
**Private Sector Development Program
Portfolio Review**

**Australia Solomon Islands Program Support
(ASIPS+) Facility – Final Report**

26 June 2025

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Acknowledgements

The Review was undertaken by Dr David Carpenter and Ms Qila Tuhanuku.

We would like to thank the Australian Department of Foreign Affairs and Trade, DT Global Asia Pacific Pty Ltd and all stakeholders for your time in engaging with us.

Disclaimer

The views expressed are the author's alone and are not necessarily the views of the Australian Government.

Acronyms and Abbreviations

ADB PSDI	Asian Development Bank – The Pacific Private Sector Development Initiative
AHC	Australian High Commission, Honiara
BF	Blended Finance
BSI	Biosecurity Solomon Islands
BQS	Biosecurity, quality and standards
CEMA	Commodities Export Marketing Authority
CEO	Chief Executive Officer
DFAT	Department of Foreign Affairs and Trade
DMCs	Developing Member Countries
EOIO	End-of-Investment Outcomes
EOPOs	End-of-Program Outcomes
ESG	Environmental, Social and Governance
FDI	Foreign Direct Investment
GEDSI	Gender Equality, Disability and Social Inclusion
GoA	Government of Australia
HOM	Head of Mission
IMR	Independent Mid-term Review
MAL	Ministry of Agriculture and Livestock
M&E	Monitoring and Evaluation
MCT	Ministry of Culture and Tourism
MSMEs	Micro Small and Medium Enterprises
MOFT	Ministry of Finance and Treasury
MoU	Memorandum of Understanding
MRM	Monitoring, Results, and Management
MSA	Market Systems Analysis
MSD	Market Systems for Development
MTR	Mid-term Review
OECD	Organisation for Economic Co-operation and Development
ODA	Official Development Assistance
PALM	Pacific Australia Labour Mobility

PASP	Pacific Australia Skills Platform
PACER Plus	Pacific Agreement on Closer Economic Relations Plus
PDEP	Pacific Digital Economy Programme
PHAMA Plus	Pacific Horticultural and Agricultural Market Access Plus Program
PIIF	Pacific Islands Investment Forum
PMO	Prime Minister's Office
PPPs	Public-Private Partnerships
PRP	Pacific Research Program
PSDI	Pacific Private Sector Development Initiative
SDG	Sustainable Development Goals
SBDP	Islands Bio-security Development Program
SICCI	Solomon Islands Chamber of Commerce
SIDS	Small Island Developing State
SIIP	Solomon Islands Infrastructure Program
SIGP	Solomons Islands Growth Program
SMEs	Small and Medium Enterprises
SOEs	State-Owned Enterprises
SOLATS	Solomons Automated Transfer System
TA	Technical assistance
TVET	Technical and Vocational Education Training
UNCDF-UNDP	United Nations Capital Development Fund - United Nations Development Programme
VfM	Value for Money

1. Introduction

DFAT Solomon Islands has commissioned a review of its private sector development portfolio. This portfolio includes investments from bilateral and regional programs. The bilateral program funds Strongim Bisnis and the Solomon Islands Chamber of Commerce (SICCI), while the regional program includes PHAMA Plus, , and the Asian Development Bank's (ADB's) Pacific Private Sector Development Initiative (PSDI). This review seeks to inform DFAT on the scope, structure, objectives and modalities of Australia's support for the private sector in Solomon Islands, while assessing the progress of the different investments, and their coherence.

This report is structured as follows. Section 2 provides an overview of private sector development in Solomon Islands. Section 3 outlines DFAT's investments in support of private sector development. Section 4 addresses the five review questions (see Attachment A). Section 5 provides recommendations for future phases of Australian support for private sector development.

2. Private Sector Development in Solomons Islands

The Solomon Islands is a small, geographically dispersed archipelago of 90 inhabited islands, stretched over 1,500 kilometers, with a population of approximately 721,000—half of whom are under the age of 18¹. In 2019, approximately 20 percent of the population resided in the capital, Honiara, and this proportion increases each year as people leave remote and rural areas to find employment and access education and training opportunities in the capital. As a Small Island Developing State (SIDS), the country has a narrow economic base. While logging has historically been the main contributor to GDP, the economy has gradually shifted towards services, which accounted for 57 percent of GDP in 2022. Agriculture, fisheries, and forestry contributed 28 percent, while industry, including mining, food processing, and construction, comprised 15 percent. Despite its natural and cultural assets, tourism remains underdeveloped.²

The formal private sector consists of a limited number of large firms and a growing segment of small and medium enterprises (SMEs). Large businesses are concentrated in telecommunications, banking, manufacturing, and logging. SMEs are primarily engaged in wholesale trade, agriculture, and tourism. Business activity is largely concentrated in Honiara, which accounts for 85 percent of the estimated 2,071 registered businesses. Western and Malaita provinces follow with 6 and 4 percent, respectively; of the rural businesses 80 percent are micro-businesses with fewer than five employees.

Ease of Doing Business, Regulatory Landscape, and Taxation

Businesses in Solomon Islands face high regulatory compliance costs, contributing to widespread informality. In the World Bank's final Doing Business Report (2020)³, the country ranked 136 out of 190. While some progress has been made toward digitalising government services—such as the Company Haus online registration portal and the Solomons Automated Transfer System (SOLATS), most business-related processes still require physical payments and manual documentation. Eighty percent of businesses surveyed by the World Bank noted greater digitalisation, improved access to finance, and a simplified regulatory environment would reduce informality⁴.

Tax compliance in Solomon Islands is burdensome, particularly for the narrow base of formal taxpayers. Businesses face high compliance costs, delayed refunds, limited incentives for startups or innovation, and inefficient administration. Unequal enforcement and market-distorting exemptions further strain the tax system. The current tax framework, especially regarding Goods and Sales Tax, PAYE, and withholding taxes, is complex and difficult to navigate. Export duties are hard to enforce, and customs procedures, particularly outside

¹ SINISO (2021) *Solomon Islands National Statistics Office – Population estimates based on the latest census or demographic report*. Retrieved from <https://statistics.gov.sb/rise-in-urbanization-as-growth-in-urban-centers-increase/>

² World Bank (2024). *Solomon Islands Country Economic Memorandum: Unlocking New Sources of Economic Growth*

³ See: World Bank (2020). *Doing Business Report 2020: Solomon Islands*

⁴ *Ibid*

Honiara, are slow and costly. These issues pose significant barriers to formalisation and business growth. Comprehensive tax reform is needed to simplify compliance, improve enforcement, and strengthen the efficiency of revenue administration to better support economic development and public service delivery.

The private sector has a critical role in addressing climate change through carbon markets and adaptation investments. However, progress is hindered by capacity constraints, knowledge gaps, and limited financial resources. Strengthening both public and private capabilities through technical assistance and targeted incentives can help mobilise financing and scale up effective responses.

Access to Finance and Digitalisation

Limited access to finance continues to constrain the private sector. Commercial banks maintain a conservative risk appetite, offer a narrow range of financial products, and primarily serve urban areas. SMEs, youth-led enterprises, and businesses operating on customary land face particular difficulty accessing credit.

Key constraints include weak collateral frameworks, due to insecure land tenure; high interest rates and risk-averse lending; absence of domestic capital markets; underdeveloped microfinance systems; limited financial and digital literacy, and lack of blended finance and credit guarantee mechanisms.

The 2019 Census reported only 15 percent of adults are formally banked.⁵ The closure of provincial bank branches has further restricted access to financial services in rural areas. Mobile money platforms, EziPei and MyCash are expanding but uptake remains limited by low trust, digital and financial illiteracy barriers, high cost of devices and data, and limited network coverage in rural areas⁶. Digitalisation has potential to mitigate these constraints, but infrastructure gaps, affordability challenges, and low digital readiness continue to limit impact.

Infrastructure and Logistics⁷

Severe infrastructure deficits significantly constrain private sector development in Solomon Islands. Electricity costs are among the highest in the Pacific, averaging USD 0.80/kWh in 2019, four times the global average. Reliability is also a concern - in 2023 Solomon Power implemented load shedding for up to seven months after 55 percent of its generators failed. A SICCI survey that year found 79 percent of businesses reported increased operational costs because of this load shedding⁸. Market access is further limited by poor road infrastructure, unreliable inter-island shipping and unavailable or outdated port facilities. In Makira Province—a major cocoa-producing area responsible for 25 percent of national cocoa exports, second only to Guadalcanal - is constructing its first wharf, which was only 65 percent complete as of the first quarter of 2025. The private sector faces high international shipping costs due to a surplus of inbound containers and low export volumes, resulting in a high number of empty return shipments. This drives up import costs, effectively doubling input expenses for processing businesses. Options for domestic substitution of materials are limited due to lack of scale in agriculture and a small manufacturing sector. Telecommunications have improved but remain limited in reach and quality, particularly in rural areas. This affects key sectors such as tourism and export agriculture. Weak urban planning exacerbates infrastructure inefficiencies, raising the overall cost of doing business.

Human Capital and Land Access

Skills shortages remain a key challenge in Solomon Islands with a persistent gap between education outcomes and labour market needs. Disruptions in education delivery and quality have widened this gap, increasing demand for professionally and technically trained workers. Business leaders, government, and development partners agree that skills shortages are undermining productivity, growth, and development prospects. Despite a large pool of non-working adults, businesses face difficulty filling critical positions. Formal sector firms are

⁵ Central Bank of Solomon Islands (2022) *Financial Inclusion and Mobile Money Usage Data*

⁶ *Ibid*

⁷ Solomon Islands Government (SIG) (2023) *Private Sector Mapping and Analysis Report – Sectoral Insights on Business Environment and Reform Priorities*

⁸ SICCI (2023) *2022–2023 Business Confidence Survey Report*

currently understaffed by about 53 percent. Around 40 percent of skilled labour vacancies are for administrators and managers and 30 to 40 percent for those with technical and vocational skills.

Many employers lack confidence in the quality of local TVET programs, viewing them as poorly delivered and misaligned with industry needs⁹. As a result, they often prefer to hire secondary school graduates with strong academic performance, and a strong work ethic, and provide them with on-the-job or short-course training. Raising the overall education level of the workforce is essential, not only to meet domestic demand but to support labour mobility. This will require investment in accessible, high-quality education from early childhood to secondary school, improved vocational training, strengthened teaching standards, and expanded adult education and workplace training programs.

Customary land tenure, which covers over 80 percent of land in Solomon Islands, continues to limit secure land access and collateral use. Complex and varying customary systems also create uncertainty for investors. Challenges accessing customary land for economic development are well documented, and numerous reform attempts have yet to yield results.

High-Risk Business Environment

The private sector, recovering from the impacts of COVID-19, multiple global crises, and political instability, is highly vulnerable to shocks, with limited financial buffers to weather crises like the 2021 unrest, which resulted in economic losses exceeding SBD 500 million and over 1,000 job losses¹⁰. Solomon Islands is also highly exposed to climate risks such as more frequent and intense cyclones, floods, and earthquakes. Infrastructure resilience is weakened by the absence of key regulatory frameworks, such as a national building code. Additionally, the processes for accessing and managing climate finance are complex and frequently do not align with the needs and capacities of SIDS like the Solomon Islands¹¹.

Despite support from international partners, the government's capacity to respond to crises remains limited. Large-scale police or disaster response operations often require regional assistance and funding. The recently launched SIG National Security Strategy 2025 seeks to address these risks¹².

Reforms Underway

Reforms are underway to improve the enabling environment. The National Development Strategy (2016–2035) and Infrastructure Investment Plan (2021–2030) prioritise private-sector-led growth. Ongoing reforms¹³ include:

- Digitalisation of public services (e.g. company registration, tax filing)
- Legal reform for secured transactions and collateral frameworks
- Infrastructure investments such as the Tina River Hydropower Project
- Tax and energy sector reforms, and
- Piloting of customary land recording under the Land Recording Act 2017.

The progress of these reforms has been mixed while E-commerce development has gained traction. The Solomon Islands' digital economy score stood at 43 percent in 2022—a slow progression—but its potential remains limited by logistical and infrastructure challenges¹⁴.

⁹ SICCI (2023) *2022–2023 Business Confidence Survey Report*

¹⁰ Central Bank of Solomon Islands (2022) *The Three Days Riot (Nov 24–26, 2021): The Direct Economic Cost to the Economy*

¹¹ Asian Development Bank (ADB) (2023) *Finding Balance 2023: Benchmarking Performance and Building Climate Resilience in Pacific State-Owned Enterprises*

¹² Solomon Islands Government (2025) National Security Strategy aims to address 5 strategic goals Retrieved from <https://solomons.gov.sb/national-security-strategy-aims-to-address-5-strategic-goals/>

¹³ Solomon Islands Government (2023) *National Development Strategy 2016–2035 and Infrastructure Investment Plan 2021–2030*

¹⁴ Solomon Islands Government (2025) *Solomon Islands Charts Ambitious Path Toward Inclusive Digital Economy at 2025 Stocktake*. Retrieved from <https://solomons.gov.sb/solomon-islands-charts-ambitious-path-toward-inclusive-digital-economy-at-2025-stocktake>

Private Sector Engagement

SICCI is the primary umbrella organisation for the private sector, with about 140 members, including affiliate bodies. Its membership spans large enterprises and SMEs, the majority of which are Honiara based. SICCI facilitates several industry-specific working groups focused on key sectors such as coconut and cocoa, manufacturing, infrastructure, and SMEs.

In collaboration with SIG, it helped establish the Young Entrepreneurs Council Solomon Islands (YECSI) and continues to provide oversight and support. SICCI's role includes private sector advocacy, business training, networking, and policy dialogue. A key platform for this public-private engagement is the SIG-SICCI Advisory Group, established under a Memorandum of Understanding with SIG.

While collaboration between government and SICCI has improved - particularly through the SIG - SICCI Advisory Group - there is a growing need for SICCI to adopt a more strategic policy advocacy role to ensure critical reforms for businesses are implemented quickly and comprehensively and representative of rural based businesses.

Government Priorities and Outlook

SIG priorities that are aligned to private sector development include:

- Advancing digital transformation to establish an e-government framework and develop e-commerce and the digital economy¹⁵. Efforts to improve financial inclusion are also underway focusing on mobile banking and financial literacy, particularly for women and youth entrepreneurs
- Implementing reforms to deliver affordable electricity, expand renewable energy, improve transport connectivity, and build climate-resilient infrastructure
- Investing through quality training and initiatives that foster entrepreneurship and innovation to build a skilled workforce.

Addressing these key challenges and priorities will require a joined-up effort of government, donors and private sector actors, as a long-term supporter of, and advocate for, private sector development in Solomon Islands, DFAT has a key role to play, and it is already supporting SIG in many of the aforementioned areas through a range of programs.

3. DFAT's Private Sector Development Portfolio

The following section provides a brief overview of DFATs PSD investments in Solomon Islands.

Strongim Bisnis

Strongim Bisnis is Australia's flagship private sector investment in Solomon Islands. The initiative started in 2017 and is in phase three of implementation. The current contract concludes in April 2026, however there is an option to extend the program for a further three years. Total DFAT investment over the period 2017-2026 totals approximately AUD 50 million.

Strongim Bisnis was originally designed as one component of the broader Solomons Islands Growth Program (SIGP). This four-year portfolio of 10 activities sought to address constraints to growth in Solomon Islands while stimulating growth in key economic sectors. This included investments in infrastructure (Bridges, Markets, Wharves and Hydro), economic advice (in Finance and Treasury), support to SICCI; and the new Strongim Bisnis program to boost growth in tourism, coconut and cocoa sectors and Markets for Change program.

SIGP was a complex, ambitious program that sought "to operate in the space between the current low levels of private sector activity and infrastructure provision, and the persistent structural constraints. Local and expatriate businesses are succeeding in doing business in Solomon Islands despite these constraints. SIGP will

¹⁵ Solomon-Islands-National-E-commerce-Strategy-2022-2027

seek to emulate, expand and drive an increase in such business activity. Given the existing state of the private sector, some inclusive growth can occur without structural change”¹⁶.

Each component of SIGP had separate management arrangements and SIG counterparts with strategic direction set by the SIGP Steering Committee. There was also an expectation SIGP would complement the regional private sector focused initiatives funded by DFAT in Solomon Islands, which included PSDI, the UNCDF-UNDP implemented Pacific Financial Inclusion Program, PHAMA and the Business Investment Facility.

The 2018 Mid-Term Review of SIGP¹⁷ found limited benefits to consolidating these disparate activities under one economic growth ‘program’. In particular it found:

1. “There were no obvious opportunities for greater interaction between current SIGP activities” (i.e. limited opportunity for coherence)
2. “Given the nature of the program and the diversity of its activities, the MTR concurs with the decision not to proceed with the Steering Committee and Consultative Group” (i.e. high-level governance of such a complex program was highly challenging in the Solomon Islands context), and
“The consolidation of part of the portfolio as a separate program has not provided any evident benefits, for example through reduced administration costs, improved exposition of the development program and its benefits, or benefits from the aggregation of small activities. Indeed, it has introduced the need for an additional layer of management – for the program as well as the individual activities – and has added complexity for reporting on the performance of a program of disparate elements” (i.e. there was no efficiency, relevance or effectiveness-related benefits emerging from the programmatic approach).

These are important lessons for this review and for any attempt to develop a coherent portfolio of activities around private sector and economic growth.

Strongim Bisnis was originally designed as a Market Systems for Development (MSD) program, building on the lessons learned from similar Australian-funded programs. MSD programs seek to systematically address market weaknesses to ensure they function more effectively, sustainably and beneficially for poor people. A central feature of MSD programs is to target the underlying causes of market system performance to bring about a better-functioning, more pro-poor market system. Market weaknesses in specific sectors and sub-sectors are identified via Market Systems Analysis (MSA), which informs the type of support provided. This was a new approach to program delivery in Solomon Islands, which meant a period of learning for DFAT, SIG, private sector actors and resulted in some initial programming delays¹⁸.

Over time, Strongim Bisnis has undergone important shifts as it adapts to changes in Australia’s international development policy priorities, shifts in market system dynamics, and policy and structural changes in Solomon Islands. This would be expected of a program entering its ninth year of implementation. The program has been re-designed on three separate occasions and these designs have modified its End-Of-Investment Outcomes (see Table 1) but the overall strategic objectives have remained quite consistent.

Table 1: Outcome level changes to Strongim Bisnis over time

Years	EOIO-1	EOIO-2	EOIO-3
2017-21	Business is demonstrating potential for increased productivity, greater resilience, better risk management, more income earning opportunities and access to high value markets,	The private sector and government work together to increase opportunities for trade and investment, and form external partnerships that accelerate business growth,	Women and youth have increased economic opportunity, measured by women’s and youth participation in the above outcomes, and specific

¹⁶ See Solomon Islands Growth Program Design, 2016, p.21

¹⁷ See Solomon Islands Growth Program Mid-Term Review, Metis Analytics, 30th November 2018.

¹⁸ See SIGP Mid Term Review 2018

	measured by higher agricultural yields, more efficient use of assets and labour, and new business models that favour employment, incomes or trade.	measured by a more favourable investment climate and external partnerships that accelerate changing business practice.	measures for women's and youth economic empowerment.
2021-23	Private sector enterprises have demonstrated potential for: increased productivity; greater resilience; better risk management; increased income earning opportunities and access to higher value markets; increased efficient use of assets and labour; and use of new business models that promote increased employment, income, and trade.	The private sector and government have worked together to increase opportunities for trade and investment, and form partnerships that encourage business growth and accelerated changes in business practices which result in a more favourable investment climate.	Women, youth and people living with disabilities have improved economic empowerment, measured by their participation in EOPOs 1 and 2 above, and demonstrated success of specific social inclusion measures.
2023-26	Businesses in target sectors have increased sales and profits, providing increased employment and household incomes.	Women, youth, and people with disabilities have increased economic empowerment.	SIG has increased opportunities to support the private sector through partnerships or reforms to improve the enabling environment.

The most significant shift has been at EOIO-1 with Strongim Bisnis moving from supporting businesses that 'demonstrate potential' for increased productivity to an expectation it would deliver increased 'sales and profits'. This would be expected for an investment that has worked closely with businesses for many years. The economic empowerment outcome has remained essentially the same outside of the inclusion of people with disabilities while the ambition of the government-private sector partnership outcome has diminished.

Building on the independent review of Phase two¹⁹, the demonstrated strengths of the program, and AHC Honiara strategic objectives, the phase three design²⁰ introduced programmatic and strategic shifts designed to increase the program's relevance, effectiveness and sustainability and included:

- maintaining a balanced portfolio of activities of high-growth, dynamic sectors alongside sectors critical to achieving the long-term objectives of environmental sustainability and geographic inclusion
- maintaining focus on cocoa, tourism, sawn timber, coconut, and horticulture
- actively seeking business partnerships outside Honiara and Guadalcanal to expand provincial impact
- focusing on increasing Strongim Bisnis recognition among key Solomon Islands audiences (including SIG, businesses and citizens), aligning with Australia's key messaging and public diplomacy objectives
- discontinuing financial service-related activities as these are 'beyond the technical and financial resources of Strongim Bisnis' and are addressed by the Australian-funded Pacific Digital Economics Program (PDEP)', and
- working in a complementary and synergistic way with other key DFAT funded investments including: PHAMA+, PALM, SIIP, Markets for Change, and PDEP.

Solomon Islands Chamber of Commerce and Industry

¹⁹ See: Strongim Bisnis Phase 2 Final Evaluation Report, 12th April 2023, Alinea

²⁰ Strongim Bisnis Phase 3 (2023-2026) Investment Design Document, 25th March 2024

SICCI is the primary body that advocates on behalf of the private sector in Solomon Islands. DFAT has provided long-term support to SICCI via grant agreements. The current grant agreement funds the Strengthening Advocacy and Engagement for Private Sector Development, valued at AUD 662,910, covers July 2024-June 2026. The agreement partially funds the salaries of the CEO and Executive Officer, and fully funds three Project Officers (Advocacy, Communications and Membership), and an Export Industry Officer. The grant agreement also funds basic operating costs and activity and membership events. SICCI has relied for many years on DFAT funding to deliver its core function for many years.

SICCI provides business networking, policy dialogue, capacity building, information sharing, business promotion and market linkage services to 141 businesses across the country. The membership cost is based on the size of each business as measured by the number of employees, with annual fees ranging from SBD 550 for businesses with 1-9 employees to SBD 9,000 for businesses with 50-100 employees. Provincial businesses with less than 20 employees are entitled to a 50 per cent discount in annual membership fees.

SICCI is heavily dependent on DFAT funding to deliver its core services. Recent reporting²¹ suggests membership numbers have decreased over the previous grant agreement (from n=200 to n=141).

SICCI also intersects with DFATs other private sector development initiatives through support for Industry Working Groups (IWGs). There are IWGs in traditional (e.g. Coconut, Cocoa) and emerging (e.g. Seaweed) sectors. Strongim Bisnis (in seaweed for example) and PHAMA Plus in Cocoa export provide important inputs into policy position papers. However, stakeholders acknowledged these interactions among the three DFATs programs is somewhat opportunistic and sector specific.

SICCI operates in a traditional Chamber of Commerce model with position papers developed by policy officers, endorsed by a Board and then used for high-level policy advocacy. SICCI has advocacy officers, who alongside Board members and others seek to influence policy, including on domestic and export policies and includes targeted advocacy within relevant ministries and the Prime Minister's Office and ministers.

PHAMA Plus

PHAMA Plus is a long-term regional program funded by Australia and New Zealand that supports private and public sector partners to increase farm household income, increase exports and are responsive to environment, climate and resilience factors. The program works in 10 Pacific countries (Cook Islands, Fiji, Kiribati, Papua New Guinea, Niue, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu). Phase II of PHAMA Plus runs from July 2022 to June 2026.

The program has three end of program outcomes (EOPOs):

- EOPO 1 - Support improved exporter performance - Women and men producers and exporters use maintained and new export market access for Pacific export products
- EOPO 2 - Support market access and strengthen biosecurity systems, and
- EOPO 3 - Support supply-side innovation – including Women and men exporters, processors and producers adopt quality and productivity enhancing and climate-resilient innovations for their export products and share experiences to improve collective knowledge and understanding of markets and extend know-how.

The core focus of PHAMA Plus is to improve market access for Pacific agri-food products and facilitate trade that benefits Pacific farming households. This clearly remains relevant to the Pacific, Australia and New Zealand. In Solomon Islands, the program has focused on cocoa and coconut and sought to improve biosecurity, quality and standards (BQS). In coconut, PHAMA Plus has improved the coconut supply chain, including increasing processing capacity and improving food safety. In cocoa, it has strengthened the supply chain and fostered the use of higher quality cocoa. On BQS, it has focused on standards and certification, market access and

²¹ SICCI End of Grant Agreement Report June 2024

biosecurity treatment. PHAMA Plus has also supported key interventions in the sawn timber sector, including assisting Solomon Island businesses maintain market access in Australia and New Zealand.

PHAMA Plus collaborates with Australian-funded programs on the supply side and BQS. This includes Strongim Bisnis, SIBDP, and to some extent PACER Plus. SIBDP is of direct relevance to PHAMA Plus given its focus on improving biosecurity capability in Biosecurity Solomon Islands (BSI) and the Ministry of Agriculture and Livestock (MAL), and focus on animal and plant health surveillance.

Private Sector Development Initiative (PSDI)

PSDI, which started in 2011, is an ADB technical assistance facility funded in partnership with Australia and New Zealand. The program works with the ADB's 14 Pacific developing member countries and provides advisory and capacity building assistance and providing TA for policy reforms that improve the business enabling environment. In particular, PSDI is focused on:

- Business Law Reform - especially initiatives that modernise and simplify outdated business laws
- Financing Growth that increase business access to finance by simplifying the acceptance of movable assets as collateral and developing alternative financing platforms
- State-Owned Enterprise Reform and Public– Private Partnerships
- Competition and Consumer Protection reforms to ensure Pacific countries possess well-functioning competition laws and consumer protection frameworks, and
- Economic Empowerment of Women initiatives work to maximise the benefit to women of all PSDI reforms.

PSDI has supported Solomon Islands in each of these areas in recent years. In particular:

- Advocated for strengthening foreign direct investment (FDI) frameworks
- Conducted feasibility studies on domestic credit provision by the Solomon Islands National Provident Fund (SINPF)
- Supported finance sector development through legislative reform and the modernisation of finance sector legislation, such as the Financial Institutions Act, The Insurance Act, and the SINPF Act
- Supported legislative reform for state-owned enterprises by working with MOFT to support legislative reform to improve SOE service delivery
- Supported improvement to competition and consumer policy, including building government capacity
- Supported women's equal access to retirement benefits by working with the Pacific Islands Investment Forum (PIIF) and its members, including SINPF
- Supported sustainable destination planning in tourism
- Strengthened evidence-based tourism planning with the Ministry of Culture and Tourism through an assessment of the potential of the superyacht market for Solomon Islands
- Conducted a study on the potential for rooftop solar with Solomons Power, and
- Worked with the Institute of Accountants training women in executive positions.

Phase four of PSDI will end soon and Phase five objectives are being designed by PSDI. Stakeholders have potential new focus area in agriculture, which may focus on exports. The Phase 5 design will also seek to address concerns voiced by DFAT and MFAT on the need for greater country level coordination. If the new focus on agriculture does materialise then there will be even more sectors that overlap with DFATs private sector investments in Solomon Islands and a greater need for country level coordination.

4. Findings

The performance of Strongim Bisnis. The IMR, MTR and MRM data demonstrates Strongim Bisnis has performed satisfactorily under EOIO-1 despite its slow start, the significant disruption caused by the COVID-19 pandemic, and the challenging business environment in Solomon Islands. Annual Reports and the MRM Framework demonstrate moderate achievements in the sale of value-added products, value of additional investments leveraged, number of households with improved access to markets, number of jobs created and additional income. The total value of these benefits (2017-2024) is SBD 69 million (AUD 13 million). Benefits

improving women and youth economic empowerment (EOIO-2) have also been demonstrated in the creation of employment and improving business practices.

This review will not conduct a comprehensive assessment of the performance of the program. There are however two issues that warrant further consideration.

The first is value for money and the second is sustainability. Strongim Bisnis over nearly 10 years has generated total additional economic benefits of SBD69 million (AUD 13 million). Strongim's modest direct economic returns are unsurprising given the broader challenges facing the private sector. Its value lies in providing direct targeted support to businesses in priority sectors to help them build commercial capability or to generate returns in the absence of access to commercial financial and or business training.

A valuable by-product is the generation of real-time business and market data, which could help inform evidence-based policy and guide more strategic investment decisions across the economy. From a commercial standpoint "backing winners" - businesses with growth potential and solid commercial fundamentals and readiness - is good business practise. These businesses are most likely to secure financing, attract investment, and deliver sustainable outcomes—even in a constrained market. But this could also be at the cost of early-stage or informal ventures with similar transformational potential.

There are also questions of long-term sustainability. If benefits accrued to businesses supported by the program sustain over the long term without ongoing support, then that would increase the economic return and change the value for money proposition. Assessing the extent Strongim Bisnis has contributed to addressing market weaknesses that sustains these benefits is important. Many assumptions are made by the program and it may need to be retested over time.

One outcome area that has underperformed is the government-private sector partnership outcome (EOIO-3 under the current phase). This seeks to improve the business enabling environment and address the systematic issues that constrain market functioning. This has implications for the sustainability of the economic outcomes under EOIO-1. Strongim Bisnis has limited success in influencing government and the private sector's capacity to advocate for policy or law reform. The program's performance against the EOIO-3 indicators has been below the performance of EOIO's 1 and 2).

The issue here is not a lack of information on constraints but one of advocacy and influence. The research conducted by Strongim Bisnis and its MSA's have produced information on policy and structural issues that constrain business productivity and growth. The alleviation of these constraints would ultimately sustain the outcomes already achieved by the program and facilitating broader private sector growth.

The lack of progress is demonstrated by Strongim Bisnis' latest annual report with efforts to initiate collaborations between the private sector and SIG primarily focused on early discussions with the Permanent Secretaries of the Ministry of Agriculture and Livestock; Ministry of Commerce, Industry, Labour and Immigration; and Ministry of Culture and Tourism. These discussions explored areas of alignment and potential support for enhancing the business enabling environment. While engagement had been reasonably strong with individuals from the Ministry of Culture and Tourism (MCT), there had been very limited substantive engagement with other ministries including those ministries that can initiate reforms in the business enabling environment, such as the Ministries of Finance and Treasury, and Commerce and the Prime Minister's Office (PMO).

Strongim Bisnis has been unable to leverage its in-depth knowledge of business-level constraints in a wide range of sectors to influence private sector reform. The assumption that it could leverage the experience and reputation gained via its work under EOIOs 1 and 2 to influence and strengthen engagement under EOIO-3 is a cornerstone of the program's Theory of Change.

Discussion with the Strongim Bisnis team in Honiara helped clarify the program's approach to making progress under EOIO-3 and with government partnerships. Strongim Bisnis and SIG 'moved at different speeds' as Strongim Bisnis could be opportunistic and react to changes in private sector dynamics. Learnings from Phases 1 and 2 showed reform-focused activities initiated by the program take a long time, while initiatives that reacted to, and aligned with sector level priorities were in a timely manner and more effective. An example was support

to Ministry of Culture and Tourism for the Bloody Ridge National Park that responded and supported SIG sectoral priorities.

Strongim Bisnis also plays a key role in the delivery of sector and enterprise-level interventions that offer interim support while broader reforms are pending. It also provides critical evidence of what is commercially viable in Solomon Islands, while surfacing the structural constraints. In this regard the program is effective. However, the program's broader impact is constrained by structural barriers that lie beyond its mandate, including **high energy costs, poor infrastructure, and Lack of tax and regulatory reform** needed to attract investment, support business formalisation and enable sustained growth.

Strongim Bisnis offers a data-driven, proof of concept, effectively demonstrating what is commercially viable and achievable within the Solomon Islands context. However, without concurrent investments in macroeconomic reform and infrastructure, the broader economic transformation driven by programs like Strongim Bisnis could be limited in effectiveness and long-term sustainability.

The performance of SICCI. SICCI has regular engagement with senior government leaders but some stakeholders cited challenges in SICCI's lack of policy influence and the slow pace of private sector reform, length and continuity of membership; too much focus on businesses in Honiara at the expense of provincial businesses; lack of focus on key unifying themes that affect all businesses; challenges as 'bridge the mistrust that exists between the government and business'; competition between sectors for SICCI support; lack of focus on practical issues that affect small local businesses, and lack of strategic leadership.

As an organisation, SICCI faced a wide range of challenges including high turnover of staff (attributed to low remuneration), technical and policy capability gaps, low (and declining) membership numbers, unsustainable finances, limited Solomon Islands-wide representativeness, and issues around governance. An organisational capacity assessment undertaken outlined a range of governance, organisational and human resource issues that need to be addressed over the next five years.

SICCI's existing reporting to DFAT summarises results at the output level, including number of activities delivered, and how funds were disbursed but this does not reflect performance at the outcome level in policy advocacy, the quality of training provided, the impact of strategic communication, or the extent to which SICCI has helped SMEs improve their competitiveness.

The performance of PHAMA Plus. Previously Phama Plus supported the supply side (i.e. coconut, cocoa). It had developed a strong technical understanding of supply side sectors and commodities, and aimed to stimulate changes in the behaviour, incentives, capacities, and relationships between market players within targeted core commodities. This was essentially what Strongim Bisnis is focused on and led to some duplication of activities, particularly in the coconut sector. This resulted in the AHC Honiara reorientating funding to Strongim Bisnis away from PHAMA Plus and reorientated PHAMA Plus to be only focused on BQS.

PHAMA Plus will end in mid-2026, with the program currently being evaluated. Due to overlaps with Strongim Bisnis in Solomon Islands, there may be a need to consolidate any future program squarely on BQS-type interventions, particularly depending on the future design of PHAMA Plus and/or any future investments.

The performance of PSDI. The breadth of PSDI's work in Solomon Islands is extensive, covering everything from FDI, to SOE reform, Tourism and Competition, therefore it is difficult to form a judgement on the effectiveness and impact of these TA-driven interventions and overall contribution to strengthening the business enabling environment after 18 years of implementation. Various PSDI reviews have emphasised the need to deepen engagement in particular sectors, more strategically manage TA assignments, adopt a longer-term approach and focus more on building institutional capacity to ensure the policies and regulations that are developed by PSDI TA can be effectively implemented by the relevant government agencies.

PSDI is a demand driven, highly fragmented and thinly resourced initiative. Since its inception in 2007, the investment has had four phases valued AUD 71 million across 14 countries – the vast majority of which has been funded by DFAT. Phase four of PSDI totals AUD 30 million, of which DFAT funds AUD 24 million with AUD 382,000 allocated to Solomon Islands in 2024. This has produced some important discrete outputs but there is a distinct absence of outcome-level reporting.

While the country and sector specific reports produce invaluable data and insights necessary for policy discussions, their actual use in advocacy and policymaking has been unclear. PSDI's reforms appear to be either limited in scope or too isolated to drive significant private sector progress. For example, the effectiveness of the Online Company Registry supported by PSDI is constrained by the continued requirement for physical payment.

5. Recommendations

1. DFAT should extend Strongim Bisnis for another three years. There is also a need to leverage its extensive knowledge of market realities in Solomon Islands to build trust, change government perceptions and attitudes, and influence government policy around PSD otherwise would be a lost opportunity.

DFAT should then consider re-working EOIO-3 to improve the logic chain from outcome to activity, with a view to clarifying exactly how, and the extent to which, the program will leverage its market insights to support PSD advocacy. This could include the identification of new additional activities, such as the SICCI grant agreement and a greater focus on research-to-policy efforts and policy advocacy.

2. DFAT should wait until the evaluation of PHAMA plus has been completed to better understand how a new activity would fit with its portfolio. There is an opportunity to recalibrate as PHAMA Plus comes to an end. DFAT should seek to influence the design as early as possible to align with Strongim Bisnis. These future programs may be less 'regional' in nature and be more a multi-country initiative. The latter would likely have a strong enabling environment focus that can be co-funded by bilateral programs could may be the most effective and coherent option.

3. To improve effectiveness, foster sustainability, and maximise public diplomacy, DFAT should more clearly articulate its PSD-related strategic objectives and proactively manage the totality of its investments. However, DFAT should be careful not to repeat the mistakes of SIGP by developing complex strategies that link disparate activities together under an all-encompassing strategic objective. The aim should be to identify entry points for greater PSD coherence across DFAT's portfolio and then develop practical mechanisms to help with further PSD reform in a more joined up manner. This could lead to the development of a strategy at a later date, if deemed necessary. This practical approach can then be used to develop a range of public diplomacy products that communicate the full extent of DFAT's support for PSD in Solomon Islands.

DFAT could also **strengthen PSD coordination and coherence**. DFAT PSD staff could develop an intervention matrix that identifies those DFAT bilateral and regional investments with private sector equities (e.g. across Economics, Governance, Education, Infrastructure). AHC staff could facilitate a cross-program workshop once every six months to identify synergies and entry points to strengthen coherence around PSD. Each program is at different stages of implementation, it would then be necessary to develop a structured and targeted approach to coordination to ensure this process is relevant and useful – this could include:

1. **seeking input into bilateral and regional aid program designs** (of PHAMA/MDF++ for example) to incorporate lessons from Solomon Islands PSD portfolio experience and influencing prioritisation and strategic objectives to ensure designs countenance PSD issues
2. provide inputs into **strategy development** and **program documentation** at the intervention level (e.g. during inception) to ensure DFAT programs establish strategic parameters and decision-making mechanisms that induce a focus on PSD issues (in balance with other priorities). Examples of such programs would include PASP/APTC, Australia Awards, PLMSP, PDEP, new PHAMA/MDF++ etc
3. provide **input into the Terms of Reference** of advisors who work with SIG on issues that directly or indirectly address one of the six reform priorities outlined in this paper (such as advisers in Treasury, Finance or the PMO)

4. **strengthen localisation strategies** to ensure they include sufficient focus on building local private sector capacity
5. **provide input into the design of intervention-level evaluations** to ensure evaluation questions around private sector development, as a cross-cutting issue, are incorporated into evaluation design, and
6. **work together to commission a meta-evaluation** of AHC Honiara's overall contribution to private sector development through all of its programs and use the lessons to further strengthen coherence.
 - a. Other activities could be developed to address questions over sustainability and coordination and include:
 1. Analyse Strongim Bisnis MSA, and PSDI/PHAMA outputs for information and knowledge that can be used to develop unifying themes for policy dialogue and advocacy that can be taken forward by SICCI
 2. Conduct robust economic analysis on economic growth and private sector development potential in Solomon Islands, which can also be used for policy dialogue and advocacy purposes
 3. Conduct PEA and economic analysis on the effects of market distortion
 4. Develop synergies with the other development programs including those involved with the development and implementation of tax reforms, payment systems, and digitalisation
 5. Assist SICCI strengthen its policy advocacy capability