



# Solomon Islands Infrastructure Program Local Content Strategy

October 2022



Preferred citation: SIIP Local Content Strategy

Prepared for: Solomon Islands Infrastructure Program (SIIP)

Country Name: Solomon Islands

Date: October 2022

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## Revisions

Rev #	Update	Date	Key Author	Reviewed	Approved
1.1	Issue to Steering Committee	21/10/22	Emma Tiaree	Eleanor Fenton & Rory Garland	Stephanie Symon

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This publication has been funded by the Australian Government through the Department of Foreign Affairs and Trade. The views expressed in this publication are the author's alone and are not necessarily the views of the Australian Government.

SIIP is supported by the Australian Government and implemented by DT Global.

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## Acronyms and Abbreviations

ACN	Activity Concept Note
AIFFP	Australia Infrastructure Financing Facility for the Pacific
AS/NZ	Australia/New Zealand Standards
AUD	Australian Dollar
CCDR	Climate change and disaster resilience
CPR	Commonwealth procurement rules
GEDSI	Gender equality, disability and social inclusion
IML	Investment management lead
JV	Joint venture
KPI	Key performance indicator
LC	Local content
LCP	Local Content Plan
LIPP	Local Industry Participation Plan
MEL	Monitoring evaluation and learning
MFAT	Ministry of Foreign Affairs and Trade New Zealand
O&M	Operations and maintenance
PIP	Project implementation plan
PRIF	Pacific Regional Infrastructure Facility
PTA	Policy & TA
QMS	Quality management system
SBD	Solomon Islands Dollar
SIG	Solomon Islands Government
SIIP	Solomon Islands Infrastructure Program
USD	United States Dollar
WHS	Workplace health and safety

# Executive Summary

Enabling local content is one of the five cross-cutting guiding principles of the Solomon Islands Infrastructure Program (SIIP). It is central to every program decision – from which infrastructure projects in which to invest through to the planning, design, procurement, construction methodology and maintenance of oppo projects.

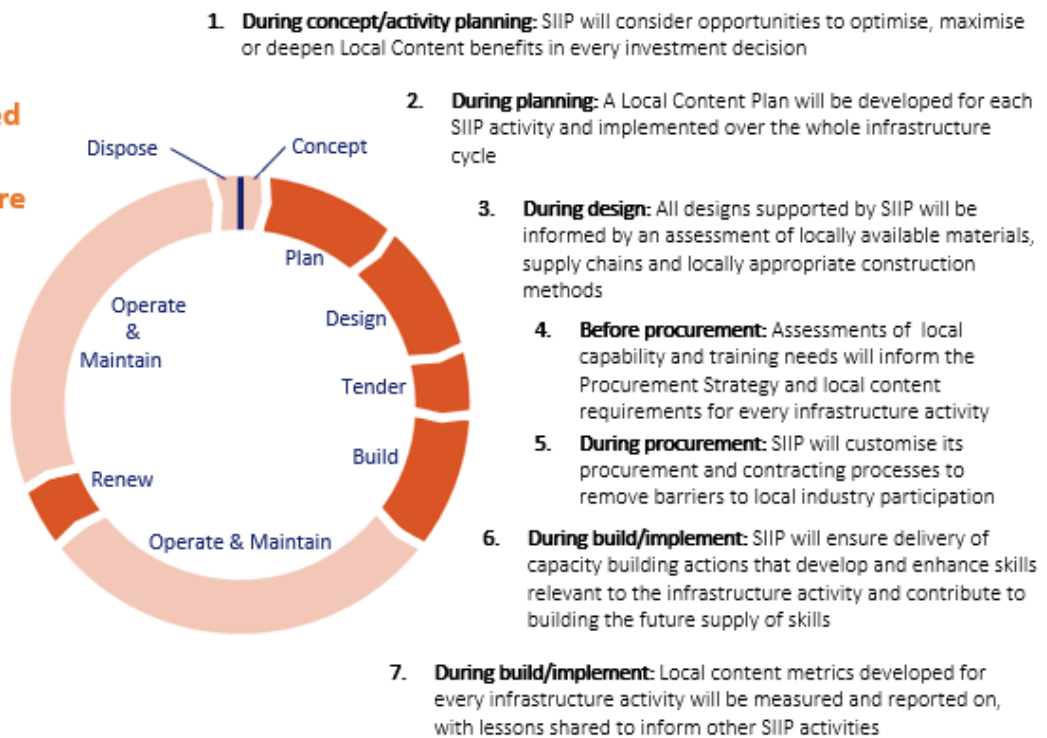
The overall intention of enabling local content is to maximise the positive impact on the Solomon Islands economy, by shaping SIIP activities to ensure that local contractors, suppliers and communities have opportunities to participate in as many ways as possible.

SIIP will achieve this by implementing the Local Content Policy, this Strategy, and detailed Local Content Plans developed for each activity. The Policy was endorsed by the SIIP Steering Committee early in 2022. This Strategy draws on international best practice and has been developed through a consultative approach to ensure validity. Local Content Plans for each SIIP activity will set out the practical steps for putting local content at the centre of decision-making throughout the infrastructure lifecycle.

Through this Strategy, SIIP will implement seven key actions (Figure 1). These will ensure that activities are shaped, managed and procured to deliver on the local content goals and intentions.

Figure 1 Seven key actions over the infrastructure lifecycle

## Seven Key Actions implemented over the infrastructure lifecycle



This Strategy provides guidance and examples of how these seven key actions may be implemented for different types of activities. Depending on the scale and complexity of each activity, different approaches will be required.

Industry strengthening and capacity development are crucial in bringing opportunities within the reach of local companies. Hence this Local Content Strategy will be implemented in close coordination with the SIIP Capacity Development Strategy.

Key to SIIP’s implementation of the Local Content Strategy will be embedding Local Content Plans into Project implementation documentation from the start of project preparation. SIIP’s Activity Managers, Procurement Specialist and Project Engineers will be responsible for developing, updating and implementing the Local Content Plans under the guidance and oversight of the Local Content Specialist.

# 1 Introduction

The purpose of this Local Content Strategy is to describe how SIIP will leverage its investments in infrastructure to enhance returns for the local economy, and strengthen local industry and industry practices, including workers’ skills and opportunities (SIIP Design, p8).

SIIP’s two End of Program Outcomes are:

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

Local content is one of SIIP’s five cross-cutting guiding principles. In applying this guiding principle, SIIP will ensure that local companies and communities can be involved in delivering SIIP’s pipeline of projects and/or can access opportunities created by SIIP to develop their capabilities.

## Our guiding principles

All SIIP activities are guided by five principles

	Aligned with the priorities of Solomon Islands and Australia, and overseen by a joint Steering Committee
	Inclusive, accessible infrastructure in every province
	Resilient to climate change and natural disasters
	Local jobs and supporting industry with skills and opportunities wherever possible
	Safe, quality and sustainable planning, design and construction

# 2 Context

After two years of recession caused by the pandemic, Solomon Islands is expected to return to 3 per cent growth in 2023, driven in part by a projected increase in construction activity (*Asian Development Outlook*, 2022). The Prime Minister of Solomon Islands has signalled local content as a priority in infrastructure development, given the impacts faced by the economy due to the global pandemic and the short-term impact it has had on contracting the labour market (Oct 2021, <https://solomons.gov.sb/>).

One of the key barriers to achieving this is the capacity of local construction enterprises to compete for contracts to serve the country’s infrastructure needs. The Pacific Regional Infrastructure Facility (PRIF)

suggests that while good technical capabilities exist in Solomon Islands for contracts involving general construction and civil works disciplines, the majority of local contractors only have the financial capacity to take on small sized contracts of between USD 0.5 – 0.8m or SBD 6-8m (PRIF 2022, *Enhancing Procurement Practice and Local Content in Pacific Infrastructure*). These limitations are further compounded by difficulties in accessing finance, appropriate insurance cover and capacity to meet procurement requirements.

Donor-funded infrastructure investments, such as SIIP, are an important source of local job creation and economic recovery but the substitution of foreign for local workers in the construction industry is likely to require substantial upskilling to meet international building standards (World Bank, *Pacific Island Countries in the Era of COVID-19: Macroeconomic Impacts and Job Prospects*, December 2020).

In addition to this, ensuring there is a sufficient pool of national skills to adopt new climate-resilient construction methods and technologies will be important in light of recent SIG commitments to decarbonise its economy.

### 3 Local Content Policy Framework

SIIP's local content policy framework (Figure 2) includes three tiers of direction and guidance.

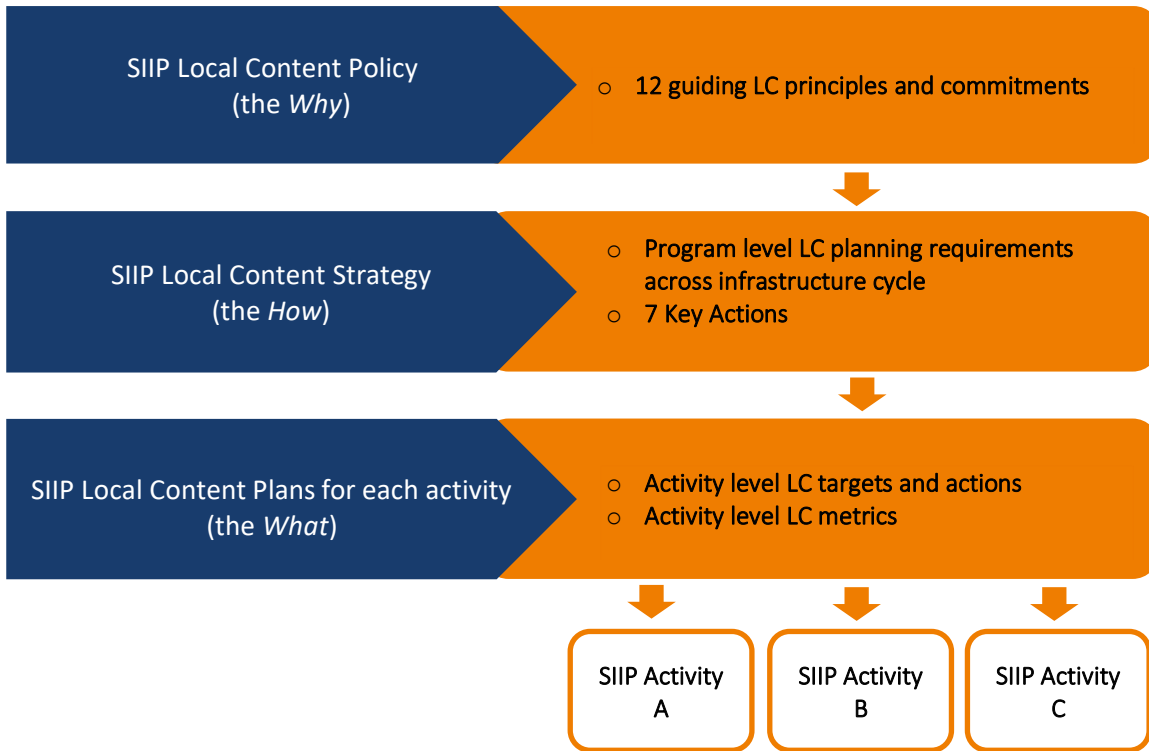
- The **Local Content Policy** commits SIIP to maximise local content opportunities and support local industry to be capable of taking up opportunities to enhance participation opportunities across all types and sizes of enterprise and all worker skills and capabilities.
- SIIP's **Local Content Strategy** (this document) describes how SIIP will implement the Policy, and contains seven key actions to optimise, maximise and deepen local procurement and skills outcomes in SIIP infrastructure activities.
- Each SIIP infrastructure activity will have a **Local Content Plan** to ensure that every decision over the lifecycle (planning, design, procurement, building, maintaining) considers local content.

Each Local Content Plan will outline a set of rules, incentives and actions to encourage local content at each step in the infrastructure cycle – from design and procurement through to implementation, operation and maintenance.

Market analysis will be undertaken for every SIIP project to ensure the Local Content Plan sets realistic expectations based on local industry capability.

Where there are gaps in some skills or other resources required for the project, SIIP will develop activities to build capacity and upgrade skills of local industry and workers.

Figure 2 SIIP Local content policy framework

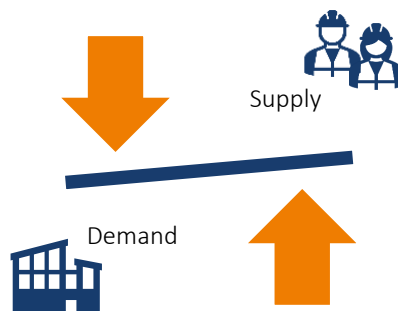


## 4 Scope of Local Content Strategy

SIIP infrastructure projects will focus on utilising and deepening the pool of national skills, materials and manufactured supplies available in Solomon Islands.

On the **demand side**, SIIP projects will look at opportunities to use locally available resources and construction methods, create local jobs and procure locally where capability exists. Details of SIIP’s local market analysis and procurement actions to promote local participation will be captured in the project specific Local Content Plans.

On the **supply side**, SIIP will identify skills of construction workers and contractors that can be advanced to increase uptake of these opportunities. This may involve targeted training to enhance quality standards of manufactured construction inputs, training to improve the ability of local companies to compete for opportunities or ensuring there are good opportunities for local companies to be involved in the maintenance and operations phases.



Where SIIP is delivering infrastructure projects, immediate and short-term capacity building needs and activities will be captured in the Local Content Plan for the project.

SIIP may also identify opportunities for stand-alone capacity building activities that have horizontal linkages across multiple infrastructure sectors, enhance long term domestic economic benefits, and facilitate future opportunities for local industry and workers. In these cases, proposals will be taken forward in line with SIIP’s Capacity Development Strategy and integrated planning processes.



Addressing external barriers to local participation, such as the tax system, domestic education and training systems and cost of doing business, are outside of the scope of SIIP and this Strategy.

Local content is typically defined in terms of geography, ownership and/or value addition. Table 1 outlines the elements of local content that SIIP will consider for each infrastructure activity to ensure the benefits of SIIP construction projects largely flow to and remain in Solomon Islands.

Table 1 SIIP local content definitional framework

Elements of local content	Criteria	Characteristics
Geography	<ul style="list-style-type: none"> <li>▪ Proximity of eligible businesses / workers to project site</li> <li>▪ Businesses’ registered centre of operations – provincial or national</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prioritises benefits for affected communities adjacent to project site</li> <li>▪ Businesses based in the province or anywhere in Solomon Islands</li> </ul>
Ownership or participation	<ul style="list-style-type: none"> <li>▪ Ownership of the company’s equity</li> <li>▪ Participation in company’s management</li> <li>▪ Participation of employees</li> </ul>	<ul style="list-style-type: none"> <li>▪ Majority of share equity held by Solomon Islands citizens</li> <li>▪ Majority of senior management and/or board of directors are Solomon Islands citizens (% women)</li> <li>▪ Majority employees are Solomon Islands citizens</li> </ul>
Value Addition	<ul style="list-style-type: none"> <li>▪ Expenditure on goods produced/manufactured in country rather than imported</li> <li>▪ Expenditure on skills training and apprenticeships</li> </ul>	<ul style="list-style-type: none"> <li>▪ Aimed at maximising economic diversification, local manufacturing and employment</li> <li>▪ Prioritises local workforce development pathways and engaging local training system</li> </ul>

SIIP will assess and report on local content outcomes of both direct and indirect spending on local goods, services, and labour across the entire infrastructure lifecycle during the delivery of SIIP activities, including:

- involvement of local businesses<sup>1</sup>, communities and labour in planning, design, construction and maintenance of the infrastructure (direct spending e.g. tradespeople, engineers, managers, material suppliers, labourers); and
- the local added value in transactions occurring throughout a contractor’s supply chain (e.g. indirect spending such as hospitality, logistics, accommodation, security services).

## 5 Key Actions

This Strategy outlines the key actions that the SIIP Hub will implement across the infrastructure lifecycle (Figure 3) to ensure local content challenges and opportunities are considered at each step in the cycle. It will also guide the SIIP Hub on the types of local content approaches and instruments that are suitable for different types of infrastructure investments which inform the development of activity specific Local Content Plans.

There are seven key actions that SIIP will implement:

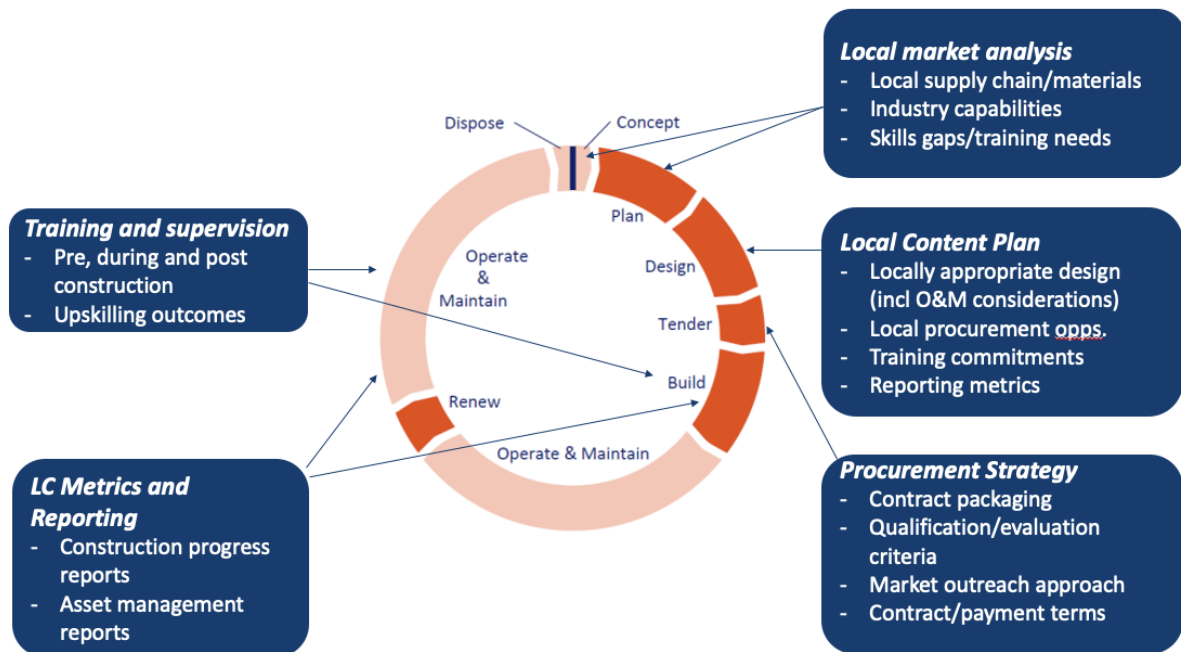
- **During concept/activity planning:** SIIP will consider opportunities to optimise, maximise or deepen local content benefits in every investment decision

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<sup>1</sup> For the purpose of this Strategy, references to local businesses, firms, companies or enterprises means an entity that has majority shareholding owned by Solomon Island citizens. This is in order to measure the extent that benefits of SIIP construction projects are retained in the Solomon Islands. When undertaking local market assessments and developing procurement strategies for SIIP construction activities, nationally-owned entities will be distinguished from entities that are locally-based/registered but majority foreign-owned.

- **During planning:** A Local Content Plan will be developed for each SIIP activity and implemented over the whole infrastructure cycle
- **During design:** All designs supported by SIIP will be informed by an assessment of locally available materials, supply chains and locally appropriate construction methods
- **Before procurement:** Assessments of local capability and training needs will inform the procurement strategy and local content requirements for every infrastructure activity
- **During procurement:** SIIP will customise its procurement and contracting processes to remove barriers to local industry participation
- **During build/implement:** SIIP will ensure delivery of capacity building actions that develop or enhance skills relevant to the infrastructure activity and contribute to increasing the future supply of local expertise
- **During build/implement:** Local content metrics developed for every infrastructure activity will be measured and reported on, with lessons shared to inform other SIIP activities.

Figure 3 Local content across the infrastructure cycle



Key action 1	Consideration of local content in every investment
<p>LC Principles</p> <ul style="list-style-type: none"> <li>▪ Mainstream LC objectives</li> <li>▪ No investment left behind</li> <li>▪ Equality and inclusiveness</li> </ul>	<p><b>SIIP will consider opportunities to optimise, maximise or deepen LC benefits in every investment decision.</b></p> <p>For every activity submitted to the Steering Committee for approval the SIIP Hub performs analysis against a range of criteria including the extent of local content benefits. SIIP’s investment framework assesses local content opportunities on a scale of low (1) medium (2) and high (3).</p> <p>This assessment is articulated in the relevant Activity Concept Note (ACN).</p>

There are opportunities to realise local content benefits in infrastructure across all three ratings in SIIP’s investment framework (Figure 4). The nature of the local content approaches will differ however depending on the rating, and should be customised for each SIIP activity in line with the following approach:

- Where local content opportunities are *low*, the SIIP Hub will provide the Steering Committee with options to **optimise** local content outcomes
- Where local content opportunities are *medium*, the SIIP Hub will provide the Steering Committee with options to **maximise** local content outcomes
- Where local content opportunities are *high*, the SIIP Hub will provide the Steering Committee with options to **expand/deepen** local content outcomes

Figure 4 Investment framework analysis – local content benefits scoring

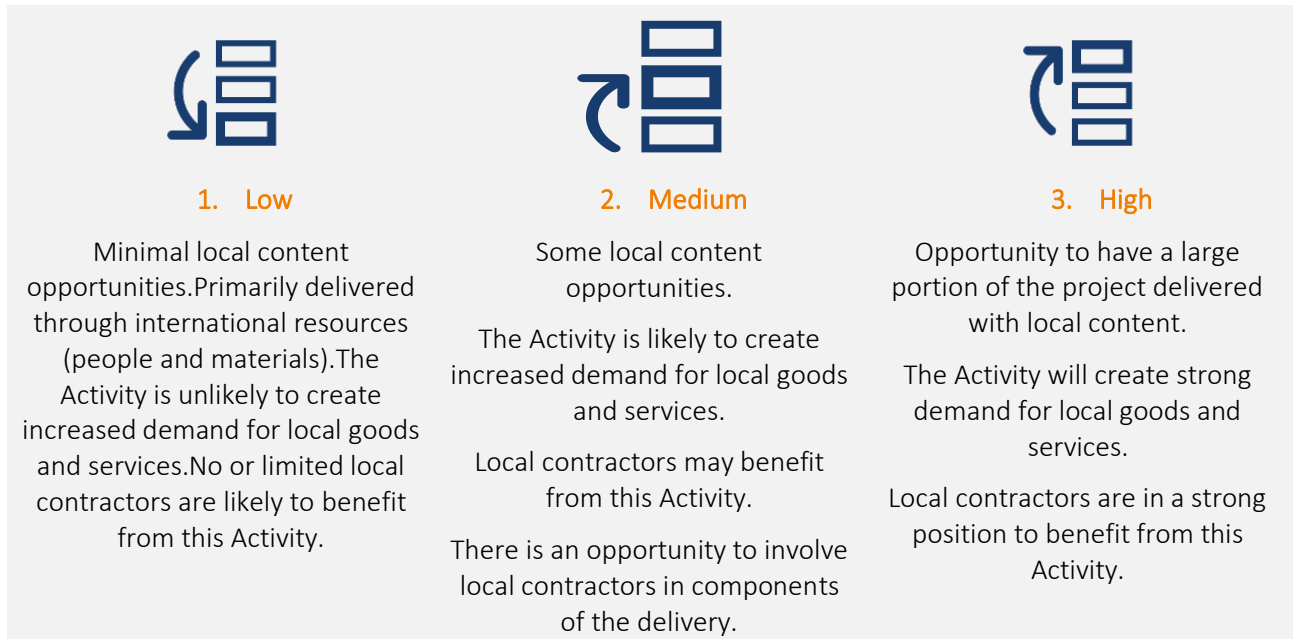





Table 2 on the next page outlines the types of infrastructure projects that are likely to fall in these three categories and the types of local content actions the SIIP Hub will consider to extract local content benefits from every activity. Opportunities to encourage participation and employment of women and marginalised groups will be considered in all assessments of local content benefits.

Table 2 Types of infrastructure projects and local content opportunities

Score	Infrastructure type	Potential local content opportunities	Local content actions
<b>1-Low</b> 	<b>High value / complex projects</b> relying on predominately specialist industry skills and international tier 1 head contractor (above AUD 100m). Usually more capital than labour intensive, and require transfer of new tech and/or imported materials to meet quality and sustainability standards and less labour intensive. Highly specialised materials and product specs may limit opportunities for local suppliers.	<b>Local Participation</b> <ul style="list-style-type: none"> <li>Professionals (design)</li> <li>Low to semi-skilled labour (construction) e.g. labour hire for general construction disciplines and ancillary services</li> <li>O&amp;M workforce/contractors</li> </ul> <b>Upskilling</b> <ul style="list-style-type: none"> <li>Professionals (twinning/shadowing roles for skills transfer)</li> <li>Labourers - training of neighbouring communities – scope for formalising skills and pre-employment programs</li> <li>Trades – possible partnership with local training provider for WHS or other short course training or youth traineeship program</li> <li>O&amp;M workforce/contractors – New technology/knowledge transfer to build O&amp;M capability</li> </ul>	<ul style="list-style-type: none"> <li>SIIP involvement likely to be limited to project feasibility, design and procurement support.</li> <li>Ensure local, qualified design consultants, engineers and other relevant professionals are included in project preparation processes</li> <li>Identify opportunities for local participation and training in local market analysis</li> <li>Ensure all international bidding processes include requirement for Local Content Plan</li> <li>Include appropriate incentives for high quality Local Content Plans (e.g. weighted evaluation criteria)</li> <li>Ensure O&amp;M is costed in lifecycle costing during design and budgeted for</li> <li>Ensure scope of Local Content Plan includes O&amp;M and capability development for asset owner and/or local industry where new technology is being transferred</li> </ul>
<b>2-Med</b> 	<b>Mid-level projects / medium to high ticket value/complexity</b> – outside financial capacity of most local companies, but good technical capabilities locally available for general civil/construction roles. Depending on ticket size, will likely require involvement of international companies but with some opportunities for local contract packaging, local subcontracting and skills transfer to local workforce of international companies.	<b>Participation</b> As above, plus: <ul style="list-style-type: none"> <li>more scope for engaging mid-level skills in wider range of trades and operator roles where less complex machinery is used</li> <li>suppliers of general construction materials (e.g. concrete, prefab steel).</li> </ul> <b>Upskilling</b> As above, plus: <ul style="list-style-type: none"> <li>upgrading technical skills in targeted general construction trades</li> <li>suppliers – improve inputs quality to AS/NZ standards for project and future projects (e.g. aggregate, concrete).</li> </ul>	As above, plus: <ul style="list-style-type: none"> <li>stronger focus on investments in skilled jobs and upskilling local industry in key trades, and/or</li> <li>consider separating out design and divide scope elements for construction into smaller packages suitable for local procurement.</li> </ul> Where a local procurement approach is used: <ul style="list-style-type: none"> <li>provide pre-bid support provided to bidders and capacity development plan established to ensure quality/safeguards requirements met during construction</li> <li>allow for joint venturing in procurement processes to increase size and competitiveness of local market</li> </ul> Where international competitive bidding is used: <ul style="list-style-type: none"> <li>avoid least cost evaluation methodology and incorporate quality/technical assessment (e.g. include LC Plan in weighted evaluation criteria)</li> <li>Ring-fence local workforce/subcontractor training budget to avoid cost cutting and remove from price assessment of bids (provisional sums budget).</li> </ul>
<b>3-High</b> 	Small value projects within reach of local technical and financial capacity (AUD\$1-2m).	<b>Participation</b> As above, plus: <ul style="list-style-type: none"> <li>potential investment in new plant/equipment to expand size of business.</li> </ul> <b>Upskilling</b> As above, plus:	<ul style="list-style-type: none"> <li>Simplify procurement procedures to remove barriers to industry participation (e.g. lower annual turnover requirements in qualification criteria)</li> <li>Consider advance payments in contracts to support cashflow needs</li> <li>Provide non-technical training to support capacity to bid and contract/financial/project management</li> </ul>

Score	Infrastructure type	Potential local content opportunities	Local content actions
		<ul style="list-style-type: none"> <li>increased competitiveness by developing more experience in building and managing to AS/NZ quality standards.</li> </ul>	<ul style="list-style-type: none"> <li>Provide technical upskilling opportunities (through supervision or formal training) to meet quality standards (and manage risk of reduced qualification criteria)</li> <li>Develop library of modular designs responsive to local construction methods (for use on high volume infrastructure programs e.g. transport).</li> </ul>

Key action 2	Local Content Plan for each activity
<p>LC Principles</p> <ul style="list-style-type: none"> <li>LC across the whole infrastructure cycle / value chain</li> <li>No worker or enterprise left behind</li> <li>Equality and inclusiveness</li> </ul>	<p><b>A Local Content Plan will be developed for each SIIP activity and implemented over the whole infrastructure cycle.</b></p> <p>The Local Content Plan is the central instrument to achieve SIIP Local Content Policy objectives. The Local Content Plan is a living document. It is initially informed by a baseline market assessment and expanded and refined as key stages in the infrastructure cycle are reached. The Plan will outline the local content objectives, commitments and actions for ensuring locally appropriate design, local procurement, capacity development and reporting during implementation phases.</p>

### Step 1: Local market analysis

To develop the first iteration of the Local Content Plan, SIIP will undertake a local market analysis at concept/planning stage of the infrastructure cycle. SIIP will do this in partnership with the relevant SIG project counterpart for the infrastructure and other stakeholders to enhance the quality and credibility of outcomes. There are two main components of the local market analysis:

**Local capability assessment:** the purpose of this analysis is to determine the capacity of local industry and supply chains to deliver SIIP’s infrastructure requirements. This involves mapping the capability, capacity and availability of construction contractors, material suppliers and equipment that is locally available, and locally appropriate construction methods. The findings will inform local content implications of different options for design and procurement to deliver the infrastructure.

**Training needs assessment:** In addition to identifying opportunities for local participation, the findings are particularly important to determine any capability gaps relating to safety, quality and other requirements of SIIP projects. To this end, the analysis will identify barriers and skills shortages faced by local businesses, including women-led businesses; and determine responses to bridge identified skills gaps within the delivery timeframes of the project.

### Step 2: SIIP will develop a Local Content Plan for each infrastructure activity

The Local Content Plan will include:

- An indication of the breadth and depth of local participation.** The Plan will forecast the likely number of jobs that will be filled by the local workforce and potential value of local works contracts that are expected. Where skills gaps are identified, the Plan will include targeted capacity development activities to close this gap. This includes commitments for engaging and upskilling women and other disadvantaged groups. An estimate of the quantum of local content that can reasonably be forecast will be included in the Plan. SIIP may also consider establishing a ‘stretch target’ for specific projects to drive procurement incentives should reliable market data be available. Target setting however should be treated with caution as it can inadvertently create inefficiencies or invite gaming of the system if they are

not well matched to available market supply. Similarly, if set too low, targets will not bring about meaningful change and if set too high they will have a negative impact on industry competitiveness (e.g. unattractiveness of tender) or create undue risks (e.g. compromised construction quality).

- **The optimal approaches and procurement method to ensure local participation.** For projects that have high local content opportunities, the SIIP Hub will consider contracting approaches to maximise local market competition and deepen industry capabilities. This may include relaxing some qualification criteria, simplified contracts and payment terms, bid preparation training and technical supervision and upskilling. Where projects are out of reach of local capabilities, the SIIP Hub will incorporate local sub-contracting, employment and skills transfer expectations into contracts with international companies. Tender evaluation criteria will prioritise local content outcomes and pre-tender events to facilitate networks between primary contractors and local enterprises will be supported.
- **Reporting against the Local Content Plan’s local content commitments (including training)** will occur alongside safeguards and technical reporting of infrastructure build progress and continue during the operation and maintenance phase, linked to asset management plan requirements. This will be built into construction supervision Terms of Reference and contracts.

### Step 3: Implementation, training, and supervision

The capacity development commitments in the Local Content Plan will guide project implementation phases (procurement, construction, and operation and maintenance). The Plan will outline which **training will occur pre and post procurement and during and post construction** and who is responsible for implementation.

Examples of different interventions at different stages:

- **Pre-tender:** For local procurement processes, bid preparation and contract awareness training may be provided ahead of the tender process to improve the capacity of local companies to compete and submit compliant bids.
- **Pre-construction:** SIIP support for pre-employment training for unskilled labour could take place either in advance of construction phase or during the pre-construction mobilisation period.
- **During construction:** Technical skill upgrading and induction requirements like workplace health and safety can occur during project implementation and often best delivered via on-the-job coaching and supervision.
- **During construction:** Ongoing contract management training (including compliance with national building code, financial, labour and tax laws) may also be provided to the successful contractor if assessed as of value addition to infrastructure delivery.
- **Post construction:** Some contracts may include an additional operation and maintenance phase to support ongoing asset management on completion of construction.

Key action 3	Local market analysis informing designs
<p>LC Principles</p> <ul style="list-style-type: none"> <li>▪ Supply and uptake of opportunities</li> <li>▪ Evidence-based rules and actions</li> <li>▪ No worker or enterprise left behind</li> </ul>	<p><b>All designs supported by SIIP will be informed by an assessment of locally available materials, supply chains and locally appropriate construction methods.</b></p> <p>An early market scan to identify local supply chains, locally available materials, industry experience with various construction methodologies and operation and maintenance regimes is important to inform locally appropriate design options and therefore maximise opportunities for local participation in construction.</p>

The availability and quality of local materials and local construction methods will inform the **design features** of SIIP infrastructure projects. Where a new technology or imported construction solution is considered the best value for money option for the long-term use and lifecycle costing of the asset, SIIP will ensure a capacity development plan is developed to facilitate technology and skills transfer and long-term operation and maintenance of the asset.

Construction materials that can be sourced or fabricated in Solomon Islands include aggregate, gravel, concrete blocks, untreated hardwood, some fabricated steel frames/panels, fabricated aluminium windows/doors and building supplies (hardware, tiles, steel, treated pine, cement, pipes etc) imported by local retailers. Local contractors have familiarity in construction methods using these materials.

To illustrate, locally appropriate design solutions for bridge construction in Solomon Islands would consider bailey and log bridges in provincial settings and concrete and composite bridge design in metro areas for bridges under 30m in height. For roads, bitumen treated base pavement for roads is the method that most contractors have plant and capacity to perform. These are the common methods used and will be considered in the first instance by SIIP unless there are other technical integrity, asset durability factors or supplier development opportunities that would favour a different technology.

Due to the availability of aggregate, SIIP will also consider opportunities to enhance or deepen the existing concrete production capability in Solomon Islands. Concrete is in high demand across several infrastructure sectors and could be considered as a preferred material in infrastructure designs. SIIP will also explore opportunities to improve the quality of concrete production as a construction input, and related construction disciplines such as steel fixing. Subject to demand, this could be linked to project-specific Local Content Plans or implemented as a standalone activity under SIIP's Capacity Development Strategy.

Access to plant and equipment, including its safety status, is another key consideration when determining locally appropriate design and construction methods. Consultations with industry and SIG stakeholders illustrated that the capital investment in plant and equipment is one of the primary barriers to increasing local capabilities unless there is sufficient demand. For example, the use of asphalt pavement technology on roads in Solomon Islands is of insufficient scale to incentivise local companies to invest in the required paving equipment. While several companies offer plant and equipment lease services for general construction equipment (e.g. diggers, graders, mixers), hire rates can be cost prohibitive for many operators and access is often confined to municipal areas. In SIIP designs, SIIP will consider construction solutions that leverage existing availability of plant and equipment; or explore opportunities through procurement to de-risk or encourage appropriate investment in new plant where sufficient market scale and future demand exists.

Where local content opportunities are assessed as high for a SIIP project, local construction methods will be prioritised. Where other considerations are more salient, such as climate change and disaster resilience, or new technology to improve durability of the asset, technology transfer activities will be built into the project delivery process. For example, local industry has good experience in producing formwork and timber carpentry but has less experience with steel. Where steel is considered the most appropriate construction method, SIIP will consider opportunities to upskill local carpenters/companies in steel frame systems.

Local industry has capacity to deliver energy distribution and connection projects utilising diesel generation but less experience with renewable energy mixes such as solar. Where SIIP is involved in energy projects, opportunities to support industry transition/technology transfer and operation and maintenance requirements of the Solomon Islands' renewable energy pipeline will be considered.

Economic cost benefit analysis during the planning and design phase of SIIP projects will consider full life cycle costs of different design options, including the economic impact and trade-offs of labour intensive versus capital intensive build solutions.

Where there is a largescale pipeline of projects in general construction disciplines, SIIP may provide support to SIG stakeholders interested in developing a library of designs within reach of the local market. Examples may include an international standard building design, road or bridge construction that is suited to baseline local construction capabilities and can be modularised and scaled up depending on demand. Applying a standard design within reach of local contractor technical capacity and supply chains would enable more

local contractors to gain exposure in building to international standards and increase local industry competitiveness in the longer term.

Key action 4	Procurement informed by local capabilities and training needs
<p>LC Principles</p> <ul style="list-style-type: none"> <li>▪ Supply and uptake of participation opportunities</li> <li>▪ Evidence-based rules and actions</li> <li>▪ Equality and inclusiveness</li> </ul>	<p><b>Analysis of local capability and training needs will inform the procurement strategy for every SIIP activity</b></p> <p>An understanding of industry capability is important to ensure that the procurement requirements for local content are appropriate to the labour market characteristics and support participation.</p> <p>A <b>local market analysis</b> is undertaken during the planning phase of the project, which includes assessments of local industry capability and training needs. The relevance of this analysis for procurement is to:</p> <ul style="list-style-type: none"> <li>▪ identify the preferred and most relevant method of approaching the market to optimise opportunities for local industry participation</li> <li>▪ identify contracting approaches to improve identified skills gaps and competitiveness of local industry; and</li> <li>▪ determine how to structure and manage contracts to address any constraints to participation, effectively manage risk, and deliver quality outcomes.</li> </ul> <p>The recommendations of the assessment inform the procurement approach for the project.</p>

SIIP will consider the following factors when undertaking a local capability and training needs assessment. Where data does not already exist, SIIP will undertake an industry and supply chain survey to fill knowledge gaps. Considerations include:

- Capacity and capability of local suppliers – do suppliers have required skills and resources to compete for and deliver the procurement requirements (technical, contracting, insurances, WHS etc)?
- Number of local suppliers – are there sufficient local suppliers likely to respond to the procurement?
- Market competition – how many (nationally) established international contractors are likely to compete?
- Contract size/value – what contract sizes/values match suppliers’ capacity and capabilities?
- Preferred contracting arrangements – are suppliers willing to prime, prefer to sub-contract or open to joint venture or other collaborative contracting arrangements?
- Market mobility – in which locations do suppliers operate and are they willing to re-locate? Are there cultural, logistical, or other factors affecting market mobility?
- Market demand – what is the availability of in-country resources in terms of forward workload and other major works pipelines?
- Material, plant and equipment availability – what materials are manufactured locally and what plant and equipment can be sourced locally?
- Local labour supply and skills – do suppliers experience any skills shortages and what is the throughput of trainees/graduates in the training system?
- Risk of supply or delivery failure – will suppliers require a high level of supervision and will SIIP need to apply additional resources or risk management processes when managing the contract?
- Opportunities to add value – what opportunities exist to enhance local skills and grow the competitiveness of local industry through the procurement?



## Key action 5

## Remove barriers to local participation during procurement

### LC Principles

- Regulatory Compliance
- Good practice – do no harm
- Evidence-based rules and actions

**SIIP will customise its procurement and contracting processes to remove barriers to local industry participation.**

In line with the infrastructure investment typology under Key Action 1, the Local Content Plan will apply specific procurement actions to either optimise, maximise or deepen local content outcomes.

Drawing on the local market analysis undertaken at concept/project planning stage, SIIP's procurement approach may be adjusted depending on the extent of local market capability and any targeted local content and skills development objectives of the infrastructure project. Figure 3 maps the decision path for modifying procurement to remove barriers to local participation.

Where projects are in reach of local companies' technical and financial capabilities, SIIP will consider eligibility and qualification criteria to encourage maximum local market competition.

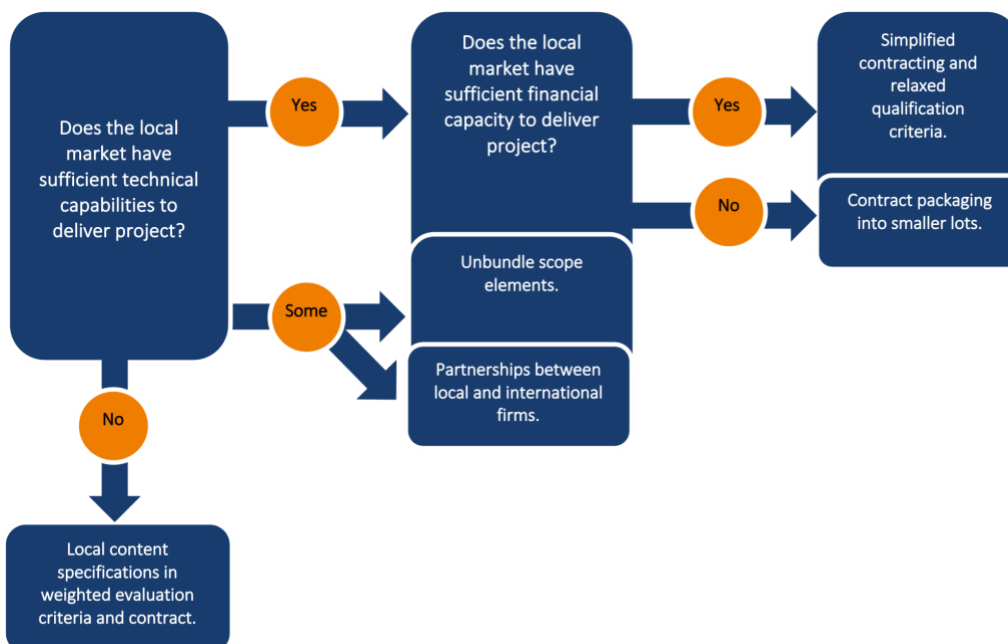
Where local companies meet technical requirements but not the financial capacity, SIIP will consider contract packaging options that are within reach of local companies' financial capacity.

Where local companies meet some but not all technical requirements, SIIP will consider unbundling some of the project scope elements that are favourable to local procurement or encourage partnerships between local firms and eligible international firms (e.g. those listed on the DFAT Capital Infrastructure Panel).

In cases where value for money is better achieved or risk better managed through a single large contract that is out of reach of local industry capability to lead, SIIP will require the successful international contractor to submit a Local Content and Industry Participation Plan that outlines commitments to local procurement, employment and skills development. Specific local content performance expectations will be included in tender evaluation criteria.

The decision on where to set the thresholds for financial and technical qualification will be informed by a risk assessment and mitigation strategies developed to ensure quality, safety and financial integrity are not compromised.

Figure 5 Potential procurement strategies to remove barriers to local participation



## Construction projects delivered through local procurement

Where construction projects are suited to local procurement, the SIIP Hub will consider local content measures set out in Table 3. Given the limited presence of local companies capable of undertaking design and construct contracts, the majority of contracts that will be within reach of Solomon Islands companies will be construct only. Where there are sufficient local companies with technical and financial capability to undertake works, the SIIP Hub will develop a procurement approach that matches qualification requirements to the financial thresholds that will enable local market competition, noting the need to manage the financial risks. Where there are remaining gaps in a contractor’s technical capacity and capacity to build to AS/NZ standards, this will not preclude participation. In these cases, the project risks with regard to safety, quality and contract management will require assessment and mitigation, for example through enhanced supervision and training by SIIP.

**Table 3 Local content options for projects delivered through local procurement**

Stage of procurement	Local content options – local procurement <sup>2</sup>
Procurement strategy / Specification	<ul style="list-style-type: none"> <li>Divide works packages into smaller lots</li> <li>Unbundle scope elements that are within capabilities of local industry for local procurement</li> <li>Centralised procurement of goods and equipment</li> </ul>
Prequalification	<ul style="list-style-type: none"> <li>Relax qualification requirements e.g. turnover, cashflow thresholds, past contract experience/size, insurance</li> <li>Bid-securing Declaration instead of security</li> </ul>
Tendering	<ul style="list-style-type: none"> <li>Build capacity of local companies to bid via tender workshops or other training or coaching</li> <li>Longer lead times to allow alliance building, joint ventures, other partnerships or subcontracting arrangements</li> </ul>
Bid evaluation	<ul style="list-style-type: none"> <li>Evaluate extent of local participation and workforce development in bids (e.g. proportion of Solomon Islands people in technical / management roles)</li> <li>Minimum overall local content score for bid eligibility</li> </ul>
Contracting and monitoring	<ul style="list-style-type: none"> <li>Simplified contracts and contract awareness training</li> <li>Payment terms (advance payments, more frequent milestone payments)</li> <li>On site mentoring and audits by construction supervision consultant</li> </ul>

## Complex projects requiring international procurement

For complex projects requiring specialist skills or large sized contracts, where the local market does not have the capacity to deliver, SIIP may rely on international contractors to manage project delivery and local subcontracts. Measures to ensure local content incentives through international procurement are summarised in Table 4. In this case, contractors will be required to prepare a Local Content and Industry Participation Plan which will specify the breadth and depth of local procurement, employment and skills development they will integrate into their project delivery approach. This will be assessed as part of the tender evaluation and the Local Content and Industry Participation Plan will become a contract document on approval by SIIP. Additional incentives may also be considered by SIIP to encourage local contractor participation, such as developing a local contractor database, facilitating networking events between international bidders and local companies, and ringfencing a skills budget in the procurement to avoid cost-cutting on capacity building activities.

<sup>2</sup> Noting that these potential strategies, particularly those around experience, contracts, payment terms and insurance requirements, will need to be agreed in discussion with funders and DT Global to ensure that risks can be managed.

Table 4 Local content options for projects requiring international procurement

Stage of procurement	Local content options – international procurement
Procurement strategy / specification	<ul style="list-style-type: none"> <li>▪ Mandatory requirements/targets for hiring local workers or subcontracting; or skills transfer outcomes</li> <li>▪ Requirement to implement a local contractor/supplier development program</li> <li>▪ Incentives to maximise local content (e.g. tender evaluation criteria, JVs)</li> <li>▪ Local content metrics based on Local Content Plan</li> </ul>
Prequalification	<ul style="list-style-type: none"> <li>▪ Proven capabilities in local subcontractor or local workforce development</li> <li>▪ Partnerships between AIFFP Head Contractor Panel and Solomon Island firms</li> </ul>
Tendering	<ul style="list-style-type: none"> <li>▪ Develop and publish local supplier databases / portals</li> <li>▪ ‘Matching’ events to coordinate relationships between large contractors and local firms</li> <li>▪ Ring fencing of budgets for subcontractor training and skills development</li> </ul>
Bid evaluation	<ul style="list-style-type: none"> <li>▪ Local Industry Participation Plan a mandatory requirement</li> <li>▪ Weighted evaluation criteria on local content as part of technical assessment</li> </ul>
Contracting and monitoring	<ul style="list-style-type: none"> <li>▪ Local Industry Participation Plan KPIs form part of contract (payment milestones linked)</li> <li>▪ Request companies to submit procurement plans with lists of goods/services to be procured locally</li> <li>▪ Skills transfer a contractual obligation (# training hours; specific qualifications/certifications etc)</li> <li>▪ Workforce data reporting by contract supervisors</li> </ul>

Key action 6	Develop and enhance the supply of local skills and capabilities
<p>LC Principles</p> <ul style="list-style-type: none"> <li>▪ No worker or enterprise left behind</li> <li>▪ Equality and inclusiveness</li> <li>▪ The supply and uptake of opportunities</li> </ul>	<p><b>Each Local Content Plan will identify specific skills to be developed or enhanced and associated capacity building actions relevant to the construction activity.</b></p> <p>Opportunities to recognise and formalise local skills, in addition to upgrading skills, will be considered in SIIP projects. This will be done in each activity level Local Content Plan which will outline the areas and types of capacity development support SIIP will likely be involved in. Beyond technical upskilling, training may be considered to improve managerial and leadership skills, contract administration, tender development training and women’s entrepreneurship. This may take place before or during procurement, construction and/or operation and maintenance phases.</p> <p>SIIP will assess skill development options across all human resources required for the project and cover all skill types and levels. Examples include:</p> <ul style="list-style-type: none"> <li>▪ Unskilled (e.g. job ready courses, basic construction short courses)</li> <li>▪ Trades (e.g. on and off job upskilling, mentoring from construction supervisor)</li> <li>▪ Managerial/professional (e.g. on job experience for local engineers to gain professional association membership or accreditation in Australia)</li> <li>▪ Organisation wide (e.g. WHS)</li> </ul>

There is some industry training available in Solomon Islands through a national trades certification system. Solomon Islands is also one of the few Pacific Island countries with a formal construction sector apprenticeship scheme that involves off the job training and workplace learning. Despite this, there is a large

pool of local labour that have acquired a range of general construction skills on-the-job without attaining a formal qualification. These workers tend to rely on references from past jobs or they are subject to an observation assessment by the hiring contractor to determine competencies for new projects. Solomon Islands also does not have professional accreditation systems to enable local engineers or tradespeople to perform certain roles requiring certification, in line with international quality standards. SIIP will need to work within the constraints of the Solomon Islands training system to ensure capacity development actions are realistic and achievable.

For small local operators in a small market (where continuity of contracts is often a problem), investing in workforce development can be a challenge when balancing delivery schedule. However, consultations found that for international contractors, many have reaped quantifiable benefits in productivity by investing in on-the-job and off-the-job training of their skilled and unskilled local workforce. To unlock these improvements in productivity and facilitate future work opportunities for local people and businesses, SIIP will provide incentives to use SIIP construction sites as learning sites. This will be done in partnership with contractors, local training providers and SIG project counterparts; and results will be measured and reported alongside technical progress reports during construction delivery. Opportunities to supplement gaps in the national trade training systems through partnerships with international training providers or the Australia Pacific Technical Coalition will also be explored for each activity.

Table 5 categorises some of the main construction disciplines in Solomon Islands according to the extent of skills supply and capability, drawing on key informant interviews and a recent New Zealand Ministry of Foreign Affairs and Trade (MFAT) study on construction skills in Solomon Islands. The list is non-exhaustive. A targeted skills supply and demand analysis will be undertaken to inform each SIIP infrastructure activity. The table provides a guide, including upskilling opportunities that would be considered feasible to upgrade skills to AS/NZ standards to meet SIIP project requirements, based on likely projects. The adequacy of supply is divided into the following three categories:

**Insufficient supply** – this is where the stock of locally available skills is scarce or non-existent. These are likely to be highly specialised roles where there is insufficient work or scale of market to justify growing this expertise locally. The duration of SIIP projects may also be insufficient to invest in upskilling of highly specialised roles. Under this category however there may be opportunity to focus upskilling efforts on professional and management skills to improve business operations/capabilities and capacity to bid for future work.

**Limited supply** – this is where a stock of locally available skills and services exist, but where nation-wide infrastructure demand could constrain available supply or where there is difficulty in demonstrating or verifying credentials. In the absence of a trade ticketing system and accreditation framework, it is difficult for workers to demonstrate or showcase skills they have developed off and on the job. SIIP projects can provide opportunities for workers to formalise their skills not only through national trade testing, but upgrade to AS/NZ standards and receive an Australian-accredited qualification that is recognised internationally. This can be achieved via short courses – with a focus on heavy machinery operation, WHS/QMS capabilities.

**Mature supply** – these skills are in good supply and tend to focus on general construction / trade skills. There are opportunities under SIIP to improve recognition and upgrade these skills to meet AS/NZ standards or construction methods.

Table 5 Construction skills supply in Solomon Islands

Mature local supply	Limited local supply	Insufficient local supply
<ul style="list-style-type: none"> <li>▪ Earthworks and demolition</li> <li>▪ Vegetation clearance / landscaping</li> <li>▪ Aluminium floors and windows installation</li> <li>▪ Concrete slab laying*</li> <li>▪ Steel fixing and reinforcing*</li> <li>▪ Formwork</li> <li>▪ Blockwork</li> <li>▪ Drywalling/Painting</li> <li>▪ Wall/floor tiling</li> <li>▪ Fencing/paving</li> <li>▪ General metalwork/welding</li> <li>▪ General roofing and waterproofing</li> <li>▪ Joinery</li> <li>▪ Carpentry*</li> <li>▪ Solar PV installation</li> <li>▪ Roadworks (bitumen treated base pavement) and maintenance</li> <li>▪ Bridge construction (composite and concrete, bailey and wooden log)</li> <li>▪ Civil and structural engineers (but absence of local accreditation system to enable sign off to AS/NZ requirements)*</li> <li>▪ Energy distribution/installation (LV/MV/HV)</li> <li>▪ Drainage (V and U drains)</li> <li>▪ Pipeworks (less than 250mm diameter)</li> <li>▪ General mechanical and small vehicle maintenance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Structural steel erecting</li> <li>▪ Sheet metal pressing and cladding</li> <li>▪ Sewerage and stormwater drainage</li> <li>▪ Prefabricated steel frames and panel production</li> <li>▪ Scaffolding</li> <li>▪ General heavy machinery operators*</li> <li>▪ Partitions/linings</li> <li>▪ Pre-cast concrete</li> <li>▪ Small scale piling (for protection around bridges/wharves)</li> <li>▪ WHS officers*</li> <li>▪ Safeguards officers</li> <li>▪ QMS officers</li> <li>▪ Drafters</li> <li>▪ Architects</li> <li>▪ Heavy machinery operators</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rendering</li> <li>▪ Mechanical services (plant/heavy machinery)</li> <li>▪ Electrical, comms and fire installation</li> <li>▪ Suspended ceilings</li> <li>▪ Roof plumbing/liquid waterproofing</li> <li>▪ Hydraulics</li> <li>▪ Specialised plumbing and drain layers</li> <li>▪ Boiler-making</li> <li>▪ Structural and foundational coring/piling (bridges/wharves)</li> <li>▪ Pipeworks (above 250mm diameter)</li> <li>▪ Specialised heavy machinery operators</li> <li>▪ Specialised bridges (above 30m high)</li> <li>▪ Large scale energy generation</li> <li>▪ Specialised marine works/dredging</li> <li>▪ Project Managers*</li> <li>▪ Site Supervisors*</li> <li>▪ Contract and Finance Managers*</li> <li>▪ Quantity Surveyors</li> <li>▪ Senior Architect</li> </ul>
<b>Feasible local content / upskilling opportunities (three-year time horizon)</b>		
<ul style="list-style-type: none"> <li>▪ Upgrade carpenter expertise to use steel frames</li> <li>▪ Other trades skills upgrading – tiling, welding, steel fixing, concreting, pipeworks</li> <li>▪ Engineers skill transfer – develop first hand design experience/actions to help meet offshore accreditation requirements</li> <li>▪ Investments to increase use of concrete in pavement design and/or increase concrete quality (batching, mixes, casting, lab testing function etc)</li> <li>▪ Diesel to renewable energy industry transition (O&amp;M)</li> </ul>	<ul style="list-style-type: none"> <li>▪ WHS tickets – white card, working at heights, safe practices trenching etc</li> <li>▪ QMS accreditation support</li> <li>▪ Heavy machinery tickets (graders, truck drivers, diggers etc)</li> <li>▪ Investments to support metal fabricators meet AS/NZ standards</li> </ul>	<ul style="list-style-type: none"> <li>▪ Project Management training/ mentoring</li> <li>▪ Contract/financial management training</li> <li>▪ Business advisory services – setting unit prices for Bill of Quantities in bids etc</li> </ul> <p>*Priorities for capacity development interventions</p>

LC Principles

- Monitoring, evaluation, learning and change
- Knowledge management
- Transparency and accountability

**Local content metrics will be developed for every activity and measured and reported on, with lessons shared to inform other SIIP activities**

SIIP’s contracts with builders, civil works contractors and consultants will require monitoring and reporting on Local Industry Participation Plan (LIPP) outcomes. SIIP will manage this reporting. Where SIIP engages a project engineer to act on its behalf, LIPP outcomes reporting will be required in their contract monitoring deliverables.

SIIP will consolidate progress towards local content outcomes across all projects in its Annual Report to DFAT.

Common local content metrics that SIIP will measure at a minimum for each infrastructure project are:

**Outcome 1: Local jobs created**



- Number and type of local jobs created during design, construction and operation and maintenance phase of SIIP projects – skilled and unskilled, GEDSI disaggregated (and percentage relative to total project workforce)

**Outcome 2: Local business opportunities created**



- Number and value of contracts awarded to Solomon Islands businesses (and percentage relative to total contract value) – direct (physical works, material inputs) and indirect (security, catering etc)
- Number of women-owned or led enterprises supported to access contract opportunities.
- Value and type of materials, plant and equipment sourced locally (and percentage relative to total material cost)

**Outcome 3: Increased supply of local skills**



- Number and type of training supported by SIIP (technical, administrative and managerial)
- Number of training hours delivered by contractors or their local training providers
- Number of local contractors and workforce taking part in training activities on SIIP projects (GEDSI disaggregated)
- Number and type of qualifications attained following training on SIIP projects
- Number of local apprentices/trainees supported

## 6 Local Content Strategy – Implementation

The Local Content Strategy will be implemented by the SIIP Hub incrementally over the project lifecycle:

- In developing the ACN for the Steering Committee, the project will be assessed for its Local Content potential (as in Key Action Area 1). The ACN will therefore propose the broad Local Content potential, goals and intentions for the project.
- After the ACN is approved, the **Local Content Plan** will be initiated and will become an integral part of the Project Implementation Plan (PIP) so that Local Content is mainstreamed within the project decision making from the start.
- The PIP (and Local Content Plan) will be refined and developed as the project progresses through the planning, design and procurement phases. The Local Content Plan will progressively drive the project towards its Local Content goals and intentions and explain how planning, design, procurement and O&M decisions will be made to maximise Local Content alongside other outcomes over the whole infrastructure lifecycle.

Pursuit of Local Content goals will be integral within day-to-day decision making throughout the project lifecycle. This Local Content Strategy sets out the basis for making these decisions and provides guidance for evaluating the alternative options that should be considered for each type of project.

The infrastructure project team will therefore be accountable for preparing, updating and implementing the Local Content Plan for each project. There will be ongoing oversight and reviews conducted by the SIIP Local Content Specialist.

Responsibility for Local Content tasks will be allocated as illustrated in Table 6.

**Table 6** Responsibility for local content tasks

Project Phase	Tasks	Responsibility
ACN Phase	Setting Local Content potential and goals	Relevant Workstream Lead (for example IML or PTA Lead) with Local Content Specialist Advice
Project Phase	LCP Preparation	Activity Manager <sup>3</sup> (review by Infrastructure Management Lead)
	Local Market Analysis	Project Engineer
	Procurement Strategy	Contract and Procurement Specialist, supported by Contracts Officer (approval by IML)
	Local Content Reporting	Activity Manager supported by MEL Specialist
	Training and Supervision	Capacity Development & Training Coordinator and Activity Manager

<sup>3</sup> This is the team member from the Infrastructure Management team assigned to manage delivery of the relevant activity/project as defined in the ACN.