymond, Ross Andrewartha

FMP2 TA personnel: Peter Baldwin, Karen Lummis

Other projects and programmes

Rural Development Programme (RDP) : Lottie Vaesakavea, Mark Johnstone

EU Forestry and Conservation Project : David Elizondo Gimenez, Prudence Reveli

CSP/RLP: Owen Hughes, Grant Vinning, Moses Pelomo.