



Solomon Islands Government

Solomon Islands Delegation Statement

at the

**Expert Group Meeting on the Preparation of the Triennial Review of the
List of Least Developed Countries (LDC)**

New York, 1-2 February 2018,

Foremost, let me, on behalf of the Solomon Islands Government (SIG), take this opportunity to express our profound gratitude to the Expert Group Meeting (EGM) of the Committee of Development Policy (CDP) for allowing the Government to participate and make its representation at this meeting today.

SIG is fully conscious that Solomon Islands, having been found eligible for graduation from the LDC category for the first time in 2015, may be recommended for graduation if it is found eligible for a second time. Hence, SIG is conscious that the Solomon Islands Government's views, among other relevant documents including the UN DESA Ex ante impact assessment for graduation, along with a vulnerability profile, prepared by the United Nations Conference on Trade and Development (UNCTAD), would provide inputs for a CDP decision.

To this end, SIG acknowledges that the sources used in the assessment which include official data, relevant documents and studies published by SIG, regional and international organisations and other relevant institutions, including the main development and trading partners of Solomon Islands are highly credible.

To complement these sources, we have also provided UN DESA the country's National Development Strategy (NDS) 2016-35 launched and adopted in April 2016 and the first National Development Strategy 2016-35 Performance Report published last September 2017. We believe these documents will provide UN DESA deeper insights and better appreciation of SIG progress and efforts made in the implementation of its NDS 2016-35, the Sustainable Development Goals (SDGs) and the Istanbul Programme of Action (IPoA).

Let me assure the EGM that Solomon Islands is fully committed to honouring the global 2030 Agenda on the Sustainable Development Goals (SDGs); the Paris Agreement and Addis Ababa Action Agenda (Financing for Development Framework) and the Istanbul Programme of Action (IPoA). We believe that these global frameworks call for a paradigm shift in cooperation especially in seeking partnerships in game changer and large transformative programmes and projects. Such call is very appropriate and relevant for Solomon Islands' informal sector, where eighty per cent of our population live.

Solomon Islands has come a long way to reaching the stage of eligibility for graduation for the first time in 2015. It had gone through a period of and civil unrest in 1998-2003 which brought the country and the government to a standstill and severely affected the country's economy. A regional response to the crisis, headed by Australia called Regional Assistance Mission to Solomon Islands (RAMSI), helped restore law and order

and supported the government in rebuilding the country. Since then the economy has experienced an upward trend in growth (between 2000 and 2012 where GNI increased by 50% - from USD1,010 to USD1,480). However, various challenges continue to remain particularly in terms of addressing the root causes of the ethnic tension, governance, public and private sector capacity building, commitment to relevant reforms and the urgent need to improve living standard in rural areas.

More recently, the Solomon Islands economy had an economic growth of 3.5% in 2016, compared to 3.0% in 2015. This was as a result of 3.3% growth in the primary sector combined with a 4.2% growth in the services sector. Overall economic activity was underpinned by forestry, agriculture, construction, manufacturing, transport, communication and most services sectors. Mining and fishing remained subdued. Donor support was also a major contributor to growth through donor funded capital projects that were built across the country.

The outcome was particularly due to a sharp increase in logging activities, buoyant private sector activities fuelled by credit growth, fiscal stimulus particularly in building infrastructure and favourable commodity prices. Monetary aggregates continued to expand during the year as a result of credit growth and fiscal injections combined with external inflows.

Extraction of natural logs increased further in 2016 with exported log volumes rising by 17.4% year on year. The growth was attributed to re-entry into previously logged areas, clear felling for large projects such as bauxite mining and increased volumes from plantation logs. The agriculture sector was also buoyant, owing largely to increases in palm oil output and to a lesser extent in copra and coconut oil.

The most recent estimated economic growth for 2017 is 3.2%. The logging sector remained flat, non-logging sector continued to thrive on the back of increases in output and commodity prices, credit to private sector continued to grow. Fiscal expansion program of the Solomon Islands Government, however, had not been fully implemented as planned. Given this similar trend, economic growth in 2018 is projected to be about 3.4%.

Considering the slow growth in the Solomon Islands economy and difficulties in providing basic and essential services to the people, the SIG recognised the need to develop a new visionary pathway to guide socio-economic development in Solomon Islands. In this vein, the Government prepared and launched a 20 year National Development Strategy (NDS) 2016-2035 in April 2016. This NDS provides a longer term framework for planning that lays the foundations for economic growth and long term sustainable development. Many of its major development partners have embraced the

NDS and have taken steps to align their bilateral and multilateral aid programme with the NDS and that other development partners have followed suit. To this end, the Government has also developed and launched an "Aid Management and Development Cooperation Policy" and the "Partnership Framework for Effective Development Cooperation" in March 2016. This provides guidance on how the country can make development partnerships more effective and in line with its objectives and priorities as set out in the NDS 2016-35.

Efforts have been made over the past 4-5 years to achieve the NDS objectives through reforms, revised strategies and development programmes, but the results have been mixed. Overall, there has been limited progress at project, sector, national and regional levels. Four key development indicators covering growth (GDP), human development indicators (HDI), employment and budget/debt show little progress over the last 4-5-years. Overall, progress has been unsatisfactory, with slow movement of growth compared neighbouring island countries. NDS target is for GDP growth per annum to continue through to 2020 at 3.5%, then slowly grow to 5% by 2025, progressing to a sustainable 7% by 2030 and beyond. SDGs target is to sustain per capita economic growth, in particular, at least 7% GDP growth per annum in LDCs. GDP growth had increased by about 0.8% in 2015 and increased to 3.5% in 2016, estimated at 3.2% in 2017 and projected at 3.4% in 2018.

In 2000, Solomon Islands HDI scores were below its neighbours but significantly above the average of the LDCs. However, current indicators show stagnant progress with an average level not far from PNG, the closest neighbour and significantly below that of most Pacific neighbours. Although the population has endured some drastic changes compared with the past following the ethnic unrest, the levels of poverty, hardship, vulnerability and exclusion, continue to impact the lives of individual Solomon islanders relative to the social and economic changes encountered. The goal was for Solomon Islands to catch up with its neighbours and reach medium human developed country status by 2020, which would be a real challenge.

Labour market conditions indicators showed slight improvements in 2016. Data from the SINPF pointed to a 1% year on year increase in the average number of contributors in 2016. The public sector workforce also trended upward with an annual growth of 3%. The continuation of donor supported initiatives such as the seasonal workers programme and rapid employment program provided alternative jobs, though temporary, to locals. In terms of employment there is little progress made in employment performance and participation rates for youth and gender is not improving at an encouraging rate.

Increased investment, particularly investments that will diversify the economy is needed to grow the formal private sector in order to address Solomon Islands employment and income challenges. The government has an important role to play in establishing an attractive investment climate where entrepreneurs are encouraged and business can thrive.

The suggestion for Solomon Islands to diversify and expand its export base has entailed a process that has spanned over many decades since the country's attainment of Political Independence in 1978, some 39 years ago. In this respect, the SIG efforts to prioritise export diversification including the development of mining, the prospect is minimal and limited owing to land tenure issues, infrastructure and economic structure. Tourism has huge potential but progress is slow owing mainly to limited tourism infrastructure and unreliable transportation services throughout the country. The realisation of the country's export potential in the medium to long-term appear bleak. Political instability has often impeded efforts to provide conducive environment for direct foreign investment and entrepreneurship. Volatility in trade balances over the past decade, recorded in the Central Bank of Solomon Islands Annual Reports, suggests fragility of the Solomon Islands economy and to external shocks.

References asserting that China is Solomon Islands top export and an export trend of major shift away from Europe towards Asia and China is acknowledged. However, given that the trend is closely related to the export of logs and timber this trend is likely to change as the logging industry declines. In contrast, exports to Europe of sustainable and value added commodities of fish, palm oil and copra are more likely to continue and make up the base of the country's export. To this end, Solomon Islands believe Europe would continue to remain an important trading partner for Solomon Islands.

Similarly, in respect to trade in services and service suppliers, SIG acknowledges the assessment assertion that most of the constraints in LDC including Solomon Islands are supply side problems and unlikely to be impacted after graduation. Solomon Islands, in this respect, would need to closely monitor and take more aggressive course of actions to remedy this issue.

Nonetheless, there are many other factors involved that may impede the ability of Solomon Islands to compete effectively including economies of scale and comparative disadvantage such as high internal costs and long distances to the EU markets.

The Government is fully committed to encouraging private sector-led growth. Over the past decade, the country's macroeconomic conditions have significantly strengthened. Public finances stabilised as a result of increased revenue collection and improved controls and discipline in government budgeting processes. Fiscal reserves were also rebuilt and public debt levels significantly reduced. This provides a solid foundation on which future growth can develop. The government has taken steps and care to ensure that gains that have been made in public financial management, the cornerstone of this foundation, are maintained and further built on.

To date, Solomon Islands has adopted a new National Trade Policy aimed at integrating trade related aspects of existing sectoral policies, providing a broad policy guide and set of priorities to support policy makers in enhancing the role of trade in the economy. The trade framework identifies constraints on production and exports and provides some recommended solutions. However, given Solomon Islands small size and limited capacity, SIG and its partners focus on reducing the barriers to trade faced as a collaborative effort. The National Trade Development Centre (NTDC) is being strengthened. However, little progress has been reported in developing small and medium size enterprises (SMEs), nor on the SIG programmes addressing performance of State Owned Enterprises (SOEs), including the re-establishment of the Development Bank of Solomon Islands (DBSI).

The Official Development Assistance (ODA) to Solomon Islands, in absolute terms, is considered to be relatively large and is a major source of funding for development. Moreover, Solomon Islands is considered one of the most aid dependent nations in the world. To this end, foreign aid is likely to remain an enduring feature of the Solomon Islands economy for some time.

SIG acknowledges the significant development investment by major bilateral and multilateral donors in Solomon Islands. SIG further welcomes the assurance that their development programmes to Solomon Islands would continue and will not be reduced even if Solomon Islands graduates from the LDC category. The substantial reduction of Australia development assistance to Solomon Islands due to the departure of RAMSI in mid-2017 is also acknowledged.

SIG fully recognizes the major role development partners play in the development efforts of the country. Development assistance continues to comprise a significant proportion of the country's development budget. SIG continues to receive substantial financial support from its development partners. The bulk of this assistance is through donor-funded projects and programmes implemented by line ministries. SIG through

its normal budget process requires ministries to put forward new programme proposals to the Ministry of Development Planning and Aid Coordination (MDPAC) and its Standards Committee, which reviews the submissions and confirms which of these will be funded through SIG resources under the Medium Term Development Plan (MTDP). However, the identification and formalisation of donors' programmes is generally done independently by each donor, and is not routed through the MDPAC Standards Committee process, making tracking by MDPAC difficult. The Partnership Framework for Effective Development Cooperation, introduced in 2016, outlines a strategy for implementation of the new Aid Management and Development Cooperation Policy which should improve coordination and planning. In addition, MDPAC is creating a development assistance database system which will provide an overall picture of donor contributions to development programmes.

Currently, most donor programmes focus on the social sectors of health and education, and on infrastructure, particularly transport infrastructure. Given the scarcity of government resources, donors also often fund operational expenses that could not be funded from the recurrent budget.

Donor support towards achieving NDS objectives is significant, either through direct implementation of programmes, or through implementing agencies. Key ministries implementing most of the donor programmes are Ministry of Health and Medical Services (MHMS), Ministry of Education and Human Resources Development (MEHRD), Ministry of Infrastructure Development (MID) and Ministry of Agriculture and Livestock (MAL). However, capturing, measuring and tracking data and information on progress against NDS objectives is a challenge as donor data and reporting of progress is still not being provided as expected. MDPAC is undertaking reforms to address this through the Partnership Framework and the establishment of the Aid Management Information Database System.

SIG also fully recognises that in order to effectively implement the NDS and achieve its objectives it will need commitment and action from all its development partners. True and strategic partnerships will be crucial between the SIG and development stakeholders including development partners, the private sector, non-government organisations, church groups and faith-based organisations and all development stakeholders. Hence, the Government has intensified efforts to work more closely and effectively with development partners, the private sector, the churches, the non-government organisations, the non-state actors, the civil society, the local communities and the international community. The Government has revived the Core Economic

Working Group (CEWG) for robust dialogue focusing on financial and economic reform priorities and action oriented benchmarks and triggers for budget support assistance.

The NDS includes a performance monitoring and evaluation framework for monitoring progress on programmes and projects in the annual development budget, the MTDP and the NDS. Most recently as last September 2017, the Government conducted a first performance report on the current NDS 2016-2035. The Report is part of a comprehensive assessment process undertaken by MDPAC with the line ministries and development partners. The objective of the Report is to inform the Solomon Islands Government and its development partners of the overall progress the country has made in terms of achieving the objectives of the NDS 2016-2035. The Report highlights the challenges and issues encountered in the implementation of the NDS and proposes recommendations on how best to progress towards achievement of NDS objectives in each sector.

The Report also identified several key issues in terms of progress towards attaining the NDS outcomes. Among these include the need to improve SIG and donor coordination and cooperation in alignment to the NDS objectives and the need to improve and strengthen the Monitoring and Evaluation Processes in the Ministry of Development Planning and Aid Coordination (MDPAC) and line ministries.

Among the Report recommendations are the need for establishment of development assistance database within SIG and the need to align programme indicators to the NDS objectives. The Government recently launched an Aid Information Management System (AIMS) which is a useful tool for the government to monitor aid inflows and coordinate donor-funded projects in the country.

As a strategy to engage and involve its development partners, private sector and other development stakeholders to participate more actively and meaningfully in the implementation of the NDS, the 2030 Agenda on Sustainable Development Goals (SDGs) and the Istanbul Programme of Action (IPoA), MDPAC, in conjunction with and assistance of UNDP, is developing a Solomon Islands Integrated Financing Framework (SIFF). The SIFF aims to guide the Government in mobilising and securing development cooperation and assistance of development partners, private sector and other development stakeholders. The SIFF would also be an opportunity where development partners come together to support the NDS and integrated SDG implementation at the country level. The SIFF would also provide guide for development and investments by development partners, private sector and stakeholders in the areas and sectors that would bring about the desired objectives of the NDS, SDGs and IPoA.

For Solomon Islands, the prospect of graduation is very exciting and encouraging. It brings with it, a variety of new opportunities and potentials as well as challenges. Graduation is envisaged as a way to achieve the NDS objectives namely: poverty alleviated across the whole of the Solomon Islands, basic needs addressed and food security improved, and benefits of development more equitably distributed; all Solomon Islanders have access to quality health and education; resilient and environmentally sustainable development with effective disaster risk management, response and recovery; and unified nation with stable and effective governance and public order.

While it would be considered a real challenge for Solomon Islands, if it graduates, SIG believes the benefits foregone are minimal and insignificant. The transition period after graduation should serve as a platform and buffer for Solomon Islands to reorganise and restructure itself and explore new trading partners and new market opportunities more vigorously. Moreover, graduation should induce and trigger SIG and businesses to be more serious in their efforts to invest more wisely and grow the economy and to be more competitive.

Solomon Islands is also conscious that efforts towards graduation need to be underpinned by ownership and leadership of the country, given that the primary responsibility for development lies with the country itself. To ensure Solomon Islands achieve sustainable and transformational graduation, its efforts need to be supported by the development and trading partners in a spirit of shared responsibility and mutual accountability. Moreover, SIG recognise that in order to meet the ambitious objective of the IPoA and to meet the criteria for graduation by 2020, strengthened and more focused support by development partners would be required.

In conclusion, Solomon Islands stands prepared to embrace the recommendations by the Committee for Development Policy (CDP) to the UN Economic and Social Council (ECOSOC) regarding its readiness and eligibility for graduation from the LDC status. Nonetheless, Solomon Islands will continue to persist to pursue its aspirations embedded in its NDS 2016-2035, the SDGs and the IPoA. Furthermore, Solomon Islands recognises that in the event in the event, it is found eligible for graduation, it would require to have the benefit of LDC treatment under the 'smooth transition' measures that would entail negotiations with development partners and trading partners on a case by case basis.

Thank you most sincerely for your attention!