

Research Report

Pacific Infrastructure Market Research
March 2024



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Abbreviations

ADB	Asian Development Bank
AIFFP	Australian Infrastructure Financing Facility for the Pacific
CSO	Civil society organisation
DFAT	Australian Government Department of Foreign Affairs and Trade
ECI	Early contractor involvement
FSM	Federated States of Micronesia
GETS	New Zealand Government Electronic Tenders Service
KII	Key Information Interview
LIPP	Local Industry Participation Plan
NGO	Non-government organisation
NZ	New Zealand
NZTE	New Zealand Trade and Enterprise
MDB	Multilateral development bank
MFAT	New Zealand Ministry of Foreign Affairs and Trade
PIFS	Pacific Islands Forum Secretariat
PRIF	Pacific Regional Infrastructure Facility
SOE	State-owned enterprise
UN	United Nations
UNDP	United Nations Development Programme
USD	United States Dollars
VFM	Value for money
WB	World Bank

Executive Summary

Introduction

The New Zealand Ministry of Foreign Affairs and Trade (MFAT) has commissioned Tetra Tech International Development (Tetra Tech) to conduct Pacific Infrastructure Market Research (the research). The research was conducted from September to December 2023. MFAT seeks to support the Pacific to access local and international contractors that are suitably qualified to deliver on the needs of the Pacific infrastructure sector. Anecdotal and informal feedback regarding contractor experiences in bidding on development partner-funded infrastructure projects in the Pacific has been communicated to MFAT and donors at times - i.e. in responding to individual projects or at industry fora - but is yet to be captured comprehensively.

This report presents the research findings and recommendations to support the enabling environment of the Pacific infrastructure sector.

Background and context

The Pacific infrastructure sector is an active and dynamic sector. Civil and energy infrastructure, in particular, bring positive impacts such as improvements to energy access, road networks and safety, and access to critical services such as health, education and business, which stimulate the local economy. However, varying terrain, geographic remoteness and dispersion that creates logistical challenges can limit the potential for realising these impacts. Limited human resource and institutional capacity to administer projects, and limited access to finance due to the perceived risk of banks in working in the Pacific, are also common barriers to doing business in the Pacific. Contractors based in the Pacific, New Zealand (NZ) and Australia all face these challenges and risks in bidding for civil or energy work in the Pacific.

To respond to these challenges, efforts have been made by multilateral development banks (MDBs) such as the Asian Development Bank (ADB) and the World Bank (WB) to adjust procurement processes to encourage greater participation with varying success. The Pacific Regional Infrastructure Facility (PRIF) Report 'Enhancing Procurement Practice and Local Content in Pacific Infrastructure' is a direct response to procurement challenges faced by local businesses in the Pacific and improving the inclusion and strengthening of local content. The report puts forward key considerations for optimising local content into infrastructure projects in the Pacific based on case studies, good practice and consultations conducted with Pacific Island governments, contractors, consultants, development partners, professional organisations, and education and training providers. These considerations have parallels to the findings and recommendations identified through this research. For example, the PRIF report suggests 'strengthening promotion and awareness of infrastructure pipelines' and 'using procurement mechanisms that facilitate local content' (Lawther, P. *et. al.*, 2022). These recommendations reinforce the findings and recommendations of this research. This research addresses enablers and barriers faced by contractors across NZ, Australia and the Pacific in procurement, providing actionable recommendations on topics like risk, insurance, inclusive development requirements and early collaboration.

The challenges in procurement of infrastructure services by development partners in the Pacific are well known, however the experiences of contractors, particularly with government entities working in the development sector, and specific to the civil and energy sectors, is not well-explored or documented.

Research objective, approach and methodology

The purpose of the research was to identify opportunities, and barriers in the enabling environment that limit the development of a competitive Pacific infrastructure sector, and the areas where contractor procurement experience can be improved. The findings and recommendations from this research will provide an evidence base that can be drawn on to improve partnerships with the private sector and to inform engagement with other development partners and Pacific governments. The research objectives and key research questions were as follows:

Table i: Research objectives and key research questions

Objectives	Key Research Questions
Objective 1: Identify any real or perceived barriers that might prevent suitably qualified contractors from participating in development-partner funded infrastructure projects in the Pacific.	<ul style="list-style-type: none">• What insights have recent procurement activities provided about the size of contractor markets, who is interested in bidding, in what countries, sectors and size of projects.• What are the barriers and enablers that contractors encounter in bidding on and undertaking infrastructure projects in the Pacific? Are these different for different development partners?

Objectives	Key Research Questions
<p>Objective 2: Collate evidence of contractors' perspectives and expertise to inform development partner understanding of supplier experience.</p>	<ul style="list-style-type: none"> • What factors inform decisions to bid, and what incentives/disincentives have contractors experienced? • What have been contractors' experiences in contracting and negotiating infrastructure contracts with development partners? • What are contractors' perspectives and experience on risk sharing, addressing human rights in supply chains, incorporation of local content, gender and social inclusion.
<p>Objective 3: Identify how development partners can make Pacific infrastructure projects more attractive to potential bidders.</p>	<ul style="list-style-type: none"> • What are contractors preferred market engagement mechanisms? (this may be different for local and international firms) • How can development partners increase efficiency of project procurement and engagement of infrastructure providers? • What specific interventions can contribute to making infrastructure projects more attractive, including those related to insurance availability, procurement modalities, bundling of projects by country or sector, dissemination of forward project pipeline, communication of bid opportunities, joint procurement, and development of social and quality standards etc.

The research scope included civil and energy contractors who are based in NZ, Australia and the Pacific and typically fulfil the role of head contractor (or as a key local sub-contractor). A select number of supervising engineering firms were also included to gain insight into the perceived procurement barriers and enablers from managing contractors that support development partners to procure contractors.

Key research methods

The research drew on a mixed method approach to data collection, using an online survey for maximum outreach and key informant interviews (KIIs) to gain deeper contextualised insights across sector and country. A desktop review was conducted to understand the level of information available regarding contractor experiences and perspectives in procurement for infrastructure works. The desktop review was also used to identify contractors to be included in the research. A summary of the contractor outreach and responses are provided in the figure below.

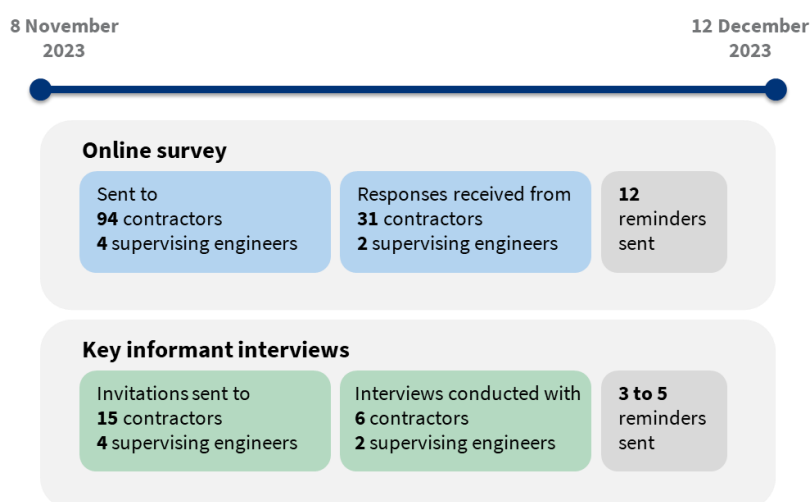


Figure i: Data collection response rate and reminders sent

An overview of the locations of contractors and supervising engineers, and number of participants, based on self-identification questions from the survey and from KIIs, is summarised in the figure below. Of the 10 Pacific-based contractors that completed the online survey, seven were based in PNG, two were based in Fiji and one was based in the Solomon Islands.

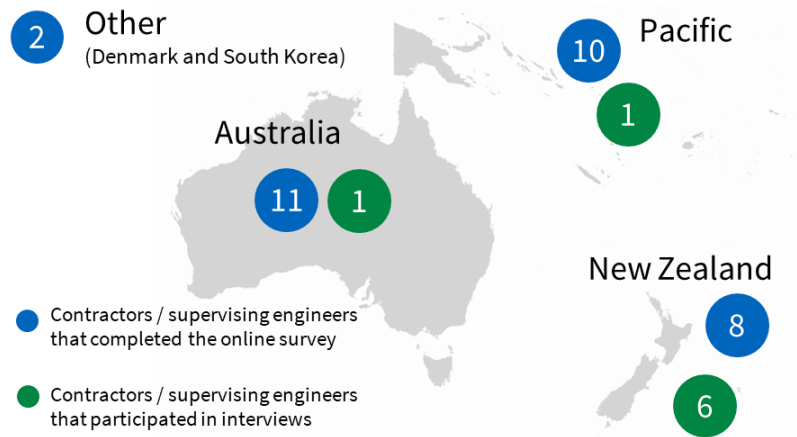


Figure ii: Geographic spread of respondents

The number of survey responses was lower than targeted, which limited the breadth of contractor experiences captured in the findings of this report. The KIIs were used to fill in gaps identified in survey response data, provide contextualised insights and dig deeper on the common themes identified throughout the research.

A number of survey respondents declined the opportunity for a follow up interview, noting previous engagement and communication with MFAT on procurement challenges, and remaining slots for the KIIs were instead used to conduct interviews with supervising engineering firms. Those KIIs that were secured were primarily with NZ-based contractors. Through survey responses and KIIs, the number of responses from NZ and Australia-based contractors outweighed the number of Pacific-based contractors. Insights from Pacific-based contractors were gathered from online survey responses as well as a KII held with a Pacific-based contractor working in energy infrastructure. There was also a larger representation from civil contractors than energy contractors in the survey responses and KIIs, impacting the ability to validate findings for the energy sector, with the possibility that recommendations are biased towards the needs of civil contractors. Additionally, the majority of respondents were noted to have been working in the Pacific for over 16 years. While this demonstrates that many of the contractors working on development projects in the Pacific have been active for some time, it does mean that the views captured generally represent the views of contractors well experienced in the region and the challenges of prospective contractors or new entrants may need to be understood further to tailor interventions appropriately. The findings and recommendations presented below should be read in this context, noting the limitations and challenges of the research and the associated implications.

Summary of key findings

The key findings of the desktop review and the research have been consolidated from the online survey responses and responses gathered from the KIIs. These are presented below alongside the corresponding key research questions.

Objective 1: Identify any real or perceived barriers that might prevent suitably qualified contractors from participating in development-partner funded infrastructure projects in the Pacific.

What insights have recent procurement activities provided about the size of contractor markets, who is interested in bidding, in what countries, sectors and size of projects.

FINDING 1: In deciding to pursue a bid for infrastructure works in the Pacific, contractors consider whether they have enough information to understand the risk involved and price mitigation activities. The effort to bid is weighed against the perceived competitiveness of the bid, perceived opportunities for long-term engagement and the potential financial return to the contractor if won. Working in the Pacific infrastructure sector is acknowledged as high risk and high cost due to geographic dispersion, mobilisation expenses, extreme weather, and changing political economy. Pacific-based contractors have some advantages with local resources, while NZ and Australia-based contractors face logistical challenges and high costs, necessitating a minimum project size for justification of bidding and a realistic prospect of success. Perceptions of procurement processes vary, with MFAT and DFAT being seen as low-risk clients, and ADB and WB as more rigid. Contractors expressed a preference for MFAT and DFAT-funded work due to the holistic and quality focused outcomes reflected in procurement criteria. ADB, more so than WB, was perceived to be price-focused, which discouraged contractors from participating in ADB procurement. The civil and energy sectors share similarities in procurement but face unique challenges, such as poor scoping and limited information on local contexts and environmental conditions, which impact the competitiveness and fairness of the market.

What are the barriers and enablers that contractors encounter in bidding on and undertaking infrastructure projects in the Pacific? Are these different for different development partners?

FINDING 2: Strategic alignment of project size, familiar client and project location are the main enablers for contractors to bid for work in the Pacific infrastructure sector. For NZ and Australia-based contractors, justifying bid costs and aligning with the company's risk appetite necessitates a minimum project size. Development partners like MFAT and DFAT are known for secure funding and prioritising quality outcomes, making bidding more attractive. Project location is also important, with established contractors leveraging their capacity and relationships in Pacific Island countries. In contrast, Pacific-based contractors consider project size in terms of resource commitment, financial guarantees, and insurances, seeking clients with favourable contractual conditions for long-term partnerships.

FINDING 3: Excessive qualification criteria, aggressive bid preparation time, and lack of perceived fairness or competitiveness of procurement processes are barriers that limit the participation of contractors in the Pacific infrastructure sector. Qualification criteria such as years of experience for local personnel, demonstrations of financial turnover, and insurance cover are particularly challenging, impacting Pacific, NZ and Australia-based contractors. Poorly defined or overly detailed procurement documentation and limited timeframes for bid preparation are also perceived barriers, making bid preparation efforts overwhelming for contractors. Additionally, difficulties in obtaining insurance further constrain contractor engagement, especially for Pacific-based contractors. The perceived lack of transparency in applying bid qualification criteria is a shared concern, indicating to contractors that the procurement processes may not be fair or competitive, discouraging them from bidding. Contractors shared the example of the lowest priced bid being awarded the contract, despite not displaying evidence of being technically compliant. For Pacific-based contractors, demonstrating financial performance post-COVID-19, securing financing guarantees and obtaining insurances are particularly challenging.

Objective 2: Collate evidence of contractors' perspectives and expertise to inform development partner understanding of supplier experience.

What factors inform decisions to bid, and what incentives/disincentives have contractors experienced?

FINDING 4: Financial returns, portfolio growth, positive social outcomes, risk allocation, and contract terms are the main factors contractors consider in bidding for and implementing infrastructure projects in the Pacific. Contractors in the Pacific infrastructure sector weigh various factors when deciding to bid on projects, including financial and economic viability, returns for the company, and the potential for positive social outcomes in the communities they work in. Growing the Pacific market portfolio and fostering long-term relationships, coupled with fair risk allocation and contract terms that reduce uncertainties, are viewed as incentives to participate in bidding for and implementing infrastructure projects in the Pacific. While financial incentives and returns are significant motivators, the perception of bids being price-based, particularly in the case of ADB tenders, can deter contractors, indicating a potential lack of assessment of quality, risk controls, and value for money (VFM). For Pacific-based contractors, insurance and finance guarantees have become pivotal decision-making factors in bidding. Fair allocation of risks between the development partner and the contractor positively informs the decision of contractors to bid. If there is a perception that risks have not been appropriately allocated and the contract does not present a balanced risk management approach, this disincentivises contractors from participating in the bid.

What have been contractors' experiences in contracting and negotiating infrastructure contracts with development partners?

FINDING 5: Contractors prefer negotiating contracts with development partners that are collaborative and solution-oriented. This involves addressing risks upfront, allocating risk management appropriately and working collaboratively to deliver development outcomes. Addressing risks in procurement, and ensuring risks are fairly and appropriately allocated and managed after contract award, gives contractors assurance that risks will not be transferred onto them in delivery. Challenges in negotiating contracts are particularly pronounced with Pacific Island governments due to generic or poorly prepared documents, while ADB and WB exhibit rigidity during procurement, and can have prolonged payment periods that stress contractor cashflow. Findings also indicated that DFAT generally follows standard contracts, and MFAT adopts a more flexible and bespoke approach, which can have implications on project implementation timelines. Negotiating insurance with development partners, especially for extreme weather events, remains a consistent challenge, emphasising the need for upfront discussions to collaboratively define and manage project risks.

What are contractors' perspectives and experience on risk sharing, addressing human rights in supply chains, incorporation of local content, gender and social inclusion.

FINDING 6: There can be a disconnect between bid requirements for gender equality, disability and social inclusion (GEDSI) and local context. Similarly, contractors find local content requirements in bids could go further to meaningfully enable local participation. Pacific-based contractors noted that GEDSI requirements in bids may not align with the actual opportunities for participation of women and/or people with disabilities in the industry due to factors like entrenched gender roles and limited pathways for inclusion. While contractors expressed willingness to meet these requirements, challenges arise for construction industries in

different Pacific Island countries at varying stages of GEDSI incorporation. Findings indicated that explicitly outlining requirements in procurement documentation on the reasons for setting targets and the positive outcomes they can achieve may encourage proactive contractor engagement. NZ and Australia-based contractors prioritise local content and local participation but have found that tender qualification requirements regarding personnel experience and qualifications limit participation of local professionals. A Pacific-based contractor shared that by acknowledging and valuing the additional time and resources required for local participation, including training and quality management, development partners can enable greater local participation and local content, leading to better and more sustainable development outcomes from long term accountability and involvement of local contractors vis-à-vis international suppliers following transactional / project-based business approaches.

Objective 3: Identify how development partners can make Pacific infrastructure projects more attractive to potential bidders..

What are contractors preferred market engagement mechanisms? (this may be different for local and international firms)

FINDING 7: NZ and Australia-based bidders prefer early involvement and collaboration for improved project delivery and outcomes. From NZ and Australia-based contractors experiences, early contractor involvement (ECI) emerged as a preferred engagement mechanism. ECI can define risks, provide logistical support, and inform the constructability of proposed solutions at the procurement stage, leading to better project outcomes. Collaboration during project delivery was also emphasised as useful, allowing contractors to proactively manage emerging risks, meet client expectations and community needs. ECI allows contractors to share their expertise, address challenges and improve project delivery, ultimately enhancing VFM. The introduction of a 'competitive dialogue' in the procurement process was highlighted as a successful practice, allowing tenderers to receive feedback on proposals ahead of submissions and sharing proposed budgets with contractors.

FINDING 8: Pacific-based contractors would benefit from greater flexibility, understanding and support from development partners, to unlock greater participation and healthy competition. Pacific-based contractors expressed the need for support in accessing procurement opportunities, as well as streamlined and simplified procurement processes to enable greater participation. Partnerships and joint ventures were raised as useful ways for small to medium sized Pacific-based contractors to work with development partners. The perception of high risk in the Pacific hinders access to financing guarantees from banks, with Pacific-based contractors noting that support from development partners, particularly from MFAT, DFAT, ADB, and WB, is more likely to secure support. Intentions to include local contractors in bids are hindered by high insurance and financing requirements in procurement documentation that can limit participation of Pacific-based contractors. Development partner flexibility and support in addressing these challenges, including streamlining procurement processes and offering letters of assurance to financial institutions and insurance providers, can unlock greater participation and foster healthy competition.

How can development partners increase efficiency of project procurement and engagement of infrastructure providers?

FINDING 9: Taking steps to make procurement processes more efficient can make bidding more attractive. This could include sharing timely and up-to-date information on prospects, additional planning from project inception to better define risks, collaboration with contractors in the procurement process and approach risk management in a balanced and equitable way. Contractors shared, from recent experiences, measures that development partners could take to improve the efficiency of procurement processes. This included providing more visibility on prospective projects, ensuring adequate planning at the scoping stage, and fostering collaboration and open discussions on risks. Contractors emphasised that well-defined risks, fair risk allocation, and addressing challenges like obtaining insurance and financing guarantees, can make bidding more attractive, due to the ability to account for risks appropriately and collaboration in managing risks and challenges. Greater alignment of understanding and appreciation of risks between the contractor and the development partner can work to improve VFM outcomes for the project, adequately address risks in implementation and foster positive relationships that ultimately improve the efficiency of procurement processes and make bidding more attractive.

What specific interventions can contribute to making infrastructure projects more attractive, including those related to insurance availability, procurement modalities, bundling of projects by country or sector, dissemination of forward project pipeline, communication of bid opportunities, joint procurement, and development of social and quality standards etc.

Finding 9 highlighted common responses from contractors with regards to interventions that can contribute to making infrastructure projects more attractive. These include:

- More visibility over prospective projects, more certainty around start dates and allocated funding

- Additional planning at the scoping stage, with appropriate inputs and expertise (including from contractors themselves – see ECI above), to better define risks and requirements when the project comes to market
- More collaboration and discussions upfront about risks so they are appropriately defined, understood and allocated.

The first point refers to a specific intervention at the procurement phase, with the following points referring to interventions that can be taken prior to procurement and at implementation, both of which signal to contractors that the development partner is collaborative, understanding and knowledgeable, which, from contractor experiences, would increase participation. The recommendations presented below go into further detail regarding possible interventions.

Recommendations

Recommendations are summarised below and are based on the research findings and inputs from contractor responses. These recommendations are intended to inform the steps and actions that can be taken to improve market engagement, support advocacy efforts and other activities that can foster a competitive and thriving infrastructure sector in the Pacific.

Recommendations for the bid preparation phase

Short-term (next one to two years)	<p>S1 Allocate appropriate time for bid preparation</p> <ul style="list-style-type: none"> • Align bid submission timelines with project scale and the time required for preparation of high quality submissions. • Allow 5 weeks for bid preparation for medium to large capital works with early capture planning, and 8 weeks for bid preparation where capture planning opportunities have been limited. • Promote broader participation by offering advance notice, longer bid release times, and opportunities for early feedback (refer to recommendation L1 on 'competitive dialogues'). • Avoid tender releases in December, or during religious/cultural/national holiday periods with provision of additional time to deal with the disruption and limited access to people and resources during these periods. <p>S2 Adjust bid submission requirements to be proportionate to the scope of work</p> <ul style="list-style-type: none"> • Encourage Pacific contractor participation through smaller packages of work with streamlined procurement pathways that are less onerous, commensurate to the risks and fit-for-purpose. • Adjust bid submission requirements to be commensurate to what is practically and legally required for projects depending on the scale and risk. <p>S3 Provide regular updates and communications on prospective projects</p> <ul style="list-style-type: none"> • Regular written communication or verbal communication via online presentations directing contractors to procurement information e.g. procurement platform, opportunities, bid requirements. • Provide advance information and notifications on new projects, dropped projects, changes to projects, nascent projects, bundling of projects, projects yet to come to market, expected funding source and targeted contractor demographic (local or international or both). • Work towards a consolidated pipeline in the medium-term that co-ordinates all donor and private sector opportunities to inform bid planning and preparation for contractors (referenced in recommendation M5 below).
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Recommendations for enabling greater Pacific participation by adjusting procurement processes and assessment approaches

Medium-term (next three to five years)	<p>M1 Provide flexibility in compliance with qualification criteria and streamline requirements for low-risk projects</p> <ul style="list-style-type: none"> • Consider adjustments for the following common qualification criteria for bids to encourage greater Pacific participation: <ul style="list-style-type: none"> – Demonstration of financial performance – adjust to recognise impacts of COVID-19 for Pacific-based contractors. Seek justification of performance as short narrative from contractor, or adjust criteria to consider a longer period of financial performance. – Number of years of experience of national personnel – adjust to accept quality of experience, networking and relationship building capabilities of the selected personnel, and feedback from references in lieu of years or qualification. • Collate examples of successful criteria that translate from bid assessment to implementation, drawing on lessons learned from development partners.
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Medium-term (next three to five years)

M2 Tailored support for Pacific-based contractors for financing and insurance guarantees

- Where obtaining financing or insurance cover is challenging or impossible for Pacific-based contractors, provide letters of endorsement for contractors to use when approaching banks and/or insurance providers.
- Where endorsed by an assessment of risks, consider easing high financing and insurance requirements in procurement to enable greater participation from Pacific-based contractors.
- Raise awareness and facilitate capacity strengthening for contractors on insurance requirements and engaging with insurers early

M3 Seek demonstration of contractors’ understanding of risks and whole of life costs

- Provide project budget (if available) in procurement documentation to facilitate contractors’ response to project risk and enable fair assessment of price by development partners.
- In assessing bids, particularly for energy infrastructure, place value on long term operations, maintenance and asset accountability to recognise Pacific-based contractor capabilities in these aspects and require disclosure of whole of life costs for proposed energy solutions.
- Acknowledge additional time and resources that may be required for meaningful incorporation of local participation and capacity strengthening.

M4 Allocate risks fairly through collaborative and solution-oriented approaches

- After contract award, engage in workshops for up front and good faith discussions on what risks are anticipated, who is best positioned to manage or own risks, and implications of risk on project milestones and stakeholders.
- Advocate this process of upfront and good faith discussion and allocation of risk during procurement stage to assure bidding contractors that burdens of risk will be allocated and managed fairly after contract award.

M5 Work towards building consolidated pipeline of infrastructure works

- Work towards compiling a pipeline for upcoming projects that consolidates and coordinates all donor and private sector opportunities to inform bid planning and preparation for contractors.
- Share updates to pipeline regularly and provide advance notification of projects coming to market (refer to recommendation S3 above).
- Share pipeline updates with insurers early to enable advanced planning for insurance requirements

Recommendations for inclusive development outcomes

M6 Match gender and social inclusion policy priorities with effort expected in implementation

- Tailor project GEDSI requirements in procurement documentation to reflect local context, culture, societal norms, community dynamics and levels of industry participation.
- Provide explicit targets and requirements with well-researched reasoning in procurement documentation so the purpose of the requirement is clear to bidders i.e. why such targets are set, the role the contractor has in facilitating the participation of women and/or people with disabilities, and the positive outcomes they can have.

Recommendations for understanding risk for improved efficiency in procurement

Long-term (when resources are available)

L1 Involve contractors early and undertake additional planning from the scoping stage for better understanding of risks for efficiency in procurement

- Prioritise early involvement of relevant expertise and resources in the scoping and planning phases of infrastructure projects ahead of procurement to better define risks and project requirements.
- Continue to leverage and use ECI where appropriate, and in a consistent manner, and raise awareness for ECI among Pacific Island governments, national chambers of commerce and local contractors.
- Explore the use of ‘competitive dialogues’ with bidders during procurement as a method to share feedback on proposals ahead of the final submission or require proponents to present proposed solutions in a presentation format to help differentiate between technical solutions and VFM. This can foster engagement with bidders and bring about shared understanding of project requirements.
- Emphasise partnerships over restrictive procurement rules to help development partners better understand the strengths of contractors, foster trust and work collaboratively towards achieving project objectives and outcomes.
- Consider reimbursements for contractors’ time for bid preparation and early contractor involvement particularly where innovative solutions are sought for complex projects.

1 Introduction and background

MFAT has commissioned Tetra Tech to conduct Pacific Infrastructure Market Research (the research). The research was conducted from September to December 2023.

MFAT seeks to ensure the Pacific infrastructure sector has access to local and international contractors that are suitably qualified to deliver on the needs of the Pacific. Development partners and Pacific Governments have had mixed experience in attracting contractors to bid on development partner-financed infrastructure projects in the Pacific. Concurrently, feedback from contractors regarding procurement processes is received anecdotally, and is yet to be captured in a systemic or comprehensive way. In undertaking this research, MFAT seeks to capture insights, experiences and perspectives of contractors working in the Pacific to inform improved approaches to market.

This report presents the research findings and considerations to address barriers to procurement to continue to support a thriving and competitive Pacific infrastructure sector.

1.1 Desktop review of the Pacific infrastructure supplier market

The Pacific Islands face unique challenges in procuring, delivering and maintaining infrastructure, due to vulnerability to shocks, challenges in service delivery and slow growth. These challenges are driven by, and compounded by the small population and land area, dispersion, remoteness, and heightened exposure to natural events and ongoing impacts of climate change (Saeed, A. *et. al.*, 2021). Estimates by the ADB indicate that USD 3.1 billion is required annually to address infrastructure gaps in the Pacific region. A lack of adequate maintenance for existing infrastructure also means deteriorating roads and bridges, outdated public facilities and insufficient energy infrastructure, perpetuating a lack of access, safety, and resilience (Lawther, P. *et. al.*, 2022).

These challenges impact the enabling environment for procurement of infrastructure services in the Pacific, with geographic dispersion, distance from major markets, limited economic capacity, complex legislation, weak policy, human and institutional capacity constraints and limited access to financial services constraining the private sector (Saeed, A. *et. al.*, 2021). This limits healthy competition and capacity strengthening of local businesses, ultimately restricting their engagement with development partners or government-funded donors, including MFAT.

A study regarding procurement and local content in the Pacific infrastructure sector conducted by PRIF in 2022 identified that while development partners generally encourage the strengthening of local business capacity, requirements for economy and efficiency tend to override the inclusion and participation of local businesses. Meanwhile, local consultants, contractors and suppliers may not have clarity over the financial and technical requirements to bid, are capacity constrained and lack access to capital and investment support to bid. The demand-side and supply-side issues, along with external issues, constitute the ongoing cycle of a lack of participation of diverse businesses in development-partner funded infrastructure services in the Pacific (Lawther, P. *et. al.*, 2022).

1.1.1 Snapshot of the current Pacific infrastructure sector

Sector priorities and development partner focus

Development partner activity in the Pacific infrastructure sector is characterised by investment and support for projects in the transport, water and sanitation, renewable energy generation and information and communication technology (ICT) sectors (World Bank, 2023). There is also increasing focus on resilience to climate change and external shocks such as COVID-19, placing greater emphasis on transport resilience projects, water security projects, internet stability projects and the development of self-reliant energy systems, and the construction effort required to deliver these projects. This is exemplified through regional programmes such as the Australia Infrastructure Financing Facility for the Pacific (AIFFP) (DFAT, 2023). Regional strategies such as the '2050 Strategy for the Blue Pacific Continent' from the Pacific Islands Forum Secretariat (PIFS) and the joint ADB and PRIF report 'Pacific Approach, 2021-2025' reinforce this and also acknowledge the critical role civil and energy infrastructure plays in enabling safe, accessible, resilient and sustainable development outcomes (PIFS, 2022; Saeed, A. *et. al.*, 2021).

Procurement

Procurement for infrastructure works in the Pacific Islands is undertaken by a range of actors, including:

- State-owned enterprises (SOEs) which include water and energy utilities, roads authorities, ports authorities and airport corporations;
- Government ministries and departments conducting procurement within their remits, overseen by the local Ministry of Finance, which provides procurement process and compliance support;

- Bilateral and multilateral development partners that either:
 - use procurement systems within SOEs or government ministries that have been approved by or are compatible with those of the development partners, and in line with the legal requirements of the country (WB works with local procurement systems for national projects, evidenced through their procurement platform (World Bank, 2024a)), or
 - use their own procurement systems.

Projects can be self-funded, partner-funded or jointly funded between two or more partners, and can also include the country the project concerns (Lawther, P. *et. al.*, 2022).

Development partners offer funding assistance to Pacific projects in the form of grants, concessional lending and non-concessional lending. The development partners operating and engaging in procurement in the Pacific include:

- MDBs: ADB, WB, Asian Infrastructure Investment Bank, European Investment Bank, International Monetary Fund, International Finance Corporation and United Nations (UN) agencies including but not limited to the UN Office for Project Services, Food and Agriculture Organisation of the UN and the UN Development Programme (UNDP);
- Bilateral partners: Australia, NZ, the United States, Japan, the People's Republic of China, Taiwan, and countries in the European Union, including France; and
- Bilateral partners with smaller geographic or issues-based support: Indonesia, India, the Republic of Korea (South Korea), Malaysia and the United Kingdom.

There is generally co-operation and co-ordination between development partners at the national and regional levels, due to the joint nature of the delivery of work and interfaces in infrastructure projects between sectors, agencies and communities (Saeed, A. *et. al.*, 2021).

One way the entities within Pacific Island countries that conduct procurement in the civil and energy infrastructure sectors, such as the SOEs or government ministries, can be identified is via the available online procurement platforms. These online procurement platforms are briefly listed in Annex A. Procurement through SOEs and government is also facilitated by development partners such as WB and UNDP. Fiji has established online platforms for the SOEs that cover roads, water, aviation, ports, and energy respectively. Other countries such as Papua New Guinea (PNG), Solomon Islands, Vanuatu, Samoa, the Cook Islands, Tonga, Tokelau, Kiribati, the Federated States of Micronesia (FSM) and Palau have consolidated online portals for all government contracts, which includes SOEs administering construction contracts. Countries such as Nauru, Tuvalu, Niue and the Marshall Islands rely on development partners such as WB and UNDP to advertise tenders, which is where ministry- or SOE-led construction contracts can be identified, when available (refer to Annex A for further details).

Infrastructure market size indicators

It is difficult to estimate the size or value of the infrastructure market in the Pacific, as this requires regular measurement and benchmarking across the countries, and for this data to be publicly available. Some data is available from development partner websites and national plans of the countries, however this is not enough information to estimate the size of the infrastructure market in the Pacific. This desktop review could not obtain this information with an appropriate degree of confidence, so data from the WB was used to understand the relative sizes of the construction markets within the Pacific Island countries. This data did not provide distinction between the civil and energy sectors.

The WB collects data regarding 'Industry' or value added per year¹ in mining, construction, electricity, water, and gas. Though mining is not as a sector that is financially supported by development partners, the statistic is still a useful proxy for the size of the construction industry across PNG and the small Pacific Island nations where data is available.

PNG has the largest value added at approximately USD 12 billion² as at 2022, indicating that it is the largest infrastructure and construction market in the Pacific. The value added in industry in mining, construction, electricity, water, and gas for smaller Pacific Island states is shown in the figure below. The figure also includes the year the most recent value was added for the Pacific Island country, for the countries that have data available. These countries include: Fiji, Solomon Islands, Samoa, Vanuatu, Tonga, Marshall Islands, Palau, Kiribati, FSM and Tuvalu. PNG is not included in the figure below due to the large difference in values.

¹ The 'value added' is considered to be the net output of a sector after adding all outputs and subtracting intermediate outputs. It does not take into account deductions for depreciation of fabricated assets or degradation of natural resources. This is as per the WB Data limitations and exceptions (WB, 2024b).

² Data presented is in constant 2015 prices in USD (WB, 2024b).

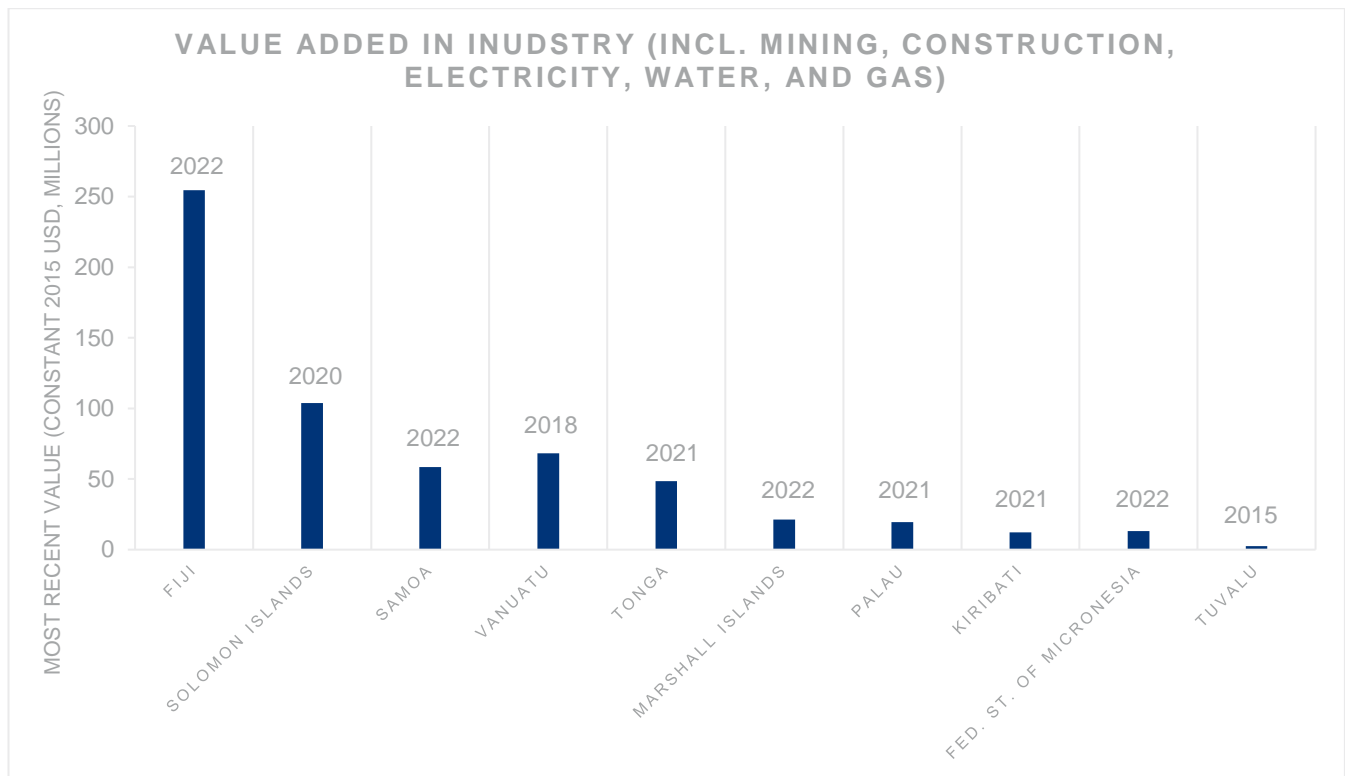


Figure 1: Value added in Industry (incl. mining, construction, electricity, water and gas) for Pacific Islands (excluding PNG) (WB, 2024b)

The information shown in the figure above demonstrates that after PNG³, the largest infrastructure construction markets in the Pacific consists of Fiji, Solomon Islands, Vanuatu, Samoa and Tonga. The Marshall Islands, Palau, Kiribati, FSM and Tuvalu also have significant infrastructure industries, though smaller than PNG and the former five countries. This data does not include Pacific Island countries that have notable infrastructure and construction activity, such as the Cook Islands, Tokelau, Niue and Nauru, due to the unavailability of consolidated data.

Overview of key players by country and sector

As part of this research, contractors operating in the civil and energy infrastructure sectors in the Pacific were identified from procurement platforms such as ADB and WB, as well as from established contractor lists and panels from MFAT and AIFFP (refer to Section 1.1.6 below). Though not extensive, the identified contractors roughly reflect the active firms in the civil and energy infrastructure sectors of the Pacific. By interrogating this list as a reflection of the current state of the market, the following observations were made:

Table 1: Observations of contractors by country and sector

Observation theme	Details
Australia vs. NZ vs. Pacific-based contractors	Of the contractors surveyed, the number from Australia and NZ was roughly equal to the number of Pacific-based contractors combined. Country to country, Australia has the greatest representation in the survey, followed by NZ, then PNG, Fiji and the Solomon Islands.
Pacific-based contractors countries of location	Contractors based in the Pacific are largely located in PNG, Fiji, the Solomon Islands, Vanuatu and Samoa. This is roughly aligned with the infrastructure market sizes displayed in Figure 1 above.
International contractor representation	There is some representation from contractors from other countries outside of the Pacific or oceanic region, including South Korea, India, China, Japan, Denmark, France, the United Kingdom and the United States.
Civil contractors are mainly Australia, NZ and Pacific-based	The civil sector is well represented by Australia, NZ, PNG, Solomon Islands, Fiji, Samoa and Vanuatu, with some international contractors present as well, from China, the United States, France and South Korea. Civil contractors make up the majority of list.

³ PNG not included in Figure 1 due to the large difference in values.

Observation theme	Details
Energy contractors are more Australia, NZ and internationally based	Representation of Pacific-based contractors is not as strong in the energy sector as it is in the civil sector. The energy sector is comprised of contractors from Australia, NZ and Fiji, as well as international contractors from India, France, Spain, Denmark, the United States, and South Korea.

These observations indicate that the civil sector is well represented by a mix of Australia, NZ and Pacific-based contractors, in contrast to the energy sector, which comprises of more Australia, NZ and international contractors, and very few Pacific-based contractors. The number of civil contractors is higher than the number of energy contractors operating in the Pacific, which reflects the emerging nature of renewable energy systems in the Pacific. The countries of operation of the contractors identified as 'Pacific-based' align with observations made on infrastructure market sizes in the Pacific shown in Figure 1 above, with representation from PNG, Fiji, and Solomon Islands greater than representation of contractors from Vanuatu, Tonga and Samoa.

1.1.2 Observations from regional bodies and institutes

Regional bodies and facilities, such as PRIF, produce research and publications that investigate the current state of play, barriers and enablers to procurement for the sustainable development of the Pacific region. The PRIF Report 'Enhancing Procurement Practice and Local Content in Pacific Infrastructure' is a direct response to procurement challenges faced by local businesses in the Pacific and improving the inclusion and strengthening of local content. This research is critical to sharing the experiences of development partners and contractors alike in procurement challenges in bidding for infrastructure works in the Pacific. The report puts forward key considerations for optimising local content into infrastructure projects in the Pacific based on case studies, good practice and consultations conducted with Pacific Island governments, contractors, consultants, development partners, professional organisations, and education and training providers. These considerations, although for optimising local content in infrastructure projects in the Pacific, have parallels to the findings and recommendations presented in this report. For example, the PRIF report suggests 'strengthening promotion and awareness of infrastructure pipelines' and 'using procurement mechanisms that facilitate local content' (Lawther, P. *et. al.*, 2022). These recommendations are similar to the responses of contractors that participated in this research, regarding questions on efficiency of procurement processes and barriers to participation in the market. This is expanded on in the relevant findings in Section 3 below.

The joint ADB and PRIF Report 'Pacific Approach, 2021-2025' also offers important insights to the emerging implementation priorities of the Pacific region, which includes procurement innovation and project implementation. The report identifies the barriers ADB faces in attracting bidders to projects in the Pacific and presents accommodations that have been piloted such as flexibility in contracting, co-ordinating with WB and other partners on procurement, using quality criteria on bid evaluation, flexible packaging to increase participation of local businesses and modifying approaches to support the engagement of civil society organisations (CSOs) and non-governmental organisations (NGOs) on projects (Saeed, A. *et. al.*, 2021).

Considering the delivery of infrastructure as a service, the Griffith Asia Institute at Griffith University, Australia, notes in their policy brief 'Activating greater trade and investment between Australia and Pacific Island countries' that opportunities exist to leverage current infrastructure investments to develop trade relationships, productive capacity, and supply-side capacity to address market access barriers in a more direct way. It also highlights that fostering business-to-business and government-to-government relationships between Australia and the Pacific can support trade relations and clarify barriers to procurement (Morgan and Cain, 2020).

1.1.3 Forums to demystify procurement challenges for contractors

Acknowledging the existing challenges in bidding and procurement in the Pacific, MDBs such as ADB and the WB, alongside government donors such as MFAT and DFAT, and government agencies such as NZ Trade and Enterprise (NZTE) and Austrade, create opportunities for MDBs and other development partners to clarify procurement processes to contractors⁴. These forums may also feature finance institutions and case studies from Australian or NZ-based contractors' experiences working in the Pacific.

An example is the International Development Opportunities Seminars held annually by Austrade around major cities in Australia, that brings together Australia-based contractors looking to bid for work in the Pacific infrastructure sector, procurement specialists from ADB and WB, and representatives from regional facilities such as the AIFFP.

⁴ Such as the International Development Opportunities Seminar hosted by Austrade

1.1.4 Rationale for research

MFAT is well-placed to undertake this critical research, which will gather important evidence that serves to further demystify procurement challenges for contractors in NZ, Australia and the Pacific, seeking to engage in the Pacific infrastructure sector. The challenges in procurement of infrastructure services in the Pacific are well-documented, however the experiences of contractors, particularly with government entities working in the development sector, and specific to the civil and energy sectors, is not well-explored. This investigation serves to develop a robust and meaningful evidence base, that can inform improved partnerships with the private sector, and inform necessary interventions to continue to contribute to a thriving and healthy Pacific infrastructure sector.

1.1.5 How this informs the Research Plan and methodology

While a broad understanding of procurement challenges in the Pacific infrastructure sector exists, direct qualitative information that can inform MFAT's, and subsequently other development partners', procurement processes to encourage a thriving Pacific infrastructure sector is limited. To develop clear, practical and actionable recommendations, the experiences of contractors in the civil and energy sectors in the Pacific needs to be understood.

For this reason, the key research tools described in Section 2.4 below were selected, including an online survey and key informant interviews (KIIs).

The online survey was designed to be easy to fill in, and not too burdensome, to maximise response rates. It was circulated across a wide range of contractors to gather diverse data in a relatively short amount of time. Analysis of findings from the online survey informed the KIIs.

The KIIs allowed for deeper understanding of contractor experiences and were arranged to gather data from a representative group of contractors based on size, country and sector interest.

1.1.6 Identification of contractors to include in research

Contractors to be included in this research, particularly the online survey, were sourced from a range of locations to provide a cross-section of years of experience, discipline, location and development partners worked with.

These sources include:

- AIFFP Panel
- ADB and WB procurement and contract award database
 - Searched for contractors that had been awarded capital works projects of minimum USD 1 million in the last five years in the Pacific
 - Also interrogated bidders shortlisted for infrastructure contracts at first stage of procurement but unsuccessful at second stage.
- Supplementary list from MFAT.

2 Research objectives and key questions

2.1 Purpose and use of the research

The purpose of the research is to identify opportunities, and barriers in the enabling environment that limit the development of a Pacific infrastructure sector that is capable of delivering on the needs of the Pacific. The research will inform understanding of the Pacific infrastructure market. MFAT intends to use findings and recommendations as an evidence base to draw on and to act as a catalyst to shape improved partnerships with the private sector, as well as update advice and interventions.

This report captures insights and perspectives from contractors working in the civil and energy sectors in the Pacific, to inform the strengthening of approaches to procurement.

2.2 Research scope

The scope of this research originally covered civil and energy contractors who are based in NZ, Australia and the Pacific and typically fulfil the role of head contractor (or as a key local sub-contractor).

After the sensemaking workshop held on Monday 1 December 2023, it was identified that uptake of the survey and invitation to interview was lower than anticipated, impacting the research team's ability to provide holistic, robust

and useful findings. To supplement and validate findings, it was agreed that a select number of supervising engineering firms would be invited to interview, to gain insight into the perceived procurement barriers and enablers from managing contractors that support development partners to procure contractors.

2.3 Objectives and key research questions

MFAT has prescribed three objectives and eight research questions for this research to fulfil its purpose. They are:

Table 2: Research objectives and key research questions

Objectives	Key Research Questions
<p>Objective 1: Identify any real or perceived barriers that might prevent suitably qualified contractors from participating in development-partner funded infrastructure projects in the Pacific.</p>	<ul style="list-style-type: none"> • What insights have recent procurement activities provided about the size of contractor markets, who is interested in bidding, in what countries, sectors and size of projects. • What are the barriers and enablers that contractors encounter in bidding on and undertaking infrastructure projects in the Pacific? Are these different for different development partners?
<p>Objective 2: Collate evidence of contractors' perspectives and expertise to inform development partner understanding of supplier experience.</p>	<ul style="list-style-type: none"> • What factors inform decisions to bid, and what incentives/disincentives have contractors experienced? • What have been contractors' experiences in contracting and negotiating infrastructure contracts with development partners? • What are contractors' perspectives and experience on risk sharing, addressing human rights in supply chains, incorporation of local content, gender and social inclusion.
<p>Objective 3: Identify how development partners can make Pacific infrastructure projects more attractive to potential bidders.</p>	<ul style="list-style-type: none"> • What are contractors preferred market engagement mechanisms? (this may be different for local and international firms) • How can development partners increase efficiency of project procurement and engagement of infrastructure providers? • What specific interventions can contribute to making infrastructure projects more attractive, including those related to insurance availability, procurement modalities, bundling of projects by country or sector, dissemination of forward project pipeline, communication of bid opportunities, joint procurement, and development of social and quality standards etc.

2.4 Research approach and methods

The research drew on a systematic mix method approach including qualitative and quantitative data gathering using various techniques and methods, such as an online survey and KIIs, to address the research questions shown in Table 2 above. This enabled a comprehensive approach to data collection to identify the barriers and enablers to bidding for and participating in development partner funded infrastructure activities in the Pacific.

The online survey and supplementary KIIs provided insights into contractor experiences with the development partner funded infrastructure activities in the Pacific and highlighted areas development partners can focus on to increase contractor engagement and reach. Emerging findings continually informed the research approach and its ongoing refinement throughout the project. The findings for each evaluation question sequentially framed the evidence base to build on evidence for the next question. The research project was conducted in two phases: Inception and Delivery; and Data Collection and Analysis.

The data collection tools used for this research are described in the table below.

Table 3: Data collection and analysis tools

Data collection tools	How tools supported analysis
<p>Desktop review</p>	<ul style="list-style-type: none"> • Undertaken to build context and background for this research • Informed the research methodology and key research tools • Desktop review summarised in Section 1.1 above • Reviewed regional approach strategies, studies and policy briefs from ADB, PRIF, Griffith University, and Austrade (the Australian Government's trade and investment commission) • Four documents reviewed: <ul style="list-style-type: none"> – PRIF regional guidance document 'Pacific Approach, 2021-2025', 2021. – PRIF and ADB joint study 'Enhancing Procurement Practice and Local Content in Pacific Infrastructure', 2022

Data collection tools	How tools supported analysis
	<ul style="list-style-type: none"> – Griffith University policy brief ‘Activating greater trade and investment between Australia and Pacific Island countries’, 2020 – Austrade International Development Opportunities Seminar
Online survey	<ul style="list-style-type: none"> • Developed in online survey platform SurveyMonkey (Link: https://www.surveymonkey.com/r/MFAT_PacificInfrastructureMarketResearch_Survey) • Total of 34 questions and completion time of ~11 minutes • Included questions that: <ul style="list-style-type: none"> – Directly addressed the research objectives and key research questions; – Gathered contextual self-identification information such as area/s of operation, location, size (no. of employees) and sector/s of expertise, and – Drew out insights from recent procurement activities <p>to enable a holistic analysis of data collected</p>
Kills	<ul style="list-style-type: none"> • Deeper contextualised insights on barriers, enablers and opportunities faced by contractors and supervising engineers working in the Pacific • 60 minute semi-structured interview that used progressive enquiry • Conducted in a participatory, respectful and culturally-sensitive manner

The invitations for the online survey and KIs were disseminated over a period from 8 November 2023 to 12 December 2023. Invitations to participate in the online survey were sent to 94 contractors and four supervising engineers, and invitations to participate in the KIs were sent to 15 contractors and four supervising engineers. Responses for the online survey were received from 31 contractors and two supervising engineers. For the KIs, six contractors and two supervising engineers were interviewed. To improve response rates during this time, a total of 12 reminders were sent requesting the completion of the online survey. For the KIs, between three to five reminders were sent to contractors requesting their participation. This is summarised in the figure below.

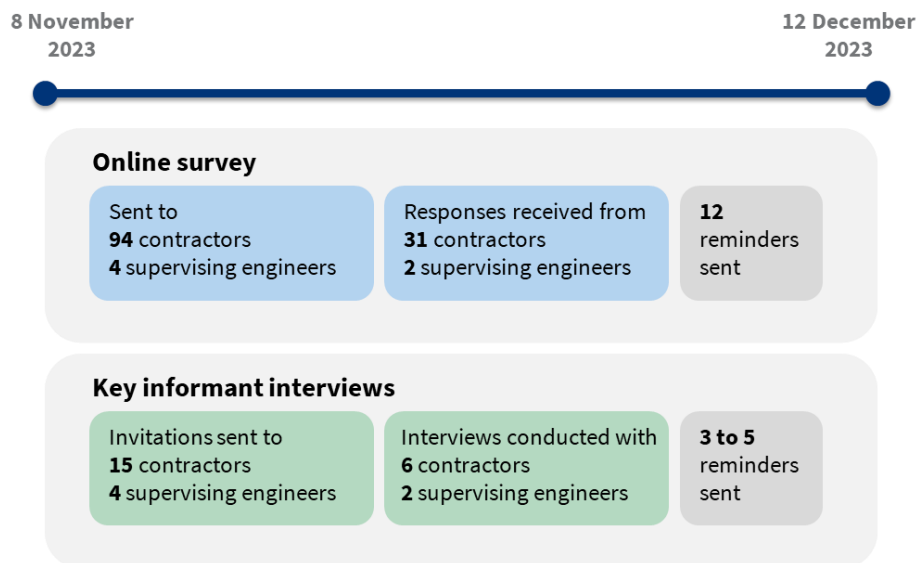


Figure 2: Data collection response rate and reminders sent

2.5 Challenges and limitations

The research team encountered some challenges and limitations during the process of the research, which are described in the table below.

Table 4: Research challenges and limitations

Challenge / limitation	Details
Low response rate for online survey and KIs	<p>Both the online survey and KIs faced low response rates for uptake and participation. To combat this, the research team sent regular reminders to contractors which would result in a small increase in responses for both the online survey and KIs.</p> <p>The number of survey responses was lower than anticipated, which has limited the breadth of contractor experiences captured in the findings of this report. The KIs were used to fill in gaps</p>

Challenge / limitation	Details
	<p>identified in survey response data, provide contextualised insights and dig deeper on the common themes identified throughout the research.</p> <p>The low response rate for the KIIs was addressed by MFAT after the sensemaking making workshop (held 1 December 2023) by substituting remaining interview slots with interviews with supervising engineering firms. Reminders were also sent regularly providing team availability to meet for the 60 minute interview. The KIIs that were conducted were useful, however the lower than anticipated number of KIIs also limited triangulation and sensemaking.</p> <p>The KIIs were undertaken with majority NZ-based contractors, so insights obtained from Pacific-based contractors was also limited.</p> <p>There were more civil contractors that participated in the surveys and the KIIs than energy contractors. This, compounded with the greater number of responses from NZ-based contractors than Pacific-based contractors, led to difficulties in triangulating and validating findings for the energy sector in the Pacific.</p> <p>Additionally, the majority of respondents were noted to have been working in the Pacific for over 16 years. While this demonstrates that many of the challenges or enablers in the sector have existed for a long period of time, the views of small to medium sized contractors, particularly Pacific-based contractors, may need to be understood further to tailor interventions appropriately.</p>
<p>Unavailability and unwillingness of participants to engage</p>	<p>In circulating the online survey link and invitation to participate in interviews, a number of contractors replied stating they had previously provided their feedback, or did not work in the Pacific, or did not have time to participate in this market research. This limited the availability to meaningfully draw out experiences of contractors that do not work in the Pacific but are seeking to. Despite this, a KII was able to be conducted with a contractor with minimal experience in the Pacific but enthusiasm to enter the market, which proved important to arriving at findings regarding barriers to entry that will be meaningful and useful for MFAT.</p>

These challenges and limitations have the following implications on the findings and recommendations of this research:

- The lower number of responses from Pacific-based contractors may impart a NZ and Australia bias in the recommendations, which may impact the interventions that are developed to encourage greater participation.
- There was a larger representation of civil contractors than energy contractors, which, coupled with the low representation of Pacific-based contractors, may have implications on developing appropriate interventions to encourage the participation of Pacific-based energy contractors in the infrastructure market, and may impart a bias towards civil contractors in the recommendations presented.
- The majority of respondents were noted to have been working in the Pacific for over 16 years. While the findings derived from their responses demonstrate that many of the barriers or enablers in the sector have existed for a long period of time, the views of small to medium sized contractors, particularly Pacific-based contractors, may need to be understood further to tailor interventions appropriately to target greater participation from small to medium sized contractors. The implication of this limitation is that the findings and recommendations presented in this report may be biased towards the issues of larger, more established contractors working in the Pacific.

The findings and recommendations presented below should be read in this context, noting the limitations and challenges of the research and the associated implications.

3 Key findings

This section of the report presents key findings from the online survey responses and the KIIs. An overview of the locations of contractors and supervising engineers, and number of participants, based on self-identification questions from the survey and from KIIs, is summarised in the figure below. A total of 33 responses were received from the online survey, and a total of eight KIIs were conducted.

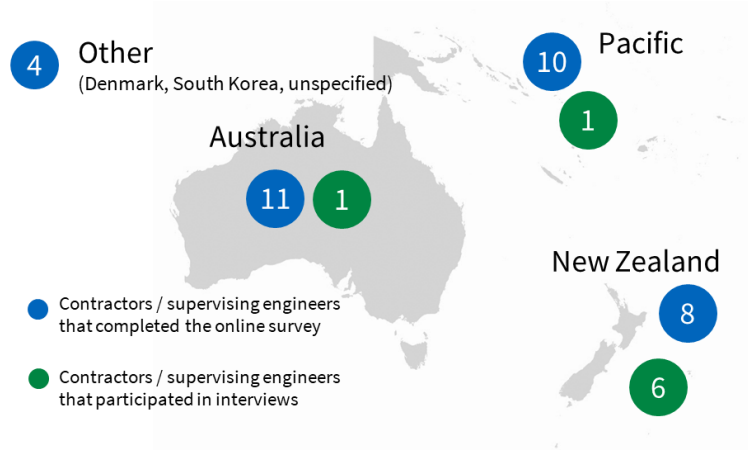


Figure 3: Geographic spread of respondents

Of the 10 Pacific-based contractors that completed the online survey, seven were based in PNG, two were based in Fiji and one was based in the Solomon Islands.

The years of operation by location of the research participants is broken down in the figure below. The majority of respondents have been working in the Pacific infrastructure sector for more than 16 years.

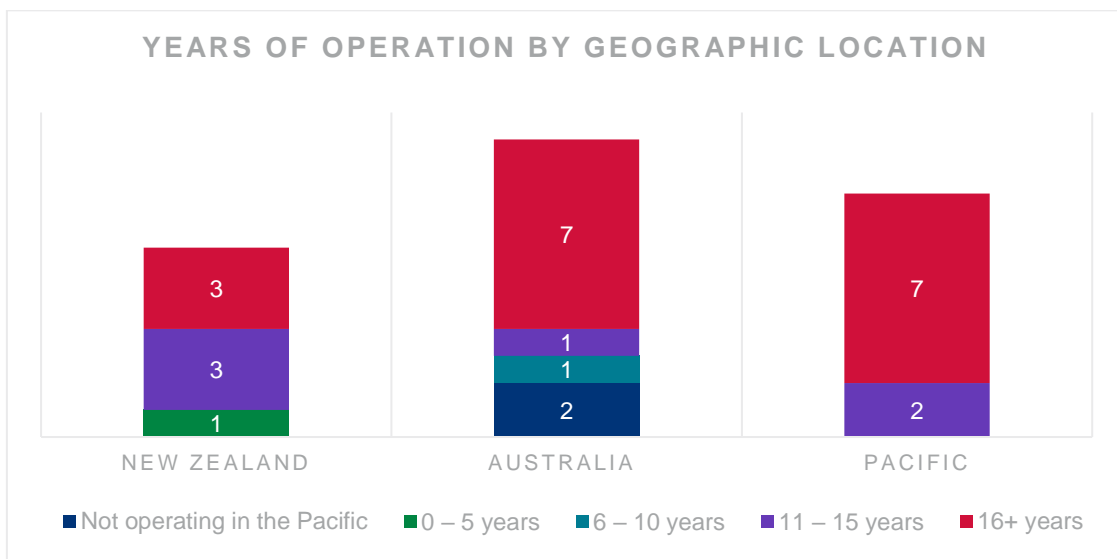


Figure 4: Years of operation of respondents by geographic location

The sectors of operation can be broken down by geographic location of the respondents as shown in the figure below. It can be seen that the majority of respondents operate in the civil infrastructure sector in the Pacific at 19 respondents. Those with civil and energy infrastructure capabilities made up nine of the respondents, and those with energy infrastructure capabilities only made up two of the respondents.

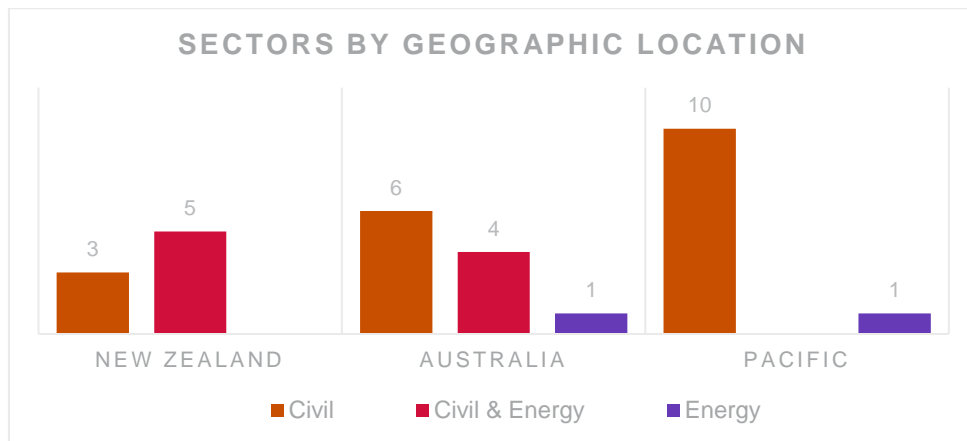


Figure 5: Sector of operation of respondent by geographic location

These figures provide a broad view of the types of respondents for this research, which impact the findings and subsequent analysis. Despite a lower than targeted response rate, particularly for contractors that operate solely in the energy sector, common themes were able to be drawn out from the responses. KIIs were used to interrogate and validate these themes and findings further. The findings presented in the following sections have been consolidated from online survey responses and responses gathered from the KIIs.

3.1 Key findings on the real or perceived barriers preventing suitably qualified contractors engaging in the Pacific infrastructure sector

This section of the report responds to Objective 1 of the research objectives and presents analysis and findings related to contractor experiences from recent procurement activities and real or perceived barriers faced by contractors in engaging in the Pacific infrastructure sector.

Objective 1: Identify any real or perceived barriers that might prevent suitably qualified contractors from participating in development-partner funded infrastructure projects in the Pacific.

- What insights have recent procurement activities provided about the size of contractor markets, who is interested in bidding, in what countries, sectors and size of projects?
- What are the barriers and enablers that contractors encounter in bidding on and undertaking infrastructure projects in the Pacific? Are these different for different development partners?

3.1.1 Overview of contractor market

As described in Section 1.1.1 above, the largest infrastructure markets in the Pacific appear to be PNG, followed by Fiji and the Solomon Islands (World Bank, 2024b). The sectors within the infrastructure sector that are of current focus to the Pacific Islands include transport (including roads, air, and maritime infrastructure), water and sanitation, renewable energy generation and ICT (PIFS, 2022; Saeed, A. *et. al.*, 2021; World Bank, 2023).

From the contractors that participated in the online survey and KIIs, it is important to note that the majority of respondents were NZ and Australia-based contractors, the majority of respondents were civil contractors, and a significant number of respondents have been operating in the Pacific for more than 16 years. The skew of the years of operation is also reflected in the Pacific-based respondents, where majority of the Pacific-based contractors that responded to the online survey have been working in the Pacific for more than 10 years. Of these Pacific-based respondents, as discussed in Figure 4 above, seven were based in PNG, two were based in Fiji and one was based in the Solomon Islands. This mirrors the data presented on infrastructure market size indicators in Figure 1 above, indicating that the views expressed by the Pacific-based contractors in the online survey are from established markets with deep experience in delivering construction contracts in the Pacific.

Based on the responses from all contractors in the online survey, the Pacific Island countries where contractors undertook the most work were PNG (with 19 responses), followed by Fiji (15 responses), then Solomon Islands (14 responses), Vanuatu (12 response) and Samoa (11 responses). This also aligns with the infrastructure market indicator data presented in Figure 1 above, demonstrating that these Pacific Island countries contain some of the most active infrastructure markets in the region.

Out of the survey respondents, the NZ and Australia-based respondents appeared to have a greater geographic reach than the Pacific-based respondents. Many of the NZ and Australia-based respondents reported working across PNG, Fiji, Solomon Islands, Vanuatu, Samoa, Tonga, Marshall Islands, Palau, Kiribati, FSM, Tuvalu, Tokelau, Cook Islands, Niue and Nauru. The Pacific-based respondents consisted of contractors that worked

locally in PNG, Fiji and Solomon Islands, respectively. Of those that participated in the KIIs, the NZ and Australia-based respondents again had a significant geographic spread, while the Pacific-based contractor expressed a geographic reach extending from Kiribati, Tuvalu, Tonga and Fiji.

The sections below provide further insights from the responses of contractors from the survey responses and KIIs regarding perceptions of contractor markets, bidding decisions, countries, sectors and project size in informing decisions to bid and implement projects in the Pacific.

3.1.2 Insights from recent procurement activities

FINDING 1: In deciding to pursue a bid for infrastructure works in the Pacific, contractors consider whether there is enough information available to understand the risk involved. The effort to bid is weighed against the perceived competitiveness of the bid, perceived opportunities for long-term engagement and the potential financial return of the bid if won.

Contractor experiences from recent procurement activities in the Pacific infrastructure sector indicated that contractors undertake comprehensive risk assessments, assessments for strategic alignment and opportunity tracking ahead of taking part in procurement activities. Part of this assessment is considering the procurement opportunity in a broader context. This includes consideration of:

- **Perceived competitiveness:** the lower the number of competitors the greater the chance of winning the bid.
- **Perceived opportunities for long-term engagement:** link to future package of works provides opportunities for economies of scale and other efficiencies in delivery, improving contractors' financial position.
- **Potential financial return if won:** outweighing the risk and effort to bid, in terms of resources and costs.

Across all respondents, it was acknowledged that working in the Pacific infrastructure sector can be high risk and high cost, due to the geographic dispersion of the islands, costs of mobilising resources and equipment, extreme weather events and political economy of the country. Pacific-based contractors with local plant and equipment can have an advantage over NZ and Australia-based contractors in accessing remote island countries. Many NZ and Australia-based contractors have established operations across the Pacific Islands, in countries such as PNG, Fiji, Solomon Islands, Vanuatu, etc., which can act as hubs from where resources, plant and equipment can be sourced. Contrary to this, one Australia-based contractor, with more than 16 years of experience in the Pacific, expressed that they enter PNG and Fiji on a case-by-case basis, due to the developed contractor capacity of these countries. NZ and Australia-based contractors still face logistic issues in delivery, in mobilising appropriate teams and technical assistance. These logistics for delivery, operational considerations and flying in technical expertise adds to the high costs NZ and Australia-based contractors face. A minimum project size and / or a greater perceived chance of being successful is required for contractors to justify bidding for that project. An Australia-based contractor expressed this in their response to the online survey:

“Mobilisation is a significant cost, therefore we need a minimum project size to justify the cost.”

If a bid is perceived to require a disproportionate amount of effort for the potential reward, bidders are unlikely to put forward a submission. That is, if a bid is perceived to require submission of extensive tender documentation for a small package of work or requires travel during bidding, bidders see this as high effort and high cost for low reward. Unless there is a significant strategic benefit to the project, bidders find it difficult to justify bidding for works where the perception of high effort/cost and low reward/return exists.

Priorities for Pacific vs. NZ vs. Australia-based contractors

For Pacific-based contractors, alignment with strategic priorities and opportunities to build long-lasting partnerships were identified as important factors in deciding whether to pursue an opportunity or not. This is exemplified in an online survey response from a Pacific-based contractor:

“We concentrate exclusively on projects that align with our existing strategy. Our focus is on expanding, but we will consider opportunities in new products or markets only after our strategic planning is complete. Undertaking overly large projects poses a significant risk, as it may require committing all our resources to a single venture. As a subcontractor, we prioritise working with main contractors or clients on smaller projects who are both reputable and financially stable. Performing thorough due diligence on potential clients is crucial for our ongoing success.”

For NZ and Australia-based contractors, consideration of risk profile is more important, followed by strategic fit and then the above considerations, due to the greater amount of logistics to manage.

NZ and Australia-based respondents that were yet to engage in the Pacific infrastructure sector expressed that opportunities through procurement panels or partnering with more experienced firms working in the Pacific may be useful to enter the market. This would enable these contractors to build up their Pacific experience without having to face the costs to entry they may have had to if they were to bid alone.

Perceptions of procurement processes across development partners

MFAT and DFAT were perceived as lower risk clients to engage with, due to secure project funding, timely payments and focus on quality criteria for holistic outcomes rather than just price. NZ and Australia-based contractors found MFAT to be the most proactive in seeking feedback to improve engagement and procurement processes. Pacific-based contractors found MFAT to be understanding of the need to adjust qualification criteria where appropriate, but found feedback from unsuccessful tenders to be minimal. This made it difficult to understand areas to improve on to be awarded MFAT contracts in the future.

Across all respondents, ADB and WB were found to be more rigid in procurement process adjustments and collaboration. An NZ-based supervising engineer shared the following experience on the rigidity of ADB procurement in a KII:

“ADB does not provide helpful feedback on unsuccessful bids. We had an instance where we received a zero technical score on a proposal because the CVs weren't formatted correctly. We only found out months later, after prompting them for feedback, that it was just because of the CVs, not the technical content of our proposal.”

A common sentiment emerging from respondents was that ADB procurement processes are perceived to be price focused, with the lowest priced offer often receiving the contract. This was expressed by five of the eight KII respondents. This discouraged respondents from participating in ADB procurement that appeared to be focused on price, as it indicated to respondents that they are unlikely to be awarded the contract, despite meeting qualification criteria and being able to provide a favourable solution. It was also acknowledged by respondents that WB was moving towards a greater focus on price, however the sentiment was expressed more strongly with regard to ADB.

NZ and Australia-based contractors expressed a preference for MFAT and DFAT as clients for these reasons, however Pacific-based contractors perceived MFAT to have a preference for NZ-based contractors. Pacific-based contractors noticed Australian contractors draw back during the COVID-19 pandemic, with the gap being filled by companies from China, Vietnam and Singapore, with this trend persisting to date.

Perceptions across civil and energy sectors

The civil and energy sectors in the Pacific share some similarities in procurement, but contractors face slightly different issues and challenges in developing appropriate solutions for implementation. This forms an important part of a contractor's bid proposition, and inadequately addressing these factors can impact the perceived fairness and competitiveness of the market. Examples of these considerations are described below in the civil and energy context respectively.

In civil infrastructure projects in the Pacific, to develop an appropriate solution for a bid, an understanding of the availability and access to necessary plant, equipment and materials is required to inform risks, logistics and ultimately project costs. This requires contractors to understand the local context and challenges, local market and industry capacity, and shipping and transportation logistics. These elements involve costs to projects and need to be estimated appropriately for inclusion in the contractor's price offer. If these elements are not adequately understood and priced for, this can underestimate the price offer. In some cases, this may also overestimate the price offer. For this reason, respondents questioned price-only criteria, and preferred quality criteria such that the non-price strengths and VFM of their submission is fairly assessed.

In energy infrastructure projects in the Pacific, in addition to equipment, plant and material transport logistics, the parts and modules of the energy systems proposed must be able to withstand the weather and geographic conditions of the project location. This requires an understanding of local environmental conditions and capacity for maintenance which may impact the durability, effectiveness and disposal/recycling of the energy systems, ultimately impacting the VFM of the solution. If whole-of-life considerations for energy systems are not adequately addressed at the procurement stage by contractors, including how parts that have reached their end-of-life are to be recycled, the price offer may not reflect consideration of these factors and the bid may be under-priced. This impacts competitiveness and fairness of the procurement process for energy infrastructure projects in the Pacific. It causes lower cost solutions that are unable to withstand Pacific environmental conditions to be chosen over modestly priced, appropriate solutions. This brings about unsustainable and non-VFM outcomes for energy access in the Pacific.

3.1.3 Project size, known clients and project location are enablers to bidding

FINDING 2: Strategic alignment of project size, familiar client and project location are the main enablers for contractors to bid for work in the Pacific infrastructure sector.

The main perceived enablers for contractors to bid for infrastructure work in the Pacific include project size, familiar client and project location.

Enablers for NZ and Australia-based contractors

For NZ and Australia-based contractors, a minimum project size is required to justify bid costs and fit the risk appetite of the company. If the project size is too small, it is difficult for contractors to justify bid costs, and in established Pacific industries such as PNG and Fiji, local contractors are better placed to undertake these projects.

The source of funding indicates the likelihood of the project proceeding and payments being made, meaning NZ and Australia-based contractors prefer clients like MFAT and DFAT that have projects with secure funding, or ADB and WB if the funding source can be identified as reliable. As discussed above, MFAT and DFAT are also perceived to prioritise quality and holistic outcomes on projects, rather than just price, which is another enabling factor for NZ and Australia-based contractors to bid, as it indicates fair competition and greater probability of contract award.

Project location also enables bidding decisions for NZ and Australia-based contractors. Established contractors have built capacity and relationships in Pacific Island countries over years of working in the sector, and are also interested in keeping staff bases in the islands utilised. If the procurement opportunity is in a location where local capacity and relationships exist and can be leveraged, NZ and Australia-based contractors perceive this as an enabler to bid.

This can be seen through this Australia-based contractor's response to the online survey:

"Location is key as we have built capacity in some Pacific Island nations. The funder is critical for cash flow and financial security. Also, the likelihood of the project actually proceeding is also key as we spend in excess of \$100k on some tenders that do not proceed."

Enablers for Pacific-based contractors

For Pacific-based contractors, the size of the project is an important consideration in bidding, as too large a project may require full commitment of resources or exceed resourcing capacity and finance guarantees and insurances that are difficult to obtain (these are explored in further detail in Section 3.1.4 and 3.2.2). Too small a project may not bring the financial returns and pipeline stability needed to ensure staff utilisation. This is an important consideration for the assessment of financial viability and potential returns of the project.

Pacific contractors also expressed that they seek to bid for work with clients that can provide favourable contractual conditions that they can partner with for long term project delivery and outcomes. Building a relationship with the client helps improve the visibility of Pacific contractors and their commitment to quality, despite bid qualification requirements and insurance requirements that may exclude Pacific contractors e.g. financial turnover in the past three years (impacted due to COVID-19), experience required of personnel that does not reflect Pacific capabilities and experience, and obtaining financing guarantees and insurance cover.

The project location is also an important decision-making factor for Pacific-based contractors in deciding to bid, as some contractors focus solely on their home country, while others seek to diversify operations geographically.

3.1.4 Excessive qualification criteria and disjointed procurement processes limit contractor participation

FINDING 3: Excessive qualification criteria, compressed bid preparation time, and lack of perceived fairness or competitiveness of procurement processes are barriers that limit the participation of contractors in the Pacific infrastructure sector.

The main perceived barriers that limit the participation of contractors in the Pacific infrastructure sector or hold them back from bidding include excessive bid qualification criteria, too short a time for bid preparation, and if there is perceived to be a lack of fairness or competitiveness in the procurement process.

Barriers to participation

All respondents expressed excessive or inappropriate bid qualification criteria as a barrier to submitting responses to bids. The qualification criteria that emerged as the most challenging to meet included:

- Demonstrating a certain number of years of experience of local personnel – expanded on in Section 3.2.3
- Financial turnover in recent years – mainly Pacific-based contractors are impacted by this due to the impacts of the COVID-19 pandemic
- Insurance requirements – this is challenging for all contractors, but Pacific-based contractors experience this more acutely.

Procurement documentation that is poorly defined or unclear can create confusion, making it difficult to prepare an accurate bid. This can lead to contractual challenges down the track due to the lack of clarity in the scope of works tendered for. Similarly, excessively detailed requirements can be overwhelming and time consuming for contractors, meaning a greater amount of effort and resource is required to prepare the bid, which may not be justifiable, especially for smaller projects.

An NZ-based supervising engineer shared that when bid requirements are perceived to be difficult to meet, they are unable to submit a compliant bid, even though they have the experience to undertake the work. This was affirmed in an online survey response from an NZ-based contractor:

“The criterion to qualify to bid is unrealistic and we can’t meet these requirements. That simply means we can’t bid - even if we can do the job and want to bid. The drafting of the criterion is a major issue. We have bid work in the past where the criterion was changed at our request - we bid, we won and we completed the work. Both us and the client benefited.”

All respondents, across the civil and energy sectors, expressed that insufficient time to prepare a bid is also a barrier to participating in the market. Short bid preparation timeframes limit the quality of the proposed solution, and if resources are dedicated elsewhere, contractors are not able to prepare a suitable response to the tender.

Obtaining insurance was expressed as a significant barrier for all respondents, particularly for Pacific-based contractors. NZ and Australia-based contractors shared that insurance for Pacific-based projects are becoming harder and more expensive to obtain. Pacific-based contractors faced greater barriers in obtaining insurances due to the perception of risks in working with Pacific-based companies, limiting the insurance they are able to obtain.

Respondents from NZ, Australia and the Pacific shared that some bid qualification requirements are perceived to exclude contractors, as they appear to be so restrictive that only a small number of contractors can achieve compliance. A perceived lack of transparency of how bid qualification criteria is applied is a barrier for contractors, as this indicates a lack of fairness in competition and in selection of the preferred tenderer.

Qualification criteria that are barriers for Pacific contractors

For Pacific-based contractors, bid criteria regarding financial performance can be the most challenging to meet. Many Pacific-based contractors are still reeling from the impacts of the COVID-19 pandemic, which negatively impacted business and financial turnover. This then makes it difficult for Pacific-based contractors to demonstrate a certain financial turnover over the last few years, in line with the qualification criteria set by the bid. This impacts and limits their ability to be compliant with bid qualification criteria, ultimately limiting their participation in the Pacific infrastructure sector.

From the PRIF Report ‘Enhancing Procurement Practice and Local Content in Pacific Infrastructure’ (Lawther, P. et. al., 2022)

Case study: Tailoring bidding requirements to local capacity in the Solomon Islands

The report presents a case study of tenders received for upgrades to the Malaita road network in the Solomon Islands. Only two bids were received from national contractors. One was found to be ineligible based on criteria of financial capacity, financial performance and project experience. The other was found to be too low in price, which had implications on risks for the contractor for bankruptcy, and to the client as an abandoned contract. The low number of bids prompted a survey of all national contractors to establish their capability, historical performance and experience, and willingness to work in Malaita Province. The results found that some relaxation of qualification requirements and splitting the proposed works into smaller packages of work would encourage bidders to rebid for the work. The changes recommended included:

- Relaxing the requirement of the contractor to meet cash flow requirements of three months to two months;
- Relaxing financial turnover requirements to be 33% of the annual contract amount, instead of 50%;
- Relaxing the requirement to demonstrate annual turnover over a five year period to two years
- Relaxing the project experience requirements for similar contracts completed from two to one, with a minimum value of 33% of the budget estimate
- Splitting some of the work packages into future sub-packages, which would result in more contracts that could be won

A training workshop was held in conjunction with the above survey, to strengthen capacity on bid processes and bid preparation for local contractors. This is an example of direct interventions taken to encourage bidding from local contractors, in a way that reflects their capacity and capabilities.

Financing guarantees and insurances are difficult to secure for Pacific-based businesses, due to the perception of banks that Pacific Islands are considered as ‘high risk’. A Pacific-based contractor working in the Pacific energy infrastructure sector noted that if they are not able to acquire financing for the project through banks or other financial institutions, they will not bid for the work. Obtaining insurance is another significant barrier faced by Pacific-based contractors. This Pacific-based contractor shared their experiences regarding this in a KII:

“It is hard, almost impossible to secure insurance in the Pacific. If you can secure it, it is very expensive. We were unable to obtain insurance cover for a project due to the providers’ unwillingness to provide the cover. We were up front with the client about the insurance challenges, and the client was able to help us assure the insurance provider to get what we needed for the project.

We also had an instance where the cost of the insurance came in way over what had been budgeted. The client did not cover this additional cost and did not budge. We had to cover the cost of this insurance from our own pockets just to move the project forward. The burden of this risk was too high, we’ll eventually have to stop bidding where insurance cannot be obtained.”

A 2020 study on the Pacific insurance market found that premiums are rising in the aftermath of COVID-19 and recent extreme weather events. The contract works insurance market saw average premium increases of 30%-35% throughout 2020 after a number of insurers withdrew from the Pacific market. Premiums for third-party liability and professional indemnity premiums have increased substantially. Prices are further driven up due to legal requirements of some countries requiring the use of local insurance companies only, which limits access to providers for contractors in these countries (Marsh, 2021).

Without appropriate support from development partners to overcome or address these barriers, participation of Pacific-based contractors in Pacific infrastructure is increasingly limited.

3.2 Key findings on contractors' perspectives to inform development partner understanding of supplier experience

This section of the report responds to Objective 2 of the research objectives and presents analysis and findings related to contractor perspectives on bidding for projects in the Pacific infrastructure sector. These findings can inform development partner understanding of bidders' experiences of incentives and disincentives to bid, negotiating contracts, risk sharing, and addressing human rights in supply chain, gender equity disability and social inclusion (GEDSI) requirements and local content requirements in qualification criteria for bids.

Objective 2: Collate evidence of contractors perspectives and expertise to inform development partner understanding of supplier experience.

- What factors inform decisions to bid, and what incentives/disincentives have contractors experienced?
- What have been contractors' experiences in contracting and negotiating infrastructure contracts with development partners?
- What are contractors' perspectives and experience on risk sharing, addressing human rights in supply chains, incorporation of local content, gender and social inclusion.

3.2.1 Financial returns, positive outcomes and risk sharing informs decision to bid

FINDING 4: Financial returns, portfolio growth, positive social outcomes, risk allocation, and contract terms are the main factors contractors consider in bidding for and implementing infrastructure projects in the Pacific.

Like any industry, contractors are interested in the financial and economic viability of projects, and financial returns for the company when seeking to bid. Respondents also noted that growing their Pacific market portfolio and bringing positive social outcomes to the communities they work in are also incentives to bid and implement projects in the Pacific. These factors, coupled with fair risk allocation and contract terms that reduce uncertainties for contractors, are key to informing contractors' decisions to bid and implement infrastructure projects in the Pacific.

This is exemplified in an online survey response from an Australian based civil contractor:

"[We] leave as much of the contract in the Pacific and develop local industry to do the job even if it means sacrificing some quality, going heavy on the training and taking some risk."

A Pacific-based contractor also shared similar sentiments in the online survey, and highlighted the importance of long-term engagement to build meaningful relationships, that then support company growth and diversification:

"Financial incentives, such as promising profit returns and additional financial perks, drive project implementation in the Pacific by ensuring economic viability and attractive returns. Opportunities for downstream engagement, including construction and maintenance phases, provide a sustained presence and foster relationships, contributing to long-term success. Expanding the portfolio in the Pacific enables [us] to diversify geographically, mitigating risks and establishing a reliable reputation, aligning with overarching business goals in the region."

Financial incentives and returns are important to contractors, so the perception of bids being price-based only, particularly in the case of ADB tenders, disincentivise contractors from submitting a response. This indicates to contractors that the lowest priced bid will win. A Pacific-based contractor shared their experience of losing to a lowest price tenderer, where the winning price offer was so low that it would not have been possible to match, especially if quality and compliance with the bid criteria was also considered. This gives contractors the impression that quality, risk controls and value for money are not adequately assessed by the client, along with the perception of decreased likelihood of winning the bid. This is more the case for ADB and WB, and less so for MFAT and DFAT. MFAT and DFAT were noted to have a greater focus on quality in bid assessment, which incentivises contractors to submit responses to bids, as their strengths, understanding of the local context, and proposed solution are perceived to be more fairly assessed.

For Pacific-based contractors, insurance and finance guarantees are of increasing concern, and are now a major decision making factor as to whether the company will bid or not. A Pacific-based energy contractor shared that decisions to bid are only made if they can deliver the works with the insurance and financing guarantees available.

Construction risks that are perceived to be fairly allocated between the contractor and the client is a significant incentive for contractors. Commonly quoted risks of concern for contractors in this research included: project delays, delays in approvals, extreme weather events, cost fluctuation, logistics risks, best endeavour clauses, inflation, cash flow burdens and payment terms, corruption risks, unforeseen site conditions, and political economy risks. If this is translated into upfront discussions regarding risk (such as political, financial, corruption or weather/environmental risk), and favourable contract terms that aim to reduce uncertainties for the contractor, this also positively informs contractors' decision to bid. Conversely, if there is a perception that risks have not been appropriately allocated and the contract does not present a balanced risk management approach, this disincentivises contractors from participating in the bid (expanded on below in Section 3.2.2). A Pacific-based civil contractor expressed this sentiment through the online survey:

"When clients transfer significant delivery risks to the contractor, it can make projects less attractive. These risks might include unforeseen site conditions, delays in receiving necessary approvals, or fluctuations in material costs. When such risks are borne by the contractor, it increases the potential financial liability and uncertainty surrounding the project. This can lead to higher bid prices to cover these risks, or in some cases, it may lead to the decision not to bid at all if the risks are deemed too high relative to the potential rewards."

3.2.2 Contractors prefer collaborative and solution-oriented contract negotiations

FINDING 5: Contractors prefer negotiating contracts with development partners that are collaborative and solution-oriented. This involves addressing risks upfront, allocating risk management appropriately and working collaboratively to deliver development outcomes.

Addressing risks in procurement, and ensuring risks are fairly and appropriately allocated and managed after contract award, gives contractors assurance that risks will not be transferred onto them in delivery. Respondents noted in their recent experiences that risks in delivery had been transferred onto them, creating a burden for contractors, who were often left to manage these risks out of their own pockets. This turns contractors away from bidding for projects where risks are perceived to be transferred onto contractors or are not well defined at the outset.

On negotiating contracts with the different development partners, all respondents noted that negotiating contracts with Pacific Island governments were the most challenging. This was largely due to poorly prepared procurement documents that may have been standardised, so do not reflect the project context and local conditions. ADB and WB were noted to be rigid during the procurement phase and contract negotiation phase. Contractors, particularly NZ and Australia-based contractors, shared that ADB and WB have long payment periods, putting contractors out of pocket for a period of time. NZ and Australia-based contractors expressed that DFAT followed standard contracts that were familiar to contractors, and that MFAT took a more bespoke approach. This allowed for flexibility and upfront discussions with MFAT. An NZ-based contractor noted, however, that this extended the time period for contract negotiations. This was also shared by an Australia-based contractor, where contract negotiation with MFAT post-award led to changes in scope that were substantially different to the scope the bid was prepared for, causing significant delays to implementation. This required the contractor to invest additional resources during the pre-contract phase at their own cost, which was not anticipated. A Pacific-based energy contractor noted that MFAT appeared more understanding in project implementation regarding technical issues, and displayed co-operation and collaboration to resolve issues to meet project outcomes. Both MFAT and DFAT were noted to have favourable and secure payment terms for contractors.

Negotiating insurance with development partners was consistently raised as difficult across all respondents. Insurance cover, particularly for cyclones or other extreme weather, was noted as increasingly difficult to obtain. Research undertaken on available policies for the Pacific Islands for the ADB and WB draft guidelines on obtaining adequate insurance cover for infrastructure projects in the Pacific noted that tropical cyclone insurance is not available in Fiji for infrastructure projects, neither are business interruption policies, despite Fiji having one of the more established insurance market in the Pacific (Willis Towers Watson (WTW), 2024). Respondents noted that many contracts from development partners still require cyclone cover, which puts a significant burden of risk onto the contractor. Contractors expressed desire to discuss and define project risk upfront, which includes difficulties in obtaining appropriate insurances, identify which parties are best suited to manage what risk, and collaboratively manage risks in delivery. This was affirmed during KIIs with a Pacific-based energy contractor, and an NZ-based supervising engineer, who had previous experience in delivering projects with open and collaborative risk management approaches with development partners.

Current procurement processes are risk averse, which can discourage smaller Pacific-based contractors from bidding due to their ineligibility and perceptions of extensive requirements. It is also noted that Pacific-based

contractors insure on a project-by-project basis, unlike larger NZ and Australia-based contractors that are able to use global policies that are held continuously, giving larger non-Pacific-based contractors an advantage in accessing insurance (WTW, 2024). The draft guidelines also provide a way forward for contractors and development partners on insurance matters in procurement that are useful in this context:

- Quantifying risks: contractors and development partners can do more to adequately and methodically quantify the risks related to the infrastructure project and region of operation.
- Early collaboration: contractors can collaborate early with insurance brokers and providers on insurance requirements for the procurement. Development partners can share details of upcoming projects, or a pipeline, with insurers so they are aware of the risks from an early stage, to enable advanced planning and better understanding of the project requirements.
- Enhance understanding of requirements: contractors should consider the insurance policy types and the information required to provide to the insurer, as well as the time needed to obtain that information. Development partners can have a role in facilitating capacity building and awareness of procurement requirements for insurance for contractors.

3.2.3 GEDSI and local content requirements should reflect context

FINDING 6: There can be a disconnect between bid requirements for GEDSI and local context. Similarly, contractors find local content requirements in bids could do more to meaningfully enable local participation.

A disconnect between bid requirements on GEDSI and the on-the-ground reality was noted from contractors' recent procurement experiences. Contractors, particularly Pacific-based contractors, noted that GEDSI requirements in bids did not reflect the local context – that is, that quotas or percentages prescribed for the inclusion of women or people with disabilities in projects did not always match the number of women and/or people with disabilities participating in the industry. This is due to a number of factors, including, but not limited to, entrenched patriarchal views and gender roles, limited pathways for women and/or people with disabilities to participate in infrastructure work, and insecure pipelines of infrastructure work. In KIIIs with Pacific, NZ and Australia-based contractors, all respondents expressed willingness to meet these requirements, and how challenges arise when construction industries in different Pacific Island countries are at different levels of GEDSI incorporation.

Regarding difficulty in meeting environmental safeguarding requirements at the procurement stage, out of 26 responses to this question in the online survey, only three respondents responded saying they found it difficult or very difficult. Out of these three respondents, two were Pacific-based, and one was NZ-based. This indicates that environmental safeguards are not as large an obstacle or concern as GEDSI requirements and social safeguard requirements in procurement.

The infrastructure sector contributes significantly to a country's labour participation and is critical to unlocking economic empowerment for communities. Setting targets for GEDSI incorporation in infrastructure projects is therefore necessary to create balanced opportunities for participation. Being more explicit in procurement documentation on the requirements, why such targets are set, the role the contractor has in facilitating the participation of women and/or people with disabilities, and the positive outcomes they can have, may encourage contractors to be more proactive. Contractors noted difficulties in meeting GEDSI requirements in bidding due to low numbers of participation of women and/or people with disabilities. A Pacific-based energy contractor also shared that development partners, like the ADB, put in 'stop work' orders if quotas for GEDSI are not met in implementation, even though the quotas do not reflect the current levels of participation women and people with disabilities in the local infrastructure sector. NZ and Australia-based contractors also noted difficulties, particularly on interpreting requirements, but were able to meet GEDSI requirements set by development partners.

From the PRIF Report 'Enhancing Procurement Practice and Local Content in Pacific Infrastructure' (Lawther, P. et al., 2022)

Example of good practice: AIFFP Project-specific local content plans

The AIFFP, funded by DFAT, mandates consideration of local content by building in specific local content requirements for the projects it procures and delivers through the development of project-specific local content plans. This involves the analysis of the local labour market and private sector, to inform the local industry participation plan (LIPP). This plan is incorporated into the procurement planning, bidding and implementation process. The LIPP then helps to drive the procurement and project level requirements of local content based on the present status of the market, ultimately ensuring appropriate and optimised local participation in infrastructure projects.

This kind of assessment can also be used to understand the levels of participation of women, people with disabilities and other marginalised groups in the industry, the unique enablers and barriers that exist, and the community dynamics. This can then inform the GEDSI requirements for the project procurement. This would enable greater clarity on requirements to be fulfilled by contractors in procurement, develop appropriate strategies from the procurement phase for the location and nature of the project, and do more to address the root causes of unsafe work environments for women, people with disabilities and other marginalised groups. This can ultimately lead to more sustainable cultural and organisational change that has lasting positive impacts for the community.

NZ and Australia-based contractors prioritise local content and local participation but have found that tender qualification requirements regarding personnel experience can exclude local professionals. An NZ-based contractor shared that there have been times that their local personnel have not met the criteria set out in the bid on level of qualification and years of experience, even though they were capable of undertaking the work, and the bid sought to include local resources. A Pacific-based contractor that actively engages in local participation and capacity building expressed that development partners could do more to enable and optimise local participation. The contractor expressed that this could be done by acknowledging the additional time and resources required to train local staff, construct works with local personnel that are new to the industry and manage quality outcomes in construction, that ultimately lead to better development outcomes in the long-term. This was also affirmed by NZ and Australia-based contractors, that expressed that development partners could do more to appreciate the resources that go into localisation, such as supervision costs, any compromises in quality of infrastructure and future maintenance considerations, noting the greater development outcomes over the long term, including capacity strengthening, maintenance and workforce improvements.

Placing greater value on long term operations, maintenance and asset accountability can recognise the capabilities and commitment of Pacific-based contractors for long-term management of the asset and workforce capacity strengthening. This can improve the competitiveness of Pacific-based contractors in procurement.

3.3 Key findings on how development partners can make Pacific infrastructure more attractive to potential bidders

This section of the report responds to Objective 3 of the research objectives and presents analysis and findings related to ways that development partners can make Pacific infrastructure projects more attractive to potential bidders, based on their perspectives on market engagement mechanisms and improvements to current procurement processes.

Objective 3: Identify how development partners can make Pacific infrastructure projects more attractive to potential bidders.

- What are contractors preferred market engagement mechanisms? (this may be different for local and international firms)
- How can development partners increase efficiency of project procurement and engagement of infrastructure providers?
- What specific interventions can contribute to making infrastructure projects more attractive, including those related to insurance availability, procurement modalities, bundling of projects by country or sector, dissemination of forward project pipeline, communication of bid opportunities, joint procurement, and development of social and quality standards etc.

3.3.1 New Zealand and Australia-based bidders prefer early involvement and collaboration

FINDING 7: NZ and Australia-based bidders prefer early involvement and collaboration for improved project delivery and outcomes.

NZ and Australia-based contractors expressed a preference for early contractor involvement (ECI) and collaboration. From the KIIs, five contractors, all NZ-based, shared that involving contractors as early as possible can help to better define risks, provide logistical support and inform the constructability of the proposed solution. This clarity at early stages can save time, money and effort down the track, as development partners, contractors and designers are on the same page regarding project delivery requirements and risks. Australia-based contractors emphasised the importance of collaboration with clients during project delivery, to manage emerging risks proactively and flexibly, and meet client expectations and community needs. ECI and collaboration allows contractors to share their experience and knowledge to develop the proposed solution in a way that addresses logistical challenges, buildability and contextual challenges to improve project delivery and outcomes, improving VFM. An NZ-based contractor noted that although MFAT incorporates ECI, it should be used in a consistent and appropriate manner, depending on the needs and scale of the project.

ECI is also a useful approach to facilitate local participation by engaging with Pacific-based contractors for construction and design advice that is informed by and supports local markets. The platforms provided by national chambers of commerce can be leveraged by development partners to raise awareness for ECI, provide pipeline updates and early collaboration and capacity building for insurance requirements (discussed in Section 3.3.2 below) (Lawther, P. *et. al.*, 2022).

An NZ-based supervising engineer that was providing technical and procurement assistance to a development partner, shared their experience in introducing a 'competitive dialogue' during the procurement process. This process provided tenderers with opportunities to gain feedback from the client on their proposals ahead of the final

submission, allowing them to improve and tailor their solutions. The NZ-based supervising engineer also urged the development partner to share the budget for the project, which allowed proponents to propose a workplan to the anticipated budget. The contractors in question presented this and the proposed technical solution to the development partner via a virtual presentation. This provided clarity to the development partner over which tenderer was better able to meet the technical requirements of the project while meeting the budget. The selected tenderer was ultimately able to successfully deliver the project on time and within budget.

Another NZ-based supervising engineer emphasised the importance of partnerships with prospective bidders, rather than focussing on burdensome procurement rules. This allows development partners to understand contractors' strengths and experiences and build relationships and trust to achieve the project objectives and outcomes.

3.3.2 Pacific-based bidders want flexibility, understanding and support

FINDING 8: Pacific-based contractors would benefit from greater flexibility, understanding and support from development partners, to unlock greater participation and healthy competition.

Pacific-based contractors expressed the need for support in accessing procurement opportunities, as well as streamlined and simplified procurement processes to enable greater participation. Partnerships and joint ventures were raised as useful ways for small to medium sized Pacific-based contractors to gain exposure to and experience on projects with development partners.

A Pacific-based energy contractor shared that support and understanding from development partners in accessing finance guarantees from banks and providing assurance to insurance providers are critical to Pacific-based contractor participation in development partner financed infrastructure projects. Obtaining insurance for Pacific infrastructure projects was noted by respondents from all locations as increasingly difficult, and for Pacific-based contractors almost impossible, directly limiting the projects they tender for and participate in. Support from development partners in this regard may look like:

- Flexibility in insurance cover requirements;
- Providing a letter of assurance to insurers on behalf of the contractor at the procurement or contract stage;
- Conducting regular risk assessments for natural disaster risks to quantify this risk, and sharing this information with contractors
- Early collaboration of development partners with insurance providers to share information on upcoming projects to help providers understand project risk requirements better
- Raising awareness and strengthen capacity of small to medium sized contractors on insurance requirements during procurement, time required to collect necessary information, engaging with providers early. National chambers of commerce can be a useful platform to engage with.
- Assistance to contractors in procuring natural catastrophe insurance if required.

(Marsh, 2021)

Similarly, due to the perception of 'high risk' of doing business in the Pacific, Pacific-based contractors found that banks can be reluctant to provide financing guarantees required for them to bid for and deliver infrastructure projects. It was noted by a Pacific-based contractor that banks are more likely to support or provide some flexibility to back projects from MFAT, DFAT, ADB, WB, rather than from Pacific Island governments, due to the perceptions of lower risk in working with development partners. Pacific-based contractors shared that banks may be more open to providing financing if development partners are able to provide banks with assurance on the project, through a letter or other means, on behalf of the contractor.

Regarding participation of Pacific-based contractors, an NZ-based supervising engineer highlighted the intention of development partners to increase local participation is hindered by high insurance and financing requirements in procurement documents. It was noted that this may be excluding valid local contractors from participating in development partner financed infrastructure work in the Pacific. The NZ-based supervising engineer also emphasised the importance of being flexible and supportive in adjusting cash flow requirements and payment terms for Pacific-based contractors where necessary, to enable greater participation of otherwise suitably qualified local contractors.

These are challenges that impact Pacific-based contractors in more direct ways than NZ and Australia-based contractors. Development partner flexibility, understanding and support on these issues can help unlock greater participation of Pacific-based contractors in development partner financed infrastructure projects.

3.3.3 Taking steps to improve efficiency to make bidding more attractive

FINDING 9: Taking steps to make procurement processes more efficient can make bidding more attractive. This could include sharing timely and up-to-date information on prospects, better planning from project

inception to better define risks, collaboration with contractors in the procurement process and approach risk management in a balanced and equitable way.

Making procurement processes more efficient can make bidding for infrastructure work more attractive to Pacific, NZ and Australia-based contractors. The following themes emerged from contractors' responses regarding ways development partners could increase efficiency in procurement processes:

- More visibility over prospective projects, more certainty around start dates and allocated funding
- Additional planning from the scoping stage of projects, including appropriate inputs and expertise, to better define risks and requirements when the project comes to market
- More collaboration and discussions upfront about risks so they are appropriately defined, understood and allocated.

More visibility over prospective projects, more certainty around start dates and allocated funding.

Contractors noted the criticality of information such as start dates, anticipated budgets and potential projects to their decisions to bid, while acknowledging and understanding political economy risks and funding cycles of partner governments can limit the dissemination of this information. NZ-based contractors expressed that although development partners share this information, more could be done to provide certainty around upcoming projects and timelines, provide regular updates on upcoming projects and highlighting amendments to development partner pipelines. Currently, contractors track projects for long periods of time, as it can take time for projects to come to market. However, if faced with short timeframes to deliver bids, they can no longer participate in the bidding process due to constrained resources and limited ability to develop an appropriate solution with the right partners. NZ-based contractors shared observations from recent procurement that constrained resources and limited participation, including overlaps with other tenders from the same development partner, condensed timeframes for bid preparation and submission. From these experiences, contractors emphasised the importance of development partners sharing information and providing greater certainty over future project prospects, to inform forward planning, solution development and resourcing needs to be able to bid for and potentially deliver the work.

Strengthening promotion and awareness of infrastructure pipelines enables greater ability to incorporate and find ways to optimise local participation from earlier stages. It is also a useful tool for insurance providers to be aware of the insurance requirements of upcoming projects (Lawther, P. *et. al.*, 2022; Marsh, 2021).

Additional planning from the scoping stage of projects to better define risks.

Contractors shared that the perception of how well bid documentation and project contract documentation represents risk in reality indicates how efficient the procurement process and/or delivery process will be. To better understand and define risks in procurement, project planning and preparation needs to be undertaken thoroughly and by relevant experts. With the right inputs, the scope of works can be better defined, as well as anticipated and existing risks. Contractors expressed that assurance from development partners that the project risks are well defined and or at least understood at the procurement stage would improve the efficiency of the procurement process and encourage greater participation. NZ-based supervising engineers that have experienced these early phases also shared that better coherence between the technical requirements of the project and legal requirements of the development partner would improve the efficiency of bidding and contract negotiations, and signals to bidders that the project is well scoped, making bidding more attractive. By better defining risks, and fairly allocating the burden of the risks, contractors are able to reduce provisional costs in their pricing estimates and reflect the actual needs of the project. This can also help development partners understand the nature and costs of the risks, to ensure the proposed solutions deliver intended outcomes and VFM.

More collaboration and discussions upfront about risks so they are appropriately defined, understood and allocated.

Contractors expressed the preference to discuss risks in implementation upfront and openly, and to find a pragmatic approach to risk management that balances responsibility appropriately. This applies to the project delivery phase, however contractors across all locations of the respondents, expressed that this collaboration and perception of fair risk allocation at the project delivery stage can make bidding more attractive. Assigning risks to the most appropriate party to manage that risk can also improve the efficiency of the procurement process. An NZ-based contractor raised that a form of collaboration during the bid phase could be a tender briefing prior to the tender going to market. NZ, Australia and Pacific-based contractors also highlighted the importance of being able to provide feedback to development partners regarding risk management and procurement in general, to continue to encourage greater participation.

For NZ and Australia-based contractors, risks largely centre on logistics, geographic constraints and appropriate local engagement. Insurance cover is a risk commonly faced by NZ, Australia and Pacific-based contractors, but can be more challenging for Pacific-based contractors. Pacific-based contractors face additional risks of obtaining financing guarantees which, if not obtained, can limit their participation in the market. Pacific-based contractors seek collaboration, support and understanding from development partners of the unique challenges they face, including support on obtaining insurance requirements and financing guarantees, to remove barriers to participation and make bidding more efficient, accessible and attractive. This is exemplified in an online survey response from a Pacific-based contractor:

“... reasonable timelines, clear scope of work, and balanced risk-sharing, can reduce potential challenges and uncertainties associated with international projects. These conditions can provide a stable and predictable environment for your company to operate in, making it easier to manage projects and deliver them successfully. Such conditions can also protect your company from unforeseen expenses or legal issues, contributing to the overall feasibility and attractiveness of projects in the Pacific.”

Addressing and managing risks in a way that shares the burden of risk equitably and appropriately, can reduce uncertainty for contractors and improve the efficiency of the procurement, and ultimately project delivery. Better defining risks and proactively managing them, to the best of the ability of contractors, improves how risks are accounted for, as discussed above. Greater alignment of understanding and appreciation of risks between the contractor and the development partner can work to improve VFM outcomes for the project, adequately address risks in implementation and foster positive relationships that ultimately improve the efficiency of procurement processes and make bidding more attractive.

4 Conclusion

In commissioning this research, MFAT seeks to capture contractor perspectives on working in the Pacific to inform improved approaches to market and ensure the Pacific infrastructure sector has access to the right contractors to deliver on the needs of the Pacific. From findings gathered from civil and energy infrastructure contractors based in NZ, Australia and the Pacific, this report presents a base from which MFAT can continue to contribute to healthy and fair competition in the Pacific infrastructure sector by reviewing current processes, conducting further research and strengthening industry collaboration.



Contractor experiences with different development partners uncovered barriers and enablers to bidding, experiences in contract negotiation and preferred engagement mechanisms. Findings from the research indicated contractors, that are otherwise qualified, appreciate flexibility in bid qualification criteria that is difficult to meet, appreciate up front and collaborative approaches to inform project solutions and manage risk in implementation, and appreciate regular updates to prospective project information from development partners. From these findings, recommendations to enable greater market participation of suitably qualified contractors were formulated. These include providing more visibility over potential projects, solution-oriented collaboration during procurement and implementation and equitable risk management that allocates risks to the parties best equipped to manage that risk.

The findings presented in this report serve as a foundational step for MFAT and other development partners to contribute to the continued growth of healthy and fair competition in the Pacific infrastructure sector. The recommendations derived from the experiences and insights of contractors and insights offer starting points to enable greater market participation, ensuring that qualified contractors can navigate barriers, engage effectively in procurement processes, and contribute meaningfully to the development of the Pacific infrastructure sector.

5 Recommendations

The recommendations have been formulated from the findings, lessons learned and recommendations from responses from contractors interviewed and surveyed. These recommendations are intended to inform the steps and actions that can be taken to improve market engagement, support advocacy efforts and other activities that can foster a competitive and thriving infrastructure sector in the Pacific.

The recommendations below are presented have been categorised as high, medium and low priority, using varying colours demonstrated below, giving recognition to the current enablers in market participation in the infrastructure sector and barriers that can be overcome through MFAT’s influence or through wider collaboration.



Priority	Description
 High priority	Recommendations for the short-term, over the next one to two years following this report, to overcome barriers to procurement that can be readily addressed and achieve ‘quick wins’.
 Medium priority	Recommendations for the medium-term, within three to five years following this report, to improve the procurement environment and support greater local participation.



Low
priority

Though important, these recommendations are low priority and can be implemented when resources are available.

The following symbols have been used to indicate the actions MFAT can influence, and the actions that require collaboration with other development partners.

Symbol	Description
	Recommendations MFAT can influence
	Recommendations that require collaboration with other development partners

5.1 Recommendations for the bid preparation phase



S1 Allocate appropriate time for bid preparation



- Bid submission timelines need to be commensurate with the scale of the project, and time needed to prepare quality bidding documentation.
- Assuming contractors have done early capture planning, allow at least 5 weeks for bid preparation of medium to large scale capital works
- Where opportunity for contractors to have done early capture planning is limited, allow at least 8 weeks for sufficient bid preparation time
- Encourage new entrants and broader participation by providing advance notice of upcoming bids, longer release time of bids and opportunities for early feedback (refer to recommendation L1 on 'competitive dialogues')
- Limit tender releases in December with January response dates and other known religious/cultural/national holiday periods



S2 Adjust bid submission requirements to be proportionate to the scope of work



- Encourage Pacific contractor participation through smaller packages of work with streamlined procurement pathways that are less onerous, commensurate to the risks and fit-for-purpose.
- Adjust bid submission requirements to be commensurate to what is practically and legally required for projects depending on the scale and risk
 - This signals to contractors that bid submission requirements have been more appropriately curated, making them more likely to participate in bidding.



S3 Provide regular updates and communications on prospective projects



- Regular written communication or verbal communication via online presentations directing contractors to procurement information e.g. procurement platform, opportunities, bid requirements.
- Provide advance information and notifications on new projects, dropped projects, changes to projects, nascent projects, bundling of projects, projects yet to come to market, expected funding source and targeted contractor demographic (local or international or both)
 - Confidential information does not need to be shared, information can be caveated or classified as necessitated by client confidentiality requirements
 - Share enough information to support bid planning for contractors



- Work towards a consolidated pipeline in the medium-term that co-ordinates all donor and private sector opportunities to inform bid planning and preparation for contractors (referenced in recommendation M5 below).

5.2 Recommendations for enabling greater Pacific participation by adjusting procurement processes and assessment approaches



M1 Provide flexibility in compliance with qualification criteria and streamline requirements for low-risk projects



- Consider adjustments for the following common qualification criteria for bids to encourage greater Pacific participation:
 - Demonstration of financial performance
Adjustments: Recognise the impact of COVID-19 for Pacific-based contractors when assessing financial performance that can be validated by a narrative or justification from the contractor, or adjust criteria to consider a longer period of demonstration of financial performance
 - Numbers of years of experience of national personnel
Adjustments: Instead of number of years of experience, consider quality of experience, utilise personnel references to gain insights, understand personnel networking and relationship-building capabilities



- Collate examples of successful criteria that translate from bid assessment to implementation, drawing on lessons learned from development partners.



M2 Tailored support for Pacific-based contractors for financing and insurance guarantees



- Where obtaining financing or insurance cover is challenging or impossible for Pacific-based contractors, provide letters of endorsement for contractors to use when approaching banks and/or insurance providers
 - Particularly in the case where the contract does not suffice as proof of the project
 - This may be required at the procurement stage, requiring the wording of the letter of endorsement to be amended accordingly to reflect this.
- Where endorsed by an assessment of risks, consider easing high financing and insurance requirements in procurement to enable greater participation from Pacific-based contractors.
- Raise awareness and facilitate capacity strengthening for contractors on insurance requirements and engaging with insurers early

Pacific-based contractors expressed that clarifying the funding source and project owner to the bank or insurer, particularly if it is a NZ or Australian government funded project, helps to reduce perception of risk for the banks and insurers, and enable a smoother process of obtaining financing or insurance guarantees.



M3 Seek demonstration of contractors' understanding of risks and whole of life costs



- Provide project budget (if available) in procurement documentation to facilitate contractors' response to project risk and enable fair assessment of price by development partners
 - Contractors prefer to be evaluated on quality and VFM in bids, so prefer to meet a budget rather than delivering projects for lowest price and risk compromising outcomes.

- In assessing bids, particularly for energy infrastructure, place value on long term operations, maintenance and asset accountability to recognise Pacific-based contractor capabilities in these aspects and require disclosure of whole of life costs for proposed energy solutions.
 - This is an area that Pacific-based contractors can have advantages over Australia and NZ-based contractors, and helps to recognise Pacific-based contractors capabilities and commitment to workforce capacity strengthening, improving their competitiveness in procurement.
- If optimising local participation and capacity strengthening is an objective or intention of the procurement, development partners should acknowledge the additional time and resources required to train local staff, construct works with local personnel that are new to the industry and manage quality outcomes in construction at the procurement stage and bid assessment stage, and recognise how that may impact project costs and timelines



M4 Allocate risks fairly through collaborative and solution-oriented approaches



- After contract award, engage in workshops for up front and good faith discussions on what risks are anticipated, who is best positioned to manage or own risks, and implications of risk on project milestones and stakeholders
 - Focus on working towards collective outcomes and objectives
 - Document risk allocation through shared risk table with allocation of risk between contractor, financier, and implementing agency
 - This can help reduce provisional costs of contractor pricing estimates through better definition and allocation of risk and reflection of actual needs of the project, and help development partners understand the nature and costs of the risks
- Advocate this process of upfront and good faith discussion and allocation of risk during procurement stage to assure bidding contractors that burdens of risk will be allocated and managed fairly after contract award.



M5 Work towards building consolidated pipeline of infrastructure works



- Work towards compiling a pipeline for upcoming projects that consolidates and coordinates all donor and private sector opportunities to inform bid planning and preparation for contractors
- Share updates to pipeline regularly and provide advance notification of projects coming to market (refer to recommendation S3 above)
- Share pipeline updates with insurers early to enable advanced planning for insurance requirements

5.3 Recommendations for inclusive development outcomes



M6 Match gender and social inclusion policy priorities with effort expected in implementation



- Tailor project GEDSI requirements in procurement documentation to reflect local context, culture, societal norms, community dynamics and levels of industry participation
- Provide explicit targets and requirements with well-researched reasoning in procurement documentation so the purpose of the requirement and the 'why' behind it is clear to bidders
 - Provide contractors with reasoning behind why the role of contractors is important in improving or contributing to inclusive outcomes
 - Take a staged approach to addressing GEDSI requirements by encouraging contractors to shift harmful norms first to create safe working spaces for women, people with disabilities and/or other marginalised groups, then implement employment targets. This can help to avoid



women, people with disabilities and/or other marginalised groups from entering unsafe spaces as a result of project procurement requirements.

- Instead of setting targets for number of women or people with disabilities employed, target interventions to the root cause of lack of participation, to the extent that the contractor can effect. This may require additional studies and assessments of industry participation, labour market capacity, cultural context and community dynamics to understand safe pathways for inclusion for women, people with disabilities and/or other marginalised groups.
- Seek out studies, reports and learnings from other development partners to complement additional planning, and existing GEDSI contextual knowledge of the project location.

5.4 Recommendations for understanding risk for improved efficiency in procurement



L1 Involve contractors early and undertake additional planning from the scoping stage for better understanding of risks for efficiency in procurement



- Prioritise early involvement of relevant expertise and resources in the scoping and planning phases of infrastructure projects ahead of procurement to better define risks and project requirements
 - Clear definition of project risks and fair allocation of risks can enhance the attractiveness of bids, streamline procurement processes, and facilitate more efficient contract negotiations.
 - Can help to reduce provisional costs, align expectations, and deliver intended outcomes and VFM



- Continue to leverage and use ECI where appropriate, and in a consistent manner:
 - Work with national chambers of commerce, local contractors and other local organisations build capacity and awareness of what ECI is and how it can be done effectively
 - Gain buy-in from Pacific Island Governments for ECI as a way to deliver projects with better outcomes



- Explore the use of 'competitive dialogues' with bidders during procurement as a method to share feedback on proposals ahead of the final submission or require proponents to present proposed solutions in a presentation format to help differentiate between technical solutions and VFM. This can foster engagement with bidders and bring about shared understanding of project requirements.
- Emphasise partnerships over restrictive procurement rules to help development partners better understand the strengths of contractors, foster trust and work collaboratively towards achieving project objectives and outcomes
- Consider reimbursements for contractors' time for bid preparation and early contractor involvement particularly where innovative solutions are sought for complex projects.

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Annexes

Annex A: Pacific Island procurement platforms

The table below briefly highlights the online procurement platforms available for the Pacific Island countries, with additional columns indicating whether procurement notices by public entities or public corporations (such as ministries and SOEs, respectively) are available on the UN Development Programme (UNDP) or WB online procurement notice platforms. This is for public procurement of infrastructure and construction needs across the civil and energy sectors and helps to view the nature of ministries and SOEs undertaking procurement in the Pacific. Other development partners or regional organisations that conduct procurement are noted in the table.

Table 5: Pacific Island procurement platforms.

Countries	Online procurement portal	Available through UNDP ^{5, 6}	Available through WB ⁷
Papua New Guinea	Tender Notices - Government of PNG Procurement (npc.gov.pg)		Yes
Fiji	Welcome to Ministry of Finance, Government of Fiji E-Tendering (tenderlink.com)	Yes	Yes
Fiji Roads Authority	Welcome to Fiji Roads Authority E-Tendering (tenderlink.com)		
Water Authority of Fiji	Welcome to Water Authority of Fiji E-Tendering (tenderlink.com)		
Civil Aviation Authority of Fiji	Tenders and Proposals Civil Aviation Authority of Fiji (CAAF)		
Fiji Ports Corporation	Welcome to Fiji Ports Corporation Ltd E-Tendering (tenderlink.com)		
Energy Fiji Limited	Current Tenders Energy Fiji Limited (efl.com.fj)		
Vanuatu	Actual Tenders - Central Tender Board - Vanuatu Government	Yes	Yes
Samoa	Tender Advertisements – Ministry of Finance (mof.gov.ws)		Yes
Solomon Islands	Solomon Islands Government Portal (solomons.gov.sb)	Yes	Yes
Tonga	Notices uploaded to Matangi Tonga Platform (e.g. https://matangitonga.to/ad/7194-ministry-infrastructure-bids-08-21-march-2023)	Yes	Yes
Nauru	No consolidated online platform available. Procurement appears to occur through The Pacific Community and UNDP	Yes	
Tuvalu	Government of Tuvalu e-tendering platform on TenderLink, also procurement through UNDP.	Yes	Yes
Tokelau	Through the New Zealand Government Electronic Tenders Service (GETS) https://www.gets.govt.nz/ExternalTenderSearching.htm?SearchingText=tokelau	Yes	
Cook Islands	Procurement Portal: Government of the Cook Islands	Yes	
Niue	No consolidated online platform available.		
Kiribati	Tender List Central Procurement Unit	Yes	Yes
Federated States of Micronesia	Department of Transportation, Communications & Infrastructure (TC&I) Federated States of Micronesia (FSM) (gov.fm)	Yes	Yes
Palau	ROP Procurement – PalauGov.pw	Yes	Yes
Marshall Islands	No consolidated online platform available.	Yes	Yes

⁵ Website: [Procurement | United Nations Development Programme \(undp.org\)](http://procurement.un.org) (Accessed 12 February 2024)

⁶ Website: [UNDP | Procurement Notices](http://undp.org) (Accessed 12 February 2024)

⁷ Website: [Procurement Notices \(worldbank.org\)](http://worldbank.org) (Accessed 12 February 2024)