



# Additional Financing Report

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Project Number: 51271-003  
September 2021

## Administration of Grant Solomon Islands: Urban Water Supply and Sanitation Sector Project (Additional Financing)

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 2 September 2021)

Currency unit	–	Solomon Island dollar/s (SI\$)		
SI\$1.00	=	\$0.125	or	€0.106
\$1.00	=	SI\$7.981	or	€0.845
€1.00	=	SI\$9.449	or	\$1.184

## ABBREVIATIONS

ADB	–	Asian Development Bank
EU	–	European Union
GHA	–	greater Honiara area
GEF	–	Global Environment Facility
SIWA	–	Solomon Islands Water Authority

## NOTE

In this report, “\$” refers to United States dollars, unless otherwise stated.

<b>Vice-President</b>	Ahmed M. Saeed, Operations 2
<b>Director General</b>	Leah C. Gutierrez, Pacific Department (PARD)
<b>Deputy Director General</b>	Emma M. Veve, PARD
<b>Director</b>	Jingmin Huang, Urban Development and Water Division, PARD
<b>Team leader</b>	Stephen Blaik, Principal Urban Development Specialist, PARD
<b>Team members</b>	Flordeliza Asistin, Financial Management Specialist, PARD Julian Doczi, Procurement Specialist, Procurement, Portfolio, and Financial Management Department Taniela Faletau, Safeguards Specialist, Portfolio, Results, and Quality Unit, PARD Mairi MacRae, Senior Social Development Specialist (Gender and Development), PARD Douglas Perkins, Principal Counsel, Office of the General Counsel Cara Tinio, Associate Economics Officer, PARD Dalcy Tozaka, Senior Country Coordination Officer, Pacific Liaison and Coordination Office, PARD <sup>a</sup> Jean Williams, Principal Environment Specialist, PARD <sup>b</sup>
<b>Peer reviewer</b>	Joris van Etten, Senior Urban Development Specialist, Southeast Asia Department

<sup>a</sup> Outposted to the Solomon Islands Pacific Country Office.

<sup>b</sup> Outposted to the Pacific Subregional Office in Suva, Fiji.

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## PROJECT AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 51271-003</b>	
<b>Project Name</b>	Urban Water Supply and Sanitation Sector Project (Additional Financing)	<b>Department/Division</b>	PARD/PAUW
<b>Country Recipient</b>	Solomon Islands	<b>Executing Agency</b>	Ministry of Finance and Treasury
<b>Country Economic Indicators Portfolio at a Glance</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=51271-003-CEI">https://www.adb.org/Documents/LinkedDocs/?id=51271-003-CEI</a> <a href="https://www.adb.org/Documents/LinkedDocs/?id=51271-003-PortAtaGlance">https://www.adb.org/Documents/LinkedDocs/?id=51271-003-PortAtaGlance</a>		
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
		<b>Total</b>	<b>0.00</b>
<b>3. Operational Priorities</b>		<b>Climate Change Information<sup>1</sup></b>	
✓ Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0.00
✓ Accelerating progress in gender equality		Climate Change impact on the Project	High
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		<b>ADB Financing</b>	
✓ Making cities more livable		Adaptation (\$ million)	0.00
✓ Strengthening governance and institutional capacity		Mitigation (\$ million)	0.00
		<b>Cofinancing</b>	
		Adaptation (\$ million)	4.59
		Mitigation (\$ million)	0.00
<b>Sustainable Development Goals</b>		<b>Gender Equity and Mainstreaming</b>	
SDG 6.3		Effective gender mainstreaming (EGM)	✓
SDG 12.2		<b>Poverty Targeting</b>	
SDG 13.a		General Intervention on Poverty	✓
<b>4. Risk Categorization:</b>	Low		
<b>5. Safeguard Categorization</b>	Environment: B Involuntary Resettlement: B Indigenous Peoples: C		
<b>6. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>0.00</b>	
None		0.00	
<b>Cofinancing</b>		<b>4.59</b>	
GEF-Least Developed Countries Fund - Project grant (Full ADB Administration)		4.59	
<b>Counterpart</b>		<b>0.66</b>	
Government		0.66	
<b>Total</b>		<b>5.25</b>	
<b>Currency of Financing: US Dollar</b>			

<sup>1</sup> The project reduces greenhouse gas emissions. However, it does not fall under the eligibility criteria for climate mitigation finance as defined by the joint multilateral development bank methodology on tracking climate finance, which notes that not all activities that reduce greenhouse gases in the short term are eligible to be counted towards climate mitigation finance. Accordingly, greenfield fossil fuel projects are excluded, and climate mitigation finance is considered zero.



## I. BACKGROUND

1. **Background.** The ongoing project aims to increase access to safe water and improved sanitation in urban areas, and will have the following outcome: efficiency, climate change and disaster resiliency, and sustainability of safe water and sanitation in the greater Honiara area (GHA) and other five urban areas improved. It was approved by Asian Development Bank's (ADB) Board of Directors in September 2019.<sup>1</sup> ADB financing comprises a concessional loan of \$28.00 million from ADB's ordinary capital resources and a grant of \$9.00 million from ADB's Special Fund resources. The project is cofinanced by a European Union (EU) grant of €18.00 million (\$20.35 million equivalent) administered by ADB, and a World Bank concessional loan of \$15.00 million. ADB and World Bank financing were declared effective in April 2020. The EU grant has not yet been declared effective due to the protracted negotiations on the ADB-EU financing framework agreement, the broader framework to guide ADB administration of EU cofinancing. Negotiations between ADB and the EU on the terms and conditions of the agreement were ongoing as of 22 September 2021. ADB approved a waiver of the cross-effectiveness condition for the ADB loan and grant and the EU grant in March 2020. The project closing date is 31 December 2027. The project executing agency is the Ministry of Finance and Treasury and the Solomon Islands Water Authority (SIWA) is the implementing agency.

2. The project has been significantly impacted by the coronavirus disease (COVID-19) pandemic, which slowed design work and limits the ability to field consultants. Delays in making the EU grant effective have also impeded progress in output 1 (para. 3) against the projections in some civil works packages, including the Kongulai water treatment plant. As of 17 August 2021, ADB loan and grant contract awards is \$9.8 million (26.5%) and disbursements is \$4.3 million (11.6%). Due to the delays, the ongoing project performance rating was *at risk* as of the second quarter of 2021. As a result of the above factors, the project is currently not considered as performing well by ADB based on its internal assessment criteria. However, the project has made considerable progress despite the pandemic. The physical progress of the project is currently 18% against an elapsed project duration of 17%, and the safeguards policy requirements have been met.

3. **Status of the ongoing project.** For Output 1: Urban water supplies are continuous and safe, over 4,200 of the project's target 7,500 new household metered water connections have been installed. The contractor finished the civil works to upgrade the Auki water supply system. Three civil works contracts are expected to be awarded by December 2021 for new reservoirs, the Kongulai water treatment plant, and trunk water mains in Honiara. The bidding documents will be finalized in October 2021 for upgrading the water supply systems in the provincial towns. Bidding of the provincial water supply contracts is dependent on the availability of the EU grant.

4. Under Output 2: Urban sanitation services are effective, efficient, and safe in GHA, bidding documents for reconfiguring the Honiara sewer system, including the construction of a new marine outfall, will be completed in October 2021. For Output 3: Enhanced and sustained awareness and behavior of hygiene and water conservation in GHA and five towns, a contract for the hygiene promotion component was awarded on 5 August 2021.

5. For Output 4: SIWA is financially and technically sustainable, SIWA has completed a tariff review and a proposal to amend water and sewerage tariffs was submitted for government approval in late-August 2021.<sup>2</sup> The risks identified for the ongoing project remain valid and are

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<sup>1</sup> ADB. 2019. *Report and Recommendation of the President to the Board of Directors: Proposed Loan, Grant and Administration of Grant to Solomon Islands for the Urban Water Supply and Sanitation Sector Project*. Manila.

<sup>2</sup> Summary of Project Performance (accessible from the list of linked documents in Appendix 2).

being managed. Specifically, SIWA has developed and started implementing standard operating procedures for financial management, and SIWA has awarded a contract to replace its financial management system.

## II. ADDITIONAL FINANCING

### A. Rationale

6. SIWA extracts 12,000 cubic meters per day of raw water from Kongulai Spring water source, which is 40% of water supplied to GHA.<sup>3</sup> In 2019, the water intake was shut down for 59 days due to excessive water turbidity induced by heavy rainfall.<sup>4</sup> Honiara's water source areas have degraded due to unsustainable land use activities, particularly commercial logging, leading to soil erosion and sediment transport, which contributes to the high turbidity in raw water. With climate change, the frequency and intensity of extreme rainfall events in Solomon Islands, and the number of shutdown days of the Kongulai Spring due to high turbidity will increase.<sup>5</sup> Protection and revegetation of drinking water source areas in GHA, in addition to water treatment, is essential. Development of alternative livelihoods for landowners of water source areas, such as carbon payment for ecosystem services activities, to replace commercial logging is necessary to stop land degradation in the watersheds.

7. The Global Environment Facility (GEF) approved cofinancing in May 2021 to support the ongoing project through its Least Developed Countries Fund.<sup>6</sup> The proposed additional financing will contribute, directly and indirectly, to the scaling up of the project scope in two ways. First, it will finance a new project output focused on fostering water source protection, including revegetating disturbed water source areas of the GHA water supply. Second, it will partially finance the capital costs of the Kongulai Water Treatment Plant under Output 1 of the project, replacing a portion of the EU financing that was to be used for this purpose. Through this substitution of funds, the EU financing, once available, will finance further expansion of new and upgraded water mains to be financed under Output 1 of the project.

8. While the project is assessed as not performing well, the proposed additional financing meets the eligibility criteria for an additional financing under an exception of the Additional Financing Policy.<sup>7</sup> First, the overall project remains technically feasible, economically viable, and financially sound, and continues to be a high priority of the government. Second, the project is aligned with the government's Medium-Term Strategy Objective 3: All Solomon Islanders have access to quality social services, including education and health, and will assist Solomon Islands to meet Goal 6 of the Sustainable Development Goals. Finally, the project is also aligned with (i) ADB's Strategy 2030 and its operational priorities of making cities more livable and tackling climate change, building climate and disaster resilience, and enhancing environmental

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<sup>3</sup> The catchment area of the Kongulai drinking water source is 3,200 hectares which is mostly primary forest. By December 2019, 10% of the catchment area had been logged.

<sup>4</sup> Turbidity is the measure of clarity or cloudiness of water due to suspended material in the water such as clay, silt, organic and inorganic matter. Higher turbidity indicates higher suspended material loads that can contain bacteria and viruses which can present risks to human health.

<sup>5</sup> Magee A. 2020. *Impacts of Extreme Rainfall in Honiara (Flooding and Turbidity)*. Newcastle.

<sup>6</sup> The GEF Chief Executive Officer endorsed a grant for financing for the project on 18 May 2021.

<sup>7</sup> As noted in para. 2, the project is currently assessed as not performing well. Additional financing for scaling up the project scope is generally restricted to well-performing projects. As an exception, where the source of additional financing is ADB-administered cofinancing, a project that is not in full compliance with the performance criteria is still eligible for additional financing for scaling-up, if the original project is still new (Additional Financing policy [2010], para. 64). In the case of the ongoing project, the elapsed project duration is 17% which can be considered new for purposes of the exception under the policy. Moreover, as the current performance rating largely derives from factors outside the control of the project (see para. 3), there are no fundamental performance issues at this stage that would cause concern with the provision of additional financing for expanding the project scope.



sustainability;<sup>8</sup> and (ii) the second strategic pillar of ADB's Pacific Approach, 2021–2025 of managing risks from natural hazards, and climate change impacts by strengthening institutional capacities and promoting sound public sector management; building resilience to climate change and natural hazard; safeguarding sensitive natural resources; and improving health and social protection services.<sup>9</sup>

## B. Project Description

9. The additional financing is aligned with the following impact: access to safe water and improved sanitation in urban areas increased.<sup>10</sup> The overall project will have the following outcome: efficiency, accessibility, climate change and disaster resiliency, and sustainability of safe water and sanitation improved in Auki, GHA, Gizo, Munda, Noro, and Tulagi towns.<sup>11</sup> The additional financing will expand Output 1 of the ongoing project and add a new output as follows:

10. **Output 1: Continuous, safe, and climate resilient urban water supply ensured.** The additional financing will contribute to the construction costs of the Kongulai water treatment plant. This will displace some of the EU grant, which will instead finance further expansion of the Honiara water supply network and pipe replacement also under Output 1. This will further enhance the water supply coverage and reduce nonrevenue water.

11. **Output 5 (new output): Management of Honiara's drinking water source area strengthened to build resilience to climate change.** Output 5 will provide physical and non-physical investments to protect the water source areas for the GHA water supply from climate change impact. It will (i) review legislation and regulations relating to the protection of drinking water source areas and preparation of legislative amendments where appropriate; (ii) establish a landowner representative group for engagement and participation in watershed protection; (iii) prepare two water source protection management plans for approval of the Government of Solomon Islands; (iv) support the implementation of the water source protection management plans, including revegetating at least 60 hectares of drinking water source areas; and (v) prepare and implement ecosystem services activities as alternate livelihood instead of logging in GHA drinking water source areas. Education and training opportunities will be provided to communities living in the drinking water source areas with at least 50% participation by women.

## C. Value Added by ADB

12. The overall project will enhance ADB's ongoing support to water and sanitation sector in Solomon Islands by bringing in extra cofinancing from GEF. This will help to (i) build-in more climate resilience for the water supply system, (ii) draw on ADB's experience in developing innovative carbon payment for ecosystem services activities, and (iii) bridge the financing gap due to the delay of EU grant effectiveness.

## D. Summary Cost Estimates and Financing Plan

13. The overall project is estimated to cost \$98.06 million (Table 1). Detailed cost estimates by expenditure category and by financier are included in the project administration manual.<sup>12</sup>

<sup>8</sup> ADB. 2018. *Strategy 2030 Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

<sup>9</sup> ADB 2021. *Pacific Approach, 2021–2025*. Manila

<sup>10</sup> Government of Solomon Islands. 2016. *Medium-Term Development Plan 2016–2020*. Honiara.

<sup>11</sup> The revised design and monitoring framework is in Appendix 1.

<sup>12</sup> Project administration manual (accessible from the list of linked documents in [Appendix 2](#)).

**Table 1: Summary Cost Estimates**  
(\$ million)<sup>a</sup>

Item	Current Amount <sup>b</sup>	Additional Financing <sup>c</sup>	Total
<b>A. Base Cost<sup>b</sup></b>			
1. Continuous, safe, and climate resilient urban water supply ensured	53.16	1.46	54.62
2. Urban sanitation services are effective, efficient, and safe in GHA	20.58	0.00	20.58
3. Enhanced and sustained awareness and behaviors of hygiene and water conservation in GHA and five towns	2.53	0.00	2.53
4. SIWA is financially and technically sustainable	3.48	0.00	3.48
5. Management of Honiara's drinking water source area strengthened to build resilience to climate change	0.00	3.78	3.78
<b>Subtotal (A)</b>	<b>79.74</b>	<b>5.25</b>	<b>84.99</b>
<b>B. Contingencies<sup>c</sup></b>	<b>12.01</b>	<b>0.00</b>	<b>12.01</b>
<b>C. Financing Charges During Implementation<sup>d</sup></b>	<b>1.06</b>	<b>0.00</b>	<b>1.06</b>
<b>Total (A+B+C)</b>	<b>92.81</b>	<b>5.25</b>	<b>98.06</b>

GHA = greater Honiara area, SIWA = Solomon Islands Water Authority.

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> Including taxes and duties of \$11.47 million for the ongoing project and \$0.66 million for the additional financing which will both be financed by Government of Solomon Islands through exemptions of taxes and duties.

<sup>b</sup> In mid-2021 prices as of 19 July 2021.

<sup>c</sup> Physical and price contingencies, and a provision for exchange rate fluctuation, are included in the ongoing project. It will cover contingencies for overall project.

<sup>d</sup> Includes interest for the ADB loan and grant administration fees for EU grant (€400,000).

Source: Asian Development Bank.

14. The summary financing plan is in Table 2. GEF will provide additional grant cofinancing of \$4,587,156 to be administered by ADB. GEF will finance the expenditures related to: (i) construction of Kongulai water treatment plant; and (ii) promoting resilient and effective management of Honiara's drinking water source area. The government will contribute an additional \$0.66 million through waivers of taxes and duties.

**Table 2: Summary Financing Plan**

Source	Current <sup>a</sup>		Additional Financing		Total	
	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)
Asian Development Bank						
COL (loan)	28.00	30.2	0.00	0.0%	28.00	28.6%
ADF (grant)	9.00	9.7	0.00	0.0%	9.00	9.2%
EU (grant) <sup>a</sup>	20.35	21.9	0.00	0.0%	20.35	20.8%
GEF (grant) <sup>b</sup>	0.00	0.0	4.59	87.6%	4.59	4.7%
WB (concessional loan)	15.00	16.2	0.00	0.0%	15.00	15.3%
Government of Solomon Islands	11.46	12.3	0.66	12.4%	12.12	12.4%
SIWA	9.00	9.7	0.00	0.0%	9.00	9.2%
<b>Total</b>	<b>92.81</b>	<b>100.0</b>	<b>5.25</b>	<b>100.0%</b>	<b>98.06</b>	<b>100.0%</b>

ADF = Asian Development Fund, COL = concession ordinary capital resources, EU = European Union, GEF = Global Environment Facility Least Developed Countries Fund, SIWA = Solomon Islands Water Authority, WB = World Bank.

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> Includes the grant administration fees of €400,000 applied to the EU grant.

<sup>b</sup> GEF commitment is \$4,587,156.

Source: Asian Development Bank estimates.

## E. Implementation Arrangements

15. The Ministry of Finance and Treasury will remain the executing agency, and SIWA will remain the implementing agency. The project management unit established in SIWA will remain responsible for the day-to-day project implementation, including all procurement (with ADB oversight). The closing date for the additional financing grant is 31 December 2027, in alignment

with the ongoing project. Up to 20% of the additional financing grant will be eligible for retroactive financing in respect of goods, works, and consulting services.

## **F. Due Diligence**

16. The project remains technically viable and will improve water supply and sewerage services in Solomon Island urban areas. The additional financing will build the resilience of drinking water sources, which provide water for Honiara's water supply system, to climate change. The project's financial and economic analyses were updated to reflect the additional scope funded by the additional financing. The updated financial internal rate of return for the overall project is 9.0% (11% for the ongoing project) and the updated financial net present value is \$105.0 million. The economic internal rate of return for the overall projects is now estimated at 14.0% (13.1% for the ongoing project) with an economic net present value of \$27.4 million. SIWA's current tariff revenue covers operating costs and some replacement capital expenditure. However, SIWA's cashflow is not sufficient to cover the significant additional capital expenditure envisioned under SIWA's Strategic Plan. Financial projections show an ongoing cash deficit that will need to be met from additional debt or grant financing, or deferral of significant investments. The financial management assessment of SIWA was updated and concluded that the pre-mitigation financial management risk was substantial. A financial management action plan has been prepared and, when implemented, will reduce SIWA financial management risk to moderate. Integrity due diligence was conducted on SIWA, the members of its Board of Directors and management.<sup>13</sup> They do not appear to constitute a significant or potentially significant integrity risk since no adverse media or other relevant information related to them exists.

17. The project is classified effective gender mainstreaming. Specific gender design features of the additional financing complement the gender design features and include (i) providing education and training opportunities for women in drinking water source areas, (ii) provision of employment opportunities to women for revegetation of drinking water source areas, and (iii) ensuring at least 50% members of landowner representative group are women.

18. The safeguard categorizations for the additional financing are environment (B), involuntary resettlement (B), and indigenous peoples (C). SIWA has strengthened its capacity to effectively meet the project safeguard requirements. The additional financing components are assessed as having minimal and only site-specific impacts. An environment assessment and review framework and a resettlement framework have been prepared specifically for Output 5 activities and complemented the approved initial environmental evaluation and resettlement plan for the Kongulai water treatment plant (Output 1) and the overall project. A grievance redress mechanism has been established to address concerns and complaints promptly and transparently, with no cost or discrimination impacts on the reporting persons.

## **III. THE PRESIDENT'S DECISION**

19. The President, acting under the authority delegated by the Board, has approved the administration by the Asian Development Bank of a grant not exceeding the equivalent of \$4,587,156 to Solomon Islands for the additional financing of the Urban Water Supply and Sanitation Sector Project, to be provided by the Global Environment Facility Least Developed Countries Fund.

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<sup>13</sup> ADB. 2003. *Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*. Manila. ADB has obtained reasonable assurance that SIWA is not being used for money laundering or financing terrorism.

## REVISED DESIGN AND MONITORING FRAMEWORK

The revised design and monitoring framework strikes out content for deletion and underlines content to be added.

<b>Impact the Project is Aligned with</b>			
Access to safe water and improved sanitation in urban areas increased (Solomon Islands Medium-Term Development Plan 2016–2020).			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks and Critical Assumptions</b>
<p><b>Outcome</b></p> <p>Efficiency, <u>accessibility</u>, climate change and disaster resiliency, and sustainability of safe water and sanitation improved in Auki, GHA, Gizo, Munda, Noro, and Tulagi towns.</p>	<p>By July 2027:</p> <p>a. 16,500 households, including 12% headed by women use improved and climate- and disaster-resilient water supplies. (2019 baseline: 9,000) (OP 2.4.1, OP 3.2.5, OP 4.1)</p> <p>b. Nonrevenue water in GHA is reduced to 30%. (2019 baseline: 62%) (OP 4.2.2)</p> <p>c. 4,000 households (20%) in GHA are covered by sewer network. (2019 baseline: 1,000 households) (OP 4.1)</p> <p>d. 14,000 households (64%) in GHA access improved on-site sanitation policies and fecal sludge management. (2019 baseline: 0 households) (OP 3.3.2)</p> <p>e. Sewage discharged from the sewer system complies with water quality standards in GHA. (2019 baseline: 0%) (OP 3.3.4)</p> <p>f. SIWA continues to recover its annual operation and maintenance costs, asset depreciation costs, and debt servicing costs from user charges and government community service obligation payments. (2019 baseline: 100%) (OP 4.1.1)</p>	<p>a. (i) SIWA annual report; and (ii) SIWA water production records released monthly</p> <p>b. (i) SIWA annual report; and (ii) Pacific Water Utility Benching Report, Pacific Water and Wastewater Association, published annually</p> <p>c. (i) SIWA annual report; and (ii) Pacific Water Utility Benching Report, Pacific Water and Wastewater Association,<sup>b</sup> published annually</p> <p>d. Honiara City Council Environmental Health Unit reports</p> <p>e. (i) SIWA annual report; and (ii) Pacific Water Utility Benching Report, Pacific Water and Wastewater Association,<sup>b</sup> published annually</p> <p>f. (i) SIWA annual report; and (ii) SIWA annual audit reports</p>	<p>R: Population growth of the greater Honiara area exceeds growth projections</p> <p>R: Work overload for SIWA finance unit if mainstream finance personnel is utilized for project implementation</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<p><b>Outputs</b></p> <p>1. Continuous, safe, <u>and climate resilient urban water supply ensured</u></p>	<p>By July 2027:</p> <p>1a. The volume of treated water for the GHA increases by 5 MLD. (2019 baseline: 32 MLD) (OP 4.1.2) (OP 4.2.2, OP 4.3.2)</p> <p>1b. 11 km of new climate-proofed water trunks are installed and 2 new storage reservoirs of 12 million liters are built in GHA. (2019 baseline: 0) (OP 4.1.2)</p> <p>1c. Construction contractor personnel will comprise at least 20% women. (2019 baseline: 0%) (OP 1.2, OP 2,1)</p> <p>1d. <u>75 km</u> of new water supply mains are installed, and <u>15 km</u> of the existing water supply mains upgraded in GHA. (2019 baseline: 0%) (OP 4.1.2)</p> <p>1e. Three water supply systems upgraded in Auki, Noro and Tulagi towns. (2019 baseline: 0%) (OP 4.1.2)</p> <p>1f. Two new water supply systems built in Gizo and Munda towns. (2019 baseline: 0%) (OP 4.1.2)</p> <p>1g. 7,500 prepaid water meters installed in GHA and five towns. (2019 baseline: 0%) (OP 4.2.2)</p> <p><u>1h. Expected annual disruptions to Kongulai Spring due to high turbidity reduced to 30 days or less (50% cut-down)</u> (2019 baseline: 59 shutdown days)</p>	<p>1a.–1h. (i) SIWA annual report; and (ii) SIWA asset management database updated annually</p>	<p>R: Government and community commitment to improving water supply services and sanitation services wanes</p> <p>R: Monitoring of project expenditure, contractor payments, and auditing delayed as SIWA accounting systems do not incorporate project-specific accounting and financial reporting</p> <p>R: Delays in land acquisition result in delays in project implementation and result in cost and time overruns.</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<p>2. Urban sanitation services are effective, efficient, and safe in GHA.</p>	<p>2a. Three ocean outfalls rehabilitated and a new outfall constructed. (2019 baseline: 0) (OP 3.3.4, OP 4.2.1)</p> <p>2b. Six new sewer pump stations constructed and two sewage pump stations rehabilitated. (2019 baseline: 0) (OP 3.3.1, OP 4.2.1)</p> <p>2c. New septage treatment facility (60 m<sup>3</sup>/day) constructed. (2019 baseline: 0) (OP 3.3.1, OP 4.2.1)</p> <p>2d. Construction contractor personnel will comprise at least 20% women. (2019 baseline: 0) (OP 2.1.4)</p> <p>2e. 7 km new sewer pipelines built. (2019 baseline: 0) (OP 4.2.1)</p>	<p>2a.–2e. (i) SIWA annual report; and (ii) SIWA asset management database updated annually</p>	
<p>3. Enhanced and sustained awareness and behaviors of hygiene and water conservation in GHA and five towns.</p>	<p>3a. 10,000 persons are reached directly with gender-sensitive awareness and behavior programs of hygiene and water conservation (sex-disaggregated), of which 70% are women. (2019 baseline: 0 persons) (OP 2.2.2)</p> <p>3b. At least 80% of children aged 5–15 years have improved awareness of hygiene and water conservation (sex-disaggregated) of which 50% are girls. (2019 baseline: less than 0%) (OP 2.2.2)</p> <p>3c. 3,000 women and girls are provided with menstrual hygiene training and products. (2019 baseline: 0) (OP 2.2.2)</p>	<p>3a. Hygiene awareness and education program semiannual monitoring reports</p> <p>3b. (i) Annual report of Ministry of Education and Human Resources Development; and (ii) Ministry of Health reports issued periodically</p> <p>3c. Hygiene awareness and education program semiannual monitoring reports</p>	
<p>4. SIWA is financially and technically sustainable</p>	<p>4a. Water tariff framework with regular review is set up and reviewed. (2019 baseline: 0) (OP 4.2.2)</p> <p>4b. All SIWA staff have updated technical, financial or O&amp;M skills (disaggregated by gender). (2019 baseline: 0) (OP 4.2.2, OP 2.2)</p>	<p>4a.–4b. SIWA annual report</p>	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<p><u>5. Management of Honiara's drinking water source area strengthened to build resilience to climate change</u></p>	<p><u>5a. Water source protection management plans developed, approved and implemented for 2 Honiara water source catchments. (2021 baseline: 0) (OP 3.1.2, OP 3.3.4)</u></p> <p><u>5b. At least 60 hectares of cleared areas in Honiara water source catchments are re-vegetated. (2021 baseline: 0) (OP 3.3.3)</u></p> <p><u>5c. Two alternative livelihood ecosystem services activities prepared and implemented in GHA drinking water source areas. (2021 baseline: 0) (OP 1.2.1)</u></p> <p><u>5d. Legislation and regulations relating to protection of drinking water source area reviewed and amendments agreed by the government. (2021 baseline: not reviewed.) (OP 6.2.1)</u></p> <p><u>5e. Landowner representative group for engagement and participation in watershed protection established. (2021 baseline: not established.) (OP 6.2.4)</u></p>	<p><u>5a.–5c. SIWA annual report.</u></p> <p><u>5d. Government Gazette; SIWA annual report</u></p> <p><u>5e. SIWA annual report</u></p>	<p><u>R: Continued erosion, land degradation and stream damage due to lag times in commencing land restoration works.</u></p>

### Key Activities with Milestones

#### 1. Continuous, safe, and climate resilient urban water supply ensured

- 1.1 Increase water production capacity from 32 MLD to 35 MLD by 31 December 2025
- 1.2 Commission new trunk mains to service Mataniko–Panatina and White River (11 km) by 31 December 2025
- 1.3 Construct new water supply reservoirs at Titinge (6 ML) and Kola (6 ML) by 31 December 2025
- 1.4 Fully implement leak-detection repairs and metering programs by 31 December 2026
- 1.5 Construct 70 km of new water mains in Honiara by 30 June 2027
- 1.6 Upgrade provincial town water supply schemes to Auki, Gizo, Noro, and Tulagi by 31 December 2025
- 1.7 Commission and construct Munda water supply scheme by 31 December 2024

#### 2. Urban sanitation services are effective, efficient, and safe in GHA

- 2.1 Reduce sea outfalls from 15 to 3 and eliminate river outfalls by 31 December 2025
- 2.2 Rehabilitate 2 existing sewage pump stations, and construct 6 new pump stations by 31 December 2025

#### 3. Enhanced and sustained awareness and behaviors of hygiene and water conservation in GHA and five towns

- 3.1 Deliver hygiene awareness program from June 2020 to June 2024

**4. SIWA is financially and technically sustainable**

- 4.1 Prepare and implement financial management policies including tariff management framework and tariff review process
- 4.2 Design and implement capacity building programs for SIWA staff including the on-the-job training
- 4.3 Design and implement preventative maintenance programs and asset management
- 4.4 Expand SIWA's telemetry system
- 4.5 Introduce and implement SIWA personnel incentive schemes.

**5. Management of Honiara's drinking water source area strengthened to build resilience to climate change**

- 5.1 Create catchment management group and facilitate development of two catchment management plans.
- 5.2 Formulate drinking water source mapping strategy and collect remote sensing data by 31 December 2021.
- 5.3 Collect hydrological data and conduct site visits by 31 March 2022.
- 5.4 Develop watershed model, and create data, mapping, and modelling platform by 31 May 2022.
- 5.5 Develop forest and social baseline for communities participating in watershed subprojects by 31 May 2022.
- 5.6 Provide landowner employment through forest and riparian zone restoration works by 31 July 2022.
- 5.7 Develop 2 forest carbon payment for ecosystem services (PES) subprojects by 31 December 2022.

**Inputs**Ongoing Project

Asian Development Bank:	\$28.0 million (concessional ordinary capital resources loan)
	\$9.0 million (Asian Development Fund grant)
European Union:	€18.0 million (grant)
World Bank:	\$15.0 million (concessional loan)
Government of Solomon Islands:	\$11.5 million (taxes and duties)
Solomon Water:	\$9.0 million

Additional Financing

Global Environment Facility:	\$4.6 million (grant)
Government of Solomon Islands:	\$0.7 million (taxes and duties)

GHA = greater Honiara area, km = kilometer, ML = million liters, MLD = million liters per day, O&M = operation and maintenance, OP = operational priority, PES = paid ecosystem services, R = risk, SIWA = Solomon Islands Water Authority.

<sup>a</sup> Government of Solomon Islands. 2016. *Medium-Term Development Plan, 2016–2020*. Honiara.

<sup>b</sup> Pacific Water and Wastewater Association. *Annual Benchmarking Reports*. Apia.

Source: Asian Development Bank.



**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/RRPs/?id=51271-003-2>

1. Grant Agreement
2. Project Agreement
3. Sector Assessment (Summary): Water and Other Urban Infrastructure and Services
4. Project Administration Manual
5. Summary of Project Performance
6. Financial Analysis
7. Economic Analysis
8. Summary Poverty Reduction and Social Strategy
9. Risk Assessment and Risk Management Plan
10. Gender Action Plan
11. Environmental Assessment and Review Framework
12. Resettlement Framework
13. Contribution to Strategy 2030 Operational Priorities