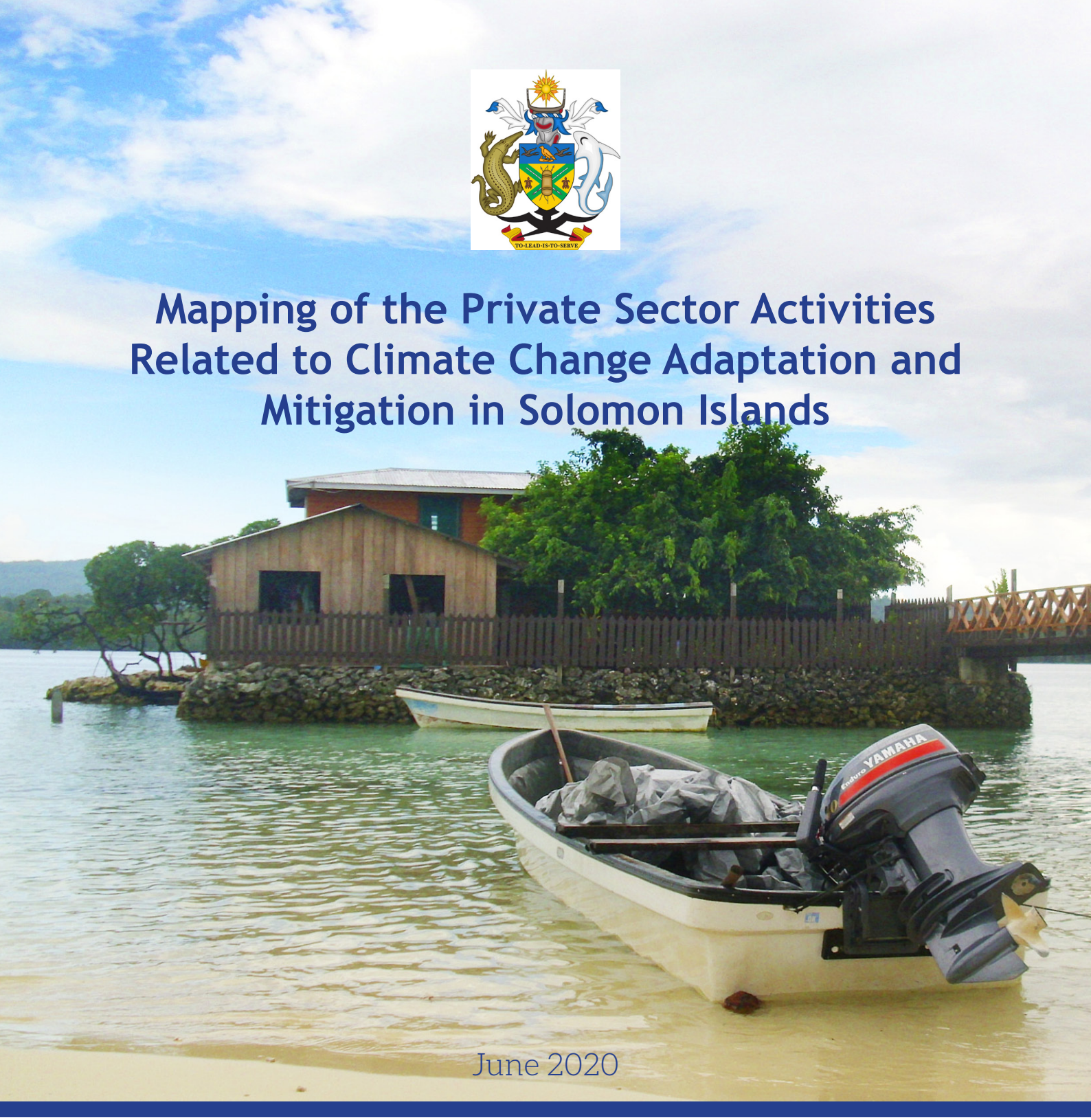
Mapping of the Private Sector Activities Related to Climate Change Adaptation and Mitigation in Solomon Islands



June 2020

PACIFIC ISLANDS FORUM SECRETARIAT

SICCI SOLOMON ISLANDS CHAMBER OF COMMERCE AND INDUSTRY

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Original text: English

PIFS Cataloguing-in-Publication data

Mapping of the Private Sector Activities Related to Climate
Change Adaptation and Mitigation in Solomon Islands / [Commissioned by the Pacific Islands Forum Secretariat and Solomon Islands Chamber of Commerce and Industry]. Suva, Fiji: Pacific Islands Forum Secretariat, 2020.

73 pages: col. illustrations; 30 cm.

ISBN: 978-982-202-064-9

1.Climate changes – Environmental aspects—Solomon Islands 2. Climate change – Government policy – Solomon Islands 3. Climate change mitigation I. Pacific Islands Forum Secretariat II. Solomon Islands Chamber of Commerce and Industry

363.738’74’099593 dc23 AACR2

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EXECUTIVE SUMMARY

This report was commissioned by the Pacific Islands Forum Secretariat at the request of the Solomon Islands Chamber of Commerce and Industry. The purpose was to provide a foundation for strengthening private sector engagement with the public sector and to provide guidance for its members about international financing opportunities for climate change adaptation and mitigation activities.

Research included interviews with 34 businesses in the Solomon Islands and discussions with 10 government ministries and other organisations.

Findings from Business Interviews

Climate change impacts tend not to be a high priority for businesses in the Solomon Islands unless there is a short or medium-term direct impact on them.

Most businesses have limited resilience to potentially disruptive climate change events and SMEs, in particular, are not actively preparing for business changes to mitigate the effects of climate change.

There is limited understanding of the nature of international climate change funds.

Renewable energy projects that reduce electricity costs and others that improve agricultural supply chains are favoured by the private sector.

International Climate Change Funds

Relevant key features of international climate change funds that affect potential direct involvement by the private sector in the Solomon Islands include:

- Limited direct involvement with the private sector and little or no direct funding support of individual small or medium size enterprises;
- A strong preference for larger scale projects that will have broad impacts;
- A preference to work through government, reputable regional organisations or established multilateral bodies;
- Detailed and often technically challenging application processes; and
- Inclusion of small island states is frequently a stated priority but there have been relatively few projects in the Pacific Islands.

Implications for Private Sector Access to Climate Funds Support

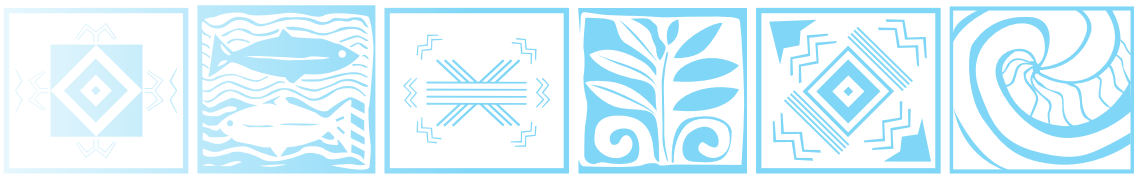
Improved access to climate change funding for projects that will benefit the private sector in the Solomon Islands will depend on:

- A coordinated approach between the private and public sectors;
- Early involvement and support of either an Accredited Entity or another reputable organisation; and
- The formulation of relevant projects that address most of the climate change funds' criteria, including positive livelihoods development outcomes.

The SICCI can play an important role in creating awareness of the opportunities and by speaking in one voice for the private sector.

Recommended Large Scale Projects

A rejuvenation of the coconut and cocoa industries would be a relevant flagship project, costing almost USD 20 million, that would satisfy the support criteria of several large climate change funds and provide systemic impacts within the Solomon Islands. It will also require close involvement of a wide range of government ministries and other supporting organisations.



The project would involve:

- Rehabilitation of coconut plantations;
- Active involvement of Guadalcanal Plains Palm Oil Limited;
- Inter-cropping of cocoa in rehabilitated plantations in Guadalcanal and Malaita;
- Introduction of a bio-mass renewable energy facility at the existing GPOL operation; and
- Measures to support other businesses already operating in the coconut and cocoa sectors.

A **Renewable Energy/Solar Power programme to facilitate** commercial utilisation of solar power systems in urban areas and support for installation in individual households and community centres in rural areas.

The estimated budget is USD8-10 million and the key features would include:

- Direct assistance and grant funds to Solomon Power to re-engineer its Honiara grid to allow for non-disruptive, grid-tied individual solar power and power storage systems on commercial premises. This would supplement, not replace, electricity supply from the Tina River power plant;
- Development of national standards for solar power systems and the accreditation of locally based suppliers/installers; and
- Funding to commence a solar power subsidy scheme offering installation cost reductions for businesses and disadvantaged households.

There are strong arguments in favour of a **project that combines these two projects** involving:

- A retained focus on the rehabilitation of the coconut and cocoa industries but with a staged expansion to other agribusiness sectors' supply chains through improved utilisation of solar power;
- Expansion of a solar power subsidy and finance guarantee scheme to priority industry sectors in areas not connected to existing grids; and
- Close collaboration between Solomon Power and GPOL to utilise power generated by the proposed bio-mass generator at GPOL.

A budget of over USD35 million would be required for this combined project but would appeal to climate change funds because of the expected systemic impacts.

Resources and Institutional Strengthening

A related and important project that could be assisted by climate funds and/or donors involves the establishment of a **Solomon Islands Business Resilience Council and Secretariat** under the overall management of the SICCI.

It would be appropriate for SICCI to take a pivotal role in a future program, but additional experienced personnel will need to be recruited.

Management of this program needs to be a collaborative effort between government and the private sector. Relevant government ministries will play crucial roles in:

- Initial screening of proposed projects;
- Amendments/refinements, where required, of laws and regulations that could disrupt or undermine the implementation and/or impacts of the project(s);
- Guidance and advice on a range of implementation issues;
- Garnering of other support services from relevant regional and local organisations for those involved in related supply chains; and
- Involvement in project assessments and evaluations.

The Council and secretariat would play a crucial role in sharing information in a transparent manner through joint engagement in practical projects and thereby increase awareness of the real impacts of climate change. The recruitment of experienced personnel would also have positive institutional strengthening flow on benefits to both the SICCI and involved government bodies.

Next Steps

The next steps in progressing the proposed strategy are:

- Approaches to bilateral and multilateral support agencies for assistance with the recruitment of at least one person to initially staff the secretariat;
- Development of a more detailed work plan and supporting documents;
- Discussions with, and submissions to, multilateral agencies to seek support for the ongoing operations of the secretariat; and
- Expansion of secretariat, recruitment of Council members, a more detailed work plan and drafting of the shortlisted climate change projects.

ACRONYMS

ADB	Asian Development Bank
AIFFP	Australian Infrastructure Financing Facility for the Pacific
BOT	Build Own Transfer
CI	Conservation International
CIF	Climate Investment Funds
DBSI	Development Bank of the Solomon Islands
DFAT	Australian Department of Foreign Affairs and Trade
DME	Direct Micro Expelled Coconut Oil
EIB	European Investment Bank
FAO	United Nations Food and Agriculture Organization
FDB	Fiji Development Bank
FSM	Federated States of Micronesia
GCF	Green Climate Fund
GEF	Global Environment Facility
GoF	Government of Fiji
GoJ	Government of Jamaica
GFDRR	Global Facility for Disaster Reduction and Recovery
GPOL	Guadalcanal Plains Palm Oil Limited
HP	Hewlett Packard Enterprises
IFAD	International Fund for Agriculture Development
IFC	International Finance Corporation
IRRI	International Rice Research Institute
JICA	Japan International Cooperation Agency
MCT	Micronesia Conservation Trust
NGO	Non-government organisation
NZD	New Zealand Dollar
PCCC	Pacific Climate Change Centre
PFIP	Pacific Financial Inclusion Programme
PICAP	Pacific Insurance and Climate Adaptation Programme
PIFS	Pacific Islands Forum Secretariat
PNG	Papua New Guinea
PPCR	Pilot Program for Climate Resilience
PPP	Public Private Partnership
PRRP	Pacific Risk Reduction Programme
PSSAs	Private Sector Set Asides

R2R	Pacific Ridge to Reef
SCCF	Special Climate Change Fund
SICCI	Solomon Islands Chamber of Commerce and Industry
SIDS	Small Island Developing States
SISL	Sasape International Shipyard Limited
SISRI	Small Island States Resilience Initiative
SME	Small and Medium Size Enterprise
SOE	State-Owned Enterprise
SPC	Pacific Community
SPREP	Secretariat of the Pacific Regional Environment Programme
TPL	Tonga Power Limited
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
USD	United States Dollar
VBRC	Vanuatu Business Resilience Council
WFP	World Food Programme
WWF	World Wildlife Fund

1. BACKGROUND

This report was commissioned by the Pacific Islands Forum Secretariat (PIFS) at the request of the Solomon Islands Chamber of Commerce and Industry (SICCI). The purpose was to provide a foundation for strengthening private sector engagement with the public sector and to provide guidance for its members about financing opportunities for climate change related adaptation and mitigation activities.

The objectives were, through direct consultations with the private sector, to determine their needs that relate to climate financing; to map any private sector work that is relevant to climate change adaptation and mitigation; and to develop concept notes for private sector project proposals, including possible public-private partnership (PPP) arrangements.

Accordingly, the report focuses on those projects that could incorporate Solomon Islands businesses and outcomes that address climate change impacts, as well as positive outcomes for the private sector and involved communities. The SICCI should play a pivotal role in such projects; this has been taken into account in the recommended strategy

2. METHODOLOGY

The activities undertaken included:

- Background research on the various climate change related international funding and support programs that could be relevant to the Solomon Islands;
- Preparation of an interview report template;
- Dialogue with SICCI by email and telephone. A background note on the project and the terminology was sent to SICCI for distribution to members;
- Contact with the Ministry of Commerce, Industry, Labour and Immigration to inform them of the project and to seek input on SMEs that should be included in the contact program;
- Dialogue with the Ministry of Environment, Climate Change and Disaster Management and Meteorology to keep them informed of developments;
- Contact with Strongim Bisnis (an Australian Government funded business development program) to obtain input and potential SME interviews;
- Development of an extensive SME interview list based on the established contacts of the team members; and
- An industry contact program in the Solomon Islands from 9 -17 March 2020.

A total of 34 businesses in the Solomon Islands were interviewed, with several requesting follow up discussions. Meetings were also held with 10 government ministries and other organisations.

The business meetings represented a cross-section of the private sector and included relatively large businesses (including SOEs), medium size enterprises and small, locally owned businesses.

The industry sectors represented by interviewed businesses included:

- Agriculture
- Agribusiness
- Manufacturing
- Tourism
- Professional services, including insurance and accountancy.
- Fishing
- Logistics
- Construction/civil engineering

3. FINDINGS FROM BUSINESS INTERVIEWS

The business interviews represented a relevant sample group of the private sector and the findings present a reasonably good picture of the sector's awareness of climate change impacts and its overall resilience status. A summary of the business meetings is at Appendix 1. Due to the sensitivity of information, Appendix 1 is not to be shared publicly but remains as an internal document.

3.1 Awareness and Planning for Potential Climate Change Impacts

All interviewed companies were aware of the potential impacts of climate change on business activities but only five had experienced disruptions created, in part, by climate change – primarily changed/increased rain periods.

None of the interviewed companies had specific plans or mitigation strategies to limit the impact of climate change on their business. Three companies reported that they had plans to address supply chain problems but from their perspective these changes were not solely related to climate change – they also included means of improving the overall supply chain - although they recognised that increased rainfall had compounded problems with poor road transport networks.

There was also no evidence of any private sector plans to pro-actively engage in projects to specifically address climate change events. Some businesses in the agriculture sector recognised the crop production and supply chain problems presented by climate change but their mitigation plans involved amendments to their overall approach rather than a specific longer-term strategy. Those considering a move to solar or other renewable power sources were focused on cost savings and not necessarily climate change or environment factors.

None of the companies raised insurance coverage as a mitigation approach but the responses from the interviewed insurance providers concluded that most businesses are under-insured and would find it difficult to restart after a severe weather event.

Based on the sample interviews, it is evident that the private sector in the Solomon Islands has limited resilience to potential climate change challenges – possible serious weather-related disruptions are not a front-of-mind consideration. Also, none of the interviewed businesses is actively engaged in a climate change mitigation strategy.

There appear to be a number of reasons for this situation:

- All businesses reported difficult business conditions that required a focus on survival rather than medium or long-term planning.
- A perception that climate change events will not have a terminal impact on their individual business and can be countered by limited mitigation.
- Weak cash flow and limited cash reserves make it difficult to undertake mitigation strategies that are relatively expensive in the Solomon Islands - including costly insurance, physical infrastructure improvements that should be the government's responsibility and more stringent building codes.

The most common response from companies of all sizes was the need for renewable power options, such as solar power, to reduce the burden of electricity costs on their business. The great majority of interviewed business either raised or agreed that this is the most important issue to be addressed by any environment related support program.

3.2 Awareness of Climate Change Funds

There was limited knowledge of the various international climate change funds that may be relevant to the Solomon Islands. Three companies could recall attending a 2019 briefing on the topic but their take-away was that funding was not available to individual business ventures and they were therefore not particularly interested.

While there was a general recognition that such funds could play a useful role, there was also some scepticism about the expected complicated processes and bureaucratic procedures involved in securing support, as well as the ability of a small economy like the Solomon Islands to compete for funds and satisfy the management and reporting requirements of international funds.

Most of the interviewed companies, particularly SMEs, did not see how they may be able to benefit from the implementation of funded climate change projects unless they addressed the cost of, and access to power, or improvements in the physical infrastructure surrounding their supply chains.

In relation to infrastructure improvements, there was recognition that a good deal of work by donors was already underway and, while this was welcomed, the overall opinion was that these projects involved limited flow on benefits to local businesses, apart from improvements to urban road infrastructure.

3.3 Companies Involved in Climate Change Related Projects

The only companies identified as being involved in, or considering projects with some relevance to climate change were:

- Solomon Power – project already underway to provide solar power grids in several provinces.
- Guadalcanal Plains Palm Oil Limited (GPOL) – feasibility study on potential bio-gas power generation facility. This project is geared to reduced power costs for the business rather than being driven by explicit climate change impacts.
- Islands Own Ltd (coconut processing) – hybrid coconut trees to replace senile trees. While the hybrid trees are more storm resistant this is only one of the reasons behind the proposed project.
- Labuhila Coffee Farmers Association – introduction of more shade-providing trees to minimise impact of more rain at pollination stage but this is a small-scale activity by a cash poor SME.
- Food Works Supplies Ltd – grow out contracts for chicken farmers that involve wells to provide more reliable water supply. Not yet underway and only limited relevance to climate change.
- Solomon Tropical Products - use of coconut biodiesel for generators at coconut pressing operations in provinces. Not yet implemented; motivation is cheaper, more reliable fuel supply rather than climate change considerations.
- Caphliro Commodities Development – interested in improved handling/drying facilities in provinces supplying cocoa in order to counter the difficulties presented by increased rainfall. Project not underway and business has limited resources.

3.4 Potential Projects Raised by Private Sector

As already mentioned, most of the interviewees (30 of 34) raised the cost of power and the possible use of solar power as a cheaper alternative as a project that would be compatible with the renewable energy objectives of climate change funds. It was interesting, however, that this was not always an automatic response and was stimulated by discussion during the interview. Only Solomon Power adopted a market wide approach – others were primarily concerned about reducing their individual business' burdensome electricity costs.

There was a consistently positive reaction to the value of focusing climate change funding support on improvements in the supply chains for key agricultural products. This was raised by several companies and strongly endorsed by the great majority of interviewed companies, including those not actively involved in the sector.

Other possible climate fund projects raised by interviewed companies included:

- **Revised building/construction standards that take into account potential, destructive climate change events.** There was agreement on the need for such a project amongst all of the construction related businesses. *The Solomon Islands Chamber of Commerce and Industry has, however, already undertaken action on a revision of building codes.*
- **Raising levels of artificial reefs at Lau, Areare and Langalanga to protect communities from rising sea levels.** Such a project is unlikely to be supported because of the small number of beneficiaries and its limited prospects for systemic impact.
- **Solomon Airlines suggested expansion of a number of runways in provinces to allow the company to introduce more fuel-efficient aircraft.** An unlikely candidate for support given that the prime beneficiary would be a single airline that already has IATA imposed requirements for emission reductions.

3.5 Lessons from Interviews

The key lessons from the completed interviews can be summarised as follows:

Table 1: Business Perceptions and Implications

Business Attitudes/Perceptions	Implications for Possible Climate Fund Supported PPPs
Climate change impacts tend not to be a high priority unless there is a short or medium -term direct impact on companies. SMEs, in particular, are focused on cash flow and survival.	To secure private sector buy-in, there needs to be positive, tangible impacts on businesses. Larger projects with broad environmental impacts are much less likely to be supported. Most SMEs would welcome support but are unlikely to commit resources for projects unless they benefit directly and even then, their financial contribution would be very limited.
Most businesses have limited resilience to potentially disruptive climate change events and SMEs, in particular, are not actively preparing for business changes to mitigate the effects of climate change.	There needs to be a more effective business education process that commences with basic action, such as sufficient and relevant insurance.This will require effective collaboration between government and the private sector to provide credible information in a manner that is of practical relevance to the private sector.
There is limited understanding of the nature of international climate change funds and a generally sceptical attitude to their appropriateness in the Solomon Islands environment.	A model project that is implemented effectively could change this perception more than dissemination of information to businesses.The recognised complexity of climate change funding support programs requires government involvement to handle the “bureaucratic” processes. Active SICCI involvement would be regarded as important in ensuring flow-on, meaningful benefits to the private sector.
Beneficial renewable energy projects that reduce electricity costs and others that improve agricultural supply chains will be strongly supported by the private sector.	These types of projects offer the best prospects for strong private sector support/ engagement and for effective PPPs with a limited number of larger companies.Most SMEs would be somewhat passive participants because of their limited resources. They would, however, be enthusiastic beneficiaries.

4. GLOBAL AND REGIONAL CLIMATE CHANGE PROGRAMS

There are numerous international and regional programs that are either engaged in, or focus on, climate change adaptation and mitigation. These range from large and well-known organisations such as the Green Climate Fund and the Adaptation Fund to smaller, more narrowly targeted programs.

Appendix 2 provides a summary of the 15 key organisations and programs that are particularly relevant to the Pacific Islands and with potential to provide direct or indirect opportunities for the private sector.

4.1 Common Features of Programs

As can be seen from Appendix 2, each program has slightly different criteria and delivery processes. There are, however, several common features that need to be understood by the private sector in the Solomon Islands. These include:

- Limited **direct** involvement with the private sector and, with only few exceptions, no direct funding support of individual small or medium size enterprises. Larger organisations such as the International Finance Corporation can invest in and support large businesses actively engaged in climate change related projects but even in such cases there is a requirement for the investment to attract and involve other finance sources.
- A common requirement for **larger scale projects** that will have broad impacts. These "systemic" impacts can range from fundamental changes in the way businesses operate/invest, to tangible and sustainable impacts of livelihood opportunities to rural communities.
- A requirement for supported projects to be **consistent with both the host government's development plans** (and fully endorsed by the relevant government ministries) and the organisation's established country or regional programs.
- A preference to **work through government, reputable regional organisations or established multilateral bodies** to ensure the necessary skills can be mobilised and the program can be implemented in a transparent and effective manner. In some cases, there is a strict requirement for the active participation of accredited local entities, in addition to endorsement of the Ministry of Environment Climate Change and Disaster Management and Meteorology.
- **Detailed and often technically challenging application processes** that SMEs will find difficult to complete. While some funds provide initial small grants to assist with the preparation of an application/submission, the process will still be challenging.
- **Inclusion of small island states** in the Pacific and elsewhere is a stated priority for several programs but to date there have been more projects in regions other than the Pacific Islands.

These features obviously impact on the prospects for SMEs in the Solomon Islands to benefit from climate change funds.

4.2 Implications for the Solomon Islands Private Sector

Despite the limitations on the prospects for SMEs in the Solomon Islands to be actively involved in climate change related programs, there are a number of opportunities to secure tangible benefits from such programs. This is in addition to the indirect benefits flowing to the private sector from these funds' support for institutional strengthening of government bodies, technical institutes and NGOs, as well as improved and weather resistant physical infrastructure.

Many of the funds have priorities that coincide with the development needs of the country and those of the private sector. This is particularly the case in the agriculture and power sectors.

Climate funds would be receptive to programs that addressed adverse climate change impacts on food cultivation

and agriculture supply chains and such projects in the Solomon Islands, would also satisfy the common livelihoods development objectives of climate change funds. In the power sector transition to renewable energy is a priority for most funds and this can dovetail with the private sector's and rural communities' need for more accessible and lower cost power.

The issue to be considered is how to convert these apparent synergies into increased involvement of climate funds in the Solomon Islands environment. Set out below are some of the key considerations.

It is important to recognise that most SMEs and even relatively large enterprises in the Solomon Islands will have very limited success in securing direct support through individual approaches to the climate funds or donors. Not only will it be difficult for such businesses to present adequately structured submissions, the scope and flow on benefits are unlikely to satisfy the fund's impact criteria.

What this means is that improved access to climate change funding for projects that will benefit the private sector will depend on:

- A coordinated approach between the private and public sectors. Proposed projects need to be endorsed and fully supported by relevant ministries. This includes the nominated authority in the Solomon Islands, the Ministry of Environment Climate Change and Disaster Management and Meteorology.
- Early involvement and support of either an Accredited Entity or another reputable organisation that can handle the preparation of an effective submission, develop appropriate linkages with other programs and facilitate implementation of the project. A list of the larger Accredited Entities handling climate change funds in the Pacific is contained in Appendix 3, and
- The development of relevant projects that address most of the climate change funds' criteria, including tangible economic and livelihoods development outcomes.

This will, in turn, require a coordinated approach by the private sector and in this regard, the SICCI can play an important role in creating awareness of opportunities and by speaking in one voice for the sector. To do this effectively, the SICCI will need additional and experienced resources and in the following section of this report a possible strategy, supported by external funding, is outlined.

The overall approach also needs to work backwards from the identified development needs of the country and then identify potential support from climate change related programs. By focussing on the considerable funding that is on offer and then trying to devise programs to tap into the funds, there is a reduced likelihood of satisfying the selection criteria. Some projects, such as renewable energy resulting in lower CO2 emissions, may appear self-evident but unless they are matched with systemic impacts, their chances of success are reduced.

5. POTENTIAL PROJECTS IN SOLOMON ISLANDS

When considering private sector focused projects in the Solomon Islands with potential to secure funding support from the larger international climate change funds, the following four key factors need to be taken into account:

- The project's direct relevance to climate change readiness/adaptation and the funds' criteria for support;
- The identified practical needs of the private sector that overlap with national development objectives to ensure crucial government endorsement;
- The viability of successfully implementing the project; and
- The expected scale of economic, social and business enabling impacts.

The last factor, which has always been an important consideration, will take on increased significance in the post-COVID-19 environment. Projects that address climate change impacts, economic resilience, enhancement of a vibrant private sector and more secure community income opportunities are most likely to compete effectively for (possibly reduced) funding support. Showcase and demonstration projects that do not incorporate all of these factors will probably be less successful in securing funding support.

5.1 Priority Larger Scale Projects

The types of larger projects in the Solomon Islands that are most likely to adhere to the above criteria and offer the best prospects for effective PPPs can be summarised in the following table.

Table 2: Types of Priority Larger Scale Projects

Type of Project	Relevance and Appropriateness
Improved/more resilient agricultural supply chains.	The agriculture sector remains a very important component of the economy and offers the best prospects for improved rural incomes and employment generation for men and women. Supply chains are adversely impacted by climate change in terms of weather changes, rising sea levels and disrupted transport infrastructure. The track record of the international climate change funds includes frequent support for agriculture supply chain projects.
Access to affordable power for businesses and communities.	Electricity costs represent a significant challenge for businesses in the Solomon Islands and have an adverse impact on their international competitiveness. Rural communities have limited access to power, and this has an adverse impact on the prospects for MSME development, reliable supply chains and rural incomes. Renewable energy projects are also consistent with climate fund eligibility criteria.
Agribusiness projects that utilise improved supply chains for diversification and value adding.	These types of projects are closely linked to those above and are therefore relevant to climate change funds. Additional successful ventures will generate employment (particularly for women) and offer export and import substitution opportunities.

These types of projects in the Solomon Islands will also offer the best prospects for PPPs because there are already several more substantially involved businesses that could be important lynchpins in supported projects. The private sector also recognises such projects' importance to the overall economy and will be supportive, while several government ministries and SOEs would play crucial roles in the PPP.

The scale and likely impacts of these projects would be of interest to several implementing entities such as the World Bank/IFC, ADB and UNDP, all of which are active in the region and have committed to additional support in response to the COVID-19 crisis.

Large scale climate change related infrastructure projects are already being implemented in the Solomon Islands and the perception in the private sector is that the prospects for local businesses to play significant roles are relatively limited. Such projects are obviously important and SICCI should continue to play a role in ensuring the maximum possible involvement of local companies, but for the purposes of this report, the priorities lie elsewhere.

5.2 Smaller Scale Projects

There are a number of smaller scale projects that could be supported by other multilateral and bilateral donors, particularly Australia and New Zealand. In the post-COVID-19 environment, the focus would still need to be on sustainable economic development and income generation, but there is potential to develop projects that also incorporate climate change readiness.

A potential smaller scale projects that would incorporate public private partnerships, as well as an important role for SICCI, would involve technical and funding support for the establishment and operation of a climate change coordination council and dedicated staff for a secretariat within SICCI.

The standing council would coordinate and strengthen engagement of the private sector in disaster risk reduction, emergency preparedness, response and recovery, and climate change adaptation and mitigation.

The longer-term strategy would be to transform the council into a national implementing/executing entity for climate change projects. A secretariat would support the council and be responsible for the more detailed planning and implementation of funded projects.

Further details on this project are included in section 6.4 of this document.

5.3 Potential Involvement of Commercial Finance Providers/Investors

The potential involvement in climate fund projects by commercial banks, credit companies, equity investors and the Solomon Islands National Provident Fund should, where appropriate, be taken into account when planning and implementing related projects.

The large climate change funds consider one of their important roles is to de-risk private investments in appropriate climate change related activities and thereby stimulate support from lenders and investors. The technical and funding support offered by climate change funds can improve the prospects for support from commercial lenders and/or investors – either as a result of a grant to the business (which commercial lenders view as equivalent to an equity injection), loan guarantees or as a result of greater confidence in the viability of the proposed business venture as a result of the detailed assessment processes.

The need to present bankable funding support proposals is particularly important for SMEs in the Solomon Islands which could be involved indirectly in climate change projects and need financial support. Local SMEs are often regarded as not credit worthy by commercial lenders - they are frequently unable to present a strong business case, usually have insufficient collateral support and are challenged by inadequate middle management. This is particularly relevant to the agriculture/agribusiness sector - commercial lenders in the Solomon Islands have demonstrated a cautious approach to supporting such ventures because of the real and perceived risks inherent in this sector.

It will therefore be important to involve commercial lenders at an early stage of any climate change project in which local businesses play an important role in implementation and roll-out. The possible role of commercial finance in strengthening/expanding the project's benefits should be determined during the design phase and appropriate and viable mechanisms (such as initial working capital grants, loan guarantees in addition to the collateral shortfall partial guarantees offered by the Central Bank) are built into the project in order to maximise the prospects for commercial finance to sustain the involved ventures.

The possible involvement of the recently launched **Development Bank of the Solomon Islands (DBSI)** also needs to be taken into account. This bank may be able to eventually become an Accredited Entity in the Solomon Islands, but this will require several years of acceptable performance by the bank. This is therefore a possible longer-term project and, in the meantime, DBSI can provide credit to SMEs involved directly or indirectly in large climate fund supported projects.

Potential equity investors, including the National Provident Fund and overseas businesses with a vested interest in reliable commodity supply chains, will react in a similar manner to commercial lenders. The involvement of equity investors will enhance the prospects for productive public-private partnerships and the investors will have increased confidence in investing in a business venture that has been vetted by a professional third party and that will receive crucial technical and financial support during the venture's establishment and initial

operating stages. This is particularly the case with impact investors who, while still looking for an acceptable return on their investment, have social and environmental selection criteria similar to those of the climate change funds.

The economic disruption caused by the coronavirus pandemic may, however, change the commercial funding and equity investment landscape. Credit providers will be very cautious about supporting commercial ventures in an economy with a perceived high sovereign risk and competitiveness shortcomings, while overseas equity investors will adopt a similar approach. Until the international economy improves substantially, it would be prudent to assume that commercial funding and equity capital will be difficult to incorporate into climate change projects without solid finance guarantees from reputable overseas organisations.

6. RECOMMENDED LARGE SCALE PROJECTS

This section of the report identifies two priority projects that could be implemented in conjunction with international climate change funds. Further details are contained in the Concept Notes in Appendices 4 and 5.

These projects have been separated as two distinct projects but, as outlined later, they could be combined into a single larger project.

It should be noted that these are concepts at this stage, and they will require a detailed assessment and design process before they could be submitted as a credible submission for climate change funding support.

6.1 Coconut and Cocoa Rejuvenation

This would be a flagship project costing almost USD 20 million that would satisfy the support criteria of several large climate change funds and provide positive and systemic economic and social impacts within the Solomon Islands. It will require close involvement of a wide range of government ministries and other supporting organisations.

The Concept Note in Appendix 4 sets out the parameters but, in essence, it would involve:

- Rehabilitation of coconut plantations – replanting with more climate resistant hybrid trees and, where appropriate relocation to less weather impacted areas;
- Active involvement of Guadalcanal Plains Palm Oil Limited (GPOL) to provide the required additional resources and access to overseas markets;
- Inter-cropping of cocoa in the rehabilitated plantations in both Guadalcanal and Malaita;
- Short-term subsidy of dedicated shipping from Malaita to GPOL and, if required, to Honiara;
- Introduction of a bio-mass renewable energy facility at the existing GPOL operation that would be viable with this company's expansion into coconut and cocoa processing; and
- Measures to support other businesses already operating in the coconut and cocoa sectors.

The coordination role played by GPOL would be important in ensuring the maximum possible benefits for communities and to create the best prospects for increased exports of these important commodities. This relatively large business is best placed to provide the resources, finance and international marketing networks to underpin the project and has indicated a willingness to be involved. GPOL would be required to contribute the bulk of the expanded facility's costs and the support from a climate change fund would be to essentially de-risk the project and to assist landowner communities to rehabilitate their plantations and maximise their returns from sales to GPOL.

A condition of the support to be offered to GPOL would be guaranteed access to sea freight services from Malaita for other businesses already involved in the coconut and cocoa sectors. Alternatively, GPOL could operate as a wholesaler of whole coconuts and cocoa to existing businesses – this would offer a reliable supply chain and help to overcome a significant barrier for these businesses.

Another measure to support existing businesses could be a sub-project that entailed funding support to establish small scale coconut pressing operations in several areas and for the establishment of cocoa drying and fermentation facilities at existing or new plantations. Companies such as Islands Own, KPSI and Solomon Tropical Products would be assisted with the rehabilitation of related plantations and offered guarantees for commercial finance to consolidate their expanded business.

The coconut pressing operations would be self-contained facilities that would be solar powered (the concept of generators using the slightly modified coconut oil would be trailed as part of this project). The facility would produce cold pressed oil and by-products such as meal. A typical facility would be operated by small local enterprises employing around 8 people. The associated buyer would provide technical support and guidance to the operation in order to ensure a reliable supply chain.

These pressing operations are expected to be a more viable alternative to the hand pressing of DME coconut oil at the village level - this model has resulted in unreliable supply and relatively high costs. The income generation benefits for local communities are also likely to be improved – families would have an ongoing market for whole coconuts and, where appropriate, the power could also be supplied to community facilities.

Where appropriate, replanting would be in deforested areas. This approach would be on interest to a wide range of climate change funds, including Ridge2Reef which is focused on forests and livelihoods.

Women would play an important role in the project. They would be the main suppliers of whole coconuts harvested from the more easily accessible hybrid trees, be actively involved in the handling of cocoa at the upgraded facilities and employed in the small-scale pressing operations.

6.2 Renewable Energy/Solar Power

This project would incorporate commercial utilisation of solar power systems in urban areas and support for installations in individual households and community centres in rural areas. See Appendix 5 for details.

Solomon Power would be an important partner in a project that would appeal to climate change funds in relation to increased use of renewable power and benefits to disadvantaged rural areas. The estimated budget is USD8-10 million.

From the private sector's perspective, a reduction in power costs is a top priority and this would make a significant contribution to a more vibrant and competitive business sector.

The key aspects of the project would entail:

- Direct assistance and grant funds to Solomon Power to re-engineer its Honiara grid to allow for non-disruptive grid-tied individual solar power and power storage systems on commercial premises. This would supplement, not replace, the electricity supplied by the Tina River power plant.
- Development of national standards for solar power systems and the accreditation of locally based suppliers/ installers who would be provided, where required, with initial technical skills training and partial credit guarantees for capital equipment and working capital.
- Funding to commence a solar power subsidy scheme that would offer installation cost reductions of between 20%-30% for businesses and between 50%-80% for disadvantaged households and community centres in peri-urban and rural areas. This support would be channelled through the accredited suppliers, not directly to the customers.

The project would need to be developed in close collaboration with Solomon Power and measures put in place to ensure the minimal possible impact on its commercial viability. Solomon Power's expanded solar power grids in a number of provinces could be incorporated into the scheme to both expand access to power and limit the distribution costs to more remote customers. Consideration could also be given to the inclusion of Solomon Power as an accredited supplier/installer which would compete with other accredited suppliers in the market.

A considerable amount of lead-up work would be necessary before the project could be appropriately designed. This would include required changes to the legislation under which Solomon Power was established; clarification of the scope of work required to convert the existing Honiara grid to be compatible with grid-tied individual commercial solar power and power storage systems; and refinement of the country-wide solar power standards to be introduced.

The project would be supplementary to the existing Climate Investment Fund's USD 14 million program that is providing support for the establishment of 60 mini grids in rural villages that will utilise hydro, biofuel and solar power sources. The focus of the recommended project in rural areas would be on productive small-scale business ventures.

It would be appropriate for SICCI to take the lead on the project, given its crucial importance to its membership base and the overall private sector. Banks and other finance providers would be involved at all stages of the project.

Government involvement would be crucial, and this would include Ministry of Environment Climate Change and Disaster Management and Meteorology, the Ministry of Mines, Energy & Rural Electrification, Ministry of Agriculture and Livestock, Ministry of Provincial Government and Institutional Strengthening, provincial governments and appropriate Ward Development Committees, as well as Solomon Power.

The expected private sector related outcomes from the project will be significant and there would be strong support from SICCI members. Improved access to power in peri-urban and rural areas is consistent with government policy and there would be indirect flow on supply chain benefits for businesses dealing with suppliers in rural areas. The inclusion of community groups would expand the project's reach and social benefits.

6.3 Optional Combined Project

There are obvious synergies in the two nominated projects, and it would be logical to combine them into a larger project with even greater systemic impacts.

A combined project could incorporate the following:

- A retained focus on the rehabilitation of the coconut and cocoa industries but with a staged expansion to other agribusiness sectors' supply chains through improved utilisation of solar power. These could include poultry (solar power and other facilities for chicken grow-out contractors), livestock (pigs and cattle) and horticulture.
- Expansion of the solar power subsidy and finance guarantee scheme to designated priority projects in areas not connected to existing grids – including hospitality/tourism; fishing; communications and smaller scale, intermediate food handling/processing operations.
- Close collaboration between Solomon Power and GPOL to utilise power generated by the proposed bio-mass generator to a larger number of customers in areas close to Honiara but not yet connected to the grid.

Such a project would require a budget of over USD35 million but is likely to appeal to the larger climate change funds because of the likely systemic impacts and the large number of beneficiaries. It would also present an opportunity to achieve these outcomes through a single project that does not duplicate activities and also streamlines management and other resources.

There is a risk that the project would be regarded by potential funders as over-ambitious and that it would place considerable strain on both public and private resources. This could be countered by a staged approach over a 5 – 7-year period and strategies to allocate relevant tasks to local businesses supported by credit guarantees.

A competent project management team would also be required and SICCI could play a pivotal coordination role, provided that funding support was available to recruit an experienced team and an effective public/private sector council was established with the sole purpose of oversighting the project.

Coordination within government would also be very important and there would need to be strong political support and endorsement from the outset. This diverse and challenging project would require input from numerous ministries, provincial governments and other agencies to facilitate the initial planning and priority settings, address regulatory issues that may impede implementation and to provide supplementary information and support to involved businesses and communities.

6.4 Other Smaller Scale Projects

In addition to these larger, flagship projects, there are several smaller scale projects that could be implemented through government and SICCI, with the support of various external donors/organisations. These include the various UNDP programs, the Australian and New Zealand aid budgets and other agencies/organisations.

Some of these projects could be linked, or provide a supplementary role, to the larger project(s) or be stand-alone activities that are directly or indirectly relevant to climate change.

An immediate project could involve the establishment of a **Solomon Islands Business Resilience Council and Secretariat.**

The need for a SICCI managed Council has been included within the concept notes for the two flagship projects but there are good reasons for a full-time body to help guide and facilitate the overall climate change activities that are particularly relevant to the private sector. The establishment and medium-term operating costs could be funded by organisations such as the UNDP or the EU, with support from the Forum Secretariat.

In the event that larger scale climate change funded projects are not successful in securing support, the Council would still be a useful mechanism to organise smaller projects and to effectively disseminate information to SICCI members and the overall private sector.

The Council would comprise representatives from all levels of government (including at the provincial level) and the private sector and may eventually become an Implementing Agency for climate change projects. In the initial stages, it would coordinate and direct the funding approval processes as well as the planning schedules for projects once funding support can be secured.

The Council would need to be supported by a secretariat to undertake the more detailed work for the planning and implementation of projects. This secretariat would initially require two experienced persons who would be contracted by the supporting agency/SICCI and be either co-located or positioned close to the Chamber. Once one or more projects are approved, an additional person would be recruited and the team would work closely with government, the private sector and involved international development agencies.

The Council and secretariat could also play a useful role in scoping and facilitating PPPs relevant to climate change. This would require close collaboration with several government ministries and organisations such as the IFC and ADB to help guide and manage the processes involved in establishing beneficial PPPs.

Other potential projects would arise from the flagship project(s) that could be supported by donors/other organisations and the Council/SICCI and secretariat could play a useful referral role.

These projects could include the identified needs of communities and/or microenterprises that are not directly covered by the larger project, but which are relevant to climate change – such as more weather resistant local produce market facilities or improved local water supply. These opportunities would be identified as the larger projects are planned and implemented and could be referred to appropriate donors or charitable organisations.

7. RECOMMENDED STRATEGY

Set out below is the recommended overall strategy for accessing climate change funding support for projects in the Solomon Islands that impact directly on the private sector and thereby offer the best potential for an effective PPP approach.

7.1 Approach and Focus

The overall approach to be adopted in the strategy are summarised in the following table.

Table 3: Issues and Implications for National Strategy

Issues to be Addressed	Strategic Response
Limited practical engagement between government and business on climate change issues.	Sharing of information in a timely and transparent manner through joint engagement in practical projects that are beneficial to the private sector.This is the best means of eliciting positive responses and involvement from the private sector at the individual project level and in terms of increasing awareness of the real impacts of climate change. The proposed Council would play a crucial role and offer considerable scope for the strengthening of personnel in relevant government ministries.
Restricted private sector recognition of the likely adverse impacts of climate change and associated low levels of resilience.	Ensure the private sector is both better informed and businesses become active stakeholders in projects that have positive impacts on the business sector and that demonstrate the practical benefits to the business sector and communities.An important role for both the council and secretariat would be to create awareness of climate change impacts on business, the strategies that can be adopted to improve business resilience and the potential for support from the international climate change funds.
Complex and difficult funding submissions required by the large climate change funds that are beyond the capabilities of the great majority of businesses in the Solomon Islands.	Acceptance of the need to collaborate with and work through the Accredited Agencies (such as the ADB, World Bank/IFC, UNDP, SPREP) for the large climate change funds. These agencies will operate as the first line of project assessment/modification and can also help to develop the complex and detailed submissions.
Limited private sector resources to provide tangible inputs to larger projects and to ensure the sustainability of the associated commercial activities. Access to commercial credit will continue to be difficult for most SMEs.	Implementation of projects that provide both funding support/ back up and technical assistance to involved businesses and incorporate measures to enhance their competitiveness – improved supply chains, increased efficiency and adequate financial resources through partial guarantees. This will enhance the prospects of securing credit support and in securing equity investments.
Competition for international climate change funding support is likely to increase in the post-COVID-19 environment and submissions will need to both satisfy the funds' criteria and provide the maximum possible systemic impacts.	Development of strong project submissions that are relevant to climate change but also address the evident needs of numerous businesses in one or more industry sector. This combination should provide the extensive systemic impacts that will secure funding support. Positive impacts on relatively disadvantaged communities should be included in any funding support submission.

Issues to be Addressed	Strategic Response
Large projects will present challenges in terms of the government's absorptive capacity and effective coordination with the private sector. This may have an adverse impact on the large funds' reaction to funding submissions.	An established and adequately funded and representative Business Resilience Council and supporting team with effective government linkages will provide more confidence to the climate change funds and donors. Accordingly, this needs to be one of the first stages of the strategy.
Risk that proposed PPPs will result in slow and cumbersome procedures and action.	Ensuring from the outset an appropriate balance between the roles of government and the private sector in a PPP approach with a clear action plan managed and implemented by the Business Resilience Council and secretariat. The government's role should focus on endorsement of the approach and its relevance to national development goals, the related regulatory environment and coordination with other assistance programs at the national and provincial level.
Extensive external/additional support can be secured to assist with the planning and/or implementation of projects, but coordination can be time consuming and difficult.	The initial stages of an effective strategy would involve the Business Resilience Council management team establishing a network of supporting agencies. These would range from regional organisations such as SPREP and the Forum Secretariat to relevant bodies already physically operating in the Solomon Islands, such as the UNDP, Strongim Bisnis, the Small Business Enterprise Centre and the Forum Secretariat/ Pacific Trade and Investment offices.Early contact with relevant donors will also be important. The aid programs of Australia and New Zealand, for example, have focussed their climate change support more on institutional strengthening. Both are also supportive of projects that will strengthen the private sector and could provide effective supplementary support to larger projects.
Risk that proposed large scale projects will be regarded by SMEs as only relevant to bigger businesses. This would limit the dissemination of effective messaging on climate change adaptation and mitigation.	Representative SMEs to be included and have a voice in the Council and included as players within the larger projects. Inclusion of smaller scale climate change related projects that supplement and/or strengthen the approved flagship projects. This will result in even closer involvement with SMEs.

The expected role of the private sector in these projects needs to take into account the generally limited resources of the great majority of involved SMEs – most are under-resourced, have limited access to finance and have relatively weak middle management capabilities. Where appropriate, the role of overseas investors/ partners should be included in the strategy to address these shortcomings and provide access to international expertise and markets.

Larger scale climate change funded projects will therefore need to incorporate resources outside of the involved businesses to ensure timely and effective implementation and offer enhanced access to finance for these businesses to maximise social impacts (employment, livelihoods development, improved living standards), as well as the related commercial outcomes (increased incomes and exports, improved gross operating profits) that will ultimately underpin the viability of the project(s).

Another important and related consideration is the inclusion of an anchor business/entity with the resources and experience to sustain the project during the early stages. It is for this reason that both of the nominated flagship projects include such players – GPOL and Solomon Power.

7.2 Potential for Climate Change PPPs

PPP arrangements have been established in the Pacific Islands but only a few countries have established formal policies and institutional frameworks to promote them.

Service contracts are the simplest form of PPP. Under these contracts the private partner does not operate any public assets, but simply contracts with the public sector to provide a specified level of service. These contracts are typically 1–3 years in duration and are common in the road maintenance and health sectors. **Management contracts** typically involve the operation of public assets by a private partner. The private partner receives a management fee and, if there is risk-sharing, a profit-sharing incentive. Contract periods are usually limited to 3–5 years. **Leases** are similar to management contracts but involve a greater transfer of operational risk as the private partner pays a lease fee and generates income solely from the use of the assets. Contract periods are typically 8–15 years.

Appendix 6 contains brief case studies on a cross section of PPPs established in the Solomon Islands and the region.

Some success stories of effective PPPs in the Pacific include:

- Service contracts for road maintenance in Samoa which, in 4 years, resulted in a 400% increase in productivity; and
- Service contracts for shipping services in the Fiji Islands, which generated significant benefits to the local economy, at a cost lower than would have been possible through government ownership and operation of the vessels.

There have, however, also been PPP failures. In Papua New Guinea, for example, a Build Own Transfer (BOT) contract for the supply of electricity was structured without considering potential currency risks. When the national currency devalued against the US dollar, the spread between the cost of purchasing power from the BOT partner in US dollar and the revenue from consumer payments in the local currency increased substantially with an adverse impact on the government purchaser of the power.

Before engaging on any potential climate change related PPP, there are three key practices that should be implemented:

- Establishment of a clear, predictable institutional framework supported by competent and well-resourced authorities. The rules should usually be carefully embedded in the existing legal frameworks in order to avoid creating a separate process for PPPs;
- Base the selection of PPPs in from a value for money perspective; and
- Ensure budgetary process transparently to minimise financial risks and ensure the integrity of the procurement process.

For the reasons outlined earlier, PPPs could play an important role in larger climate change related projects in the Solomon Islands but the best outcomes will be achieved through a genuine collaborative approach between government, the private sector and international agencies to provide the required skills and experience to structure the deal. The proposed SICCI Council should play an important role in this process.

7.3 Strategy Management

It would be appropriate for SICCI, as the peak private sector body, to take a pivotal role in a program focused on productive engagement with businesses. Current resources within the Chamber are not sufficient to handle such a role and additional experienced personnel will be required.

Overall, however, the management of the program needs to be a collaborative effort between government and the private sector. Relevant government ministries will play crucial roles in the following areas:

- Initial screening of proposed projects to determine consistency with the country's development priorities and the absorptive capacity of related public entities;
- Amendments/refinements, where required, of laws and regulations that could disrupt or undermine the implementation and/or impacts of the project(s);
- Guidance and advice on a range of practical issues that will impact on the projects' outcomes – examples include shortlisting of farmers to be included in initial supply chains, technical support to communities involved in the planting of hybrid trees, nominations of effective community groups to be targeted for initial support. In this regard provincial government authorities can provide invaluable local experience and knowledge;
- Garnering of other support services from relevant regional and local organisations for those involved in supply chains;
- Where appropriate, technical and resource support measures for suppliers of agricultural and other inputs to businesses involved in the projects; and
- Involvement in project assessments and evaluations.

From an institutional strengthening perspective, the involvement of representatives from different ministries and an ongoing working relationship with the secretariat will be of substantial value. Ministries will be able to not only monitor the progress of shortlisted projects but also be involved in the various research and consultation processes involved in the shortlisting and documentation of projects submitted for support.

The Solomon Islands Accredited Agency for climate change funds, currently the Ministry of Environment, Climate Change and Disaster Management and Meteorology, would co-chair the Business Resilience Council but the team within SICCI would operate as a secretariat and work under the direction of the Council.

Other members of the Council would include:

- A cross section of local larger businesses and SMEs;
- At least two representatives of commercial credit providers;
- Central Bank of the Solomon Islands;
- The Small Business Enterprise Centre;
- Interested international and business support agencies such as UNDP and Strongim Bisnis;
- Interested local professional service providers (accountants, engineering services, construction, transport);
- Nominated representatives from other government bodies (Ministry of Mines, Energy & Rural Electrification; Ministry of Agriculture and Livestock; Ministry of Provincial Government and Institutional Strengthening; provincial governments and Ministry of Commerce, Industry, Labour and Immigration); and
- A nominated representative from the Forum Secretariat.

The Council would be supported by the secretariat attached to the SICCI. This secretariat should comprise up to three, full-time experienced personnel recruited from the region and locally. Regular oversight of the secretariat would rest with SICCI and it would be report to the Council on a regular basis.

There is a risk that a Council with the broad membership outlined above could become unwieldy and result in cumbersome decision making. The full Council should therefore play an oversight role and focus on higher level issues, resource allocation and sign off. The secretariat would be responsible for day to day management, implementation of projects and dissemination of information through the Council.

7.4 Implementation

The timetable for implementing the strategy is set out in the following table:

Table 4: Strategy Implementation Timetable

Process	Responsibility	Timeframe
Agreement on overall approach and initial implementation.	Relevant ministries and SICCI.	Mid-2020.
Request to relevant agencies/donors for secretariat and Council funding support.	Solomon Islands government with SICCI endorsement.Forum Secretariat support to obtain information on lessons learned from Fiji and Vanuatu experience with implementing a similar approach.	Third quarter 2020.
Recruit first two members of secretariat and development of initial work plan.	Supporting agency, relevant Ministry and SICCI.	Last quarter 2020.
Development of data base of potential collaboration partners.	Secretariat and Council.	Last quarter 2020.
Convene first meeting of Council to agree on work plan and potential projects, including possible PPPs.	Relevant Ministry, SICCI and secretariat.	Last quarter 2020.
Promotion of new Council and agreed work plan within the Solomon Islands.	Relevant Ministry and SICCI.	Last quarter 2020.
Selected projects refined and presented to relevant climate fund Implementing Agencies for consideration.	Secretariat to submit with endorsement of Council. Involved businesses to be consulted.	First quarter 2021.
Agreement reached with Implement-ing Agency on formulation of funding submission(s).	Secretariat to submit with endorsement of Council.	Second quarter 2021.
Finalisation of funding submission(s).	Implementing agencies, proposed in-volved businesses, other contributing parties, provincial government bodies, with support and input from secretariat. Council to sign off on submission(s).	Third quarter 2021.
Initial review of progress to date and expected outcomes.	Council.	Third quarter 2021.
Funding support for one or more projects agreed and signed off. Additional secretariat member recruited and monitoring, and evaluation plan finalised.	Solomon Islands Government, Council.	Last quarter 2021.

Process	Responsibility	Timeframe
Publicity on approved project(s) and more intensive dissemination of climate change information to private sector.	Secretariat and Council.	End of 2021.
Funded project(s) begin implementation.	Secretariat, Council, relevant Ministries, other supporting agencies/parties, involved businesses and any additional teams contracted by implementing agencies.	First half 2023.
First stage of funded projects completed and associated publicity and dissemination of information to the private sector.	Secretariat, Council, relevant Ministries, other supporting agencies/parties, involved businesses.	Second half of 2024.

This is a relatively ambitious implementation timetable, but it does represent a manageable approach that, if properly managed, will encompass strong support from the private sector in the Solomon Islands and maximise the prospects for securing external support for beneficial projects.

Particular attention needs to be given to the initial work of the secretariat in developing a list of relevant agencies and initial contact to establish appropriate working relationships. A priority list of partners would be immediately evident (donors and bilateral/multilateral agencies) but the identification of collaborators in specific areas will be more challenging – these could include technical assistance in different industry sectors, highly experienced business mentors to provide back up to SMEs involved in supported projects, microfinance models for farmers in supply chains, organisations involved in facilitating equity investors on both a commercial and social impact basis and programs designed to strengthen the capabilities of local business service providers.

This initial work would be very important in developing effective linkages across the entire program and would warrant external short-term support to the secretariat. Ongoing coordination of the various activities and effective collaboration with the numerous donors, agencies and organisations will be a daunting task and must be based on an accurate and comprehensive data base and agreements. This, in turn, will result in implementation and operational support that will enhance the beneficial economic, social and private sector development outcomes from the different climate change projects.

8. NEXT STEPS

The recommended strategy provides a blueprint for the SICCI, in conjunction with relevant government agencies, to develop an implementation plan. This plan, once documented and approved, would be used to underpin the first crucial stage – support for the establishment of the proposed Council and secretariat.

The required sequence is as follows:

- Approaches to bilateral and multilateral support agencies for assistance with the recruitment of at least one person to initially staff the secretariat;
- Development of a more detailed work plan and supporting documents – prepared by the secretariat staff member;
- Discussions with, and submissions to, multilateral agencies such as the ADB, IFC and UNDP to seek support for the ongoing operations of the secretariat; and
- Expansion of secretariat, recruitment of the council members and development of a more detailed work plan and drafting of the selected projects that will be submitted to the international climate change funds, probably through the involved multilateral agencies.

These processes are likely to take up to 12 months to complete but by this stage the overall program will be suitable for promotion to the private sector and a range of external organisations.

From this stage onwards, the work plan will evolve, and an adequately staffed secretariat will be able to proceed with a number of tangible climate change related projects.

References

The key references for this report were the websites of the individual international climate funds and various donor and multilateral finance organisations. See Appendix 2 for the websites of the most important funds.

Other references included the following:

Solomon Islands Climate Change and Disaster Risk Finance Assessment, Final Report, Pacific Community, et.al, September 2017.

Finance for Climate Action - A Snapshot of the World Bank Group's Climate Work, World Bank.

Climate Fund Inventory Report to the G20 Climate Finance Study Group prepared by the Organisation for Economic Co-operation and Development, August 2015.

Economics of Adaptation to Climate Change — Synthesis Report, World Bank, November 2015.

Adaptation Finance Gap Report, United Nations Environment Programme, July 2016.

International Financing for Climate Change Adaptation in Small Island Developing States, Australian National University, 2018.

Forum Economic Ministers Meeting and Forum Economic Officials Meeting, 25-27 April 2018, Climate Change Funds Briefing Note.

The Effectiveness of International Climate Finance, OFI, April 2013.

Global Architecture of Climate Finance, World Resources Institute, 2019.

APPENDIX 2

OUTLINE OF CLIMATE CHANGE FUNDS AND PROGRAMMES THAT COULD BECOME INVOLVED IN PROJECTS IN THE SOLOMON ISLANDS

GREEN CLIMATE FUND (GCF)
www.greenclimate.fund

World's largest multilateral climate fund with headquarters in South Korea. Established under the United Nations Framework Convention on Climate Change (UNFCCC) and has projects in developing countries around the world.

The GCF's **Private Sector Facility (PSF)** was established in 2019 to engage both the local and global private sector to support climate change mitigation and adaptation projects in developing economies.

FOCUS, OBJECTIVES AND CRITERIA

PSF seeks to encourage the private sector, including institutional investors, to co-invest in commercially focused climate change projects. PSF can act as a catalyst for funding high impact, transformative and innovative climate projects/activities in developing countries, through:

- Provision of expertise to help assessment of the potential climate benefits of project ideas.
- De-risking the capital investment in relevant projects with different types of long-term funding - debt, equity, guarantees, and grants - to achieve results

There is a special focus on Least Developed Countries, Africa and Small Island Developing States, which includes the Pacific Islands.

The key focus areas are:

- Energy generation and access
- Transport
- Health, food and water security
- Livelihoods of people and communities
- Buildings, cities, industries and appliances
- Forests and land use
- Ecosystems and management
- Infrastructure and built environment.

Involvement in any of the above types of projects needs to be consistent with government priorities.

Preference is given to larger scale projects with systemic and transformative impacts that benefit both the environment and communities. Environmental and social safeguards, as well as gender equality, must be incorporated in supported projects.

FUNDING AND SUPPORT AVAILABLE

There are two levels within the PSF – "mobilising funds at scale" which involves larger projects requiring funding support of up to USD500 million; "micro, small and medium size enterprises (MSMEs) program" with funding support of up to USD200 million.

The latter program offers indirect access to finance for MSMEs involved in innovation and improvements for climate resilience, low-carbon growth and green economies with a special focus on vulnerable states. Funding support varies from project to project but can include start-up equity investment in a new project to leverage other investment, grants for technical assistance or other agreed purposes and/or loans to provide lines of credit for businesses and other entities to develop a project. For example, in a project with a total funding package of USD25 million, the equity investment could be USD15-20 million, with grants of USD5-10 million.

For most projects, the private sector partners are expected to contribute to the costs, with PSF support intended to de-risk the investment in order to encourage investments from involved businesses and to facilitate commercial finance from lenders. The expected contribution from the private sector will take into account the local business environment and capabilities of the involved businesses, as well as the support required

to leverage commercial finance injections. The key requirement is that PSF support triggers private sector involvement and that the project and related businesses become commercially sustainable within an acceptable time frame.

No funds are provided directly to businesses. The PSF will only operate through Accredited Entities (see below) and requires disbursement of the funds through reputable and transparent parties. The accreditation process will take into account the entity's mandate and track record (including at least three years of operation), its proven standards in the management and disbursement of public funds, as well as experience in project management, grant awards and on-lending (loans, equity, guarantees).

APPLICATION AND IMPLEMENTATION PROCESS

For projects in the Solomon Islands, PSF would operate through the following Accredited Entities (AE) with operations in the country - ADB, World Bank/IFC and UNDP, regionally operating AEs include SPREP, SPC, European Investment Bank and JICA. The only country specific AE in the Pacific Islands is the Fiji Development Bank. There are no financial institutions or private sector bodies currently approved as AEs in the Solomon Islands.

In each country, there is a National Designated Authority which provides the interface with the GCF/PSF. In the Solomon Islands this is the Ministry of Environment Climate Change and Disaster Management and Meteorology.

The application process PSF supports, requires a number of stages:

- Development of a project idea that supports the beneficiary country's climate action plans and priorities and securing an AE to work with.
- The AE will engage with the beneficiary country to ensure the idea aligns with the country's needs and priorities.
- Conversion of the idea into a Concept Note (CN) that is supported in writing by the NDA and submission to PSF for feedback.
- The AE prepares and submits a full Funding Proposal, which is a detailed document that may take several months to research and prepare.
- The GCF/PSF and an Independent Technical Advisory Panel reviews the proposal.
- If cleared at this stage, the project proposal goes to the GCF Board for decision

Support from an AE is essential in the preparation of a strong Funding Proposal – all of the relevant criteria need to be satisfied and considerable expertise is required to finalise the fully costed project.

INVOLVEMENT WITH SOLOMON ISLANDS AND PRIVATE SECTOR

As of late 2019, 25 private sector projects have been approved for GCF resources amounting to USD 2.2 billion and mobilising an additional USD 7 billion in co-financing. These projects are expected to reach 47 million beneficiaries in larger developing countries.

Projects in the Pacific Islands have focused to date primarily on enhancing readiness for climate change events and institutional strengthening, including a SPREP supported project involving relevant government ministries in the Solomon Islands. There have been no projects funded by the PSF in the Pacific Islands or the Solomon Islands. In 2019, the GCF and the World Bank signed an agreement to implement the Tina River Hydropower Development Project to help the Solomon Islands transition from diesel-generated to clean, renewable energy. Under this agreement, GCF will transfer USD 86 million in climate financing to the World Bank for this USD 234 million project.

Other notable projects in the Pacific include a total of USD53 million in grants for a renewable energy project in Tonga and improved water supply projects in the Marshall Islands (USD25 million) and Kiribati (USD58 million).

PROSPECTS FOR ACTIVE ENGAGEMENT IN SOLOMON ISLANDS

The GCF/PSF are keen to expand their role in small island states in the Pacific and should be considered a possible source of support. Their portfolio includes a range of projects in the agriculture sector in Asia, Africa and South America that are similar to the needs of the sector in the Solomon Islands. They have also supported numerous renewable energy projects that could be replicated in the local environment.

While there have been no PSF projects in the Pacific region, a properly structured funding proposal with broad impacts may be well received. The established AEs would be the first contact point to discuss a project idea and to then potentially convert this into a more detailed Concept Note.

There is no point in individual businesses directly approaching either the funds themselves or the AEs - even at the project idea stage, general government endorsement is required before proceeding.

Proposed projects would have to satisfy a number of criteria to move beyond the initial vetting stage, including:

- The maximum possible scale of beneficiaries and systemic impacts;
- Adherence to one of the eight priority sectors. While there is no specific mention of agriculture/ agribusiness, most of these projects in the Solomon Islands would satisfy the Livelihoods category;
- A certain level of innovation and for smaller island states this may be incorporating for the first-time, strategies already undertaken in larger countries;
- Some form of cost sharing with participating businesses and this would require the involvement of one or more larger businesses with the resources to do so; and
- A project design that incorporates the leveraging of private funds to maximise the impact of GGF/PSF funds – this could include commercial finance/credit.

ADAPTATION FUND
www.adaptation-fund.org

FOCUS, OBJECTIVES AND CRITERIA

The Adaptation Fund was established to finance concrete adaptation projects and programmes in developing countries that are parties to the Kyoto Protocol and are particularly vulnerable to the adverse effects of climate change. Since 2010, the Adaptation Fund has committed USD 720 million, including supporting 100 concrete adaptation projects with about 8.7 million direct beneficiaries.

Financing for the Adaptation Fund comes mainly from sales of certified emission reductions. The fund also receives contributions from governments, the private sector, and individuals. The Adaptation Fund finances climate adaptation projects in nine sectors:

- Agriculture
- Coastal Zone Management
- Disaster Risk Reduction
- Food Security
- Forests
- Multisector Projects
- Rural Development
- Urban Development
- Water Management

The Fund provides grants through accredited implementing agencies primarily for projects that will improve resilience to climate change events. Grants are not provided directly to businesses. Most grants have been channelled through UN agencies, other relevant multilateral bodies and, in some countries, accredited financial institutions and development banks. Designated authorities in each country are the government bodies that endorse proposals put forward by implementing agencies. In the Solomon Islands, the designated authority is the Ministry of Environment, Climate Change, Disaster Management and Meteorology.

Grant funds are available to assist designated implementing agencies to formulate proposals (up to USD20,000) and to scale up an approved project (up to USD100,000). Grants of up to USD10 million have been allocated for a wide range of projects in developing economies.

Some relevant examples in the Pacific Islands include:

- Fiji - USD4.2 for a project to increase the resilience of informal urban settlements that are highly vulnerable to climate change and disaster risks. This will be achieved through institutional strengthening for enhanced local climate response: local (community/informal settlement) resilience strengthening and by enhancing resilience of community level physical, natural and socio-economic assets and ecosystems. Implementing entity: UN Habitat.
- FSM: USD9 million to enhance the climate change resilience of vulnerable island communities. Implementing entity: SPREP.
- PNG: USD6.5 million to improve adaptative capacity of communities to climate change related floods in coastal and island regions. Implementing entity: UNDP.

APPLICATION AND IMPLEMENTATION PROCESS

Funding applications must come through an accredited implementing entity and be endorsed by the designated authority.

Applications for small sized projects (grants up to USD1 million) need to satisfy the Fund's criteria but are less detailed than for larger projects/[programmes requesting more than USD1 million.

The proposal's format and required details are similar to other large climate change funds and need to include how the project will involve concrete adaptation activities of the project and how these activities contribute to climate resilience: provide economic, social and environmental benefits, with particular reference to the most vulnerable communities, and vulnerable groups, within communities, including gender considerations and describe how the project/programme is consistent with national sustainable development strategies, poverty reduction strategies, sector strategies, national communications, or national adaptation programs of action.

The approval process is taken by the Fund's board but there is an independent evaluation advisory group, accountable to the Board, established to ensure the independent implementation of the Fund's evaluation framework. The framework establishes requirements for how Fund activities should be evaluated in line with international principles, norms, and standards. One of the group's roles is to also review the evaluation framework and provide advice on keeping it updated to conform to the highest international principles, norms, and standards.

INVOLVEMENT WITH SOLOMON ISLANDS AND PRIVATE SECTOR

The Fund has implemented two projects in the Solomon Islands.

The first project is "enhancing urban resilience to climate change impacts and natural disasters in Honiara", a USD4.4 million program implemented by UN Habitat. The overarching goal of this project is to enhance the

resilience of Honiara and its inhabitants to current and future climate impacts and natural disasters, with a particular focus on pro-poor adaptation actions that involve and benefit the most vulnerable communities.
The other is a USD5.5 million project to enhance the resilience of communities in Solomon Islands to the adverse effects of climate change in agriculture and food security.

The project is being implemented by the UNDP to strengthen the ability of communities in the Solomon Islands to make informed decisions and manage likely climate change driven pressures on food production and management systems. This involves pilot community adaptation activities that enhance food security and livelihood resilience in communities on the windward and leeward sides of the main islands and on the artificial islands of Langalanga and Lau lagoons. The project also aims to adjust national and sub-national policies related to governing agriculture to take adaptation into consideration and to foster the generation and diffusion of knowledge on adapting to climate change in a systematic manner at the community and regional levels.
Neither of these projects have a direct private sector role or engagement.

PROSPECTS FOR ACTIVE ENGAGEMENT IN SOLOMON ISLANDS

While there are no grants allocated directly to businesses, there are prospects to secure Adaptation Fund support for agriculture supply chain projects in the Solomon Islands that would directly and indirectly benefit the private sector.

The Fund has, for example, provided a grant of USD9.9 million for a project in St Lucia to build resilience into this country's agriculture sector for livelihoods security through enhanced adaptive capacities for climate change and climate variability. The project objective is to increase the resilience of rural farm communities, increasing farm productivity, water and livelihood security and reducing vulnerability to natural hazards, climate vulnerability and change. This includes improved water security, soil conservation and management as well as establishing green agro-parks, including the use of solar energy, for increased efficiency in resilience farming systems. The implementing entity is the Caribbean Development Bank and the executing entity is the national Ministry of Agriculture.

This type of project is applicable to the environment in the Solomon Islands and may be well received by the Fund. The approach, however, needs to be channelled through the Ministry of Environment, Climate Change, Disaster Management and Meteorology and involve a relevant implementing agency such as the ADB, UNDP or SPREP.

Projects involving the built environment have, to date, focused on disadvantaged communities in urban areas and projects to address the climate change readiness of the private sector are less likely to be supported, unless there is a clear link to improved livelihood opportunities for the urban poor.

Applications for funding need to be detailed and address a wide range of issues. This will require resources and expertise to complete, some of which could be supported by small grants to the interested implementing entity. The project/programme must also be endorsed by the Ministry of Environment, Climate Change, Disaster Management and Meteorology before such resources are organised. Individual businesses would find it very difficult to prepare an accepted funding support proposal.

CLIMATE INVESTMENT FUNDS

www.climateinvestmentfunds.org

Climate Investment Funds (CIF) was established in 2008 and is supported by 14 donor countries which have contributed over USD8 billion. These funds are held in trust by the World Bank. CIF works exclusively through multilateral development banks such as the ADB and World Bank.

FOCUS, OBJECTIVES AND CRITERIA

CIF focuses on scaling up mitigation and adaptation action in developing and middle-income countries. Grants, highly concessional loans, and risk mitigation instruments are provided to recipient countries through multilateral development banks.

A USD1.2 billion Pilot Program for Climate Resilience (PPCR) supports developing countries and regions in building their adaptation and resilience to the impacts of climate change. The PPCR assists governments in integrating climate resilience into strategic development planning across sectors and stakeholder groups. It also provides concessional and grant funding to put the plans into action and pilot innovative public and private sector solutions.

The PPCR invests in some of the world's most vulnerable countries including small island developing states (SIDS). The PPCR has provided USD250 million for nine Caribbean and Pacific island nations - 20 percent of its resources.

CIF has established a Private Sector Set Asides (PSSAs) fund to allocate concessional financing on a competitive basis to projects that engage the private sector in sustainable forestry, climate resilience, and energy access through renewable energy in low income countries. They are designed to spur innovation and flexible delivery of financing.

The set-asides serve a complementary role to country investment plans, which generally favour public funds in these sectors, with their aim to provide the risk-appropriate capital needed to drive private sector investments.

APPLICATION AND IMPLEMENTATION PROCESS

All projects need to go through relevant multilateral development banks – for projects in the Solomon Islands this means either the ADB or World Bank/IFC. These banks are responsible for the preparation of all the required documents.

Decisions on funding programs are taken by relevant committees or sub-committees that comprise representatives of donors and recipient countries. There is consensus decision making, as well as active observer status for private sector and civil society. Preference is given to projects that result in transformative change and that integrate with other related programs. Support is not usually provided to one-off smaller scale projects.

INVOLVEMENT WITH SOLOMON ISLANDS AND PRIVATE SECTOR

A total of USD90 million in grants and near-zero interest loans is supporting Papua New Guinea, Samoa, and Tonga through a regional climate resilience program comprised of individual country plans and a regional track. It includes developing country and sector-specific tools for mainstreaming adaptation and risk reduction measures into development to be shared throughout the region. Another USD30 million is supporting renewable energy development in the Solomon Islands and Vanuatu. There is also a regional project to assess solar and wind capacity across 10 Pacific island countries and provide technical assistance to enable wide-spread adoption of renewable energy solutions. The program in the Solomon Islands involves a budget of USD14 million for installing 60 mini-grids in rural villages using hydropower, biofuel, and solar PV. Also to be financed are grid extensions to displace fossil fuel generation for an estimated 3,000 households and helping to strengthen power system

planning, develop 2 MW of utility-scale solar PV and launch a fee-for-service model for household solar systems in rural areas.

PROSPECTS FOR ACTIVE ENGAGEMENT IN SOLOMON ISLANDS

CIF is already engaged in the Solomon Islands and there may be scope for further support in projects involving clean technologies, climate resilience and energy access. The preference is for larger scale projects with broad impacts and that complement other country development plans and programs.

Projects in the agriculture sector focused on climate resilience could be supported. CIF supported, for example, an agriculture project in Tajikistan with a USD5 million allocation to a reputable development bank to provide concessional loans to farmers for adaptation and improved climate change resilience.

The difference with CIF projects is their operation through bodies such as the ADB and World Bank/IFC and any requests need to go through the local offices of either organisation. Projects that could be considered therefore need to be also consistent with their priorities and plans and also be endorsed by the Solomon Islands Government. Small scale projects involving a limited number of beneficiaries and restricted impact are unlikely to be supported.

The prospects for approved funding support will be increased if the project also encourages private sector investments and involves finance from commercial lenders.

PACIFIC RISK RESILIENCE PROGRAMME

www.pacific.undp.org/content/pacific/en/home/projects/PRRP.html
Managed by UNDP: sustainabledevelopment.un.org

FOCUS, OBJECTIVES AND CRITERIA

The USD16 million Pacific Risk Reduction Programme (PRRP) is being delivered through a partnership between the Australian Government's Department for Foreign Affairs and Trade (DFAT), the United Nations Development Programme, international NGOs Live and Learn Environmental Education and the Mainstreaming of Rural Development Initiative (MORDI). PRRP focuses on helping to build the national and regional risk governance enabling environment to improve the resilience of Pacific communities. It is being delivered in four Pacific island countries - Solomon Islands, Vanuatu, Tonga and Fiji.

PRRP places less emphasis on technical aspects of service delivery and more on bringing risk governance initiatives directly into the mainstream of sustainable development by supporting change in systems and institutions as well as in the behaviour and capacity of individuals.

It will help enhance risk management capacities through targeted training which introduces new ideas and methods of doing things, quality and timely technical and policy support and effective networking through strong partnerships and relationships, and providing access to good practices and lessons learned. PRRP is a partnerships-based programme and has already encouraged participation and ownership from governments and civil society groups, as well as partnerships with a range of regional and international agencies. These include Live and Learn Environmental Education, MORDI, and the Governments of Solomon Islands, Vanuatu, Tonga and Fiji

APPLICATION AND IMPLEMENTATION PROCESS

The Program works directly with governments and NGOs and this relationship is the source of potential projects. There is no formal application process – projects tend to evolve from the support provided to governments and NGOs. The implementation process for projects involves either direct technical support to government agencies or the partner NGOs.

INVOLVEMENT WITH SOLOMON ISLANDS AND PRIVATE SECTOR

PRRP has been working closely with the Solomon Islands government for some time but the focus has been on strengthening government bodies and NGOs. A current project is "Provincial Climate Change Resilience Building Programme" which involves direct assistance for provincial governance.

The PRRP has also provided assistance for the establishment of the Fiji Business Disaster Resilience Council and the Vanuatu Climate Adaptation Network. In conjunction with MORDI, funding support has been allocated to agriculture projects in Fiji, including risk mapping for subsistence farmers, improved access to cocoa and copra driers and relocation of growing plots to more weather resistant locations.

PROSPECTS FOR ACTIVE ENGAGEMENT IN SOLOMON ISLANDS

While the focus is likely to remain on institutional strengthening projects, there is scope for PRRP projects that involve the private sector in the Solomon Islands. The practical agriculture related projects noted above, are examples of the types of projects that could be supported.

Approaches for support could be directed through relevant Solomon Island Government agencies and through NGOs already working with the UNDP, including MORDI in Fiji.

THE GLOBAL FACILITY FOR DISASTER REDUCTION AND RECOVERY (GFDRR)

www.gfdrr.org

Incorporating the Small Island States Resilience Initiative.

FOCUS, OBJECTIVES AND CRITERIA

GFDRR is a global partnership that helps developing countries better understand and reduce their vulnerability to natural hazards and climate change. It is a grant-funding mechanism, managed by the World Bank, that supports disaster risk management projects worldwide. It works on the ground with over 400 local, national, regional, and international partners to provide knowledge, funding, and technical assistance.

Since its creation in 2006, GFDRR has helped leverage over USD20 billion of investment for disaster and climate resilience operations from the World Bank alone, and over USD2 billion from other development partners.

GFDRR finances activities that are expected to have the most impact and therefore provides technical and/or financial assistance to leverage additional investment for resilience building. This includes mobilising resources from national governments or development partners, enabling development investment by directly supporting the design/ or implementation of a project, and, co-financing projects with other development partners to increase the scale of interventions, which often lead to domestic investment and policy change.

Through its **Small Island States Resilience Initiative (SISRI)**, GFDRR is helping small island states build larger pipelines of resilient investments to withstand the impacts of climate change-from safeguarding coastal areas to building safety nets that support citizens after disaster strikes and enhancing their adaptive capacity. SISRI activities are supported by the European Commission, Japan and Luxembourg.

SISRI's work in small island states has three main strategic areas:

Efficient Investment Flows

SISRI is helping small island states to scale up and consolidate their resilience investments, moving away from fragmented small projects towards national initiatives that deliver results at scale.

Technical and Operational Support

SISRI provides on-the-ground technical and operational support by drawing on an expanded GFDRR and World Bank team in a wide range of areas including flood and landslide risk assessment, safer infrastructure, and social and financial safety nets. This helps island nations address project bottlenecks and implement new investments. For example, SISRI is helping the Marshall Islands to safeguard vulnerable coastal zones through optimally combining "gray" coastal defense structures, such as seawalls, with "green" interventions, such as mangrove restoration.

Knowledge Exchange

Through its Practitioners' Network, SISRI is bringing leading practitioners from small island nations to share knowledge and experience on building resilience.

APPLICATION AND IMPLEMENTATION PROCESS

SISRI projects are usually based on identified needs in the benefiting country and through the programs implemented by its partners. particularly the World Bank and IFC. Implementation is also usually managed by the key partners who are responsible for design, planning and coordination.

INVOLVEMENT WITH SOLOMON ISLANDS AND PRIVATE SECTOR

To date, there has been no private sector focussed SISRI projects undertaken specifically in the Solomon Islands. Projects involving businesses have been undertaken in other economies, but these have usually involved larger companies that can generate the expected broad impacts and help mobilise other private finance and/or investments.

The focus of the SISRI will likely remain on projects that promote institutional strengthening and dissemination of information. In Fiji, for example, SISRI supported a "ground-breaking" assessment which quantified the impacts of climate change, as well as a virtual reality film which communicated these impacts to a global audience.

PROSPECTS FOR ACTIVE ENGAGEMENT IN SOLOMON ISLANDS

SISRI could have a role to play in the Solomon Islands but there is limited scope for direct assistance to any individual business. The main support area would be technical assistance and support to help manage and coordinate climate change related projects in order to maximise impacts and positive outcomes.

SISRI resources and support would normally be coordinated by the World Bank/IFC which would be best positioned to organise appropriate technical and/or financial support, as well as government endorsement.

DISASTER RESILIENCE FOR PACIFIC SMALL ISLAND STATES

www.pacific.undp.org/content/pacific/en/home/projects/respac-project.html

Managed by the UNDP with Russian funding support.

FOCUS, OBJECTIVES AND CRITERIA

Program operates through partner agencies/organisations, including the Secretariat of the Pacific (SPC) GeoScience Division; SPREP; University of the South Pacific; Pacific Meteorology Council and UN Agencies.

Prospective Russian partner agencies include the National Emergency Management Centre (EMERCOM) and the Russian Federation Service for Hydro-Meteorology and Environmental Monitoring (ROSHYDROMET).

The key objectives are to strengthen climate early warning systems and climate monitoring capacity, enhance preparedness and planning mechanisms and tools to manage disaster recovery processes, and increase the use of financial instruments to manage and share disaster related risk and fund post-disaster recovery efforts. Through the partnership agreements and deployment of experts, short and long-term (1-2 months) capacity building exercises are provided, tailored to the needs of the countries, including accreditation of some assisted training courses.

Equipment and related technology (including specialised and tailored software) will be invested in certain highly vulnerable countries to be sustainably managed by the countries thereafter.

APPLICATION AND IMPLEMENTATION PROCESS

All support projects are arranged and managed by the program partners and relevant UN agencies. These projects need to be consistent with government priorities and be endorsed as a priority. There is no standard application process and implementation is handled by the relevant partners.

INVOLVEMENT WITH SOLOMON ISLANDS AND PRIVATE SECTOR

There has been limited involvement in the Solomon Islands and there is no direct relationship with the private sector. The program funded the feasibility study on a climate change related insurance scheme in the Pacific that is expected to be implemented in the Solomon Islands by the UNDP.

PROSPECTS FOR ACTIVE ENGAGEMENT IN SOLOMON ISLANDS

The program focuses on the Pacific Islands and supports projects in the Solomon Islands would be favourably considered.

The benefits to the private sector of such projects are more likely to be indirect and flow from:

- Improved capacities in government institutions or other agencies involved in climate change related projects; and
- Support for finance programs that will make the private sector more resilient to climate change impacts.

PACIFIC INSURANCE AND CLIMATE ADAPTATION PROGRAMME (PICAP)

climate-insurance.org/projects/pacific-insurance-and-climate-adaptation-programme-picap/

Supported by the Munich Climate Insurance Initiative and the Pacific Financial Inclusion Programme, with financial support from several donors.

FOCUS, OBJECTIVES AND CRITERIA

Based on the results of a scoping study in 2019, the Pacific Insurance and Climate Adaptation Programme (PICAP) was created in order to respond to the growing needs for financing solutions for natural catastrophes in the region.

PICAP is a regional climate risk adaptation, finance, and insurance facility targeting low and middle-income Pacific households, small and medium enterprises, co-operatives and national governments. This new programme will design and develop a "Macro to Micro" insurance scheme, marked-based insurance solutions for enterprises, as well as insurance solutions that will cover vulnerable individuals with payouts (government will act as the policy holder). Digital solutions would be used for distribution and to ensure delivery to all individuals.

APPLICATION AND IMPLEMENTATION PROCESS

The programme will be tailored to the conditions in each country and may be finalised in the Solomon Islands in 2021. The delivery mechanisms are still to be finalised and once these are in place, applications for insurance can be lodged.

INVOLVEMENT WITH SOLOMON ISLANDS AND PRIVATE SECTOR

The project will be established by Pacific Financial Inclusion Programme (PFIP), a Pacific-wide programme that has helped over two million Pacific islanders gain access to financial services and financial education.

It is jointly administered by the UN Capital Development Fund (UNCDF) and the UNDP and receives funding from the Australian Government, the European Union and the New Zealand Government. PFIP operates from the UNDP Pacific Office in Suva and has projects in Fiji, Kiribati, Papua New Guinea, Samoa, Tonga, Vanuatu and the Solomon Islands

PROSPECTS FOR ACTIVE ENEGAGMENT IN SOLOMON ISLANDS

This project, once fully established, will provide affordable and appropriate insurance for micro, small and medium size businesses in the Solomon Islands. The final delivery mechanism is still to be determined.

AUSTRALIA PACIFIC CLIMATE PARTNERSHIP

www.apclimatepartnership.com.au

Funded by the Australian Aid program. Management contractor - Palladium

FOCUS, OBJECTIVES AND CRITERIA

The Partnership addresses gaps in climate information services, governance, gender and social inclusion and boosts technical capacity in Australian aid projects.

In 2016, Australia announced a climate change and disaster support package to the Pacific of AUD300 million over four years. This is part of Australia's 2015 Paris global climate change pledge of AUD1 billion over five years. Included in the project is a Support Unit that provides advice to DFAT program managers and implementing partners to address disaster risks and deliver climate informed outcomes across all sectors of the aid program in the Pacific, from design to procurement, implementation and evaluation.

The team provides responsive and flexible specialist expertise and resources in climate resilience and information brokering, multi-hazard risk reduction, and gender and social inclusion.

The Support Unit works with Australian diplomatic posts and implementation partners in the Pacific to:

- Link all Australian climate change action in the Pacific and coordinate with other country and regional initiatives;
- Take an all hazards approach, integrating climate and geohazards across all aid investments and sectors;
- Commission targeted analysis to address critical knowledge gaps and other barriers;
- Apply a gender and socially inclusive approach in all Australian climate change action; and
- Work with science agencies to tailor and broker climate and disaster information.

APPLICATION AND IMPLEMENTATION PROCESS

There are no relevant application processes – the Partnership has been designed to ensure that the impacts of climate change are taken into account in all projects supported under the Australian aid program. Therefore, involvement of the Partnership flows on from projects that are designed under the Australian aid program or that are undertaken in conjunction with other partners.

INVOLVEMENT WITH SOLOMON ISLANDS AND PRIVATE SECTOR

Partnership projects in the Solomon Islands include:

- Reconstruction of Gizo Market which has been designed to withstand wind speeds of a Category 5 cyclone and resist sea level rises, with the market site raised above 2055 sea level rise projections; and
- Co-funding of the Tina River Hydropower project.

Other projects in the Pacific include:

- The Vanuatu Skills Partnership to build the skills ni-Vanuatu need to adapt to climate change and move towards clean, affordable low carbon growth in tourism, agribusiness, handicraft and construction sectors;
- The Papua New Guinea-Australia Transport Sector Support Program is working with Government of PNG agencies, collaborating with multilateral partners and supporting local road contractors to build climate resilient roads, bridges and wharves; and
- Through the Kiribati Education Improvement Program, Australia is working with the Ministry of Education to ensure school facilities have raised floors and optional protective seawalls to reduce future coastal flooding. The facilities provide a light and naturally ventilated learning environment, with disability access, and are built with regionally sourced sustainable materials.

PROSPECTS FOR ACTIVE ENGAGEMENT IN SOLOMON ISLANDS

The Partnership is already engaged in the Solomon Islands and could be a funding source for relevant projects that directly and indirectly benefit the private sector.

It should be noted that a direct approach to the managing contractor (Palladium) or the Australian High Commission in Honiara for support under the Partnership is unlikely to be successful. The Partnership provides support to broader or larger projects that are funded by the Australian and/or other donor programs.

Possible projects with direct involvement with the private sector in the Solomon Islands would be most appropriately channelled through the Strongim Bisnis program which is another Australian supported entity. Strongim Bisnis has an office in Honiara.

PACIFIC RIDGE TO REEF (R2R)

www.pacific-r2r.org

FOCUS, OBJECTIVES AND CRITERIA

R2R is a Global Environment Facility (GEF) test case involving multiple regional and national agencies in Pacific small island developing states that support and address national priorities and development needs, while delivering global environmental benefits in line with GEF focal area strategies.

Its focus is government and agency planning to achieve better outcomes for the environment and to improve resilience to climate events.

The overall objective of this program is to maintain and enhance Pacific Island countries' ecosystem through integrated approaches to land, water, forest, biodiversity and coastal resource management that contribute to poverty reduction, sustainable livelihoods and climate resilience.

It is a multi-agency initiative involving the United Nations Development Programme (UNDP), the United Nations Food and Agriculture Organization (FAO), and the United Nations Environment Programme (UNEP) as GEF implementing agencies.

APPLICATION AND IMPLEMENTATION PROCESS

R2R projects are approved by a regional programme coordination group that comprise UN agencies and GEF.
A coordination unit is hosted by the Pacific Community's Geoscience Division based in Fiji and is responsible for assessing requests from governments in the region and for implementation.

INVOLVEMENT WITH SOLOMON ISLANDS AND PRIVATE SECTOR

R2R's focus in the Solomon Islands has been on the forestry sector. A current project aims to improve the management of forests by integrating biodiversity conservation, land degradation, sustainable forest management and climate change issues into policymaking at the national level.

It also includes the development of livelihood activities of local communities living in and around forests.
The project's activities target existing and new protected areas - 140,000ha and 100,000ha respectively. An important element of the project is capacity building and institutional development at the national level.

PROSPECTS FOR ACTIVE ENGAGEMENT IN SOLOMON ISLANDS

R2R does not work directly with the private sector and is unlikely to change its focus on climate change government planning and institutional strengthening at the national and provincial level. It does, however, provide support livelihoods development for communities associated with forestry.

There may be indirect flow on benefits to businesses with supply chains that include the protected land areas – support may be provided to small scale suppliers who can improve their incomes. R2R will not consider this as the first priority within a project and there is little point in making direct contact with the coordinating unit in Fiji.

One possible project in the Solomon Islands would be utilisation of cleared forest areas for new plantations, cultivation or inter-cropping with new plantations of coconut trees or similar. Such projects would need to satisfy stringent environmental assessments but could be consistent with the important livelihood development objective. An approach for funding support would need to be channelled through the Solomon Islands Government.

GLOBAL ENVIRONMENT FUND

www.globalenvironmentfund.com

FOCUS, OBJECTIVES AND CRITERIA

The Global Environment Facility (GEF) is an independently operating financial organisation and provides grants for projects related to biodiversity, climate change, international waters, land degradation, the ozone layer, sustainable forest management, food security and sustainable cities. It also undertakes equity investments in large businesses engaged in climate change related projects.

GEF works with 183 countries in partnership with international institutions, civil society organisations (CSOs), and the private sector to address global environmental issues, while supporting national sustainable development initiatives.

Since 1992, the GEF has provided over USD17 billion in grants and mobilised an additional USD88 billion in financing for more than 4,000 projects in 170 countries. Through its Small Grants Programme, the GEF has invested USD450million and leveraged similar levels of co-financing supporting over 14,500 community-based projects in 125 countries.

Approved agencies are the operational arm of the GEF. They work closely with project proponents — government agencies, civil society organisations and other stakeholders — to design, develop and implement GEF-funded projects and programs. These agencies include United Nations Development Programme, United Nations Environment Programme, World Bank, Food and Agriculture Organisation, United Nations Industrial Development Organization, Conservation International and the Asian Development Bank.

Key equity investments in businesses focus on larger enterprises and seek to maximise other private sector investments in projects with recognised environmental benefits.

GEF has also been entrusted to operate the Special Climate Change Fund (SCCF) which finances projects relating to:
Adaptation, technology transfer and capacity building;
Energy, transport, industry, agriculture, forestry and waste management; and
Economic diversification.

APPLICATION AND IMPLEMENTATION PROCESS

Equity investments are generated by both partner companies and other large businesses. Such investments are subject to the usual and stringent assessments and due diligence processes associated with such investments. Implementation is undertaken on an essentially commercial basis.

Smaller grants are channelled through governments, partner agencies and partner NOGs. GEF has a detailed assessment process that involves extensive reviews by a special evaluation body and potential projects are reviewed by a broad group of Fund partners.

Implementation of these smaller projects is the responsibility of the relevant partner, usually in conjunction with the host country government.

INVOLVEMENT WITH SOLOMON ISLANDS AND PRIVATE SECTOR

To date there have been no GEF projects in the Solomon Islands. Projects in other Pacific Island countries include a four-year UN Environment Fund and GEF project to remove major barriers to the widespread and cost-effective use of grid-based renewable energy supply and energy conservation measures in Tuvalu, Niue and Nauru. This project is part of the GEF Pacific Alliance for Sustainability Program and is executed by the International Union for Conservation of Nature-Oceania.

A similar GEF-funded low carbon energy island project operates in the Maldives. The project aims to strengthen the building sector to address energy efficiency issues and promote expansion of investment in energy efficiency technologies/design in the housing, public and tourism building sub-sectors. It is being executed by the Ministry of Environment and Energy of Maldives.

PROSPECTS FOR ACTIVE ENGAGEMENT IN SOLOMON ISLANDS

GEF is unlikely to become involved in equity investments in the Solomon Islands. These investments require large scale ventures that will offer a good return to all investors, including the large core investor.

There is, nonetheless, scope for GEF support for climate change related projects in the Solomon Islands. These would need to be relatively large projects with broad impacts and with a strong case for longer term sustainability. The logic pathway to explore the prospects for GEF funding would be through the relevant United Nations organisations, the World Bank, Conservation International or the Asian Development Bank. These partners would be in the best position to provide feedback on the prospects for proposed projects, to undertake the required research and to prepare the detailed submission. Endorsement by the Solomon Islands Government would be a crucial first step in this process.

UN ENVIRONMENT PROGRAMME (UNEP)

www.unenvironment.org

A United Nations organisation headquartered in Kenya.

FOCUS, OBJECTIVES AND CRITERIA

The UN Environment Programme (UNEP) adopted a Private Sector Engagement Strategy in October 2019. This strategy guides UNEP's engagement with the private sector to contribute to sustained transformative changes and innovations.

The Programme's objectives are:

- To generate smart policies to protect the environment while enabling businesses by providing scientific knowledge and data tailored to meet the needs of the private sector;
- To promote value chain and sector collaboration and joint ventures that are driven by the urgency to transform entire industries and sectors, helping private sector entities redesign their operations and business models;
- The sharing of best practices, accelerating innovations and targeted advocacy to promote wide cultural change amongst producers and consumers; and
- To collaborate with the financial sector to co-finance, re-direct financial flows and catalyse investments into solutions for climate, environment and underserved markets.

The Programme's climate finance-related projects with governments are focused on supporting developing countries to access climate finance (directly and through accredited entities) from the Green Climate Fund (GCF), the Global Environment Facility (GEF), and the Adaptation Fund (AF), as well as through other bilateral or multilateral public sources.

APPLICATION AND IMPLEMENTATION PROCESS

Potential projects for UNEP support are usually generated by other UN agencies, governments and/or other organisations such as GEF. There is no mechanism for businesses or other interested parties to submit project proposals.

Implementation of approved projects is designated to other UN organisations, specialist agencies, other climate change related funds or approved government ministries. The assessment process usually involves dialogue with the private sector but there is only rarely direct business involvement.

INVOLVEMENT WITH SOLOMON ISLANDS AND PRIVATE SECTOR

There have been no UNEP projects in the Solomon Islands involving direct impacts on the private sector.
In conjunction with GEF, the UNEP has implemented a four-year project to remove major barriers to the widespread and cost-effective use of grid-based renewable energy supply and energy conservation measures in Tuvalu, Niue and Nauru. This project is part of the GEF Pacific Alliance for Sustainability Program and is executed by the International Union for Conservation of Nature-Oceania.

An example of a UNEP project with indirect benefits to the private sector was the world's first voluntary standard for rice sustainability. This project was co-convened by the International Rice Research Institute (IRRI) and recommended over 40 guidelines in rice cultivation covering farm management, water use, pest management, nutrient management, harvest and postharvest practices. With nearly 100 partner institutions in 24 countries, the project reached almost 700,000 farmers.

PROSPECTS FOR ACTIVE ENEGAGMENT IN SOLOMON ISLANDS

The UNEP is unlikely to engage directly with the private sector for future projects in the Solomon Islands. The usual channels for both identifying and implementing projects do not involve the private sector. There are, however, opportunities for the Programme to become involved in projects that improve supply chains for agriculture-based ventures and in renewable energy related activities.

The shortlisting of potential projects would rely on nominations from other UN agencies, including the UNDP, or international agencies and research institutes. The organisations would be in the best position to provide feedback on the prospects for proposed projects, to undertake the required background research and to prepare a request for support. Endorsement by the Solomon Islands Government would be a crucial first step in the process.

PACIFIC CLIMATE CHANGE CENTRE/ SPREP

www.sprep.org

FOCUS, OBJECTIVES AND CRITERIA

SPREP is the regional organisation established by the governments of the Pacific charged with protecting and managing the environment and natural resources of the region.

The head office is based in Apia, Samoa with about 100 staff. There is also a SPREP Office in Fiji with four staff as well as SPREP officers stationed in the Solomon Islands, Federated States of Micronesia, Republic of the Marshall Islands and Vanuatu. SPREP has an annual budget of around USD30 million.

The Pacific Climate Change Centre (PCCC) is the regional centre of excellence for climate change information, research and innovation, hosted at SPREP. The Centre is a commitment of the Pacific Islands by the Government of Japan, which supports regional efforts for tackling climate change in the Pacific.

The Pacific Climate Change Centre's key objectives are to:

- Deliver capacity development programmes in adaptation, mitigation, climate services and project development;
- Improve the flow of practical information between met services, climate practitioners, policy makers, researchers, scientists and those implementing policies, programmes and projects;
- Provide space for visiting researchers and experts to work from the PCCC and work directly in providing support to and for the benefit of Pacific Island countries; and
- Bring together partners to find innovative solutions to the challenges that climate change presents.

The PCCC delivers its functions through knowledge brokerage, applied research training and learning, as well as fostering innovation and promoting the development of new climate services and products.

APPLICATION AND IMPLEMENTATION PROCESS

Because SPREP is primarily a research and coordination body, it implements projects that form part of its determined work plans.

There are no SPREP projects that work directly with the private sector but as a respected research and knowledge centre, it can be a useful referral party for climate change related projects.

INVOLVEMENT WITH SOLOMON ISLANDS AND PRIVATE SECTOR

SPREP has a representative based in the Solomon Islands and several of their projects have included research and support to a range of Pacific Island countries, including the Solomon Islands.

PROSPECTS FOR ACTIVE ENGAGEMENT IN SOLOMON ISLANDS

SPREP is highly unlikely to initiate climate change related projects in the Solomon Islands that have a direct impact on the private sector.

It is, however, an accredited entity for the Green Climate Fund and could be a useful ally in relation to initial vetting of proposed projects and/or assessing the relevance and viability of proposed climate change mitigation projects. As an accredited entity, it has credibility with international agencies and SPREP should be considered as a potential advisory, vetting or supporting partner.

WORLD BANK, INTERNATIONAL FINANCE CORPORATION

www.ifc.org

The International Finance Corporation (IFC) is a sister organisation to the World Bank and focuses on private sector development.

FOCUS, OBJECTIVES AND CRITERIA

The World Bank has mobilised over USD140m for climate change adaptation and disaster risk management in the Pacific. World Bank support in the Pacific includes investments in disaster and climate risk assessments, and for risk reduction across a range of areas including community driven development, water and coastal management, transport and agriculture.

Examples of World Bank projects in the region include:

- In Samoa - a project to “climate proof” key transport infrastructure and work with the UN to build the resilience of coastal communities;
- In Vanuatu - a partnering with the European Union to encourage farmers to introduce climate resilient livestock and crops and implementing disaster risk management programs in some 35 communities;
- In Kiribati - a broad project in conjunction with the Global Environment Fund (GEF), Australia and New Zealand, an adaptation project to help improve water management It is also working with communities to build seawalls and has planted over 37,000 mangroves to protect coastlines; and
- In conjunction with Japan the introduction of a pilot risk insurance scheme for six countries to provide immediate financial support following disasters.

The IFC is closely involved with several large climate change funds including GFC and GEF. It plays a significant technical support role in projects that involve the private sector and mobilisation of finance.

For example, both the World Bank and the IFC assisted Fiji to develop and launch a sovereign green bond. The first tranche of the bond, which floated around USD20 million, drew unprecedented demand from investors and was oversubscribed by more than double that amount. The bond aims to raise a total of the equivalent of USD50 million to support climate change mitigation and adaption.

Likely projects to be financed with proceeds from the green bond include investments in crop resilience, flood management in sugarcane fields, reforestation, and rebuilding schools to better withstand violent weather. The bond has helped Fiji create a new way to mobilise finance for development and to provide a market for private sector capital seeking investment opportunities that support climate resilience and adaptation.

The IFC-Canada Climate Change Program, established in 2011, is a partnership between the Government of Canada and IFC to promote private sector financing for clean energy projects, through the use of concessional funds to catalyse investments in renewable, low-carbon technologies that would not otherwise happen.

The program's funds, invested at concessional terms, are blended alongside IFC's own funds to enable climate change investments that would not otherwise happen, due to market barriers preventing sponsors or other financiers from making those investments, and aims at demonstrating the viability of similar projects that can later be financed on fully commercial terms.

A portion of the program funds is also used to fund advisory services work to build local capacity, fill information gaps in the market, and enable countries to adopt regulatory and business environments that encourage the private sector to invest in renewable energy, energy efficiency, and cleaner technologies.

APPLICATION AND IMPLEMENTATION PROCESS

The World Bank and IFC develop project work plans in conjunction with the governments of the Pacific and with other international development assistance agencies, as well as climate funds. There is no application process for projects that will assist the private sector – the flow on benefits to MSMEs is an important consideration but this is usually not the key factor that initiates projects. Following extensive consultation and project design phases, projects are implemented in conjunction with a range of organisations – technical specialists, international organisations, contractors and, where appropriate, NGOs. Host governments are involved throughout all of these processes.

INVOLVEMENT WITH SOLOMON ISLANDS AND PRIVATE SECTOR

The World Bank/IFC have a permanent presence in the Solomon Islands and have undertaken numerous projects. IFC's advisory work in Solomon Islands is supported by the Pacific Partnership, through which Australia, New Zealand and IFC work to stimulate the private sector and reduce poverty.

Examples of IFC's involvement in the Solomon Islands includes:

- As transaction adviser for the government on the Tina River Hydropower Project;
- Investments in National Fisheries Development;
- Investments in SolTuna – which marked IFC's first investment in wild-catch fisheries in 15 years; and
- Creation of an investment ready shortlist of land for developing tourism in the Western Province in coordination with the private sector and other donors

IFC's biggest impact is not its own account financing, but its ability to mobilise external capital to climate sectors. Major financial institutions have expressed interest for the IFC to share its financial instruments and structures to help reduce country or perceived technology and project risk, unlocking investments and enabling them to invest at scale.

Therefore, the IFC will:

- Create products that attract larger institutional sources of capital through aggregation and securitisation;
- Create de-risking vehicles that use blended finance to catalyse new external investment; and
- Mobilise capital through public-private partnerships (PPPs).

PROSPECTS FOR ACTIVE ENGAGEMENT IN SOLOMON ISLANDS

Because both the World Bank and IFC are already actively involved in the Pacific Islands and are committed to climate change readiness projects, there are likely to be future projects in the Solomon Islands.

The IFC is most likely to become engaged in projects that involve directly or indirectly the private sector, but these projects would usually be large scale and involve large businesses as active participants. SMEs should not approach the IFC directly for assistance; funded projects need to have broad impacts and be endorsed by the Solomon Islands Government.

NEW ZEALAND AID PROGRAMME

www.mfat.govt.nz/en/environment/climate-change/

FOCUS, OBJECTIVES AND CRITERIA

The New Zealand Government is engaged in climate change related projects in the Pacific Islands. A dedicated NZD150 million practical package of support includes:

- Providing infrastructure such as water tanks, along with better tools and training to manage droughts, floods and coastal inundation;
- Further climate hazard mapping and risk planning;
- Customised climate information that will support priority sectors such as agriculture, tourism, health and infrastructure;
- More projects to get rid of invasive species that threaten food security. This will boost the resilience of key crops that are also vulnerable to increasingly unpredictable weather driven by climate change; and
- Improving access to international climate finance through technical assistance.

APPLICATION AND IMPLEMENTATION PROCESS

The NZ aid programme in the Pacific operates on both a regional and individual country basis. The former involves cooperation with other international agencies involved in climate change projects, while the latter reflects the agreed priorities in the particular country.

There are no application processes for individual businesses seeking support for climate change projects. SMEs seeking support for particular projects could approach the NZ High Commission in Honiara, but this is unlikely to be successful unless the project is consistent with the already agreed country strategy.

INVOLVEMENT WITH SOLOMON ISLANDS AND PRIVATE SECTOR

NZ prioritises climate-related support to projects where climate outcomes are a co-benefit to achieving sustainable development objectives – including stronger and more resilient infrastructure and strengthening disaster preparedness. Support is also provided to low-carbon economic growth through improved access to clean, efficient and affordable energy.

There is usually very limited direct involvement of SMEs in climate change projects. The priorities of NZ's aid programme can be seen from the following examples of projects in the Pacific Islands:

- Solar generation plant in Nauru ($NZD4 million);
- Electricity Roadmap to decarbonise the sector in the Marshall Islands;
- Pacific Climate Change Centre in Samoa (NZD3.5 million);
- Climate hazard mapping and risk planning across the Pacific (NZD5 million); and
- Increasing renewable energy generation in Niue.

PROSPECTS FOR ACTIVE ENGAGEMENT IN SOLOMON ISLANDS

The NZ aid programme remains committed to supporting the Solomon Islands and is already actively involved in climate change related projects.

The usual means for identifying and implementing projects do not involve the private sector. There are, however, opportunities for the NZ aid programme to become involved in projects that improve supply chains for agriculture-based ventures and in renewable energy related activities.

PACIFIC CLIMATE CHANGE AND INFRASTRUCTURE PROGRAMMES/ADB

www.adb.org

FOCUS, OBJECTIVES AND CRITERIA

ADB focuses on three strategic areas in the energy sector in the Pacific:

- developing indigenous and renewable energy resources to reduce reliance on imported fuels;
- improving efficiency of electricity generation and end use; and
- expanding access to electricity.

The ADB's activities in the region include supporting transition to renewable energy by:

- piloting and upscaling cost-effective renewable energy technologies (such as small-scale hydropower, grid-connected solar power, indigenous biofuels, and wind power);
- supporting energy efficiency to encourage significant potential for fuel savings;
- rehabilitating existing infrastructure to achieve supply side efficiency at least cost; and
- developing the private sector to help overcome government constraints relating to limited capital and technical capacity.

The ADB also manages the Australian Government funded Australian Infrastructure Financing Facility for the Pacific (AIFFP) which invests in high priority infrastructure in the region. AIFFP offers both grant and loan financing for government and private sector projects. All infrastructure supported through the AIFFP will be built to withstand the impacts of climate change and natural disasters.

INVOLVEMENT WITH SOLOMON ISLANDS AND PRIVATE SECTOR

The various projects underway in the Pacific and the Solomon Islands include the following:

- promoting energy efficiency in the Cook Islands, PNG, Samoa, Tonga, and Vanuatu to harness opportunities for improving supply and demand-side energy efficiency and to enhance energy security;
- promoting access to renewable energy in PNG, Solomon Islands, and Vanuatu to help develop sustainable, safe, reliable, and affordable energy sources;
- upscaling renewable energy technologies in the Cook Islands, the Marshall Islands, the Federated States of Micronesia, Timor-Leste, and Tonga to support the development of priority renewable energy projects;
- providing access to sustainable electricity supply and better delivery of electricity services to poor households in the Marshall Islands through prepayment meters, distribution grid improvements, and coconut diesel replacement; and
- helping upgrade the transmission and distribution grids in Port Moresby to improve the efficiency of power delivery and expand service to low-income households.

APPLICATION AND IMPLEMENTATION PROCESS

The ADB develops project work plans in conjunction with the governments of the Pacific and with other international development assistance agencies, as well as climate funds. There is no formal application process for projects that will directly assist the private sector.

Following extensive consultation and detailed project design phases, projects are implemented in conjunction with a range of partners/contractors – technical specialists, international organisations/partners, contractors and, where appropriate, NGOs. Host governments need to endorse projects and are involved throughout all of the processes.

PROSPECTS FOR ACTIVE ENGAGEMENT IN SOLOMON ISLANDS

The ADB is actively involved in the Pacific Islands and committed to climate change readiness projects. Additional projects are possible but a pending commitment for a grant/loan package in response to the Covid-19 pandemic may reduce the pool of available funds.

The ADB can become engaged in projects that directly or indirectly involve the private sector, but these projects would usually be large scale and involve large businesses as participants/partners. SMEs should not approach the ADB directly for assistance – funded projects need to have broad impacts and be endorsed by the Solomon Islands Government.

APPENDIX 3

ACCREDITED ENTITIES FOR CLIMATE CHANGE FUNDS OPERATING IN THE PACIFIC ISLANDS

ASIAN DEVELOPMENT BANK (ADB)

www.adb.org

The ADB is an international organisation whose main goal is to reduce poverty in Asia and the Pacific through environmentally sustainable growth. This goal is pursued through the provision of various forms of financial assistance to developing countries through loans, technical assistance, grants, guarantees and equity investments. ADB works in many areas to address climate change, however its main focus and expertise are in clean energy, sustainable transport and urban development, land use and forests for carbon sequestration, climate resilient development, as well as strengthening related policies, governance and institutions.

CONSERVATION INTERNATIONAL FOUNDATION (CI)

www.conservation.org

CI is a non-profit organisation that operates internationally in over 30 countries with a wide range of partners in order to empower societies to responsibly and sustainably care for nature, for the well-being of humanity. It works with communities, governments, academia, foundations, civil-society organisations and the private sector in order to deliver innovative nature-based solutions for climate change mitigation and adaptation. In developing countries, it partners with the host country government institutions, research or academic institutions, as well as indigenous peoples' organisations.

EUROPEAN INVESTMENT BANK (EIB)

www.eib.org

The EIB is headquartered in Luxembourg and is an international financial entity whose main objective in developing countries is to provide finance and expertise for sound and sustainable investment projects, in both the private and the public sector, provide social and economic infrastructure, and address climate change. EIB is currently operating in over 150 countries and has a mandate to operate in any developing country. Climate action is one of the top policy priorities for EIB, which integrates climate considerations across all its activities, in addition to financing climate mitigation and adaptation projects. The EIB Office is in Sydney, which was responsible for the Pacific region, has been scaled back.

FIJI DEVELOPMENT BANK (FDB)

www.fdb.com.fj

FDB is a national public sector entity and Government-owned development bank based in Fiji. FDB's main objectives are to facilitate and stimulate the promotion and development of natural resources, transportation and other industries and enterprises in Fiji and to give special consideration and priority to the economic development of the rural and agricultural sectors of the economy. Its climate change related activities are restricted to Fiji.

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS (FAO)

www.fao.org

FAO is an international organisation whose main goals are:

- the eradication of hunger, food insecurity and malnutrition;
- the elimination of poverty and the driving forward of economic and social progress for all; and
- the sustainable management and utilisation of natural resources, including land, water, air, climate and genetic resources for the benefit of present and future generations.

INTERNATIONAL FINANCE CORPORATION (IFC)

www.ifc.org

The IFC is an international organisation with a strong global presence and focus on development, primarily in the private sector. It is a sister organisation of the World Bank. The IFC's climate investment portfolio has reached USD13 billion, with a track record in wind and solar projects globally. Its experiences in leveraging, mobilising and intermediating climate funds and programmes for green growth has allowed it to help unlock private climate investment using blended finance. In addition to investments in climate projects, the IFC also provides technical assistance or advisory services to private and public sector clients to promote sound environmental, social, governance and industry standards; catalyse investment in clean energy and resource efficiency; and support sustainable supply chains and community investment.

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)

www.ifad.org

IFAD is an international organisation whose objective is to improve agricultural development and livelihoods in developing countries. Its projects and programmes are carried out in remote and environmentally fragile locations, including least developed countries and small island developing states. IFAD assists vulnerable groups such as smallholder farmers, pastoralists, foresters, fishers and small-scale entrepreneurs in rural areas by providing, among other things, access to weather information, disaster preparedness, social learning and technology transfer that enables farmers to increase the climate resilience of rural farming systems.

JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

www.jica.go.jp

JICA is an entity headquartered in Japan with a strong global presence. It provides financial and technical support to climate change mitigation and adaptation projects, focusing on energy efficiency, renewable energy, public transport systems, stable water supply, climate- resilient agriculture, sustainable forest management, disaster risk reduction and coastal protection. Building upon international best practices, JICA aims to make the best use of Japanese knowledge, experience and technologies in driving a paradigm shift towards a low-carbon and climate-resilient society in developing countries.

MICRONESIA CONSERVATION TRUST (MCT)

www.ourmicronesia.org

MCT is based in the Federated States of Micronesia with a mission to promote biodiversity conservation and related sustainable development in that country. It focuses on providing long-term sustained funding through grant programmes, building the capacity of country organisations to design and manage conservation and climate adaptation programmes, providing regional forums for collaborations among government, the private sector, the community and non-profit organisations to collectively address the challenges of natural resource management and climate adaptation.

PACIFIC COMMUNITY (SPC)

www.spc.int

SPC is a regional organisation serving as the principal scientific and technical organisation supporting development in the Pacific region. It is owned and governed by its 26 members, including all 22 Pacific island countries and territories. It has focused on sustainable economic development, empowered and resilient Pacific communities and the enhanced health and livelihoods of Pacific people with a view to achieving its members' development goals.

SPC is also partnering with other agencies to implement the programme titled European Union Pacific Technical and Vocational Education and Training, Adapting to Climate Change and Sustainable Energy Programme, across Pacific Island countries.

SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME (SPREP)

www.sprep.org

SPREP is a regional organisation based in Samoa focused on climate change and environmental issues affecting the Pacific. SPREP supports action on climate change in the key areas of adaptation, mitigation, policy and science. Key activities include: assisting countries to integrate climate change considerations into national planning and development processes; supporting and building capacity at the national and sub-national levels through technical training on meteorological services, cost benefit analyses, vulnerability assessments and monitoring and evaluation; providing support to coordinate integrated adaptation measures; and implementing mitigation activities such as renewable energy projects (solar and biomass).

UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)

www.undp.org

UNDP is an international organisation with a mandate concentrated on development and with a focus on sustainable development, climate change and disaster resilience, and governance. UNDP works in partnership with entities, such as national governments, United Nations agencies, civil society organisations, and development banks, in order to support the coordinated delivery of financing to achieve transformational impact in the areas of mitigation and adaptation. Adaptation activities include integrated climate change strategies, national adaptation plans, national planning and budgeting frameworks; cross-sectoral climate-resilient livelihoods; climate-resilient integrated water resource and coastal management; ecosystem-based adaptation; and climate-resilient energy and infrastructure. In the area of mitigation, UNDP supports developing countries in order to create enabling environments for investment in mitigation technologies and land-uses at scale, with activities in low-carbon energy access solutions (rural mini-grids, bio-energy and green charcoal supply chains), grid-connected renewables, energy efficient buildings and appliances, and reducing emissions from deforestation and forest degradation.

UNITED NATIONS ENVIRONMENT PROGRAMME (UNEP)

www.unenvironment.org

UNEP's mandate is to promote sustainable development and prudent use of the global environment. Its key activities include promoting investment in clean technologies, protecting biodiversity and ecosystems, alleviating poverty, and ecosystem-based adaptation in order to reduce human vulnerability to climate change. It works with the financial communities to mobilise financial resources for investments in low carbon and climate resilient development; developing climate finance readiness and capacity-building; and undertaking policy and research analysis.

WORLD BANK

www.worldbank.org

The World Bank is an international organisation with a strong global presence and mandate to reduce poverty by promoting sustainable economic development. It works in partnership with developing countries through national governments in order to support the coordinated delivery of its projects and programmes in various sectors and through the use of various financial instruments, including grants, loans and guarantees Its work in climate change mitigation covers renewable energy generation, energy efficiency and access, forestry and sustainable transport projects and programmes. In addition, it has supported the least developed countries, small island developing States and other vulnerable countries in climate change adaptation by financing projects in disaster risk reduction and ecosystem services in sectors such as fisheries and water resources management.

WORLD FOOD PROGRAMME (WFP)

www.wfp.org

WFP is headquartered in Italy with a mandate to fight hunger worldwide by supporting national, local and regional food security and nutrition plans and programmes. It has built strong relationships with international organisations, non-governmental organisations, civil society and the private sector to enable people, communities and countries to meet their own food needs. WFP also plays a role both in helping governments and communities prepare and respond to shocks, as well as in reducing vulnerability and building lasting resilience. Approximately 40 per cent of WFP's operations include activities designed to reduce disaster risk, build resilience and help people adapt to climate change.

WORLD WILDLIFE FUND, INC. (WWF)

www.worldlife.org

WWF is an international non-governmental organisation. Its work has evolved from saving species and landscapes to addressing the larger global environmental threats, with people at the centre of its work. Its related activities are organised around six priority areas for improved environmental management - climate, forests, food, freshwater, wildlife and oceans.

APPENDIX 4

CONCEPT NOTE:
STRENGTHENING OF SUPPLY CHAINS FOR KEY AGRICULTURAL CROPS

PROGRAM TITLE

Strengthening of Supply Chains for Key Agricultural Crops

PROJECT SUMMARY

The coconut and cocoa industries in the Solomon Islands represent important segments of the agriculture sector and in 2018 accounted for almost 42% of agriculture exports. These industries have not, however, grown significantly over the last 10 years. Exports of copra and coconut oil between 2016 and 2019 declined from SBD 142 million to SBD48 million. Over the same period cocoa exports remained almost level - SBD100 million in 2016 and SBD 95 million in 2019.

Both industries are constrained by inadequate transport infrastructure which is increasingly impacted by climate change, resulting in reduced livelihood opportunities and incomes for rural communities.

This project would involve:

- A comprehensive program of replanting of coconut trees with more storm resistant and productive hybrid trees in several areas of Guadalcanal and Malaita;
- Relocation of those coconut plantations facing risks from rising sea levels and more frequent storm surges, as well as associated technical support to communities;
- Diversification of an existing palm oil plantation business, Guadalcanal Plains Palm Oil Limited (GPOL) to operate as the core business to both manage coconut plantations and source from other landowner plantations for processing and export;
- Coordinated inter-cropping of hybrid cocoa in the coconut plantations and assistance with the introduction of cocoa drying sheds in strategic locations;
- Introduction of a contracted shipping company to freight inputs for both GPOL and other businesses involved in coconuts and cocoa from Malaita to Guadalcanal; and
- Upgrade of GPOL's processing facilities to manage diversity in product and introduction of biogas generators to provide power to the expanded business, with excess power fed into an expanded Solomon Power grid servicing area in Honiara with currently no access to power.

A possible extension to the project would involve the involvement of smaller businesses already involved in the coconut sector to develop additional plantations and on-site coconut pressing operations to produce coconut oil and other by-products utilising coconut biofuel for power generators.

The project would involve collaboration between several enterprises involved in the agriculture/coconut sector, the Ministry of Agriculture and Livestock (MAL), Ministry of Environment, Climate Change and Disaster Management and Meteorology, the Ministry of Mines, Energy & Rural Electrification, as well as the Malaita provincial government and a multilateral development agency.

CLIMATE CHANGE FUNDING RELEVANCE

The project would satisfy climate fund criteria in a number of areas:

- Resilience: help businesses and communities to prepare, plan and absorb disruptive climate change events impacting on agriculture supply chains;
- Mitigation: reduced impacts of climate change through more resilient coconut trees and cocoa and more reliable freight logistics;
- Adaptation: adjustments to the crucial sectors will limit the impacts of expected or actual events brought about by climate change;
- Renewable energy: utilisation of a potential biogas power plant at GPOL and biofuel generators at model small scale coconut pressing operations; and
- Community benefits: project will provide tangible livelihood and living standard benefits to rural communities.

STRATEGIC CONTEXT

The coconut sector is well established throughout the Solomon Islands and has been an important income source for rural communities. Those businesses involved in the sector report that the supply of coconuts has become more difficult for a number of reasons – including an increasing number of senile coconut trees that are more prone to storm damage, high transport costs and resulting low returns to farmers that dampens supply. This, in turn, restricts export sales of products ranging from whole coconuts to cold pressed coconut oil and other by-products.

The industry requires coordinated action to address the additional challenges of climate change and to provide sustainable livelihood opportunities for vulnerable communities.

The cocoa sector remains important to the local economy and there are similar supply chain challenges to the coconut sector. Increased and longer rain periods as a result of climate change have highlighted weaknesses in relation to uniform drying techniques and related infrastructure. The inconsistent quality of cocoa beans has impacted adversely on exports and the prospects for farmers to earn reasonable returns. Drying and initial processing of cocoa beans has become more difficult and improved facilities at source are increasingly important. An important element of the project is the extensive experience of the benefitting communities with both commodities. This could ensure a relatively rapid uptake but without improvements in the supply chains and increased incomes for farmers the potential benefits will not be realised.

An over-riding consideration is the constraints imposed by inadequate transport infrastructure and an effective support project needs to address this issue. Road networks are frequently inadequate and restrict the income prospects for more remote rural suppliers, while inter-island shipping is burdened by too many collection points and mixed cargos resulting in lengthy, expensive round-trip voyages to Honiara from the provinces. The development of larger, well organised plantations that are inter-cropped with cocoa will assist to simplify and reduce logistics costs.

Improved supply chains of both coconuts and cocoa will result in improved livelihood opportunities for rural communities, stimulate economic activity, result in increased employment in involved businesses and make a positive contribution to the country's balance of trade and foreign exchange.

The expected direct outcomes from the project will include:

- Increased livelihood opportunities and improved living conditions for disadvantaged communities in two provinces. Most of the beneficiaries will have very limited alternative sources of income;
- Increased employment opportunities at the core processing facility and at several SMEs involved in the coconut and cocoa sectors; and
- Increased exports of locally grown/processed products.

The project would also be a good model for possible replication in other agriculture sectors in the Solomon Islands and other Pacific Island countries.

KEY FEATURES OF PROJECT

Approach

The project would address climate change impacts and future challenges, as well as the supply chain shortcomings in the two important industry sectors. It would be a PPP involving GPOL, Solomon Power and relevant government ministries.

GPOL would be involved because it has the resources, market networks, experience and the ability to develop bio-gas turbines for its own use and as an adjunct to the existing power grid in Honiara and the corridor between Honiara and the palm oil plant. Their potential to purchase and sell large quantities of coconut products on the international market will provide a solid foundation for the revitalisation of this sector.

GPOL has already completed a feasibility study on a potential bio-mass facility; the study demonstrated that without expanding its production, the project would not be viable. Diversification into coconut and cocoa processing would strengthen the business case and, along with some financial support, the business would convert to a renewable energy source.

GPOL would manage large plantations in areas close to the processing operation and in Malaita. It would also buy from landowner plantations in a manner similar to the current palm oil business, but these landowners would be free to sell excess coconuts to other companies.

Care would need to be taken to avoid disrupting SMEs already operating in the coconut sector. GPOL would benefit by funding support for the establishment of biogas turbines and would be obligated to avoid crowding out local competitors.

Interim funding support would be provided to GPOL for contracting a shipping company to bring coconuts from Malaita to Guadalcanal but under the PPP agreement, other businesses would be entitled to delivery of whole coconuts and oil at the same freight cost as GPOL. Cocoa purchases by other businesses from Malaita would be entitled to the same arrangement.

An additional safeguard could be support offered to at least two other businesses already involved in the coconut sector to rehabilitate dedicated plantations with the planting of hybrid trees and the installation of nearby smaller scale pressing/processing operations that utilise coconut bio-fuel for associated generators. The project would initially focus on two provinces where there is already a substantial production of coconuts and cocoa – Malaita and suitable areas on Guadalcanal with road transport connections to GPOL's plantation. Dedicated shipping from Malaita will be cost effective and provide reliable deliveries.

The increased supply of coconuts and cocoa will address the growing supply shortfall, technical support to suppliers will address capacity shortcomings, the contracted shipping service will overcome the current transport barriers and the processing/drying facilities will increase supplier incomes and stimulate active participation.

Parties Involved in Project

The project will require close collaboration between various parties:

- Ministry of Environment, Climate Change and Disaster Management and Meteorology as facilitator of international funding support;
- Ministry of Agriculture and Livestock to ensure appropriate approvals for the import of hybrid seedlings and to provide on-site technical support to independent farmers. These services could be supplemented by support from international agencies directly to the Ministry;
- Ministry of Mines, Energy and Rural Electrification;
- Ministry of Commerce, Industry, Labour and Immigration;
- Ministry of Provincial Government and Institutional Strengthening;
- Provincial government of Malaita and appropriate Ward Development Committees;
- Central Bank of the Solomon Islands;
- GPOL;
- Solomon Power;
- Silent World (i.e. a domestic shipping company that is fully ISM compliant);
- Solomon Islands Chamber of Commerce and Industry (SICCI) as the coordinating agency for the private sector; and
- A number of local companies already involved in the two sectors (including Islands Own Ltd, Kokonut Pacific Solomon Islands and Solomon Tropical Products).

This public-private sector (PPP) approach will require careful management and warrants the establishment of a working group that comprises representatives from relevant ministries but chaired by a private sector representative nominated by SICCI.

Local commercial finance providers could also be involved in the provision of tailored funding packages for the involved businesses. These packages could be supported by partial guarantees built into the project and administered by the Central Bank of the Solomon Islands.

Stages

The possible project implementation stages, following agreement on funding support, are set out in the following table.

Timing is elapsed period from final agreement on funding support. It is assumed that the new hybrid plants will provide their first crops in year 3 but activities can commence on a graduated basis within 12 months by utilising existing supply channels that are enhanced by the improved shipping service.

Stage	Activities	Responsibility	Timing (months)
1	Establishment of project implementation working group. Plan and procedures agreed by all stakeholders.	All stakeholders, coordinated by working group.	1
2	MOU agreed with GPOL and finalisation of strategy to implement biogas turbines, including MOU with Solomon Power.	All stakeholders, coordinated by working group.	3
3	Selection of sites for first phase – nurseries, plantations, processing units. Establishment of MOUs with landowners.	Working group, community groups and GPOL.	6
4	First phase nurseries established and planting technical assistance provided to communities to roll out both new and rehabilitated plantations.	Working group, MAL, other supporting agencies and GPOL.	8
5	First cocoa drying, storage and handling facilities established at pilot sites.	Working group, MAL and other supporting agencies.	9
6	Biogas turbines installed.	GPOL and working group.	24
7	Contracted shipping service commences.	GPOL and contracted shipper.	24
8	Biogas turbines operating and back feed to Honiara grid.	GPOL, Solomon Power	30

Alignment with National Priorities and Impact on Women

Project would be fully aligned with national priorities in relation to rural development, fostering of SME development, export development and increased access to renewable energy. Women would be the primary beneficiaries in relation to increased incomes from the collection/harvesting of coconuts and cocoa and sales. Women would also be employed by the increased operations at GPOL.

Systemic Impacts

The positive impacts of the project would include several different regions within two provinces and this could expand substantially in the future as the model is replicated elsewhere. There would also be positive impacts throughout the entire supply chain for both commodities, including possible down-stream production facilities in one or more urban areas by established exporters.

REQUIRED FUNDING

An **estimation** of the required funding for this project over a five-year period is as follows:

Activity	Funding Required (USD)
New and rehabilitated plantations and technical support.	5.0 million
Seed funding for biogas turbines.	1.8 million
Balance of required funding to be guaranteed under climate change fund.	8.0 million
Drying and storage facilities for cocoa plantations. 6 plantations x $65,000.	0.4 million
Subsidy for first year's operation of shipping service.	0.3 million
Working group/SICCI overheads over 5 years.	0.6 million
Contingency 10%	1.4 million
Sub-total	**USD 17.5 million**
Optional support for smaller businesses – plantations and model small-scale processing units.	1.5 million
Expansion loan guarantees (4 x $200,000)	0.8 million
Total	**USD 19.8 million**

APPENDIX 5

CONCEPT NOTE:
INCREASED ACCESS TO RENEWABLE ENERGY

PROGRAM TITLE

Increased Access to Renewable Energy

PROJECT SUMMARY

Electricity costs in the Solomon Islands are high by regional standards and power generation has, until recently, relied heavily on diesel powered generators. The comparative cost per Kilo Watt hour in Solomon Dollars (SBD) in two nearby PacificIsland countries is:

- Fiji – SBD 1.25 per kWh
- Vanuatu – SBD 4.7 per kWh
- Solomon Islands – SBD 6.5 per kWh

Businesses in urban areas report that the high electricity costs in the Solomon Islands impact adversely on their sustainability and competitiveness. It is difficult for businesses in the Solomon Islands to compete on international markets against countries such as Malaysia, where the electricity cost for businesses is the equivalent of SDB 0.83 per kWh.

The sole supplier of electricity in the Solomon Islands is Solomon Power, a State-owned enterprise established under legislation in 1969. Solomon Power currently has 22,000 customers with a goal of 150,000 customers throughout the country as more electrification projects come online.

Solomon Power has expanded its renewable energy sources, with 21 solar energy projects currently underway, as well as the Tina River Hydro project to provide power to Honiara. Renewables currently make up only 2.5% of power generation but this is expected to increase to 23% by 2023 and 80% by 2024 when Tina Hydro comes online for customers in Honiara.

While Solomon Power has embraced renewable power, it is cautious about allowing unregulated solar power systems to be installed by their customers. This is due to the potential instability impact on their relatively small grids, including the largest Honiara grid which has a base load of only 16MW. As a result, only a very small number of businesses in urban areas utilise solar power and those that do have been told that they will be obliged to revert to grid power in the near future.

Access to solar power in non-urban areas is currently limited and the Solomon Power projects in a number of regions and a CIF funded project to eventually establish 60 renewable energy based mini grids in rural villages, will not involve individual solar power units on businesses or houses not connected to the power grids. This restricts the prospects for small enterprises operating close to their agriculture supply chain and has a detrimental impact on the living standards and livelihood opportunities for rural households.

This project would promote the use of renewable energy in both the business and household sectors in the following ways:

- Technical and funding assistance to Solomon Power to re-engineer its power grid in the Honiara area to allow feed-in from approved solar power units on individual businesses and to develop a model for sourcing some of its requirements from excess power generated by these units during daylight hours;
- Funding support to allow the introduction of a scheme that would partly subsidise the installation costs of solar power units on both businesses and households in urban and peri-urban areas not currently connected to the grid and in rural areas not scheduled to be included in grids currently being developed by Solomon Power;
- Technical assistance to government to establish minimum standards for solar power units and the accreditation of several local suppliers/installers in the country;
- A program to promote solar power in non-urban areas and to provide highly subsidised installation charges by accredited suppliers; and

- Funding to provide partial guarantees for finance packages provided to businesses, community groups and individual households in peri-urban and rural areas.

The project would involve collaboration between Solomon Power, accredited solar power suppliers/installers, the Ministry of Environment, Climate Change and Disaster Management and Meteorology, the Ministry of Mines, Energy & Rural Electrification, the Central Bank of the Solomon Islands, as well as a multilateral development agency.

CLIMATE CHANGE FUNDING RELEVANCE

The project would satisfy climate fund criteria in the following areas:

- Resilience and adaptation: help businesses and communities to secure power independently from power grids that may be disrupted by adverse weather events;
- Renewable energy: utilisation of solar power that will replace mainly diesel-based power generation, with the potential for the Solomon Islands to move to a 90% renewable energy based country; and
- Community benefits: project will improve the competitiveness of local businesses, lead to increased employment in several regions and improve the living standards of a large number of family households in urban, peri-urban and rural areas.

STRATEGIC CONTEXT

Relatively high power costs in the Solomon Islands impacts adversely on the viability and international competitiveness of businesses which already face a number of other challenges – a small and fragmented domestic market, weak and often disrupted domestic supply chains, a workforce that is limited in training/ experience and middle management skills, and, increasing climate change weather disruptions. Businesses in urban areas report that while the reliability of electricity supply has improved, the associated costs are a significant drag on sustainability.

Solomon Power has been criticised for its high charges, but it should be noted that it has a limited customer base and its grid improvements/expansion in provincial areas has burdened this SOE with substantial debt. It is therefore not surprising that it has resisted the potential loss of its crucial commercial customers through a broad adaptation of solar power which, if not properly structured and managed, could present a range of technical problems and disruptions when linked to the existing grids.

Accordingly, a strategy needs to be adopted that will reduce the power costs for businesses and not adversely impact on the viability of the core electricity supplier. A renewable energy model that achieves both will require technical and funding support to remain sustainable in the longer term. Because of the existing debt burden on Solomon Power, funding support would need to be primarily on a grant basis.

Solomon Power should be given the opportunity to become an accredited local supplier/installer to help strengthen and diversify its income streams and to avoid a further escalation of power charges.

Plans are already underway by Solomon Power to introduce solar power grids in several provinces; this will be a significant improvement. These grids will not, however, extend beyond the main population centres and most rural households will remain without clean power. Existing and potential micro and small enterprises in rural areas will also remain unconnected to power grids and this will remain a barrier to the development of both a more vibrant small business sector in the provinces and reliable agriculture supply chains for other businesses.

The expected direct outcomes from the project will include:

- Improved competitiveness of a substantial number of businesses in urban areas and a corresponding increase in employment of both men and women;
- Increased opportunities for micro and small enterprises in rural areas and flow- on income generation in communities with few other livelihood opportunities;

- Improved supply chains in the crucial agriculture sector as a result of enhanced performance of rural suppliers;
- Improved living standards for a large number of rural households and communities in several provinces;
- Development of capable and sustainable solar power businesses in the Solomon Islands; and
- Gradual conversion of the Solomon Islands to almost total renewable energy reliant economy/society.

KEY FEATURES OF PROJECT

Approach

The first step would be the finalisation of a revised operational model for Solomon Power. Some work has already commenced on the updating of the legislation that established Solomon Power. This could be expanded to develop a model (and financial structures) that integrates solar power utilisation by commercial customers and non-disruptive feeds into the grid during the day.

At the same time, a fund would be established at the Central Bank to provide subsidies for installations by accredited suppliers/installers. These could range from 20% for commercial customers and up to 50% for households or community groups in rural areas. Payments would be directly to the installer and not to the business or private customers.

This would be followed by background preparation involving relevant ministries, Solomon Power and SICCI representing the private sector that would include:

- Finalisation of technical standard approvals for any solar power units installed on commercial premises, households and community facilities in rural areas;
- Development of an agreed support fund to subsidise the costs of different systems and thereby improve the pay-back period for individual businesses, as well as the opportunity for households in rural areas to install appropriate and reliable smaller systems;
- Establishment of a joint government and private sector working group to manage the accreditation of interested solar power suppliers and installers, with potential locally owned installers provided with necessary technical training and start-up funding support; and
- Development of a priority list of rural based customers involved in agriculture supply chains and community facilities that will benefit the maximum number of microenterprises and disadvantaged households.

The next stages would be the staggered promotion of the subsidy scheme to the private sector, community groups and selected households and the payments to installers on completion of the individual supply contracts.

Parties Involved in Project

The project will require close collaboration between various parties such as:

- Ministry of Environment, Climate Change and Disaster Management and Meteorology as facilitator of international funding support;
- Solomon Power as the ongoing power supplier;
- Ministry of Mines, Energy and Rural Electrification to ensure coordination with national development priorities and to provide input into the supplier accreditation process;
- Ministry of Agriculture and Livestock to develop priority rural customers for solar power;
- Ministry of Commerce, Industry, Labour and Immigration;
- Ministry of Provincial Government and Institutional Strengthening;
- Provincial governments and appropriate Ward Development Committees;
- Solomon Islands Chamber of Commerce and Industry (SICCI) as the coordinating agency for the private sector;
- Commercial finance providers; and
- A number of local companies as accredited solar power system suppliers.

This public, private sector (PPP) approach will require careful management and warrants the establishment of a working group that comprises representatives from relevant ministries but chaired by a private sector representative nominated by SICCI.

Local commercial finance providers would also be involved in the provision of tailored funding packages for the accredited systems suppliers. The guaranteed subsidy payments process would provide some comfort to commercial lenders, but a project-funded partial guarantee on customers' loans would be beneficial and would assist businesses community groups and households.

Charitable foundations involved in assisting rural communities' access solar power should be encouraged to participate by offering grants to priority customers. These foundations would not be allowed to source non-accredited solar systems or use non-accredited installers.

Stages

The possible project implementation stages, following agreement on climate change funding support, are set out in the following table.

Stage	Activities	Responsibility	Timing (months)
1	Establishment of project implementation working group. Plan and procedures agreed by all stakeholders.	All stakeholders, coordinated by SICCI working group.	1
2	Review of legislation underpinning Solomon Power and finalisation of a revised operating model. Technical support for improvements to system to allow for feed in from commercial solar power users.	Government ministries, Solomon Power and SICCI working group.	4
3	Accreditation of solar systems and local suppliers/installers. Technical training of accredited local businesses.	Government ministries, Solomon Power and SICCI working group.	5
4	Establishment of CBSI managed subsidy fund and standard operating procedures.	Government ministries, CBSI, Solomon Power and SICCI working group.	6
5	MOUs with commercial lenders for guaranteed loans to customers.	Government ministries, CBSI and SICCI working group.	7
6	Promotion of project to private sector and first round of solar systems installed in commercial buildings.	Accredited suppliers, Solomon Power, CBSI, commercial lenders SICCI working group.	10
7	Promotion of project to households not planned for inclusion in the Solomon Power grids.	Accredited suppliers, Solomon Power, CBSI, commercial lenders SICCI working group.	12
8	Assessment of project and possible modifications for roll out of project across the country.	Accredited suppliers, Solomon Power, CBSI, commercial lenders SICCI working group.	24

Alignment with National Priorities and Impact on Women

Project would be fully aligned with national priorities in relation to rural development, fostering of SME development and employment and increased access to renewable energy.

Women would be significant beneficiaries in relation to increased incomes from micro and small enterprise strengthening in non-urban areas. Women and families would also benefit from access to power and overall improved living standards.

Systemic Impacts

Access to cheaper power would benefit businesses in every industry sector and of every size. The resulting improved competitiveness of the private sector should also result in increased employment of men and women. The positive impacts of the project would eventually be felt in every province and in a large number of relatively disadvantaged families.

REQUIRED FUNDING

An estimation of the required funding for this project over a five-year period is as follows:

Activity	Funding Required (USD)
Technical assistance and provision of crucial equipment to Solomon Power.	2.0 million
Initial funding subsidy for installed solar power systems. 200 commercial customers x $5,000; 800 households/community centres x $4,000.	4.2 million
Technical training of accredited local suppliers/installers.	0.3 million
Partial loan guarantee scheme for businesses and appropriate households.	2.5 million
Working group/SICCI overheads over 3 years.	0.3 million
Contingency 10%	0.9 million
Total	USD 10.2 million

APPENDIX 6

EXAMPLES OF PUBLIC-PRIVATE PARTNERSHIPS IN SMALL ISLAND STATES

Set out below are summaries of a cross section of PPPs established in the Pacific Islands, not all of which are related to climate change; some include partnerships between government and private sector organisations in projects outside of climate change related activities..

1. Tonga Solar Power Project

Tonga Power Limited (TPL) signed a power purchase agreement with Sunergise New Zealand Limited (Sunergise), which will finance, build, and operate the 6-megawatt solar farm on Tongatapu and sell the electricity generated to TPL for 25 years. Spread over three sites, the solar plant is the second biggest in the Pacific and the second that TPL has established with an independent power producer.

The solar plant forms an integral part of TPL's Renewable Energy Program-10-gigawatt hours - which is equivalent to 15% of the whole of Tonga's anticipated electricity demand by 2020. It will contribute to lowering the cost of power and to Tonga producing at least 50% of its power from renewable sources by 2020.

Sunergise was selected through a highly competitive tender process, which was undertaken with transaction advisory support from the ADB.

2. Fiji Hospitals

Lautoka and Ba Hospitals Redevelopment was the first Public-Private Partnership (PPP) to be implemented in Fiji. In January 2019, the Government of Fiji (GoF) signed a concession agreement with Healthcare Fiji Private, a consortium formed between the Fiji National Provident Fund (FNPF) and Aspen Medical Pty Ltd., a multi-national healthcare service provider headquartered in Australia. The concessionaire is responsible for constructing a new multispecialty hospital in Lautoka, equipping both project hospitals and maintaining and provision of both non-clinical and clinical services for 23 years.

Also included is the construction of a new Joint Commission International (JCI) accredited 305-bed multi-specialty hospital in Lautoka, installation of new medical equipment at both hospitals in accordance with predefined technology standards, and staffing of all medical practitioner positions, including specialists currently not available in Fiji to introduce new services, such as cardiac and oncology care. The government provided land and existing infrastructure at Lautoka Hospital and a newly built 70-bed hospital in Ba. The project is expected to generate USD80 million of private investment.

The PPP brings private financing to improve infrastructure, utilises supply chains of private operators in addressing issues of staff shortages (for medical specialists in particular), and brings operational expertise and capabilities to improve practices at the two hospitals.

The GoF engaged IFC Transaction Advisory Services to assist with the implementation of the PPP transaction. This involved technical, financial, legal, and environmental and social due diligence to develop a bankable transaction structure, which balanced the interests of both private investor and the government. After the transaction structure was agreed upon, IFC assisted with developing all project documents, promoting the project to international bidders, negotiating with bidders, and managing the tender processes up until the signing of the concession agreement.

The payment mechanism includes both an annuity payment, designed to ensure bankability, and a tariff component to compensate the concessionaire for the treatment services provided to Fijian citizens. Services provided under the PPP will be free for Fijians, while the revenue derived from foreign patients will be shared between the concessionaire and the government.

3. Samoa Recycling of E-waste

In February 2019, Samoa's Ministry of Natural Resources and Environment (MNRE) launched a partnership with the Samoa Stationery and Books (SSAB) and Hewlett Packard Enterprise (HP) in New Zealand to minimise the impact of e-waste on the island.

The public-private partnership (PPP) has enabled HP product users to safely dispose of their toners and ink cartridges through the HP Takeback Programme. This involves a collection scheme using proper disposal systems and shipment of e-waste to New Zealand, all paid for by HP and which recognises that small island States such as Samoa lack adequate infrastructure to manage hazardous wastes safely. The other partners in the project include the Secretariat of the Pacific Regional Environment Programme (SPREP), Women in Climate Change and the Samoa Waste Recycling Management Association.

4. Polynesian Airlines Samoa

Polynesian Airlines, 100% owned by the Government of Samoa, provided international air transport services to Samoa but the airline was constrained by an inappropriate route and fleet structure, expensive aircraft leases, overstaffing, and uneven demand levels. The government provided regular annual subsidies to keep the airline running and it was decided that the government implement a public–private partnership with an international aviation investor. Under the arrangement, the private investor would manage and operate the new airline, provide fleet capacity as well as commercial and managerial oversight, while the government would provide traffic rights, operational support, flight operations personnel, and other productive assets.

The joint venture tender was won by Virgin Blue, which offered a business plan that required the smallest government subsidy, guaranteed air transport access to Samoa, and contributed to tourism development. A joint venture agreement was signed in September 2005 between the government and Virgin Blue (each owning 49% of the shares), and a Samoan business (2% of the shares). Under the agreement, the new entity, Polynesian Blue, was limited to long-haul international operations. The fully owned government entity, Polynesian Airlines, retained the short-haul international services from Samoa to Tonga and American Samoa, as well as domestic services. It also retained responsibility for ground handling operations.

The joint venture eliminated the budget drain, reduced airfares and increased inbound seat capacity. In December 2011, Polynesian Blue was rebranded as Virgin Samoa. After several years of successful operations the difficult financial position of Virgin Australia resulted in the cancellation of the joint venture.

5. Hotel in Kiribati

The government of Kiribati sought assistance from the IFC to find a private sector partner to rehabilitate and operate the state-owned Otintaai Hotel, which had long been a drain on the country's budget. In 2013, Royal Crown Enterprises Limited, a local firm, won the tender in Kiribati's first PPP in the tourism sector. Under the 25-year concession, Royal Crown will renovate and manage the 40-room hotel, providing accommodations meeting the equivalent of a three-star rating by Australia's official accommodation accreditation system. It is estimated that $2.25 million in private sector investment will be mobilised in the first two years. The concession was granted in September 2013.

IFC was retained by the Government of Kiribati as the lead advisor for the PPP transactions. IFC conducted due diligence by studying the technical, legal, and market conditions facing the tourism sector in Kiribati and assessing the facilities and services of the hotel. IFC concluded that there was sufficient demand by travellers, visiting dignitaries, government, aid agencies, and businesses to sustain the hotel, but that it would need a major upgrade of its facilities, experienced management, and much improved services to be successful. IFC analysed the pros and cons of different transaction structures in light of Kiribati's unique economic environment, including outright sale, joint venture and franchise concession, and other options. Based on the land tenure system and market feedback, IFC recommended the concession model, which was endorsed by the government. IFC then provided assistance to the government to implement the transaction. IFC drafted legal documents, managed consultations with investors, and provided advice on executing the tender and evaluating bids.

IFC recommended a 25- year concession, since this would minimise market or operational risk to the government while providing the state budget with concession fees. It also addressed the needs of potential investors and helped avoid the same difficulties that were faced by the government during an earlier attempt to privatise the hotel in the 1990s. The government accepted IFC's recommendation for a 25-year concession, with the private operator bearing all the market and operational risk. The government will manage leasing arrangements with multiple landholders and agreed to grant tax incentives to encourage tourism investment.

6. International Airport Jamaica

The Government of Jamaica (GoJ) needed to upgrade the Sangster International Airport and decided to bring in private financing and expertise, via a long-term concession. In the 1990s, Sangster International Airport was aging and holding back Jamaica's tourist industry, but the government did not have the financial and technical capacity to expand and modernise the facility.

In 2003, the GoJ handed over control of Sangster International Airport in Montego Bay to the Vancouver Airport Services Consortium, under a 30-year concession agreement. The concession agreement called for USD180 million in new capital investment and development of the full commercial potential of the airport, thereby broadening its revenue base and reducing its dependence on passenger charges and landing fees. In its first 15 years of operation, this PPP led to major expansions and improvements in quality of service. The concession agreement expanded the terminal building and added loading bridges and gates. Passenger traffic grew by about 25 percent, to reach 4.3 million passengers by 2017, and total revenues by more than four-fold, due primarily to increases in non-aeronautical (that is, commercial) revenues. In 2018, halfway into its 30-year concession, the consortium again expanded and modernised the airport. In the near future, there will be a runway extension to accommodate long-haul aircraft.

Overall, this project has had a positive fiscal impact. The GoJ incurred limited costs for the preparation of the project, did not contribute to investment costs and was not required to provide guarantees to its private partner. In addition, it received significant annual concession fees from its private partner.

7. Public-Private Partnerships in Agriculture Sector Exports

PHAMA, an Australian Government initiative, promotes sustainable economic growth in the Pacific through promoting exports of primary and value-added products. Since the program's beginning, a core part of its approach in each country has been to promote a strong partnership and dialogue between private sector and those government departments regulating trade. In the past, Pacific Island Governments have too often decided on which products and markets to support without conferring with exporters. This has led to prioritising scarce resources on commercially unviable initiatives.

To address this issue and encourage effective partnerships between government and the private sector, PHAMA has helped to establish Market Access Working Groups and (in some cases) Industry Working Groups in each of the PHAMA countries. These working groups were a key innovation under PHAMA, bringing together members of the public and private sectors, often for the first time, to discuss market access challenges. A typical Market Access Working Group comprises 8-10 members, including representatives from relevant government agencies, such as Quarantine/Biosecurity, Trade and Agriculture, and the private sector (exporters and producer groups). The approach proved to be successful.

8. Sasape Marina, Solomon Islands

In early 2007, the Government of Solomon Islands decided to find a private investor and operator for Sasape Marina Limited (SML), a shipyard facility. This SOE's financial and operating position had deteriorated and by 2008, it was insolvent and its assets were in disrepair. Without substantial investment it faced certain closure so the government decided that a public–private partnership (PPP) would be the best way to achieve the government's objectives and rapidly installed a new operator.

A competitive tender was successfully conducted in 2010. The winning bidder, a joint venture between Silentworld Shipping and Logistics (a Honiara-based company) and the Solomon Islands National Provident Fund, presented a plan to rehabilitate and expand the slipway. This made it uniquely capable of servicing the large vessel repairs for the Solomon Islands shipping industry.

Construction was completed in 2012 and renamed as Sasape International Shipyard Limited (SISL) with a new 520- ton slipway, employing more than 50 previously unemployed local people. With the proceeds from the sale of SML's assets, the Solomon Islands Government was able to finance restructuring costs and repay SML's outstanding debts. SISL continues to operate as a successful business despite cash flow challenges in a difficult business environment.

9. The Vanuatu Business Resilience Council (VBRC)

This Council was established in late 2017 by support through UNDP's Connecting Business initiative. It is a standing committee of Vanuatu's Chamber of Commerce and Industry.

The VBRC's role is to coordinate and strengthen engagement of the private sector in disaster risk reduction, emergency preparedness, response and recovery, and climate change adaptation and mitigation in Vanuatu. It also represents the private sector on the National Advisory Board on Climate Change and Disaster Risk Reduction as an observer, representing local business and industry.

The Council is currently made up of 7 executive members. These members are individuals from the private sector, with representation from small and large business, tourism, finance, logistics and climate change advisory services.

In 2019, the VBRC recruited two new local consultants to begin the implementation of a new Green Climate Fund funded project in Vanuatu, 'The GCF Readiness Project – mobilizing the Vanuatu Private Sector towards climate change action'

ISBN 978-982-202-064-9

Pacific Islands Forum Secretariat
Title: Mapping of the Private Sector Activities Related to Climate Change Adaptation and Mitigation in Solomon Islands