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Solomon Islands Operational Procurement Review

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ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
BLIs	Base-Line Indicators
CPIs	Compliance and Performance Indicators
CTB	Central Tender Board
FIs	Financial Instructions
FMSP	Financial Management Strengthening Program
GDP	Gross Domestic Product
GSHDP	Governance for Sustainable Human Development in the Pacific Islands
ICB	International Competitive Bidding
ICM	Initiating Concept Memorandum
IFIs	International Finance Institutions
IMF	International Monetary Fund
IT	Information Technology
LPO	Local Purchase Order
MID	Ministry of Infrastructure and Development
MoF	Ministry of Finance and Treasury
MOU	Memorandum of Understanding
MTB	Ministerial Tender Board
NCB	National Competitive Bidding
OECD - DAC	Organization for Economic Cooperation and Development - Development Assistance Committee
OPR	Operational Procurement Review
PFA	Public Finance and Audit Act
PFM	Public Financial Management
PICs	Pacific Island Countries
RAMSI	Regional Assistance Mission to the Solomon Islands
SBD	Solomon Islands Dollar
SICCI	Solomon Islands Chamber of Commerce and Industry
SIG	Solomon Islands Government
WB	World Bank

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Table of Contents

EXECUTIVE SUMMARY	V
INTRODUCTION AND TASK OBJECTIVES	1
COUNTRY AND ECONOMIC BACKGROUND	1
GOVERNMENT OF THE SOLOMON ISLANDS SUPPORT AND PARTICIPATION.....	2
LINK WITH WORLD BANK’S STRATEGY AND PORTFOLIO.....	3
OBJECTIVES AND SCOPE.....	4
FINDINGS	5
BASELINE BENCHMARKING OF THE PUBLIC SECTOR PROCUREMENT SYSTEM	5
LEGISLATIVE FRAMEWORK (PILLAR I).....	6
<i>Standards and Obligations</i>	8
<i>Supporting Documentation for Implementation</i>	9
<i>Implementing Regulations and Documentation</i>	9
CENTRAL INSTITUTIONAL FRAMEWORK AND MANAGEMENT CAPACITY (PILLAR II).....	10
<i>Integration into the Public Financial Management System (II)</i>	11
<i>Regulatory Body, Organization, and Resources</i>	12
<i>Procurement Skills and Capacity Building</i>	12
PROCUREMENT OPERATIONS AND MARKET PERFORMANCE (PILLAR III)	13
<i>Management Performance and Efficiency of Operations</i>	13
<i>Domestic Market, Competitiveness, and Participation of Private Sector</i>	14
<i>Procurement Performance in WB-financed Projects (III)</i>	16
INTEGRITY OF THE PUBLIC PROCUREMENT SYSTEM (PILLAR IV)	16
<i>Control and Audit Systems</i>	16
<i>Appeals Mechanisms, Transparency, and Anti-Corruption Measures</i>	17
ACCEPTABILITY OF NATIONAL COMPETITIVE BIDDING (NCB) PROCEDURES.....	19
GENERAL RISK ASSESSMENT AND RECOMMENDATIONS	19
RISK ASSESSMENT	19
RECOMMENDATIONS.....	21
ANNEXES	
ANNEX 1: List of Persons Met During OPR Preparation	25
ANNEX 2: Baseline Benchmarking Analysis.....	27
ANNEX 3: Questionnaire for Firms Quoting/ Bidding for SI Contracts	41
ANNEX 4: Checklist Comparing SI NCB Procedures and WB Policy	42
ANNEX 5: Mandatory Provisions for NCB (for Bank/ IDA financed contracts).....	46
ANNEX 6: OECD/DAC Suggested Compliance/ Performance Indicators (CPIs)	49
ANNEX 7: Solomon Islands at a Glance	50

PREFACE

The Solomon Islands Operational Procurement Review (OPR) is based on an assessment begun by a World Bank (WB) Team in March 2007. The Initiating Concept Memorandum was distributed on February 17, 2007 for virtual review and comments. Based on comments received, the ICM was finalized and distributed on March 14, 2007. A draft Report was sent to the Solomon Islands Government and discussed in June 2007. The report was further reviewed in April 2010 and May 2012 prior to publication due to internal delays within the WB and the issuance of new Financial Instructions in July 2010.

The OPR Team consisted of Mr. Cristiano Nunes (Senior Procurement Specialist and Task Team Leader), Mr. David Chandler (Senior Financial Management Specialist) (in memoriam), Mr. David Whitehead (Financial Management Specialist), Mr. Stuart Andrews (Procurement Consultant), Mr. Amin Saskai (Program Assistant) and Ms. Jane Sprouster (Team Assistant) from the WB East Asia Pacific Region (EAPPR).

The Ministry of Finance and Treasury (MoF) was the counterpart agency for the assessment and Mr. Luma Darcy, former Permanent Secretary, Finance and Treasury, Solomon Islands Government (SIG), was the designated counterpart for the OPR Team. Mr. Dick Oli, Secretariat, Central Tenders Board, and Mr. Doug Sade, MoF, provided extensive support to the Team.

The OPR Team met key government officials, bilateral development partners and the private sector. This OPR has taken into account the views expressed by the officials met and the private sector, as well as a review of available documents and processes related to procurement in the Solomon Islands. A list of persons met is presented in Annex 1.

Acknowledgements

The Team wishes to acknowledge the extensive cooperation and assistance received from all SIG agencies, particularly the Ministries of Finance, Infrastructure and Development, and Health as well as the Australian Agency for International Development (AusAID). Special thanks are conveyed to Regional Assistance Mission to Solomon Islands (RAMSI) Advisors, to Mr. Moses Virivolomo, Under-Secretary and Director, Transport Policy and Planning Unit, Ministry of Infrastructure and Development and his MID Team, and to Mr. Peter Goodwin (Chairman) and Mr. Daniel Tuhanuku (Chief Executive Officer) of the Solomon Islands Chamber of Commerce and Industry (SICCI) for their kind assistance.

Mr. Nigel Roberts (former Country Director) offered his guidance on the scope and overall direction of the assessment. The Peer Reviewers for the OPR were Etel Bereslawski (former Senior Procurement Specialist of Asian Development Bank), and Ian Davis (Procurement Management Director of AusAID). The OPR Team wishes to thank them for their support and suggestions.

EXECUTIVE SUMMARY

Objective

The objective of this report is to review the Solomon Islands existing national legislation, policies, procedures, practices, institutional arrangements and organizational capacity for public sector procurement to assess both their acceptability for use in national competitive bidding under World Bank-financed projects and, in the process, provide a benchmarking analysis in key thematic areas.

Benchmarking

Benchmarking was undertaken using an internationally accepted tool that uses 12 baseline indicators that address four thematic areas or pillars: (i) legislative framework, (ii) institutional framework, (iii) procurement operations and market, and (iv) system integrity. The particular strengths and weaknesses of the Solomon Islands Government (SIG) system were identified by determining whether particular elements meet or exceed the baseline standards. Emphasis should be placed more on the relative strengths and weaknesses of the SIG system determined through the quantification process rather than actual scores.

Legislative framework

The Solomon Islands does not have any separate legal framework regulating the policies, procedures and documentation for procurement of public goods, works and services. The current legal instrument is one chapter of wider Financial Instructions (FIs) on the overall financial management of public funds. A key internal control is the stipulation of monetary thresholds and approval authorities, above or below which either quotations or open tender should be used. The OPR found that, while the FIs provide the basic requirements for procurement, the operational detail necessary for effective implementation is lacking.

Institutional Framework

While the Ministry of Finance and Treasury (MoF) is responsible for issuance of the FIs and it has a procurement unit and there is an autonomous Central Tenders Board (CTB), there is no body with sole and comprehensive responsibility for public procurement encompassing (i) legal and regulatory policy and its interpretation, (ii) documentation in the form of national standards, (iii) development of capacity-building programs, (iv) monitoring of procurement operations, and (v) development and oversight of implementation of technology to support procurement.

Operations

There are limited information databases to support monitoring of performance, and no compliance and performance indicators (CPIs) have been adopted. Likewise, limited formal training and information programs are currently available for SIG officials or suppliers. The capacity and capability of staff in central and provincial governments to carry out procurement is assessed as being very weak.

Market

A survey of selected suppliers and providers who are members of the Solomon Islands Chamber of Commerce and Industry (SICCI) indicated that the majority had a low level of confidence in SIG procurement and its process due to previous bad experiences such as non-payment and irregularities in the procurement process.

Integrity

While the FIs do provide internal controls in the form of thresholds, the lack of information on how to implement procurement processes is cause to a weak control framework. Also, there is no specific responsibility in terms of which agency is to undertake transaction reviews of procurement processes. There is no appeals mechanism. Apart from the prospective petition to courts, appeals to public procurement are normally directed to the procurement entity. While the FIs mention the need for the publication of procurement information, contracting entities do not always abide by the requirement to publish. The FIs do not provide for specific definitions of fraud and corruption and mainly indicate that failure to comply with the FIs would be cause for misconduct.

Acceptability of National Competitive Bidding Procedures

Public procurement risks in Solomon Islands are currently high. The SIG public procurement system, especially provisions for Tender would currently be acceptable for use by WB projects with certain conditions.

Recommendations

Following benchmarking of the current SIG public procurement system and its subsequent analysis, the OPR makes nine recommendations as indicated below in order of priority. Implementation of the recommendations would require provision of technical assistance. The OPR team estimates the cost of the technical assistance at US\$500,000 over a three to five year period. The OPR team recommends that funding options to finance these recommendations be analyzed jointly with MoF and other relevant development partners.

- (1) Develop and promulgate revised regulations and supporting procurement documentation.
- (2) Create a Central Procurement Office (CPO) as a division of MoF.
- (3) Establish a system to monitor the procurement performance of all SIG entities.
- (4) Develop a comprehensive website where it would be mandatory to publish the Shopping and Tender requirements of all entities.
- (5) Examine the results of current efforts to rationalize and consolidate procurement of bulk items or commodities and examine if full decentralization to all the procuring entities is the most efficient and effective approach for Solomon Island.
- (6) Set up an appeals mechanism.
- (7) Devise an anti-corruption strategy for SIG procurement.
- (8) Develop and implement a procurement capacity building plan.
- (9) Develop and implement certification system for procurement practitioners.

INTRODUCTION AND TASK OBJECTIVES

Country and Economic Background

1. Solomon Islands is a remote, scattered archipelago about 1,900 km northeast of Australia in the South Pacific, with terrain ranging from about 1,000 mountainous islands to low-lying coral atolls stretching in a 1,450 km chain east of Papua New Guinea across the Coral Sea to Vanuatu. The archipelago covers a total area of 725,197 sq km (approx 280,000 sq miles) with the main islands being Choiseul, New Georgia, Santa Isabel, Guadalcanal, Malaita, and Makira.
2. The Solomon Islands are situated among one of the world's most disaster-prone geographic regions in what is known as the Circum-Pacific Belt, earthquake belt or ring of fire. The low-lying coastal regions of the Solomon Islands can also be subject to damage from tsunamis. In addition, the zone in which the Solomon Islands archipelago is located is an area where cyclones are formed. The Solomon Islands is thus subject to many natural threats—earthquakes, tsunamis, volcanic eruptions, tropical cyclones and windstorms, floods, landslides, and droughts.
3. The Solomon Islands is home to diverse cultures, languages and customs, with 93 percent of residents being Melanesian, 4 percent Polynesian, and 1.5 percent Micronesian. Most of the total population of about 553,000 resides in small, widely dispersed subsistence settlements along the coasts with about 60 percent living in localities of fewer than 200 persons. Only 15 percent reside in urban areas; the capital town of Honiara, situated on the largest island of Guadalcanal, has about 55,000 inhabitants. Other principal towns are Gizo, Auki, and Kirakira.
4. More than 75 percent of Solomon Islanders are involved in subsistence farming and fishing and find their roots in village life, maintaining the traditional Melanesian social structure, which is based on: (i) a strong attachment to land and the practice of subsistence economy; (ii) generally egalitarian relationships, emphasizing acquired rather than inherited status; and (iii) recognition of bonds of kinship that extend beyond families, with local and clan loyalties outweighing regional and national affiliations.
5. A low-level conflict between 1998 and 2003, known as “The Tensions,” brought the formal economy and many state functions to a halt.¹ Real GDP per-capita, which had been slowly eroding between 1996 and 1999, fell sharply between 2000 and 2002. An Australian-led and financed regional peacekeeping mission, the Regional Assistance Mission to Solomon Islands (RAMSI), stopped the violence, and rapidly restored order and basic state functions, particularly in finance. The country has subsequently enjoyed a fairly good security situation, interrupted only by short-lived but destructive riots in the capital Honiara in 2006. The RAMSI presently retains a police and military presence, as well as a large corps of civilians in advisory or in line government functions, concentrated in the MoF. An international security presence is likely for the foreseeable future although a transition for RAMSI by 2013 is envisioned: many of the current RAMSI civilian-led development functions are likely to be incorporated into more conventional aid programs.

¹ According to the Foreign Relations Committee of Parliament. The Solomon Islands Truth and Reconciliation Commission is expected to issue a final report on The Tensions in 2012.

6. Solomon Islands' GDP growth recovered in 2010 from the impacts of the 2009 global economic crisis. The economy is estimated to have expanded by about 6.8 percent in 2010 and is estimated to have grown by around 9.0 percent in 2011, following a 4¾ percent contraction in 2009. By Q3 2010, overall production had surpassed the level it had been in 2008 (according to Central Bank of Solomon Islands data). The latter averages almost 2¼ percent a year, according to the 2009 census, meaning that by the end of 2011 per capita GDP was barely higher than 3 years earlier. Annex 7 presents further details on the country's economy (Solomon Islands at a Glance).

7. The Solomon Islands total recurrent appropriated budget in 2011 was SBD1,680.70 million (US\$233 million); the development appropriated budget SBD497.7 million (US\$69 million) and the development non appropriated budget SBD1,420 million (US\$197 million). Of the total appropriated budget in 2011 donors contributions are around 13% at SBD287.0 million (US\$39.9 million) as detailed in Table 1 below.

Table 1. Principal Aid Donors to the Solomon Islands Appropriated (Recurrent and Development) Budget for FY2011

Donor	Amount (SBD)	US \$ Equivalent	% of 2011 Total Overseas Grants
ROC (Taiwan, China)	80.0	11.1	28%
Australia	60.0	8.3	21%
New Zealand	55.0	7.6	19%
Asian Development Bank	40.0	5.6	14%
European Union	28.0	3.9	10%
Other	24.0	3.3	8%
TOTAL DONORS	287.0	39.9	100%

Government of the Solomon Islands Support and Participation

8. The WB's counterpart in this review was the Ministry of Finance and Treasury (MoF). The Permanent Secretary, Department of Finance and Treasury advised that SIG supported the OPR but stressed that support of other key donors in the exercise will also be important. He demonstrated his support for the OPR exercise by kindly making himself readily available for guidance and also by designating the Secretary of the Central Tenders Board to assist in a liaison and coordinating role that included providing basic support services, helping the OPR Team identify sources of information, and facilitating meetings. The ADB, AusAID and NZAid all confirmed support for the exercise, with the two former agreeing to provide peer review.

9. Prior to undertaking the review, it had already been agreed that due to (i) the size of the country and its economy, (ii) its remoteness, (iii) the fact that AusAID is financing on-going financial management reforms among others under the FMSP, and (iv) the small size of WB's current and expected future assistance to the Solomon Islands, an OPR would be carried out instead of a full Country Procurement Assessment Report.

Link with World Bank's Strategy and Portfolio

10. In March 2010 an Interim Strategy Note for the Solomon Islands for the Period FY10-FY11 was released by the World Bank. A Country Partnership Strategy is under preparation and one of its pillars is strengthened budget process and public financial management. The move to a stand-alone strategy document represents an important step in intensified engagement in Solomon Islands. Previously the country had come under the Bank Regional Engagement Framework 2006 – 2009 for the Pacific Islands, a broad strategy that identified thematic priorities in nine Pacific Island Countries (PICs). In the Pacific region, the WB works in partnership with the twelve countries and their development partners to achieve sustainable social and economic development. The WB brings its global knowledge to bear on development problems faced by the Pacific countries at a regional level, and provides a targeted and focused mix of development financing. Even more so than in other regions, the WB's role as a knowledge bank is perhaps the key strength that it brings to the Pacific. To date, the WB's main means of contributing knowledge at the overall regional level has been through the Regional Economic Reports. This contribution has been supplemented by a more focused program of regional and sector-based Economic and Sector Work developed in conjunction with member countries and the development partners. The Solomon Islands OPR is consistent with the stated objectives of both the Pacific Regional Strategy and Interim Strategy Note of harnessing global knowledge to support the Government's reform efforts in procurement.

11. The WB currently has five active lending operations in the Solomon Islands and has two active non-lending technical assistance programs. Beginning in the early 1980s, the WB provided investment loans to the Solomon Islands for education, health, roads (Guadalcanal), rural services, and a financial intermediary loan to the Development Bank of the Solomon Islands, all of which are now closed. Five active WB investment loans in the health, rural, telecommunications and energy sectors are currently being implemented. The composition of WB's current and future lending portfolio for the Solomon Islands is shown in Table 2.

Table 2. Composition of World Bank Lending Portfolio in the Solomon Islands

PROJECT NAME	SECTOR	LENDING INSTRUMENT	STATUS
Solomon Islands Sustainable Energy	Sustainable Development	Investment Loan	Active
Rural Development Project	Sustainable Development	Investment Loan	Active
Solomon Islands Telecommunications and ICT Development Project	Telecoms	Investment Loan	Active
Rapid Employment Project	Sustainable Development	Investment Loan	Active
Tina River Hydropower Development Project	Sustainable Development	Guarantee	Active
Solomon Islands: Mining Sector Technical Assistance - Phase I	Sustainable Development	RETF	Active
Solomon Islands Development Policy Operation 1	Poverty Reduction and Economic Monitoring	Investment Loan	Active
Pacific Regional Connectivity Program: Phase II-	Telecoms	Investment Loan	Pipeline
Community Resilience to Climate and Disaster Risk in Solomon Islands	Sustainable Development	Investment Loan	Pipeline
Increasing Resilience to Climate Change and Natural Hazards.	Sustainable Development	Investment Loan	Pipeline
Tina River Hydropower Development Project	Sustainable Development	Investment Loan	Pipeline

Objectives and Scope

12. The primary objective of the OPR is to review Solomon Islands' existing national policies, procedures, practices, institutional arrangements and organizational capacity for public sector procurement in terms of practicality, efficiency, transparency, and integrity in order to (i) assess acceptability for use in national competitive bidding under WB financed projects, (ii) assess the level of fiduciary risk of the public procurement system, and (iii) help define the appropriate intensity of WB supervision including appropriate thresholds for different procurement methods and for World Bank prior review.

13. While serving this primary objective, the OPR will also serve a secondary role by providing an analysis of the Solomon Islands' public procurement system in each of the following four pillar areas: (i) legislative framework, (ii) institutional framework, (iii) procurement operations and market, and (iv) system integrity. Public procurement systems can often waste resources that are particularly scarce in smaller economies such as that of the Solomon Islands. Inefficient use of funds may result from problems across the entire procurement process – from not having standard bidding documents to lack of transparency in the process, through to poor contract supervision. Any improvement in the SIG public procurement system will mean that funds from donors who agree to use that system and SIG's own funds will be less at risk.

FINDINGS

Baseline Benchmarking of the Public Sector Procurement System

14. The usual aims of national public procurement systems are to deliver economy and efficiency in the use of public funds, while adhering to fundamental principles of non-discrimination and equal treatment, due process, and transparency.

15. Under the auspices of the joint WB and OECD Development Assistance Committee (DAC) Procurement Round Table initiative, developing countries and bilateral and multilateral donors have worked together to develop a set of tools and standards in the form of Base-Line Indicators (BLIs) and Compliance and Performance Indicators (CPIs) that assist in determining the relative strengths and weaknesses of a country's public procurement system. There are 12 macro-BLIs that address four thematic areas or pillars as shown in Table 3. The ratings for each of these are in turn based on a number of sub-indicators or individual baselines, presented along with the detailed analysis in Annex 2, Baseline Benchmarking Analysis.

Table 3. Four Pillars and 12 Macro-Indicators used to Benchmark Solomon Islands' Procurement System

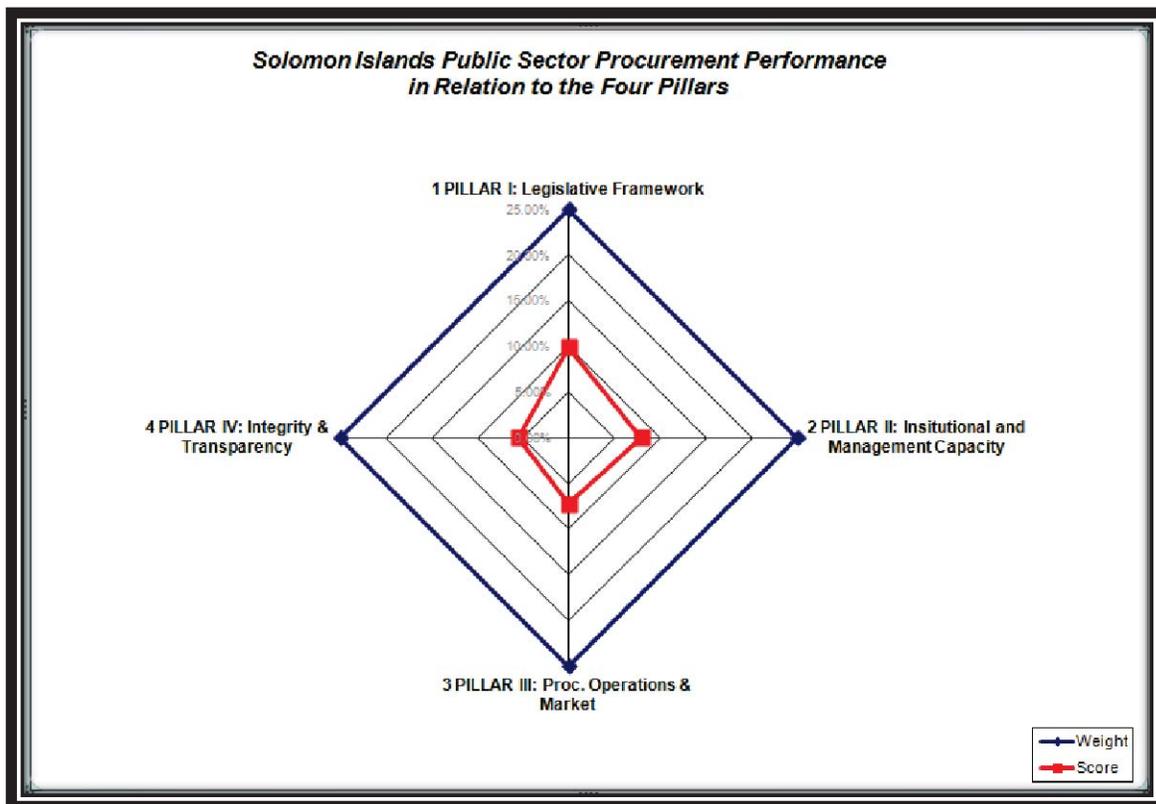
<i>Pillar I – The Legislative Framework</i>	
Indicator 1	Public procurement legislative framework achieves the agreed standards and complies with applicable obligations
Indicator 2	Existence of implementing regulations and documentation
<i>Pillar II – Central Institutional Framework and Capacity</i>	
Indicator 3	Mainstreaming procedures into public financial management
Indicator 4	Functional normative body
Indicator 5	Existence of institutional development capacity
<i>Pillar III – Procurement Operations & Public Procurement Market Performance</i>	
Indicator 6	Efficient procurement operations and practice
Indicator 7	Functionality of the public procurement market
Indicator 8	Existence of contract administration and dispute resolution provisions
<i>Pillar IV – The Integrity & Transparency of Public Procurement System</i>	
Indicator 9	Effective control and audit system
Indicator 10	Efficiency of appeals mechanism
Indicator 11	Degree of access to information
Indicator 12	Ethics and anti-corruption measures

16. Whatever the size of a country and its economy, it is considered appropriate to benchmark its procurement system in accordance with the generally accepted international standard model system. The assessment using BLIs presents a snapshot comparison of the actual system against the international standards that the BLIs represent. Therefore, as the starting point and foundation upon which to analyze and assess the SIG procurement system, benchmarking was undertaken using this internationally accepted tool. The

benchmarking was carried out by the OPR Team using a methodology current at the time and the results were shared with SIG through the OPR exercise. The assessment was based on information gained through discussions with SIG staff and advisors from various SIG ministries, feedback from a survey of Solomon Islands Chamber of Commerce and Industry (SICCI) members, plus documentation provided to the Team. Detailed results are provided in Annex 2.

17. In assessing the BLIs, a weighting system was applied. Equal weight was given to each of the pillars (25 percent) on the assumption that they are of equal importance. Varying weights were given to the various BLIs within each Pillar. Overall, in quantitative terms when considering all pillars and indicators, it was assessed that the SIG procurement system **achieved approximately 30.8 percent** in comparison with the model benchmark system. It should be stressed, however, that relative importance should be placed on the quantification process. Rather it should be seen as a mechanism that enables the relative strengths and weaknesses of each baseline and indicator to be determined for comparison purposes. These strengths and weaknesses are best demonstrated by referring to the various charts at the end of Annex 2. The overall assessment of the SIG procurement system is best illustrated by the radar chart shown in Figure 1 below, which shows overall rating in relation to each pillar. The presentation of OPR findings is structured around these four key areas or pillars.

Figure 1. SIG Procurement Rating in Relation to Four Pillars



Legislative Framework (Pillar I)

18. The legislative framework, together with the institutional framework of Pillar II, set the basic conditions for the manner in which procurement may be undertaken procedurally,

including the results that can be expected and potential efficiency gains that can be achieved. In quantitative terms, the SIG system achieved 48.5 percent in comparison with model baseline requirements for Legislative Framework (Pillar I).

19. The Solomon Islands is both a constitutional monarchy represented by a Governor General and a parliamentary democracy within the Commonwealth, with a unicameral Parliament of 50 members based on single-member constituencies, elected for four-year terms. SIG uses a ministerial system with the Prime Minister, elected by Parliament, choosing a cabinet member to head each ministry. Each Minister is assisted by a Permanent Secretary, a career public servant, who directs staff within that ministry. For local government, the country is divided into ten administrative areas, of which nine are provinces administered by elected provincial assemblies, and the tenth is the town of Honiara, administered by the Honiara Town Council.

20. The Solomon Islands has a legal system based predominantly on British Common Law. It has **no separate legal framework** regulating the policies, procedures and documentation for procurement of public goods, works and services. The instrument that regulates public procurement for all SIG ministries is Chapter 7, entitled Supply Chain Management, part of the wider Financial Instructions (FIs) on the overall financial management of public funds. The FIs are a mix of high-level policy and low-level operational directions. They are issued and updated by the Permanent Secretary of the Ministry of Finance under the direction of the Minister of Finance, pursuant to section 6(2) of the Public Finance and Audit Act 1978, the only act that applies specifically to procurement. The only exceptions to the scope of the FIs are statutory authorities, which have their own internal authorization levels and systems. The establishment and levels of authorization for statutory authorities are covered in the Interpretations and General Provisions Act, Chapter 85, and the Companies' Act refers to company registration.

21. Chapter 7 of the FIs came into effect on 1 July 2010. They introduced the concept of "Preferred Supplier Arrangements", which are yearly and renewable contracts for products and services available from a small number of suppliers but are used by all Ministries.

22. The changes involved increasing monetary thresholds above or below which either quotations or Tender should be used (see Table 4), and instates the system of using Purchase Requisition. Data collected by the mission relating to 2006 contract awards showed that only 11 contracts amounting to SBD11 million (US\$2 million equivalent) in total were conducted by the Central Tender Board (CTB). Data from MoF's website (see Table 5) shows a significant increase in the number of contracts and total amounts awarded by the CTB during 2010 and 2011.

Table 4. SIG Procurement Thresholds

Value		Applicable Procedure	Authority
SBD	US\$ Equiv.		
< 2,000	< 278	Direct Purchase	Ministry Accountable Officer
< 10,000	< 1,390	Direct Purchase Min. 1 Quote verbal	Ministry Accountable Officer
10,000 – 20,000	1,390 – 2,778	Shopping (Min. 3 Quotes verbal)	Ministry Accountable Officer
20,000 – 100,000	2,778 – 13,890	Shopping (Min. 3 Quotes written)	Ministry Accountable Officer
100,000 – 500,000	13,890 - 69,444	Tender	Ministry Tender Board (MTB)
> 500,000	>69,444	Tender	Central Tender Board (CTB)

Table 5. Contract Awards by CTB in 2010 and 2011

Year	No. Contracts	TOTAL VALUE (Approximate)	
		SBD (millions)	US \$ Equiv. (millions)
2010	167	309.9	43
2011	278	419.9	58.3

Standards and Obligations

23. The OPR assessed that in quantitative terms the SIG public procurement legislative framework complies with about 48.5 percent of agreed standards and applicable obligations (Indicator 1).

- *Coverage* - The FIs cover (i) SIG procuring entities at all levels including ministries and their internal departments, the nine provincial governments, and the Honiara Town Council (ii) all procurement using public funds irrespective of value, and (iii) all types of procurement be they goods, works (usually minor in the Solomon Islands context) or consulting services.
- *Application* –The FIs are structured, consistent, and accessible to users and all interested stakeholders. However, while Chapter 7 provides basic instructions for the various types of procurement dependent on monetary thresholds, it lacks procurement operational detail necessary for effective implementation of procurement.
- *Procurement Methods* – The FIs state that the procedure Tender should be used above the designated threshold of SBD100,000 or approximately US\$13,890. The FIs do not mention on whether international advertising is to be applied. Given the size of contracts in the Solomon Islands, this practice is generally not adopted. Shopping with a minimum of three quotes is specified below the SBD100,000 threshold and Direct Purchase may be used only under a threshold of SBD2,000 (US\$278);
- *Advertising* – The FIs mention the requirement to advertise in accessible media (radio, newspapers etc) opportunities for tendering. No requirement is provided for the timely publication of contract awards;

- *Time Limits* – The FIs set a minimum of two weeks for submission of bids. However, bid validity periods are not provided;
- *Participation* – The FIs make no mention of fair rules on: (i) award that relies on qualifications and ability to perform (it loosely refers to “the ability of each tenderer to complete the work on time and within the quoted price”), (ii) any process for debarment after due process and appeal, such as for previous poor performance; and (iii) participation of parastatals (SIG-owned enterprises) that provide for equal treatment in a competitive market;
- *Bid Documentation* – For tendering, the FIs mention requirements of (i) the minimum content for tender documentation, (ii) that they are relevant to meeting the requirements and implementing the process, and (iii) that technical specifications should be neutral with reference to national and international standards where appropriate;
- *Submission, Receipt and Opening of Tenders* – For tendering, the FIs mention no requirements for submission and receipt of bids and the need to maintain security and confidentiality of bids (unopened) prior to bid opening. While there are instructions of bid opening, such as written record of proceedings for later review and audit, the FIs do not require public bid opening;
- *Tender Evaluation and Award* – For tendering, the FIs make reference to pre-disclosed evaluation criteria, in a sense that weights need to be given for “price, quality and equity”, but make no mention of (i) clear methodology for evaluation including other fully disclosed factors such as quantified whole-of-life costs, and (ii) the need to maintain confidentiality during the process; and
- *Complaint Review and Appeals Mechanism* – The FIs make no mention of any fair and independent mechanism or procedure for handling complaints and appeals in a timely manner.

Supporting Documentation for Implementation

24. The OPR assessed that, while the current FIs provides the basic requirements for procurement (both shopping and tendering), the **operational detail necessary for effective implementation is still lacking**. This is demonstrated by the fact that, when compared to several of the baseline requirements under Indicator 1 the FIs do not refer to them.

Implementing Regulations and Documentation

25. While it is acceptable for the legislative framework to define SIG policy, it is also essential that this be supported by implementing regulations and documentation. For example, while the FIs outline the basic requirements for tendering, **there is no guidance on how the actual process should be carried out**. The OPR team, for example, found that tender documents utilized by Ministries had inconsistent provisions regarding evaluation criteria. Therefore, similar to Indicator 1, the current SIG system scored relatively poorly in quantitative terms (30 percent) in respect of Indicator 2 relating to the existence of implementing regulations and documentation.

26. From past experience, MID staff appreciated there were deficiencies in the system related to the fact that there is insufficient operational detail on how to implement the FIs,

and especially those related to tendering. This resulted in numerous problems such as (i) inconsistency in the evaluation of bids, (ii) a lack of transparency in the award of contracts, (iii) non-compliance with the legal obligations of contracts; (iv) slow payments or non-payment, and (v) inconsistencies in the application of penalties.

27. In association with the development of the National Transport Plan, the ADB provided technical assistance (TA No. 4494-SOL) for institutional strengthening of MID. Part of the terms of reference for this technical assistance required a review of existing regulations and contract documentation for the procurement of goods and services to determine their appropriateness. Since goods and services procurement is a comparatively small component of transport-related procurement, more emphasis was placed on the procurement of works. Based on a review of the existing documentation, MID needs, the following documentation, which incorporates and supports the SIG FIs, has been produced for MID:

- a *Procurement Manual*, which outlines policies, directives, and detailed step-by-step requirements and procedures from defining a procurement requirement through to contract award. The manual applies to goods and services as well as works;
- a *Contract Administration Manual* to serve as a general guide in the management of works contracts and as a basis for the preparation of project specific manuals of contract administration procedures;
- a *Quality Control Manual*, which contains check lists, to enable engineers and supervisors to check a contractor's work against contract specifications;
- Standard MID bidding documents for roads and bridges; road grading; roadside and drainage; vegetation and drainage; pothole repair;
- Standard MID contracts for the same categories of works.

28. Under the same MID institutional strengthening technical assistance, workshops were held to explain this documentation and the processes it describes, as well as the need to maintain and revise it, to both MID staff involved in procurement and also to personnel of firms that consistently bid under MID procurement. While the supporting documentation has been produced specifically for MID, and is currently formally adopted and in use only by that Ministry, it has been shared with some of the other SIG ministries that are more proactive in procurement.

29. An assessment of the MID Procurement and Contract Administration Manuals shows that they cover most of the requirements needed in terms of Indicators 1 and 2. Documentation related to selected tenders called by MID after adopting its new procurement manual was reviewed, and the process was confirmed to be in line with international best practices. Likewise, feedback from bidders is that the new process adopted by MID is more consistent, transparent, and fair than other Ministries.

Central Institutional Framework and Management Capacity (Pillar II)

30. Modernizing and maintaining a country's public procurement system is an ongoing and complicated process that benefits strongly from the existence of focal points in government administration with sufficient capacity and qualifications to manage the procurement

system, and the public funds utilized by it, and to monitor procurement implementation. In quantitative terms, the SIG system achieved approximately 31 percent in comparison with model baseline requirements for Central and Institutional Framework (Pillar II).

Integration into the Public Financial Management System (II)

31. Public procurement should be an integral part of SIG's overall financial management and governance systems. To the extent that Procurement of Goods and Services is a chapter of the FIs, it could be regarded as an integral part. However, a well-functioning procurement system should provide information to support the budget process. Likewise, procurement should benefit from the public financial management system with respect to timely appropriations and availability of funds to support contract award and payments. Lack of integration between the budgeting and public procurement processes may lead to insufficient funds and cancellations, resulting in increased costs and inefficiencies.

32. SIG fiscal year (FY) is the same as the calendar year (1 January to 31 December). A consolidated fund is established under the Solomon Islands Constitution (Section 100) for the receipt and expenditure of all public funds. Public expenditures are authorized through parliamentary approval of the annual Appropriations Act (required under the Constitution Section 101) that establishes an allocation under Headings for each Government entity entitled to public funds. In FY 2011 the total recurrent budget (appropriated and non appropriated) was approximately SBD1,757.90 million and the total development budget (appropriated and non appropriated) was SBD1,9.17.70 million.

33. Chapter 7 of the FIs relating to procurement makes no reference to tax issues and currently practices regarding taxation have generated confusion. It is not uncommon for relationships to exist between businesses and whereby businesses are able to acquire Ministerial Orders to exempt certain goods and services. Also, Donor funded projects may be granted exemptions at the discretion of the concerned minister. As result, businesses have been unsure whether to present their prices on the basis that they would be granted a concession or on a cost-plus basis. A review of duty remission and tax exemption guidelines to ensure that the exemptions granted are done in accordance with the law and not on a discretionary basis is being considered.

34. The SIG system scored relatively well in quantitative terms (70 percent) in respect of Mainstreaming Procedures into Public Financial Management (Indicator 3) because the budget law and financial procedures allow for the timely release of funds at the commencement of the SIG FY. While allocated funds not disbursed by the end of the year need to be re-appropriated in the following fiscal year, it could be possible either to obtain agreement from SIG that any unspent part of on-budget donor funds would be reallocated to the same activities or to create a special fund. Such approaches might be necessary for contracts with multi-year payments. In addition, the FIs ensure that there is no initiation of procurement actions without existing budget appropriations and contract execution is subject to budgetary controls to ensure sufficient contract funding. However, based on feedback from ministries, while multilateral donors may require annual procurement plans for projects that they support, procurement planning and cost data does not generally appear to be part of the budget formulation process.

Regulatory Body, Organization, and Resources

35. The model system assumes that most countries will benefit from the existence of a management and policy body within central government to provide a range of functions that support the consistent development, maintenance, and application of the legislative requirements of a public procurement system.

36. The body normally associated with public sector procurement in SIG is the procurement unit within the MoF. There is a Secretary supporting the Central Tender Board (CTB). In addition, some of the ministries that are more proactive in procurement, such as Infrastructure Development, have created internal procurement units within their respective ministries. These Ministerial Tender Boards (MTBs) are comprised of at least three persons and are chaired by the Ministry Accounting Officer. The CTB is comprised of at least four persons, and chaired by the Permanent Secretary, Finance and Treasury. Therefore the key officials currently involved in SIG procurement are the ministerial accounting officers and the Permanent Secretary, Finance and Treasury.

37. The SIG system scored zero with respect to functional normative body at the center (Indicator 4). While MoF is responsible for issuance of the FIs, apart from the procurement unit and position of Secretary to the CTB, there is **no other body within MoF with sole responsibility related to public procurement policy and management**. As such a body does not exist, and then the other baselines related to Indicator 4 are also scored at zero.

Procurement Skills and Capacity Building

38. The performance of the system relies heavily on the capacity of the participants, both public (users) and private sector (suppliers and providers), as well as the capacity of various other stakeholders who interact with the system.

39. The SIG system scored relatively low in quantitative terms (20 percent) in respect of procurement skills and capacity building (Indicator 5). A partial score was given on the basis that some isolated practices exist for collection and monitoring of national procurement statistics (e.g. MoF has been disclosing CTB awards annually since 2010) and there is a requirement specified in the FIs that a register of all contracts to be kept. It appears, however, that such a register is not being maintained because MoF does not provide data on MTB awards, for example.

40. Apart from the information the MoF discloses on procurement conducted by CTB, no comprehensive system exists for collection and dissemination of procurement information, such as tender invitations, requests for proposals, and publication of contract award information. Even the disclosure of contract award made by the MoF is done on annual basis and not at time contract awards.

41. Findings indicate that, with the possible exception of some staff within MID, the **capacity and capability of central government and provincial government staff, in particular, to carry out procurement is very weak**. Because of the small size of the SIG bureaucracy and the current decentralized process, many are either directly or indirectly involved with procurement but few, if any, have specialized procurement skills.

42. There are no quality control standards disseminated and used to evaluate performance of SIG staff when carrying out procurement. Also, no sustainable strategy

exists to provide training, advice and assistance to develop the capacity of government and private sector participants to understand SIG procurement rules and their application.

Procurement Operations and Market Performance (Pillar III)

43. Public procurement requires performance not only from the public sector but also from private sector participants, who are, in most instances, the suppliers and providers. Therefore, a functioning and competitive private sector market should be a key partner to SIG if its procurement system is to function well. To be effective partners, the marketplace participants must also have confidence in the SIG system and the competence and integrity of the various contracting entities in implementing and administering the system in accordance with the regulations. In quantitative terms, the SIG system achieved 29 percent in comparison with model baseline requirements for Procurement Operations and Market Performance (Pillar III).

44. It has proven difficult to determine the indicative value of the size of SIG procurement in 2011 due to (i) the lack of an appropriate information to monitor procurement, (ii) the fact that the Local Purchase Orders (LPOs), for which records are kept, is not accepted by the whole of the business community, and (iii) in order to save time, some ministries obtain goods using pro forma invoices with subsequent cash payments. An attempt was made at arriving at an indicative figure by taking the capital expenditures in the recurrent budget estimate of SBD45.8 million (US\$6.3 million) and adding the development budget expenditure (appropriated and non appropriated) of SBD1,917.7 million (US\$266.3 million). By adding these known amounts, the OPR team arrived at an indicative amount of SBD1,963.5 million (US\$272.7 million equivalent) from the recurrent and development account that could have been utilized for procurement of goods, works, and services in 2011. It should be borne in mind that some of the non appropriated development budget of SBD1,420 million (US\$197.2 million) may consist of “in kind” provisions by donors and would have to be excluded from indicative amount above.

Management Performance and Efficiency of Operations

45. The SIG system made a partial achievement (25 percent in quantitative terms) in respect of Efficient Procurement Operations and Practice (Indicator 6). A partial score was given on the basis that nominal administrative systems do exist at the contracting entity (ministry) level for procurement operations in the form of MTB registers and, while there is no code of conduct, and separation of responsibilities is unclear, there is a form of oversight in accordance with specified FI thresholds. However, there are **no information databases to support monitoring of performance, and no formal training and information programs for SIG staff or suppliers and providers**. While there is currently no system established to determine the level of competence among SIG staff and whether it is consistent with their responsibilities, the OPR team found that the capacity and capability of staff in central and provincial government and statutory authorities to carry out procurement is very weak.

46. Findings suggest that a significant amount of procurement involves packages that are small in monetary terms and fall below the designated national threshold (SBD100,000 or US\$13,890 equivalent) above which tendering must be applied. For such packages, shopping procedures, which require a minimum of three quotes, can be applied in accordance with the FIs. This might be expected for a small Pacific Islands economy;

however, while it would be difficult to find hard evidence, SIG staff has confirmed that, in the case of items where larger quantities may be required, it is not uncommon to split into smaller packages in order to avoid such requirements.

47. With respect to Shopping procedures, while the requirement for three quotes is recognized as being good practice, it can also be a constraint in rural areas of the Solomon Islands archipelago. The bulk of the Solomon Islands' economy is centered in Honiara. In some remote provincial locations it is not possible to obtain three quotes locally due to the fact that there may be fewer than three suppliers or none at all. In addition, it is difficult to communicate with Honiara in order to source additional quotes because communications links are either poor or do not exist. The FIs include instructions on where it is impractical to obtain three quotes because of market limits on the number of suppliers the Accounting Officer may approve the award based on fewer than three quotations, providing the justification is formally recorded in writing.

48. The current SIG system does allow for fixed-term contracts (framework agreements) and some ministries have applied these using a competitive open tender process with award decided either through its respective MTB or the CTB, depending on estimated guaranteed minimum value over the term of the contract. In the FIs, the successful contractor is referred to as the Preferred Supplier, which is confusing terminology in view of its connotations when, in fact, the contractor has been selected through a competitive process. Unfortunately, some of these fixed-term contracts did not appear to be operating in an efficient manner, because ministry staff treats each draw-down or purchase from the fixed-term contractor as a separate purchase in terms of the paper trail. This is because they have the impression that the amounts purchased or drawn down on each occasion need to be kept below the relevant thresholds so as to avoid having to go back to the relevant tender board. In fact, this is a misunderstanding; under a framework contract, there is no need to revert back to the respective tender board because prices are fixed and staff can requisition for the required quantity without needing to be concerned about its monetary value, provided that they do not exceed the total value of the contract.

Domestic Market, Competitiveness, and Participation of Private Sector

49. The SIG system made a partial achievement (35 percent in quantitative terms) in respect of Functionality of the Public Procurement Market (Indicator 7). The public procurement market in the country is based predominantly in Honiara, with only a few small bidders located in other provincial towns. The local consulting industry is almost non-existent, apart from some accounting firms in Honiara. As a consequence, most consultants are international. The construction industry, apart from a few large firms with international shareholding, consists, in the main, of small or medium enterprises which are usually financially weak. The situation in the provinces is different, as there might only be one bidder or perhaps none at all. Bearing in mind the size of the economy and the fact that most firms are located in Honiara, the participation rate of bidders in response to competitive tender invitations appears to be consistent with the capacity of the marketplace. (Whether all, or most, potential bidders actually bid for SIG contracts is another matter, discussed below.) In the absence of guidelines and advice from SIG contracting entities, the quality and consistency of submissions by the private sector to SIG is poor and this tends to undermine the application of the process leading to award and completion of contracts.

50. With the assistance of the Solomon Islands Chamber of Commerce and Industry (SICCI), a questionnaire was distributed to approximately eighty SICCI members seeking their response to a number of questions relating to participation in bidding for SIG contracts (the questionnaire is reproduced in Annex 3). Due to a relatively low response, the survey was complemented by a telephone poll. It quickly became obvious that a substantial proportion of those polled have a low level of confidence in SIG procurement its procurement process because of previous bad experiences such as non-payment and irregularities in the process. Some firms felt they were being marginalized due to a lack of transparency, especially in advertising for bids, publishing results, and in explaining reasons why they did not win a contract.

51. Those polled also confirmed that both the quality of bidding documents and commercial conditions of contract varied. They also suggested that there was a need for: (i) at least one independent person to be involved in the evaluation process, and (ii) an independent body separate to the contracting entity to process complaints and appeals. Currently, the FIs make no mention of any formal independent complaints and appeals mechanism and no data are available as to the number of complaints that were made directly to the SIG public entities undertaking the procurement.

52. A history of reported non-payment by SIG, predominantly in the construction sector, has been a major element in creating mistrust among bidders. In some instances, the reported non-payment had further implications with sub-contractors also being affected. Despite these, indications are that the SIG payment system has now become more effective and efficient as a result of Donor interventions (particularly by AusAID).

53. In terms of the FIs, the purchase of all goods, works, and services require an LPO to be raised and authorized before the order may be placed. Due to poor experience in being paid on the basis of LPOs in the past, some suppliers are still reluctant to accept them, and it has been necessary for SIG to pay a number of suppliers on the basis of pro-forma invoices and cash vouchers. Indeed, the FI's clearly state that "where the Supplier does not accept LPOs, payment will be made on a Payment Voucher raised in the Ministry, but authorized and paid within Treasury". While the LPO system is well known, with changes to the system being advertised, SIG cannot force it on the business community. It is hoped that as a result of the improved credibility of SIG's financial management system since 2004, including more effective and efficient payment systems, suppliers will gain more confidence in the LPO system and accept it. Indeed, despite the history of non-payment described above, some smaller suppliers noted that the payment system has improved in recent years and, on the basis that a purchase cannot be made unless it is budgeted for with sufficient funds available, they will accept an LPO and regard it as being as good as a bank check.

54. The FIs make no reference to requirements for either bid or performance securities and these are generally not applied unless the value of the procurement is large i.e. above CTB threshold. Under its procedures in accordance with its Procurement and Contract Administration Manuals, MID does not usually request bid securities although, in order to ensure that bidders are genuine, MID does charge bidders a fee to purchase its bidding documents. Also, upon award of contract, MID does not usually require a performance security, but rather tends to apply a method of retention, withholding somewhere between 5 and 10 percent of all progress payments until completion of the contract. Local banks confirmed that they would be prepared to issue bid and performance securities to their own

clients only, subject to their financial position. A fee of about 2 percent would be charged for such securities. Interestingly, those banks which are not Solomon Island's bankers confirmed that they would not want direct exposure to in the current political and economic climate and, therefore, they would not issue SIG with any letters of credit.

55. The SIG system does not score well (25 percent in quantitative terms) in respect of Existence of Contract Administration and Dispute Resolution Provisions (Indicator 8) because the FIs make no reference to dispute resolution procedures and enforcement. Likewise, while the FIs make reference to a supporting manual on contract administration, the manual is yet to be produced. A partial score was given on the basis that MID has adopted informally such a manual and standard contract commercial conditions and has shared these with some other ministries that are more pro-active in procurement.

Procurement Performance in WB-financed Projects (III)

56. All active lending projects have an overall Program and Project risk rating for procurement of "high". The main reasons for these ratings are: (a) the legislative framework lacks the operational detail necessary for efficient procurement implementation; (b) the organization structure and capacity is insufficient, and expenditure control takes place in a fragmented arrangement; (c) absence of procurement planning and procedural tools; (d) there are no mechanisms to detect or prevent potential fraud and corruption; and (e) the limited number of local contractors increases the potential for saturation and collusion.

57. Most of the ongoing project operations have been given a procurement performance rating of Moderately Satisfactory or Satisfactory (one operation is currently rated Moderately Unsatisfactory). A review of supervision and completion reports identify that the lack of adequate local procurement skills and poor contract management by the implementing agencies as key factors in terms of determining such ratings.

Integrity of the Public Procurement System (Pillar IV)

58. A public procurement system can only function well when it operates with integrity, that is, when it is fair, transparent, and credible. Mechanisms should be available for the independent control and audit of its operations, so as to ensure accountability and compliance, and for participants to lodge complaints and appeals and challenge decisions through administrative and judicial review bodies that have appropriate levels of independence and the legal power to impose corrective measures and remedies against participants, be they SIG contracting entities or suppliers that are in breach of the legislative framework. The legislative framework should also address issues such as fraud, corruption, nepotism, and conflicts of interest, so as to ensure that the system will operate fairly. In quantitative terms, the SIG system achieved 21.8 percent in comparison with model baseline requirements for the Integrity of the Public Procurement System (Pillar IV). This partial score was achieved primarily due to the fact that, while the FIs do not provide sufficient implementation details, they do stipulate some internal controls and thresholds.

Control and Audit Systems

59. The SIG system scored 27.5 percent in respect of Effective Control and Audit Systems (Indicator 9). The FIs provide the legal framework for internal and external control and audit of public procurement operations. However, while the FIs define the basic

requirements such as (i) authorizations to undertake procurement subject to sufficient funds in the budget, or (ii) thresholds that determine the procurement procedure, they do not provide sufficient detail on how to go about implementing the procurement and fail to indicate how these controls would be enforced. The failure to fill the gaps through the provision of detailed supporting documentation makes the current system difficult to audit because there is no detailed reference document available for auditors to determine whether procedures have been correctly followed. In other words, while the FIs do provide some element of control, because they do not define implementation of the process in detail, the control system is weak.

60. For approximately 20 years prior to 2004, while SIG had an Auditor General, it was a non-functioning office comprised of only two persons. During this period auditing of only a few statutory bodies was outsourced. Since 2004, the Auditor General's Office has been progressively strengthened and now comprises a staff of more than 20 persons, including several international advisors. It has proven necessary to abandon auditing of several years' accounts and the office is now auditing reconciled public accounts commencing from 2004. In addition, the Office has undertaken a number of special audit reports concentrating initially on revenue-earning departments. Each of the reports has highlighted a number of irregularities, several of which relate in some way to procurement. As a result of these reports, 20 cases have been submitted to the courts, of which one has been successfully prosecuted and 19 are still under process. The Office of the Auditor General confirmed that it has not concentrated directly on procurement and therefore welcomed the OPR.

Appeals Mechanisms, Transparency, and Anti-Corruption Measures

61. The FIs make no reference to the existence or operation of any appeal mechanism that would enable participants, be they suppliers or SIG whistle-blowers, to file an appeal or a complaint within the framework of an independent administrative and judicial review procedure. Where appeals are received from bidders, they are usually directed to the entity (Project Manager, Head of Department etc.) conducting the procurement. While the complainant can raise the issue through higher levels up to either the Permanent Secretary or the Minister of the contracting entity, there is a clear conflict of interest when the entity handling the complaint is also the contracting entity. In view of this conflict of interest, this informal system cannot be considered to operate in a fair and independent manner. Likewise, there is limited transparency in this system because decisions are not published in a timely manner. While the FIs fail to make any mention of an appeal or complaint mechanism, a small score (5 percent in quantitative terms) for Efficiency of Appeals Mechanism (Indicator 10) was achieved on the basis that, unless MoF is the contracting entity, then under the existing informal complaints mechanism, the entity reviewing the appeal or complaint is separate from the regulatory body (currently MoF).

62. Based on the poll of local firms, complainants appear to be unaware of their rights and few, if any, have sought other means of redress independent of the contracting entity. Feedback from contracting entities, such as MID, indicates that staff would support the establishment of an independent appeals mechanism, but that there would need to be some form of debriefing so as to ensure that complaints routed to it are justified.

63. Access to information is a key element of an open and transparent system. The SIG system was awarded partial scores (50 percent in quantitative terms) for Degree of Access

to Information (Indicator 11) in that, in accordance with the FIs, there is supposed to be a register of all contracts. However, it is tenuous to claim that the data relate to performance. The FIs refer to the need for the publication and distribution of information through available media or the need for support using available information technology, but implementation of this requirement is inconsistent.

64. A partial score was given on the basis that MoF and some ministries do publish some information through the media and websites. Now that MID has adopted its new Procurement Manual it publishes Tender Notices for packages within the MTB threshold in selected newspapers such as the *Island Sun* and *Solomon Star* including the bid closing date and time. For most contracts, two weeks is provided to prepare bids in view of the size of the packages, although for larger contracts, including services, up to eight weeks may be provided. In accordance with its manual, MID opens all bids in public, which usually occurs about 15 minutes after bid closing, subject to the availability of members of MID's Tender Board (the FIs require that bids be opened by the MTB convened for the purpose). While a successful bidder is notified of award of contract in writing by MID, at present the publication of results in the media usually occurs only when it is considered to be of public interest, such as when there are likely to be works occurring on major roads. Feedback from bidders indicates that they welcome the fact that the process is now formal and transparent.

65. The SIG public procurement system should be perceived to operate with integrity, providing clear definitions of what are unacceptable practices, procedures, and actions and should state the consequences to all participants of engaging in conflicts of interest and fraudulent, corrupt, and unethical behavior. Unfortunately, while the FIs define the basic process, **they do not make unambiguous references to unacceptable practices.** As a consequence, the SIG system scored zero on the basis that the FIs do not address these issues and there are no special measures to detect or prevent potential fraud and corruption. However, a low score (12.5 percent in quantitative terms) for Ethics and Anti-Corruption Measures (Indicator 12) was awarded on the basis that those local firms who were polled strongly supported SIG creating a public procurement market known for its integrity and ethical behavior.

66. Feedback from polling local firms indicate that most harbor a low level of confidence when participating in public procurement.

67. Since the FIs make no reference to unacceptable practices it is necessary to refer to other oversight mechanisms contained within existing Solomon Islands legislation that make express provision for offences related to fraud and corruption. Some, but not necessarily all, of these legal instruments are shown in Table 7. Some of these instruments also define the penalties for such behavior. While the provisions may be in place in other SIG legal instruments, so long as there continue to be regulations that lack sufficient detail, weak capacity, no credible independent complaints handling mechanism, and weak enforcement with no sanctions for corrupt behavior, then there would appear to be insufficient controls in place against fraud and corruption.

Table 6. Oversight Mechanisms in other SIG Legal Instruments

LEGAL INSTRUMENT	Component	DESCRIPTION
Constitution	Art. 94	Standards of Conduct for SIG Officials - cannot use office for personal gain

Penal Code	Part X	Corruption and Abuse of Office
Penal Code	Part XXXVIII	Secret Commissions and Corrupt Practices
Leadership Code		A Code of Conduct has been constitutionally established to provide for independent review. Applies to Politicians in addition to other Legal Instruments
Public Finance and Audit Act	Sect. 22(1)	A surcharge can be imposed on both past and present SIG Officials if they have caused SIG financial loss through failure to obey orders and instructions

Acceptability of National Competitive Bidding (NCB) Procedures

68. The OPR team prepared a checklist comparing the current SIG public procurement system in Chapter 7 of the FIs with WB policy (see Annex 4). The FIs make no mention of there being any eligibility restrictions based on nationality of the bidder or the origin of the goods. In addition, neither the FIs nor any other law establishes any primary boycotts. The mandatory provisions when applying National Competitive Bidding procedures under WB-financed projects are shown in Annex 5.

69. For WB-financed contracts, the following thresholds are recommended for different procurement methods.

Table 7. Recommended Operational Thresholds under WB-Financed Contracts

PROCUREMENT METHOD	MAXIMUM THRESHOLDS (USD)
GOODS	
Shopping	<100,000
National Competitive Bidding	≥100,000 - <200,000
International Competitive Bidding	≥200,000
WORKS	
Shopping	<200,000
National Competitive Bidding	≥200,000 - <500,000
International Competitive Bidding	≥500,000

70. Considering the nascent stage of development of the consulting industry, for contracts estimated to cost less than USD100,000, the shortlist may comprise entirely national consultants (firms registered or incorporated in Solomon Islands), provided a sufficient number of qualified firms are available in that particular sector to allow for a competitive selection process.

GENERAL RISK ASSESSMENT and RECOMMENDATIONS

Risk Assessment

71. The general assessment is that **public procurement risk in the Solomon Islands is currently high**. Table 9 below indicates the potential risks that need to be managed, the effect of these risks, their cause, and mitigation measures that are further detailed in the OPR recommendations below.

Table 8. Management of Risks associated with SIG Public Procurement System

RISK TO BE MANAGED	EFFECT	CAUSE (and Link to Baseline Indicator)	MITIGATION (Refer Recommendations below)
Inefficient and uneconomic procurement	Award may not be to the lowest responsive bidder May not represent the best value for money Excessive time to solicit and award	<ul style="list-style-type: none"> • Regulations and supporting documentation insufficient to describe how process should be implemented (Indicators 1 & 2) • Lack of central SIG procurement policy unit (Indicator 4) • Lack of capacity (trained participants) from both contracting entities and suppliers and providers (Indicators 5 & 6) • Lack of systems to monitor performance of the procurement system (Indicator 6 & 11) • Lack of competition in market (Indicator 7) • Lack of access to information (Indicator 11) 	<p>Short-term</p> <ul style="list-style-type: none"> • Create central procurement policy unit • Revise FIs, with inclusion of MID manuals, Standard Bidding Documents , and contract documents that specify implementation procedures including publication of information • Create capacity building program for all participants (contracting entities and suppliers and providers) that explains new procedures <p>Medium Term</p> <ul style="list-style-type: none"> • Set up system to monitor public procurement performance
Lack of integrity and inequitable treatment of suppliers and providers	Contracting Entities engage in unethical	<ul style="list-style-type: none"> • Lack of standard contracts with administration and dispute resolution provisions (Indicator 8) • Lack of effective Control and Audit system (Indicator 9) • Lack of any independent mechanism to handle complaints or appeals within an administrative and judicial framework with power to enforce decisions (Indicator 10) • Lack of access to information (Indicator 11) • Lack of reference to unacceptable behavior in regulations or supporting documentation (Indicator 12) • Lack of accountability and possible interference from high levels of SIG 	<p>Short Term</p> <ul style="list-style-type: none"> • Revise FIs, with inclusion of MID manuals, Standard Bidding Documents , and contract documents that specifies implementation procedures including publication of information, unacceptable behavior, contract dispute procedures <p>Medium Term</p> <ul style="list-style-type: none"> • Set up independent mechanism to handle complaints, preferably within existing SIG framework, with power to enforce decisions • Scale up current disclosure of information efforts (e.g. MoF's website) <p>Other</p> <ul style="list-style-type: none"> • Improve effectiveness of the Audit General Office through inclusion in procurement capacity building programs • Ensure control mechanisms are in place so that influence from high levels of SIG is minimized

72. Since the procurement risks are considered to be high, the following prior review thresholds are recommended for WB-financed projects:

Table 9. Recommended Prior Review Thresholds under WB-Financed Contracts

PROCUREMENT METHOD	PRIOR-REVIEW THRESHOLD (USD)
GOODS	
Shopping	First contract
National Competitive Bidding	≥100,000
International Competitive Bidding	All
WORKS	
Shopping	First contract
National Competitive Bidding	≥250,000
International Competitive Bidding	All
CONSULTANTS	
Individuals	≥ 50,000
Firms	≥ 100,000

Recommendations

The OPR used the internationally accepted tool, which uses BLIs for a snapshot assessment of the current status of the SIG public procurement system in comparison with a model system that the BLIs represent, to identify and analyze the weaknesses and omissions in the SIG system. Based on this analysis, the OPR proposes nine recommendations in order of priority. Implementation of the recommendations would require provision of technical assistance. The OPR team estimates the cost of the technical assistance at US\$500,000 over a three to five year period. The OPR team recommends that funding options to finance these recommendations be analyzed jointly with MoF and other relevant development partners.

- (1) ***Develop and Promulgate Revised Regulations and Supporting Documentation*** – To enable the SIG public procurement system to become more transparent, the CPO should
 - (i) Adapt MID Manuals on Procurement, Contract Administration, Quality Control, into generic manuals that can be used, not only by any ministry and the CTB, but also by statutory authorities.
 - (ii) Adapt the Standard Bidding Documents produced by MID to produce generic national Standard Bidding Documents for goods, works, and services,
 - (iii) revise the FIs and associated supporting documents to include sufficient internal controls and describe how to implement the procurement processes in sufficient detail so as to provide a robust reference to enable satisfactory audits to be conducted, and
- (2) ***Formation of Central Procurement Office*** - Create a Central Procurement Office as a division of MoF and formally recognized under the under the FIs. Such a unit

would be directly responsible for the operation of the CTB and monitoring of tender boards within ministries. Its functions should include:

- (i) regulatory policy and its interpretation,
- (ii) documentation in the form of national standards that support the regulations and that have the necessary legal status, along with documentation on how to implement the standards,
- (iii) development of capacity building programs,
- (iv) monitoring of procurement operations, and
- (v) developing and overseeing the implementation of technology to support procurement including, e-Procurement.

The unit should be properly staffed by qualified and experience procurement experts. So as to avoid conflicts of interest in its role as regulator and monitor and in the interests of transparency, this Unit should not be directly involved in actual procurement processing.

- (3) **Performance Monitoring** – The CPO should establish a system to monitor the procurement performance of all SIG entities. A simple yet efficient system to monitor the performance of public sector procurement is necessary, not just to improve the availability of information on performance, but also to ensure that capacity-building programs continue to be correctly focused and the quality of the system is either maintained or increased. In addition, a good monitoring system will help the CPO assess the performance of all stakeholders and instill confidence of both the private sector and the international donor community in the system. To be effective, **compliance and performance indicators (CPIs)**, which are quite different to the BLIs used for benchmarking, must be simple, practical, and structured around key features of the SIG system. Also, their application should be applied across the entire system irrespective of mode of procurement and monetary threshold, and irrespective of the contracting entity, be it SIG, provincial government, or statutory authority. Therefore, when deciding on what data to collect, the CPO should have regard to the OECD - DAC recommended Compliance and Performance Indicators (CPIs) such as the **13 indicators** proposed in Annex 6.
- (4) **Procurement Website** – In the **interests of transparency**, the CPO should develop a comprehensive website where it would be **mandatory** to publish the Shopping and Tender requirements of all entities. While a move toward full e-Procurement is likely to be many years away in view of the size of the economy and the remote environment in which it operates, an expansion of the MoF's simple electronic bulletin board can offer transparency and, by attracting more participants, can improve competition with the aim of reducing prices. It should not be misconstrued that this action will automatically reduce corruption. E-Procurement, in itself, is not the panacea to correct all ills. Governance reforms are not generated by the technology, but rather by the institutional changes that arise out of them
- (5) **Rationalizing Procurement** – The concept of making ministries responsible for their own affairs, including procurement is a logical one. Indeed, it is appropriate that respective ministries undertake procurement for projects in their respective fields be

it education, health, or roads. In view of the relatively small size of the government structure as a whole, and individual entities within it, the CPO should examine the outcomes of recent efforts of rationalizing the procurement of certain items such as commodities and bulk consumables (“Preferred Supplier Arrangements”) as provided for in the FIs. Moreover, the CPO should assess if full decentralization to all the procuring entities is the most efficient and effective approach for Solomon Islands. Risks are considerable due to lack of skills in procurement operations and the volume of procurement may not justify creating procurement skills in each procuring entity. Therefore, merit exists in analyzing the option of a mixed approach where the CPO would be responsible for policy and oversight functions and a Procurement Support Group (most likely within MoF but separate to the CPO) would be responsible for reviewing and processing procurement for clearance by the CTB and supporting selected procurement entities that do not have the critical mass to undertake competitive procurement, and providing general assistance to the Government in managing procurement. It should be stressed that this OPR is **not** recommending a wholesale return to centralized procurement, but rather is suggesting that in the interests of economies of scale, value for money, and standardization, it may be appropriate to improve the arrangements for framework agreements and to examine and alternative institutional framework.

- (6) ***Appeals Mechanism*** – The CPO should not arbitrate in respect of any complaints or appeals. The CPO should work with SIG entities such as the Ministry of Police, National Security and Justice to set up regulations and a body with sufficient administrative and powers to both review on complaints and enforce its decisions. In establishing such a mechanism the following principles are important:
- (i) Initial recourse: Almost all systems provide for initial filing of bid challenges with the procuring entity;
 - (ii) Avoidance: Debriefing to seek to prevent, in the first instance, the filing of unnecessary complaints;
 - (iii) Notification of Rights: The bid challenge mechanism cannot work well unless bidders and other parties know their rights. All potential remedies should clearly described;
 - (iv) Standing: Open the system to other interested parties including whistleblowers and even potential bidders who stayed out of the bidding because of some irregularity (or perception of it);
 - (v) Grounds for Complaint: The grounds should not be unduly restrictive and should, in addition to contract award, cover improper selection of procurement method, irregular application of preferences;
 - (vi) Fees and Securities: Fees, if required, should not be prohibitive and should not discourage resort to the system;
 - (vii) Other filing requirements: Complaint filing in writing with a certification that it is being filed in good faith and that to the best of their knowledge, the allegations are true and correct;

- (viii) Notice to other bidders: As a means to ensure transparency;
 - (ix) Power to suspend, override and to redirect decision; and
 - (x) Judicial review, i.e. the complaint can have the recourse to the courts if it remains dissatisfied with the administrative decision.
- (7) ***Anti-corruption Strategy for SIG Procurement*** - Combating of corruption is a complex and long-term task. As the regulator, the CPO should develop an anti-corruption strategy which should consider: (i) the incorporation of appropriate controls that demonstrate an understanding of the opportunities where corruption can occur during the various stages of the procurement process, (ii) ensuring that the procurement process is transparent, (iii) empowering procurement participants and the wider community to assist in the control process, (iv) strengthening the capacity of all stakeholders, including procurement entities, bidders, auditors and the community, (v) building a partnership with the media in monitoring procurement processes, and (vi) ensuring that credible and enforceable sanctions are in place with ideally, both the revised FIs and the supporting documentation, cross-referring as necessary to the appropriate existing legal instruments and sanctions that would apply in the event of unacceptable behavior from participants, be they personnel from procurement entities or bidders. While the strategy should be focused on procurement, it should have regard to any wider anti-corruption strategy on public financial management (PFM).
- (8) ***Develop and Implement a Public Procurement Capacity Building Plan*** - The CPO should develop a cost-effective capacity building plan that
- (i) is inclusive of all stakeholders: procurement entities, bidders and auditors,
 - (ii) realistically assesses and takes into account current stakeholder capacity level and other related capacity building actions,
 - (iii) is implemented in the appropriate form, such as workshops, with supporting training material,
 - (iv) provides for monitoring so as to ensure that the capacity building (in association with the revised instructions and supporting documents) is actually having an effect on improving procurement performance, and
 - (v) has flexibility so it can be readily revised to ensure that it is meeting its objectives of improving procurement capacity and performance.
- (9) ***Certification*** – Having developed a procurement capacity building plan and supporting documentation the CPO should then adopt a certification system for procurement practitioners within SIG entities so as to ***ensure that their level of competence is consistent with their level of responsibility.***

ANNEX 1: List of Persons Met During OPR Preparation**March 2007**

SOLOMON ISLANDS GOVERNMENT	
Mr. Luma Darcy	Permanent Secretary, Department of Finance and Treasury Ministry of Finance, National Reform and Planning
Ms. Jane Wa'etara	Permanent Secretary, Aid Coordination, Department of National Planning and Aid Coordination Ministry of Finance, National Reform and Planning
Mr. Moses S. Virivolomo	Under-Secretary, and Director, Transport Policy and Planning Unit, Ministry of Infrastructure and Development
Mr. Dick Oli	Secretary, Central Tender Board, Ministry of Finance
Mr. Doug Sade	Ministry of Finance
Mr. Ambrose Kirei	Chief Civil Engineer, Ministry of Infrastructure and Development
Mr. Ishmael Alulu	Senior Civil Engineer, Ministry of Infrastructure and Development
Mr. James Nonone	Senior Civil Engineer, Ministry of Infrastructure and Development
Mr. Ranjit Hewagama	Legal Draftsman, Attorney General's Chambers
SOLOMON ISLANDS STATUTORY AUTHORITIES	
Mr. Andrew D. Daka	General Manager, Solomon Islands Electricity Authority
AUSAID and RAMSI AUSAID-FUNDED ADVISORS	
Ms. Penny Bond	Senior Program Manager - Economic Governance and Financial Management AusAID
Ms. Rhona Mc Phee	Second Secretary, Development Cooperation Australian High Commission
Ms. Connie Siliota	Program Officer AusAID
Mr. Jeff Byrne	Under Secretary/Team Leader Department of Finance and Treasury Ministry of Finance, National Reform and Planning
Mr. Geoff Kavanagh	RAMSI Financial Management Strengthening Program Advisor/ Accountant General Department of Finance and Treasury Ministry of Finance, National Reform and Planning
Mr. Michael Hewittson	Deputy Commissioner/Team Leader Inland Revenue Department

	Ministry of Finance, National Reform and Planning
Mr. Eric Muir	Deputy Auditor General/Audit Advisor Office of the Auditor General
Dr. Leigh Trevillian	Health Sector Advisor Ministry of Health and Medical Services
Mr. Len Bayliss	Financial Management Advisor Health Institutional Strengthening Project
Mr. Andrew Hayman	Specialist Supply Chain Consultant Health Institutional Strengthening Project
Ms. Michelle Porter	Team Leader SIG Housing Management Project Phase 2
Mr. Eric Notere	Advisor, Finance, RAMSI Law and Justice Program Solomon Islands Prison Service
NZAID	
Ms. Rebecca Spratt	First Secretary and NZAID Manager New Zealand High Commission
THE EUROPEAN COMMISSION	
Ms. Jenny Brown	Rural Development, Finance, and Contracts Advisor The European Commission
CHAMBER OF COMMERCE AND INDUSTRY (SICCI)	
Mr. Peter Goodwin	Chairman, and Managing Director, National Bank of Solomon Islands Ltd
Mr. Daniel Tuhanuku	Chief Executive Officer

ANNEX 2: Baseline Benchmarking Analysis

International Baseline Indicator System with Weights

In order to assess the equivalence of the Solomon Island's (or any other country's) current procurement systems with accepted international principles and standards, an international system for benchmarking country-level systems has been developed by the joint World Bank and OECD/DAC Procurement Roundtable. It reflects the best practice obtained from the collective experience of all the international participants and it is flexible and country neutral. Using this tool the assessment of the public procurement system of the Solomon Islands was conducted on the basis of four (4) key areas called pillars, which are composed of 12 indicators that have been identified as the core components of a public procurement system. These 12 indicators are, in turn, composed of baselines that are considered the desirable standards against which the existing elements of any country's public procurement system may be assessed.

How Assessment Was Carried Out

For the assessment, points (percentage weightings) were given to each baseline, the total of which corresponds to percentage weights assigned to each of the Indicators. In turn, the weights of these Indicators comprise the total score for each of the four 4 pillars. To reflect their equal importance, each of the pillars was given a weight of 25 percent, amounting to a grand total of one hundred percent (100 percent). The distribution of points (percentage weightings) was based upon the perceived importance and relevance of each of the baselines within each Indicator and also the perceived importance and relevance of each of the Indicators in relation to any country's public procurement reform program. While the weightings are subjective, they are similar to those applied when benchmarking procurement systems of other countries in the region.

The assessment was, in the main, conducted on the basis of Chapter 7 of the latest issue (2010) of Financial Instructions issued by the Permanent Secretary of the Ministry of Finance pursuant to the Public Finance and Audit Act.

Generally, the baseline (sub-) criteria were answered by a simple yes or no, which meant that the points (percentages) were either applied or not, as the case may be. However, for certain baseline criteria it was felt that the outcome was not a simple black and white situation, but rather more a shade of grey. Hence, it may have been better to have applied a graded merit points scoring system rather than either applying points or not, based on a simple yes or no. This is because, not only do the different sub-criteria have different importance/weights, but also within the sub-criteria there is often a variety of different, more or less important issues to be judged. Therefore, when using the simple yes/no system, it was decided, in order to be fair when benchmarking the current situation in the Solomon Islands, to adopt another answer that was categorized as being yes, in part. For those baseline criteria where the answer was yes in part, half the agreed percentage for that baseline or sub-criteria was applied.

The following assessment ratings per indicator were used to determine the level of achievement met by Solomon Islands, to provide a profile or mapping of its existing public

procurement system. The assessment ratings are based upon the points achieved for each baseline.

Level of Achievement:

0 – 20% of Indicator	21 – 50% of Indicator	51 – 80% of Indicator	81 – 100% of Indicator
NA	PA	SA	FA

Legend:

NA – No baseline elements substantially met

PA – Less than 50% of baseline elements substantially met

SA – More than 50% of baseline elements substantially met

FA – All baseline elements are substantially met

Assessment Result

In assessing the result it should be borne in mind that the selection of actual weightings for indicators, base-line and sub-criteria simply provides an indicative assessment of the current system. More importantly, reference to the BIS Rating Sheet and Charts at the end of this annex demonstrates where the particular weaknesses in the current system are. Applying these indicative weights a grand total score of **30.88 percent** was assessed for the current SIG procurement system. Adopting the above Assessment Ratings for the Indicators, this translates to a **Partial Achievement (PA)** (more than 20 percent but less than 50 percent of baseline elements have been achieved). Further analysis of these results is discussed in the Operational Procurement Review of which this annex is part.

Assessment

The table below provides a descriptive analysis of the ratings as to where, how, and why, the Solomon Islands either fully achieves, or fails to achieve, the expected standards according to the latest issue of Financial Instructions issued by the Permanent Secretary of the Ministry of Finance pursuant to the Public Finance and Audit Act.

PILLAR I – THE LEGISLATIVE FRAMEWORK (25%)		
<i>Indicators</i>	<i>Baselines</i>	Answers and Comments
<ul style="list-style-type: none"> • Indicator 1 – Public procurement legislative framework achieves the agreed standards and complies with applicable obligations (15%) 	<ul style="list-style-type: none"> • <i>Baseline (a)</i> – Scope of application and coverage of the legislative framework (20% of Indicator) <ol style="list-style-type: none"> 1. Contracting entities at all levels, including government authorities, municipalities, regional authorities and state-owned enterprise, are covered (5%) 2. All areas of procurement; works, goods and consulting services are included (5%) 3. Procurement using public funds, irrespective of contract value, is included (5%) 4. The applicable legislative framework is structured, consistent, and accessible to users and all interested stakeholders (5%) 	<p><i>Baseline (a)</i></p> <ul style="list-style-type: none"> • Yes, Central, Provincial, Honiara Council are all covered • Yes, in part Not actually stated but implied • Yes, Thresholds exist for direct purchase, shopping with min. 3 quotes, and open tender either MTB or CTB • Yes in part, Accessible, provides basic requirements, but lacks detail for implementation

	<ul style="list-style-type: none"> • Baseline (b) – Procurement methods (15% of Indicator) <ol style="list-style-type: none"> 1. Stated preference for the use of open, competitive procurement unless otherwise justified in accordance with the legislative framework (3.75%) 2. International competitive tendering methods defined for specified contracts (<i>e.g.</i> where monetary thresholds exist) that are consistent with international standards (3.75%) 3. Defined basis for the procurement method, if other than open competition (3.75%) 4. Negotiated procedures and direct purchasing only under well defined and justified circumstances, subject to controls (3.75%) • Baseline (c) – Advertising rules and time limits (10% of Indicator) <ol style="list-style-type: none"> 1. Mandatory and accessible publication of opportunities for competitive procurement (3.33%) 2. Mandatory publication of result information on contract awards based on defined thresholds (3.33%) 3. Minimum time limits for submission of tenders and applications, which should be consistent with methods of procurement, national conditions and when applicable, international requirements (3.33%) • Baseline (d) – Rules on participation and qualitative selection (15% of Indicator) <p>Fair, predictable and defined rules for participation that rely on qualifications and ability to perform the requirement (3.75%)</p> <p>Limited and controlled use of price preferential clauses (3.75%)</p> <p>Debarment process if covered, on defined basis, allowing for due process and appeal (3.75%)</p> <p>Rules for participation of government-owned enterprise that provide for equal treatment in competitive procurement (3.75%)</p> • Baseline (e) – Tender documentation and technical specifications (5% of Indicator) <p>The minimum content of the tender documentation is specified (2.5%)</p> <p>Neutral technical specification with reference to international standards where possible (2.5%)</p> • Baseline (f) – Tender evaluation and award criteria (15% of Indicator) <p>Objective, fair and pre-disclosed criteria for evaluation and award of contracts (7.5%)</p> <p>Clear methodology for evaluation of tenders based on price and other fully disclosed factors leading to award of contract (7.5%)</p> • Baseline (g) – Submission, receipt and opening of tenders (15% of Indicator) <p>Public opening of tenders in a defined manner that ensures the regularity of the proceedings (5%)</p> <p>Clear requirement to maintain records of proceedings and process that are available for review and audit (5%)</p> <p>Requirement to maintain security and confidentiality of</p> 	<p>Baseline (b)</p> <ul style="list-style-type: none"> • Yes, It is a principle in FIs. Open tender above SIS 100,000 (USD 13,890) • No, Not indicated in the FIs • Yes, Direct purchase and shopping with 3 quotes min. up to thresholds • Yes, Defined thresholds with appropriate approvals <p>Baseline (c)</p> <ul style="list-style-type: none"> • Yes, in part FIs P7 20 and 21. Evidence indicate low accessibility and compliance, particularly at MTBs • Yes, in part FIs P7 20 and 21. Evidence indicate low accessibility and compliance, particularly at MTBs • Yes, Notice of invitation to tender must be given at least two weeks <p>Baseline (d)</p> <ul style="list-style-type: none"> • Yes, in part Reference to pre-disclosed evaluation criteria, in a sense that weights need to be given for to price, quality and equity • No, Not mentioned • No, Not mentioned • No, Not mentioned <p>Baseline (e)</p> <ul style="list-style-type: none"> • Yes, in part. FIs P7 24.1 imply minimal content • Yes, FIs P7 8.1 <p>Baseline (f)</p> <ul style="list-style-type: none"> • Yes, in part No requirement for objective criteria • Yes, in part FIs P7 24.1(b) imply minimal content <p>Baseline (g)</p> <ul style="list-style-type: none"> • No, FIs do not require public opening
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	<p>tenders prior to bid opening (5%)</p> <ul style="list-style-type: none"> • Baseline (h) – Complaint review procedures (5% of Indicator) Inclusion of complaint and remedy procedures that provide for fair, independent and timely implementation (5%) 	<ul style="list-style-type: none"> • No, Not mentioned • Yes, in part P7 20.5 refers to MTB functions Baseline (h) • No, Not mentioned
<ul style="list-style-type: none"> • Indicator 2 – Existence of Implementing Regulations and Documentation (10%) 	<ul style="list-style-type: none"> • Baseline (a) – The existence and availability of implementing regulation that provides defined processes and procedures not included in higher level legislation (20% of Indicator) • Baseline (b) – The existence and availability of model tender documents for goods, works and services (20% of Indicator) • Baseline (c) – The existence and availability of procedures for pre-qualification (10% of Indicator) • Baseline (d) – The existence and availability of procedures suitable for contracting for services or other requirements where technical capacity is a key criteria (10% of Indicator) • Baseline (e) – The existence and availability of user’s guide or manual for contracting entities (20% of Indicator) • Baseline (f) – The existence and availability of General Conditions of Contracts for public sector contracts covering goods, works and services consistent with national requirements and international requirements when applicable (20% of Indicator) 	<p>Baseline (a)</p> <ul style="list-style-type: none"> • No, FIs issued under Finance and Audit Act – no other supporting regulations or documentation, although mentioned manuals are mentioned in the FIs Baseline (b) • Yes, in part National SDBs not yet available but have been developed for MID. Baseline (c) • No, Do not officially exist but is used for larger contracts usually under donor procedures Baseline (d) • No, No distinction made as to technical complexity Baseline (e) • Yes, in part Supporting documentation does not exist officially but manuals have been developed for MID Baseline (f) • Yes, in part National std contract documents not yet available but possible suitable contracts have been adopted by MID

PILLAR II– CENTRAL INSTITUTIONAL FRAMEWORK AND CAPACITY (25%)

<i>Indicators</i>	<i>Baselines</i>	Answers and Comments
<ul style="list-style-type: none"> • Indicator 3 – Mainstreaming Procedures into Public Financial Management (9%) 	<ul style="list-style-type: none"> • Baseline (a) – Procurement planning and data on costing is part of the budget formulation process and contributes to multi-year planning (30% of Indicator) • Baseline (b) – budget Law supports timely procurement, contract execution and payment (10% of Indicator) • Baseline (c) – No initiation of procurement actions without existing budget appropriations (20% Indicator) 	<p>Baseline (a)</p> <ul style="list-style-type: none"> • No, Currently procurement planning is not a key part of budget formulation although the multi-lateral donors usually require annual project procurement plans and disbursement schedules <p>Baseline (b)</p> <ul style="list-style-type: none"> • Yes, Timely release of funds at commencement of FY but funds not disbursed by end of FY are re-appropriated into next FY <p>Baseline (c)</p> <ul style="list-style-type: none"> • Yes, FIs P7 34

	<ul style="list-style-type: none"> • Baseline (d) – Contract execution is subject to budgetary controls to ensure sufficient funding for contract (20% Indicator) • Baseline (e) – budgeting system provides for timely release of funds to make payments against contractual obligations (20% of Indicator) 	<p>Baseline (d)</p> <ul style="list-style-type: none"> • Yes, FIs P7 34 <p>Baseline (e)</p> <ul style="list-style-type: none"> • Yes, Timely release of funds at commencement of FY but funds not disbursed by end of FY are re-appropriated into next FY
<ul style="list-style-type: none"> • Indicator 4 – Functional Normative Body (the Body) at the Centre (8%) 	<ul style="list-style-type: none"> • Baseline (a) – The status and basis for the functional normative body at the centre (the Body) is covered in the legislative framework (30% of Indicator) • Baseline (b) – The responsibilities of the Body address a defined set of functions which include, but are not limited to: the provisions of advice to contracting entities; drafting amendments to the legislative framework and implementing regulations; providing monitoring of public procurement; providing procurement information; reporting on procurement to other parts of government; developing and supporting implementation of initiatives for improvements in the development of implementing staff (20% of Indicator) • Baseline (c) – Organization and staffing of the Body and the level of independence and authority (formal power) of the body to exercise its duties is sufficient and consistent with the responsibilities (30% of Indicator) • Baseline (d) – Responsibilities of the Body provide for separation and clarity so as to avoid conflict of interest (20% of Indicator) 	<p>Baseline (a)</p> <ul style="list-style-type: none"> • No, Not mentioned <p>Baseline (b)</p> <ul style="list-style-type: none"> • No, Not mentioned <p>Baseline (c)</p> <ul style="list-style-type: none"> • No, Not mentioned <p>Baseline (d)</p> <ul style="list-style-type: none"> • No, Not mentioned
<ul style="list-style-type: none"> • Indicator 5 – Existence of Institutional Development Capacity (8%) 	<ul style="list-style-type: none"> • Baseline (a) – A system exists for collection and dissemination of procurement information, including tender invitations, request for proposals and contract award information (15% of Indicator) • Baseline (b) – A sustainable strategy exists to provide training advice and assistance to develop the capacity of government and private sector participants to understand the rules and regulations and how they should be implemented (30% of Indicator) • Baseline (c) – Systems and procedures exist for collection and monitoring of national procurement statistics (25% of Indicator) • Baseline (d) – Quality control standards are disseminated and used to evaluate performance of staff and address capacity development issues (30% of Indicator) 	<p>Baseline (a)</p> <ul style="list-style-type: none"> • Yes, in part MoF's website disseminates some information (e.g. annual awards by CTB) <p>Baseline (b)</p> <ul style="list-style-type: none"> • No, No official strategy exists <p>Baseline (c)</p> <ul style="list-style-type: none"> • Yes, in part FIs requires that a register of all contracts subject to open tender (MTB & CTB) be kept <p>Baseline (d)</p> <ul style="list-style-type: none"> • No, Capacity standards do not exist

PILLAR III – PROCUREMENT OPERATIONS AND PUBLIC PROCUREMENT MARKET PERFORMANCE (25%)		
<i>Indicators</i>	<i>Baselines</i>	Answers and Comments
<ul style="list-style-type: none"> • Indicator 6 – Efficient Procurement Operations and Practice (10%) 	<ul style="list-style-type: none"> • Baseline (a) – At the contracting entity level, the level of procurement competence among government officials within the entity is consistent with their procurement responsibilities (25% of Indicator) • Baseline (b) – At the contracting entity level, the procurement training and information programs implemented for government officials, as well as for private sector participants is consistent with demand (25% of Indicator) • Baseline (c) – At the contracting entity level, the existence of administrative systems for public procurement operations, and information databases to support monitoring of performance and reporting to and responding to the needs of other related government systems (25% of Indicator) • Baseline (d) – At the contracting entity level, the existence and implementation of internal control mechanisms for the undertaking of procurement operations at the contracting level, including a code of conduct, separation of responsibilities as a check and balance mechanism and oversight of approval authority (25% of Indicator) 	<p>Baseline (a)</p> <ul style="list-style-type: none"> • No, Unknown, no data – there may be some limited capacity in central government but unlikely in regional or local levels <p>Baseline (b)</p> <ul style="list-style-type: none"> • No, No official programs, although some ministries have provided training for both its staff and providers <p>Baseline (c)</p> <ul style="list-style-type: none"> • Yes, in part Databases of CTB or MTB awards exist but they do not really support monitoring <p>Baseline (d)</p> <ul style="list-style-type: none"> • Yes, in part While there is no code of conduct, and separation of responsibilities is unclear (accountable versus accounting officer), there is oversight of approval in accordance with FIs thresholds
<ul style="list-style-type: none"> • Indicator 7 – Functionality of the Public Procurement Market (10%) 	<ul style="list-style-type: none"> • Baseline (a) – The public procurement market in the country has sufficient numbers of producers and suppliers to provide for competition and comparative pricing for goods, works and services when compared to prices paid for similar requirements in local, regional or international markets as applicable (30% of Indicator) • Baseline (b) – The quality and consistency of submissions by the private sector to the government enables the application of the process leading to the award and completion of contracts (20% of Indicator) • Baseline (c) – The participation rate of tenderers in response to competitive tender invitations is consistent with the capacity of the marketplace (20% of Indicator) • Baseline (d) – The private sector confidence in the legal and regulatory framework governing the procurement process is evidenced by their use of complaints or protests mechanisms (30% of Indicator) 	<p>Baseline (a)</p> <ul style="list-style-type: none"> • Yes in part, In Honiara has producers/ suppliers for basic procurement but this is not the case in the provinces <p>Baseline (b)</p> <ul style="list-style-type: none"> • No, The quality of submissions from the private sector is poor <p>Baseline (c)</p> <ul style="list-style-type: none"> • Yes, The market is small and is located predominantly in Honiara <p>Baseline (d)</p> <ul style="list-style-type: none"> • No, There is no formal complaints mechanism and number of complaints is not recorded
<ul style="list-style-type: none"> • Indicator 8 – Existence of Contract Administration and Dispute Resolution Provisions (5%) 	<ul style="list-style-type: none"> • Baseline (a) – Procedures are defined for undertaking contract administration responsibilities to include inspection and acceptance procedures, quality control procedures and methods to review and issue contract amendments in a timely manner (50% of Indicator) • Baseline (b) – Dispute resolution procedures are included 	<p>Baseline (a)</p> <ul style="list-style-type: none"> • Yes, in part No official contract administration manual could be located but some ministries use an unofficial manual developed for MID <p>Baseline (b)</p>

	<p>in the contract document providing for an efficient and fair process to resolve disputes arising during the performance of the contract (25% of Indicator)</p> <ul style="list-style-type: none"> • Baseline (c) – Procedures exist to enforce the outcome of the dispute resolution process (25% of Indicator) 	<ul style="list-style-type: none"> • No, There are no official Standard Bidding Documents – would depend on individual contract used • Baseline (c) • No, Not mentioned
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PILLAR IV – THE INTEGRITY AND TRANSPARENCY OF THE PUBLIC PROCUREMENT SYSTEM (25%)

<i>Indicators</i>	<i>Baselines</i>	Answers and Comments
<ul style="list-style-type: none"> • Indicator 9 – Effective Control and Audit System (8%) 	<ul style="list-style-type: none"> • Baseline (a) – A legal framework, organization, policy and procedures for internal and external control and audit of public procurement operations exists and operates to provide a functioning control framework (25% of Indicator) • Baseline (b) – Enforcement and follow-up on findings and recommendations of the control framework provide an environment that fosters compliance (20% of Indicator) <ul style="list-style-type: none"> • Baseline (c) – The internal control system provides timely information on compliance to enable management action (20% of Indicator) • Baseline (d) – The internal control systems are sufficiently defined to enable performance audits to be conducted (10% of Indicator) • Baseline (e) – Auditors are sufficiently informed about procurement requirements and controls systems to conduct quality audits that contribute to compliance (25% of Indicator) 	<p>Baseline (a)</p> <ul style="list-style-type: none"> • Yes, in part, The FIs specify thresholds and authorities. <p>Baseline (b)</p> <ul style="list-style-type: none"> • No, Enforcement not mentioned in FI Chapter 7 Would have to rely on other statutes, codes etc. <p>Baseline (c)</p> <ul style="list-style-type: none"> • Yes, in part The FI authorities provide some element of control but because the FIs do not define implementation of the process in detail, the control system is not strong <p>Baseline (d)</p> <ul style="list-style-type: none"> • Yes in part, Same comment as (c) above <p>Baseline (e)</p> <ul style="list-style-type: none"> • No, Auditor only receives a copy of the signed contract.
<ul style="list-style-type: none"> • Indicator 10 – Efficiency of Appeals Mechanism (5%) 	<ul style="list-style-type: none"> • Baseline (a) – The existence and operation of a complaint review system that gives participants in the public procurement process a right to file a complaint within the framework of an administrative and judicial review procedure (25% of Indicator) • Baseline (b) – Decisions are deliberated on the basis of available information and the final decision can be reviewed and ruled upon by a body with judicial capacity under the law (15% of Indicator) • Baseline (c) – The complaint review system has the capacity to handle lodged complaints efficiently and a means to enforce the remedy imposed (25% of Indicator) • Baseline (d) – The system operates in a fair manner, with outcomes of decisions balanced and justified on the basis of available information (10% of Indicator) • Baseline (e) – Decisions are published and made 	<p>Baseline (a)</p> <ul style="list-style-type: none"> • No, Currently no such formal Appeals Mechanism (administrative and judicial review) exists – complaints are usually routed to the concerned line ministry (not independent) or possibly to the Ombudsman <p>Baseline (b)</p> <ul style="list-style-type: none"> • No, Refer (a) above <p>Baseline (c)</p> <ul style="list-style-type: none"> • No, Refer (a) above <p>Baseline (d)</p> <ul style="list-style-type: none"> • No, Refer (a) above <p>Baseline (e)</p>

	<ul style="list-style-type: none"> available to the public (15% of Indicator) Baseline (f) – Administrative review body is separate from the regulatory body (10% of Indicator) 	<ul style="list-style-type: none"> No Baseline (f) Yes, in part FIs produced by MoF. Unless MoF is procuring for itself, complaints would normally be handled by the procuring line ministry
<ul style="list-style-type: none"> Indicator 11 – Degree of Access to Information (4%) 	<ul style="list-style-type: none"> Baseline (a) – Access to information is supported by publication and distribution of information through available media with support from information technology when feasible (50% of Indicator) Baseline (b) – Systems exist to collect key data related to performance of the procurement system and to report regularly (25% of Indicator) Baseline (c) – Records are maintained to validate data (25% of Indicator) 	<ul style="list-style-type: none"> Baseline (a) Yes, in part Currently the FIs do not require the publication and distribution of information. However, some ministries, such as MID, do publish information through the media Baseline (b) Yes, in part Payment data is held on MoF database but meaningful performance indicators are not measured or collected Baseline (c) Yes, in part Refer (b) above
<ul style="list-style-type: none"> Indicator 12 – Ethics and Anti-corruption Measures (8%) 	<ul style="list-style-type: none"> Baseline (a) – The legal and regulatory framework for procurement, including tender and contract documents, includes provisions addressing the issues of corruption, fraud, conflict of interest and unethical behavior and states actions that can be taken with regard to such behavior (either directly or by reference to other laws) (50% of Indicator) Baseline (b) – Special measures by the government to prevent and detect potential fraud and corruption in public procurement is addressed in an anti-corruption program (25% of Indicator) Baseline (c) – Stakeholders (private sector and civil society) support the creation of a procurement market known for its integrity and ethical behavior (25% of Indicator) 	<ul style="list-style-type: none"> Baseline (a) No FIs do not contain anti-corruption provisions. References exist “ethical use off funds” and to misconduct. While Standard Bidding Documents produced by MID might include some provisions these Standard Bidding Documents are unofficial Baseline (b) No SIG has no official program relating to procurement Baseline (c) Yes in part, Private Sector would support. It is unknown whether there is any civil society organization that monitors public sector procurement in the country

Pillars/Indicators/Baselines	Weights	Rating	Level of Achievement
Pillar I - The Legislative framework	25.00%	10.28%	41.10% PA
Indicator 1 – Public procurement legislative framework achieves the agreed standards and complies with applicable obligations	15%	7.28%	48.51% PA
Baseline (a) Scope of application and coverage of the legislative framework	0.2	0.150 2.25%	
1. Scope and coverage	0.05	0.05	
2. All areas of procurement included	0.05	0.025	
3. Use of public funds regardless of value	0.05	0.05	
4. Consistent and accessible to all	0.05	0.025	
Baseline (b) Procurement Methods	0.150	0.113 1.69%	
1. Preference for open and competitive bidding	0.038	0.038	
2. International competitive procedures	0.038	0.0	
3. Defined basis for use of other procurement method	0.038	0.038	
4. Justifications and controls for negotiation or direct contracting	0.038	0.038	
Baseline (c) Advertising rules and time limits	0.100	0.066 0.99%	
1. Mandatory and accessible publication of opportunities	0.033	0.017	
2. Mandatory publication of results based on thresholds	0.033	0.017	
3. Minimum time limits for submission of tenders consistent with methods of procurement	0.033	0.033	
Baseline (d) Rules on participation and qualitative selection	0.150	0.019 0.28%	
1. Fair, predictable and defined rules based on qualifications	0.038	0.019	
2. Limited and controlled use of price preferential clauses	0.038	0.0	
3. Defined debarment process without due process and appeal	0.038	0.0	
4. Equal treatment for government owned enterprises in competitive procurement	0.038	0.0	
Baseline (e) Tender documentation and technical specifications	0.05	0.038 0.56%	
1. Minimum content of tender documentation specified	0.025	0.013	
2. Neutral technical specifications with reference to international standards where possible	0.025	0.025	
Baseline (f) Tender evaluation and award criteria	0.150	0.075 1.13%	
1. Objective, fair, and pre-disclosed criteria for evaluation and award	0.075	0.038	
2. Clear methodology for evaluation based on disclosed factors	0.075	0.038	
Baseline (g) Submission, receipt and opening of tenders	0.150	0.025 0.38%	
1. Public opening in a defined manner	0.05	0.0	
2. Clear requirement to maintain records for review and audit	0.05	0.0	
3. Requirement for security and confidentiality of tenders	0.05	0.025	
Baseline (h) Complaint review procedures	0.05	0.0 0.00%	
1. Complaint and remedy procedures included and provides for fair, independent and timely implementation	0.05	0.0	
Indicator 2 - Existence of Implementing Regulations and Documentation	10.0%	3.00%	30% PA
Baseline (a) – The existence and	0.2	0.0	

availability of implementing regulation that provides defined processes and procedures not included in higher level legislation			0.00%	
Baseline (b) – The existence and availability of model tender documents for goods, works and services	0.2	0.100	1.00%	
Baseline (c) – The existence and availability of procedures for pre-qualification	0.100	0.0	0.00%	
Baseline (d) – The existence and availability of procedures suitable for contracting for services or other requirements where technical capacity is a key criteria	0.100	0.0	0.00%	
Baseline (e) – The existence and availability of user's guide or manual for contracting entities	0.2	0.100	1.00%	
Baseline (f) – The existence and availability of General Conditions of Contracts for public sector contracts covering goods, works and services consistent with national requirements and international requirements when applicable	0.2	0.100	1.00%	

Pillar II - Central Institutional Framework and Capacity		25.00%	7.90%	31.60%	PA
Indicator 3 – Mainstreaming Procedures into Public Financial Management		9.00%	6.30%	70.0%	SA
Baseline (a) – Procurement planning and data on costing is part of the budget formulation process and contributes to multi-year planning	0.3		0.0	0.00%	
Baseline (b) – Budget Law supports timely procurement, contract execution and payment	0.100		0.100	0.90%	
Baseline (c) – No initiation of procurement actions without existing budget appropriations	0.2		0.2	1.80%	
Baseline (d) – Contract execution is subject to budgetary controls to ensure sufficient funding for contract	0.2		0.2	1.80%	
Baseline (e) – Budgeting system provides for timely release of funds to make payments against contractual obligations	0.2		0.2	1.80%	
Indicator 4 – Functional Normative Body (the Body) at the Centre		8.00%	0.00%	0.00%	NA
Baseline (a) – The status and basis for the functional normative body at the centre is covered in the legislative framework	0.3		0.0	0.00%	
Baseline (b) – The responsibilities of the Body address a defined set of functions which include, but are not limited to: the provisions of advise to contracting entities; drafting amendments to the legislative framework and implementing regulations; providing monitoring of public procurement; providing procurement information; reporting on procurement to other parts of government; developing and supporting implementation of initiatives for improvements of the development of implementing staff	0.2		0.0	0.00%	
Baseline (c) – Organization and staffing of the Body and the level of independence and authority (formal power) of the body to exercise its duties is sufficient and consistent with the responsibilities	0.3		0.0	0.00%	
Baseline (d) – Responsibilities of the Body provide for separation and clarity so as to avoid conflict of interest	0.2		0.0	0.00%	
Indicator 5 – Existence of Institutional Development Capacity		8.00%	1.60%	20%	NA
Baseline (a) – A system exists for collection and dissemination of procurement information, including tender	0.150		0.075	0.60%	

<p>invitations, request for proposals and contract award information</p> <p>Baseline (b) – A sustainable strategy exists to provide training advice and assistance to develop the capacity of government and private sector participants to understand the rules and regulations and how they should be implemented</p> <p>Baseline (c) – Systems and procedures exist for collection and monitoring of national procurement statistics</p> <p>Baseline (d) – Quality control standards are disseminated and used to evaluate performance of staff and address capacity development issues</p>	<p>0.3</p> <p>0.250</p> <p>0.3</p>	<p>0.0</p> <p>0.125</p> <p>0.0</p>	<p>0.00%</p> <p>1.00%</p> <p>0.00%</p>		
<p>Pillar III - Procurement Operations and Public Procurement Market Performance</p>	<p>25.00%</p>		<p>7.25%</p>	<p>29.00%</p>	<p>PA</p>
<p>Indicator 6 – Efficient Procurement Operations and Practice</p>	<p>10%</p>		<p>2.50%</p>	<p>25.00%</p>	<p>PA</p>
<p>Baseline (a) – At the contracting entity level, the level of procurement competence among government officials within the entity is consistent with their procurement responsibilities</p>	<p>0.250</p>	<p>0.0</p>	<p>0.00%</p>		
<p>Baseline (b) – At the contracting entity level, the procurement training and information programs implemented for government officials, as well as for private sector participants is consistent with demand</p>	<p>0.250</p>	<p>0.0</p>	<p>0.00%</p>		
<p>Baseline (c) – At the contracting entity level, the existence of administrative systems for public procurement operations, and information databases to support monitoring of performance and reporting to and responding to the needs of other related government systems</p>	<p>0.250</p>	<p>0.125</p>	<p>1.25%</p>		
<p>Baseline (d) – At the contracting entity level, the existence and implementation of internal control mechanisms for the undertaking of procurement operations at the contracting level, including a code of conduct, separation of responsibilities as a check and balance mechanism and oversight of approval authority</p>	<p>0.250</p>	<p>0.125</p>	<p>1.25%</p>		
<p>Indicator 7 – Functionality of the Public Procurement Market</p>	<p>10.00%</p>		<p>3.50%</p>	<p>35.00%</p>	<p>PA</p>
<p>Baseline (a) – The public procurement market in the country has sufficient numbers of producers and suppliers to provide for competition and comparative pricing for goods, works and services when compared to prices paid for similar requirements in local, regional or international markets as applicable</p>	<p>0.3</p>	<p>0.150</p>	<p>1.50%</p>		
<p>Baseline (b) – The quality and consistency of submissions by the private sector to the government enables the application of the process leading to the award and completion of contracts</p>	<p>0.2</p>	<p>0.0</p>	<p>0.00%</p>		
<p>Baseline (c) – The participation rate of tenderers in response to competitive tender invitations is consistent with the capacity of the marketplace</p>	<p>0.2</p>	<p>0.2</p>	<p>2.00%</p>		
<p>Baseline (d) – The private sector confidence in the legal and regulatory framework governing the procurement process is evidenced by their use of complaints or protests mechanisms</p>	<p>0.3</p>	<p>0.0</p>	<p>0.00%</p>		
<p>Indicator 8 – Existence of Contract Administration and Dispute Resolution Provisions</p>	<p>5.00%</p>		<p>1.25%</p>	<p>25.00%</p>	<p>PA</p>
<p>Baseline (a) – Procedures are defined for undertaking contract administration responsibilities to include inspection and acceptance procedures, quality control</p>	<p>0.500</p>	<p>0.250</p>	<p>1.25%</p>		

procedures and methods to review and issue contract amendments in a timely manner				
Baseline (b) – Dispute resolution procedures are included in the contract document providing for an efficient and fair process to resolve disputes arising during the performance of the contract	0.250		0.0	0.00%
Baseline (c) – Procedures exist to enforce the outcome of the dispute resolution process	0.250		0.0	0.00%

Pillar IV - The Integrity and Transparency of the Public Procurement System	25.00%		5.45%	21.80%	PA
Indicator 9 – Effective Control and Audit System	8.00%		2.20%	27.50%	PA
Baseline (a) – A legal framework, organization, policy and procedures for internal and external control and audit of public procurement operations exists and operates to provide a functioning control framework	0.250		0.125	1.00%	
Baseline (b) – Enforcement and follow-up on findings and recommendations of the control framework provide an environment that fosters compliance	0.2		0.0	0.00%	
Baseline (c) – The internal control system provides timely information on compliance to enable management action	0.2		0.100	0.80%	
Baseline (d) – The internal control systems are sufficiently defined to enable performance audits to be conducted	0.100		0.05	0.40%	
Baseline (e) – Auditors are sufficiently informed about procurement requirements and controls systems to conduct quality audits that contribute to compliance	0.250		0.0	0.00%	
Indicator 10 – Efficiency of Appeals Mechanism	5.00%		0.25%	5.00%	NA
Baseline (a) – The existence and operation of a complaint review system that gives participants in the public procurement process a right to file a complaint within the framework of an administrative and judicial review procedure	0.250		0.0	0.00%	
Baseline (b) – Decisions are deliberated on the basis of available information and the final decision can be reviewed and ruled upon by a body with judicial capacity under the law	0.150		0.0	0.00%	
Baseline (c) – The complaint review system has the capacity to handle lodged complaints efficiently and a means to enforce the remedy imposed	0.250		0.0	0.00%	
Baseline (d) – The system operates in a fair manner, with outcomes of decisions balanced and justified on the basis of available information	0.100		0.0	0.00%	
Baseline (e) – Decisions are published and made available to the public	0.150		0.0	0.00%	
Baseline (f) – Administrative review body is separate from the regulatory body	0.100		0.05	0.25%	
Indicator 11 – Degree of Access to Information	4.00%		2.00%	50.0%	PA
Baseline (a) – Access to information is supported by publication and distribution of information through available media with support from information technology when feasible	0.500		0.250	1.00%	
Baseline (b) – Systems exist to collect key data related to performance of the procurement system and to report regularly	0.250		0.125	0.50%	
Baseline (c) – Records are maintained to validate data	0.250		0.125	0.50%	

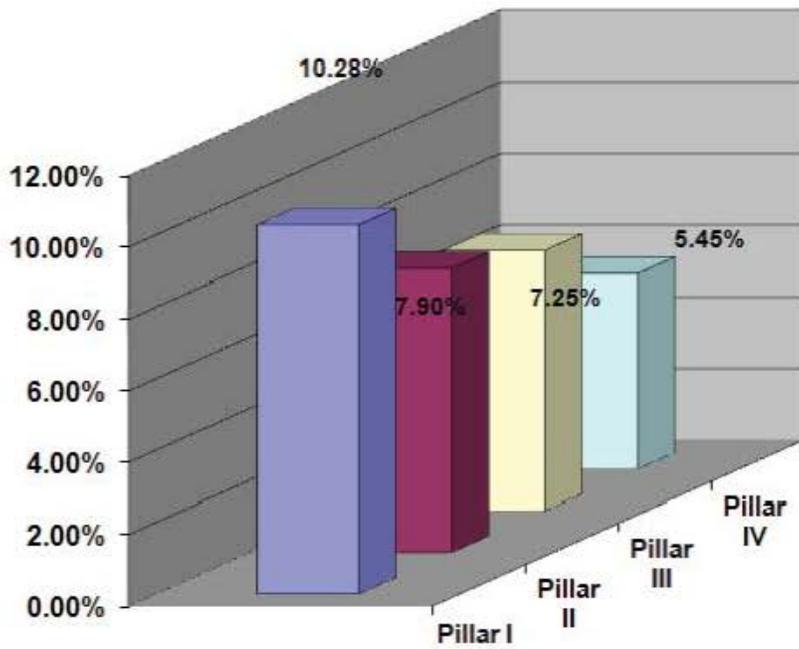
Indicator 12 – Ethics and Anti-corruption Measures	8.00%	1.00%	12.50%	NA
Baseline (a) – The legal and regulatory framework for procurement, including tender and contract documents, includes provisions addressing the issues of corruption, fraud, conflict of interest and unethical behavior and states actions which can be taken with regard to such behavior (either directly or by reference to other laws)	0.500	0.0	0.00%	
Baseline (b) – Special measures by the government to prevent and detect potential fraud and corruption in public procurement is addressed in an anti-corruption program	0.250	0.0	0.00%	
Baseline (c) – Stakeholders (private sector and civil society) support the creation of a procurement market known for its integrity and ethical behavior	0.250	0.125	1.00%	

Grand Total	100.00%	30.88%	PA	
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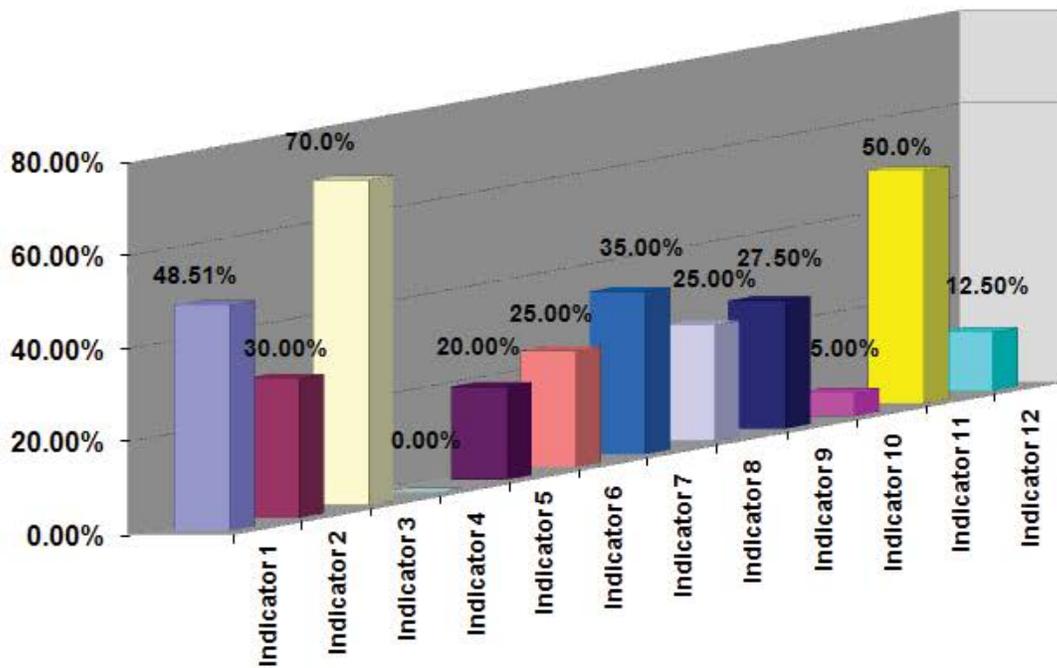
Legend:

NA - 0-20% of baseline elements substantially met
PA - 21-50% of baseline elements substantially met
SA - 51-80% of baseline elements substantially met
FA - 81-100% of baseline elements are substantially met

Solomon Islands Level of Achievement: Pillars



Solomon Islands Level of Achievement: Indicators



ANNEX 3: Questionnaire for Firms Quoting or Bidding for SIG Contracts

Issued with the Assistance of the Solomon Islands Chamber of Commerce and Industry for
World Bank Operational Procurement Review

NB: It is not mandatory to answer Question 1, should you wish to remain anonymous.

QUESTION		ANSWER
	Company Details	
1	Name of Company?	
2	Nature of Business?	
3	Number of Employees?	
4	Largest Contract undertaken, Date of Contract, Contract amount in Solomon Island Dollars, With SIG or Private Sector? By Quotation or Tender?	
	Bidding for Solomon Islands Contracts	
5	Has your company quoted or bid for SIG contracts? If so, has your company been successful?	
6	If successful, nature of contract and amount in Solomon Island Dollars?	
7	In your opinion are the processes required by SIG to quote or bid clearly defined or not? If defined, do you understand them?	
8	In your opinion are the Commercial Conditions of any Contract with SIG clearly specified and defined?	
	Administration of SIG Contracts	
9	In your opinion does SIG have appropriate contract monitoring and administrative systems in place?	
10	In your opinion do SIG contracts include appropriate arbitration requirements for dispute resolution?	
11	Assuming you have met your contractual obligations, do you experience problems in receiving prompt payment under SIG contracts? If so, what are the problems you experienced?	
	Transparency and Fairness	
12	In your opinion are the SIG quotation or bid processes and subsequent award of contract fair with equal opportunity for all? If not, why not?	
13	Does SIG provide a mechanism for independent review of complaints associated with its quotation and bidding procedures?	
14	For tenders, does SIG keep bids sealed until the designated opening time and do the Tender Boards arrange for the bids to be opened publicly?	
15	Does SIG publish information concerning which firms bid and which firm was subsequently awarded contract?	
16	What measures would you like to see SIG put in place to make the procurement process fairer for all potential firms wishing to quote or bid?	

ANNEX 4: Checklist Comparing SIG NCB Procedures and WB Policy

	Yes	No	Bank Policy
1. Are there eligibility restrictions based on nationality of bidder and/or origin of goods (other than primary boycotts)?		Not specified	Not allowed
2. Are there primary boycotts which are established by law?		No	Only primary boycotts are acceptable
3. Are bidding opportunities advertised in the local press?	Yes. FIs 2012 (P7 23)		Required
4. Are prospective bidders allowed at least 30 days for bid preparation (except for commodities or small goods contracts)?		No. FIs 2012 (P7 23) set 14 days	Required
5. Are contractors or suppliers pre-qualified for large and specialized contracts?		Not specified	Required
6. Are minimum experience, technical and financial requirements (for pre- or post-qualification) explicitly stated in the documents? <hr/> Registration should not be used as a substitute for advertisement when open competition is required. However, when advertising for civil works, borrowers could indicate the required minimum category of contractor specified in the registration system.		Not specified.. FIs 2012 (P7 26.1), however indicate the evaluation process should assess “the ability of each tenderer to complete the work on time and within the quoted price” Neither advertising nor capability specified	Required <hr/> Required
7. Is an invitation to pre-qualify advertised for each procurement involving large or complex potential contracts?		Not specified	Required
8. Are joint ventures with local firms required for foreign firms’ eligibility?		Not specified	Not allowed

9. Are joint venture partners jointly and severally liable?		Not specified	Required
10. Are there set limitations to the number of firms who can bid for a contract?		Not specified	Not allowed
11. Are parastatals allowed to bid?		Not specified	Acceptable only if they (i) are financially autonomous, (ii) operate under commercial law, and (iii) are independent from borrower and its purchasing authority.
12. Are bidders required to register with a local or federal authority as a prior condition for bidding?		Not specified	Should be discouraged. Acceptable only if registration criteria, process and cost reasonable and efficient and qualified foreign firms are not precluded from competing.
13. Are extensions to bid validity allowed?		Not specified	Acceptable only if justified by exceptional circumstances.
14. Are there restrictions on the means of delivery of bids?		Not specified	Not allowed, except when bidders have to submit physical samples. Then they can be required to deliver bids by mail, by courier, by hand, etc.
15. Is preference given to suppliers or contractors based on region or locality of registration, small size, ethnic ownership, or other criteria?		Not specified	Not allowed
16. Are there restrictions on sources of labor and material?		Not specified	Not allowed, except for unskilled labor, if available locally.
17. Is public bid opening required? Does it occur immediately or closely following the bid submission deadline?		Not specified. FIs 2012 (P7 20 and 21), however indicate the Tender Boards are responsible for opening the bids (publicly is not specified).	Required

18. Is a two envelope bid opening procedure permitted for procurement of goods or works? (a)	Yes. FIs 2012 (P7 20 and 21) allow, but do not preclude one envelope.		Should be discouraged. Allowed only if (i) domestic law precludes use of one envelope and (ii) provided adequate safeguards against retaining second envelope unopened are incorporated in the two envelope procedures and effective bid protest mechanisms are already in place for the due processing of bid complaints.
19. Is automatic re-bidding required if too few bids are received?		Not specified	Acceptable, provided all responsive bidders are allowed to bid, the process is efficient and no serious delays result.
20. Is bracketing used in bid evaluations? (b) <hr/> Are bid evaluation criteria other than price allowed? <hr/>	Yes. FIs 2012 (P7 24)	Not specified	Not allowed <hr/> Only if quantified in monetary terms
21. Is a two envelope bid opening procedure permitted for procurement of goods or works? (c)	Yes. FIs 2012 (P7 20 and 21) allow, but do not preclude one envelope.		Should be discouraged. Allowed only if (i) domestic law precludes use of one envelope and (ii) provided adequate safeguards against retaining second envelope unopened are incorporated in the two envelope procedures and effective bid protest mechanisms are already in place for the due processing of bid complaints.
22. Is award made to lowest evaluated qualified and responsive bidder?		Not specified. FIs 2012 refer only to “Award the tender to the successful supplier”.	Required
23. Are price negotiations conducted with winning bidders prior to contract signature?		Not specified	Not allowed, except where the bid price is substantially above market or budget levels and then only if negotiations are carried out to try to reach a satisfactory contract through reduction in scope and/or reallocation of risk and responsibility which can be reflected in a reduction in Contract Price. (See Guidelines para 2.63)

24. Are price adjustment provisions generally used?		Not specified	Not required, but recommended for works contracts of one year or more in duration when domestic inflation rate is high.
25. Are the terms and conditions used in goods and works procurement generally appropriate for the size and nature of contract intended?		Not specified. FIs 2012 (P7 27.2) however state that “The Attorney General must approve the form of all contracts before they are signed, including any draft contracts included in tender bidding documents”.	Required (to be acceptable they should be balanced, reasonable, and clearly address the most important issues that lead to problems during performance, e.g. risk allocation, payment, inspection, completion, insurance, warranties, changes, contract remedies, <i>force majeure</i> , governing law, termination, etc.)
26. Are contract scope and conditions modified during implementation?	Yes. FIs 2012 (P7 29)	Not specified	Acceptable, but the Bank’s approval is required for changes in those contracts that were subject to prior review under the Loan Agreement.

NB: The comment Not Specified relates to Chapter 7 of the current (2010) Financial Instructions. These Instructions do not provide sufficient detail on implementation.

Notes: (a) All technical envelopes are opened first and, after review, price envelopes of all or only qualified and responsive bids are opened in the second round.

(b) Rejection of bids outside a range or bracket of bid values.

(c) All technical envelopes are opened first and, after review, price envelopes of all or only qualified and responsive bids are opened in the second round.

ANNEX 5: Mandatory Provisions for NCB (for Bank/ IDA financed contracts)

The procedure to be followed for National Competitive Bidding shall be those set forth in the provisions on competitive bidding in *Chapter 7 (Supply Chain Management) (July 2010)* with modifications set forth below in order to ensure economy, efficiency and transparency and broad consistency with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Association in January 2011 (the Guidelines), as required by paragraph 3.3 and 3.4 of the Guidelines:

Eligibility

- (i). The eligibility of bidders shall be as defined under Section I of the Association’s Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Guidelines. Foreign bidders shall be eligible to participate in bidding under the same conditions as national bidders. In particular, no domestic preference over foreign bidders shall be granted to national bidders in bid evaluation, nor shall foreign bidders be asked or required to form joint ventures with national bidders in order to submit a bid.

Registration

- (ii). Registration shall not be used to assess bidders’ qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid and, if determined to be the lowest evaluated responsive bidder, shall be given reasonable opportunity of registering, without any let or hindrance. The registration process shall not be applicable for Sub-contractors. Bidding shall not be restricted to any particular class of contractors, and non-classified contractors shall also be eligible to bid.

Advertising; Time for Bid Preparation

- (iii). Invitations to bid shall be advertised in at least one newspaper of national circulation, allowing a minimum of thirty (30) days for the preparation and submission of bids except for commodities and small goods contract. Potential bidders shall be allowed to purchase bidding documents up to any time prior to the deadline for submission of bids.

Standard Bidding Documents

- (iv). Standard Bidding Documents, acceptable to the Association, shall be used.

Qualification Criteria

- (v). Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a pass or fail basis and merits points shall not be used. Such assessment shall only take into account the bidder's capacity and resources to perform the contract, specifically its experience and past performance on similar contracts, capabilities with respect to personnel, equipment and construction and manufacturing facilities, and financial capacity. The evaluation of the bidder's qualifications shall be conducted separately from the technical and commercial evaluation of the bid.

Bid Submission, Bid Opening and Bid Evaluation

- (vi). Bidders may submit bids, at their option, either in person or by courier service or by mail. Bids shall be opened in public, immediately after the deadline for submission of bids. Bids received after the deadline for bid submission shall be rejected and returned to the bidders unopened.
- (a) All bidding for goods and works shall be carried out through a one-envelope procedure.
 - (b) Evaluation of bids shall be made in strict adherence to the criteria that shall be clearly specified in the bidding documents and quantified in monetary terms for evaluation criteria other than price; merit points shall not be used in bid evaluation.
 - (c) A contract shall be awarded to the technically responsive bid that offers the lowest evaluated price and no negotiations shall be permitted.
 - (d) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
 - (e) No bidder shall be rejected on the basis of a comparison with the employer's estimate and budget ceiling without the Association's prior concurrence.
 - (f) A copy of the minutes of the public bid opening shall be promptly provided to all bidders, and to the Association with respect to contracts subject to prior review.

Rejection of All Bids and Re-bidding

- (vii). Neither shall all bids be rejected nor new bids solicited without Association's prior written concurrence.

Extension of the Validity of Bids

- (viii). Extension of validity of bids may be allowed in exceptional circumstances but there shall be no amendment of the price or any other condition of the bids. Bidders may refuse such an extension without forfeiting their bid securities, but bidders granting an extension shall provide extension of the validity of their bid securities.

Complaints by Bidders and Handling of Complaints

- (ix). The Recipient shall establish and implement an effective and independent protest mechanism allowing bidders to protest and to have their protests handled in a timely manner.

Fraud and Corruption

- (x). The Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the Association.

Right to Inspect/Audit

- (xi). Each bidding document and contract financed from the proceeds of a Financing shall include a provision requiring bidders, suppliers, contractors and subcontractors to permit the Association at its request, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice.

ANNEX 6: OECD/DAC Suggested Compliance/ Performance Indicators (CPIs)

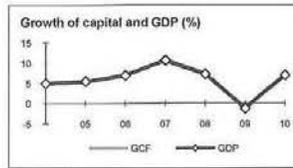
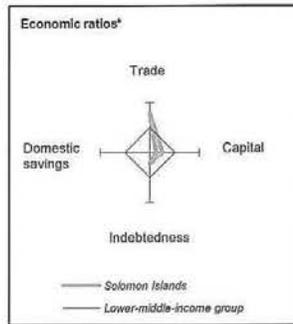
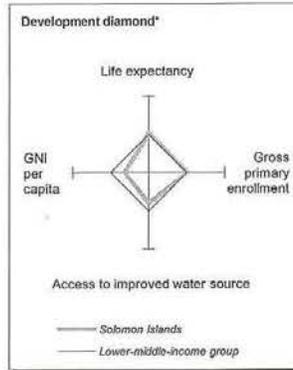
PERFORMANCE INDICATOR	PERFORMANCE DATA	MEASURES	LINK WITH BASELINE INDICATOR
Advertisement of bid opportunities	Percentage of open bidding procedures publicly advertised	Fairness, openness and level of competition	Legal and Regulatory (1) Access to Information (11)
Publication of awards	Percentage of contract awards (should be based on monetary threshold) publicly disclosed	Transparency of system	Legal and Regulatory (1) Access to Information (11)
Time for preparation of bids	Average number of days between invitation to bid and bid opening	Fairness, competition	Legal and Regulatory (1)
Bidder participation	Average number of bidders submitting a bid in each bid process	Effectiveness of competition and fairness	Functionality of Public Procurement Market (7)
Bid acceptance	Average number of bids or proposals received that are responsive to requirements in the bidding documents	Efficiency and effectiveness	Implementing Regulations and Tools (2)
Method of procurement	Percentage of usage for each authorized method of procurement	Effective use of competition	Legal and Regulatory (1)
Bid processing lead time	Average number of days from bid opening to the issuance of a contract award	Efficiency and effectiveness	Institutional Capacity (5) Efficiency of Procurement Operations and Practices (6)
Cancelled bidding procedures	Percentage of bid processes declared null before contract signature	Fairness and efficiency	Institutional Capacity (5) Efficiency of Procurement Operations and Practices (6)
Resolution of protests	Percentage of protests resulting in modification to outcome of bidding process	Fairness and transparency	Legal and Regulatory (1) Efficiency of Procurement Operations and Practices (6)
Contract amendment	Average increase per contract awarded	Efficiency and effectiveness	Contract Administration and Dispute Resolution (8)
Contract dispute resolution	Percentage of contracts with unresolved disputes	Fairness, efficiency and effectiveness	Contract Administration and Dispute Resolution (8)
Completion rate	Percentage of contracts resulting in full and acceptable performance	Efficiency and effectiveness	Functionality of Public Procurement Market (7)
Late payment	Percentage of payments made late (e.g. exceeding contractually specified payment schedule)	Efficiency and effectiveness	Mainstreamed into Public Financial Management (3)

ANNEX 7: Solomon Islands at a Glance

Solomon Islands at a glance

3/29/12

POVERTY and SOCIAL	Solomon Islands	East Asia & Pacific	Lower-middle-income	
2010				
Population, mid-year (millions)	0.54	1,962	2,519	
GNI per capita (Atlas method, US\$)	1,030	3,696	1,619	
GNI (Atlas method, US\$ billions)	0.55	7,249	4,078	
Average annual growth, 2004-10				
Population (%)	2.7	0.7	1.6	
Labor force (%)	3.1	1.1	1.4	
Most recent estimate (latest year available, 2004-10)				
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	19	46	39	
Life expectancy at birth (years)	67	72	65	
Infant mortality (per 1,000 live births)	23	20	50	
Child malnutrition (% of children under 5)	12	6	25	
Access to an improved water source (% of population)	70	90	87	
Literacy (% of population age 15+)	..	94	71	
Gross primary enrollment (% of school-age population)	109	111	107	
Male	111	111	110	
Female	107	112	104	
KEY ECONOMIC RATIOS and LONG-TERM TRENDS				
	1990	2000	2009	2010
GDP (US\$ billions)	0.30	0.44	0.60	0.68
Gross capital formation/GDP	20.3	6.8	..	..
Exports of goods and services/GDP	30.1	24.1	36.6	31.1
Gross domestic savings/GDP	..	-7.9	..	..
Gross national savings/GDP	..	-6.3	..	..
Current account balance/GDP	-9.0	-7.0	-23.1	-29.8
Interest payments/GDP	1.2	0.7	0.4	0.5
Total debt/GDP	39.8	35.7	25.9	31.8
Total debt service/exports	12.0	7.5	3.3	5.0
Present value of debt/GDP	..	..	..	21.9
Present value of debt/exports	..	..	..	35.8
	1990-00	2000-10	2009	2010
(average annual growth)				
GDP	3.4	4.7	-1.2	7.0
GDP per capita	0.6	1.9	-3.8	4.2
Exports of goods and services	..	..	..	..
STRUCTURE of the ECONOMY				
	1990	2000	2009	2010
(% of GDP)				
Agriculture	28.9	34.7	38.9	..
Industry	5.0	12.7	6.1	..
Manufacturing	2.4	8.0	3.8	..
Services	66.1	52.6	55.0	..
Household final consumption expenditure	..	89.3	..	..
General gov't final consumption expenditure	..	25.2	..	..
Imports of goods and services	64.7	38.6	51.3	61.5
	1990-00	2000-10	2009	2010
(average annual growth)				
Agriculture	3.1	8.3	-8.4	..
Industry	5.3	0.2	0.7	..
Manufacturing	2.8	-1.8	-1.8	..
Services	3.0	3.8	5.1	..
Household final consumption expenditure	..	..	..	..
General gov't final consumption expenditure	..	..	..	..
Gross capital formation	..	..	..	..
Imports of goods and services	..	..	..	..



Note: 2010 data are preliminary estimates.

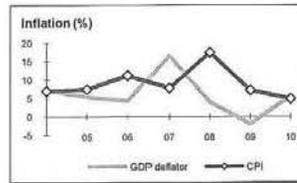
This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Solomon Islands

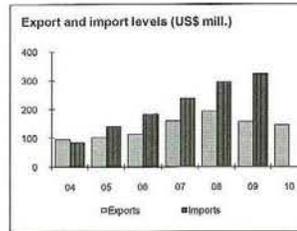
PRICES and GOVERNMENT FINANCE

	1990	2000	2009	2010
Domestic prices				
(% change)				
Consumer prices	8.7	7.1	7.1	4.8
Implicit GDP deflator	..	10.7	-2.0	5.6
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	13.1	32.3	34.7
Current budget balance	..	-4.1	7.0	7.5
Overall surplus/deficit	..	-5.1	2.4	2.5



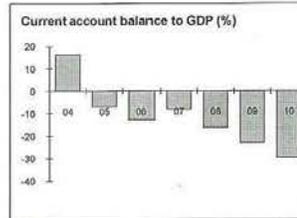
TRADE

	1990	2000	2009	2010
(US\$ millions)				
Total exports (fob)	70	65	157	145
Fish	22	44	125	..
Timber	21	8	23	..
Manufactures	..	..	..	..
Total imports (cif)	..	98	322	..
Food	..	17	43	..
Fuel and energy	..	18	100	..
Capital goods	..	5	18	..
Export price index (2000=100)	..	100	..	..
Import price index (2000=100)	..	100	..	..
Terms of trade (2000=100)	..	100	..	..



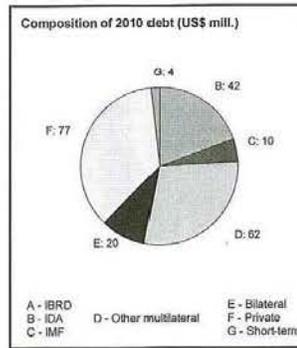
BALANCE of PAYMENTS

	1990	2000	2009	2010
(US\$ millions)				
Exports of goods and services	94	114	220	211
Imports of goods and services	156	132	308	418
Resource balance	-62	-18	-88	-207
Net income	-3	0	-177	-165
Net current transfers	38	..	126	169
Current account balance	-27	-30	-139	-202
Financing items (net)	19	13	195	214
Changes in net reserves	8	18	-56	-12
Memo:				
Reserves including gold (US\$ millions)	18	31	92	116
Conversion rate (DEC, local/US\$)	2.5	5.1	8.1	8.1



EXTERNAL DEBT and RESOURCE FLOWS

	1990	2000	2009	2010
(US\$ millions)				
Total debt outstanding and disbursed	120	155	158	215
IBRD	0	0	0	0
IDA	17	38	44	42
Total debt service	12	9	10	21
IBRD	0	0	0	0
IDA	0	0	1	1
Composition of net resource flows				
Official grants	20	49	67	97
Official creditors	1	1	-6	-8
Private creditors	-3	-4	12	28
Foreign direct investment (net inflows)	10	13	118	238
Portfolio equity (net inflows)	0	0	0	0
World Bank program				
Commitments	0	4	0	0
Disbursements	3	1	0	0
Principal repayments	0	0	1	1
Net flows	3	0	-1	-1
Interest payments	0	0	0	0
Net transfers	2	0	-1	-1



Note: This table was produced from the Development Economics LDB database.

3/29/12