



**GOVERNMENT OF SOLOMON ISLANDS**

# **PUBLIC INVESTMENT MANAGEMENT GUIDELINES**

**OCTOBER 2023**

**MINISTRY OF FINANCE AND TREASURY  
HONIARA, SOLOMON ISLANDS**

## Foreword

The Public Investment Management (PIM) Guidelines have been created to effectively manage, control, and monitor externally financed infrastructure projects in the country. The diagnostic study in 2018 recommended that there is a need for improvements in the systems, processes, and procedures that support public investment.

Since Solomon Islands gained independence, Development Partners (DPs) funded infrastructure projects to Solomon Islands does not have a policy or guidelines to manage the process governing all external funding. Although there is an existing system and process, there are no clear management principles with the relevant features to ensure that key risks are appropriately mitigated through informed decision-making steps and controls within the government's structure.

The Public Investment Management Guidelines are intended to guide the process used to plan, implement, monitor, and evaluate DP-funded infrastructure projects. The aim is to fill the gap between what should be done and the immediate demand for pragmatic guidance to assist with the country's intended reform. The Guidelines have been developed as part of the Solomon Islands' major reform programme to legislate, under the Public Finance Management (PFM) Act, the administration and management of external resources for public investment in the country.

The Guidelines, part of the PIM framework, show the SIG's commitment to strengthen its control over financial resources to guide the PIM process. The Guidelines further enhance the implementation of the SIG's long and medium-term plans and seek to establish an effective mechanism to manage and control the PIM process.

During its implementation, MoFT will ensure that it incorporates other DP funding including climate change funding to provide a synchronized system and process that will provide procedural guidance, including detailed criteria, standardized parameter values, and procedural documentation that outlines the processes and have the required templates for completion by line ministries as required by the guidelines.

The Guidelines are developed through the participatory process of all stakeholders who contribute to working on the changes. It helps to provide logical and systematic guidance to the PIM process with the aim of building and strengthening the capacity of the SIG to enhance social and economic development and effective service delivery across the country. It sets the institutional and regulatory parameters on externally financed infrastructure project selection and allocation to priority sectors in alignment with NDS.

In conclusion, the successful implementation of the PIM Guidelines will depend on the commitment of all stakeholders. The absence of a PIM Policy and Guidelines has in the

last decade exposed a serious disconnection between plans and actual projects and weakened institutional accountability not only in terms of resources at the disposal of spending agencies but also result of failed DP-funded projects. I, therefore, asked all stakeholders to put in every effort to assist the successful implementation of the PIM Guidelines to assist SIG in effectively managing externally financed infrastructure projects and delivering services to the people of Solomon Islands.

A handwritten signature in black ink, appearing to read 'H. Kuma', written in a cursive style.

**Hon. Harry D Kuma, MP**  
**Minister of Finance and Treasury**

## Preface

The lack of PIM Policy and Guidelines contributed to the limitation of management and control of Development Partners (DPs) funded infrastructure projects in the country in the past few years. The increase in SIG obligations in spending for economic and social infrastructure had resulted in a rapid increase in both domestic and externally funded investments. The growth in public investment, especially from DPs warrants the need for quality, effective, and appropriate systems, and capacity to make sound decisions in the management and control of public investment.

The SIG faced challenges in the control and oversight of externally financed infrastructure projects and the need to address the weaknesses and gaps in the PIM process, especially in relation to a systematic approach to conducting project appraisals, lack of published methodology, and central support for project appraisals. This includes the absence of PIM standard guidelines to guide the systematic assessment and review of project proposals and appraisals.

The absence of an established structure and system for the DP-funded infrastructure projects has also affected the proper control and oversight by SIG. The PIM Guidelines are purposely to guide MoFT, line ministries, and other stakeholders to guide the decision-making process that will be applied when negotiating, preparing, designing, implementing, and reporting on development cooperation investments.

The Guidelines have parameters that provide a standardized and approved process. In the project proposals and appraisals, guidelines for the selection of DP-funded infrastructure projects and guidelines that support implementation and enforcement of the policy guidelines. The Guidelines are purposely to provide guidance to optimize the utilization of external finance, promote sustainability, and ensure value-for-money investments. The Guidelines help provide procedural guidance, including basic procedural guidelines, high-level decision criteria, roles and responsibilities, and the designation of analytical tools that govern the appraisal, selection, funding selection, implementation, and Monitoring and Evaluation (M&E) of public projects.

Lastly, the successful implementation of the PIM Guidelines will require a change of mindset, ownership, and concerted efforts to the PIM procedures. This will support fiscal sustenance and derive value for money from externally financed public investment. We, therefore, urge all the various stakeholders to be proactive in the implementation of the PIM Guidelines.



Mckinnie P Dentana  
Permanent Secretary  
Ministry of Finance and Treasury



Susan Sulu  
Permanent Secretary  
Ministry of National Planning and Development Coordination

## Acknowledgment

This PIM Guidelines was prepared by the Ministry of Finance and Treasury (MoFT) team with support from Mr. Tomohide Uchida, Japan International Cooperation Agency (JICA) PIM Advisor, and Mr. George Kosui, a local Consultant. The Guidelines form the basis of the PIM Policy that provides strategic guidance to the effective management of externally financed public investment in the country. The Guidelines serve as the cornerstone for the implementation of externally financed infrastructure projects which provides strategic direction for the proficient administration of externally financed public investment in the country.

The PIM reform team extends its gratitude to JICA for supporting work on the PIM reform. Appreciation to Mr. Mckinnie Dentana, the Permanent Secretary of Finance and Treasury, as well as Ms. Susan Sulu, the Permanent Secretary of National Planning and Development Coordination. The team also extends its appreciation to the members of the Public Investment Management Steering Committee (PIMSC) and the Public Investment Management Technical Committee (PIMTC) for their valuable guidance and contributions during the drafting process of the PIM Guidelines.

Finally, the team expresses its sincere thanks to Development Partners who have committed to supporting the PIM reform agenda through their provision of budget support and development policy financing in line with the policy matrix. The Joint Policy Reform Group (JPRG), comprising Asian Development Bank, World Bank, European Union, Australia, New Zealand, and Japan, provides budget support under the Policy Reform Matrix 2023-2025. In addition, World Bank provides development policy financing under the Solomon Islands Transition to Sustainable Growth Development Policy Operation.

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## Acronyms/Abbreviations

BSC	Budget Strategic Committee
BU	Budget Unit
CRFU	Climate Resilience Finance Unit
DCNAOD	Development Cooperation and National Authorizing Officers Division
DMAC	Debt Management Advisory Committee
DMU	Debt Management Unit
DPs	Development Partners
EPSD	Economic and Productive Sector Division
FEDU	Financial Economic Development Unit
FR	Fundamental Reform
GHG	Greenhouse Gas
IAU	Investment Analysis Unit
JPRG	Joint Policy Reform Group
M&E	Monitoring and Evaluation
MEU	Macro-Economic Unit
MNPDC	Ministry of National Planning and Development Coordination
MoFT	Ministry of Finance and Treasury
MTDP	Medium Term Development Plan
MTEF	Medium Term Expenditure Framework
MTFS	Medium Term Fiscal Strategy
NDC	Nationally Determined Contribution
NDS	National Development Strategy
ODA	Official Development Assistance
OOF	Other Official Flows
OPMC	Office of the Prime Minister and Cabinet

PFM	Public Financial Management
PIM	Public Investment Management
PIMSC	Public Investment Management Steering Committee
PIMTC	Public Investment Management Technical Committee
PPP	Public Private Partnership
PPPU	Public Private Partnership Unit
PU	Procurement Unit
PQD	Programme Quality Division
SBD	Solomon Islands Dollar
SDGSD	Social Development and Governance Sector Division
SIG	Solomon Islands Government
SINIIP	Solomon Islands National Infrastructure Investment Plan
SPBAD	Strategic Planning and Budget Allocation Division

## Definitions

Climate Resilience Public Investment Management	Climate resilience public investment management is a framework for managing public investment through addressing climate change mitigation and adaptation and disaster risk management. It contributes to a country's efficient use of public resources by considering how climate change and natural disaster affects the future value of public assets and operation and maintenance costs.
Development Budget	The Development Budget is a financing mechanism of the Public Investment Programme and the Government's fixed commitments now referred to as the 'Capital Budget'.
Economic Analysis	Economic Analysis refers to evaluation of costs and benefits of any projects or investment to check the viability of a project or investment opportunity. It involves identifying, evaluating, and comparing costs and benefits.
External Finance	External finance refers to foreign sources of funds for promoting development in a destination country. There are external public finance and external private finance. These guidelines mainly focus on external public finance, which includes Official Development Assistance (ODA) grants and concessional loans, Other Official Flows (OOF), South-South and Triangular Cooperation, and public borrowing from capital markets.
Externally Financed Public Investment	Externally financed public investment is defined as gross fixed capital formation and reflects the total value of acquisitions and less disposal of fixed assets by the state through external finance, including ODA grants and concessional loans, OOF, South-South and Triangular Cooperation, vertical funds, such as the climate funds, public borrowing from capital markets, and PPP arrangements in case external finance involves.
Ex-Post Evaluation	Refers to the process that provides guide to objective assessment of ongoing or completed projects. The process includes project design, implementation and results that determine its relevance, fulfillment of objectives, efficiency, and effectiveness, as well as project sustainability.
Feasibility Study	Feasibility study is an assessment of the practicality of a project or system. Its purpose is to objectively and rationally uncover the strengths and weaknesses of a project, opportunities and threats present in the natural environment, the resources required to carry through, and ultimately the prospects for success. In its simplest terms, the two criteria to judge feasibility are cost required and value to be attained.
Input	Input refers to all physical and non-physical assets that are used as the basis for adding value to a given project and contributing to achieving project goals and objectives. It may take a variety of forms, from energy, process, technology and the like to requirements, guidelines, capital, etc. Project input is transformed into certain output throughout the project life cycle.
Impact	Project Impact is how projects affect the matters which it comes in contact with it. By giving a project impact appraisal it will define the effects, both positive and negative, which the project is expected to produce upon environment, organization, community, people, etc.

Logical Framework	Methodology used for designing, monitoring, and evaluating Development Partners (DPs) projects. It is a table that lists programme activities, medium term outcomes and ultimately long-term goals. Log frames consist of objectives, measurable performance indicators and monitoring and coordination.
Medium Term Development Plan	A Five (5) year period of development plan with key development strategy and investment programmes designed and implemented within the National Planning Framework to achieve Visions and Goals set under Vision 2035.
Project Monitoring	Monitoring is the process which involves follow-up and assessment of activities and project delivery to ensure that they are proceeding according to plan and that the expected results are likely to be achieved.
National Development Strategy	The NDS 2016 - 2035 sets out the strategic direction for Solomon Islands with a visionary strategy setting a long –term vision, mission and objective that reflects the country’s aspirations of all Solomon Islanders to have a foundation for sustainable development.
Official Development Assistance	Official Development Assistance (ODA) is defined as government aid that promotes and specifically targets the economic development and welfare of developing countries.
Other Official Flows	Other Official Flows (OOF) are defined as flows to developing countries by the official sector which do not meet the criteria for ODA, either because they are not primarily aimed at development, or because they are not sufficiently concessional.
Project	Project means “An individual investment that has a specific objective/purpose with key components and a set of activities to be implemented during a period of 1-5 years. Project Cycle (8 stages), sets the logical sequence of all activities to be undertaken.
Project Appraisal	Project Appraisal is the process of reviewing a given project and evaluating its content to approve or reject this project, through analyzing the problem or need to be addressed by the project, generating solution options (alternatives) for solving the problem, selecting the most feasible option. It is an attempt to justify the project through analysis, which is a way to determine project feasibility and cost-effectiveness.
Project Concept Note	A Project Concept Note is purposely to give information on the relevant background of the project. The Project Concept Note outlines the rationale of the project, brief description, and other relevant information on the structure of the concept note as well.
Project Cycle Management	Process used in planning, organizing coordinating, and controlling of all aspects of the project effectively and efficiently throughout the phases, from planning through to execution then completion with the aim to achieve project objectives within the expected performance targets for time, cost, quality, scope, benefits, and risks.
Programme	Programme refers to a group of projects within one sector, sub-sector or in a particular area with different sector/sub-sectors projects to complement each other to achieve broader objectives.

Public Investment	Public investment refers to gross fixed capital formation and reflects the total value of acquisitions and less disposal of fixed assets by the state, whether through central or local governments or through publicly owned industries or corporations. Public investment encompasses physical or tangible investment in infrastructure, such as transport, telecommunications, and buildings, but in a broader sense, public investment can include human or intangible investment in education, skills, and knowledge.
Public Investment Management	An approach to managing government expenditures for public investment strategically, efficiently, and productivity.
Public Private Partnership	Public Private Partnership (PPP) involves private sector supply of infrastructure assets and services that have traditionally been provided by governments. An infusion of private capital and management can ease fiscal constraints on infrastructure investment and increase efficiency.
Risk Management	Risk management involves identifying, analyzing, and accepting or mitigating uncertainty in investment decisions. It is the process of monitoring and dealing with the risks associated with investing.
Social & Environmental Impact Assessment	Social & Environmental Impact Assessment (SEIA) is a process that determines the environmental and social risks (ESG Risks) and impacts (including Human Rights and climate change risks and impacts, if applicable) of a proposed Project in its area of influence.

# Chapter 1: Introduction

## 1.1 Background

The Solomon Islands Government (SIG) is committed to improving the implementation and management of public investment in the country. It is in this regard that the Ministry of Finance and Treasury (MoFT) created the Public Investment Management (PIM) Guidelines for the implementation of the PIM Policy under the PIM Framework to enable SIG effectively to manage and control externally financed infrastructure projects. SIG has experienced a myriad of challenges in the management of the PIM system and process. The challenges attributed to poor and inadequate project preparation, appraisal, selection, Monitoring and Evaluation (M&E) process, which can be further attributed to:

- 1) A lack of guidance on project identification and preparation,
- 2) A missing gate keeping functions to undertake project appraisal and selection before financing,
- 3) Inappropriate monitoring for project implementation and adjustment, and project among evaluation for feedback, and
- 4) Capacity gaps in terms of knowledge, information, and expertise to effectively prepare, appraise, monitor, and manage externally financed public investment.

The lack of guidance led to several challenges which include wastage of funding resources on projects that are not aligned to the SIG priorities, delays in commencement due incomplete, inadequate or missing documents, poor costing and budgeting, cost and time overruns, and ultimately incomplete or stalled projects. In addition, there is substantial duplication of efforts by different government ministries, statutory authorities, and provincial governments, inadequate coordination efforts, and synergy mutually dependent projects and failure to operate or maintain completed assets optimally.

The PIM Guidelines were issued under the PIM Policy with sanctions of the Public Financial Management (PFM) Act that mandates MoFT performed in collaboration with MNPDC to provide guidelines that will promote transparency, effective management, and accountability in the PIM process by:

- a) Proper management, control, and accounting for all externally financed public investment,
- b) Efficient and effective use of funding for all externally financed infrastructure projects, and
- c) Monitor and evaluate their implementation and compliance.

In this regard, the PIM Guidelines will be implemented to guide the implementation of externally financed public investment projects in the country.

## 1.2 Purpose

### **Purpose of the PIM Guidelines**

The purpose of the PIM Guidelines is to provide a procedural guidance to the stakeholders who involve with externally financed public investment to systemically follow a process that is aimed to create a consensus of definitions, terminologies, procedures, methods, and tools used in PIM.

The Guidelines also support the capacity development of the government officials and other stakeholders associated with PIM. It enhances an effective PIM system that governs project identification, formulation, appraisal, selection, financing, implementation, and M&E of public investment projects to optimize the use of public resources and achieve value for money. The four main objectives of the Guidelines are to:

- 1) Provide a standardized approach to guide the PIM process to facilitate and streamline programmes and projects for development,

- 2) Provide an institutional framework that defines and clarifies roles and responsibilities of various institutions involved in externally financed public investment,
- 3) Provide guidance for project initiation, formulation, appraisal, selection, and financing that are aligned with national development priorities and ensure projects are implemented in a cost-effective manner; and meet the required technical, economic, environmental, social and climate and disaster resilience criteria, and
- 4) Provide guidance for project M&E to ensure the project is implemented as planned and the project is operated to generate service deliveries to meet expected outcomes.

To achieve the objectives of the Guidelines, all stakeholders involved in externally financed public investment shall comply with the provisions of the PIM Guidelines. The Guidelines provide procedural guidance to operationalize the PIM Policy under the PIM Framework that focuses on improving the implementation and management of externally financed infrastructure projects in the country.

### **Scope of the PIM Guidelines**

The PIM Policy shall apply to line ministries, state authorities, provincial governments and other stakeholders who involve with externally financed public investment when planning, implementing, and monitoring externally financed infrastructure projects through:

- 1) Project/Programme minimum threshold SBD 40 million,
- 2) Official Development Assistance (ODA) grants from DPs and other external financiers,
- 3) ODA concessional loans from DPs and other external financiers,
- 4) Other Official Flows (OOF) non-concessional loans from DPs and other external financiers,
- 5) South-South and Triangular Cooperation from DPs and other external financiers,



- 6) Climate finance, such as the Green Climate Fund (GCF), the Special Climate Change Fund (SCCF), the Least Developed Countries Fund (LDCF), the Adaptation Fund (AF), and other climate schemes,
- 7) Disaster finance, such as the Catastrophe Deferred Drawdown Option (Cat DDO), the Contingent Disaster Financing (CDF), and other disaster schemes,
- 8) PPP in the form of Build–Finance (BF), Build–Operate–Transfer (BOT), Build–Own–Operate–Transfer (BOOT), Build–Own–Operate (BOO), and other types of PPP arrangements, and
- 9) Other types of externally financed public investment.

### **1.3 Authorisation**

The PIM Guidelines are guided by the PIM Policy under the PIM Framework. The authorization process refers to procedural process and stages that are part of the due diligence compliance check, assessment, and evaluation of all externally financed infrastructure projects.

The Guidelines are designed and structured according to the requirements as stipulated under the PFM Act with provisions and guiding principles stipulated in the PIM Framework and Policy to enable effective monitoring, management, and control of externally financed infrastructure projects and investments from time to time. The Guidelines are developed as a requirement under the PIM Framework and Policy with approval of MoFT and the Cabinet to allow effective management and control of externally financed infrastructure projects.

### **1.4 Users of the Guidelines**

The Guidelines are intended for different types of users. It serves as a procedural reference for who are responsible for making decisions and implementation of externally financed public investment. Target users of the PIM Guidelines are as follows:

- Parliamentarians, policy makers, and technocrats in the parliament, SIG, statutory authorities, and provincial governments who involved in project initiation, formulation, appraisal, selection, financing, implementation, monitoring, evaluation, and reporting of externally financed infrastructure projects, and
- DPs, climate funds, the private sector, and other external financiers who are involved in externally financed infrastructure projects.

## 1.5 Structure of the Guidelines

The structure of the PIM Guidelines outlines the strategic context as stipulated in the PIM Policy. The Guidelines follow the PIM Process with focus on core areas that form the basis of the procedural structure of the Guidelines.

Chapter 1 outlines the introduction which consists of background of the Guidelines including its purpose, authorization, users, and brief description of the contents of the Guidelines.

Chapter 2 provides the concepts and definitions of public investment, external finance, and externally financed public investment.

Chapter 3 consists of the PIM guiding principles. The PIM guiding principles sets the guidelines of the PIM process which consist of strategic guidance, project identification and formulation, project appraisal, project selection and financing, project implementation and monitoring, project adjustment and completion, project operations and maintenance, and project closure and ex-post evaluation. It also covers PIM for gender equality, disability, and social inclusion as well as climate and disaster resilience.

Chapter 4 outlines the institutional arrangement process and role and responsibility of various stakeholders as stipulated under the PIM Policy. It provides a harmonized control mechanism for all externally financed infrastructure projects under the PFM Act and a regulatory framework created under the PIM Framework and Policy.

Chapter 5 focuses on the national budget cycle, especially aligning the externally financed infrastructure projects to the budget cycle process with plans of implementation and monitoring in the process. Externally financed infrastructure projects are managed by line ministries, but it is a requirement that they must be channeled through the PIM process.

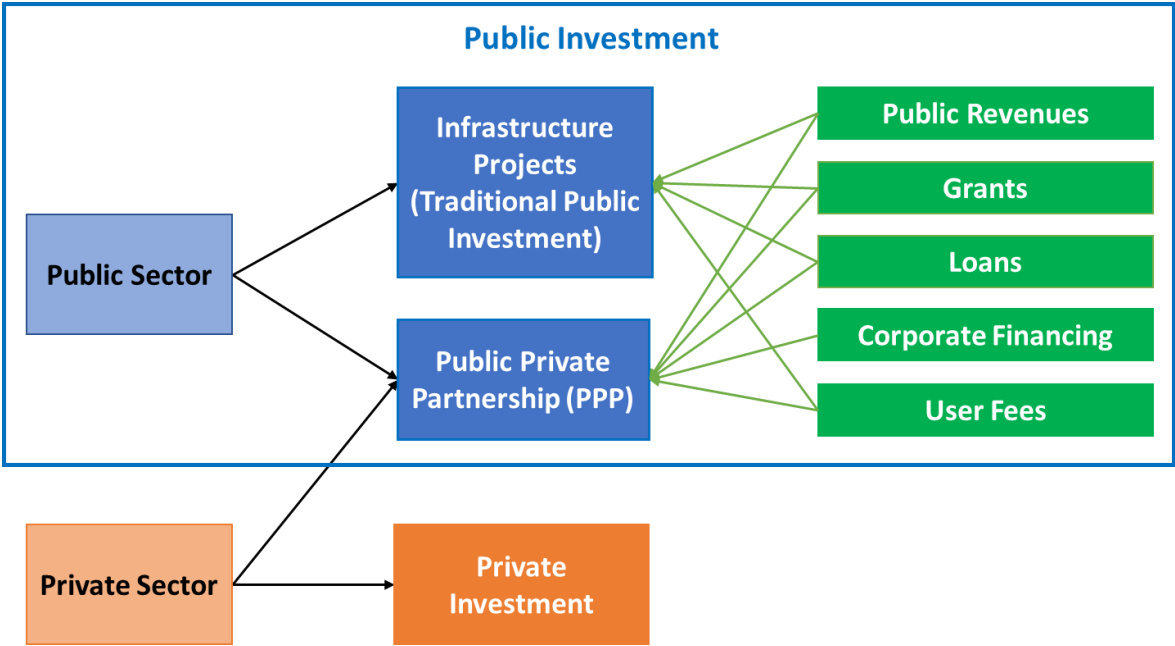
Chapter 6 is a conclusion which contains the summary of the Guidelines and process that form the full scope of the PIM Guidelines.

# Chapter 2: Concept and Definition

## 2.1 Public Investment

**Public investment** refers to gross fixed capital formation and reflects the total value of acquisitions and less disposal of fixed assets by the state, whether through central governments, statutory authorities, provincial governments, or Public-Private Partnership (PPP) arrangements. Public investment encompasses physical or tangible investment in infrastructure, such as transport, telecommunications, and buildings, but also human or intangible investment in education, skills, and knowledge. PPP involves private sector supply of infrastructure assets and services that have traditionally been provided by governments. An infusion of private capital and management can ease fiscal constraints on infrastructure investment and increase efficiency. Public investment is mainly financed by public revenues, grants, loans, corporate financing, user fees, and other types of financing. (See Figure 2.1).

Figure 2.1: Public Investment



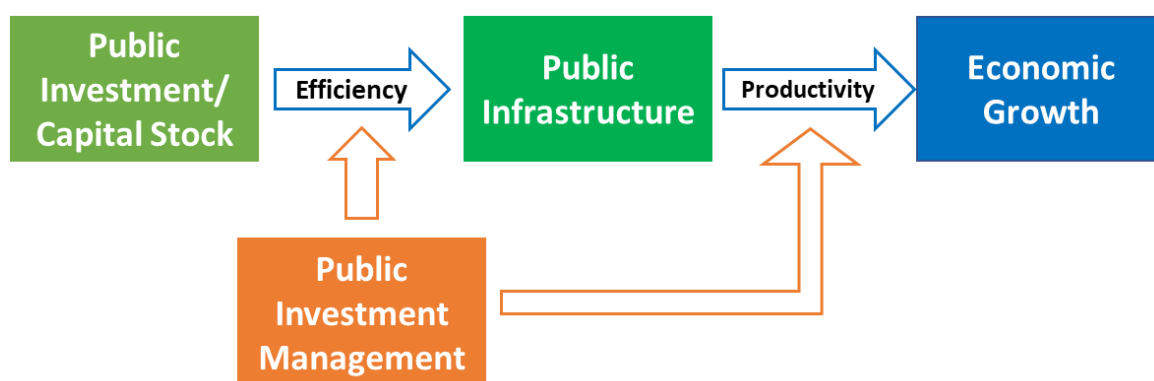
Source: IMF. (2020). "Public Financial Management (PFMx)" modified by Ministry of Finance and Treasury.

**Public capital stock** is the accumulated value of public investment over time, adjusted for depreciation, and is the principal input into the production of public infrastructure. **Public infrastructure** is the network of physical assets created by public investment. These fixed assets include both economic infrastructure and social infrastructure.

**The efficiency of public investment** is the relationship between the value of the public capital stock and the measured coverage and quality of infrastructure assets. **The productivity of public investment** is the relationship between investment and economic growth measured by the ratio of average real rate of capital stock growth to the average real rate of economic growth. **The performance of public investment** refers to both the efficiency and productivity of public investment.

**PIM** refers to an approach to managing government expenditures for public investment strategically, efficiently, and productively. The PIM cycle from Stage 1: Strategic Guidance to Stage 6: Project Adjustment and Completion enhances the improvement of the efficiency of public investment while the PIM cycle from Stage 7: Operation and Maintenance to Stage 8: Project Closure and Ex-Post Evaluation promotes the productivity of public investment, attributing to economic growth in the country (See Figure 2.2 and Chapter 3).

**Figure 2.2: Public Investment Efficiency and Productivity**



Source: IMF. (2015). “Making Public Investment More Efficient” modified by Ministry of Finance and Treasury.

## 2.2 External Finance

**External finance** refers to foreign sources of funds for promoting development in destination countries. External finance includes both public finance and private finance. **External public finance** includes Official Development Assistance (ODA) grants and concessional loans, Other Official Flows (OOF), South-South and Triangular Cooperation, International Non-Governmental Organization (INGO) donation (on-budget), and public borrowing from capital markets. **External private finance** includes private borrowing from capital markets, Foreign Direct Investment (FDI), and INGO donation (off-budget) (See Figure 2.3). In case PPP is financed by ODA grants and concessional loans, OOF, FDI or other external financial sources, it is also classified as external finance.

**Figure 2.3: Main Sources of Finance**



Source: UNDP. (2018). “Financing the 2030 Agenda”.

SIG will have a wide range of new finance tools available, in the form of innovations for resource mobilization and resource delivery. These financing tools include bonds, loans, guarantees, public revenues, insurance, funds, and grants (See Table 2.1).

**Table 2.1: Financing Tools**

<b>Bonds</b>	<ul style="list-style-type: none"> <li>• Sovereign bonds issued on international and domestic markets</li> <li>• Diaspora bonds</li> <li>• GDP-linked bonds</li> <li>• Green/blue bonds</li> <li>• Social impact bonds</li> <li>• Development impact bonds</li> </ul>
<b>Loans &amp; Guarantees</b>	<ul style="list-style-type: none"> <li>• <b>Loans (including Multilateral and bilateral development banks, other official flows (OOFs), counter-cyclical loans, contingent credit facilities, development policy loan deferred drawdown options, catastrophe risk deferred, drawdown options, debt buybacks, debt-swaps, blended finance, public-private partnerships, guarantees)</b></li> </ul>
<b>Public Revenue</b>	<ul style="list-style-type: none"> <li>• Taxes and levies (including income taxes, value-added/consumption tax, property taxes, tariffs, green taxes, domestic financial transaction tax, airline ticket tax)</li> </ul>
<b>Insurance</b>	<ul style="list-style-type: none"> <li>• Weather index-based insurance</li> <li>• Catastrophe Risk Insurance Facility</li> </ul>
<b>Funds</b>	<ul style="list-style-type: none"> <li>• <b>Vertical Funds (e.g., GAVI Alliance, Global Fund and UNITAID, Adaptation Fund, Global Environment Facility, Green Climate Fund, Securities and structured funds)</b></li> <li>• Microfinance investment funds</li> </ul>
<b>Grants</b>	<ul style="list-style-type: none"> <li>• <b>Official Development Assistance (ODA)</b></li> <li>• Philanthropic and other private donations</li> </ul>

Source: UNDP. (2018). “Financing the 2030 Agenda”.

## 2.3 Externally Financed Public Investment

**Externally financed public investment** is defined as gross fixed capital formation and reflects the total value of acquisitions and less disposal of fixed assets by the state through external finance, including ODA grants and concessional loans, OOF, South-South and Triangular Cooperation, vertical funds, such as the climate funds, public borrowing from capital markets, and PPP arrangements in case external finance involves. In terms of aid modality, the PIM Guidelines focus on external finance by project support or programme support for public investment or infrastructure rather than by general budget support, sector budget support, technical cooperation, or other form of assistance.

## Chapter 3: Public Investment Management Cycle

A PIM cycle is based on management principles that promote efficiency and good governance. To achieve desired goals and objectives of the PIM Policy, the PIM cycle has the following features:

- Programmes and projects are aligned to NDS, MTDP, the Solomon Islands National Infrastructure Investment Plan (SINIIP), sectoral plans and strategies, provincial plans and strategies, and other plans and strategies,
- Enhance revenue raising opportunities,
- Align to process of budget preparation and execution,
- Regulate management processes of externally financed infrastructure projects and investment using the Guidelines,
- Enforce credible project appraisal, selection process, financing, coordination, reporting, and M&E,
- Procedures to strengthen the role of the Public Investment Management Steering Committee (PIMSC) and the Public Investment Management Technical Committee (PIMTC) prescribed in the Guidelines,
- Budgeting operation and maintenance costs to cover a project life cycle, and ensuring the quality service delivery, and
- An integrated M&E system to manage externally financed public investment.

### 3.1 Public Investment Management Cycle

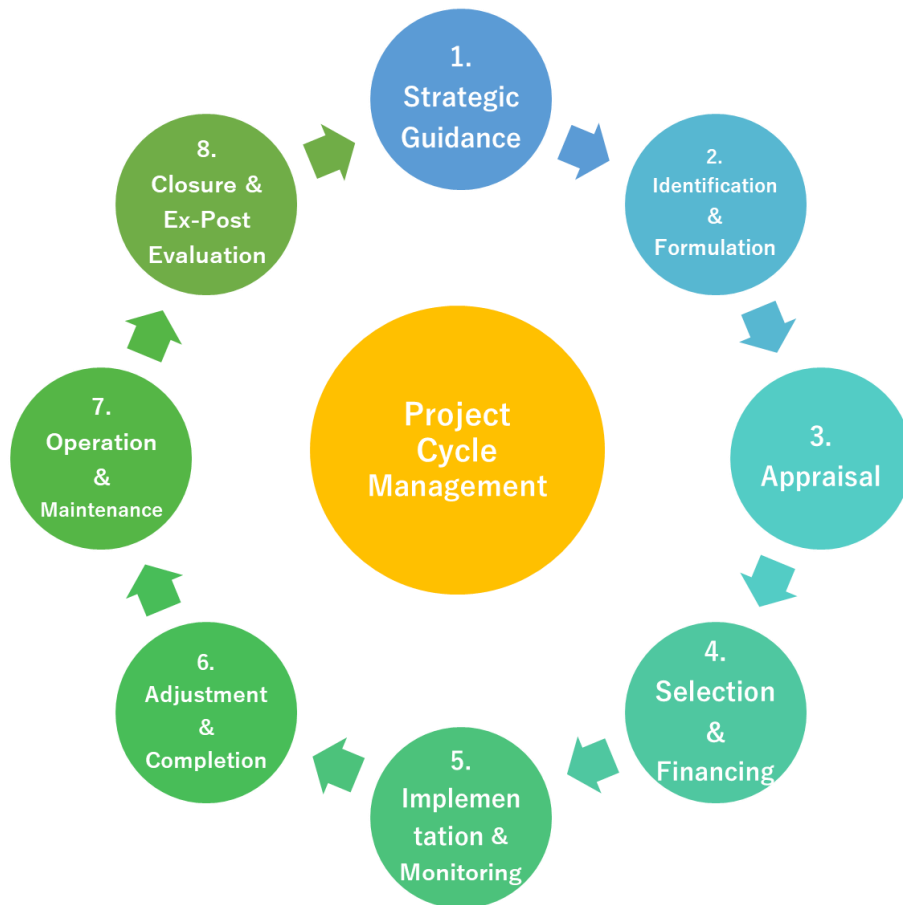
The PIM cycle is based on project cycle management in the process of initiating, planning, executing, monitoring, controlling, completing, and reviewing a project effectively and



efficiently to achieve pre-defined objectives or satisfying the project stakeholder by producing the right deliverable at the right time, cost, and quality (See Figure 3.1).

The PIM cycle has eight key stages that form the PIM process. The system is unified and enables participation of line ministries, statutory authorities, and provincial governments within the SIG structure. The project cycle guides SIG, external financiers, and other stakeholders on the steps and processes that need to be followed when negotiating, preparing, designing, implementing, and reporting on externally financed infrastructure projects.

**Figure 3.1: Public Investment Management Cycle**



## 3.2 Logical Framework

A logical framework is a planning tool consisting of a matrix which provides an overview of a project’s goal, activities, and anticipated results. It provides a structure to help specify the components of a project and its activities and for relating them to one another. It also identifies the measures by which the project’s anticipated results will be monitored. The logical framework is presented in Table 3.1 and discussion of material risks to achievement.

**Table 3.1: Logical Framework or Project/Programme Design Framework**

Design Summary	Performance Indicators	Data Sources/ Reporting Mechanism	Assumptions/Risks
<b>Definitions</b>	<i>Indicators</i> <i>Target</i>	<i>Monitoring Mechanisms</i>	<i>Assumptions and Risks</i> beyond the control of the project/programme cited.
<b>Impact</b>			
<b>Impact Long Term Objective</b> MTDP and Development Budget - 8 NDS objectives.	At this level indicators must relate only to <b>impacts</b> on the beneficiaries	Impact level - , the source and/or means for collecting data is usually national/international	Assumptions and Risks at Impact level E.g. <ul style="list-style-type: none"> <li>• government policy continues</li> <li>• global financial stability maintained</li> </ul>
<b>Outcome</b>			
<b>Outcome - Sectoral Objective</b> which is related to NDS Policy Group or Strategy	The <b>Outcome</b> targets - indicators ( <b>Short Term</b> after delivery of <b>Output</b> )	The source and/or means for collecting data - may be identified at ministry, national or international level.	Assumptions and Risks at the Outcome level are concerned with whether the Outputs will Achieve the Outcomes.
<b>Outputs</b>			
Key Outputs and sub-Outputs are stated as <b>Results of Activities</b> that can be delivered during project/programme implementation and lead to outcomes.	Outputs are expected to be delivered by the end of the project.	The source and/or means for collecting data is within the project/programme’s control through Management Information Systems.	Assumptions and Risks at the Output level are concerned with whether the Activities will achieve the Outputs.
<b>Activities and Milestones</b>			
The key tasks, steps, or stages to be undertaken by the project/programme are listed. These tasks create the Outputs and are linked to specific outputs through the numbering system. List example: .....			
<b>Note:</b> this schedule must be consistent with: (i) Output indicators above; (ii) the Implementation Schedule in sheet XL 1; (iii) the Development Costs schedule in sheet XL 2; and (iv) the Procurement Plan in sheet XL 4.			
<b>Inputs</b>			
A simple listing expressed in SBD of the resources supplied to finance the development in cash or kind. Each source should be named - Government, Development Partner, Beneficiaries, Private Sector, NGO - and the total amount provided by each. The inputs of each should be identified in the Development Cost schedule in sheet XL 2.			

Source: MDPAC. (2016). “Template for Appraisal of New Proposals for the Medium-Term Development Plan 2022-2026”.

The logical framework should be developed in the project initiation and formulation stages and used as a management tool to administer the project implementation and operation through the project life cycle. Line ministries, statutory authorities, and provincial governments should fill in the logical framework on the Project Concept Note Template (See Annexure 1) and the Project Proposal Template (See Annexure 2) with external financiers to ensure the project is properly designed and managed until the project closure and ex-post evaluation stage.

### **3.3 Gender Equality, Disability, and Social Inclusion**

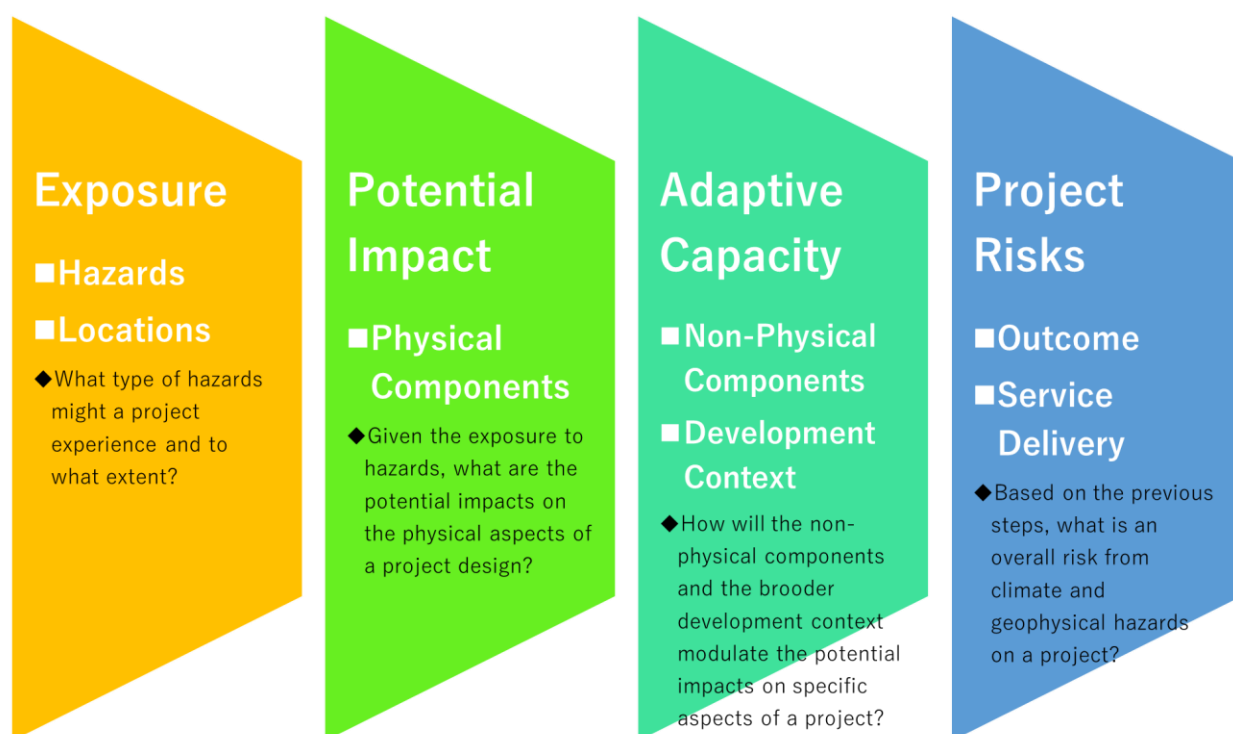
PIM plays a significant role in facilitating gender equality, disability, and social inclusion. Infrastructure has a potential to catalyse inclusive development through enhancing mobility, accessibility, time savings, and security. It also facilitates access to education, health, water, sanitation, energy, and Information and Communication Technologies (ICT), as well as access to lands, markets, jobs, and entrepreneurship opportunities for marginalised and vulnerable groups. However, infrastructure is not always neutral. Inadequate project planning and operation cause barriers in gender, disability, and other social factors, resulting in social exclusion and disparities among marginalised and vulnerable groups. It is essential, therefore, to address infrastructure needs for women and girls, people with disability, ethnic minorities, youth, the elderly, residents in remote and rural communities, and residents in informal urban settlement in the project initiation and formulation stages and to ensure their involvements in the operation and other stages of the PIM cycle. It will enable infrastructure to be more meaningful for all, to drive inclusive and sustainable economic growth, and to leave no one behind in the country.

### **3.4 Climate Resilience Public Investment Management**

Climate resilience PIM is a framework for managing public investment through addressing climate change mitigation and adaptation and disaster risk management. It contributes to a country's efficient use of public resources by considering how climate change and natural disaster affects the future value of public assets and operation and maintenance costs. Climate change and natural disasters cause direct damage to infrastructure assets and

disrupt infrastructure services. On the other hand, the selection of the infrastructure type will have significant implications for both the country’s resilience to climate change and natural disaster and the level of global Greenhouse Gas (GHG) emissions during the project lifetime or for the next few decades. Therefore, it is essential to advance public investment by addressing climate and disaster resilience, and low-carbon technologies across the country.

**Figure 3.2: Exposure-Sensitivity-Adaptive Capacity Framework**



Source: World Bank. “Climate and Disaster Risk Screening Tool for Roads Projects: Approach, Methodology, and Data for Climate and Disaster Risk Screening Tool for Roads Projects”. <https://climatescreeningtools.worldbank.org/sites/default/files/inline-files/roads-methodology.pdf>

The PIM Guidelines adopt the World Bank Climate and Disaster Risk Screening Tools to assess climate and disaster risks through exercising maps out climate and disaster risk exposures and suggested options for risk mitigation measures in the project formulation and appraisal stages. The exposure-sensitivity-adaptive capacity framework consists of four steps to assess project risks as follows (See Figure 3.2).

### **Step 1: Exposure**

The project exposure step assesses two sets of hazards: climate hazards and geophysical hazards. Exposure is the overlap between the presence of potentially damaging hazards and the location of communities, assets, and resources that are relevant to the project.

**Climate Hazards** addresses:

- Extreme Temperature
- Storm Surge
- Extreme Precipitation & Flooding
- Strong Winds
- Sea Level Rise

**Geophysical Hazards** addresses:

- Earthquakes
- Volcanic Eruptions
- Tsunamis
- Landslides

### **RAG Traffic Light Rating for Exposure Risk Assessment**

The Red-Amber-Green (RAG) traffic light rating scale for exposure risk assessment distinguishes between hazards that occur with high frequency or severity at one hand, and those that may not be applicable to the project location at the other hand below.

Insufficient Understanding	Not Exposed	Slightly Exposed	Moderately Exposed	Highly Exposed
----------------------------	-------------	------------------	--------------------	----------------

### **Step 2: Potential Impact**

The potential impact or sensitivity step assesses the potential impact from climate and geophysical hazards on the physical and structural components of the project. The impact includes the combination of exposure and sensitivity of physical assets, resources, and systems. The potential impacts should be separately assessed by both the historical/current and future timeframes. This is because the level of potential impact may change as exposure changes over time.

#### **Historical Trends:**

The historical trends and current baselines are evaluated to understand the conditions and trends facing road systems today.

### **Future Impact:**

The future impact is evaluated by using the projections for future climate in that location and relating them to the relevant time scale.

### **RAG Traffic Light Rating for Potential Impact Risk Assessment**

The RAG traffic light rating for potential impact risk assessment should be overlaid with the previous exposure ratings to assess potential impact. Therefore, the potential impact ratings may or may not align with the exposure ratings.

Insufficient Understanding	No Potential Impact	Low Potential Impact	Moderate Potential Impact	High Potential Impact
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### **Step 3: Adaptive Capacity**

The adaptive capacity assesses a project's capacity to adapt to the risks identified in the preceding assessments in two steps:

#### **Non-Physical Project Components**

A non-physical investment, such as capacity building or policy development, is assessed to identify how they influence the project's adaptive capacity. It highlights how impacts from climate and geophysical hazards could potentially be managed.

#### **Influence of Development Context**

The broader development context, including social, economic, and political factors, are out of control but may either worsen or reduce the potentially harmful impacts of climate and geophysical hazards on the project.

#### **Rating for Adaptive Capacity Assessment**

Rather than measuring a level of potential impact, this scale reflects the modulating effect of adaptive capacity on potential impacts. It ranges from positive effects on potential

impacts (“Significantly Reduces Impacts”) to negative effects on potential impacts (“Significantly Increases Impacts”).

Insufficient Understanding	Significantly Reduces Impact	Slightly Reduces Impact	Slightly Increases Impact	Significantly Increases Impact
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#### Step 4: Overall Project Risk

Overall project risk is evaluated through integrating the assessments of exposure, potential impact, and adaptive capacity.

#### RAG Traffic Light Rating for Overall Project Risk Assessment

The risk ratings should be separately conducted by both **historical/current timeframe** and **future timeframe** to account for possible changes in potential impact over time.

Insufficient Understanding	Not Exposed	Slightly Exposed	Moderately Exposed	Heavily Exposed
----------------------------	-------------	------------------	--------------------	-----------------

The exposure-sensitivity-adaptive capacity framework should be developed on the project initiation and formulation stages to ensure a proposed project take into account climate and disaster resilience. Line ministries, statutory authorities, and provincial governments are required to fill in the exposure-sensitivity-adaptive capacity framework on the Project Proposal Template (See Annexure 2) with external financiers to ensure the project is properly designed and manage from climate and disaster risk perspectives.

For detailed guidance in specific sector contexts, please refer to the World Bank’s Climate and Disaster Risk Screening Reference Guide below:

- 1) Agriculture Sector, <sup>1</sup>
- 2) Education Sector, <sup>2</sup>
- 3) Energy Sector, <sup>3</sup>

<sup>1</sup> [https://climatescreeningtools.worldbank.org/sites/default/files/inline-files/CDRS%20Reference%20Guide%20Agriculture\\_0.pdf](https://climatescreeningtools.worldbank.org/sites/default/files/inline-files/CDRS%20Reference%20Guide%20Agriculture_0.pdf)

<sup>2</sup> [https://climatescreeningtools.worldbank.org/sites/default/files/inline-files/CDRS%20Reference%20Guide%20Education\\_0.pdf](https://climatescreeningtools.worldbank.org/sites/default/files/inline-files/CDRS%20Reference%20Guide%20Education_0.pdf)

<sup>3</sup> [https://climatescreeningtools.worldbank.org/sites/default/files/inline-files/CDRS%20Reference%20Guide%20Energy\\_0.pdf](https://climatescreeningtools.worldbank.org/sites/default/files/inline-files/CDRS%20Reference%20Guide%20Energy_0.pdf)

- 4) Health, Nutrition and Population Sector, <sup>4</sup>
- 5) Social Protection and Jobs Sector, <sup>5</sup>
- 6) Transport Sector, <sup>6</sup> and
- 7) Water Sector. <sup>7</sup>

## 3.5 Stage 1: Strategic Guidance

### NDS, MTDP, Plans and Strategies

Strategic guidance for public investment, the first stage of the PIM cycle, is an essential approach to anchor government decisions and to guide sector-level decision-makers. The guidance is derived from NDS, MTDP, SINIIP, sector plans and strategies, and provincial development plans and strategies, which provide national, sector, subnational, and crosscutting development priorities at the highest decision-making levels.

All externally financed public investment must align with the following national priorities of NDS:

- 1) Sustained and inclusive economic growth,
- 2) Poverty alleviated across the whole of the Solomon Islands, basic needs addressed and food security improved, benefits of development more equitably distributed,
- 3) All Solomon Islanders have access to quality health and education,
- 4) Resilient and environmentally sustainable development with effective disaster risk management, response, and recovery, and
- 5) Unified nation with stable and effective governance and public order.

Strategic guidance for gender equality, disability, and social inclusion includes the National Policy on Eliminating Violence Against Women 2016-2020, the Disability Strategy, the

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<sup>4</sup> [https://climatescreeningtools.worldbank.org/sites/default/files/inline-files/CDRS%20Reference%20Guide%20Health\\_0.pdf](https://climatescreeningtools.worldbank.org/sites/default/files/inline-files/CDRS%20Reference%20Guide%20Health_0.pdf)

<sup>5</sup> [https://climatescreeningtools.worldbank.org/sites/default/files/inline-files/CDRS%20Reference%20Guide%20SocialProtection\\_0.pdf](https://climatescreeningtools.worldbank.org/sites/default/files/inline-files/CDRS%20Reference%20Guide%20SocialProtection_0.pdf)

<sup>6</sup> [https://climatescreeningtools.worldbank.org/sites/default/files/inline-files/CDRS%20Reference%20Guide%20Transport\\_0.pdf](https://climatescreeningtools.worldbank.org/sites/default/files/inline-files/CDRS%20Reference%20Guide%20Transport_0.pdf)

<sup>7</sup> [https://climatescreeningtools.worldbank.org/sites/default/files/inline-files/CDRS%20Reference%20Guide%20Water\\_0.pdf](https://climatescreeningtools.worldbank.org/sites/default/files/inline-files/CDRS%20Reference%20Guide%20Water_0.pdf)



Family Protection Act 2014, the National Gender Equality and Women’s Development Policy 2016-2020, and the National Strategy on the Economic Empowerment of Women and Girls 2020-2023 that focuses on women’s economic empowerment as key to growth for Solomon Islands.

For climate and disaster resilience, the National Climate Change Policy, NDC, and the National Disaster Management Plan provide strategic guidance for climate change adaptation and mitigation and disaster risk management. It should be noted that SIG has committed to achieving the net zero GHG emissions by 2050 in the revised NDC. In this context, a choice of carbon sink and low carbon technologies, materials, and products in externally financed public investment will be crucial to achieve carbon neutral emissions by 2050. In the energy sector, for instance, fossil fuel power plants must be avoided. As part of this rigorous approach, all public investment must address climate and disaster resilience as well as select carbon sink and low carbon technologies, materials, and products to be appraised and managed under the PIM Guidelines.

### **Procedure on the Stage 1: Strategic Guidance**

The project is initiated in line with strategic guidance in the following process.

- a) Line ministries, statutory authorities, and provincial governments must clarify a proposed project aligns with NDS, MTDP, SINIIP, sector plans and strategies, or provincial plans and strategies, and other plans and strategies.
- b) Line ministries, statutory authorities, and provincial governments are required to justify the above alignment on the Project Concept Note Template (See Annexure 1) and the Project Proposal Template (See Annexure 2).

## **3.6 Stage 2: Project Identification and Formulation**

### **1) Project Identification**

#### **Project Concept Note Template**

Project identification is initiated by line ministries, statutory authorities, and provincial governments. It requires creating the Project Concept Note Template (See Annexure 1) with basic project information, including relevant strategic priority and programme, a specific problem to be addressed, project objective, main activities, expected results, and estimated budget. In addition, it includes options for addressing the problem with and without a project are considered.

The Project Concept Note Template is assessed on the following criteria:

- **Socio-Economic Benefits** are ensured through increased production volume and value or reduced costs of health, travel, damage. Financial benefits are also secured by businesses and individuals from increased incomes and reduced costs.
- **Risk and Resilience** provides avenues for countries to minimize risks pertaining to threats projection implementation, completion and continuity, and a systematic approach to addressing climate resilience, disaster risk, environmental and social safeguards.
- **Logical Framework or Project/Programme Framework Design** applies a series of logical relationships between the inputs, activities, outputs, and outcomes of the project/programme and requires statements of logic in terms of the assumptions and risks.

### **Project Concept Appraisal**

As the first screening stage, the project concept appraisal is conducted by the Investment Analysis Unit (IAU)-MoFT, PIMTC, and PIMSC, and approved by the Minister of Finance or the Cabinet, to ensure that a project concept note meets the minimum criteria of consistency with the strategic goals of the government. The Economic and Productive Sector Division (EPSD)-MNPDC and the Social Development and Governance Sector Division (SDGSD)-MNPDC support IAU for the project concept appraisal. If the project concept note fails to meet the criteria, it should be rejected to make sure that resources are not wasted in a more detailed project appraisal.

## Procedure on the Stage 2: Project Initiation

The project concept appraisal is initiated in the following process.

- a) Line ministries, statutory authorities, and provincial governments produce a project initiation document with external financiers.
- b) After the project initiation document is made, line ministries, statutory authorities, and provincial governments fill up the Project Concept Note Template.
- c) Line ministries, statutory authorities, and provincial governments submit the project initiation document and the Project Concept Note Template to the Chair of PIMSC through IAU-MoFT.
- d) IAU-MoFT conducts the project concept appraisal with support from EPSD-MNPDC and SDGSD-MNPDC and submits recommendations to PIMTC.
- e) PIMTC and PIMSC invite line ministries, statutory authorities, and provincial governments with external financiers to have an interview and a presentation for the project concept note.
- f) After the interview, PIMTC examines the project concept note and its financing selection and submits recommendation to PIMSC.
- g) PIMSC evaluates the project concept note and its financing selection and submits recommendations to the Minister of Finance and/or the Cabinet for approval.
- h) Simultaneously, PIMSC forwards it to the Debt Management Unit (DMU)-MoFT and the Debt Management Advisory Committee (DMAC) for debt assessment in the case of a loan project, or the Financial Economic Development Unit (FEDU)-MoFT with the Development Cooperation and National Authorizing Officers Division (DCNAOD)-MNPDC for aid coordination in the case of a grant project.

## 2) Project Formulation

### Feasibility Study

After the project concept note is approved, project formulation is initiated by line ministries, statutory authorities, and provincial governments with external financiers. Project formulation phases all details of the project are specified with the use of elements from a feasibility study. Its objective is to answer the essential question of whether line ministries, statutory authorities, and provincial governments should proceed with a project even though it is consistent with government priorities. This process requires a regulated set of project preparation steps, such as pre-feasibility study and feasibility study, including preliminary design, economic analysis, life cycle cost analysis, environmental and social impact assessments, and climate and disaster resilience assessment (See Table 3.2). The feasibility study should be attached by the Project Proposal Template (See Annexure 2), the Cost Analysis Template (See Annexure 3), and the Economic Analysis Template (See Annexure 4).

**Table 3.2: Key Components of Feasibility Analysis**

Pre-Feasibility Study	Feasibility Study
<ul style="list-style-type: none"> <li>• Data gathering (geographic, climate, socio-economic, technical)</li> <li>• Project alternatives</li> <li>• Major risk (including institutional and budgetary)</li> <li>• Comparisons of alternatives (engineering, socio-economic costs, and benefits)</li> <li>• Recommended project alternative</li> <li>• Preliminary estimate of project costs and benefits</li> <li>• Regulatory requirements</li> <li>• Identifying lacking information for Feasibility Study</li> </ul>	<ul style="list-style-type: none"> <li>• Compilation of all relevant data</li> <li>• Alternative technologies for project</li> <li>• Detailed estimate of costs and benefits for a selected alternative</li> <li>• Preliminary design</li> <li>• Detailed risk assessment</li> <li>• Detailed sustainability assessment</li> <li>• Environmental impact assessment</li> <li>• Social impact assessment</li> <li>• Climate and disaster resilience assessment</li> </ul>

Source: Rajaram, A., Le, T. M., Biletska, N. & Brumby, J.. (2010). "A Diagnostic Framework for Assessing Public Investment Management". World Bank Policy Research Working Paper 5397. [https://www.pempal.org/sites/pempal/files/attachments/diagnostic-framework-for-assessing-public-investment-management\\_eng.pdf](https://www.pempal.org/sites/pempal/files/attachments/diagnostic-framework-for-assessing-public-investment-management_eng.pdf)

### **Project Proposal Template**

The Project Proposal Template is a summary of the feasibility study. Line ministries, statutory authorities, and provincial governments need to fill in the Project Proposal

Template with external financiers and submit it with the feasibility study to IAU-MoFT. The main components of the project proposal are justification and risk and resilience issues. The justification consists of economic impacts, poverty reduction impacts, social benefits, and policy and institutional improvements. The risk and resilience issues focus on high risks and hazards, climate resilience issues, disaster risk reduction issues, environmental issues, and social exclusion issues. The Project Proposal Template should be well documented by line ministries, statutory authorities, and provincial governments with external financiers since it is used as the main source for IAU-MoFT, EPSD-MNPDC, SDGSD-MNPDC, PIMTC, and PIMSC to conduct project appraisal, selection, and financing selection.

### **Cost Analysis Template**

The Cost Analysis Template is a summary of the work plan, cash flow, and procurement plan for a proposed project. Line ministries, statutory authorities, and provincial governments need to complete the Cost Analysis Template with external financiers and submit it with the feasibility study to IAU-MoFT. The cash flow covers development costs, including external finance and the SIG counterpart fund, as well as operation, maintenance, and rehabilitation costs or recurrent costs to cover the project life cycle. The estimates of the overall operation and maintenance costs enable MoFT to make proper recurrent budget planning and allocations to maximize the effective performance of the project operations and protect the assets.

### **Economic Analysis Template**

The Economic Analysis Template is a summary of incremental benefits and costs arising from a project. Line ministries, statutory authorities, and provincial governments need to fill up the template with external financiers and submit it with the feasibility study to IAU-MoFT. Economic analysis helps identify and select public investment that will sustainably improve the welfare of beneficiaries and a country as a whole. It summarizes a variety of disparate effects over time into a common monetary measure, such as the Economic Net Present Value (ENPV) and the Economic Internal Rate of Return (EIRR). There are four broad steps in economic analysis:

- 1) Identify gross project benefits and costs,
- 2) Quantify and value the benefits and costs, initially in market or financial prices,
- 3) Adjust the costs and benefits to reflect their economic values, and
- 4) Compare gross economic benefits with economic costs, and a net EIRR of a minimum threshold of 12%.

### **Procedure on the Stage 2: Project Formulation**

The project proposal formulation is initiated in the following process.

- a) After the project concept note is approved, line ministries, statutory authorities, and provincial governments produce a feasibility study with external financiers.
- b) Once the feasibility study is completed, line ministries, statutory authorities, and provincial governments fill in the Project Proposal Template, the Cost Analysis Template, and the Economic Analysis Template.
- c) Line ministries, statutory authorities, and provincial governments submit the feasibility study report, the Project Proposal Template, the Cost Analysis Template, and the Economic Analysis Template to the Chair of PIMSC through IAU-MoFT.

## **3.7 Stage 3: Project Appraisal**

### **Project Appraisal Template**

Project appraisal offers the analytical basis for making an informed decision on whether a project is viable for social profitability from cost-benefit or cost-effectiveness perspectives. It also provides the basis for assessing the long-term sustainability of the project from financial, budgetary, environmental, social, climate resilient, and managerial perspectives. New public investment should occur only when rehabilitating existing assets is not as cost-effective as undertaking investment in a new asset.

As the second screening stage, the feasibility study is assessed in line with the criteria of the Project Appraisal Template by IAU-MoFT, EPSD-MNPDC, SDGSD-MNPDC, PIMTC, and PIMSC (See Annexure 5). The feasibility study should be attached by the Project Proposal Template, the Cost Analysis Template, and the Economic Analysis Template.

### **Procedure on the Stage 3: Project Appraisal**

The project appraisal is initiated in the following process.

- a) IAU-MoFT appraises the feasibility study report, the Project Proposal Template, the Cost Analysis Template, and the Economic Analysis Template and fills in the Project Appraisal Template with support from EPSD-MNPDC and SDGSD-MNPDC.
- b) IAU-MoFT submits the Project Appraisal Template and other documents with recommendations to PIMTC.
- c) PIMTC and PIMSC invite line ministries, statutory authorities, and provincial governments with external financiers to have an interview and a presentation for the feasibility study.
- d) After the interview, PIMTC examines the Project Appraisal Template, project selection, and financing selection, and submits recommendation to PIMSC.
- e) PIMSC evaluates the Project Appraisal Template, project selection, and financing selection, and submits recommendations to the Minister of Finance or the Cabinet for approval.
- f) Simultaneously, PIMSC forwards it to DMU-MoFT for debt assessment in the case of a loan project, or FEDU-MoFT and DCNAOD-MNPDC for aid coordination in the case of a grant project.
- g) The Climate Resilience Finance Unit (CRFU)-MoFT provides advice from climate resilience perspectives while the Public Private Partnership Unit (PPPU)-MoFT provides advice from PPP perspectives.

- h) DMU or FEDU-MoFT forwards the project proposal to the Budget Unit (BU)-MoFT, the Strategic Planning and Budget Allocation Division (SPBAD)-MNPDC, and the Macro-Economic Unit (MEU)-MoFT, and further to the Budget Strategic Committee (BSC). They analyze the financial estimates of development costs for externally financed infrastructure projects, the SIG counterpart funds, and recurrent costs for operation, maintenance, and rehabilitation costs. The forward estimate data will be incorporated in the Medium-Term Fiscal Strategy (MTFS) and the forthcoming Medium-Term Expenditure Framework (MTEF) as part of the on-budget and MTEF reforms.
- i) After approval, the Minister of Finance signs a loan/grant agreement with external financiers.

## 3.8 Stage 4: Project Selection and Financing

### 1) Project Selection

Project selection is a key decision point and the culmination of the quality-at-entry processes. The decision is made based on appraisal findings and recommendations, which are usually presented to decision makers in a summary appraisal report together with the supporting documentation. Project selection ensures that a project proposal for financing should be rigorously evaluated for its social and economic values as well as climate resilient perspectives.

The external financier's financing cycles are expected to align with the national budget cycle in line with the Solomon Islands Aid Management and Development Cooperation Policy, and the Partnership Framework for Effective Development Cooperation. It allows SIG to prepare development budget for counterpart funds and ensure forthcoming recurrent budget for operation and maintenance costs associated with externally financed infrastructure projects.

To be eligible for funding, a project must meet several criteria. The project must:



- Be identified as a national priority under NDS, MTDP, SINIIP, and the Solomon Islands Priority Infrastructure Investment Pipeline,
- Be technically sound,
- Benefit the national economy,
- Ensure the climate and disaster resilience, and
- Satisfy the environmental and social standards.

## 2) **Project Financing**

Project financing must respect the quality-at-entry processes by preventing projects from being parachuted into the financing without having been appraised and selected as financing eligible. A medium-term perspective for fiscal and expenditure planning is required to secure financial requirements, including capital expenditures, counterpart funds, and operation and maintenance expenditures for project life span.

### **Types of Project Funding**

There are several types of project funding below:

- ODA Grants and Concessional Loans,
- OOF Non-Concessional Loans,
- South-South and Triangular Cooperation,
- Public Borrowing from Capital Markets,
- PPP, and
- Other Types of External Finance.

Each type of funding has its own benefits and drawbacks, and the best option for a specific project will depend on factors such as the size and stage of the project, the nature of the business, and the goals of the project.

#### **Procedure on the Stage 4: Project Selection and Financing**

The project selection and financing are initiated in the project concept appraisal stage as well as the project appraisal stages, respectively, in the following process.

##### **<Project Concept Appraisal Stage>**

- a) In the project concept appraisal stage, PIMTC examines the project concept note and its financing selection and submits recommendation to PIMSC.
- b) PIMSC evaluates the project concept note and its financing selection and submits recommendations to the Minister of Finance or the Cabinet for approval.
- c) Simultaneously, PIMSC forwards it to DMU-MoFT and DMAC for debt assessment in the case of a loan project, or FEDU-MoFT and DCNAOD-MNPDC for aid coordination in the case of a grant project.

##### **<Project Appraisal Stage>**

- a) In the project appraisal stage, PIMTC examines the project proposal, selection, and financing selection and submits recommendation to PIMSC.
- b) PIMSC evaluates the project proposal, selection, and financing selection, and submits recommendations to the Minister of Finance or the Cabinet for approval.
- c) Simultaneously, PIMSC forwards it to DMU-MoFT for debt assessment in the case of a loan project, or FEDU-MoFT and DCNAOD-MNPDC for aid coordination in the case of a grant project.
- d) CRFU-MoFT provides advice from climate resilience perspectives while PPPU-MoFT provides advice from PPP perspectives.

e) The project loan/grant agreement is signed with DPs.

## 3.9 Stage 5: Project Implementation and Monitoring

### 1) Project Implementation

Project implementation is the process where the project produces outputs to achieve its project objective. Project implementation aims to establish a system that ensures that works and services are economically procured, and contracts are managed properly, and projects are delivered on time, within budget, and in accordance with design specifications.

Before or after the project loan/grant agreement is signed with external financiers, line ministries, statutory authorities, and provincial governments must submit an annual development budget request for the project counterpart fund which is the SIG contribution to the externally financing project.

Line ministries, statutory authorities, and provincial governments must establish organizational arrangements for project implementation with external financiers. It is essential that accountabilities and responsibilities need to be assigned clearly among the project stakeholders. The project manager may prepare a project management plan, setting out how the project will be managed, executed, monitored, controlled, and closed. Once it has been agreed to in principle, implementation of a construction project has four main components:

- Implementation planning and land acquisition, including selection of site and administration, resettlement action plan, and compensation for crops, land, and infrastructure,
- Procurement of consultants and detailed design,
- Procurement of construction supervision consultants, and
- Works contract procurement, implementation, and completion

The logical framework or project/programme framework is a key management tool to support contracting, operational work planning and M&E. It also provides information on what is planned in terms of its objectives, indicators, and key assumptions. It is important that this is verified and refined regularly during the life of a project so that the project is working on realistic measurements and expectations.

### **Procedure on the Stage 5 (Project Implementation)**

The project implementation is initiated in the following process.

- a) Line ministries, statutory authorities, and provincial governments submit an annual development budget request for the project counterpart fund to EPSD-MNPDC or SDGSD-MNPDC.
- b) Once the budget is approved, line ministries, statutory authorities, and provincial governments submit the workplan, the cash flow, and the procurement plan, and the chart of accounts establishment to BU-MoFT and SPBAD-MNPDP in the beginning of the fiscal year.
- c) Line ministries, statutory authorities, and provincial governments establish the project implementation management arrangements with external financiers.
- d) The project manager creates the project management plan, conducts procurement of consultants and detailed design implementation planning and land acquisition, procurement of consultants and detailed design, procurement of construction supervision consultants, and works contract procurement, implementation, and completion.

## **2) Project Monitoring**

Project monitoring supervises the project implementation progress against plans. Project monitoring involves financial and physical monitoring during project implementation period. Project monitoring should provide early warning of any implementation problems

to bridge such performance gaps on the project implementation to ensure that the project is moving towards its objectives.

Project M&E reports shall be prepared quarterly and annually, detailing the outcomes of M&E, and presenting an overall picture of how the project outputs are performing relative to the targets that were set out in the implementation plans. The reports shall also make recommendations on how improvements could be made in the project implementation.

The Programme Quality Division (PQD)-MNPDC takes the main responsibility for tracking both the project M&E during the project implementation period and the performance M&E during the project operation period.

### **Procedure on the Stage 5: Project Monitoring**

The project monitoring is initiated in the following process.

- a) Line ministries, statutory authorities, and provincial governments submit the quarterly project monitoring report produced by the contractor with the Quarterly Project Monitoring Report Template (Annexure 6) to IAU-MoFT within 15 days of the end of each calendar quarter.
- b) PQD-MNPDC assesses the quarterly project monitoring report with the Quarterly Project Monitoring Report Template with support from the Procurement Unit (PU)-MoFT, EPSD-MNPDC, SDGSD-MNPDC, DCNAOD-MNPDC, FEDU-MoFT, and IAU-MoFT. Then, PQD submits recommendations to PIMTC and PIMSC through IAU-MoFT.
- c) PIMTC and PIMSC invite a project manager of a selected project with line ministries, statutory authorities, provincial governments, and external financiers to the PIMTC Quarterly Meeting to give a report and a presentation about the progress of the project implementation.

- d) PIMTC and PIMSC conduct a project site-visit for physical monitoring with the project manager, line ministries, statutory authorities, provincial governments, and external financiers.
- e) After the presentation and site-visit, PIMTC examines the project monitoring report and submits recommendation to PIMSC.
- f) PIMSC evaluates the project monitoring report and submits recommendations to the Minister of Finance or the Cabinet for action, such as an intervention or project adjustment, only if it is required.

### **3.10 Stage 6: Project Adjustment and Completion**

#### **1) Project Adjustment**

Project adjustment must be undertaken when project monitoring indicates that a project is going off track in terms of budget, schedule, or specification. When project implementation faces deviational risks threatening the project’s viability, fundamental adjustments should be made to get a project on track for recovery. If it is no longer feasible to achieve the objectives of a project within reasonable budgetary and time constraints, a project might be terminated.

#### **Procedure on the Stage 6: Project Adjustment**

The project adjustment is initiated in the following process.

- a) Through the project monitoring stage, PIMSC identifies any deviation risks of the project implementation, evaluates the viability of the project, and submits recommendations to the Minister of Finance or the Cabinet for action for project adjustment.

#### **2) Project Completion**

Project completion is when project implementation is completed or when all components of a project are installed and fully functional for project operation. When a project is completed, major issues and challenges, lessons learnt, and recommendations should be identified.

The project completion stage emphasises on handing over the final deliverables of the project and project documentation to line ministries, statutory authorities, and provincial governments, terminating supplier contracts, releasing project resources if any, and communicating the end of the project implementation to all stakeholders.

### **Procedure on the Stage 6: Project Completion**

The project completion is initiated in the following process.

- a) Line ministries, statutory authorities, and provincial governments produce the project completion report with external financiers, fill in the Project Completion Report Template (Annexure 7), and submit it to IAU-MoFT.
- b) PQD-MNPDC assesses the Project Completion Report Template with support from EPSD-MNPDC, SDGSD-MNPDC, DCNAOD-MNPDC, FEDU-MoFT, and IAU-MoFT. Then, PQD submits findings and recommendations to PIMTC and PIMSC through IAU-MoFT.

## **3.11 Stage 7: Project Operation and Maintenance**

### **1) Project Operation**

Project operation is the day-to-day activities with assets to provide service delivery to residents, businesses, schools, hospitals, and other users. Operations activities use significant staff and financial resources and require securing sufficient recurrent budget for operation to maximize a quality-of-service delivery. In addition, asset registers need to be maintained and asset values recorded.

## 2) Project Maintenance

Project maintenance involves functional checks, monitoring, testing, measuring, servicing, repairing, or replacing of necessary equipment, infrastructure, and supporting utilities. Maintenance activities are highly vulnerable to maintenance budget allocation. Maintenance can perform the required functions and achieve the intended service delivery objectives throughout the expected life of the asset.

### Procedure on the Stage 7: Project Operation and Maintenance

The project operation and maintenance are initiated in the following process.

- a) Once a project is completed, the created assets are handed over to operating agencies for project operation and maintenance.
- b) Operating agencies submit recurrent budget and obtain adequate amounts of funding to operate and maintain the assets for service delivery.
- c) Operating agencies record asset values to the asset registers.

## 3.12 Stage 8: Project Closure and Ex-Post Evaluation

### 1) Project Closure

Project closure is to conclude all activities and operations with assets. During project closure, it is important to review the deliverables to ensure they have met the intended project outcomes and check whether there are any adverse outcomes due to the project. In addition, a supreme audit institution should periodically conduct a compliance audit of a project.

Operating agencies are required to submit the project completion report, which takes into account the project's achievements and challenges, including the outcomes of the terminal evaluation and final audit.



## Procedure on the Stage 8: Project Closure

The project completion is initiated in the following process.

- a) Line ministries, statutory authorities, and provincial governments produce the project closure report and submit it to IAU-MoFT.
- b) PQD-MNPDC assesses the project closure report with support from EPSD-MNPDC, SDGSD-MNPDC, DCNAOD-MNPDC, FEDU-MoFT, and IAU-MoFT. Then, PQD submits recommendations to PIMTC and PIMSC through IAU-MoFT.

## 2) Ex-Post Evaluation

Ex-post evaluation is carried out three to five years after the project operation is completed. It assesses positive or negative impacts that the project generated as well as evaluates whether the project provided value for money relative to other possible interventions. Ex-post evaluation also helps in learning lessons from the project's successes and failures and will assist in designing future projects. Ex-post evaluation has two complementary perspectives as follows:

### Strategic Performance Perspective

The strategic performance perspective looks at the project in relation to the hierarchy of objectives, including the strategic goals that were set during planning and approval. It also considers the achieved efficiency, effectiveness, impact, and relevance of the project in relation to these objectives. The aim is to evaluate the operational, tactical, and strategic success of the project.

### Socioeconomic Profitability Perspective

The social welfare or socioeconomic profitability perspective looks at a project's economic performance, as measured by social cost-benefit analysis. This analysis involves estimating the achieved economic performance indicators, such as ENPV, EIIR, and cost-benefit ratio, and comparing the same indicators from planning and approval.

## Procedure on the Stage 8: Ex-Post Evaluation

The ex-post evaluation is initiated in the following process.

- a) Line ministries, statutory authorities, and provincial governments produce the ex-post evaluation report with external financiers and submit it to IAU-MoFT.
- b) PQD-MNPDC assesses the ex-post evaluation report with support from EPSD-MNPDC, SDGSD-MNPDC, DCNAOD-MNPDC, FEDU-MoFT, and IAU-MoFT. Then, PQD submits recommendations to PIMTC and PIMSC through IAU-MoFT.

## Chapter 4: Institutional Arrangement

The institutional arrangement has been set up to implement the PIM Guidelines under the PIM Policy. It highlights the different roles and responsibilities in the process of project development and implementation. The PIM institutional framework is designed to facilitate the coordination and decision making as a project evolves from project initiation stage to ex-post evaluation stage in the project lifecycle. The PIM Guidelines provide the guidance for the SIG agencies and other stakeholders to play their roles and responsibilities, and to provide business processes in the upstream and downstream of the PIM process (See Figure 4.1 and 4.2) below.

### **1) Public Investment Management Steering Committee (PIMSC)**

The PIMSC's role is to ensure the delivery of the PIM Policy outputs and the achievement of the policy outcomes and impact. They provide quality high-level and prudent assessment and oversight over the processing and coordination of externally financed infrastructure projects. PIMSC reviews the results of the assessment for project concept notes, project proposals, and M&E reports from PIMTC. PIMSC also provides advice to the Minister of Finance on matters relating to the PIM process and system.

### **2) Public Investment Management Technical Committee (PIMTC)**

PIMTC plays a role in ensuring DPs and line ministries, statutory authorities and provincial governments comply with the PIM Guidelines in the PIM Process. They are responsible for evaluating the results of the assessment for project concept notes, project proposals, and M&E reports submitted by IAU-MoFT and making recommendations to PIMSC.

### **3) Debt Management Advisory Committee (DMAC)**

DMAC fulfils its statutory requirements by facilitating high-level oversight and policy coordination of debt management issues. DMAC provides assessment and advice on government borrowing, including government borrowing, on-lending or guarantees. DMAC is obliged to carry out its statutory responsibility of doing an analysis and

evaluation of the effects and impacts of loan projects on the government's financial position and make recommendations.

#### **4) Budget Strategic Committee (BSC)**

BSC provides analysis and advice on the effects and impacts of proposed projects. Their key role is to carry out an assessment of impacts on the budget, especially development forward estimates, counterpart funds, and forthcoming operation and maintenance costs associated with externally financed infrastructure projects.

#### **5) Investment Analysis Unit (IAU)-MoFT**

IAU-MoFT is responsible for undertaking project concept appraisal and project appraisal with EPSD and SDGSD. They coordinate the stakeholders to facilitate project selection, financing selection, project monitoring, project completion, project closure, and ex-post evaluation in the PIM process. IAU acts as a secretariate for PIMTC, PIMSC, and the overall PIM reform for externally financed infrastructure projects.

#### **6) Debt Management Unit (DMU)-MoFT**

DMU-MoFT monitors and reports on government existing debt obligations both domestically and externally. They evaluate and negotiate new government borrowing, issue shorty-term debt securities and support stakeholder relationships on debt related matters. DMU provides advice for financing selection to PIMTC and PIMSC from the debt management perspective.

#### **7) Financial Economic Development Unit (FEDU)-MoFT**

FEDU-MoFT is responsible for aid coordination and managing the planning and implementation of DP support, including budget support, programme/project support, and technical assistance. While DMU handles loan projects, FEDU manages grant projects with DCNAOD. They also support PQD's M&E related activities through sharing aid data and reports.

#### **8) Climate Resilience Finance Unit (CRFU)-MoFT**

CRFU-MoFT supports accessibility and management of climate and disaster risk finance of the SIG sustainable development initiatives. They provide policy advice and coordination for all climate finance activities. CRFU also advises PIMTC and PIMSC on financing selection and climate and disaster resilience public investment.

#### **9) Budget Unit (BU)-MoFT**

BU-MoFT leads the national annual budget process, budget reviews, provides expenditure reports and legislative reforms. They assess recurrent forward estimates, such as life cycle costs including operation, maintenance, and rehabilitation costs associated with externally financed infrastructure projects, with SPBAD and MEU. BU is expected to take responsibility for recurrent forward estimates under the forthcoming MTEF.

#### **10) Macro-Economic Unit (MEU)-MoFT**

MEU-MoFT delivers forecasting, modelling, analysis, and advice on medium- and long-term macro-economic policy and strategies. They assess recurrent and development forward estimates associated with externally financed infrastructure projects with BU and SPBAD and incorporates them into MTEFS.

#### **11) Public Private Partnership Unit (PPPU)-MoFT**

PPPU-MoFT promotes PPP projects with concerned line ministries, agencies, and the private sector that supplies infrastructure assets and services to bridge the infrastructure gaps and increase efficiency. They advise PIMTC and PIMSC on financing selection and PPP oriented public investment.

#### **12) Procurement Unit (PU)-MoFT**

PU-MoFT takes responsibility for the SIG procurement and contract administration. They also conduct the procurement of DP's general budget support and sector budget support. PU supports IAU-MoFT's project appraisal and PQD-MNPDC's project monitoring activities through analysing procurement data and providing advice.

#### **13) Strategic Planning and Budget Allocation Division (SPBAD)-MNPDC**

SPBAD-MNPDC prepares NDS, MTDP and the annual development budget. They assess development forward estimates and counterpart funds associated with externally financed infrastructure projects with BU-MoFT and MEU-MoFT. SPBAD is expected to take responsibility for development forward estimates under the forthcoming MTEF and on-budget reforms.

#### **14) Programme Quality Division (PQD)-MNPDC**

PQD-MNPDC supports to implement, monitor, and evaluate progress on NDS, MTDP and the annual development budget. PQD is expected to play a central role in assessing the reports of project monitoring, project completion, project closure, and ex-post evaluation for externally financed infrastructure projects, and submit recommendations to PIMTC and PIMSC.

#### **15) Development Cooperation and National Authorizing Officers Division (DCNAOD)-MNPDC**

DCNAOD-MNPDC supports mobilising, managing and co-ordinating aid to ensure integration and alignment with the government's development priorities, strategies, and delivery systems. DCNAOD administers grant projects with FEDU-MoFT. They also support PQD-MNPDC's M&E related activities through sharing aid data and reports.

#### **16) Economic and Productive Sector Division (EPSD)-MNPDC**

EPSD-MNPDC conducts project appraisal and project monitoring for government funded projects in the economic and productive sectors. They take responsible for undertaking project concept appraisal and project appraisal in the economic and productive sector with IAU-MoFT. EPSD also support PQD-MNPDC's M&E related activities through sharing M&E data and reports in the sector.

#### **17) Social Development and Governance Sector Division (SDGSD)-MNPDC**

SDGSD-MNPDC conducts project appraisal and project monitoring for government funded projects in the social development and governance sectors. They have responsible for undertaking project concept appraisal and project appraisal in social development and

governance sector with IAU-MoFT. SDGSD also support PQD-MNPDC's M&E related activities through sharing M&E data and reports in the sector.

#### **18) Fundamental Reform (FR), Office of Prime Minister and Cabinet (OPMC)**

FR-OPMC provides policy assessment and advice on the SIG governance reform programme, including the PFM and PIM reform programmes. They give advice to PIMTC and PIMSC from the SIG policy and priority perspectives.

#### **19) Ministry of Finance & Treasury (MoFT)**

MoFT plays the key role of overseeing the PIM Framework for external finance and has the statutory role of making sure the PIM Policy and Guidelines are enforced in the processing of all loans and grants financed by DPs. The Chairperson of PIMSC will be undertaken by the Permanent Secretary of Finance and Treasury.

#### **20) Ministry of National Planning and Development Coordination (MNPDC)**

MNPDC has played a vital role in supporting the PIM Framework for externally financed infrastructure projects and ensuring they are aligned with NDS, MTDP, SINIIP, the Solomon Islands Priority Infrastructure Investment Pipeline, and other relevant plans and policies. MNPDC assists in project concept notes and project proposals for appraisal, project selection, funding selection, and M&E through PIMTC and PIMSC. The Co-Chairperson of PIMSC will be undertaken by the Permanent Secretary of National Planning and Development Coordination.

#### **21) Office of Prime Minister and Cabinet (OPMC)**

OPMC takes responsibility for assisting policy assessment of project concept notes and project proposals through PIMTC and PIMSC. OPMC is represented in these committees by the Policy Secretary and the National Consultant.

#### **22) Line Ministries, Statutory Authorities, and Provincial Governments**

Line ministries, statutory authorities, and provincial governments secure external funding arrangements and undertake the PIM cycle, such as the project initiation, formulation, financing, implementation, monitoring, adjustment, completion, operation, maintenance, closure, and ex-post evaluation. In this process, the PIM Templates, such as the project concept note template, the project proposal template, the economic analysis template, the cost analysis template, the quarterly project monitoring report template, and the project completion report template are submitted to IAU-MoFT with support from DPs, climate funds, the private sector, and other stakeholders.

### **23) Development Partners (DPs)**

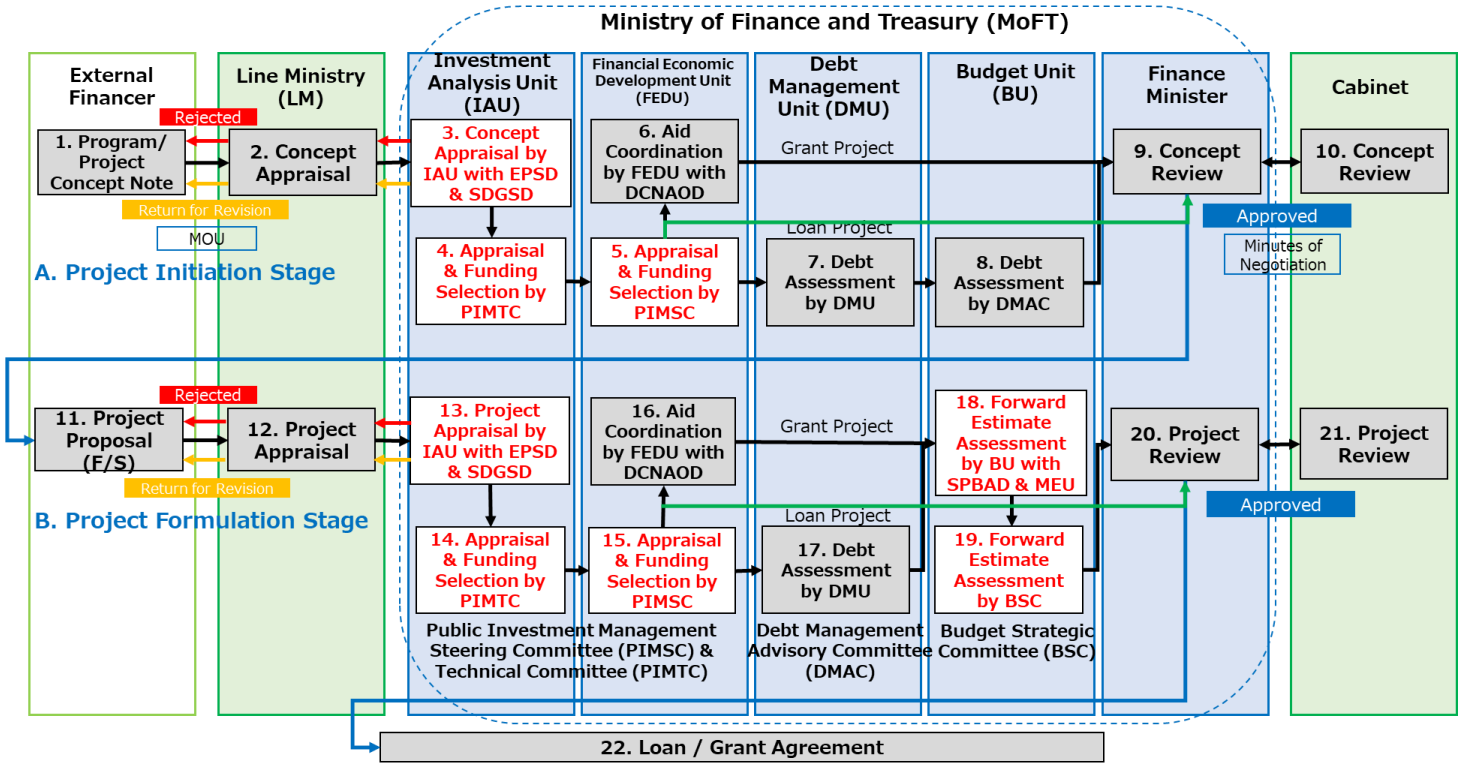
DPs provide ODA grants and concessional loans, OOF, South-South and Triangular Cooperation, and other type of external financing for public investment projects/programmes. DPs support line ministries, statutory authorities, and provincial governments to conduct project initiation, formulation, financing, implementation, and M&E. In this process, DPs support to create the PIM Templates, such as the project concept note template, the project proposal template, the economic analysis template, the cost analysis template, the quarterly project monitoring report template, the project completion report template, etc. and submit them to IAU-MoFT.

### **24) Climate Funds, the Private Sector and Other External Financers**

Climate funds, the private sectors, and other external financers play an important role in resource mobilization to promote public investment in the country through the forms of climate finance, PPP, and development financing. With support from climate funds and the private sectors, line ministries, statutory authorities, and provincial governments to conduct project initiation, formulation, financing, implementation, and M&E. In this process, the PIM Templates, such as the project concept note template, the project proposal template, the economic analysis template, the cost analysis template, the quarterly project monitoring report template, the project completion report template, etc. are submitted to IAU-MoFT.

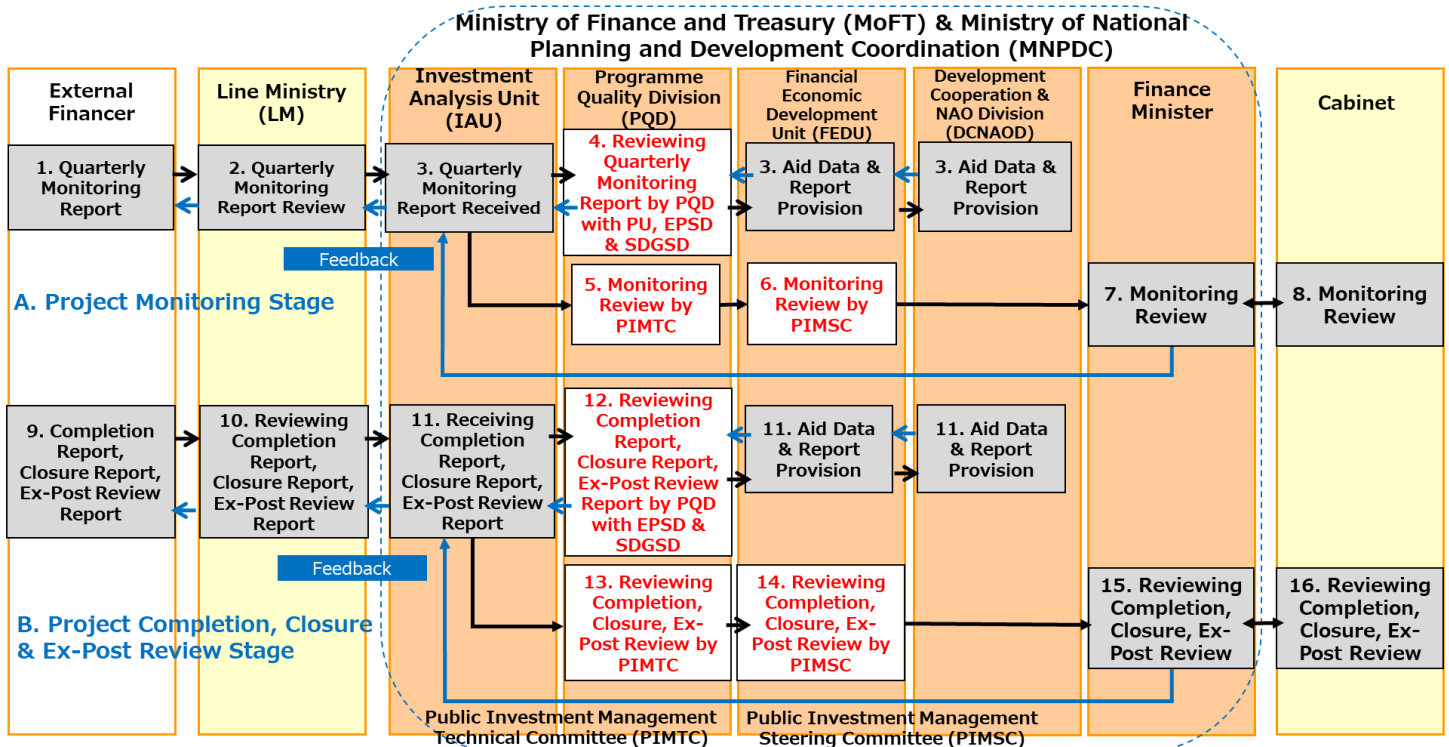


**Figure 4.1: Roles of Key Stakeholders in Upstream PIM Business Process**



Source: Ministry of Finance and Treasury.

**Figure 4.2: Roles of Key Stakeholders in Downstream PIM Business Process**

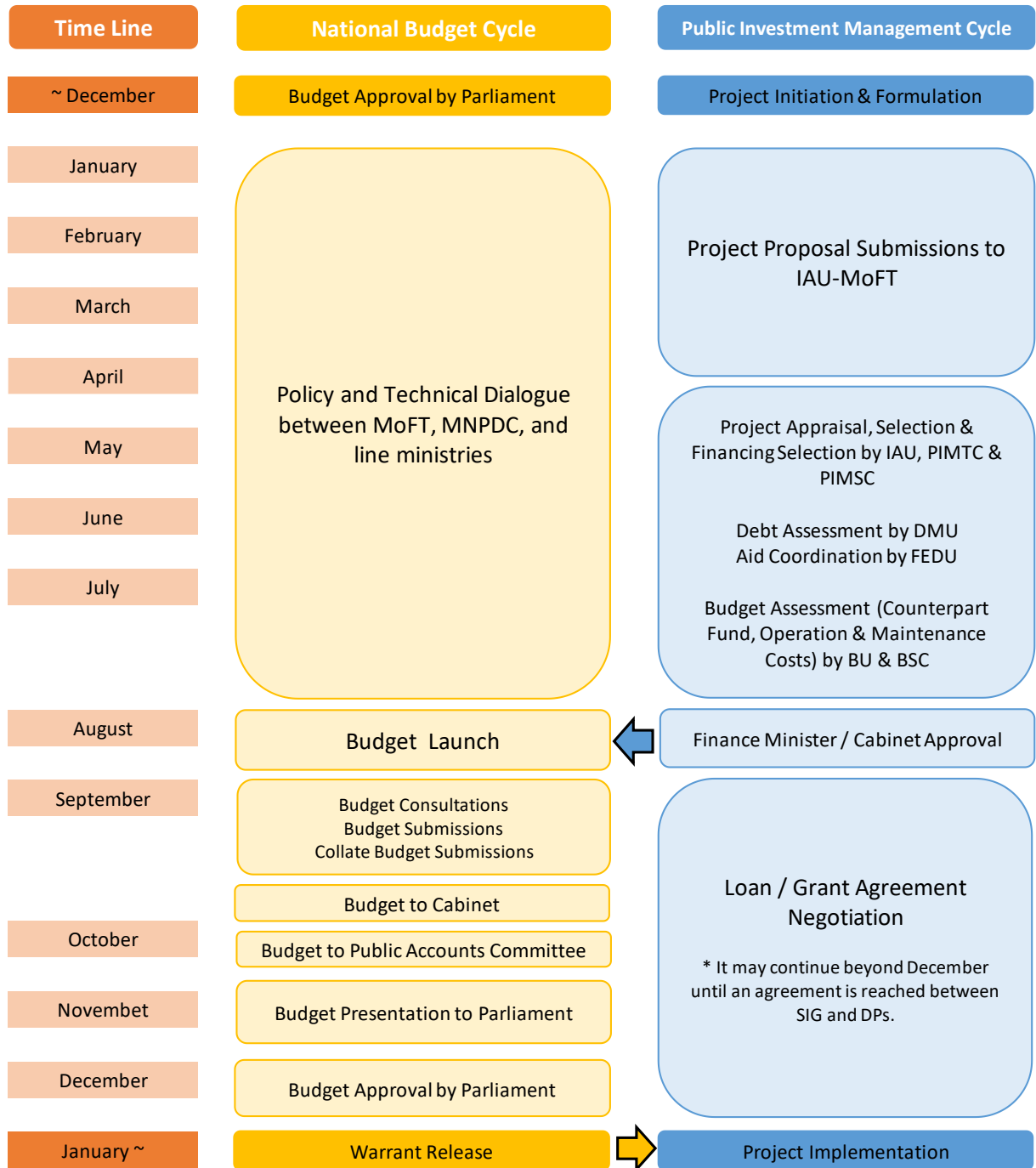


Source: Ministry of Finance and Treasury.

## Chapter 5: National Budget Cycle and Public Investment Management Cycle

Public investment largely depends on externally financed public investment, such as DP funded infrastructure projects, in the country. In the current practice, each DP provides public investment support through their own aid financing cycle and procedures. In the medium-term, however, the PIM cycle for externally financed infrastructure projects are expected to align with the national budget cycle in line with the Solomon Islands Aid Management and Development Cooperation Policy, and the Partnership Framework for Effective Development Cooperation (See Figure 5.1). It will enable SIG to prepare counterpart funds and forthcoming recurrent budget requirements, such as operation and maintenance costs, in the national budget cycle, attributing to more efficient project implementation and more effective project operation and maintenance.

**Figure 5.1: National Budget Cycle and Public Investment Management Cycle**



Source: Ministry of Finance and Treasury.

## Chapter 6: Conclusion

The PIM Guidelines provide procedural guidance, including basic procedural guidelines, high-level decision criteria, roles and responsibilities, and designation of analytical tools. The PIM Guidelines facilitate the effective implementation of the PIM Policy under the PIM Framework. The PIM Guidelines enhance SIG to undertake inclusive, prudent and climate and disaster resilient project formulation, appraisal, selection, funding selection, implementation, and M&E of all externally financed infrastructure projects with the intention of enhancing the efficiency and productivity of externally financed public investment in Solomon Islands.

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# Annexures 1: Project Concept Note Template

## 1. Project/Programme Summary

### Project/Programme Information

Project/Programme Title

Project Code

Sector

Project Start Date

Project End Date

Estimated Project Lifetime

Project Location

### Project/Programme Description

Project/Programme Objective

Status Before Project

Status After Project

Justification

Options Analysis

Alignment with NDS and  
MTDP

Alignment with Sector  
Strategies

### Project/Programme Financial Plan

Capital Costs

Operation and Maintenance  
Costs

Development  
Partner/Financier

Amount in Original Currency

Amount in Solomon Island  
Dollars

Finance Type: Loan, Grant,  
Equity

Loan Grace and Repayment  
Period

Interest Rate and Other  
Charges

### Implementation Arrangements

Executing Agency

Implementing Agency

Socio-Economic Benefits

Beneficiaries

Economic Benefits

Social Benefits

Risk and Resilience

Environmental Safeguards

Social Safeguards

Climate Resilience

Disaster Risk

## 2. Logical Framework (Project/Programme Design Framework)

### 2.1 Logica Framework

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact			Assumptions Risks
Outcome			Assumptions Risks
Outputs			Assumptions Risks
Activities with Milestones/Landmarks 1.0 2.0 3.0 4.0 5.0			Inputs

### 2.2 Project/Programme Risks and Mitigating Measures

Risks as Identified in Framework	Mitigating Measures



# Annexures 2: Project Proposal Template

## 1. Project/Programme Summary & Implementation Arrangements

<b>Project/Programme Name</b>						
<b>Project Code</b>						
<b>Date of Project Concept Approval by MoFT</b>						
<b>Implementation Period</b>						
<b>Total Project Cost</b>						
<b>Project Financial Plan</b>						
{Copy of Financing Agreement <i><b>MUST</b></i> be attached for each financier}						
<i>Financier</i>	<i>Amount in Original Currency</i>	<i>Amount in SBD</i>	<i>Finance Type: Loan, Grant, Equity</i>	<i>Date of Financing Agreement</i>	<i>Loan Grace and Repayment Period</i>	<i>Interest Rate &amp; Other Charges</i>
<b>Total</b>						
<b>Implementation Arrangements</b>						
<b>Executing Agency</b>						
<b>Implementing Agency</b>						
<b>Implementation Unit</b>						

### Proposal Description

Background and Rationale

Area and Locations

Costs and Financing

### Justification

Economic Impacts

**Poverty Reduction Impact**

**Social Benefits**

**Policy and Institutional Improvements**

## **Risk and Resilience Issues**

**High Risk Areas and Hazards**

**Climate Change Issues**

**Disaster Risk Reduction Issues**

**Environmental Issues**

**Social Exclusion Issues**

**Summary of Risk and Resilience Issues**

## **Logical Framework or Project/Programme Design Framework**

**Logical Framework or Project Design Framework**

<b>Design Summary</b>	<b>Performance Targets and Indicators</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<b>Impact</b>			<b>Assumptions</b> <b>Risks</b>
<b>Outcome</b>			<b>Assumptions</b> <b>Risks</b>
<b>Outputs</b>			<b>Assumptions</b> <b>Risks</b>
<b>Activities with Milestones/Landmarks</b> <b>1.0</b> <b>2.0</b> <b>3.0</b> <b>4.0</b> <b>5.0</b>			<b>Inputs</b>

**Project Risks and Mitigating Measures**

<b>Risks as Identified in Framework</b>	<b>Mitigating Measures</b>

## Climate and Disaster Risk Screening

### Exposure of the Project Location

	Climate Change Hazards						Geophysical Hazards			
	Extreme Temperature	Extreme Precipitation and Flooding	Drought	Sea Level Rise	Storm Surge	Strong Winds	Earthquake	Tsunami	Landslides	Volcanic Eruption
Current										
Future										

### Impacts on the Project's Physical Components

	Impact			
	Component 1	Component 2	Component 3	Overall
Current				
Future				

### Adaptive Capacity: modulating effect of the project's non-physical components and development context

Soft Components	Development Context		Vulnerable Group	
Modulation of impacts by the project's soft components	Modulation of impacts by the project's sector context	Modulation of impacts by the project's social, economic, and political factors	Vulnerable groups identified as particularly vulnerable to impacts from climate and geophysical hazards	Components designed to help alleviate the risks to vulnerable groups from climate and geophysical hazards
Capacity Building, Training and Outreach Emergency Planning Maintenance and Operations Data Gathering, Monitoring and Information Management Systems	Sector Context	Social Context, Economic Context, Political Context	Children, Women, Minorities, Migrants, Refugees, Displaced People	Children, Women, Minorities, Migrants, Refugees, Displaced People

### Risk to the Outcome/Service Delivery of the Project

	<b>Outcome/Service Delivery</b>			
	Outcome 1	Outcome 2	Outcome 3	Overall
Current				
Future				

## Annexures 3: Cost Analysis Template

Sheet XL 1: Implementation Schedule					
Ministry: 0 Title of Project: 0 Ministry Priority Ranking:					
Components and Activities	2023	2024	2025	2026	2027
<b>A. Output</b> 1 Activity 2 Activity 3 Activity 4 Activity 5 Activity <b>B. Output</b> 1 Activity 2 Activity 3 Activity 4 Activity 5 Activity <b>C. Output</b> 1 Activity 2 Activity 3 Activity 4 Activity 5 Activity <b>D. Output</b> 1 Activity 2 Activity 3 Activity 4 Activity 5 Activity <b>E. Output</b> 1 Activity 2 Activity 3 Activity 4 Activity 5 Activity <b>F. Output</b> 1 Activity 2 Activity 3 Activity 4 Activity 5 Activity <b>G. Output</b> 1 Activity 2 Activity 3 Activity 4 Activity 5 Activity 6 Activity					

**Sheet XL 2: Development Costs**

Ministry: Ministry of Development Planning and Aid Coordination

Title of Project: 0

Ministry Priority Ranking:

**NOTE: Check the field 4 Expenditure Code in the sheet "CoA" and then enter the 4-digit number in Column A, the correct description will then appear in Column B.**

These are protected cells

CHART OF ACCOUNTS FIELD 4	Description	2023	2024	2025	2026	2027	Total
		Annual \$	Annual \$	Annual \$	Annual \$	Annual \$	Annual \$
<b>Costs Funded by SIG</b>							
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
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CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
<b>Sub-Total SIG Funded</b>		0	0	0	0	0	0
<b>Partner 1:</b>	<b>Enter Partner Name Here</b>						
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
<b>Sub-Total</b>	<b>Enter Partner Name Here</b>	0	0	0	0	0	0
<b>Partner 2:</b>	<b>Enter Partner Name Here</b>						
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
CoA Field 5	#N/A						0
<b>Sub-Total</b>	<b>Enter Partner Name Here</b>	0	0	0	0	0	0
<b>Partner 3:</b>	<b>Enter Partner Name Here</b>						
<b>Partner 4:</b>	<b>Enter Partner Name Here</b>						
<b>Partner 5:</b>	<b>Enter Partner Name Here</b>						
<b>Partner 6:</b>	<b>Enter Partner Name Here</b>						
<b>Partner 7:</b>	<b>Enter Partner Name Here</b>						
<b>Partner 8:</b>	<b>Enter Partner Name Here</b>						
<b>Total Donor Funding</b>		0	0	0	0	0	0
<b>TOTAL COSTING OF PROPOSAL</b>		0	0	0	0	0	0



# Annexures 4: Economic Analysis Template

## 5) Project Cost (Economic)

<b>Project Cost (Initial Investment)</b> (Economic Price)								
(1)	(2)	(3)						
Item	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Total		
(e.g.) Preparatory work						0		
(e.g.) Construction						0		
(e.g.) Materials						0		
(e.g.) Machinery						0		
(e.g.) Land acquisition						0		
(e.g.) Construction management fees						0		
(e.g.) General expenses						0		
(e.g.) Contingency (10% of above items)						0		
<b>Total</b>	0	0	0	0	0	0		

<b>Operation &amp; Maintenance Cost</b> (Economic Price)								
(6)	(7)					(8)		
Item	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 30	Total
	2023	2024	2025	2026	2027	2028	2052	
<b>Total</b>								

<b>Total</b>								
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## 6) Benefit & Cost (Economic)

<b>Without Project</b> (Economic Price)			<b>With Project</b> (Economic Price)		
<b>Benefit</b>			<b>Benefit</b>		
(1)	(2)	(3)	(11)	(12)	(13)
Item	Calculation	Value	Item	Calculation	Value
		0			0
		(4)			(14)
<b>Cost</b>			<b>Cost</b>		
(5)	(6)	(7)	(15)	(16)	(17)
Item	Calculation	Value	Item	Calculation	Value
		0			0
		(8)			(18)
<b>Net Benefit</b>	(9)	0	<b>Net Benefit</b>	(19)	0
<b>B/C</b>	(10)	#DIV/0!	<b>B/C</b>	(20)	#DIV/0!
<b>Incremental Net Economic Benefit</b>			<b>Incremental Net Economic Benefit</b>		
		0			0
		(21)			0



## 7) Cash Flow (Financial & Economic)

		(1)							
(Financial Price in SBD ,000)		Construction					Operation		
(3)	(4)	1	2	3	4	5	6	30	Total
		2023	2024	2025	2026	2027	2028	2052	
<b>Cost</b>									
(5)	CAPEX								0
(6)	O&M								0
(7)	Total Cost	0	0	0	0	0	0	0	0
<b>Benefit</b>									
(8)	Remaining Value of the Project Asset								0
(9)	Incremental Net Benefit								0
(10)	Total Benefit	0	0	0	0	0	0	0	0
(11)	<b>Total Net Benefit</b>	0	0	0	0	0	0	0	0
		FIRR							(12)
(Economic Price in SBD ,000)		Construction					Operation		
		1	2	3	4	5	6	30	Total
		1900	1901	1902	1903	1904	1905	1929	
<b>Cost</b>									
(13)	CAPEX								0
(14)	O&M								0
(15)	Total Cost	0	0	0	0	0	0	0	0
<b>Benefit</b>									
(16)	Remaining Value of Machinery								0
(17)	Incremental Net Benefit								0
(18)	Total Benefit	0	0	0	0	0	0	0	0
(19)	<b>Total Net Benefit</b>	0	0	0	0	0	0	0	0
		EIRR							(20)

## Annexures 5: Project Appraisal Template

MTDP PROGRAMME/PROJECT					
Project/Programme Information & Budget					
Project Title					
Implementing Agency					
Project Coordinator/s		Sector			
Locations					
SIG Project Code		Funding Source(s)			
Budget					
Total Project Budget \$M		Total Budget Allocation 2019		Duration of Project	
FACTOR	APPRAISAL QUESTIONS			COMMENTS	FACTOR RATING (Strong, Medium, Weak, N/A)
<b>1. PROJECT RELEVANCE TO DEVELOPMENT OBJECTIVES &amp; 2017 BUDGET CONSTRAINTS</b>	Does the project support the achievement of National Development Strategy (NDS) objectives and the Medium-Term Development Plan Strategies? (MTS)				
	Does the project contribute to revenue? How?				
<b>2. INSTITUTIONAL CAPACITY/ GOVERNANCE</b>	Does the LM have the capacity to undertake the project? E.g., manpower, skills, experience				
	Is the project dependent on cross-ministry coordination/agreement to implement in part or full? Has this occurred?				
	Does LM have a Budget Implementation Committee (BIC) or other similar structure in place for oversight and governance?				
	Has the project been endorsed by Ministry Heads? Signed off by Ministry PS?				
<b>3. EXISTING PROJECT PROGRESS – PHYSICAL &amp; FINANCIAL (fiscal)</b>	<b>IF EXISTING PROJECT</b> How long has the project been in existence?				
	What is the progress? Have regular bi-annual reports been submitted (in the prescribed format)?				
	Are there any challenges, risks, or issues affecting implementation? Are these likely to be resolved or mitigated in the current or next year?				
	Was the rate of expenditure in the previous year (if ongoing project) reasonable?				
	Are there existing contractual obligations?				
<b>4. LAND AVAILABILITY</b>	Has the land been secured for the project? (Capital projects only)				
	Are land agreements in place? (Capital projects only)				
	Has other preparatory work been completed?				
<b>5. CAPITAL INFRASTRUCTURE REQUIREMENT</b>	If the infrastructure project is over \$14m SBD, is it in the SINIIP? If not, is justification provided?				

<b>MTDP PROGRAMME/PROJECT</b>			
<b>S (if capital project)</b>			
<b>6. FINANCING, COST &amp; PROCUREMENT ARRANGEMENTS</b> <b>Development/ Recurrent Costs &amp; Procurement</b> <b>(Ref: Section 2.3 of word template and XL 2 &amp; XL 3, XL 4 &amp; 5)</b>	Is the project/programme appropriate for development budget funding?		
	Could other sources of finance be considered for this project? E.g., Donor, debt financing, PPP?		
	If co-financed, is this clearly detailed?		
	Is there a sound procurement plan provided (XL sheets 4 & 5) (with adherence to procurement thresholds)		
	Are all costs- development and recurrent, included in the XL templates – (XL sheets 2 &3)		
	Are the assumptions used in the project costing reasonable? (look in “support for development costs XL”)		
	Is the source of data to determine costs appropriate and reasonable? (look in “support for development costs XL”)		
	Based on the info provided above, is the overall Budget estimate sound and reasonable?		
<b>7. PROJECT RATIONALE &amp; JUSTIFICATION ANALYSIS</b> <b>(Ref: Appraisal word template – sections 1, 2, 2.1, 2.2, 3)</b>  <b>Project Justification Analysis continued</b> <b>(Ref: Section 3 of template &amp; XL2)</b>	<b>Proposal Description, Background, and Rationale</b> Is it clear how the project will address problems and opportunities and achieve its stated outcomes?		
	Is this consistent with NDS Objectives and Medium-Term Strategies?		
	If a new project, is there any supporting documentation - feasibility studies/project formulation studies, co-financing agreements or any other donor assistance documentation attached (where applicable)?		
	<b>Economic Impacts</b> Is there adequate description and identification of economic and financial benefits from delivering the outputs?		
	Is the source of data to determine economic impacts appropriate, reasonable, and credible?		
	On balance, do the benefits outweigh the costs?		
	<b>Poverty Reduction Impact</b> Does the project reduce poverty through financial or material benefit to the most disadvantaged groups?		
	<b>Social Benefits/Social Impacts</b> Is the project socially desirable for e.g. in terms of gender, health, education, settlement, employment, community development, or other social outcome?		
	Does the project involve local participation of beneficiaries – particularly women, and youth?		
	<b>Policy and Institutional Improvements</b> Will the project contribute to increased effectiveness of SI government policies and/or increased efficiency of public and private institutions? E.g. enhanced public service delivery, and increased efficiency in the functioning of private markets.		
<b>8. PROJECT RISK &amp; RESILIENCE ANALYSIS</b>  <b>(Ref: section 4 of template and XL 2)</b>	<b>High Risk Areas and Hazards</b> Have potential hazards in the proposed project been identified, and mitigated?		
	Have costs associated with mitigation been included in XL2 (Development Cost Schedule)?		
	<b>Climate Change Issues</b> Is the project likely exposed or sensitive to long-term climate change issues?		

<b>MTDP PROGRAMME/PROJECT</b>			
	Does the project identify any key climate change impacts FROM the project (positive and negative)		
	Has the scale and timeframe for any changes been identified?		
	Have costs associated with mitigation been included in XL2 (Development Cost Schedule)?		
	<b>Disaster Risk Reduction Issues</b> Have disaster vulnerability impacts FROM the project been identified and mitigated?		
	Have costs associated with mitigation been included in XL 2 (Development Cost Schedule)?		
	<b>Environmental Issues</b> Is the project exposed to environmental changes or dependent on natural resources?		
	Are key environmental impacts FROM the project identified (positive or negative)		
	Have costs associated with mitigation been included in XL2 (Development Cost Schedule)?		
	<b>Social Exclusion Issues</b> Have key social issues and risks (both positive and negative) including impacts on different social groups – e.g. women, children, youth, elderly been identified?		
	Have costs associated with social impact mitigation been included in XL2 (Development Cost Schedule)?		
	<b>Risk Summary</b> Does the project fully identify risks TO the project and risks FROM the projects?		
	Has this been sufficiently summarised in section 4.6 of the template and mitigation cost in XL2		
	<b>9. LOGICAL FRAMEWORK</b>  (Ref: LOG FRAME ANALYSIS & XL 1, 2 )	<b>Outcomes:</b> Is the link between the output and outcome clear i.e. will delivering the outputs achieve the stated outcome?	
Does the stated outcome contribute to achieving the current NDS Objectives and delivering Medium Term Strategies?			
<b>Outputs:</b> Are they clear, relevant, and achievable within the timeframe?			
Will delivering the activities achieve the stated outputs?			
<b>Activities/Milestones:</b> Are the major activities to be carried out under the work plan included in the MTDP templates? (Check the implementation schedule XL1 for inclusion and ensure it matches)			
Are the activities and milestones listed clear, relevant, and achievable within the timeframes set? (Check the implementation schedule XL1)			
<b>Project performance indicators and targets:</b> Does the project have clear, realistic, and achievable indicators and targets at outcome and output levels?			
Are the performance indicators and targets set for the project able to be measured and reported against?			
<b>Inputs</b> Are all the resources - cash and in-kind – from all sources listed and identified in Development Cost Schedule XL2?			

## Annexures 6: Quarterly Project Monitoring Report Template

QUARTERLY PROJECT MONITORING REPORT											
Section One: Programme/Project Information & Budget											
Programme/Project Title											
Implementing Agency											
Project Coordinator/s				Sector							
Locations											
SIG Project Code			Funding Source(s)								
NDS 2016-2035 Objectives	1 2 3 4 5 - circle only <i>ONE</i> NDS Objective										
Medium Term Strategy (MTS)											
Budget											
Total Project Budget \$M			Total Budget Allocation 2017			Start date of Project					
Committed Expenditure as of the end of the quarter			Balance Available as of the end of the quarter			Comments on Expenditure					
Section Two: Outcomes & Performance Targets for Project/Programme											
Planned Outcome/s and Performance Targets (from log frame)		Outcomes and Performance Targets achieved to date (if any)		Outcome Traffic Light Status <b>Green</b> - on track <b>Yellow</b> - minor issues <b>Orange</b> - significant issues <b>Red</b> - off track		Comments (including why outcomes achieved or not achieved and other information considered relevant)					
Outcome	Performance Target and Indicators										
Section Three: Outputs, Performance Targets/Indicators, Activities and Milestones - For each Output											
Planned Outputs and Performance Targets/Indicators (from log frame)		Outputs and Performance Targets/Indicators achieved/not achieved this reporting period		Output Traffic Light Status <b>Green</b> - on track <b>Yellow</b> - minor issues <b>Orange</b> - significant issues <b>Red</b> - off track		Output Stage 1=Still to commence 2 = Preparation 3= Procurement 4= Implementation 5= Complete		% Output completion (estimate) (Range from 0% to 100%)		Comments (including why outputs achieved or not achieved and other information considered relevant)	
Output One	Performance Target and Indicators										
1.											

Planned Activities and Milestones (from log frame)		Activities and Milestones achieved/not achieved this reporting period	Activity Traffic Light Status Green - on track Yellow - minor issues Orange - significant issues Red - off track	Activity Stage 1=Still to commence 2 = Preparation 3 = Procurement 4 = Implementation 5 = Complete	Comments (including why activities and milestones achieved or not achieved and other information considered relevant)	
Activities & Milestones						
1.1						
1.2						
1.3						
1.4						
1.5						
1.6						
<b>Section Three (continued): Outputs, Performance Targets/Indicators, Activities and Milestones - For each Output</b>						
Planned Outputs and Performance Targets/Indicators (from log frame)		Outputs and Performance Targets/Indicators achieved/not achieved this reporting period	Output Traffic Light Status Green - on track Yellow - minor issues Orange - significant issues Red - off track	Output Stage 1 =Still to commence 2 = Preparation 3 = Procurement 4 = Implementation 5 = Complete	% Output completion (estimate) (Range from 0% to 100%)	Comments (including why outputs achieved or not achieved and other information considered relevant)
Output Two	Performance Target and Indicators					
2.						
Planned Activities and Milestones (from log frame)		Activities and Milestones achieved/not achieved this reporting period	Activity Traffic Light Status Green - on track Yellow - minor issues Orange - significant issues Red - off track	Activity Stage 1 =Still to commence 2 = Preparation 3 = Procurement 4 = Implementation 5 = Complete	Comments (including why activities and milestones achieved or not achieved and other information considered relevant)	
Activities & Milestones						
2.1						
2.2						
2.3						
2.4						
2.5						
2.6						

Section Five: Comments and Unexpected and/or Unplanned Outputs			
Any Other Comments (including unexpected/unplanned outputs – positive or negative)			
Where available, please attach photographs of relevant activities and outputs to this report as verification of progress			
Section Six: Report Signoff & Lodgement			
Ministry Responsible Officer Name and Role:		Ministry Responsible Officer Signature:	
MoFT Focal Officer Name: (MoFT office use only)		MoFT Focal Officer Signature: (MoFT office use only)	
Date of Submission by Ministry to MoFT:		Date of registration by MoFT Focal officer (MoFT office use only) :	
Section Seven: MoFT Office Use Only			
MoFT Focal Officer Comments:			
Follow up Action recommended:			
Follow up Action taken by FO (required if any ratings orange or red):			

## Annexures 7: Project Completion Report Template

Project/Programme Information				
Project/Programme Title				
Project Code				
Executing Agency				
Implementing Agency				
Objectives and Components				
Item	Status			Comments
Objectives				
Component 1				
Component 2				
Component 3				
Timelines				
Item	Planned (Date)	Actual (Date)	Variance (days)	Variance (Explanation)
Project Start Date				
Project End Date				
Financing				
Item	Planned (SBD)	Actual (SBD)	Variance (SBD)	Variance (Explanation)
ODA Concessional Loans				
ODA Grants				
OOE Non-Concessional Loans				
Other External Finance (Specify)				
SIG				
Project/Programme Description				
Major Issues and Challenges Encountered				
Lessons Learnt				
Recommendations				