GOVERNMENT OF SOLOMON ISLANDS

PUBLIC INVESTMENT MANAGEMENT POLICY

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MINISTRY OF FINANCE AND TREASURY

HONIARA, SOLOMON ISLANDS

Foreword

The Public Investment Management (PIM) Policy is designed to provide guidance to the PIM Guidelines for effective management, control, and monitoring of externally financed public investment in Solomon Islands. The PIM Diagnostic 2018 has recommended that there is a need for improvements in the systems, processes, and procedures that support public investment.

Since Solomon Islands gained independence, there have been no policies nor guidelines to manage the PIM 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 Policy is intended to guide the process, including planning, implementation, monitoring, and evaluation of externally financed 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. It has been developed as part of the Solomon Islands major reform programs to legislate, under the Public Finance Management (PFM) Act, the administration and management of external resources for public investment in the country.

The Policy reaffirms the Solomon Islands Government (SIG)'s commitment to strengthen its control over financial resources which requires this policy to be put in place to guide the PIM process. The Policy further enhances the implementation of the SIG long and medium-term plans and seeks to establish an effective mechanism to manage and control the PIM process. Effective implementation of the policy is vital to the realization of the development aspirations stipulated within the country's National Development Strategy (NDS).

During its implementation, the Ministry of Finance and Treasury (MoFT) will ensure that it incorporates other external finance including climate finance to provide a synchronized system and process that will provide methodological guidance, including detailed criteria, standardized parameter values, and procedural documentation that outlines the processes and have the required forms and documents for completion by line ministries, statutory authorities, and provincial governments, including the minimum requirements as required by the guidelines.

The Policy is a result of the participatory process by all stakeholders and provides a mechanism aimed at improving the PIM process. The Policy provides a logical and systematic organization of PIM towards building and strengthening national and subnational capacity to enhance social and economic development and effective service delivery across the country. The Policy sets institutional and regulatory guidance on external finance selection and allocation to priority sectors in alignment with NDS.

In conclusion, the successful implementation of the Policy will depend on the commitment of all stakeholders. The absence of a PIM policy has 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 externally financed infrastructure projects. I, therefore, asked all stakeholders to put in every effort to assist in the successful implementation of the PIM Policy.

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

Preface

The recent economic expansion has led to a significant increase in external finance commitments and actual flows into Solomon Islands. Consequently, the Solomon Islands Government (SIG) has found itself with increased responsibilities in selecting and allocating funds for both economic and social infrastructure projects. Given the substantial growth in public investment, particularly from Development Partners (DPs), there is a pressing need to establish high-quality, efficient, and suitable systems and build the necessary capacity to ensure prudent decision-making in the management and oversight of public investment.

SIG is aware of the challenges faced in the control and oversight and the need to address the weaknesses and gaps in PIM, 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 a PIM policy and standard guidelines to assist in the systematic assessment and review of project proposals and appraisals.

The absence of an established structure and coordinated system for the DP-funded infrastructure projects has also affected the proper control and oversight by SIG. The PIM Policy is purposely to guide central ministries, statutory authorities, provincial governments, and other stakeholders to provide the scope of their roles and responsibilities on the due diligence process that will be applied when negotiating, preparing, designing, implementing, and reporting on externally financed public investment.

The PIM Policy provides a standardized process in the project proposals and appraisals, guidelines for the selection of DP-funded infrastructure projects, and a platform that supports implementation and enforcement of the policy guidelines. The PIM Policy also provides guidance to optimize the utilization of external finance, promoting sustainability, and ensuring value for money investments. It sets the scope of the PIM Guidelines that provide procedural guidance, including basic procedural guidelines, high-level decision criteria, roles and responsibilities, and the designation of analytical tools that govern the identification, formulation, appraisal, selection, funding selection, implementation, and monitoring and evaluation of externally financed infrastructure projects.

Lastly, the successful implementation of the PIM Policy will require a change of mindset, ownership, and concerned efforts to the PIM process. This will support fiscal sustenance and derive value for money from externally financed infrastructure projects. We, therefore, urge all the various stakeholders to be proactive in the implementation of the PIM Policy.

Mckinnie P Dentana
Permanent Secretary
Ministry of Finance and Treasury

Susan Sulu
Permanent Secretary
Ministry of National Planning and Development Coordination

Acknowledgment

The Public Investment Management (PIM) Policy was prepared by the PIM reform team under the Ministry of Finance and Treasury (MoFT), benefiting from the invaluable assistance of Mr. Tomohide Uchida, Japan International Cooperation Agency (JICA) PIM Advisor and Mr. George Kosui, a local Consultant. This Policy has been developed under the PIM Framework, collectively offering strategic direction for the proficient administration of externally financed public investment in the country.

The PIM reform team extends its gratitude to JICA for its pivotal role in supporting the PIM reform. Appreciation is also due 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 extends its thanks 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 Policy.

Furthermore, the team expresses its sincere thanks to Development Partners that 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
DMAC	Debt Management Advisory Committee
DPs	Development Partners
GHG	Greenhouse Gas
IAU	Investment Analysis Unit
JPRG	Joint Policy Reform Group
M&E	Monitoring and Evaluation
MNPDC	Ministry of National Planning and Development Coordination
MoFT	Ministry of Finance and Treasury
MTDP	Medium Term Development Plan
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
SBD	Solomon Islands Dollar
SIG	Solomon Islands Government
SINIIP	Solomon Islands National Infrastructure Investment Plan

Chapter 1: Introduction

1.1 Background

Public Investment Management (PIM) is key to enhancing the efficiency and productivity of public investment to facilitating economic growth, job creation, and enhanced service delivery. It will also attribute to the attainment of the objectives as set out in the Solomon Islands National Development Strategy (NDS) 2016 – 2035, the Medium-Term Development Plan (MTDP), and the Solomon Islands National Investment and Infrastructure Plan (SINIIP) 2013-2023.

SINIIP estimated annual financing needs of between SBD390 million and SBD520 million. According to its projection, while 30–40% could be domestically financed by the Solomon Islands Government (SIG), the rest would be externally financed through Official Development Assistance (ODA) grants and concessional loans, Other Official Flows (OOF), South-South and Triangular Cooperation, Public Private Partnership (PPP), International Non-Governmental Organization (INGO) donation, and public borrowing from capital markets.

Public investment plays a central role in promoting economic growth through establishing physical, human, and institutional assets for the purpose of enhancing production and delivery of public goods and services. PIM entails policies, institutional arrangements, processes, and tools to facilitate viable public investment projects to ensure the effective utilization of public resources and the attainment of value for money.

The PIM Framework was endorsed in August 2023. It establishes the institutional and regulatory framework to provide guidance on externally financed project selection and allocation to priority sectors in alignment with NDS. The PIM Framework sets policy guidance through operationalizing the PIM Policy and Guidelines to assist in conducting project formulation, appraisal, selection, funding, implementation, and Monitoring and Evaluation (M&E) under the partnership with Development Partners (DPs), climate funds, the private sector, and other external financers.

1.2 Public Investment Management Context

SIG is anticipated to face more opportunities and challenges in accessing external finance, including both public and private finance, to facilitate the implementation of NDS and MTDP. The Ministry of Finance and Treasury (MoFT) has been mandated under the Public Financial Management (PFM) Act to monitor and control overall public spending to ensure public funds are expended for their intended purposes. On the other hand, the Ministry of National Planning and Development Coordination (MNPDC) has taken responsibility of national planning, development budget and aid coordination under the Solomon Islands Aid Management and Development Cooperation Policy and the Partnership Framework for Effective Development Cooperation.

MoFT, however, does not have the legal authority and policy mandate to undertake prudent oversight over externally financed public investment which accounts for a significant share in the overall development financing expenditures. In fact, MoFT has currently limited to manage externally financed infrastructure projects through debt assessment, aid coordination and policy alignment assessment. Consequently, it leads to a lack of rigorous project appraisal, project selection, funding selection, M&E, and reporting for externally financed infrastructure projects. Furthermore, there are no policy guidelines, decision criteria, standardized parameter values, or tools to support such a business process for externally financed infrastructure projects.

These limitations over the PIM process have prompted MoFT in collaboration with MNPDC to come up with the PIM Framework that provides the platform to improve the efficiency and productivity of externally financed public investment. It will provide guidance to all stakeholders to effectively manage public investment through the implementation of the PIM Policy and Guidelines to address weaknesses in the PIM process. It will also ensure all public investment must be aligned to NDS, MTDP, SINIIP, and other sector plans and strategies, such as the National Transport Plan 2017-2036, the National Energy Policy 2014–2020, the Education Strategic Framework 2016–2030, the National Health Strategic Plan 2022–2031, and the National Tourism Development Strategy 2015–2019. These also include forthcoming other relevant plans and strategies.

Chapter 2: Policy Direction

2.1 Rational

The PIM Policy has been developed under the PIM Framework to provide policy guidance to all stakeholders who deal with externally financed infrastructure projects. This has resulted from the shortcomings in the PIM context identified by the situation analysis. Through the implementation of the PIM Policy, SIG will undertake the PIM reform to strengthen oversight, transparency, accountability, and participation mechanism in the externally financed public investment.

The PIM Policy intends to:

1) Institutionalize a systematic, focused, and transparent and accountable system that is aligned to the SIG sustainable economic development agenda,
2) Promote leadership and guidance to improve partnership and coordination between SIG and external financers in the planning and implementation of the public investment programme and projects,
3) Promote MoFT in collaboration with MNPDC to take leadership in the project appraisal, selection, and financing selection, coordination, and management of all externally financed infrastructure projects,
4) Build and strengthen capacity of MoFT and MNPDC for effective monitoring, evaluation, and control of externally financed infrastructure projects, and
5) Improve overall oversight of MoFT and MNPDC on the social, economic, environment, and climate and disaster resilience indicators for sustainable development.

2.2 Goals

The PIM Policy aims to enhance the quality-of-service deliveries and promote sustainable development by addressing several key issues, reducing the efficiency gap, mainstreaming climate and disaster resilience infrastructure, and increasing the productivity of public investment.

2.3 Purpose

The PIM Policy strives to provide policy guidance that enables SIG to facilitate the efficiency and productivity of externally financed public investment through the implementation of the PIM Guidelines. It intends to optimize the utilization of external finance, ensuring value for money, promoting gender equality, disability, and social inclusion through well designed and managed infrastructure, and building climate and disaster resilience infrastructure across the country for sustainable economic growth.

2.4 Objectives

The objectives of the PIM Policy are outlined as follows:

1) Provide a standard to streamline the PIM cycle for various institutions to facilitate a rigorous business process to utilize externally financed infrastructure projects for development priorities and ensure value for money,

2) Provide an institutional framework that clarifies roles and responsibilities of various institutions involved in PIM,

3) Respond to gender equality, disability, and social inclusion infrastructure needs, and

4) Set climate and disaster resilient infrastructure and low carbon technologies as the default across the country for sustainable economic growth.

2.5 Strategies

The PIM Policy will be achieved by adopting the following strategies:

1) Align externally financed public investment with the PIM Guidelines through:

- Aligning externally financed infrastructure projects with strategic guidance and national priorities,

- Strengthening compliance of externally financed infrastructure projects with the PIM business process and regulatory requirements,

- Enhancing the use of the country system for externally financed infrastructure projects, and

- Aligning externally financed infrastructure projects with the national budget cycle.

2) **Strengthen the PIM institution to ensure its prudence, transparency, and accountability through:**

   - Legally establishing the PIM Framework, including the PIM Policy and Guidelines, through providing policy guidelines, decision criteria, standardized parameter values, and tools,

   - Defining the roles and responsibilities of line ministries, statutory authorities, and provincial governments in the PIM process, and

   - Clarifying the functions of the various committees and their statutory responsibilities in performing their roles and responsibilities.

3) **Facilitate participatory approach in the PIM process through:**

   - Encouraging line ministries, statutory authorities, and provincial governments to have stronger ownership and leadership in the PIM process, and

   - Promoting active interactions with external financers and other stakeholders in the PIM process, particularly at the project concept appraisal stage, the project appraisal stage, and the project monitoring and evaluation stage.

4) **Enhanced the PIM process credibility through:**

- Ensuring the PIM process is credible through providing policy guidelines, decision criteria, standardized parameter values, and tools,
- Assuring timely analysis and feedback for project concept notes, project proposals, project monitoring reports, project completion reports, project closure report, and ex-post evaluation reports, and
- Strengthening data collection and analysis and securing the SIG's counterpart funds budget and the forthcoming recurrent budget for operation and maintenance costs.

5) Facilitate greater evidence-based decision-making in the PIM process through:

- Enhancing informed decision-making process through the effective use of data, information, and other resources, and
- Facilitating evidence-based policymaking through strengthening the process of using high-quality information to inform decisions that are made about government policies.

6) Strengthen the oversight function over external finance through:

- Enhance the oversight capacity development in the PIM process.

2.6 Guiding Principles

The PIM Policy is built on the PIM Framework that focuses on robust governance approach. The Policy upholds fundamental principles of transparency and accountability and has features that are provided in the governance aspect of the Policy.

The fundamental principles guide the PIM Policy as follows:

1) **Governance** – defines the role of the stakeholders clearly, and provides information for a timely and open manner to all stakeholders relating to external finance in PIM,

2) **Authoritativeness** – specifies the decision-making process and authority at each stage and level of the PIM process,

3) **Harmonization** – with the MNPDC's framework on PIM and aid effectiveness avoids duplications and reduces additional burdens on line ministries, statutory authorities, and provincial governments,

4) **Credibility** – has guidelines that ensure all externally financed public investment are implemented in accordance with the PFM Act and service delivery output and outcome targets are attained,

5) **Comprehensiveness** – ensures that PIM Policy covers all public investment projects financed externally,

6) **Responsiveness** – makes sure that purposes of externally financed infrastructure projects are responsive to the developmental needs of the citizenry,

7) **Performance** – makes a certain of the result-oriented formulation and execution of projects established under the PIM program,

8) **Inclusiveness** – addresses gender equality, disability, and social inclusion for access to infrastructure, and

9) **Resilience** – assures building resilient infrastructure to climate change and natural disasters.

2.7 Scope of Policy

The PIM Policy shall apply to line ministries, statutory 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) ODA grants from DPs and other external financers,

3) ODA concessional loans from DPs and other external financers,

4) OOF non-concessional loans from DPs and other external financers,

5) South-South and Triangular Cooperation from DPs and other external financers,

6) Climate funds, 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 the PPP arrangements, and

9) Other types of externally financed public investment.

2.8 Legal and Policy Framework

The PIM Framework has a four tiers legal and policy framework, including the PFM Act, the PIM Policy, the PIM Guidelines, and the PIM Manual, that focus on the effective management of eternally financed public investment (See Figure 1).

1) Public Investment Management Chapter in the PFM Act & Regulations

The PIM Chapter in the forthcoming revision of the PFM Act and Regulations will establish a legal framework for the effective management of externally financed public funds and assets. The provisions and regulations will be established under the PFM Act.

2) Public Investment Management Policy

The PIM Policy will set the policy framework for providing guidance to optimize the utilization of external finance, promoting inclusiveness, sustainability, and climate and disaster resilience, and ensuring value for money for externally financed public investment.

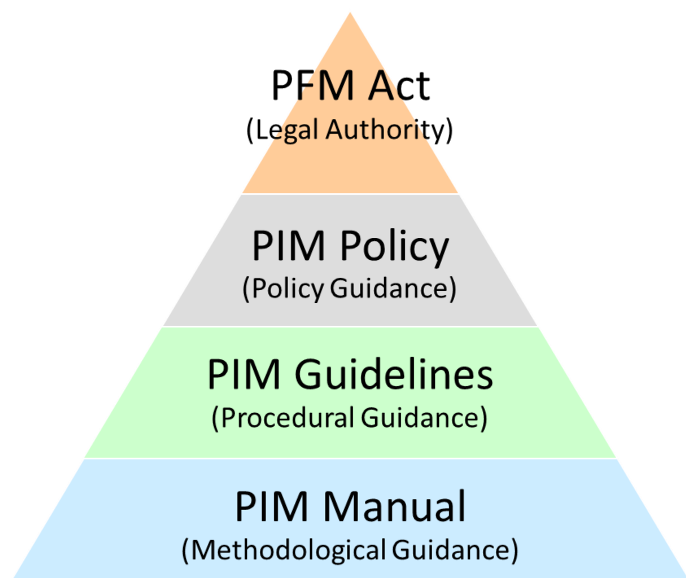
3) Public Investment Management Guidelines

The PIM Guidelines will provide procedural guidance, including basic procedural guidelines, high-level decision criteria, roles and responsibilities and the designation of analytical tools that governs the appraisal, selection, funding selection, implementation, and M&E of externally financed infrastructure projects.

4) Public Investment Management Manual

The PIM Manual will provide methodological guidance, including detailed criteria, standardised parameter values and procedural documentation that outlines the processes and have the required forms and documents for completion by line ministries, statutory authorities, and provincial governments, including the minimum requirements as required by the guidelines.

Figure 1: PIM Legal and Policy Framework



Chapter 3: Policy Statement

3.1 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 the 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.

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. PIM enhances the efficiency and productivity of public investment, attributing to economic growth in the country.

3.2 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 ODA grants and concessional loans, OOF, South-South and Triangular Cooperation, 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). 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.

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 the PPP arrangements in case external finance involves. In terms of modality, these guidelines focus on external finance by project support or programme support for public investment or infrastructure rather than by General Budget Support (GBS) or Sector Budget Support (SBS).

3.3 Public Investment Management Cycle

The PIM cycle is a framework for designing, implementing, and evaluating projects in line with project cycle management. It provides the context for making decisions and managing activities. The PIM cycle divides into eight stages in the life of a project and maintains the links between one stage and the next stage. The eight stages include (1) strategic guidance, (2) project identification and formulation, (3) project appraisal, (4) project selection and financing, (5) project implementation and monitoring, (6) project adjustment and completion, (7) project operation and maintenance, and (8) project closure and ex-post evaluation. The PIM cycle is designed in accordance with logical framework.

3.4 Logical Framework

The logical framework is a planning tool consisting of a matrix that 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.

3.5 Gender Equality, Disability, and Socia 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, security, and 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 marginalised and vulnerable groups in the project initiation and formulation stages and to ensure their involvements in the operation stage and the other stages of the PIM cycle. It will enable infrastructure to be more meaningful for all, to drive inclusive economic growth, and to leave no one behind in the country.

3.6 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. Therefore, it is essential to advance public investment by addressing climate and disaster resilience, as well as choosing carbon sink and low carbon technologies, materials, and products to meet the national targets of the effective resilience and the net zero GHG emissions by 2050.

3.7 Eight Stages of Public Investment Management Cycle

Stage 1: Strategic Guidance

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

Stage 2: Project Identification and Formulation

Project identification requires creating the project concept note with basic project information, including relevant strategic priority and program, 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.

Project formulation phases all details of the project are specified with the use of elements from the 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 resilience assessment.

Stage 3: Project Appraisal

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.

Stage 4: Project Selection and Financing

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.

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.

Stage 5: Project Implementation and Monitoring

Project implementation is the process where the project produces outputs to achieve its project objective. It involves procuring the various inputs for the different project activities. The procurement shall be undertaken using the SIG procurement legislation.

Project monitoring involves financial and physical monitoring during project implementation. 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.

Stage 6: Project Adjustment and Completion

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.

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.

Stage 7: Project Operation and Maintenance

Project operation is the day-to-day activity required 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 or maintain a quality-of-service delivery.

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.

Stage 8: Project Closure and Ex-Post Evaluation

Project closure is to conclude all activities and operations with infrastructure facilities. 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.

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.

Chapter 4: Policy Implementation

4.1 Implementation Framework

The institutional arrangement has been set up to implement the PIM Policy under the PIM Framework. 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 Policy provides the guidance for the SIG agencies and other stakeholders to play their roles and responsibilities. The PIM Policy will be implemented within a broader framework, such as NDS, the PFM Act, and the PIM Framework.

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 MoFT on matters relating to the PIM process and system.

2) Public Investment Management Technical Committee (PIMTC)

PIMTC plays a role in ensuring external financers 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 the Investment Analysis Unit (IAU)-MoFT and making recommendations to PIMSC.

3) Investment Analysis Unit (IAU)-MoFT

IAU-MoFT is responsible for undertaking project appraisal with MNPDC and coordinating the stakeholders to facilitate the PIM process. IAU plays a role as a secretariate for PIMTC, PIMSC, and the overall PIM reform for externally financed infrastructure projects.

4) Debt Management Advisory Committee (DMAC)

The Debt Management Advisory Committee (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.

5) Budget Strategic Committee (BSC)

The Budget Strategic Committee (BSC) provides analysis and advice on the effects and impacts of proposed projects. The BSC’s 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.

6) Ministry of Finance & Treasury (MoFT)

MoFT plays the key role of overseeing the PIM Framework for externally financed infrastructure projects 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 external financers. The Chairperson of PIMSC will be undertaken by the Permanent Secretary of Finance and Treasury.

7) 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.

8) Office of the 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.

9) Line Ministries, Statutory Authorities, and Provincial Governments

Line ministries, statutory authorities, and provincial governments 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, they are required to submit 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, to IAU-MoFT with support from DPs, climate funds, the private sector, and other external financers.

10) 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 them to fill in the SIG 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. for the submission to IAU-MoFT.

11) 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, they are requested to submit 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. to IAU-MoFT.

4.2 Monitoring and Evaluation Framework

Policy M&E has a critical role to play in effectively design, implement, and deliver public policies and services. Therefore, policy monitoring and evaluation and its strategic use throughout the policy cycle can support strategic planning and policy making by improving the links between policy interventions and their outcomes and impact, enhance accountability and provide legitimacy for the use of public funds and resources, and promote learning and enhance policies' efficiency and effectiveness.

The performance of the implementation of the PIM Policy shall be annually monitored by PIMSC. The PIM Policy shall be reviewed at least once every five years and amended accordingly.

Chapter 5: Conclusion

SIG is anticipated to face more opportunities and challenges in accessing both public and private finance to facilitate the implementation of NDS and MTDP. However, there is currently no legal and policy framework to enable SIG to undertake rigorous project appraisal, project selection, or funding selection for externally financed infrastructure projects.

In this context, the PIM Policy sets its goal to foster service deliveries and sustainable economic growth through promoting more predictable, credible, efficient, productive, and climate resilience public investment with external finance, and reducing the efficiency gap. To achieve the goal, the PIM Policy intends to improve the efficiency and productivity of externally financed public investment, and mainstream resilient infrastructure to the impacts of climate change and natural disasters.

In this regard, it is important that SIG prioritizes establishing the legal and policy framework in PIM. It is also crucial to enable SIG to introduce strict PIM business process, socially inclusive PIM, and climate resilience PIM through ensuring the implementation of the PIM Policy.