



strategic
development group

FINAL REPORT- DFAT

MID TERM REVIEW OF THE DFAT SOLOMON ISLANDS INFRASTRUCTURE PROGRAM

May, 2024

This report has been prepared by Catherine Renshaw, Glenn Cummings, and Rob Jauncey.

strategicdevelopment.com.au

Mid Term Review of Solomon Islands Infrastructure Program

FORWARDTHINKINGPROJECTS.THRIVINGCOMMUNITIES.



EXECUTIVE SUMMARY

Introduction

The Solomon Islands Infrastructure Program (SIIP) is Australia's 10 year, AUD 250million+ bilateral infrastructure investment into Solomon Islands, which aims to improve the quality and accessibility of infrastructure to contribute to broad-based, inclusive, and sustainable economic growth in Solomon Islands. While SIIP's stated intention is to be Australia's "flagship" infrastructure program in Solomon Islands, it is just one element of Australia's total infrastructure investments in the country, which are expected to total almost AUD 1 billion over the 10 years between 2019 and 2029.

SIIP has the following End of Program Outcomes (EOPOs):

- EOPO1: Solomon Islands government and industry have enhanced sustainable capacities to plan, manage, finance, construct and maintain critical economic infrastructure
- EOPO2: There is a legacy of high profile, resilient and accessible infrastructure assets in a range of sectors across the country that supports inclusive economic growth.

The SIIP investment is led by the infrastructure team at DFAT Post, the Australian High Commission in Honiara (DFAT Honiara). It is supported by managing contractor DT Global through the SIIP Hub. Infrastructure activities are implemented by the SIIP Hub, DFAT and/or other partners. SIIP is governed by a Steering Committee (SC) which meets quarterly, and consists of representatives from the DFAT Honiara and Solomon Islands Government (SIG).

SIIP is delivered in a phased approach: Phase One: 2021-2025; Phase Two: 2026-2027; and Phase Three: 2028-2030. The design phase for SIIP ran from November 2019 – November 2020, following Prime Minister Morrison's announcement of a 10 year AUD 250million investment into infrastructure in Solomon Island in June 2019. The Mid Term Review (MTR) of SIIP seeks to understand the program's performance during Phase One and inform planning for Phase Two of the program. The MTR scope covers the period of January 2021 to December 2023. The purpose of the evaluation is both summative and formative in nature, providing recommendations to inform Phase 2. The evaluation questions (EQs) are presented in Annex 1. The MTR team based its analysis on document review, key informant interviews (KIs) and focus group discussions (FGDs). Emerging findings and recommendations were summarised in an Aide Memoire slide deck and presented to DFAT (Honiara) on Wednesday 10 April 2024.

Findings

The MTR team presents a discussion of the review findings according to the evaluation criteria and related EQs, including related recommendations. Some areas of inquiry that surfaced during the MTR process were fundamental to the overall findings and recommendations, however they do not fit neatly within the responses to the agreed EQs:

- Overall, the MTR found that SIIP is progressing well in its delivery towards EOPO1 results, however, more needs to be done, quickly, to demonstrate delivery towards EOPO2.
- The design of SIIP was largely relevant to Solomon Islands and Australian priorities of the time, however the balance of priorities has shifted over the subsequent three years, such that the focus from DFAT and SIG is now firmly on the program demonstrably delivering on EOPO2 – namely, delivering inclusive infrastructure.
- A more proportionate approach to managing risk, especially for smaller less complex activities, could accelerate implementation. Extensive and detailed design and preparation for individual activities under the program should ensure quality outcomes. But this risk averse approach to



developing, managing, and implementing individual activities is slowing delivery of EOPO2. Resulting delays are leading to a significant strategic risk to the reputation of SIIP and, to some extent, Australia as a credible development partner to SIG.

- Strategic decisions around SIIP's priorities and comparative advantage in a crowded market of infrastructure development programs and partners will be crucial to influence the design of future phases. Despite SC discussions on a SIIP Roadmap in December 2022, Australian and SIG priorities continue to evolve and there does not yet appear to be a consensus across either Government on future investments. SIG endorsement of the Solomon Islands National Infrastructure Priority Pipeline (SINIPP) and the formation of a new Government following elections in April 2024 provide a basis for greater senior level policy engagement between Australia and SIG on future priorities.

Relevance

SIIP was designed to respond to the priorities and needs of the people, institutions, and industry of Solomon Islands, in improving infrastructure needs in the country. SIIP was relevant to the Australian government priorities at the time of design and remains relevant in the current policy context. SIIP responds to the Solomon Islands financing constraints to fund the much needed and identified infrastructure projects. In its design, the program originally relied on SIG providing SIIP with an approved, well-developed priority project pipeline (developed through the PRIF program) to inform the delivery of EOPO2. It became apparent at the commencement of SIIP that this pipeline was not approved, and that no such agreed pipeline existed, which led to a program risk.

The SIIP design responds to significant capacity gaps in policy and infrastructure delivery within SIG to plan, manage, finance, construct and maintain infrastructure, through technical advice, policy support and capacity building with SIG. In providing capacity building to local industry, SIIP sets out to respond to some of the weaknesses in the construction sector, however the design was overly ambitious in the time needed to instigate the level of change needed, and misses the more systemic constraints that lead to those weaknesses.

Coherence

SIIP sits alongside a growing portfolio of infrastructure investments from Australia and other international partners. Its broad scope in both the capacity building and infrastructure project delivery objectives puts SIIP at risk of getting lost in the noise.

Australia is the main partner to Solomon Islands and its largest infrastructure financier, with a total of almost AUD 1 billion in infrastructure spending anticipated between 2019 and 2029. Most Australian infrastructure investments are funded under the aid program, with total Official Development Assistance (ODA) currently exceeding AUD170 million per year. SIIP, as well as other infrastructure investments, are funded from the bilateral aid allocation of slightly over AUD100 million per year. The Australian Infrastructure Financing Facility for the Pacific (AIFFP) is the other major ODA financed infrastructure program. In addition, Australian Federal Police (AFP) and Defence programs finance significant infrastructure investments in Solomon Islands in addition to the ODA program.

SIIP also operates alongside numerous bilateral and multilateral infrastructure support from other development partners, including World Bank Group, Asian Development Bank, China, New Zealand, Japan, the EU, and USA. While Australia is the single largest infrastructure financier in Solomon Islands, Australia's infrastructure funding makes up about 40% of total external infrastructure financing.

In terms of balancing the priorities of the two EOPOs, delivery of SIIP has focused too heavily on EOPO1, and this needs to be rebalanced to focus on delivery of EOPO2 results. Changes in priorities of SIG/DFAT can be seen in the type, nature, and scale of SIIP projects.



Not all SIIP financed activities are implemented by the SIIP Hub. Successful SIIP financed investments in Taro and Seghe airfield upgrades, for instance, were managed by New Zealand rather than the SIIP Hub. The availability of a range of delivery modalities has helped to ensure that DFAT can be responsive to SIG needs as well as finance relevant infrastructure investments by a range of bilateral and multilateral partners. On the other hand, this also requires significant efforts by the DFAT Honiara team to coordinate SIIP activities through several delivery mechanisms and partners.

Effectiveness

SIIP has made considerable progress in delivering its outputs and intermediate outputs as they relate to EOPO1, with evidence of change taking place in Solomon Islands' policy and regulatory landscape and improved knowledge and skills demonstrated among the construction industry. SIIP training is well regarded by SIG counterparts and local contractor community.

Progress is slow in bringing SIIP Hub projects to finance-ready stage, and SIIP has made slow progress in achieving outputs and intermediate outcomes that lead to EOPO2. Commitments from SIIP Hub and Direct Funding Agreement (DFA) modalities are approaching AUD200 million, however with 20 projects approved by the SC up to December 2023, only one project has so far been handed over.

Overall, the governance mechanism was found to be effective, although there are opportunities to improve its efficiency and effectiveness. The review team heard that there is, however, a need to streamline and simplify governance arrangements to ensure decisions around program priorities can be made in a more efficient fashion.

A number of program processes and requirements are having a negative impact on the effectiveness and efficiency of delivery, particularly in relation to EOPO2. Obstacles as they relate to risk include insurance, quality standards, complicated contract clauses requiring negotiations, and payment terms. SIIP Hub is considered risk averse, and this is a fundamental challenge to the successful delivery of SIIP.

SIIP is integrating cross cutting themes of climate change and disaster resilience (CCDR) and gender equality, disability and social inclusion (GEDS) into program delivery well. MEL processes from SIIP Hub are of high quality, and the program could benefit from higher level reporting on DFAT-led initiatives.

Efficiency

On balance, resources are not being allocated as efficiently as possible across the program for the delivery of the EOPOs. The current financial situation is not sustainable. In addition to the success of the NZ managed provincial airfields projects, it will be especially important that substantial progress is made on SIIP Hub managed activities, as expected over the remainder of 2024. Currently, SIIP Hub operational costs to date more than double expenditure on SIIP managed projects. The review found that in some cases the expectations of DFAT Honiara have been unrealistic with regards to the time required and costs associated with delivering smaller contracts.

Timeliness of delivery, particularly in the delays in progressing EOPO2, is a key risk to the program. SIIP Hub managed infrastructure projects have been significantly delayed. While there are specific reasons for delays to each individual project, overall progress on works construction after three years is significantly slower than all parties anticipated at the beginning of the program. This is leading to reputational risk for both the program and confidence in Australia as a first choice development partner of SIG. Strategic competition in Solomon Islands makes delivery timeframes especially critical. The pace of delivery can be somewhat explained, however SIIP has a limited remaining window of opportunity to recover SIG confidence in DFAT as a priority partner in Solomon Islands.



Impact and Sustainability

The findings in response to the four impact and sustainability EQs are bundled together, given the strategic nature of the issues discussed and how they relate to delivery of both EOPOs and the overarching goal, and their longevity beyond the life of SIIP.

Overall, the program is well on track to deliver aspects of EOPO1, but SIIP has a limited remaining window to bring the program back on track to deliver against EOPO2. There are options for incremental improvements to accelerate implementation of SIIP activities, and these depend largely on two strategic concerns that need to be addressed as a matter of urgency: the acceptable tolerance for a proportionate approach to risk management, and a consensus on the strategic focus for SIIP.

A more proportionate approach to managing project level risks will be important to improve speed of delivery. SIIP's priority "levers" for delivering SIIP (namely quality, local content, speed, and cost) cannot all be pulled at once, as there are clear tensions between them. To improve delivery speed, there is scope for a more proportionate risk-based approach to implementation, balancing priorities differently based on the size and complexity of each project.

Strategic decisions on SIIP's comparative advantage and medium-term investment pipeline in the second half of 2024 will be important to design a future phase. Managing short-term financing pressures will require building a consensus with the new Solomon Islands Government to avoid risks of SIIP further falling short of expectations. A clear strategic view of SIIP's comparative advantage will be critical to design the second phase and determine appropriate contracting modalities, namely what infrastructure investments the program should be financing over the short and medium-term.

The review presents a set of three strategic options for focusing SIIP in the medium term, although a compromise is likely to be needed across them:

- Option 1: A sharper focus on a smaller number of nation-building activities.
- Option 2: Wide range of smaller activities across Solomon Islands, with greater sectoral or geographic coherence.
- Option 3: Ensuring that SIIP remains highly responsive to demand and able to fund a variety of projects rather than seeking to identify priorities top down in advance

The transition from SIIP Phase One to Phase Two is crucial to maintain current momentum and ensure that the redefined strategic focus and program arrangements are in place to deliver sustainable change against the EOPOs and overarching goal. Planning for phase 2 will be needed to commence in quarter 2 of 2024 once both the Australian and Solomon Islands Governments agree on broad priorities for the future program.

Recommendations

10 recommendations are presented, with links to the relevant sections in the main document for added context and rationale.

#	Recommendation	Section
1.	It is recommended that DFAT considers the set of strategic medium term options presented in the report, and arranges a conversation with SIG in the coming months to redefine the strategic focus of SIIP.	Section 2.5.5
2.	It is recommended that as a result of redefining the strategic focus of SIIP, decisions are to be made by DFAT as to the best suited delivery model for the program.	Section 2.5.6



#	Recommendation	Section
3.	It is recommended that DFAT considers the findings presented and arranges a conversation with senior DT Global representatives to discuss a proportionate approach to risk.	Section 2.5.2
4.	It is recommended that DFAT requests DT Global to present an options paper on risk for DFAT's institutional level consideration.	Section 2.3.4
5.	It is recommended that planning for SIIP Phase 2 begins in the second quarter of 2024.	Section 2.5.7
6.	It is recommended that DFAT explores options with SIG for improving the efficiency and effectiveness of the Steering Committee in decision making and communication with other line ministries.	Section 2.3.3
7.	It is recommended that SIIP explores options to provide more on-the-job training, certification, and engagement with specialist providers.	Section 2.3.1
8.	It is recommended that SIIP reports on the program's overarching progress, outputs, challenges, and lessons that takes into account both SIIP Hub and non-SIIP Hub activities.	Section 2.3.4
9.	It is recommended that DFAT prioritises managing short-term financing pressures, through building a consensus with the new Solomon Islands Government to avoid risks of SIIP further falling short of expectations.	Section 2.5.3
10.	It is recommended that SIIP Hub prepare a Value for Money (VfM) Framework using DFAT's existing VfM criteria to inform their decision-making.	Section 2.4.1



ACRONYMS LIST

Acronym	Title
ADB	Asian Development Bank
AFP	Australian Federal Police
AHC	Australian High Commission
AIFFP	Australian Infrastructure Financing Facility for the Pacific
APTC	Australian Pacific Training Coalition
ASIPS	Australian Solomon Islands Partnerships
AUD	Australian Dollar
BUHC	Birthing and Urban Health Centre
CAUSE	Community Access and Urban Services Enhancement project
CCDR	Climate Change and Disaster Resilience
DCP	Dynamic Cone Penetration
DFA	Direct Funding Agreement
DFAT	Australian Department of Foreign Affairs and Trade
DPASI	Disabled People's Association Solomon Islands
EOPO	End of Program Outcomes
EQ	Evaluation Question
EU	European Union
FIDIC	International Federation of Consulting Engineers
FGD	Focus Group Discussion
FY	Financial Year
GDP	Gross domestic product
GEDSI	Gender Equality, Disability and Social Inclusion
ICT	Information Communication Technology
IDD	Investment Design Document
IDP	Australia's International Development Policy
IMF	International Monetary Fund
IMR	Investment Monitoring Report
IRG	Independent Reference Group
ITR	Independent Technical Review
JPY	Japanese Yen
KII	Key Informant Interview
M&E	Monitoring and Evaluation
MC	Managing Contractor
MCC	Millennium Challenge Corporation
MDB	Multilateral Development Banks
MEL	Monitoring, Evaluation and Learning
MFAT	(New Zealand) Ministry of Foreign Affairs and Trade
MTR	Mid Term Review
MID	Solomon Islands Ministry of Infrastructure Development
MNPDC	Solomon Islands Ministry of National Planning and Development Cooperation
MOFT	Solomon Islands Ministry of Finance and Treasury
NGO	Non-Governmental Organisation
NIDA	National Infrastructure Development Authority
NIR	National Infrastructure Register



Acronym	Title
NZ	New Zealand
ODA	Official Development Assistance
OECD-DAC	Organisation for Economic Co-operation and Development - Development Assistance Committee
OH&S	Occupational Health and Safety
PNG	Papua New Guinea
PRIF	Pacific Region Infrastructure Facility
PS	Permanent Secretary
PWD	People with Disability
RRM	Rapid Response Mechanism
SBD	Solomon Islands Dollars
SC	SIIP Steering Committee
SI	Solomon Islands
SIG	Solomon Islands Government
SIIP	Solomon Islands Infrastructure Program
SINIPP	Solomon Islands National Infrastructure Priority Pipeline (2023)
SOE	State Owned Enterprise
TA	Technical Assistance
TOC	Theory of Change
TOR	Terms of Reference
USA	United States of America
VfM	Value for Money
WBG	World Bank Group



CONTENTS

EXECUTIVE SUMMARY	i
ACRONYMS LIST	vi

1. INTRODUCTION	1
1.1. Purpose and Scope.....	1
1.2. Relevant timeline	2
1.3. Methodology	2
1.4. Limitations	2
2. FINDINGS	3
2.1. Relevance.....	3
2.2. Coherence.....	8
2.3. Effectiveness.....	11
2.4. Efficiency.....	17
2.5. Impact and Sustainability.....	18
3. RECOMMENDATIONS	25

Annexes

Annex 1 – Evaluation Questions	26
Annex 2 – Stakeholder Consultations.....	27
Annex 3 – List of Documents.....	29
Annex 4 – Non-Australian Bilateral and Multilateral infrastructure support to Solomon Islands.....	30

Table of Figures

Figure 1: Australian Infrastructure support to Solomon Islands	9
Figure 2: Non-Australian bilateral and multilateral support to infrastructure in Solomon Islands.....	10
Figure 3: Progress against Intermediate Outcomes.....	13
Figure 4: Process challenges affecting EOPO2	16
Figure 5: Summary of Impact and Sustainability EQs	19
Figure 6: Policy Objectives of SIIP	20
Figure 7: SIIP Activities currently on hold	21
Figure 8: Spread of SIIP projects as at Nov 2023	22
Figure 9: Strategic options to refocus SIIP in the medium term	23



1. INTRODUCTION

The Solomon Islands Infrastructure Program (SIIP) is Australia's 10 year, AUD 250million+ bilateral investment into Solomon Islands, which aims to improve the quality and accessibility of infrastructure to contribute to broad-based, inclusive, and sustainable economic growth in Solomon Islands. SIIP was designed to focus on infrastructure that enables service delivery and connectivity across the country's 300+ inhabited islands (transport, water, energy, and telecommunications).

SIIP has the following End of Program Outcomes (EOPOs):

- EOPO1: Solomon Islands government and industry have enhanced sustainable capacities to plan, manage, finance, construct and maintain critical economic infrastructure
- EOPO2: There is a legacy of high profile, resilient and accessible infrastructure assets in a range of sectors across the country that supports inclusive economic growth.

SIIP is delivered in a phased approach: Phase One: 2021-2025; Phase Two: 2026-2027; and Phase Three: 2028-2030. Phase One of SIIP is led by the DFAT infrastructure team in the Australian High Commission in Honiara and is supported by the SIIP Hub¹ (for which DT Global is the managing contractor). Activities are implemented by the SIIP Hub, DFAT Post and/or other partners. The design phase for SIIP ran from November 2019 to November 2020, following then Prime Minister Morrison's announcement of a 10 year AUD 250 million Solomon Islands infrastructure program in June 2019. SIIP is the flagship infrastructure program financed by Australia's bilateral ODA program and is managed by DFAT.

SIIP is governed by a Steering Committee (SC) which meets quarterly, and consists of representatives from the DFAT team at the Australia High Commission in Honiara and Solomon Islands Government (SIG). The SC provides direction, including the approval of projects to be delivered by the SIIP Hub.

SIIP is just one element of Australia's total infrastructure financing to Solomon Islands. Australia is Solomon Islands' largest international development partner, with total annual ODA of about AUD 170 million, as well as the largest infrastructure financier, expecting to provide almost AUD 1 billion over the decade for 2019 to 2029. In addition to SIIP, other major ODA-funded infrastructure investments include the Coral Sea Cable and AIFFP, which provides ODA grants and loans for major projects. AFP and Defence also manage significant non-ODA infrastructure programs in Solomon Islands.

1.1. Purpose and Scope

The purpose and scope of the MTR as outlined in this document are based on the original Terms of Reference (TORs), and the result of several initial briefing conversations and email correspondence with the AHC team and SIIP Hub representatives. **The MTR of SIIP seeks to understand the program's performance and inform planning for Phase Two of the program.** The MTR scope covers the period of January 2021 to December 2023. The MTR will look at all aspects of the program, including the SIIP Hub, the workings of the SC, the direct delivery by DFAT and any other aspects of the SIIP program.

The purpose of the evaluation is both summative and formative in nature, in that it will seek to investigate the program's relevance, its progress towards achieving EOPOs and the process elements such as governance mechanisms and delivery modalities to determine effectiveness, efficiency and coherence. The MTR will provide recommendations to inform Phase 2. In addition, the MTR will consider SIIP within the broader context of Australia's strategic priorities and the International Development Policy (2023).

¹ The term SIIP Hub will be used to refer to the DT Global team delivering this component of the program.



1.2. Relevant timeline

- June 2019: Former PM Morrison announces AUD250 million over 10 years for infrastructure in Solomon Islands as well as Australian cofinancing (with New Zealand and SIG) for upgrades to Seghe and Taro airports, building on Australian support for the Coral Sea Cable (announced 2017, completed 2020)
- November 2019: SIIP design phase begins
- May 2020 – June 2022: Solomon Islands COVID border restrictions
- November 2020: DFAT approves final SIIP design
- May 2021: DT Global commence operation as SIIP managing contractor
- November 2021: Civil unrest in Honiara
- November 2023: Pacific Games
- March 2024: Mid-term review

1.3. Methodology

This MTR is both formative and summative in nature and focuses on lessons learned from the initial implementation phase to provide findings and recommendations for the remaining investment period. The evaluation questions (EQs) presented in Annex 1 are a refinement of the original EQs, based on the MTR team's understanding of SIIP, the Solomon Islands context, and our experience evaluating similar programs. A draft list was circulated with DFAT Honiara on 16 February 2024, with comments and feedback provided by DFAT to the MTR team on 20 February 2024. The EQs are categorised by OECD-DAC Evaluation Criteria.²

As set out in the Evaluation Plan, the team led a primarily qualitative approach, plus some quantitative analysis, to meet the summative and process evaluation requirements of the MTR. The MTR team based its analysis on document review, key informant interviews (KIIs) and focus group discussions (FGDs). Data was analysed according to the MTR Qualitative Evidence Table (coded and triangulated), which brought together the evidence and their sources, coded by the MTR team according to source type, evaluation criteria, evaluation question, and results statement. The Evidence Table contains direct quotes from key informants so for ethical reasons the full table cannot be shared.

Emerging findings and recommendations were summarised in an Aide Memoire slide deck and presented to the DFAT Honiara members on Wednesday 10 April 2024, followed by discussion and feedback for validation. Upon advice from DFAT Honiara, the MTR team sent the slide deck through to the SIIP Hub and DT Global by email for comments and feedback.

1.4. Limitations

The objectives of the MTR were clear and well-articulated, and communication was open and supportive from all stakeholders, so there was little in the way of methodological limitations in undertaking this piece of work. The timings of the election in late April 2024 impacted the availability of some key stakeholders during consultation period, given this was held in the lead up to the election.

² <https://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm>



2. FINDINGS

In this section, the MTR team presents a discussion of the review findings according to the evaluation criteria and related EQs, including related recommendations. Priority recommendations are synthesised and presented in the Recommendations Section (Section 3).

Some areas of inquiry that surfaced during the MTR process were fundamental to the overall findings and recommendations, however they do not fit neatly within the responses to the agreed EQs. To avoid the dilution of these overarching findings, they will be summarised here, and woven through findings against the evaluation questions below.

- Overall, the MTR found that **SIIP is progressing well in its delivery towards EOPO1 results**, however, more needs to be done, quickly, to demonstrate delivery towards EOPO2.
- The design of SIIP was largely relevant to Solomon Islands and Australian priorities of the time, however the balance of priorities has shifted over the subsequent three years due to a range of internal and external pressures and drivers, such that **the focus from DFAT and SIG is now firmly on the program demonstrably delivering on EOPO2** – namely, delivering inclusive infrastructure.
- **A more proportionate approach to managing risk, especially for smaller less complex activities, could accelerate implementation.** Extensive and detailed design and preparation for individual activities under the program should ensure quality outcomes. But this risk averse approach to developing, managing, and implementing individual activities is slowing delivery of EOPO2. Resulting delays are leading to a significant strategic risk to the reputation of SIIP and, to some extent, Australia as a credible development partner to SIG.
- **Strategic decisions around SIIP's priorities and comparative advantage in a crowded market of infrastructure development programs and partners will be crucial to influence the design of future phases.** Australian and SIG priorities continue to evolve and there does not yet appear to be a consensus across either Government on future investments. SIG endorsement of the Solomon Islands National Infrastructure Priority Pipeline (SINIPP) and the formation of a new Government following elections in April 2024 provide a basis for greater senior level policy engagement between Australia and SIG on future priorities.

2.1. Relevance

This set of EQs seeks to answer the question: Is the intervention doing the right things?

2.1.1. EQ1. To what extent does the design of the Program respond to the priorities and needs of its beneficiaries, namely the Solomon Islands Government, local construction industry, and Solomon Islands communities?

SIIP was designed to respond to the priorities and needs of the people, institutions, and industry of Solomon Islands, in improving infrastructure needs in the country. Solomon Islands' infrastructure needs per capita are among the highest in the world. This reflects the very high cost of providing services to a relatively small population of about 730,000 people, many living in very remote communities scattered across 147 populated islands. This is exacerbated by the country's vulnerability to disasters and the effects of climate change. Most Solomon Islanders currently lack access to essential services and infrastructure, with marked inequality of access between formal and informal settlements and urban and rural areas contributing to Solomon Islands history of conflict.

Relevant TOC element: Program Goal – “improve the quality and accessibility of economic infrastructure to contribute to broad-based, inclusive and sustainable economic growth in Solomon Islands”



SIIP responds to the Solomon Islands financing constraints to fund much needed infrastructure projects. Solomon Islands' infrastructure needs significantly exceed available domestic and international resources. Solomon Islands' annual domestic revenues are currently around SBD3.2 billion (AUD570 million) – or 23% of GDP – and are almost fully utilised for recurrent government expenditures.³

Solomon Islands can access significant grants, with grant funded assistance from all partners averaging a little under AUD300 million annually although fluctuating from year to year. The Government's borrowing capacity is, however, constrained. The International Monetary Fund (IMF) rates Solomon Islands as being at moderate risk of debt distress.⁴ This is to some extent a precautionary measure; while current central government debt is only about 22% of GDP, Solomon Islands could quickly become heavily indebted with substantial new borrowing even on concessional terms. Reflecting IMF debt ratings, World Bank, and the Asian Development Bank (ADB) financing to Solomons is provided as 50% grants and 50% highly concessional loans.⁵ To maintain access to grants from the Multilateral Development Banks (MDBs), all new borrowing by Solomon Islands needs to meet IMF definitions as being concessional. This generally requires financing to have an interest rate of about 1% and a maturity of over 20 years.⁶ SIIP was designed in the context of a range of other Australian and other bilateral and multilateral funding towards infrastructure improvements in Solomon Islands. These are discussed in response to EQ4 below.

Relevant TOC element: Intermediate Outcome 3 - "Increased financial resources for government and SOEs are mobilised for inclusive economic infrastructure development, including from the private sector, MDBs, and AIFFP".

SIIP was designed to support the delivery of a priority infrastructure pipeline, as identified by SIG. The 2021 Solomon Islands Priority Infrastructure Investment Pipeline developed by Government with support from the ADB-managed Pacific Region Infrastructure Facility (PRIF) identified 59 unfunded projects with a total estimated cost of almost SBD8.4 billion (approximately AUD1.5 billion).⁷ Costs may be significantly underestimated, especially given global inflation since the report was prepared. Priorities included:

- **Transport** investments, predominantly roads and ports, totalling about SBD 3.2 billion (AUD570 million). As at 2020, only 184km of the 1,522km road network was sealed with only two thirds in maintainable condition, and only 46 of 91 domestic wharves could be operated without major rehabilitation.⁸
- The relocation and upgrade of **Honiara hospital and other health facilities** estimated at over SBD 3.0 billion (AUD540 million); and
- **Water and sanitation** investments of SBD 0.9 billion (AUD160 million).

Identified (unfunded) infrastructure needs in the **energy** and **ICT** sectors were more limited, in part due to Australia's significant investments in the Coral Sea Cable as well as a multi-partner effort coordinated by the World Bank to develop the Tina River Hydropower Development Project, which,

³ International Monetary Fund. 2023 Article IV Consultation.

⁴ International Monetary Fund. 2023 Article IV Consultation

⁵ MDB loan terms to Solomon Islands for investment projects currently carry fees or approximately 1% per annum and have a 40 year maturity with a 10-12 year grace period. This is equivalent to a grant element of over 50%.

⁶ The IMF defines loans as concessional if they have a grant element of 35% using a standard discount rate of 5%. Using this methodology, a loan with an interest rate of 1%, a 20 year maturity, and a 5 year grace period would have a concessional element of about 36%.

⁷ Ministry of National Planning and Development Coordination, Government of Solomon Islands, February 2021.

⁸ Solomon Islands Infrastructure Program Investment Design Document. Australian Department of Foreign Affairs and Trade. November 2020.



despite significant delays, is expected to provide 70 per cent of Honiara's energy needs via renewable energy when it comes online in 2028.

In its design, the program originally relied on SIG providing SIIP with an approved, well-developed priority project pipeline (developed through/based on the PRIF program) through the Steering Committee function, which would inform the delivery of EOPO2. **It became apparent that this pipeline was not approved by SIG, and no such agreed pipeline existed at the commencement of SIIP.** This issue was broadly identified in the Risk Management Matrix (Annex M) of the design document as “policy and regulatory environment does not provide certainty for donors or investors”, leading to “pipeline of infrastructure cannot be delivered” as an unlikely, medium risk rating, and assumes an agreed pipeline is in place that Post will monitor, to control the risk. Given the importance of this assumption, more certainty was needed in the design stage and commencement of the program. In lieu of an agreed pipeline, a list of decision making criteria for infrastructure projects developed jointly with SIG as part of the SC function may have provided some much needed direction in terms of the infrastructure type, location, size, and scale of projects to be funded.

SIIP has subsequently played an important role in supporting SIG to develop the Solomon Islands National Infrastructure Priority Pipeline (SINIPP) endorsed by Cabinet in late 2023. This can potentially provide a strong foundation for future SIIP programming discussions. SINIPP provides a strategic vision for infrastructure development to support social and economic growth and drive development across Solomon Islands. In launching SINIPP, the then Prime Minister especially highlighted the importance of reliable transport and connectivity for businesses, tourism, agriculture, and access to services. Although many identified priorities are similar to the previous PRIF supported pipeline, a key element of SINIPP is the use of “place-based”, rather than sector based, prioritisation of infrastructure needs in a coordinated manner.

Relevant TOC element: End of Program Outcome 2 “legacy of high profile, resilient and accessible infrastructure assets in a range of sectors across the country that supports inclusive economic growth”, Intermediate Outcome 4 “High priority inclusive infrastructure projects are completed to a high quality, on time and on budget”

There is a tension between the two overarching EOPOs, which are interdependent: on one hand, the design recognises the weaknesses and constraints within SIG to plan, finance, construct and manage infrastructure investments (the basis of EOPO1), while on the other hand the delivery of EOPO2 assumes a level of cooperation and joint-working by SIG in its causal pathway, which is also expected to contribute to the successful capacity uplift of government and industry. The design focuses on a system strengthening approach, with three of four intermediate outcomes relating to technical support and capacity building results. The fourth intermediate outcome refers to construction of infrastructure investments as “demonstrations of good practice, aligned with institutional capacity development and engagement with the private sector”.⁹ There is a clear expectation that SIIP would deliver high quality inclusive infrastructure, however the design does not suggest that the construction of infrastructure projects would be the predominant focus for DFAT of SIIP. This points to a shift in priorities held by DFAT between the program’s design in 2020 and the MTR in 2024.

The SIIP design responds to significant capacity gaps in policy and infrastructure delivery within SIG to plan, manage, finance, construct and maintain infrastructure, through technical advice, policy support and capacity building with SIG. SIIP was designed in the context of uncoordinated planning and prioritisation of infrastructure projects in Solomon Islands, with decision making around prioritisation, funding and management of infrastructure assets sitting across separate government agencies and State Owned Enterprise (SOE), namely: Ministry of National Planning and Development Coordination

⁹ DFAT Solomon Islands Infrastructure Program Investment Design Document Final (p12)



(MNPDC) for donor financed infrastructure; Ministry of Finance and Treasury (MOFT) for loan financing; SOEs for delivery of electricity and water services and management of airports and ports; and Ministry of Infrastructure Development for roads, bridges, wharves jetties and some buildings.

Relevant TOC Element: End of Program Outcome 1 “SIG and industry have enhanced sustainable capacities to plan, manage, finance, construct and maintain critical economic infrastructure”

In providing capacity building to local industry, SIIP sets out to respond to some of the weaknesses in the construction sector, however the design was overly ambitious in the time needed to instigate the level of change needed, and misses the more systemic constraints that lead to those weaknesses. The broad range of barriers to a well-functioning, highly skilled, abundant, and responsive local industry in Solomon Islands are outlined to some extent in the program design document (Annex A). However, these barriers are not treated as assumptions or specifically addressed in the theory of change, particularly given the realistic timeframes it might take to build up the scale, skills, and experience of the sector. Those noted in the design document include:

- Limited capacity of local industry, both in scale and experience, exacerbated by the lack of a consistent pipeline of work and few graduates / skilled workers entering the workforce.
- Numerous smaller building companies with limited financial and technical capacity. The smaller companies are often unable to meet the strenuous financial, quality and safety requirements of donors.
- No professional accrediting body or institute. Most of the practicing engineers and architects are registered regionally.

Additional barriers to local industry found during the MTR include:

- The limited availability of insurance and indemnity liabilities, which limits the engagement of smaller, local construction firms in the tendering process of SIIP projects, as the process to acquire insurance can be slow and costly. As one key informant noted, “firms can’t be insured locally, and a 15% tax is applied to international insurance” (KII, MTR of SIIP).
- The immature nature of the construction sector in Solomon Islands, such that “many are family run businesses that bring in casual workers, so for them investing in their workers isn’t really thought about as the workers are casual” (KII, MTR of SIIP).

The capacity building efforts and exposure to demonstration projects as part of SIIP, while useful, do not respond to some of the core constraints facing the local construction industry in levelling up to deliver the types of mid-size and large projects run by SIIP and others. SIIP focus on local content and building local capacity has strong support amongst SIG, however including local content as a guiding principle in the decision making and delivery of the program, without a wholistic approach to breaking down systemic barriers, indicates a risk to the extent to which local industry may be able to engage in delivery of projects, particularly in its first phase.

Relevant TOC Element: Intermediate Outcome 2 “Knowledge, partnerships, systems and skills required to build quality, life-cycle informed, inclusive infrastructure are enhanced”

2.1.2. EQ2: To what extent does the design of the Program respond to the priorities and needs of the donor, namely the Australian Government?

SIIP was relevant to the Australian Government priorities at the time of design and remains relevant in the current policy context. SIIP was designed in the context of the 2017 White Paper, which highlighted Australia’s commitment to developing new infrastructure in line with international principles, consistent with robust social and environmental safeguards, and maximising development



impact, including through Australia's commitment to gender equality and disability inclusion. The White Paper set out a renewed commitment to Pacific Island economies, driven by economic growth through improvements in inclusive infrastructure.

With the release of Australia's new International Development Policy (IDP) in 2023, the review found that work is underway within SIIP to ensure that delivery aligns with new requirements around GEDSI, climate change, and working with local actors. The guiding principles such as prioritising inclusivity of activities and outcomes (GEDSI), CCDR, and local content, are aligned with the IDP 2023.

Infrastructure remains high on Australia's development agenda in the Pacific, as a means for supporting economic growth and social development, supporting partner government capability to deliver and maintain infrastructure, and in line with partner governments' priorities.

2.1.3. EQ3. How does the design of SIIP remain responsive to changes in those priorities and needs?

The context in Solomon Islands has shifted significantly since SIIP was announced (2019), designed (2020) and launched (2021). Slowed economic growth since COVID-19, coupled with significant growth in development-funded construction programs has created a rapidly changing infrastructure financing environment and influx of investment from development partners.

The evolving situation in Solomon Islands since SIIP was announced in 2019 means that both SIG and Australia are now giving higher priority to the timely delivery of high quality infrastructure (EOPO2) which will require some rebalancing between program objectives. At the time SIIP was designed it was envisaged that SIG would present a prioritised list of investments to the SC for endorsement. Given limited SIG ownership of the previous PRIF supported 2021 pipeline, however, this proved challenging. Australian priorities have also evolved since the design of SIIP in 2020, especially given increasing strategic competition. As a result, the focus is now more firmly on the delivery of high quality infrastructure (EOPO2), driven somewhat by the need to raise visibility of Australia's contributions to the Solomon Islands economy: high quality, inclusive infrastructure. Public diplomacy in Solomon Islands is crucial to DFAT in the current geopolitical climate, where other partners are demonstrating their ability to deliver large projects quickly, in response to SIG requests. Activities, outputs, and intermediate outcomes that seek to contribute to EOPO1, however, are well placed to be responsive as SIIP Hub is working directly with SIG to discuss and agree on scope of support, which are key deliverables shaping the landscape for future infrastructure spending and asset management across Solomon Islands.

Greater effort than initially envisaged has been required to identify and deliver a pipeline of potential projects. At commencement in 2021, SIIP's identified pipeline included two major investments:

- Provincial airport upgrades at Seghe and Taro (led by NZ MFAT, which started design in 2018, and for which SIIP will contribute AUD 23 million); and
- A markets for development program (for which AUD 21 million was initially earmarked for up to 10 markets although the SIIP Hub was expected to develop designs, and which is now likely to be sufficient to cover only 5-6 markets).

SIIP now has identified a total potential pipeline approaching AUD 200 million, although not all projects will be implemented through the SIIP Hub, and some are unlikely to proceed.

- Naha birthing clinic. The SIIP Hub has taken on responsibility for this challenging project, which was initially announced in 2018 and which is now expected to cost as much as AUD 40 million.
- Transport. The SIIP Hub is preparing designs for the Buala wharf and Malaita South road, for which about AUD 20 million has been initially allocated for potential investments. The SC has also approved investments of up to AUD 45 million for the Moli wharf and Fiu river bridge on South Malaita, although preparation is currently paused.



- Small scale priorities totalling about AUD 1 million. The SC agreed in mid-2023 that the SIIP Hub lead upgrades to Honiara bus shelters in advance of the Pacific Games as well as provide a biomedical laboratory to Lata.
- Investments financed under by SIIP but not implemented by the SIIP Hub are potentially significant. As well as the NZ led provincial airports project, this includes funding totalling about AUD 10 million for ICT towers in two remote provinces, upgrades to Sasape shipyard in Tulagi to leverage a private sector loan by AIFFP, and emergency road repairs on Malaita. The SC has approved SIIP financing of up to AUD 10 million for Gizo water supply, although this is currently paused and costs if it proceed are likely to be very substantially higher. DFAT is also considering a significant contribution to a World Bank led community and urban infrastructure program.

The SIIP Steering Committee has ensured that new project proposals are endorsed by both Governments. Chaired jointly by the Secretary of the Prime Minister's Office and the Australian High Commissioner, with representation from key SIG central agencies, the SC has ensured relatively strong oversight and ownership of investment decisions.

There is now an opportunity, however, to rebuild a consensus on SIIP's comparative advantages and which investments should be prioritised. The MTR team heard a range of views from both SIG and DFAT counterparts on the relative comparative advantage of SIIP and future strategic priorities. A roadmap prepared by the Hub and endorsed by the SC in December 2022 proposed that SIIP should focus on "medium sized infrastructure activities in high growth potential economic nodes and their strategic connections". Yet it is not clear the extent to which the roadmap is actually guiding project selection in practice given evolving priorities and changing personnel. Earlier in 2022, the SC endorsed an expansion of SIIP mandate to include social as well as economic infrastructure. Following the roadmap, both Governments requested the SIIP Hub to finance immediate short-term priorities in advance of the Pacific Games. And while a range of medium-sized economic infrastructure previously agreed by the SC is currently paused, DFAT appears to be prioritising highly visible community level investments funded by SIIP although implemented in parallel to the SIIP Hub. As discussed further below in Section 2.5.4 on strategic directions, the SINIPP potentially provides an opportunity for DFAT and new SIG counterparts following the April 2024 election to rebuild a consensus on strategic priorities for future SIIP investments. This will be critical to guide a future phase of SIIP.

2.2. Coherence

This set of EQs seeks to answer the question: How well does the intervention fit?

2.2.1. EQ4. How does the Program fit within Australia's overall infrastructure support to Solomon Islands as well as broader infrastructure financing from other international partners?

SIIP sits alongside a growing portfolio of infrastructure investments from Australia and other international partners. Its broad scope in both the capacity building and infrastructure project delivery objectives puts SIIP at risk of getting lost in the noise. SIIP has been critiqued amongst other programs for lacking clarity in terms of its scope and investment decision making criteria, and potential duplication if focused on economic infrastructure, alongside social infrastructure (incorporated in SIIP's mandate at March 2022 SC meeting).

Solomon Islands is a country of increasing geopolitical interest, with Australia and other traditional development partners increasing their level of engagement in response to China's increased engagement and investments in the country. Australia, the largest development partner and infrastructure investor to the country, is delivering SIIP alongside a growing portfolio of infrastructure investments through the Australian Infrastructure Financing Facility Program (AIFFP), the Defence



Cooperation Program, AFP, and direct bilateral support, in addition to investments implemented by partners such as the World Bank, Asian Development Bank, Japan and New Zealand delivering both small- and large-scale projects.

Australia is a major partner to Solomon Islands and its largest infrastructure financier. The total Australian ODA to Solomon Islands currently exceeds AUD170 million per year (not including defence and police assistance) with a bilateral aid allocation of slightly over AUD100 million. From 2018 to 2027, the Australian Government expects to disburse about AUD1 billion in infrastructure financing for Solomon Islands over the decade from 2019 to 2029. Key elements of Australia's infrastructure support beyond SIIP are included in Figure 1 below:

Australian funded program	Description
Bilateral ODA	Australia expects to provide over AUD150 million for infrastructure in Solomon Islands between 2018 and 2027, on top of the AUD250+ million in bilateral financing for SIIP. This includes significant contributions to the Tina River hydropower project (for which Australia is the largest grant co-financier), infrastructure associated with the Pacific games, schools and health clinics, the Gizo market, and cofinancing of ADB's sustainable transport project.
Coral Sea Cable	Operational in 2020, this has provided Solomon Islands with high speed and affordable broadband. Australia provided approximately AUD200 million for the cable to connect both PNG and Solomon Islands, with all funding additional to the regular bilateral program.
Australian Infrastructure Financing Facility for the Pacific (AIFFP)	Commitments of over AUD40 million to Solomon Islands to date, including a highly concessional financing package of over AUD32 million to the Government to finance a transmission line from the Tina River hydropower project to Honiara as well as a AUD7 million loan to the private sector operator of Sasape shipyard on Tulagi island. AIFFP is in advanced discussions with SIG on further financing of up to AUD100 million for ICT investments.
Australian Government Department of Defence (Defence)	Defence is assisting Solomon Islands to develop the Western border outpost, which will support the Guardian class patrol boats and bring together police, customs, and immigration officials in a single location, as well as an Eastern border outpost announced in 2022. The AFP is supporting the construction of police stations and barracks across Solomon Islands. All Defence and AFP support is on top of Australia's official development assistance to Solomon Islands.

Figure 1: Australian Infrastructure support to Solomon Islands

A summary of non-Australian bilateral and multilateral support provided to Solomon Islands is presented in Figure 2, with further project related information provided in Annex 4.

Development partner	Summary of infrastructure support
The World Bank Group (WBG)	The second largest external financier to Solomon Islands since 2018, WBG has committed approximately USD 350 million (AUD525 million) of its own resources, including about USD 215 million (AUD325 million) for major infrastructure activities. Around half of this has been grants and half highly concessional loans. WBG has also played a key convening role, mobilising significant cofinancing for major nation building projects.
Asian Development Bank (ADB)	ADB has committed around USD250 million (approximately AUD375 million) of its own resources to Solomon Islands since 2018, half of which has been for infrastructure. Similar to WBG, this has been half grants and half highly concessional loans.
Peoples Republic of China	China has committed a reported AUD280 million in infrastructure financing since being recognised by Solomon Islands in late 2019, including support to Pacific Games infrastructure and ICT. This has been primarily grant-based, with some concessional loans.
New Zealand (NZ)	NZ has been a major long-term partner for Solomon Islands. NZ's latest development plan for Solomon Islands envisages assistance totalling NZD150 million (AUD140 million) over



Development partner	Summary of infrastructure support
	the four years from 2021 to 2024. NZ has historically focused on aviation and the education sector as well as providing significant assistance, including budget support, to help strengthen overall economic management.
Japan	Japan has provided significant infrastructure support to Solomon Islands. Japanese financing has been provided on grant terms, except for a JPY 2.5 billion (AUD25 million) concessional loan in 2021 to assist the country's response to COVID-19. Japanese investments have focused on infrastructure since 2018.
European Union (EU)	The EU has focused primarily on supporting water, sanitation, and hygiene (WASH) improvements in Solomon Islands, including a EUR 18 million (AUD30 million) grant in 2023 to water and sanitation in urban and peri-urban areas around Honiara.
United States of America (US)	The US has not traditionally been a major financier for Solomon Islands. In January 2022, however, Solomon Islands signed a threshold agreement with the US Millennium Challenge Corporation (MCC). This is intended to support Solomon Islands to access potentially significant financing to help meet infrastructure investment needs, although larger MCC project funding is not assured and unlikely even in a best case until 2027.

Figure 2: Non-Australian bilateral and multilateral support to infrastructure in Solomon Islands

2.2.2. EQ5. Are the EOPOs still relevant to the current budgetary, political, and strategic environment in Solomon Islands?

This question is answered in response to EQ1, given the overlap in stakeholders and priorities of the key beneficiaries (EQ1) and Solomon Islands context (EQ5).

2.2.3. EQ6. How well is the program balancing and prioritising efforts to deliver on the program's parallel EOPOs?

As noted in response to EQ1, the interdependence of the parallel EOPOs is important, and the prioritisation of EOPOs falls to some extent with EOPO1 in terms of the systems approach to improving SIG and industry capacity in infrastructure development, alongside construction of demonstration projects for visibility and exposure purposes. However, it is clear that the priorities of DFAT have shifted in the subsequent three years, such that the current focus of the program, according to DFAT and to some extent SIG, sits squarely with the construction of high quality inclusive infrastructure that contributes to economic growth in SI. **This review heard that the delivery of SIIP has focused too heavily on EOPO1, and that this needs to be rebalanced to focus on delivery of EOPO2 results.**

Related areas of evolution in focus and scope of SIIP include:

- the **type** of infrastructure projects that sit within the SIIP umbrella, from economic infrastructure (laid out clearly in the design document), to encompassing social infrastructure such as health sector projects
- the **nature** of the projects, from demonstration and exposure to nation building
- the **scale** of the projects, which was not set out in the design document, and at the time of the review encompasses a wide spectrum of project values (from AUD0.5 million to AUD40 million)

Pressures contributing to these moves away from the original design have included changes in the geopolitical landscape, such as the increased visibility of infrastructure development from China (e.g. Pacific Games), and a resulting push for DFAT to respond to a range of seemingly ad hoc infrastructure development requests from SIG, outside of an agreed project pipeline (prior to the December 2023 approved Solomon Islands National Infrastructure Pipeline).



This review has heard that while SIIP is well placed to support SIG in addressing many systemic constraints facing Solomon Islands in its infrastructure development (particularly in the Government's capacity for project preparation, financing, construction and maintenance), the particulars of the program's design are not as relevant now as the need for demonstrating delivery of quality, Australian funded inclusive infrastructure provision, the progress of which is discussed in the next section (Effectiveness).

2.3. Effectiveness

This set of EQs seeks to answer the question: Is the intervention achieving its objectives?

2.3.1. EQ7. To what extent is the Program achieving its outputs and intermediate outcomes? Are they the right outputs to achieve the intermediate and end of program outcomes?

Progress toward EOPO1

SIIP has made considerable progress in delivering its outputs and intermediate outputs as they relate to EOPO1, with evidence of change taking place in the Solomon Islands' policy and regulatory landscape and improved knowledge and skills demonstrated among the construction industry. The cabinet approval of a SIG National Infrastructure Priority Pipeline in December 2023 was a significant result for SIIP. Support provided by the Senior Infrastructure Advisor has been responsive to the requirements of SIG, specifically in working with MNPDC to establish a place-based infrastructure planning approach. The SIIP Climate and Community Manager reviewed a number of policies to support climate resilient infrastructure. Other areas of technical support currently being provided by the Senior Infrastructure Adviser in response to SIG requests include working with a working group made up of members from finance and ministry of planning, which may in time expand out to line ministries. SIIP operates as a secretariat to that working group, and is currently providing the following technical advice:

- National infrastructure register (NIR): supporting information and knowledge gathering and budgeting processes to set up a NIR, which aims to provide an indication of the overall value of the economic infrastructure assets, and what rate that value is depreciating on an annual basis, and what the minimum maintenance requirements might be.
- National Infrastructure Asset Management Policy: supporting the Ministry of Infrastructure Development to develop a framework for decision making and basis for coordinating infrastructure development activities, supporting donors with a framework to better align and focus their work.
- Monitoring, Evaluation and Learning technical assistance: building up skills and capacity within MNPDC to formalise monitoring and evaluation of the national development strategy implementation.
- NIDA (National Infrastructure Development Authority): supporting the PS of MNPDC to develop this concept into a proposal for Cabinet, as a follow on from the priority pipeline.

SIIP training is well regarded by SIG counterparts and local contractor community. Capacity building of the construction industry has progressed, through Workforce Skills Series workshops, collaboration with Australian-funded ASIPS to provide business support. Possibilities exist for SIIP to play a role in increasing the number of certified local builders with specific skills (and those qualified to sign off on quality, such as scaffolding safety) best delivered on site as part of a project, through integrating capacity building into delivery.

The review found that as SIIP Hub managed activities begin construction, there may be scope to integrate training, such as "On the job" training opportunities rather than standalone training. There may also be scope to finance construction firms to bring in experience to allow training and



certification of local workers, and areas highlighted to the MTR team include scaffolding, working at heights, and welding. There may be scope for SIIP to consider other training providers (e.g. APTC) to increasingly provide services, and over time, the SIIP Hub staffing for these functions may be able to start winding down, given their success to date.

Progress toward EOPO2

SIIP has made slower progress in achieving outputs and intermediate outcomes that lead to EOPO2. A particular success has been SIIP support for the New Zealand led provincial airports upgrades, funded under SIIP. Upgrades to the runway at Taro were completed in late 2023, while upgrades at Seghe are expected to be completed in mid-2024. These projects illustrate that infrastructure investments can take time to prepare and construct; initial design work started in 2018 and Australia's planned contribution was announced by then Prime Minister Morrison in 2019 at the same time as SIIP was announced.

Implementation of SIIP Hub managed activities has been slower than initially anticipated, with only one project handed over so far (Lata Biomedical Laboratory). This is partly due to exogenous factors. COVID-19 restrictions on travel to and from Solomon Islands from mid-2020 to mid-2022 and interrupted supply chains substantially hindered SIIP's establishment, and this was compounded by civil unrest in Solomon Islands in late 2021. The SIIP Hub is also playing a strong and constructive role in turning around the inherited challenge of the Naha Birthing and Urban Health Clinic (the 2018 design was not fit for purpose and led to a court case from the previously demobilised contractor; pre-SIIP cost estimates were substantially under-budget; and the withdrawal of the initially preferred contractor for the Naha birthing clinic at the final stages of a successful procurement process led by the SIIP Hub caused delays and cost increases).

Still, implementation of other key activities has fallen behind even the SIIP Hub's own timelines. A permanent team leader for the SIIP Hub was only appointed in the first half of 2023, almost two years after SIIP was established. The Hub's 2023 workplan, endorsed by the SC in December 2022, envisaged that construction would begin on seven markets in 2023 with all completed by end 2024; instead, construction only started in 2024 and only three are now expected to be completed by the end of 2024.

While significant preparation times, delays, and cost overruns are common for all infrastructure programs, other programs in the Pacific have been able to get off to a faster start. After four years, for instance, AIFFP had completed a 15 MW solar plant in Palau and had construction well underway on a range of large road, bridge, and airport upgrades in PNG, Fiji, and Tonga. And while Australia will need to compete primarily on quality rather than speed, the rapid construction of key Pacific Games infrastructure by other non-traditional financiers has highlighted the importance of accelerating implementation where possible.

SIIP Progress against intermediate outcomes has been summarised in Figure 3 below.

Intermediate Outcome	Evidence of progress
IO1: Improved infrastructure policies, plans, regulations, safeguards, and institutional arrangements that integrate CCDR and GEDSI are in place	SIG Cabinet approval of SIG's National Infrastructure Priority Pipeline, has wide ownership among central and line agencies; CCDR guidelines for infrastructure presented to SIG, support to the National Climate Forum, policy review of climate related bills and policy, early work on national building code legislation.
IO2: Program partners apply knowledge and skills, partnerships and systems required to deliver quality, life-cycle informed, and inclusive infrastructure	Program partners have been applying the knowledge and skills from SIIP to improve infrastructure processes. (e.g. four companies developing or revising GEDSI policies; three companies implementing developed or revised Occupational Health and Safety (OH&S) policies and implementing improved OH&S practices). Evidence of the construction industry applying



Intermediate Outcome	Evidence of progress
	knowledge from SIIP Hub capacity development activities from the Workforce Series and the health and safety mentoring. SIIP provided informal capacity development to MNPDC through the Senior Infrastructure Adviser's support to the SIG Priority Infrastructure Pipeline.
IO3: Increased financial resources are mobilised for inclusive economic infrastructure development, including from the private sector, other development partners and AIFFP	Some successes, although in most cases SIIP has been the co-financier rather than the coordinator for projects and such activities often implemented outside the SIIP Hub. SIIP cofinancing of the NZ led provincial airports has been a key success. SIIP support was critical to mobilise AIFFP funding for the Sasape shipyard on Tulagi. SIIP financing of project preparation and design work for Noro port has occurred on the in-principle agreement with AIFFP of mobilising AIFFP financing for construction. SIIP funding of associated investments around Bina Harbour will be important while NZ and IFC-led project preparation continues for a larger investment.
IO4: High priority, sustainable and inclusive infrastructure projects are completed to a high quality, on time and on budget	SIIP is contributing towards 18 infrastructure projects with 15 directly managed by the SIIP Hub, three led by partners (NZ MFAT, two by Solomon Water). Slow progress to bring projects to construction, and only one project has been handed over (Lata Biomedical Laboratory). Of the 12 projects that are underway according to the 2023 Annual Report, half have had significant budget increases, ranging from 20% increases to almost 350%. The projects have spanned eight of the nine provinces of Solomon Islands (none in Rennell and Bellona), and cover land/sea/air transport, healthcare, water, and markets.

Figure 3: Progress against Intermediate Outcomes

2.3.2. EQ8. Are the program's modalities the most effective for delivering infrastructure in the Solomon Islands? What alternative designs or modality (or mix of modalities) could be adopted to achieve the intermediate and end of program outcomes?

The modalities of delivery, namely a managing contractor leading the SIIP-Hub plus some directly funded SIIP projects, are delivering to their strengths, although resulting in some redundancy and blurred lines in terms of roles and responsibilities. For example, where dialogue and agreements are taking place between DFAT and other development partners around cofinancing arrangements, it makes sense for DFAT (and not SIIP Hub) to lead these. In some cases, SIIP Hub has been brought in to support directly funded activities, providing monitoring and evaluation support and technical advisory services such as the Sasape Shipyard and Telekon Towers. The overall benefits of the dual approach are not clear, however, and the extent to which this set of modalities or an alternative set are most effective will depend on some further thinking by DFAT, in conversation with SIG (and SIIP Hub) as to the strategic focus for the remaining years of the program. This is discussed in further detail in Section 2.5.6 below.

2.3.3. EQ9. To what extent is the Program's governance mechanism impacting the efficiency or effectiveness of the Program? What have been the strengths and weaknesses of the governance mechanism?

Overall, the governance mechanism was found to be effective, although there are opportunities to improve its efficiency and effectiveness. SIIP is governed by a SC which meets quarterly to review progress and approve workplans. The review found that the SC is happy with the level of inclusion and engagement it has with SIIP, and the SC has built strong oversight and ownership from SIG officials.



There are opportunities for more coordination with line ministries as evidence suggests that communication was not always trickling outwards. The Technical Leads arrangement contributes positively to the decision-making processes by ensuring that the PS MNPDC is aware of program activity and liaises with key stakeholders outside of the quarterly SC meetings. The review team notes the proposed Independent Reference Group (IRG), as intended in the design document, and there may be value in considering the establishment of the IRG for the remaining years of SIIP. Following consensus on strategic priorities for SIIP (discussed below in section 2.5), the IRG may be a useful source of advice to the SC in ensuring that investment decisions follow an agreed process, including decision making criteria and value for money considerations.

The review team heard that there is, however, a need to streamline and simplify governance arrangements to ensure decisions around program priorities can be made in a more efficient fashion. For instance, where decisions are required to be taken outside of the quarterly SC meetings, this can lead to delays, or decisions being made without consultation and instead communication of the decision to SIG after the event. There may be opportunities for representatives of the SC to respond to requests for approval in between face to face SC meetings by email. It was agreed in the March 2022 SC meeting for the SC TOR to be amended to include thresholds for amendments and ability for the SC to make decisions by email, and in the March 2023 SC meeting that the two co-chairs enact intersessional decision making to take SIIP priorities forward before the next meeting. However, the review found delays still occurring, in some cases due to weak email engagement by SIG representatives for these efficiencies to be realised.

In order to improve the speed of infrastructure delivery, the SIIP Hub proposed a **Rapid Response Mechanism (RRM) unit in its Resourcing Plan**, through which the Infrastructure Project Manager would work with the Deputy Team Leader – Infrastructure to triage new activities as they are tasked. While the RRM was intended to propose pathways towards faster infrastructure delivery, the decision making process was identified as a key barrier, requiring changes to governance processes within the program.

2.3.4. EQ10. To what extent are the Program's processes and procedures impacting the efficiency or effectiveness of the Program?

The review found that SIIP needs to take a more proportionate approach to managing risk for smaller and less complex projects, and that a highly risk averse approach to design and implementation is a key reason for implementation delays, particularly in relation to EOPO2. The head contract between DFAT and DT Global for SIIP references risk in terms of identifying and managing risk appropriately, through the Risk Management Plan and Strategic Risk and Costing Framework. The contract states that: "SIIP's Risk Management Function aspires to create a culture of shared risk management and treatment, where both the likelihood and impact of a risk and the responsibility for treatment are born jointly by DFAT and the Delivery Partner to the greatest extent possible. SIIP's Risk Management Function aspires to minimise the likelihood and impact of prospective risks, whilst also encouraging a no-blame culture within SIIP that promotes responsible risk taking and innovation." In practice, however, there does not appear to be a detailed agreement between DFAT and DT Global about how risk should be shared and managed. In the absence of clear direction about what risks DFAT is prepared to bear, DT Global has – to some extent inevitably – taken a highly risk averse approach to the design and implementation of individual activities. This has resulted in overwhelming and in some cases locally inappropriate processes to manage that risk, such as in procurement requirements and project design. This issue lies beyond the boundaries of SIIP, and speaks to institutional expectations and risk appetite of DFAT and DT Global at a corporate level.

For this issue to be addressed, an urgent and transparent conversation is required between DFAT and DT Global on how to allocate and manage specific risks. While this may best be coordinated between



the DFAT team in Honiara and the SIIP Hub, it will require institutional participation by senior representatives from DFAT (Post and Canberra) and DT Global (SIIP Hub and Corporate). As set out below, discussions could usefully relate, although not necessarily be limited to insurance, quality standards, complicated contract clauses requiring negotiations, and payment terms. It may benefit the discussion for DT Global to develop and present an options paper on risk for DFAT's institutional level consideration. To inform this discussion, the review recommends that DFAT request the SIIP Hub, drawing on broader support from DT Global, to prepare some initial options.

The key process challenges that have surfaced as part of the review are presented in Figure 4 below. These process challenges appear to have arisen as part of implementation, rather than as a result of specific clauses in the head contract between DFAT and DT Global.

Process Challenge	Finding
Independent technical reviews	The need for ITRs across all activities is causing delays in design and construction of SIIP projects, and not always needed for all projects. For smaller projects, for instance there is potentially scope to rely on the design engineer's professional indemnity insurance.
Geotechnical studies	Similar to ITRs, the blanket application of geotechnical studies are causing delays and cost implications, and are not always necessary for smaller projects. While the SIIP Hub has advised that a more proportional approach is taken for smaller works, such as simple geotechnical studies using Dynamic Cone Penetration (DCP) testing, there may again be scope to rely on the qualified supervising engineers' assessment supported by their professional indemnity insurance.
Building standards	Clear agreement is needed on whether to use the 1990 code currently in widespread use, the new 2022 draft bill (although not yet legislated), or other Australian standards. The lack of clarity is causing confusion. For example, the bus shelters were designed to the 1990 code although the ITR initially assessed the design against the 2022 draft and there were some informal suggestions from DFAT to use Australian standards. The higher the bar, the higher the cost and time required.
Insurance	Insurance is being set at standards that risk excluding local firms. For example, DFAT requires DT Global to have AUD20 million public indemnity, and this tends to be rolled through to sub-contractors for larger projects, and held by DT Global for the smaller contracts. The SIIP Hub is considering options for blanket insurance to cover sub-contractors, and SIG also needs to relax limits on seeking insurance from overseas. Still, there also appear options to relax insurance requirements.
Eligibility thresholds for bidders	Assurance is needed that firms bidding for jobs have the financial and technical capacity. However, SIIP eligibility thresholds (balance sheet, turnover, experience) have reportedly been higher than for equivalent MDB contracts. This is particularly challenging for local firms but has also made it hard for larger Australian firms with a proven track record in the region to bid for works like Naha.
Procurement	Bid thresholds (experience, balance sheet, turnover requirements) reportedly higher than similar sized MDB funded activities, and challenging not just local firms but experienced Australian contractors working on larger Australian funded jobs across the region.
Contract formats	The SIIP Hub is using Australian Standards suite of contracts. This contrasts with the MDBs, which have traditionally been the major infrastructure financiers across the Pacific use FIDIC based contract forms. Contractor representatives noted that the SIIP Hub in some cases had up to 85 departures from the standard contract suite which created challenges in responding. The SIIP Hub advised that contract formats are expected to be addressed in 2024.
Payment terms	While SIIP Hub advised that standard payment terms are 30 days with all local contractors put on immediate payment terms, there is a perception among at least some local contractors that payment for SIIP Hub funded activities could take as



Process Challenge	Finding
	long as 60 days. It may be useful for SIIP Hub to clarify misperceptions in the market.

Figure 4: Process challenges affecting EOPO2

The review found that the **Monitoring, Evaluation and Learning (MEL) delivered by the SIIP Hub is high quality**, and the 6 monthly reports provide a highly satisfactory account of the current operating context, progress against intermediate outcomes, key challenges, learning and planning for the following period.

Reporting of activities for SIIP beyond SIIP Hub, as delivered by DFAT, is adequate, although it did prove somewhat challenging for the review team to gain a comprehensive account of the non SIIP Hub activities. An understanding was achieved through sharing of internal documents and follow up clarification, however the program would benefit from some overarching process to bring together progress against EOPOs for the entire program, which includes both SIIP Hub and DFAT activities. SIIP Hub would be well placed to provide this support in collating and aggregating data and narrative for a more comprehensive account of the program.

2.3.5. EQ11. How well are cross cutting themes of climate change and disaster resilience (CCDR) and gender equality, disability and social inclusion (GEDSI) integrated into Program delivery?

The review found evidence that SIIP is integrating cross cutting themes of climate change and disaster resilience (CCDR) and gender equality, disability and social inclusion (GEDSI) into program delivery. In terms of GEDSI integration the following examples were found:

- According to DFAT's 2023 Investment Monitoring Report (IMR), gender and disability disaggregated qualitative and quantitative data is routinely gathered by the SIIP Hub. SIIP adopts a twin-track approach to promote equality for women and PWD through incorporating GEDSI mainstreaming in infrastructure projects and by designing targeted interventions to address gaps and exclusions where necessary. The IMR states that the "SIIP Hub is setting a standard for social inclusion in infrastructure, which has been well received by stakeholders including community and industry."
- The DFAT GEDSI Strategy requires that at least 80 per cent of investments, regardless of their objectives, will effectively address gender issues in their implementation. Overall, SIIP is on track to achieve this by the end of the first phase, with gender designs being incorporated in the Naha BUHC and provincial markets designs, in addition to both being gender-targeted interventions.
- The GEDSI Coordinator has participated in scoping visits and led consultations with women, community leaders and PWDs as well as Community-Based Rehabilitation representatives in each province visited, bringing the cumulative total to over 200 since 2021.
- GEDSI capability development has made some progress within the local construction industry, and there is evidence of change following workforce series on inclusive infrastructure.
- SIIP Hub undertook a research study with the Disabled People's Association Solomon Islands (DPASI), and the Hub conducted an internal disability inclusion survey to understand needs within its workforce, followed by accessibility training.

There is good evidence that climate change and disaster resilience (CCDR) is mainstreamed in SIIP Hub projects. Scoping and risk screening were completed for all infrastructure activities during 2023 at the planning, design, and tendering stages, and all non-SIIP Hub projects respond to CCDR. SIIP's CCDR Strategy is aligned to strategic objectives of both Solomon Islands and Australian Governments; the latter highlighting an increased focus on CCDR in Australia's 2023 International Development Policy. The 2022 National Building Code was underpinned by data on Solomon Islands' climate and



disaster risk and once adopted, will require all infrastructure built in Solomon Islands to be CCDR compliant.

2.4. Efficiency

This set of evaluation questions seeks to answer the question: How well are resources being used?

2.4.1. *EQ12. To what extent are resources being allocated efficiently across the program to achieve the EOPOs?*

The review found that resources are not being allocated as efficiently as possible across the program for the delivery of the EOPOs. For example, SIIP has faced delays and cost overruns to current projects, which are causing significant short-term disbursement pressures (although some disbursements currently planned for FY24-25 may slip to FY25-26). As noted in the Effectiveness section, while cost overruns and delays are a feature of most large infrastructure projects globally, half of all SIIP-Hub led projects have increased their budgets.

The current financial situation is not sustainable. It is critical that SIIP is able to accelerate progress over the remainder of 2024 on key construction projects, especially markets and the Naha clinic, to reverse the current situation where SIIP Hub operational costs exceed expenditure on SIIP managed projects. While this can be explained by the personnel costs involved with delivery of EOPO1 initiatives, the program will need to show it is spending on infrastructure for the remaining portion of the program's life. The staffing of the SIIP Hub is particularly international/expat heavy, which has cost implications although can be necessary for specialist skills. Recruitment has been a key challenge facing the SIIP Hub, as noted in the 2023 Annual Report, and the SIIP Hub has made a number of suggestions to address this challenge, through a combination of remote working arrangements, prioritising recruiting Solomon Islands nationals, and those internationals already working in country to reduce costs.

The review found that in some cases the expectations of DFAT have been unrealistic with regards to the time required and costs associated with delivering smaller contracts. One key informant summarised this clearly: "It takes the same amount of effort to build bus shelters as other larger projects for the people of Solomon Islands... and this speaks to a lack of value for money" (KII, MTR of SIIP). This point is relevant in approaches to value for money, particular in relation to a minimum value of projects to achieve best value for money. As noted in the Emerging Priorities Aide Memoire paper prepared by an external adviser: "A way forward may be to ask DT Global to develop a simple Value for Money (VfM) Framework using DFAT's existing VfM criteria to inform their decision-making. This could take into consideration a range of delivery issues including human resource levels and costs, appropriate standards and the risk of 'over-engineering' infrastructure, local content, and other matters. Developing such a framework for the 'portfolio' of investments may drive down costs and improve productivity thus allowing DFAT to deliver more infrastructure with the same budget."¹⁰

2.4.2. *EQ 13. Are Program outcomes being delivered in a timely manner, and what options might further increase delivery speed? What impediments are there to deliver program outcomes in a timely manner?*

Timeliness of delivery, particularly in the delays in progressing EOPO2, has been found to be a key risk to the program. As discussed in the response to EQ3 on Effectiveness (Section 2.3.1), the NZ led provincial airports program has been a major success. On the other hand, the SIIP Hub has been slow to demonstrate it can deliver infrastructure projects, due to a range of both exogenous and internal

¹⁰ DFAT, Aide Memoire, SIIP Emerging Priorities, May 2023



factors. This is leading to reputational risk for both the program and confidence in Australia as a first choice infrastructure development partner of SIG. Delays are increasing pressure for Australian funded infrastructure to be delivered outside of SIIP Hub structure, rather than consolidating implementation. The review found that a more proportionate approach to sharing and managing risk for individual projects could potentially accelerate the design and implementation of future activities, and this is discussed in response to EQ10 (Section 2.3.4).

There is strategic competition in Solomon Islands, making delivery timeframes especially critical, in that other development partners are able to move quickly, through the use of standard rather than local designs, sole source contracting, and importing significant labour and materials. Australia is under pressure to promote its credibility in Solomon Islands primarily on local content and quality, however evidence suggests SIIP still needs to move as quickly as possible. For example, as noted in the March 2023 SC meeting, “whilst SIIP has very good projects and principles, our program is being compared to other programs. This challenge is mainly political, and we need to find the right balance between faster implementation whilst maintaining quality” (SIIP SC meeting minutes, March 2023). The review found that SIIP has a limited remaining window of opportunity to recover SIG’s confidence in DFAT as a priority infrastructure delivery partner in Solomon Islands, which is discussed in further detail in the Impact section (2.5) below.

2.4.3. EQ 14. How well is the Program coordinating with other Australian initiatives and major partners to deliver value for money?

SIIP has financed a range of broader initiatives by Australia and other partners, although in most cases SIIP has been the passenger rather than the driver and support has often been managed outside of the SIIP Hub. SIIP cofinancing for the NZ-led provincial airfield project is the obvious example. SIIP investments around the Sasape shipyard in Tulagi, managed outside the Hub, were critical to leverage a private sector loan by AIFFP. The SIIP Hub is managing the design and feasibility studies for a proposed Noro port, with a view to leveraging AIFFP financing of construction. The SC has endorsed potential SIIP investments in Gizo water and the Fiu River bridge, which had previously been identified by ADB and World Bank respectively as possibly activities under broader water and transport programs, although both are currently paused while the funding situation is assessed. DFAT is also considering possible SIIP funding for a new phase of the World Bank led community and urban infrastructure program.

SIIP’s capacity to mobilise further investments from facilities like AIFFP, however, will depend on decisions about future SIIP priorities and budget limitations of AIFFP, as discussed further in Section 2.5.4 below. Although AIFFP is intended to support major strategic infrastructure projects, it is primarily a lending facility. Across 14 eligible Pacific countries, AIFFP has a lending average capacity of almost AUD 400 million per year but grants of only AUD 125 million per annum. Given Solomon Islands’ risk of debt distress, AIFFP currently needs to provide over 60% of all financing as grants in order to be a responsible lender and to be competitive with the terms offered by the MDBs. With a Solomon Islands portfolio and pipeline already approaching AUD 140 million (of which about AUD 80 million is expected to be grants), AIFFP’s capacity to finance further investments in Solomon Islands in the near terms will be limited based on its existing budget and without additional grant financing from within DFAT.

2.5. Impact and Sustainability

This set of EQs seeks to answer the following questions:

- What difference does the intervention make?
- Will the benefits last?



The findings in response to the four impact and sustainability EQs have been bundled together, given the strategic nature of the issues discussed, how they relate to delivery of both EOPOs and the overarching goal, and their longevity beyond the life of SIIP. The EQs are noted here in Figure 5, and the subheadings in this section relate to the findings and options following analysis of the evidence.

Evaluation Criteria	Evaluation Questions
Impact	<p>EQ15. To what extent is the Program on track to contribute to the delivery of high quality, accessible and resilience economic infrastructure? (EOPOs)</p> <p>EQ16. To what extent is the Program on track to contribute to its overarching goal? (Improved quality and accessibility of economic infrastructure to contribute to broad-based, inclusive, and sustainable economic growth in Solomon Islands)</p>
Sustainability	<p>EQ17. Is the Program contributing to positive recognition in the Solomon Islands community of Australia's long-term infrastructure support? How can it increase positive recognition (i.e., through public diplomacy, community outreach)?</p> <p>EQ18. To what extent will the EOPOs be sustained beyond the life of the Program?</p>

Figure 5: Summary of Impact and Sustainability EQs

2.5.1. Overall findings

The review found that the program is well on track to deliver aspects of EOPO1, but SIIP has a limited remaining window to bring the program back on track to deliver against EOPO2. Evidence suggests that to bring delivery back on track, at a minimum, the following is needed to be completed by end 2024:

- Three markets (Honiara Central Market, Buala, and Tulagi) completed as currently planned
- Honiara bus stops completed
- Naha Birthing and Urban Health Centre: contractor mobilization and demonstrated activity critical.

The second half of 2024 provides a unique opportunity to identify SIIP's strategic focus, which will be critical to influence the design of future program phases. Key enabling factors are now in place with a new Solomon Islands Government formed following April elections and the SIIP Hub supported SINIPP provides a strong technical base for project prioritisation that could feed into policy discussions. As discussed in Section 2.1.3, despite the SC endorsement of the SIIP Roadmap, the review found that in practice there does not appear to be a consensus either across SIG or DFAT interlocutors on SIIP's strategic focus or comparative advantage. SIIP's current Phase 1 pipeline covers a mix of economic and social infrastructure works, ranging from medical facilities, market buildings, airports, roads, and water; and projects from AUD0.5 million to AUD40 million.

Accelerating implementation and reaching agreement on the principles to guide the development of future phases of SIIP will require two high level strategic discussions:

- What is the acceptable tolerance for a more proportionate approach to risk management? This requires a senior institutional conversation between DFAT and DT Global representatives.
- What is the appropriate strategic focus for SIIP, and the program's comparative advantage? This will require a senior level policy conversation between DFAT and relevant ne SIG Ministers as well as officials.

2.5.2. A more proportionate approach to managing risk

A more proportionate approach to managing project level risks will be important to improve speed of delivery. There are trade-offs needed between the policy objectives of infrastructure development within SIIP as illustrated in Figure 6:



Quality/ Risk Tolerance	Cost
Speed	Local participation

Figure 6: Policy Objectives of SIIP

The review found that the priority “levers”, noted above in Figure 6 as Policy Objectives, for delivering SIIP cannot all be pulled to their most advantageous level at once, because of the tensions between them. For example, setting high quality objectives will likely lead to high costs and limit local participation; rapid delivery is unlikely to be achieved at low cost and high quality in Solomon Islands; and a low risk tolerance is in tension with local participation and speed, given the constraints in the Solomon Islands context. The lack of detailed and explicit agreement on trade-offs between SIIP Hub and DFAT mean that, in practice, the focus has largely been on minimising risk, with implications for both project cost and timeframes. Avoiding risk at the activity level has broader reputational risks as noted above.

Priorities need to be balanced differently for different activities, such that large and complex investments (i.e. major marine infrastructure requiring geotechnical review) will inevitably require a strict approach to minimising risk. For smaller projects, a more proportionate approach to risk management may be considered throughout the project cycle, from design, to procurement, to implementation.

The review found a number of potential avenues that SIIP could consider exploring in the remainder of the program:

- Independent technical reviews are important for larger contracts, although for smaller works (i.e. bus shelters, markets) there may be scope to rely on the professional indemnity insurance of design engineer.
- Geotechnical studies – while the SIIP Hub advise that for smaller works simple geotechnical studies using Dynamic Cone Penetration (DCP) testing is used, there is potentially scope to simplify even further by relying on the qualified supervising engineer and their insurance.
- Clarity on appropriate building codes and standards.
- Potential scope to “bundle” procurement for some works, although with some trade-offs on local content.
- More standardised contracts formats.

Reaching agreement on how to take a more proportionate approach to managing risk is likely to require an institutional discussion between DFAT and DT Global. As a start, the MTR team recommends that DFAT request DT Global, through the SIIP Hub, to prepare an initial assessment of opportunities to streamline risk management and the agreements – whether contractual or expectations – that would be required to address each issue.

2.5.3. Managing Short Term Financing Pressures

Strategic decisions on SIIP’s comparative advantage and medium-term investment pipeline in the second half of 2024 will be important to design a future phase. The review found that funding available to be programmed will depend on several factors: how DFAT and SIG agree to meet short-term pressures, and whether SIIP’s funding envelope is extended beyond the initial AUD250 million/ 10 year timeframe, which appears likely.

Funding available to be programmed over the next five years was found to be potentially limited if all current projects remain in the pipeline, with adjustments to reflect risks of cost increases, and if SIIP is also required to meet costs of new activities under consideration, such as further contributions to the World Bank Community Access and Urban Services Enhancement project (CAUSE). The review found



that programming flexibility could be as high as AUD100 million and beyond, however, in the event that other program pressures are managed carefully, and a longer-term timeframe considered.

The review found that **managing short-term financing pressures will require building a consensus with a new Government to avoid risks of SIIP further falling short of expectations**. SIIP is unlikely to be able to fund any substantial new activities until at least 2026. As mentioned above, delays and cost overruns to current projects are causing significant short-term disbursement pressures. DFAT and SIG will need to agree on how to manage several activities already approved by the SC but currently on hold, as outlined in Figure 7.

Activity on hold	Challenge and possible solution
Markets	The current budget of AUD21.3 million will not cover all seven markets although two are unlikely to start construction before 2025.
Malaita South Road	There is scope for immediate repairs although the need to undertake detailed design and disbursement pressures will mean more significant upgrades likely to require 18-24 months before starting.
Fiu River bridge	Like roads, current pressures mean SIIP is unable to start construction until 2026. The World Bank has indicated that they could fund this under SIRAP, although because of procurement issues would prefer to fully fund rather than try to cofinance with Australia
Gizo water	ADB estimates suggest this is likely to cost closer to AUD40 million than the currently SIIP costing of AUD10 million. ADB could possibly include this activity although would be reluctant to try to jointly finance with Australia because of procurement uncertainties.
Moli wharf	Does not appear a priority despite previous SC approval.

Figure 7: SIIP Activities currently on hold

2.5.4. Defining SIIP's Strategic Focus and Comparative Advantage

The review found that **a clear strategic view of SIIP's comparative advantage will be critical to design the second phase and determine appropriate contracting modalities**, namely what infrastructure investments the program should be financing over the short and medium-term. Despite SC endorsement in December 2022 of the SIIP Roadmap vision for medium sized infrastructure activities in high growth potential economic nodes and their strategic connections, both SIG and Australian priorities appear to have evolved and there does not appear to be a consensus on this approach. SIIP's current Phase One pipeline covers a mix of economic and social infrastructure; with projects ranging from AUD0.5 million to AUD40 million spread across eight of nine provinces of Solomon Islands.

Strategic decisions on investment priorities need to be made by the Australian and SIG, ideally by direct policy discussions between the high commissioner and relevant ministers.

- The SC, while useful to ensure broad SIG ownership and oversight, would ideally be reviewing and confirming ministerial level agreements.
- The SIIP Hub itself is best placed to undertake technical reviews and manage implementation rather than being expected to lead policy discussions on priorities or to build "bottom up" list of potential activities for SC review and decisions.

Figure 8 below shows the geographical and sector spread of currently funded SIIP Projects.



PROJECTS AND COMPLETION DATES

Transport and Connectivity

- Honiara Bus Shelters, 2024
- Taro Airfield Upgrade, Choiseul Province, 2023
- Seghe Airfield Upgrade, Western Province, 2024
- Buala Wharf, Isabel Province, 2024
- Noro Port Detailed Design, Western Province, 2024
- Roads and Bridges, Malaita Province, 2025

Essential Services

- Lata Bio-medical Lab, Temotu Province, 2023
- Naha Birthing and Urban Health Centre, Honiara, 2025
- Gizo Water Supply Project, Western Province, 2025

Markets

- Honiara Central, 2024
- Tulagi, Central Province, 2024
- Buala, Isabel Province, 2024
- Malu'u, Malaita Province, 2025
- Seghe, Western Province, 2025
- Tenaru, Guadalcanal Province, 2027
- Kirakira, Makira Province, 2027



As at 23 November 2023 | For more information visit siip.com.sb

Figure 8: Spread of SIIP projects as at Nov 2023¹¹

2.5.5. Options to focus SIIP in the medium term

The review team has landed broadly on a set of three strategic options for focusing SIIP in the **medium term**, although inevitably this is likely to require a balance rather than selecting one option. As presented in more detail in Figure 9 below, broad options include:

- a sharper focus on a smaller number of larger, nation-building investments, with SIIP being used more actively to leverage financing from other Australian programs such as AIFFP;
- SIIP financing being used to support a wide range of smaller activities across Solomon Islands, with high visibility and public diplomacy impact, although possibly with a stronger focus around a place-based approach, or economic infrastructure;
- Ensuring that SIIP remains highly responsive to emerging priorities rather than trying to identify activities for a future phase in advance.

¹¹ Figure copied from SIIP Hub Annual Report 2023, page 16



Medium Term Strategic Option	What it would mean for SIIP
Option 1: A sharper focus on a smaller number of nation-building activities	<ul style="list-style-type: none"> • Engagement on larger activities critical for nation building, as well as to ensure Australian engagement on strategic infrastructure priorities. • Larger infrastructure investments in Solomon Islands have tended to be financed in addition to the bilateral program (Coral Sea cable, AIFFP, Defence Cooperation) or by the multilateral development banks (although with risks of adverse procurement outcomes, such as with Honiara port and Henderson airport upgrades) • AIFFP expects to commit up to AUD140 million to Solomon Islands.¹² However, SIG's limited capacity to take on new debt means AIFFP is becoming grants constrained. AUD80 million of AIFFP grants needed to mobilise AUD60 million lending, and grant proportion increasing. AIFFP unlikely to be able to finance any new investments in Solomon Islands beyond current pipeline • SIIP burden sharing with AIFFP could increase total Australian finance for SIG. Every AUD1 of SIIP grants could help mobilise up to AUD1 of AIFFP that would otherwise not be available • Opportunities: Australian engagement on strategic maritime priorities (Noro port, possibly Bina harbour) likely to require SIIP and AIFFP working in tandem. • Risks: engagement across Solomon Islands would be more limited to community development grants or other mechanisms outside SIIP as a smaller number of nation-building activities would be multi-year commitments
Option 2: Wide range of smaller activities across Solomon Islands, with greater sectoral or geographic coherence	<ul style="list-style-type: none"> • Could allow a steady "drumbeat" of project announcements supporting Australia's public diplomacy efforts, although risks that this could generate smaller "sugar hits" rather than the same long-term impact of larger investments • Greater sectoral or geographic coherence would allow for efficiencies in delivery, potentially reducing current risks of delays • Risks: If implemented through MDB cofinancing (i.e. CAUSE) Australian visibility can be negotiated but will be more limited than bilateral. Publicity around smaller projects risks being regular sugar hits, rather than sustained
Option 3: Ensuring that SIIP remains highly responsive to demand and able to fund a variety of projects rather than seeking to identify priorities top down in advance	<ul style="list-style-type: none"> • Maximising flexibility to respond to "bottom up" priorities emerging during SIIP Phase Two implementation • Ensures responsiveness to changing SIG or Australian priorities • Activities can be included or adjusted relatively easily • Risks: Limited ability to engage on strategic infrastructure priorities or to plan in advance. Lack of coherence across program risks limiting scope of efficiencies in delivery resulting in delays and higher costs.

Figure 9: Strategic options to refocus SIIP in the medium term

¹² AUD32 million Tina River transmission, AUD9 million Sasape shipyard, up to AUD100 million in late 2024 for a new ICT cable



2.5.6. *What does this mean for the program modalities?*

The Effectiveness question EQ8 asks the extent to which the program's modalities area the most effective for delivering infrastructure in Solomon Islands, and the response directs the reader to this section. This is because **the review team found that the most fit for purpose contracting modalities will fall out of strategic decisions yet to be made**. Here we present a summary of the ways in which future contracting modalities will be influenced by those decisions:

- **“Bigger ticket” infrastructure projects will need a specialised owner’s engineer** undertaking design, procurement of works contractor, and supervision for individual projects. This would look similar to MDB, AIFFP, or NZ airports contracting structures.
- **For smaller scale infrastructure with a degree of coherence in project selection, a construction firm led model** could be considered. For example, a single Australian contractor recruited to undertake all small scale activities in a way that would be more difficult for larger, specialised works. This would maximise speed, although with some potential risks such as some independent supervision needed. Local participation could still be substantial, although would mean local firms sub-contracted rather than head contractors
- **A managing contractor likely to be required again if priority is on responding flexibly** and responsively to a wide range of activities identified only during implementation. Even with a Managing Contractor (MC) model, priority could be given to a firm able to do “in house” engineering design/supervision rather than contracting out even small projects.

2.5.7. *Managing the transition from Phase 1 to Phase 2*

The review found that the transition from SIIP Phase One to Phase Two is crucial to maintain current momentum and ensure that the redefined strategic focus and program arrangements are in place to deliver sustainable change against the EOPOs and overarching goal. Planning for Phase Two will be needed to commence in quarter 2 of 2024, with the short term strategic questions discussed above needing to be addressed. Key considerations in the planning stage for Phase Two are summarised below:

- It is likely that DT Global may require a further extension to parts of the current SIIP Hub to complete Phase One activities, if a change in delivery modality is decided upon and procurement of alternative providers takes place. For example, Naha Birthing and Urban Health Clinic is likely to still be in construction until early 2026, and bringing in another firm to take over supervision mid-way will be messy. Any extension might be limited to specific activities, with overall wind-down of Phase One.
- With Phase Two design likely to take place in late 2024, and contracting in 2025, this may potentially allow an alternative provider to take over engineering supervision as other activities move from design/procurement to implementation. These include Buala wharf, current “on hold activities”, and Kirakira/Tenaru markets.
- It will be critical to have a firm contracted by late second quarter 2025 to avoid the transition resulting in delays ,or leaving little option other than to extend current arrangements through 2027.

More widely, the review found that phasing of SIIP does not reflect lead times for infrastructure design and construction, currently set as three phases over 10 years consisting of 4 years, 3 years, and 3 years (according to the design document). It may benefit the program to reframe the contracting arrangements such that Phase 2 contracting sees out the remaining years of program delivery.



3. RECOMMENDATIONS

This section provides recommendations for improving SIIP, to support its trajectory towards achieving the program's EOPOs and overall goal. As much of the discussion around options and a 'way forward' was presented in the Findings section, a set of ten recommendations for the program are summarised below, with reference to the relevant discussion in the wider document where additional rationale or context may be needed.

#	Recommendation	Relevant Section
1.	It is recommended that DFAT considers the set of strategic medium term options presented in the report, and arranges a conversation with SIG in the coming months to redefine the strategic focus of SIIP.	Section 2.5.5
2.	It is recommended that as a result of redefining the strategic focus of SIIP, decisions are to be made by DFAT as to the best suited delivery model for the program.	Section 2.5.6
3.	It is recommended that DFAT considers the findings presented and arranges a conversation with senior DT Global representatives to discuss a proportionate approach to risk.	Section 2.5.2
4.	It is recommended that DFAT requests DT Global to present an options paper on risk for DFAT's institutional level consideration.	Section 2.3.4
5.	It is recommended that planning for SIIP Phase 2 begins in the second quarter of 2024.	Section 2.5.7
6.	It is recommended that DFAT explores options with SIG for improving the efficiency and effectiveness of the Steering Committee in decision making and communication with other line ministries.	Section 2.3.3
7.	It is recommended that SIIP explores options to provide more on-the-job training, certification, and engagement with specialist providers.	Section 2.3.1
8.	It is recommended that SIIP reports on the program's overarching progress, outputs, challenges, and lessons that takes into account both SIIP Hub and non-SIIP Hub activities.	Section 2.3.4
9.	It is recommended that DFAT prioritises managing short-term financing pressures, through building a consensus with a new Government to avoid risks of SIIP further falling short of expectations.	Section 2.5.3
10.	It is recommended that SIIP Hub prepare a VfM Framework using DFAT's existing VfM criteria to inform their decision-making.	Section 2.4.1



Annex 1 – Evaluation Questions

Evaluation Criteria	Evaluation Question
Relevance <i>Is the intervention doing the right things?</i>	1. To what extent does the design of the Program respond to the priorities and needs of its beneficiaries, namely the Solomon Islands Government, local construction industry, and Solomon Islands communities? 2. To what extent does the design of the Program respond to the priorities and needs of the donor, namely the Australian Government? 3. How does the design of the Program remain responsive to changes in those priorities and needs?
Coherence <i>How well does the intervention fit?</i>	4. How does the Program fit within Australia's overall infrastructure support to Solomon Islands as well as broader infrastructure financing from other international partners? 5. Are the EOPOs still relevant to the current budgetary, political, and strategic environment in Solomon Islands? 6. How well is the program balancing and prioritising efforts to deliver on the program's parallel EOPOs?
Effectiveness <i>Is the intervention achieving its objectives?</i>	7. To what extent is the Program achieving its outputs and intermediate outcomes? Are they the right outputs to achieve the intermediate and end of program outcomes? 8. Are the program's modalities the most effective for delivering infrastructure in the Solomon Islands? What alternative designs or modality (or mix of modalities) could be adopted to achieve the intermediate and end of program outcomes? 9. To what extent is the Program's governance mechanism impacting the efficiency or effectiveness of the Program? What have been the strengths and weaknesses of the governance mechanism? 10. To what extent are the Program's processes and procedures impacting the efficiency or effectiveness of the Program? 11. How well are cross cutting themes of climate change and disaster resilience (CCDR) and gender equality, disability and social inclusion (GEDSI) integrated into Program delivery?
Efficiency <i>How well are resources being used?</i>	12. To what extent are resources being allocated efficiently across the program to achieve the EOPOs? 13. Are Program outcomes being delivered in a timely manner, and what options might further increase delivery speed? What impediments are there to deliver program outcomes in a timely manner? 14. How well is the Program coordinating with other Australian initiatives and major partners to deliver value for money?
Impact <i>What difference does the intervention make?</i>	15. To what extent is the Program on track to contribute to the delivery of high quality, accessible and resilience economic infrastructure? (EOPOs) 16. To what extent is the Program on track to contribute to its overarching goal? (Improved quality and accessibility of economic infrastructure to contribute to broad-based, inclusive and sustainable economic growth in Solomon Islands)
Sustainability <i>Will the benefits last?</i>	17. Is the Program contributing to positive recognition in the Solomon Islands community of Australia's long-term infrastructure support? How can it increase positive recognition (i.e., through public diplomacy, community outreach)? 18. To what extent will the EOPOs be sustained beyond the life of the Program?



Annex 2 – Stakeholder Consultations

List of Key Informant Interviews (KIIs) undertaken

Name	Organisation	Remote / in person
Rod Hilton, High Commissioner	DFAT	In person
Andrew Schloeffel, Deputy High Commissioner	DFAT	In person
Craig Gillies, Counsellor	DFAT	In person
Elise Newton, First Secretary, Health	DFAT	In person
Zina Fefera, Senior Program Manager, Health	DFAT	In person
Joe McCarter, First Secretary	NZ High Commission	In person
Luke Familton, Infrastructure Project Manager	NZ High Commission	In person
Patrick Reoka, Planning Officer	Ministry of Infrastructure Development (MID)	In person
Mr Mckinnie Dentana, Permanent Secretary	Ministry of Finance and Treasury (MOFT)	In person
Justus Denni, Honiara City Clerk	Honiara City Council	In person
Dr Jimmie Rodgers, Special Secretary to the Prime Minister	Office of the Prime Minister and Cabinet	In person
Dr Melchior Mataki, Permanent Secretary	Ministry of Environment, Climate Change, Disaster and Meteorology	In person
John Niroa Misitee, Deputy Secretary	Ministry of Provincial Government and Institutional Strengthening (MPGIS)	In person
Carmine Piantedosi, CEO	Solomon Water	In person
Finance Controller	Solomon Water	In person
Freda Waki, Engineer	Alrico Construction Group	In person
Michael Palmer, Senior Technical Officer Project Staff	Our Telekom	In person
Susan Sulu, Permanent Secretary	Ministry of National Planning and Development Coordination (MNPDC)	In person
Nichola Namo, Director, Economic Productive Sector	Ministry of National Planning and Development Coordination (MNPDC)	In person
Eranda Kotelawala, CEO	Solomon Islands Ports Authority	Remote
Elmar Elbing, Country Representative	Asian Development Bank	In person
Nikolas Yiannakopoulos	AIFFP, DFAT	Remote
Peter Kelly	AIFFP, DFAT	Remote
Louise Babovic	AIFFP, DFAT	Remote
David Carpenter	Independent Expert	Remote
Rory Garland, Senior Infrastructure Advisor	DT Global (SIIP Hub)	Remote
Jo Bawden, DTL Program Management and Performance Workstream	DT Global (SIIP Hub)	Remote
Damien Sweeney, Capacity Building and MEL Lead	DT Global (SIIP Hub)	Remote
Stephanie Symon, Contractor Representative	DT Global	In person
Sam Spurrett, Head of Pacific	DT Global	In person
Annette Leith, Country Representative	World Bank Group	In person
Naoki Kakuta, Senior Transport Specialist	World Bank Group	In person
Keelye Hanmer, Transport Specialist	World Bank Group	In person
Renee Berthome, Operations Analyst	World Bank Group	In person



Round Tables Carried Out

Roundtable Focus	Participants
AHC Infrastructure Team	Craig Gillies, Counsellor Samantha Bell, First Secretary, Infrastructure Dr Lazar Maric, First Secretary, infrastructure Kate Chapman, Second Secretary, Infrastructure Eric Lui, Senior Adviser, Infrastructure Buddley Ronnie, Senior Program Manager, Infrastructure Starling Konainao, Program Manager, Infrastructure Vivolyn Dolarii, Program Manager, Infrastructure
SIIP Hub Team	Tony Mellen, Team Leader Tony Telford, Deputy Team Leader Parimal Joshi, Policy and Governance Lead Sandy Bottrall, Senior Budget and Finance Manager Rory Garland, Senior Infrastructure Adviser Debbie Kupesan, Program Activity Manager Hudson Kauhiona, Climate and Community Manager Damien Sweeney, MEL and CD Manager Jeremy Miller, Communications Specialist
Construction Industry	Daniel Tucker, Kramer Ausenco Pty Ltd Simon Gorman, Reeves International Freda Waki, Alrico Rodney Kavamauri, Motawa Enterprises Limited Justin Fuo'o, Tropical Group Builders Rick Bagby, FMC Pacific Jay Bartlett, Hatanga Group Francis Nori Nofokava, Nofokava



Annex 3 – List of Documents

DFAT	SIIP IMR 2022 (covering 2021)
DFAT	SIIP IMR 2023 (covering 2022)
DFAT	SIIP IMR 2024 (covering 2023)
DFAT	Steering Committee briefing packs (2021-2023)
DFAT	Solomon Islands COVID-19 Development Response Plan
DFAT -	Direct Funding Agreement Process
DFAT	SIIP Financial update - quarterly expenditure 31 Jan 2024
DFAT	DFAT monitoring and evaluation standards, 2017
DFAT	Australia's International Development Policy, 2023
DFAT	Non-SIIP Hub agreement tracker
DFAT	Solomon Islands Infrastructure Roadmap
DFAT	SIIP Audit report Jun 2022
DFAT	SIIP Audit report Jun 2023
DFAT	SIIP Final Design Document 2020
DFAT	Aide Memoire, SIIP Emerging Priorities, May 2023
SIG	Solomon Islands Priority Pipeline Aug 21
SIG	Solomon Islands National Environment Management Strategy 2020–2023
SIG	Solomon Islands Long Term Low Emissions Development Strategy
SIG	SI National Development Strategy 2016-2035
SIG	Solomon Islands National Infrastructure Investment Plan 2013
SIG	Solomon Islands National Infrastructure Investment Plan Summary
SIG	Solomon Islands National Infrastructure Priority Pipeline 2023
SIIP Hub	SIIP Monitoring, Evaluation and Learning Plan, 2022
SIIP Hub	SIIP Climate Change and Disaster Resilience Strategy 2022
SIIP Hub	SIIP Local Content Strategy Oct 2022
SIIP Hub	SIIP Draft Investment Framework 2022
SIIP Hub	SIIP Resourcing Plan: 2023-2025, 2023
SIIP Hub	SIIP capacity Development Strategy, 2022
SIIP Hub	SIIP Environmental and Social Management Framework, 2022
SIIP Hub	SIIP Gender Equality, Disability and Social Inclusion Strategy, Revised 2023
SIIP Hub	SIIP Operations Manual, 2021
SIIP Hub	SIIP Review and Reflection presentations (Feb 2022 - Dec 2023)
SIIP Hub	SIIP Annual report Dec 2022
SIIP Hub	SIIP Six Monthly report: Jan-Jun 2023
SIIP Hub	SIIP Annual Report Dec 2023
SIIP Hub	SIIP Six Monthly Report Jun 2022
SIIP Hub	SIIP Six Monthly Report Dec 2022
SIIP Hub	SIIP Insurance Briefing Paper_V1.0 FINAL (SS13Sep23)
SIIP Hub	Monthly project activity reports (numerous)
ADB	PRIF Pacific Infrastructure Performance Indicators 2016
Cardno	Final Desktop Study Presentation, SI National Transport Core Concept Study, 2020
IMF	International Monetary Fund. 2023 Article IV Consultation



Annex 4 – Non-Australian Bilateral and Multilateral infrastructure support to Solomon Islands

Development Partner	Description
The World Bank Group (WBG)	<p>The second largest external financier to Solomon Islands since 2018, WBG has committed approximately USD350 million (AUD525 million) of its own resources, including about USD215 million (AUD325 million) for major infrastructure activities. Around half of this has been grants and half highly concessional loans. WBG has also played a key convening role, mobilising significant cofinancing for major nation building projects:</p> <ul style="list-style-type: none"> • Tina River Hydropower. WBG has been the coordinating co-financier for this project assisting SIG to mobilise approximately USD200 million (AUD300 million) in additional financing from ADB, Australia, the Green Climate Fund, Korea EXIM Bank, and the Abu Dhabi Fund. WBG also committed USD20 million (AUD30 million) for smaller scale renewable investments in 2018. • Roads and aviation (SIRAP). WBG has committed USD140 million (AUD210 million) for transport sector investments in SI, including an initial USD51 million (AUD77 million) in 2019 and a further USD89 million (AUD133 million) in 2023. The project has financed resealing and upgrades to Henderson international airport in Honiara, upgrades to Lata and Munda airports, road resealing in Noro town, and bridge upgrading in Malaita. • Urban water and sanitation. WBG has committed a total of USD30 million in two tranches (2019 and 2023) for this project, coordinated by ADB.
Asian Development Bank (ADB)	<p>ADB has committed around USD250 million (approximately AUD375 million) of its own resources to SI since 2018, half of which has been for infrastructure. Similar to the World Bank, this has been half grants and half highly concessional loans. High profile ADB infrastructure investments include:</p> <ul style="list-style-type: none"> • Land and maritime transport. Following support for rural roads and bridges approved in 2016, ADB approved the first USD44 million (AUD66 million) phase of a planned long-term USD150 million (AUD225 million) land and maritime transport investment. The first phase of the new investment will focus primarily on the upgrading Honiara port, for which ADB signed a contract in 2022. • Urban water and sanitation. ADB approved a USD37 million investment in 2018 and coordinated additional cofinancing of USD40 million (AUD60 million) from the WBG, European Union and the Global Environment Facility. ADB is planning a new investment of USD15 million (AUD23 million) in 2024 to improve solid waste management. • Energy. ADB in 2019 committed USD30 million (AUD45 million) to cofinance the Tina River hydropower project, building on a previously approved USD9 million (AUD14 million) loan and grant to upgrade solar generation. ADB is planning further renewable energy investments of USD15 million (AUD22 million) in 2024.
Peoples Republic of China	<p>China has committed a reported AUD280 million in infrastructure financing since being recognised by Solomon Islands in late 2019, including:</p> <ul style="list-style-type: none"> • The national stadium and other Pacific Games infrastructure in Honiara, for which China is reported to have spent as much as SBD1 billion (AUD180 million).¹³ Chinese support for the Games has been grant financed, although funds have gone directly to Chinese contractors with almost all labour and materials imported.

¹³ The Guardian, 4 September 2023.



Development Partner	Description
	<ul style="list-style-type: none"> • ICT. A loan of up to RMB500 million (approximately AUD100 million) to finance the construction of 161 ICT towers.¹⁴ To comply with IMF requirements, PRC reportedly offered Solomon Islands an interest rate of 1% instead of the standard 2% that normally apply to EXIM loans with a 20 year maturity and 5 year grace.
New Zealand (NZ)	<p>NZ has been a major long-term partner for Solomon Islands. NZ's latest development plan for Solomon Islands envisages assistance totalling NZD150 million (AUD140 million) over the 4 years from 2021 to 2024. NZ has historically been involved in the education sector as well as providing significant assistance, including budget support, to help strengthen overall economic management. Infrastructure support includes:</p> <ul style="list-style-type: none"> • Provincial airports. Since 2010, NZ has provided approximately NZD40 million (AUD38 million) to assist with upgrades to provincial airports, including Munda, Seghe, and Taro. Along with NZ, these investments have been cofinanced by the WBG and Australia, including AUD23 million for Seghe and Taro through SIIP. • Ports sector project preparation. NZ is leading efforts to plan and design a significant sovereign infrastructure investment likely to be required at Bina Harbour in Malaita to encourage proposed private sector investment in a fisheries process plant, for which the WBG private sector arm, IFC, is advising government. Along with Tina River hydropower, this is likely to be one of the largest infrastructure investments in Solomons and will require support from a wide range of partners to proceed.
Japan	<p>Japan has provided significant infrastructure support to Solomon Islands. Japanese financing has been provided on grant terms, except for a JPY2.5 billion (AUD25 million) concessional loan in 2021 to assist the country's response to COVID. Japanese investments have focused on infrastructure and, since 2018, have included:</p> <ul style="list-style-type: none"> • Henderson airport. Japan in 2018 committed SBD340 million (AUD60 million) to upgrades at Henderson international airport, including refurbishing the international terminal, a new domestic terminal, and upgrades to the taxiway and apron. • Kukum highway. Japan in 2021 committed SBD244 million (AUD44 million) to upgrade the 7km Kukum highway between Henderson international airport and Honiara. The project was completed in 2023.
EU	<p>The EU has focused primarily on supporting water, sanitation, and hygiene (WASH) improvements in Solomon Islands, including a EUR18 million (AUD30 million) grant in 2023 to water and sanitation in urban and peri-urban areas around Honiara.</p>
US	<p>USA has not traditionally been a major financier for Solomon Islands. In January 2022, however, Solomon Islands signed a threshold agreement with the US Millennium Challenge Corporation (MCC). This is intended to support Solomon Islands to access potentially significant financing to help meet infrastructure investment needs, although larger MCC project funding is not assured and unlikely even in a best case until 2027.</p>

¹⁴ The Guardian, 22 August 2022