



INSIGHT SERIES

Maximising Local Content - New Buala Market Development

Impact analysis of the economic benefits of locally-led construction

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 Solomon Islands
Australia
Partnership

SOLOMON ISLANDS
**INFRASTRUCTURE
PROGRAM**

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Summary

The Buala Market redevelopment, constructed by a local Solomon Islands firm, demonstrates the economic benefits from maximising local content in infrastructure investments.

Using the Local Multiplier 3 (LM3) model, that measures how effectively money invested in a community stays and grows within it by tracking the journey of each dollar spent locally, the Buala market redevelopment was shown to deliver a fair economic benefit to the Buala region, and high benefit to the Solomon Islands.

Buala faces several constraints due to a limited local supply chain and a heavy reliance on Honiara as the primary port and supply hub for imported goods and materials.

Designing for increased local participation at the outset, particularly in countries such as Solomon Islands, is a critical 'lever' that project design consultants can use to increase the multiplier economic benefits of infrastructure delivery.

This project delivered on Australia's commitment to local content for Solomon Islands, with opportunities for greater economic impact in the community dependent upon advances in the local supply chain and skilled workforce.

Local Content

Local content, defined as maximising the economic impact of external donor investment through the use of local companies, suppliers, labour and materials, is a key objective of the Solomon Islands – Australia Partnership's infrastructure investments.

Since 2019, the majority of Australia's infrastructure investments in Solomon Islands have been delivered by local labour, creating opportunities and benefits to local companies, workers and communities.

Evidence consistently shows that increased local participation in donor-funded projects generates stronger, more sustainable economic benefits. On the other hand, projects that rely heavily on international contractors and labour limits economic benefits to local companies, people, and communities.

Maximising local content is a Solomon Islands Government economic development priority, as outlined in the National Development Strategy (NDS). The Solomon Islands Chamber of Commerce and Industry (SICCI) is also a strong advocate for increased local participation in development projects.

Australia has reflected these priorities of economic growth, inclusive infrastructure and job creation as objectives under the Solomon Islands Development Partnership Plan, and realised them with funding directly attached to locally procurement infrastructure delivery:

"The new Plan aligns with the Solomon Island Government's development priorities and long-term planning, and remains flexible and responsive to emerging priorities. Australia is listening and responding – investing in infrastructure to boost economic opportunities for local businesses and create jobs for the people of Solomon Islands."

Australia's Minister for Pacific Island Affairs, The Hon Pat Conroy MP

In 2022, Australia's Solomon Islands Infrastructure Program (SIIP) developed a Local Content Policy to maximise local content opportunities in each of its infrastructure projects. The Policy commits SIIP to mainstreaming local content in all investment-related activities so as to: *optimise returns for the local economy, strengthen local industry and industry practices, and workers' skills and opportunities.*

About the Buala Market Project

The SBD25.6 million (AUD4.7 million)¹ Buala Market Project is one of four developments under Australia's provincial markets program.² The project aimed to deliver a new, purpose-built market that catered to market users' growing needs, and enhance the economic development of Isabel Province with a safe, cost effective, accessible, environmentally sustainable and healthy marketplace.

Local company Tropic Group Builders (TGB) was contracted to build the market, with work commencing in December 2023 and completed in December 2025.

The new market provides undercover stalls for 178 vendors, compared to 78 in the old market. There are also six low height stalls for persons with disabilities (PWDs) and three kiosks. The new market provides improved amenities for market users, including separate toilets and showers for men, women and people with disabilities. The new market includes a total 43,000L of rainwater and gravity fed water storage, providing a significant new water source for Buala township and market users.

The Buala Market Project was 100 per cent delivered by local workers, engaging 92 Solomon Islanders (81 men, 11 women) over the entire construction period, including TGB staff, and sub-contractors.

Measuring Local Economic Benefits – about LM3

The Local Multiplier 3 (LM3) is a tool that measures how effectively money invested in a community stays and grows within it by tracking the journey of each dollar spent locally. When a project or organisation invests in a particular area, in this case, Australia investing AUD4.7 million to build a new market in Buala, LM3 helps calculate how much economic benefit remains in that community rather than leaking away.

The model follows money through three important stages:

- Initial investment (L1) The original funding that enters the local economy
- Direct spending (L2) How that money is distributed to local workers and suppliers
- Re-spending (L3) How those workers and suppliers then spend that money locally³

¹ Total value of project, including design and construction costs

² Buala Market & Tulagi Market (completed); Seghe Market and Malu'u Market (under construction)

³ Local is defined as the Buala region and the wider Solomon Islands for this economic analysis.

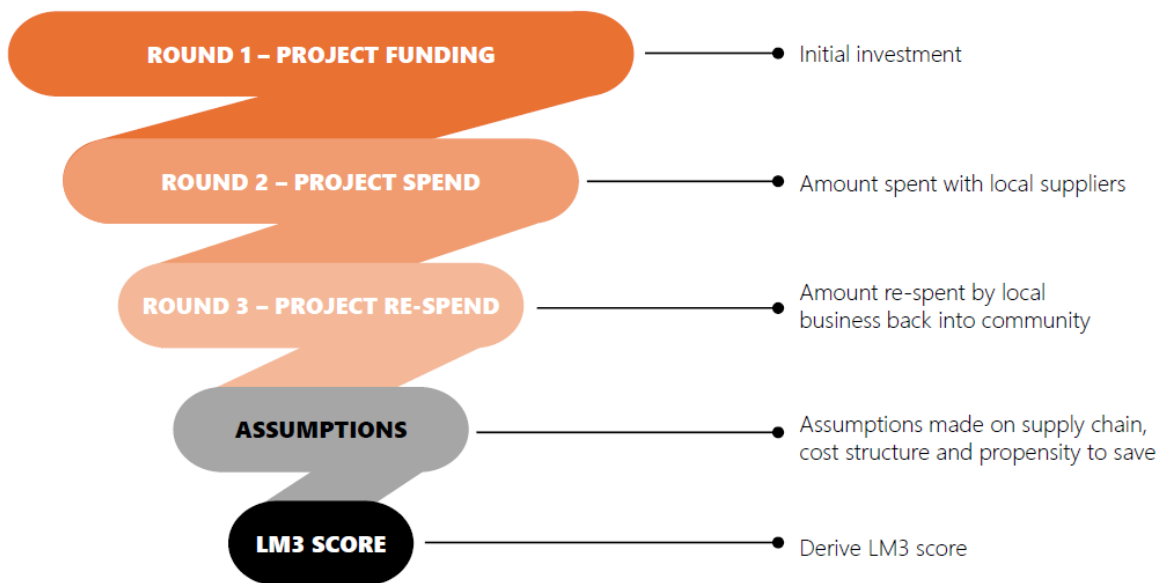


Figure 1. Local Multiplier - 3 rounds

The LM3 model's scoring system, which provides a score from 1 (no local involvement) through to 3 (fully local with no external suppliers), is a crucial tool for understanding the level of local involvement in a project. A score heading towards one (1) would indicate that a project has very little local involvement and relies on imported goods and workforce. A score heading towards three (3) would indicate that a project has significant local involvement and significant local spending through local supply chains and workforce.

Economic Benefit to Buala and Solomon Islands

Buala is the largest town and administrative centre of Isabel Province. For this case study, the Buala region is defined as the township and surrounding community. Noting that the Buala Market development is essentially a steel and concrete structure, most of the material inputs could not be sourced from Buala, with most material sourced from key suppliers elsewhere in Solomon Islands.

The round 1 assessment derived the following:

- The initial financial investment (AUD4.7 million) into the project.

The round 2 assessment derived the following:

- \$2.150m of the \$4.70m remained within the Buala region (45.8%).
- \$3.622m of the \$4.70m remained within Solomon Islands (77.1%)
- \$1.077m of the \$4.70m flowed outside on Solomon Islands (22.9%).

The round 3 assessment is focused on how and where the suppliers have allocated their funding to deliver the required inputs (goods and services) to the Buala market.

The key difference between round 2 and round 3 is as follows:

- Round 2 – focus on the traceability of funds from the original project budget to organisations that have been engaged in the delivery of inputs for the project (goods and services);

- Round 3 – focus on the assumed spend of these organisations in delivering the required inputs (labour, materials, services, infrastructure) to the project and the likely source of these inputs.⁴

The round 3 assessment derived the following:

- \$1.941m of the \$4.70m remained within the Buala region (41.3%).
- \$3.832m of the \$4.70m remained within Solomon Islands (81.5%);
- \$0.867m of the \$4.70m flowed outside on Solomon Islands (18.5%);

Overall, the Buala Market redevelopment provided a fair level of local economic benefit (1.31) to the Buala region as captured through the LM3 assessment. There are limiting factors associated with Buala due to the limited number of local supply chain, and the reliance of supplies from Honiara and its role as major port for imported goods from other countries and supply centres. This is a factor that also affects the economic multiplier in other provincial centres that have a limited supply chain.

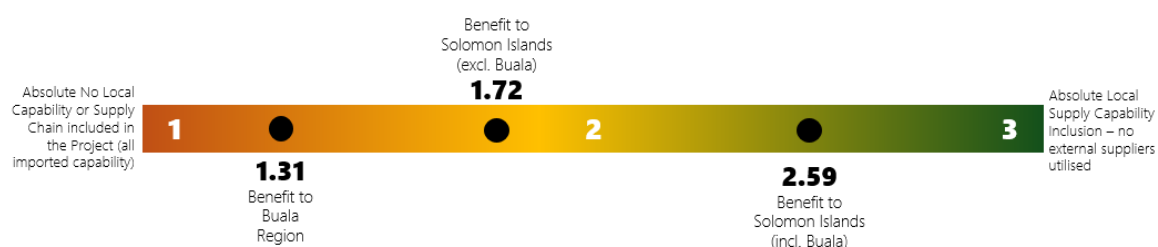


Figure 2. Buala Market – LM3 Summary (rounds 1, 2 and 3)

At a broader Solomon Islands level including impact in Buala, the Buala Market delivered a high local economic benefit (2.59) through the three rounds of funding and re-spend as assessed through the LM3 model. This is due to the procurement of materials and supplies from Honiara businesses, along with TGB being a Honiara-based firm.

Maximising Local Economic Benefits

This project delivered on Australia's commitment to local content for Solomon Islands, with opportunities for greater economic impact in the community dependent upon advances in the local supply chain and skilled workforce.

Designing for increased local participation at the outset, particularly in countries such as Solomon Islands, is a critical 'lever' that project design consultants can use to increase the multiplier economic benefits of infrastructure delivery.

A highly sophisticated design, using complex structural materials, will require an experienced and well-developed supply chain and workforce. However, a simpler design, that still meets functional specifications and performance requirements, will encourage more participation from the local supply chain, resulting in increased local economic benefits.

⁴ For example, an organisation based in Buala that uses predominately labour will have a high proportion of re-spend within Buala but may also spend in locations outside of Buala on a range of ancillary items to support their staff (taxes, labour, insurance, debt repayment, training, etc).

While local (provincial) supply chains and workforces remain at a developing stage, as in this Buala case study, there may be situations where a tradeoff is required between design and local participation. Where warranted, an additional investment into local supply chain capabilities / workforce training may ensure local participation is high even where the design requirements are more complex, but this requires additional time allocated to the project to ensure quality of delivery.

This case study clearly demonstrates the double dividend from investing in local content, by supporting local businesses and their workforce, and the multiplier effect of the money within the local economy.