

SECTOR ASSESSMENT (SUMMARY): TRANSPORT¹

Sector Road Map

1. Sector Performance, Problems, and Opportunities

1. Solomon Islands is a geographically dispersed nation, with approximately 85% of its population living in rural and often remote villages. The population relies heavily on multimodal transport for access to essential goods, services, and livelihood opportunities, and the economy is dependent on interisland transfers to support domestic trade and commodity exports. New economic drivers are urgently needed to replace logging and external assistance, both of which are expected to decline over the medium term. Solomon Islands' best prospects for growth lie in improving flows of people and resources to support sectors where the country has distinct advantages, including agriculture, fisheries, and tourism.

2. Given its dispersed geography, the development and management of a reliable, safe, sustainable, affordable and climate resilient transport system are critical to sustaining economic growth and to providing access to resources and opportunities. Solomon Islands is ranked sixth in the world for being at risk from natural disasters.² Transport infrastructure is particularly vulnerable to these hazards and improving infrastructure is essential for supporting Solomon Islands in realizing its economic and human potential.

3. **Maritime assets and services.** Maritime infrastructure in Solomon Islands consists of two international ports (Honiara and Noro) and 91 community jetties and boat ramps.³ Most assets are poorly maintained and have deteriorated over time. Both international ports and about 45 domestic wharves require upgrades or rehabilitation to increase capacity, safety, and efficiency. Rehabilitation is costly, and the revenue generated by ports and wharves is insufficient to cover capital costs. frequent and reliable shipping services to remote communities are often not commercially viable, and the resulting lack of transport services depresses rural economic activity.

4. **Stakeholders and assistance in the maritime subsector.** The Ministry of Infrastructure Development (MID) is responsible for constructing, rehabilitating, and maintaining publicly owned assets. The Solomon Islands Maritime Safety Administration oversees safety regulation, and the Solomon Islands Ports Authority—which is a state-owned enterprise (SOE)—operates the two international ports and several domestic wharves. Community wharf assets are owned either by private companies or the government, and interisland shipping services are privately operated. The Asian Development Bank (ADB), Governments of Australia and New Zealand, and the European Commission have financed rehabilitation of about 13 wharves and jetties in remote areas.⁴ The Sustainable Transport Sector Infrastructure Investment Program (STIIP) will support rehabilitation of four additional wharves, and significantly increase maintenance of maritime assets.⁵

¹ This summary is based on Government of Solomon Islands. 2016. *National Development Strategy, 2017–2035*. Honiara; Government of Solomon Islands. 2016. *National Transport Plan, 2017–2036*. Honiara, <https://www.adb.org/sites/default/files/linked-documents/cobp-sol-2017-2019-ld-01.pdf>; Government of Solomon Islands. 2016. *Medium-Term Transport Action Plan, 2017–2021*. Honiara.

² Bündnis Entwicklung Hilft, 2017. *World Risk Report, Analysis and prospects 2017*. Berlin.

³ Central Project Implementation Unit, MID. 2017. *The Solomon Islands Transport Assets Management System*. Honiara.

⁴ ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Grant to Solomon Islands for the Domestic Maritime Support (Sector) Project*. Manila (Grant 0127-SOL).

⁵ ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Lending for the Sustainable Transport Sector Infrastructure Improvement Program*. Manila.

5. **Opportunities in the maritime subsector.** The government intends to rehabilitate and replace anchorage for 16 wharves, repair nine wharves, and improve ports infrastructure by 2021. However, planned investments are not sufficient to meet associated financing needs. Preparing feasibility studies and undertaking detailed designs are essential steps for preparing priority projects for investment, accessing finance, and ensuring effective and efficient project implementation. Further opportunities include (i) assessment and reform of the franchise shipping scheme to increase transport services to remote communities and support their financial sustainability; (ii) improvements to Honiara and Noro port facilities; and (iii) rehabilitation or construction of domestic wharves.

6. **Road assets and safety.** The road network comprises about 1,523 kilometers (km) of roads, of which 184 km (or 12%) are sealed. The network also includes 441 bridges and 2,016 culverts. Guadalcanal and Malaita provinces account for 65% of the total network, and only 58% of the country's rural population is estimated to have access to roads. Assets have deteriorated because of lack of maintenance and destruction during ethnic tensions and natural disasters. In April 2016, only 58% of the road network was in maintainable condition.⁶ Road safety is also a serious concern. Formal safety audits are not conducted, and accident data is not routinely collected. Honiara—which contains the highest concentration of vehicles—lacks well-designed pedestrian walkways, road crossings, and roundabouts.

7. **Stakeholders and assistance for the roads subsector.** The MID is responsible for all construction, rehabilitation, and maintenance of the road network. The domestic road construction industry has developed in response to better planning and communication of public demand. However, many local contractors lack the financial capacity, and a shortage of technical skills is an ongoing barrier for contractors. During 2018, the MID will assess the efficiency and effectiveness of the labor-based, equipment-supported contracts to identify issues and recommend improvements.

8. The STIIP will cover about 85% of the cost of maintenance of roads and wharves during 2016–2021. The government has also identified a total of 247 km of roads to be rehabilitated or upgraded by 2021, and the STIIP will undertake feasibility studies or detailed designs for works corresponding to 40 km identified roads. However, the scope of the program does not cover projects with high contract values, and significant social and environmental impacts.

9. **Opportunities in the roads subsector.** Review of legislation and regulation can significantly improve road safety conditions and management. Institutional reforms and capacity building can assist the MID and domestic contractors to become more sustainable, and to implement civil works more effectively and efficiently. Proposed support for project preparatory activities will improve implementation efficiency and financing from other development partners.

10. **Air transport assets.** Solomon Islands has more than 22 airfields, which provide varying degrees of service; only six of these have regular flights.⁷ The country requires safe, efficient, and comprehensive domestic air services to augment shipping, provide relief for medical emergencies, and develop international trade and tourism. The quality of both air services and aviation infrastructure has declined since 1998 because of a lack of capital investment and

⁶ Road conditions are rated on a scale of 1–5: 1 = excellent, 2 = good, 3 = fair, 4 = poor, and 5 = very poor. Roads in condition 1–3 are considered maintainable.

⁷ This section draws on the sector assessments undertaken in the sustainable transport sector documents provided by the Ministry of Communications and Aviation (MCA), MID, the World Bank, and the draft final report: ADB. 2011. *Technical Assistance for Institutional Strengthening for Aviation Regulation*. Manila (TA 7684-REG).

insufficient expenditure on maintenance. The Aviation Special Fund (ASF) was established in 2005 to finance operation, development, and maintenance of aviation infrastructure. However, government contributions and revenue collected by the ASF are insufficient to fund maintenance and development costs in the aviation subsector.

11. **Air transport services and stakeholders.** Five airlines currently operate flights to and from Solomon Islands, and Solomon Airlines (an SOE) operates all domestic routes. The government owns the single international airport and seven national airports, all of which are operated by the Civil Aviation Division of the Ministry of Communications and Aviation (MCA). The MCA is responsible for developing air transport policy and for managing services, assets, and security in the aviation subsector. The 2008 Civil Aviation Act established the Civil Aviation Authority (CAA) as an independent safety regulator. However, the CAA is supported by staff from the MCA and needs to become independent to meet international safety and security standards. The Government of New Zealand is assisting with the upgrade of some domestic airfields and of Munda airport. The Government of Japan is supporting the upgrade of Henderson airport. The Government of New Zealand is also assisting the CAA to restructure into an SOE, which is expected to introduce new methods of generating revenue for the ASF. In 2018, the World Bank agreed to support the remaining works for Henderson and Munda airports.

12. **Challenges and opportunities.** Challenges facing the Solomon Islands air transport subsector include (i) limited funds to cover rehabilitation, maintenance, and development of aviation infrastructure; (ii) limited capacity to develop and manage regulatory frameworks; and (iii) difficult geography and small economies of scale, which do not support cost recovery for air services. Because a concession would not be commercially viable without government financial support, it is important to maximize the revenue streams against the expenditure program.

2. Government's Sector Strategy

13. **Planning and financing the transport sector.** The National Development Strategy (NDS) outlines Solomon Islands' socioeconomic development framework. It emphasizes the need to expand and maintain weather-resilient transport infrastructure for all Solomon Islanders so as to provide safe and affordable access to essential goods, services, and opportunities. The NDS sets the targets of upgrading 90% of all roads to be in maintainable condition by 2020 and providing 40% of the rural population with access to essential services by 2035. The National Transport Plan (NTP) identifies priority works to help achieve these goals, and the National Transport Fund (NTF) provides a platform for financing them.

14. The NTP establishes a sector-wide approach for implementing priority works in line with the goals of the NDS. It covers 2017–2036 and outlines 260 priority projects comprising rehabilitation, construction, and maintenance for 38 airports, 123 roads, and 99 wharves. The Medium-Term Transport Action Plan prioritizes and will guide implementation of NTP projects during 2017–2021. The estimated financing needs for construction and rehabilitation projects under the action plan are \$280 million, and maintenance works are estimated to cost \$90 million. The NTF was established in 2009, under the MID, to help meet the financing needs of priority projects and to improve the coordination of investments. Financing from the government and development partners has increased since the fund was established.

15. **Challenges and opportunities.** The key barriers to successful project implementation in the transport sector include lack of project readiness, and technical capacity. Solomon Islands lacks qualified engineers and technical officers in both public and private sector institutions. This is a result of domestic skill shortages and failure to appoint appropriate personnel in key roles.

The central project implementation unit of the MID is the key implementing arm for infrastructure project and needs continued support. Limited resource allocations to key transport agencies, including the MID, Solomon Islands Ports Authority, and the MCA, delays preconstruction activities and limits the quality of public spending.

16. Undertaking preconstruction activities after project approval reduces project efficiency because of the following key issues: (i) discontinuity in community consultation can lead to land disputes, which delay implementation; (ii) preparing detailed designs after project approval delays mobilization of contractors, which further slows implementation; and (iii) cost estimates at project approval are not based on detailed engineering designs, which leads to cost overruns. Lack of project readiness results in underinvestment, which exacerbates degradation of assets and leads to missed opportunities where investments could be used more effectively. Building technical and institutional capacity and providing support for preconstruction activities can therefore increase efficiency, effectiveness, and sustainability of projects. The proposed project development facility will build capacity and support stakeholders to undertake detailed designs and prepare bidding documents of priority projects for investments. The list of projects is in the Appendix 4 of Project Administration Manual (Linked document 03).

3. ADB Sector Experience and Assistance Program

17. ADB has provided extensive assistance to the transport sector since 2001. Support has financed rehabilitation and maintenance of roads, bridges, and maritime infrastructure, and continues to assist stakeholders to build domestic capacity to plan, manage, and maintain assets, and improve safety conditions. Improvements to physical infrastructure are increasing all-weather access to essential goods, services, and opportunities, and are helping respond and increase resilience to extreme weather events.

18. The Post-Conflict Emergency Rehabilitation Project was completed in 2007,⁸ and the Solomon Islands Road Improvement (Sector) Project was completed in 2016.⁹ The Domestic Maritime Support (Sector) Project is ongoing (footnote 3).¹⁰ The Transport Flood Recovery Project is responding to floods that took place in April 2014 by reconstructing climate- and disaster-proofed transport infrastructure.¹¹ The STIIP will bolster the efficiency and effectiveness of the multimodal transport system by maintaining up to 700 km of roads, 33 bridges, and 44 wharves (footnote 4). The results-based program will (i) align government and development partner support for the NTP through the NTF; (ii) provide incentives for increased government contributions to the NTF, marking a significant shift from external financing; and (iii) improve sector performance through a common results and expenditure framework. The proposed project development facility complements activities under the Sustainable Transport Sector Infrastructure Investment Program by providing preconstruction support for subprojects that are beyond its scope. Corresponding improvements to project efficiency are expected to build development partner confidence and encourage investments to the sector, including contributions to the NTF.

⁸ ADB. 2000. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Solomon Islands for the Post-Conflict Emergency Rehabilitation Project*. Manila.

⁹ ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Asian Development Fund Grant to Solomon Islands for the Road Improvement (Sector) Project*. Manila; and ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Asian Development Fund Grant and Administration of Grants to Solomon Islands for the Second Road Improvement (Sector) Project*. Manila.

¹⁰ ADB. 2008. *Technical Assistance for the Establishment of the Solomon Islands Maritime Safety Administration*. Manila.

¹¹ ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant to Solomon Islands for the Transport Sector Flood Recovery Project*. Manila.

Problem Tree for Transport Sector

