



Session 6: Strategies for a smooth graduation of Solomon Islands

Challenges and Opportunities for Solomon Islands
(Preliminary Findings of Solomon Islands LDC Study)

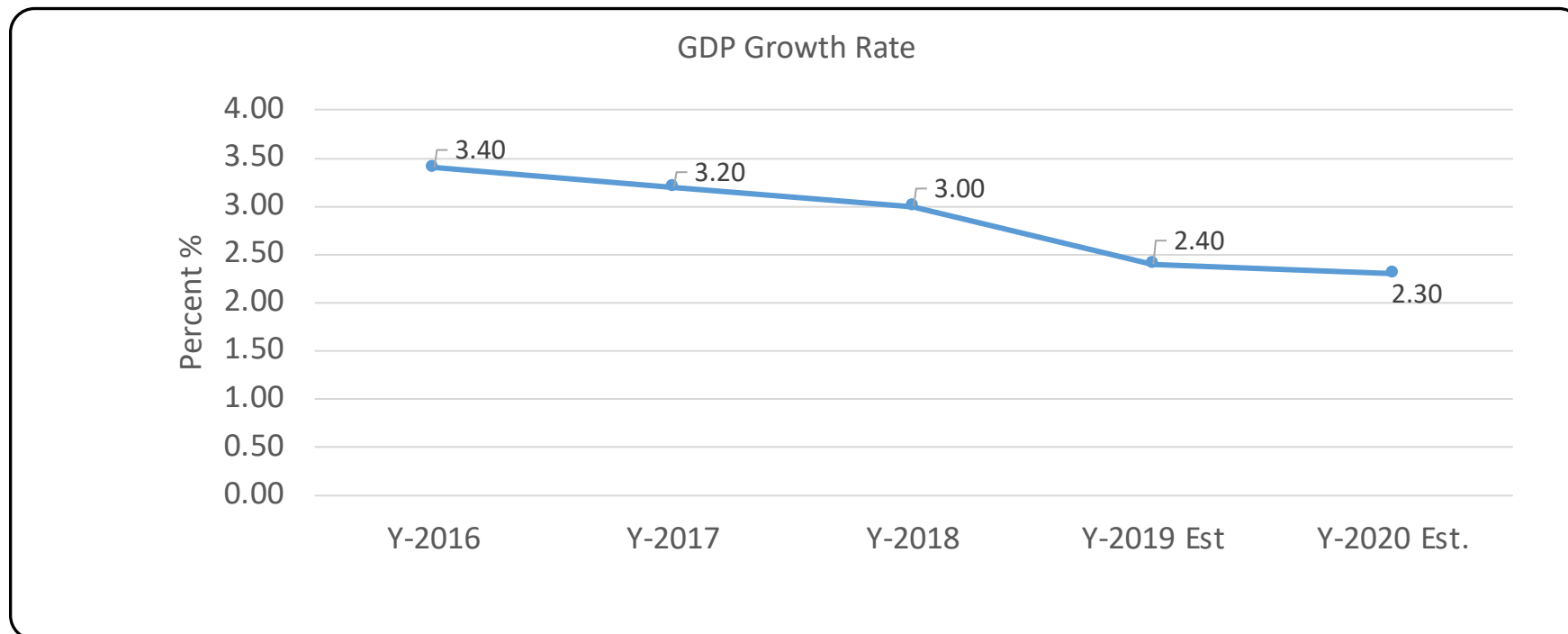
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Presentation Outline

- I. Country Development Context
- II. What LDC Graduations means to Solomon Islands
- III. Trade Performance and ODA Landscape
- IV. How Solomon Islands have utilised the benefits under LDC (Trade Support and ODA)
- V. Key Recommendations and Way forward- Smooth Transition

Country Development Context

- In 2018, the economy is forecasted continue to growth at 2.8 % in the short to medium term. Slight drop due to reduced contribution of the primary sector (logging revenue) to overall growth(CBSI Report)
- Log sustainability policy implementation-Drop by over 60% by 2023.



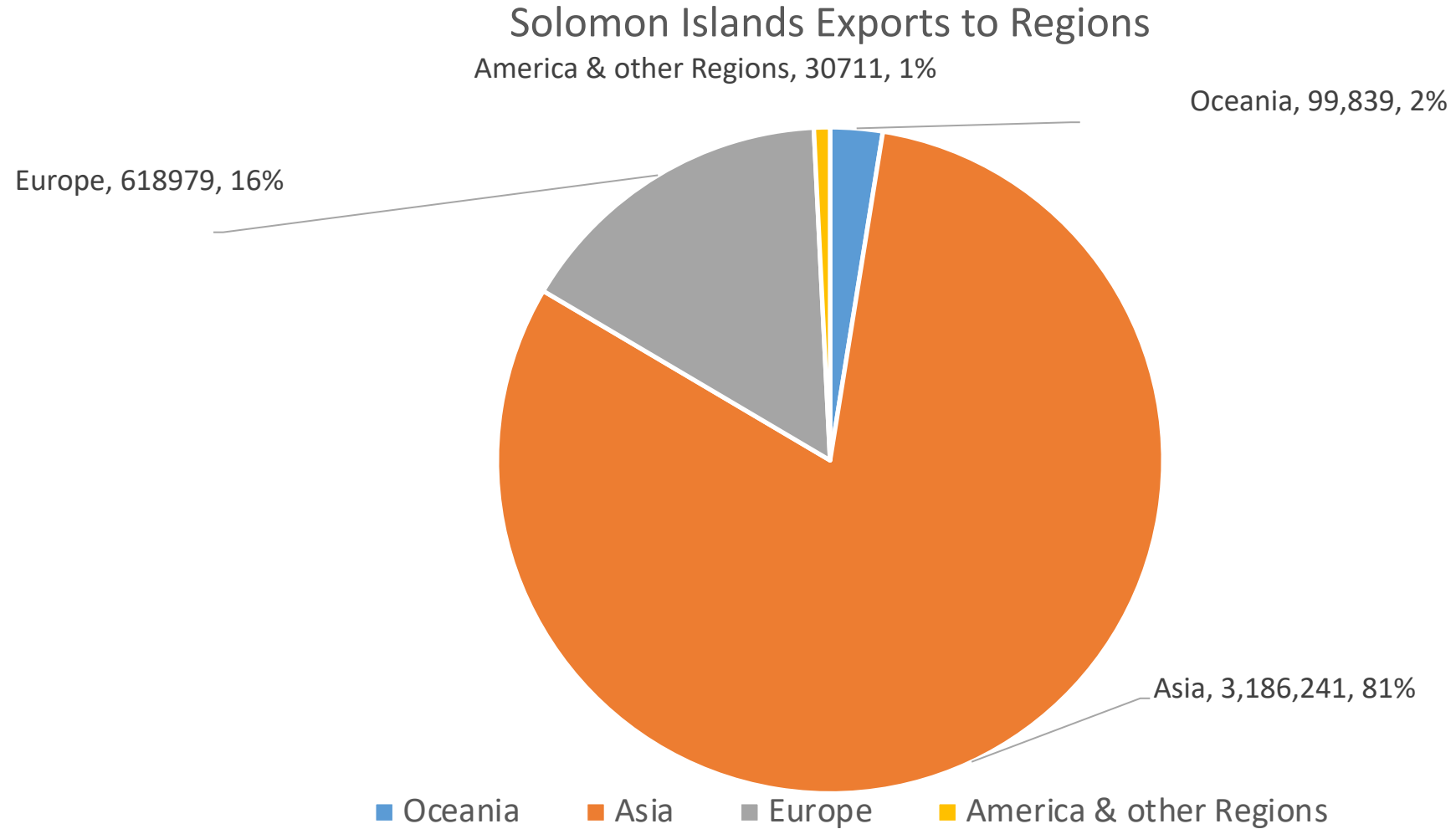
What LDC Graduation means to Solomon Is.

- LDC Graduation – Mix reactions to the CDP outcome – *Limited knowledge to provisions.*
- The reflection of Country's performance of SIG and its partners in the past 20 years.
- An opportunity to review our effectiveness in the utilization of the LDC benefits. What went well and what's not
- An opportunity to better understand our own challenges, explore windows of new opportunities in the international and strategize to benefit from the opportunities that lies ahead.
- re-examine the effectiveness of national coordination for development across different stakeholders and partners- NDS/ SDG Progress
- Graduation is a catalyst and an opportunity that calls for Collective actions from the Government and all partners to recommit their support and mobilize efforts in an integrated manner towards implementing the transition strategy in the framework of NDS and SDGs

Solomon Islands Trade and Development Support

- S.I Trade relationship is well integrated globally. A member of WTO and other regional organisations (SPARTECA, PACER Plus, PICTA & MSG)
- Country's total merchandise export value in 2018 is about US\$ 524 million(CBSI)
- An export concentration value of 76.6%, which is quite high among comparable economies. Reflecting the fact that S.I heavy reliance on Logging
- Solomon Islands is second top ODA recipient in the Oceania region accounting for 10% of total ODA, which amounts to around USD187 million.

S.I Trade Destinations



How Solomon Islands have utilised the benefits under LDC (Trade Support and ODA)

- Solomon Islands as an LDC have access to support measures and preferences in two main areas: (a) international trade; (b) development cooperation
- 1. International Trade and Investments-** special and differential treatments (SDT)
 - Purposely to facilitate the integration of LDCs into the global economy under WTO. Based on “Enabling Clause”-Differential & more favorable treatment
 - These concessional measures under the generalized system of preferences (GSP) permits LDC exports into the European Union (EU), and other OECD countries with no reciprocity
 - European Union(EU) Market –Duty Free Access under Everything but Arms (EBA) initiative for LDCs

Everything but Arms (EBA) initiative for LDCs

- EU is the 2nd top export destinations for Solomon Islands accounting for 11.9% of market destinations(WTO)- *Fish, Palm Oil & Kernel the main commodities. Italy accounts for 82% of Total processed Tuna export(US 6million)*. Fishery sector has benefited from the EBA Initiative.
- However, EU have restrictive rules of origin, particularly for processed tuna. Strict sanitary and phyto-sanitary standards (SPS) and a regulation on Illegal and (IUU) fishing
- Being a small player in International Solomon Islands virtually have no negotiating power to influence market price and achieve economies of scale in Supply chain.

Moving from Everything but Arms (EBA)

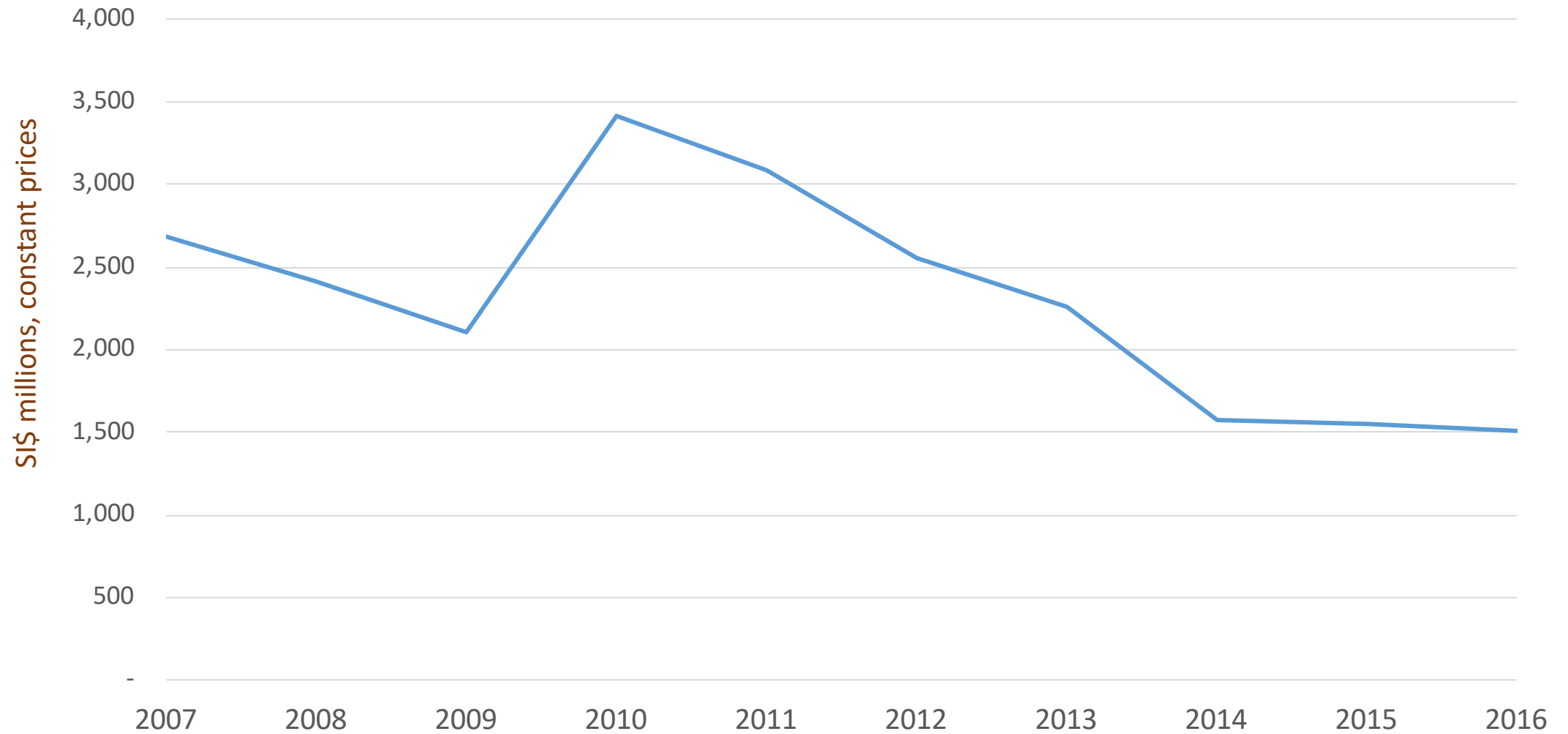
- The need to maintain alternative preferential regime of the Generalised System of Preferences (GSP);
- Entering into the Interim Economic Partnership Agreement (IEPA) – a reciprocal free trade agreement with the EU.
- Moving from EBA to GSP+, SIG need to ratify the outstanding treaties required to qualify for this preference scheme.
- Regional Trade Agreements- SPARTECA, PACER+(Ratifying), MSG(Free Trade), PICTA

LDC Trade Related Support	Benefits	Access & Utilization
Everything But Arms Initiative	Duty Free Access and Quota free access to EU Market	Solomon Islands Access, however have not fully utilised
Advisory Centre on WTO Law (ACWL)	Provide LDCs with the legal capacity necessary to enable them to take full advantage of the opportunities offered by the WTO.	Not Utilised
Preferential Market Access- Australia GSP	DFQF market access for imports from LDCs under its GSP scheme since 2003.	Access through SPARTECA- not fully utilized
Preferential Market Access- Japan GSP	Japan provides for DFQF market access for imports from LDCs under its GSP scheme. Covers 97.9% of tariff lines	Solomon Accessed- Not fully utilised Limited export
New Zealand GSP	DFQF scheme for LDCs, 100%	Access through SPARTECA- not fully utilized
China's DFQF Scheme for LDC	covers 97 per cent of all tariff lines. Accessible to all LDCs having diplomatic relations with China.	Solomon have not benefited - No formal diplomatic ties.
Preferential Market Access – US GSP	provides preferential duty-free treatment least-developed beneficiary developing countries (LDBDCs)	Yes, however not fully utilised

LDCs Trade Related Supports- Utilization

LDC Trade Related Support	Benefits	Access & Utilization
Trade in services and LDCs	Preferential treatment to services and services suppliers of LDCs- WTO's General Agreement on Trade in Services (GATS)	Have not access or Utilise
Preferential rules of origin	LDCs are also subject to less stringent preferential rules of origin in certain markets	Benefited, LDCs continue to finding it challenging as well.
Enhanced Integrated Framework (EIF) for Trade-Related Assistance to LDCs	Supports LDCs to increase their participation in the international trading system building capacity to trade, increasing aid for trade in LDCs	Solomon Islands benefited from EIF Tier 1 & 2 and may received support till 2022. Fully utilised
Special treatment under WTO rules	Special and differential treatment (S&D) provisions for LDCs aim principally to facilitate compliance with WTO rules in view of the limited capacities of LDCs; Sanitary and Phytosanitary (SPS) Measures- TA support	As WTO Member, Solomon Islands have access to however not utilized

ODA levels declining since 2010



ODA under LDCs

- The country appreciated the international coordination role by OECD, in ensuring the efforts and development assistances from its DAC Members support LDCs.
- The target is for DAC members to allocate 0.15–0.20 per cent of their gross national income (GNI) for ODA to LDCs. However it not clear from the study how the DAC target are being applied to LDCs
- Bilateral Assistance is key component of the ODA accounting for over 30 percent of the total ODA. Bilateral Support are provided in Solomon Islands based on Partnership Agreements turn not to be attached to LDCs.
- The Multilateral Assistances, there funds which are linked to LDCs whilst others not., Use other criteria such income levels & specific needs to access concessional funding.

Multilateral Direct Assistances to LDCs

The Least Developed Countries Fund (LDCF) under Global Environment Facility(GEF) targeting the LDCs. Established under the UN framework convention on climate change(UNFCCC), the LDCF supports the preparation and implementation of national adaptation programmes of action (NAPAs)

- The projects implemented under LDCF in Solomon Islands includes; Community Resilience to Climate Change and Disaster Risks(CRISP)
- Solomon Islands Water Sector Adaptation Project (SIWSAP) under Ministry of Mines and Energy and the Solomon Water Authority Project.
- There a number of climate funding available, however its not clear whether these have been fully utilised. – *PFM Process*

Alternative Mechanisms- SIDS, Broad criterias

LDCs ODA Related Supports- Utilization

LDC ODA Related Support	Benefits	Access & Utilization
The Local Climate Adaptive Living Facility (LoCAL)	It assists the integration of climate change adaption into local governments' planning and budgeting systems	Not unclear whether we benefit
Global Climate Change Alliance Plus (GCCA+)	An EU initiative helps mainly SIDS and LDCs. The GCCA+ supports LDCs/ SIDS in implementing their commitments resulting from the 2015 Paris Agreement on Climate Change (COP21), in line with the 2030 Agenda for Sustainable Development	Not unclear whether Solomon have utilised
Least Developed Countries Renewable Energy and Energy Efficiency Initiative for Sustainable Development (LDC REEEI)	Initiative focus on developing and accelerating the implementation of national renewable energy and energy efficiency policies, also support country-led efforts to access climate dedicated funding such as the (GCF), GEF, LDC Fund	Not unclear whether Solomon have utilised
Technology Bank for LDCs	Improve LDC' scientific research and innovation base, promote networking among researchers and research institutions, help LDC access and utilize critical technologies	Solomon Islands have not benefited as yet, though there is initial discussion

Multilateral Assistances to Solomon Islands

World Bank Concessional Support –

Solomon Islands is eligible to receive IDA financial resources.

The World Bank financing to Solomon Islands comes in the form of

- (i) IDA financing; and
- (ii) (ii) trust fund grants provided by other donors (bilateral donors and global funds) and administered by the World Bank.

World Bank financing has focused on energy, rural development, employment generation, fisheries management, climate change resilience and recently, roads and aviation

- No Direct Link to LDC Graduation

Multilateral Assistances to Solomon Islands

UN Capital Development Fund (UNCDF)

- Solomon Islands have benefited through Pacific Financial Inclusion Programme
- Provincial Government Institutional Strengthening Programme
- Other programme in area of financial access is being implemented.

UN Financial support for the participation of representatives of LDCs in various international conferences, Trainings link to LDC and may phase-out following graduation.

Recommendations – Short Term Interventions

- **Recommendation 1. Solomon Islands LDC Graduation Taskforce-** The Taskforce will be a Technical Advisory committee to NDSOC/ Political
- **Recommendation 2. Preparation of LDC Graduation Transition Plan-** Secure Technical Support and financing towards the preparation of the Solomon Islands LDC Graduation Transition Plan
- **Recommendation 3. Nation-Wide Awareness and Public Relations-** on LDC Graduation
- **Recommendation 4. Active Reciprocal Dialogue, Information sharing process** – aim to gather a more deeper understanding into sectorial issues, have all key stakeholders informed and engaged
- **Recommendation 5. Building Trade related Capacities and Infrastructure** -Solomon Islands can utilize existing supports(UN System) to leverage its trade capacities. Key national infrastructures

Recommendations- Medium to Long Interventions

- **Recommendation 5. Bilateral Dialogue and Trade Negotiations-** Solomon Islands negotiates with key trading partners. Diversifying its Export Market Destinations to Potential Markets
- **Recommendation 6. Developing Legislations and Trade Related Policies** -Trade related Policies that affects Solomon Islands compliances to WTO. Enactment of the IP Rights Law and Trade Mark Laws. Without these laws it would challenging for Investments or National products and services to access international market.
- **Recommendation 7. Integrating Financing for Achieving NDS and SDG Development Goals** – Improving resources mobilisation across different sectors both internal/external/Public & Private. *Government revenue, Expenditure, Partners Support aligning. Private Investment-Advisory group, Credit and financial services.*

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