

Solomon Islands: Navigating a new path for sustained economic growth

This paper provides an overview of opportunities for creating jobs, boosting exports, and stimulating economic growth in the Solomon Islands.

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Executive Summary

Growth in the Solomon Islands economy is struggling to keep pace with population growth. The economy has contracted for three years straight and real GDP per capita is now lower than it was 30 years ago. GDP per capita in Solomon Islands is less than half the level of the average Pacific island small

state. The population is currently growing at 2.4 percent per year while the Central Bank of Solomon Islands projects economic growth to average 2.1 percent over the medium term. Increasing sustainable economic growth is essential for making large improvements in the wellbeing of Solomon Islanders.

Solomon Islands needs new sources of economic growth and employment. The country has historically been dependent on an unsustainable logging sector as its main source of foreign exchange earnings. Logging export revenues have been in decline since 2018 and this is putting pressure on macroeconomic stability. The lost foreign exchange will need to be replaced by expanding exports of other goods, increasing tourism income, and boosting remittances. Aid will also need to continue to play an important role in funding infrastructure and other key development projects.

Geography is the key binding constraint to growth in Solomon Islands.

The country's small size, remoteness from major markets, and dispersed population across over 140 inhabited islands makes it difficult to achieve economies of scale and compete with other countries. This main challenge is compounded by the country's connectivity challenges, high cost of electricity, and limited access to land for private sector development.

Given the constraints, these are the main opportunities identified for creating jobs, boosting exports, and stimulating economic growth:

- 1. Increased international labour mobility.** The domestic economy does not provide sufficient jobs for the young and rapidly growing population. There are now growing opportunities, particularly in Australia, for Solomon Islanders to work abroad, earn higher wages, and send savings back home. Increasing remittances to 12.5 percent of GDP (the average among Pacific island small states in 2021) would be equal to approximately USD 204 million (SBD 1.7 billion). By expanding local training opportunities for the aged care, tourism, and hospitality sectors, this would make Solomon Islanders more competitive for future job opportunities in Australia.
- 2. A more productive agriculture sector.** Agriculture is one of the most important sectors for the economy and for livelihoods. There are opportunities for increased production of smallstock, honey, and root vegetables, among other high value crops. This will require increased technical support to smallholder farmers and supporting the growth and resources of agribusiness producer organizations. For traditional agricultural products, such as cocoa, diversifying export destinations and increasing product quality would also expand growth opportunities.
- 3. Responsible and well-regulated mining.** The mining sector has the largest potential for delivering export growth, but there are also many risks.

Solomon Islands has significant mineral resources (including gold, nickel, and bauxite), but past developments in the sector have been rife with environmental, social, and governance problems. There are several mining projects underway that could potentially offset the decline in logging exports. Finalizing the Mineral Resources Bill will help ensure the sector shares benefits fairly between landowners, investors, and the government. Enforcing the bill will require ensuring that there are sufficient resources for transparent monitoring of mining activities and tax payments.

4. **Sustainable fisheries.** Tuna products are the country's second largest export and the sector is a key source of formal employment, especially for women. The planned Bina Harbour Tuna Processing Plant project could lead to an additional 1,600 jobs. Though less promising in terms of job creation, investments in small to medium-scale aquaculture, such as seaweed, could enhance exports. Fishing license fees are also a major source of government revenues. These revenues could be maximized through increased enforcement of illegal or unregulated fishing, in coordination with other member countries in the Parties to the Nauru Agreement (PNA). Nearshore overfishing and climate change are risks to food security, which highlights the importance of ongoing community-based resource management efforts to ensure sustainable use of the fisheries sector.
5. **Accelerated implementation of medium to longer-term strategies in tourism, sustainable forestry and ICT.** Tourism has the potential to be a strong contributor to economic growth. Authorities have taken key steps to identify investor-ready sites; efforts can now be increased to identify and attract international tourism investors and develop additional sites for expeditionary cruise tourism. In the forestry sector, sustainable timber plantations have shown an alternative path to the current predominant model of unsustainable logging. There is also a growing sector for value-added timber products and a national carbon trading strategy could be explored. Finally, increasing digital connectivity will have many positive spillovers for the economy, including improved information sharing, financial inclusion, and increased productivity. The authorities can better support these opportunities by working on the policy and regulatory environment for the digital economy and streamlining interactions with taxpayers and businesses through increased government digitization.

Introduction

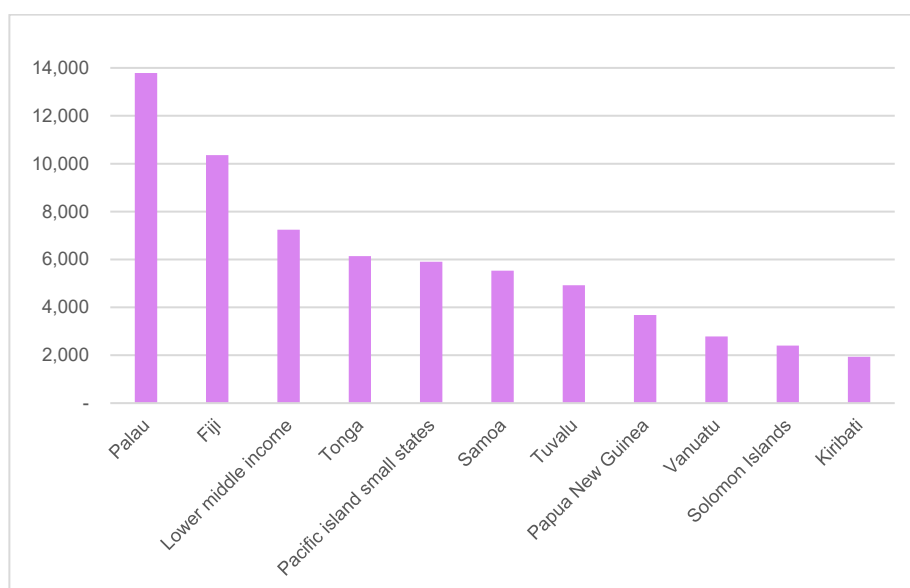
This report aims to provide an overview of the main opportunities for creating jobs, boosting exports, and sustaining economic growth in

Solomon Islands. The analysis begins with examining recent economic growth trends and identifying the main constraints that are holding back growth in the economy. This is followed by an assessment of the key economic sectors where there are opportunities for growth. Finally, the report concludes with policy actions that could support greater economic development. The report was based on desk research and consultations with the Government of Solomon Islands, international organizations, subject matter experts, and private sector representatives. Initial findings were discussed with stakeholders during a visit to Honiara in January 2023. Feedback from these consultations was then incorporated into the final report.

Economic context

Solomon Islands is the second-poorest country in Oceania. Its GDP per capita is less than half the level of the average Pacific island small state and twenty times smaller than Australia's. As a remote and fragile state, the country faces significant economic challenges. Yet there are also large opportunities.

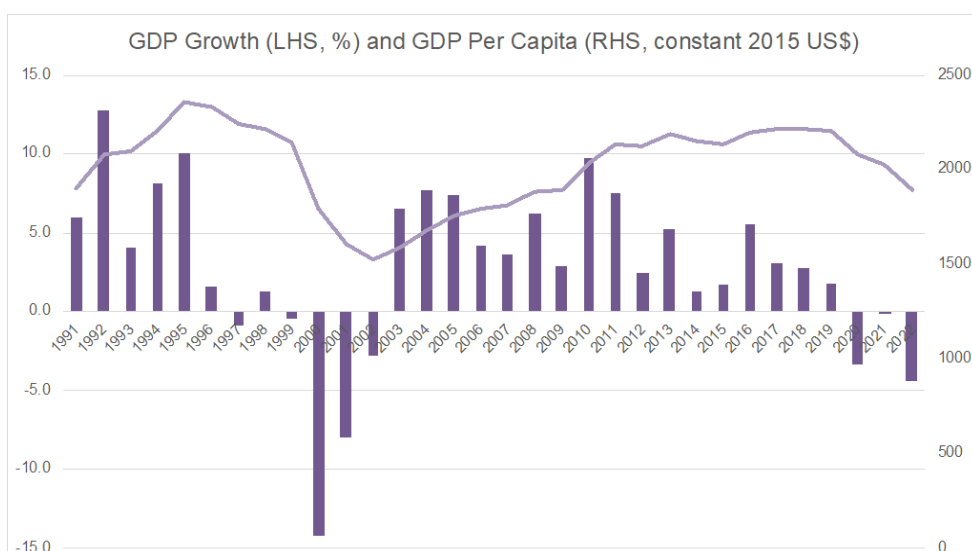
FIGURE 1: GDP Per Capita, 2021 PPP (constant 2017 international \$)



Source: World Development Indicators

GDP per capita fell by over 30 percent between 1998 and 2002 due to a period of internal conflict. Annual GDP growth subsequently averaged 4.7 percent from 2003-2019, marking 17 consecutive years of positive economic growth. However, with a rapidly increasing population – averaging 2.4 percent growth per year – GDP growth is being eroded and per capita income has not surpassed its pre-conflict peak.

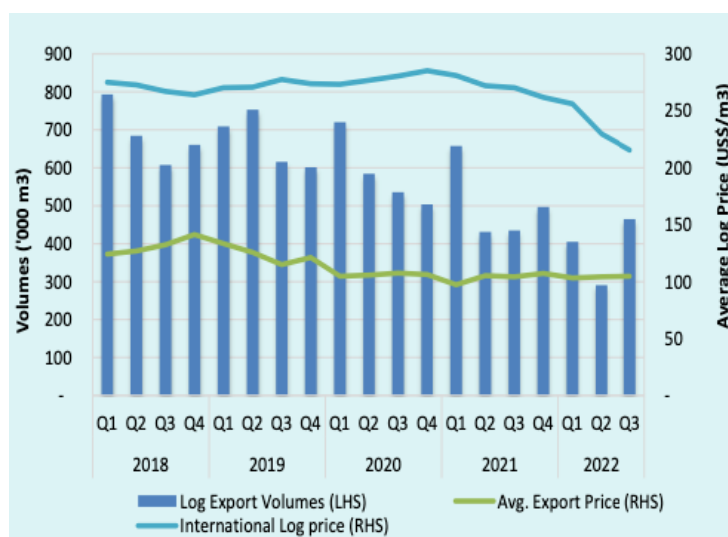
FIGURE 2: Real GDP Growth and GDP Per Capita – 1991-2022



Source: World Development Indicators

The economy has historically been dependent on an unsustainable logging sector. The country's main export for decades has been round logs, representing 64 percent of goods exported in 2020 and around 15 percent of government revenue. However, production has been at unsustainable levels for years and export revenues peaked in 2018. The sector is currently in a gradual decline, with falling export volumes, foreign currency earnings, and contributions to government revenue. This is putting pressure on macroeconomic stability.

FIGURE 3: Logging exports are in decline.



Source: Central Bank of Solomon Islands

The country has now experienced three consecutive years of economic contraction. GDP declined by 3.4 percent in 2020, largely due to a drop in logging and fishing exports (reflecting lower global demand) and the impact of

Covid-19 containment measures on trade, infrastructure projects, and tourism.¹ Commercial international flights were suspended from March 2020 until July 2022, which severely affected the tourism sector. Civil unrest in November 2021 led to a 0.2 percent decrease in GDP in 2021, whereas a Covid-19 outbreak stifled growth in 2022, resulting in a 4.5 percent decline. The economy is expected to begin recovering in 2023, with growth projected at 2.5 percent (supported by infrastructure spending and the reopening of the border).² Over the medium term, the Central Bank projects economic growth to average 2.1 percent.³ With the population currently growing at an estimated 2.4 percent, there is an urgent need to increase economic growth and create new jobs.

Solomon Islands needs to diversify its economy and develop new sources of growth.

The export basket has been relatively static for decades. Figure 4 compares the goods exported by Solomon Islands in 1995 and 2020. In both periods, wood (in the form of unprocessed round logs) was by far the largest export and there has been little diversification into new products. The logging sector accounted for 43 percent of foreign exchange receipts in 2019.⁴ As a small open economy, Solomon Islands needs to import many goods that cannot be produced locally. As the logging sector declines and imports continue to grow, the current account deficit is expected to widen, putting downward pressure on foreign exchange reserves. This deficit can be moderated by expanding export goods where there is a comparative advantage, increasing tourism income, and boosting remittances. Aid will also need to continue to play an important role in funding infrastructure and other key development projects.

FIGURE 4. Solomon Islands Goods Exports in 1995 and 2020

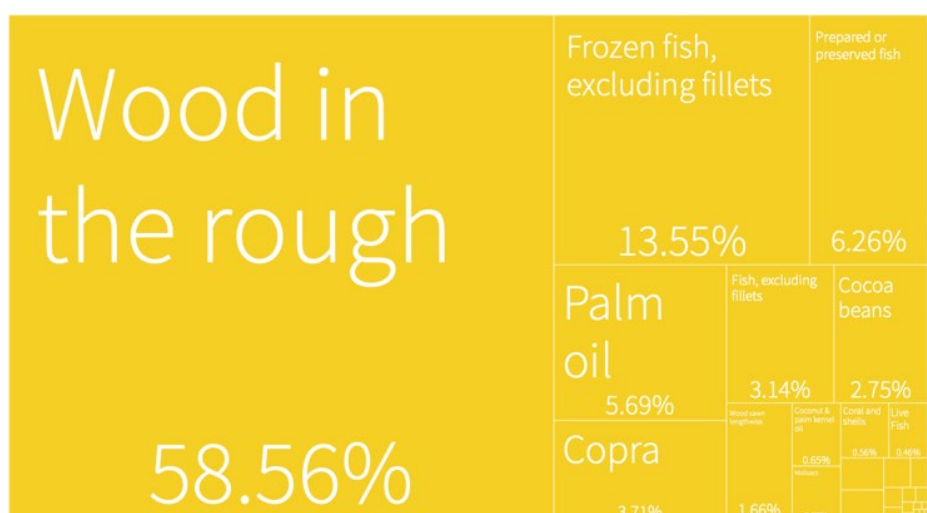
1995 – USD 169 million (total)

¹ IMF (2022). Solomon Islands 2021 Article IV Consultation.

² IMF (2023). IMF Staff Completes 2023 Article IV Mission to Solomon Islands.

³ CBSI (2023). Statement by Governor, Dr. Luke Forau at the launch of the 2022 Annual Report.

⁴ World Bank (2022). Solomon Islands Public Expenditure Review.



2020 – USD 438 million (total)



Source: Atlas of Economic Complexity

Economic growth is essential for large improvements in the wellbeing of Solomon Islanders. Real GDP per capita in 2022 is roughly equal to its level in 2009, which is also roughly equal to its level in 1991. This stagnation is not conducive to profoundly improving livelihoods. Research from Pritchett (2022) shows that economic growth is much more important for improving wellbeing in countries with low GDP per capita, especially for basic measures related to nutrition and basic medical care, water and sanitation, shelter, and personal safety. Reducing income inequality, gender inequality and the impacts of climate change also need to be studied when considering growth strategies. The rest of this report will identify the major constraints to growth in Solomon Islands, the main opportunities, and related policy considerations.

Table 1. Summary of main constraints and opportunities

Main constraints to growth		Main opportunities for growth

Geography		Labour mobility
Limited transport infrastructure		Agriculture
High cost of electricity		Mining
Land access		Fisheries
Low human capital		Tourism
Low internet usage		Sustainable Forestry
State capacity and fragility		ICT-related opportunities

Main constraints to growth⁵

Geography is the key binding constraint to growth in Solomon Islands, which limits which sectors can be competitive. Solomon Islands is a small archipelago economy, consisting of nearly 1,000 islands, of which 147 are inhabited.⁶ The country is remote from major markets and the population of approximately 725,000 is widely dispersed, with around 75 percent living in rural areas. Its small size makes it difficult to achieve economies of scale and its remoteness leads to increased costs of production and transportation, making exports less competitive.⁷ This is a problem shared by many Pacific island countries and the World Bank's *Pacific Possible* report concluded that for Pacific island countries "the constraints imposed by geography are so severe that even with an optimal environment for private sector activities – infrastructure, regulation, supportive macroeconomic policies – the range of viable economic opportunities will still be narrow."⁸ Figure 5 shows the sectors where Pacific island countries are typically more competitive in trade (agriculture, tourism, and natural resources).

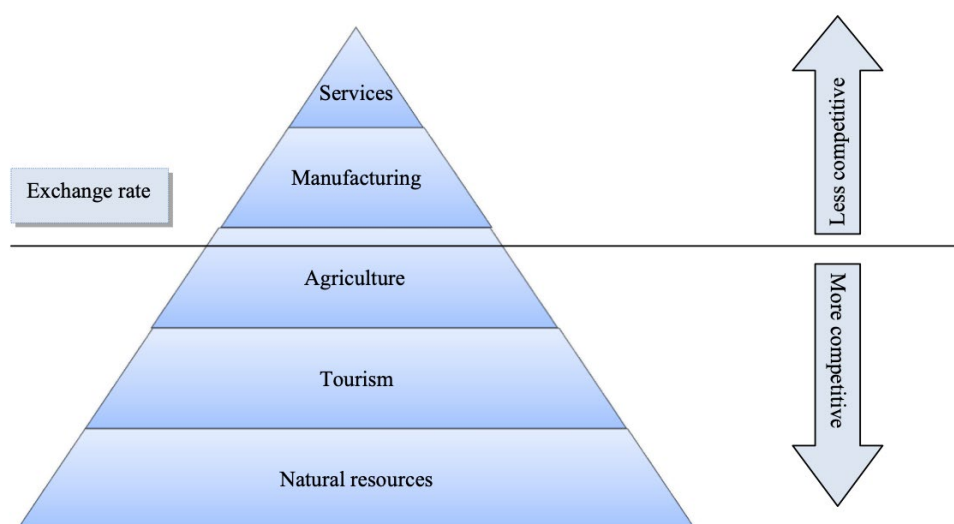
FIGURE 5. Pacific Pyramid of Comparative Advantage

⁵ This section is inspired by the growth diagnostics framework pioneered by Hausmann, Rodrik, and Velasco (2005) and the work of the Growth Lab at Harvard's Center for International Development.

⁶ Solomon Islands Government (2023). About Solomon Islands.

⁷ IMF (2014). Pacific Island Countries: In Search of a Trade Strategy.

⁸ World Bank (2017). Pacific Possible.



Source: IMF. Pacific Island Countries: In Search of a Trade Strategy

While the natural geography or location of Solomon Islands cannot be changed, there are several other constraints to economic growth that can be addressed more directly through policy interventions:

Limited transport infrastructure – With many islands extending over a 1,450km wide area, the lack of sufficient transport infrastructure between and within islands limits economic connectivity. As of 2021, there were only four planes that served 41 airports in the country and 8 interisland vessels to reach 22 ports of call.⁹ Solomon Islands has some of the lowest road density in the region and only 12 percent of roads are paved. There is a strong pipeline of donor-financed infrastructure projects that will support economic growth. This includes several projects to improve and develop roads, ports, and airports across the country (Table 2).

Table 2. Planned donor-funded transport infrastructure projects – 2022-2029

Project	Timeframe	Estimated Cost 2022-2029 (USD million)
Ports and Roads Program	2022–2029	163
Kukum Highway Phase II	2021–2023	23
International Airport Terminal	2021–2023	32
Solomon Islands Roads and Aviation Project (SIRAP)	2022–2024	51
SIRAP II	2024-2029	88
Regional Airport and runways	2021–2023	13

⁹ World Bank (2021). Archipelagic Economies.

Total		370
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Source: World Bank (2022). Solomon Islands Public Expenditure Review.

High cost of electricity – The country currently relies primarily on imported diesel for power. The average retail electricity tariff is approximately USD 65 cents per kilowatt hour, which according to the World Bank “is the highest in the Pacific and among the highest in the world.”¹⁰ As of 2018, 57 percent of households had access to electricity, but only 14 percent of households had access to the grid.¹¹ A growing number of households have small solar home systems and the Solomon Islands Electricity Authority (Solomon Power) commissioned two solar hybrid mini-grids in Taro and Seghe in 2017 (with 360 total customers as of December 2020).¹² However, both grid-connected and off-grid electricity production is still predominately from diesel generators; renewable energy only accounted for 2 percent of total electricity in 2018.¹³ A key development is the Tina River Hydropower Development Project, a 15-megawatt hydropower plant that will lead to more affordable rates and increased access to electricity in Honiara. Once commissioned (now expected in 2025), the project will reduce the country’s reliance on imported diesel and 68 percent of Honiara’s grid will come from renewable energy. This will also soften the growing current account deficit (petroleum imports were USD 81.9 million in 2019 or 18.5 percent of total imports). In addition, Solomon Power has plans for developing 16 additional solar hybrid mini-grids by 2027, with co-financing support from several donors.¹⁴ Finally, the government launched the Solomon Islands Renewable Energy Roadmap in July 2022, which aims to reach 100 percent renewable energy by 2030; if fully implemented, this would create an independent regulatory body for the energy sector and open up the sector to independent power producers.¹⁵

Land access – Around 85 percent of land is customarily owned.¹⁶ This has provided an important safety net for communities. As noted by the World Bank, “for most Solomon Islanders, access to customary land provides a place to live, access to water, a source of food, an opportunity to earn a livelihood, and a

¹⁰ World Bank (2018). Electricity Access and Renewable Energy Expansion Project.

¹¹ PRIF (2021). Pacific Infrastructure 2021 Performance Indicators.

¹² Solomon Power (2022). Annual Report 2021.

¹³ PRIF (2021). Pacific Infrastructure 2021 Performance Indicators.

¹⁴ IMF (2022). Solomon Islands Country Report No. 22/15.

¹⁵ Solomon Islands Government (2022). Solomon Islands Renewable Energy Roadmap Launched.

¹⁶ UNDP (2021). Enjoying land rights in Solomon Islands.

foundation for social identity and belonging.”¹⁷ Yet, investments in commercial agriculture and infrastructure projects have been constrained or delayed by the existing land system. For example, the Fiu River hydropower plant project near Auki was cancelled after a lengthy process to acquire the necessary 11 hectares of customarily owned land was unsuccessful.¹⁸ The IMF noted that “frequent land disputes and ineffective dispute resolution mechanisms remain long-standing obstacles to private sector development.”¹⁹ Due to the complex land title system, banks often avoid accepting registered land as collateral (except if it is held in a fixed-term estate), which limits access to finance for businesses.²⁰ Tourism is a key sector for growth, but access to investable land has been constrained due partially to limited information about available land.²¹ In recent years, the Ministry of Tourism and Culture has collaborated with development partners to identify registered land that investors could access for tourism development.

Low human capital – Low human capital constrains economic growth and reduces opportunities for higher-paying employment opportunities both domestically and abroad. Improving basic education is the foundation for better job opportunities. In 2018, 46 percent of year 4 students in Solomon Islands were below the expected proficiency level for literacy; Covid-19 likely worsened this figure. According to the Ministry of Education and Human Resources Development (MEHRD), “long term trends show late age entry to school, high over-age enrolments, high levels of repetition in primary, low survival rates across the school years, provincial differences in correct age enrolments and gender parity inequities, along with infrastructure shortages.”²² Only 70 percent of students complete primary education and just 7 percent of students complete secondary school (through year 12).²³ While Solomon Islands has made significant strides in improving education outcomes over the last decade, there is a need to continue investing in the quality and accessibility of education and vocational training to create a more productive labour force. As internet access increases across the country, there will be growing opportunities to leverage

¹⁷ World Bank (2017). Solomon Islands Systematic Country Diagnostic.

¹⁸ ADB (2019). Solomon Islands: Provincial Renewable Energy Project.

¹⁹ IMF (2023). Solomon Islands 2023 Article IV Consultation.

²⁰ ADB (2019). Pacific Finance Sector Briefs. Solomon Islands.

²¹ IFC (2023). IFC in Solomon Islands.

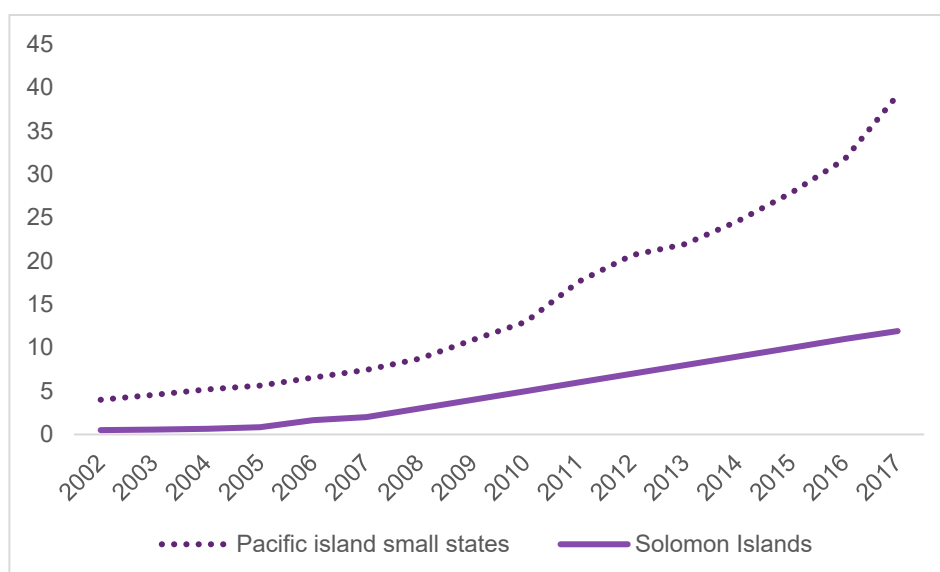
²² MEHRD (2020). Annual Report 2019.

²³ Plan International Australia (2019). Our Education Our Future.

internet-based solutions to expand access to information, education materials and instruction.

Low internet usage – Internet access has been much lower in Solomon Islands than levels in other Pacific Island states due to high costs and poor coverage. However, between 2015 and 2020 the number of mobile internet subscribers more than doubled to 133,148 (18.5 percent penetration).²⁴ A major development is the new Coral Sea Cable, which went live in February 2020 and connects Solomon Islands to the global internet hub of Sydney, Australia. In addition to a connection in Honiara, there are submarine connections to three other provinces (Malaita Province, Western Province, and Choiseul Province). According to the Telecommunications Commission of Solomon Islands, the Coral Sea Cable resulted in improved internet connectivity, increased data usage, and the cost of mobile data fell by 69 percent compared to a year earlier.²⁵ This is a positive sign, but internet levels need to further increase for a larger percentage of the population to improve access to information, digital financial services, and communication. A more digitally-connected Solomon Islands would also enable opportunities to grow e-commerce and expand access to digital education and health services.

FIGURE 6. Individuals using the internet (percentage of population)



Source: World Development Indicators

State capacity and fragility – Government institutions, in general, have weak capacity to effectively implement public policy and are vulnerable to elite capture. The logging and mining sectors, in particular, have had severe

²⁴ TCSI (2021). Telecommunications Commission of Solomon Islands Annual Report 2020.

²⁵ Ibid.

governance issues. In the latest World Bank Country Policy Institutional Assessment, the Solomon Islands scored the lowest in the Pacific for the quality of public sector management and institutions.²⁶ The private sector is negatively affected by delayed government payments for services and outdated systems that require private sector representatives to stand in long lines to complete basic tasks. In a recent business confidence survey, 41 percent of respondents said their business experience with government services had been worsening in the previous twelve months.²⁷ According to Transparency International, 97 percent of Solomon Islanders think corruption in government is a big problem.²⁸ The IMF noted that “increasing resources for anti-corruption and auditing institutions is essential to advancing reforms to limit corruption and enhance accountability of public spending.”²⁹ The elevated risk for civil unrest also weakens economic growth potential.

An overarching risk to growth

Solomon Islands is extremely vulnerable to climate change and natural disasters. The 2021 World Risk Index ranked Solomon Islands as the country with the second highest disaster risk in the world. The main event risks come from floods, cyclones, earthquakes, and tsunamis. Severe flooding in 2014 led to the displacement of approximately 10,000 people. Climate change is predicted to increase the frequency and severity of these natural disasters. Other factors such as changing weather patterns, rising sea levels, warmer sea temperatures, and droughts make those dependent on the agriculture and fishery sectors (most of the country’s population) particularly vulnerable. These disasters have a substantial impact on domestic output and divert resources toward recovery projects.

²⁶ IMF (2023). Solomon Islands 2023 Article IV Consultation.

²⁷ SICCI (2023). 2022 & 2023 Business Confidence Survey Report.

²⁸ Transparency International (2021). Global Corruption Barometer Pacific 2021.

²⁹ IMF (2023). Solomon Islands 2023 Article IV Consultation.

Main opportunities for growth

Labour mobility

Solomon Islands has been an outlier for remittances in the region. Many Pacific island countries rely heavily on remittances. In Tonga, remittances were equivalent to 45.5 percent of GDP in 2021, the highest level in the world. In Solomon Islands, remittances are only equivalent to 3.1 percent of GDP. This low level has largely been attributed to “severely restricted external labor market access and a low stock of human capital.”³⁰ Solomon Islands has a young and rapidly growing population, and the domestic economy does not create sufficient employment opportunities. Expanding opportunities for citizens to work in higher productivity countries allows for much higher wages and for earnings to flow back to families in the Solomon Islands. While there have historically been limited opportunities for Solomon Islanders to work abroad, this is now changing, especially with regards to growing opportunities in Australia for meat processing, fruit picking, aged care and hospitality.

Seasonal and multi-year worker programs in Australia and New Zealand can provide crucial jobs and foreign exchange. New Zealand started a Recognised Seasonal Employer (RSE) scheme in 2007 to allow workers from several Pacific island countries to work for up to seven months at a time in the horticulture and viticulture industries. Similarly, Australia launched the Seasonal Worker Programme (SWP) in 2012 with participation from nine Pacific island countries and Timor-Leste. This program is for a maximum of nine months and covers a wider range of sectors. In 2017-18, only 818 Solomon Islanders were participating in the RSE and SWP schemes.³¹ Australia then began a separate Pacific Labour Scheme (PLS) in 2017 that allowed for workers in rural areas of Australia for up to three years. Figure 8 shows that by mid-2022, 3,899 Solomon Islanders were participating in one of the three programs, with the vast majority participating in the PLS (with many working in meat processing, which

³⁰ World Bank (2017). *Pacific Possible*.

³¹ ILO (2019). *Labour Mobility in Pacific Island Countries*.

provides work all year long). The SWP and PLS are now being consolidated under a new Pacific Australia Labour Mobility (PALM) scheme that allows for seasonal placements up to 9 months or longer-term positions up to four years.³²

There is an opportunity to continue increasing the number of overseas workers in coming years. The Permanent Secretary of the Ministry of Foreign Affairs and External Trade in Solomon Islands announced that the government was targeting 5,000 workers in Australia by the end of 2022, while noting that “we have basically around 20,000 youths looking for jobs every year.”³³ Solomon Islands’ larger population, relative to Tonga or Samoa, indicates significant scope to increase the numbers of Solomon Islanders working overseas. In the most recent recruitment drive between February and March 2023, the Labour Mobility Unit at the Ministry of Foreign Affairs and External Trade reported that more than 15,000 applications were made to join the work ready pool for employment in Australia (compared to around 8,000 applications in the previous recruitment drive), which shows there is growing interest in the program.³⁴ Increasing remittances to 12.5 percent of GDP (the average among Pacific island small states) would be equal to approximately USD 204 million (SBD 1.7 billion), which would go a long way in covering the declining foreign exchange earned from the logging sector. There are also many ways to improve the productivity of remittances, such as by providing migrants and households with savings instruments or by targeting remittances to certain agricultural inputs (fertilizers or seeds) or by matching funds for education.³⁵

Australia has an ageing population; the population over 85 is expected to nearly double in the next 20 years and there will be a growing need for aged care workers.³⁶ At the end of July 2022, 29 Solomon Islanders were working in aged care in Australia.³⁷ The Australia Pacific Training Coalition in Fiji offers a Certificate in Individual Support that prepares workers for a job in aged care. The Australian Government has also launched a pilot in Fiji to train aged care workers for 12 weeks, followed by 10-week supervised work

³² Australian Government (2023). PALM Frequently Asked Questions.

³³ Solomon Times (2022). Government Targets 5,000 PALM Workers by December.

³⁴ MFAET (2023). LMU receives more than 15,000 submissions from recent Work Ready Pool recruitment drive.

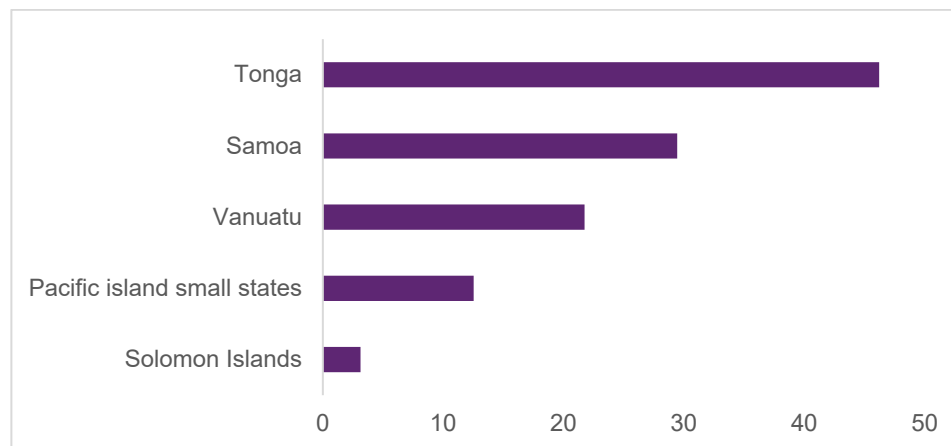
³⁵ IGC (2020). Remittances in the time of COVID-19.

³⁶ ABS (2018). Population aged over 85 to double in the next 25 years.

³⁷ ABC (2022). Labour schemes drawing nurses from across Pacific to lower-qualified aged care jobs in Australia, New Zealand.

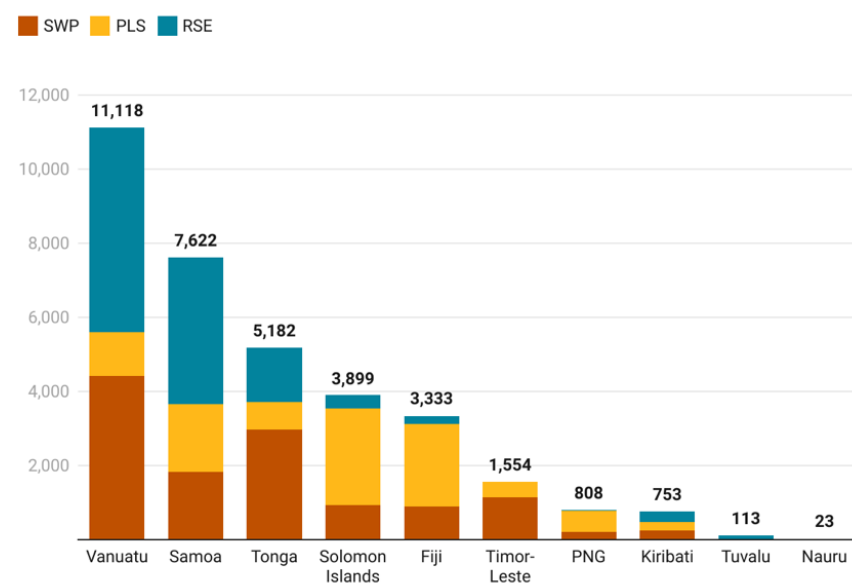
placements in Australia.³⁸ After completing the training, the participants receive a certificate and can work for the same employer for up to four years. A similar program for Solomon Islanders in the future could create many job opportunities, especially for women.

FIGURE 7. Personal remittances, received (% of GDP), 2021



Source: World Development Indicators

FIGURE 8. Pacific Islanders in Australia or New Zealand on the SWP, PLS, or RSE, mid-2022



Created with Datawrapper

Source: DevPolicy³⁹

³⁸ APTC (2022). Fijian Aged Care Workers to Benefit From New Pilot Program.

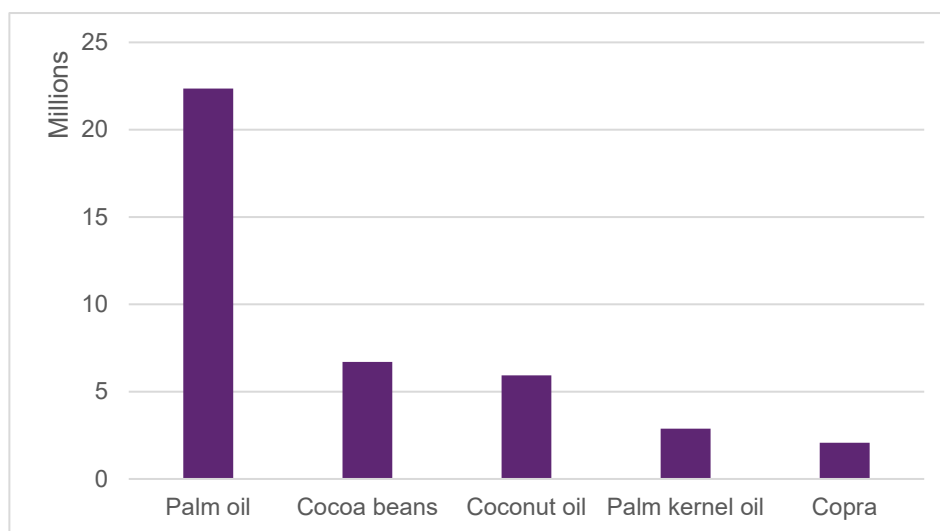
³⁹ Stephen Howes, Richard Curtain and Evie Sharman (2022). Labour mobility in the Pacific: transformational and/or negligible?

Agriculture

Agriculture is an extremely important sector for the economy and for livelihoods. Excluding logging, agriculture accounts for 15 percent of GDP.

The sector is predominantly smallholder production and 85 percent of rural households rely on it for subsistence and cash crops.⁴⁰ There is only one large-scale commercial operation (GPPOL), which is a palm oil plantation that is the “second largest private employer in the country, with about 1,500 workers in its core operation.”⁴¹ The main agricultural exports are palm oil, cocoa beans, coconut oil, and copra. Agricultural exports totalled USD 49 million (SBD 375 million) in 2018, which is 33 percent lower than the value recorded in 2011, reflecting a sector that needs support.⁴² Falling world prices in copra, cocoa beans, and palm oil can explain much of the decline in exports, but the agriculture sector also faces many other problems that limit production. Some of the key challenges identified by the FAO are limited transport infrastructure, high energy costs for processing, high prevalence of pests and diseases, lack of marketing networks, lack of treatment facilities for export products, and limited access to finance.⁴³ It is particularly important to increase productivity in the sector to increase earnings in rural areas. There is also scope to lessen dependence on imports through increased domestic production of basic food products.

FIGURE 9. Top agricultural exports (USD million), 2020



Source: Atlas of Economic Complexity

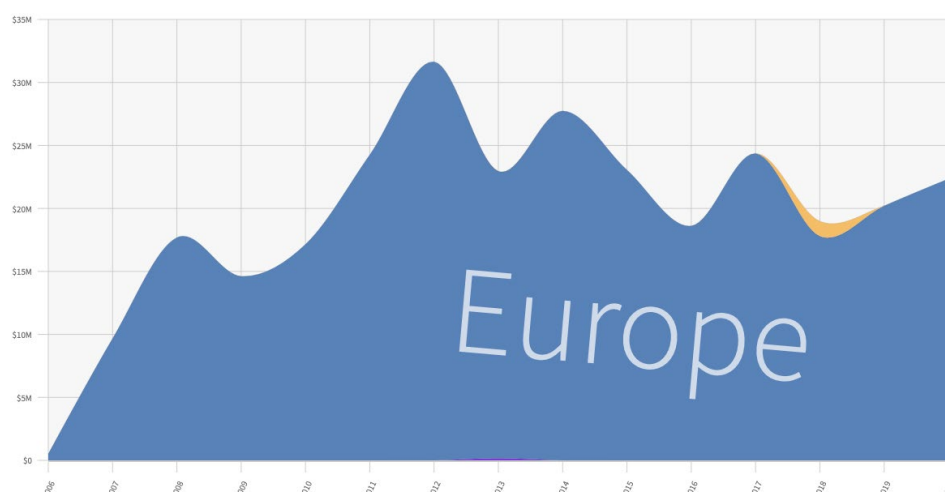
⁴⁰ World Bank (2022). Solomon Islands Agriculture and Rural Transformation Project.

⁴¹ World Bank (2017). Solomon Islands Systematic Country Diagnostic.

⁴² MAL (2021). Agriculture Sector Growth Strategy and Investment Plan 2021-2030.

⁴³ FAO (2020). Stocktake Analysis of the Agricultural Sector in the Solomon Islands.

FIGURE 10. Palm oil exports, 2006-2020 (USD million)



Source: Atlas of Economic Complexity

The Ministry of Agriculture and Livestock (MAL) has recently developed a 10-year plan for the sector.⁴⁴ The strategy includes a national crop development plan to increase exports and domestic use of:

- copra and other coconut-derived products
- cocoa and its products
- high value crops (kava, coffee, cassava, and other emerging crops).

Copra exports, which mostly head to the Philippines, have been particularly volatile (see Figure 12), mostly due to international prices, which fluctuated between 400-900 USD per metric ton over the last decade. According to MAL, “an extreme drop in copra prices in 2019 plunged the Solomon Islands copra exports to a drastic low of around 3,000 metric tons.”⁴⁵ There have been small exports of coconut oil and other coconut-derived products, but they do not currently operate at a large scale. One concern is that the export destinations for several agricultural exports have become less diversified over time. For example, in 2011, Solomon Islands exported USD 13.7 million worth of cocoa beans. The export destinations were Indonesia (representing 57 percent), Malaysia (27 percent), Singapore (14 percent), and Germany (2 percent). By 2020, Solomon Islands exported USD 6.7 million worth of cocoa beans (less than half the amount in 2011) and over 98 percent of the exports went to a single country (Malaysia). Diversifying export destinations would make Solomon Islands less exposed to single markets and would also expand growth opportunities. In addition, increasing the quality of cocoa beans through the use

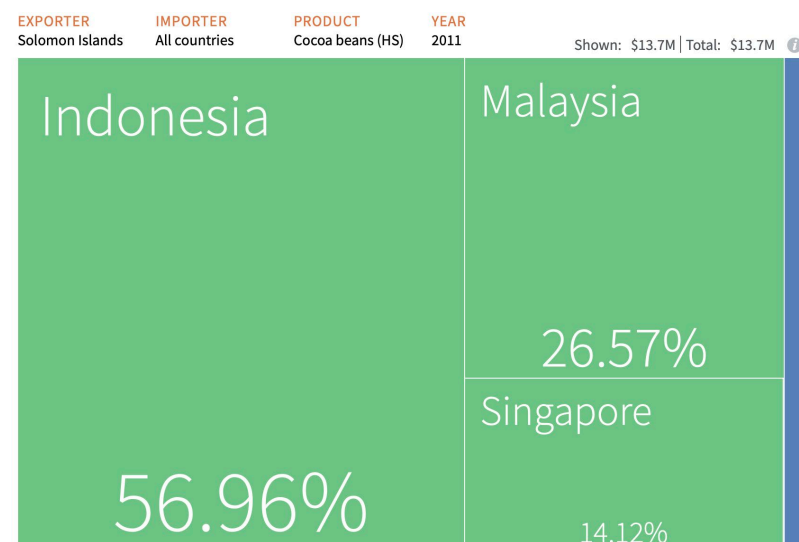
⁴⁴ MAL (2021). Agriculture Sector Growth Strategy and Investment Plan 2021-2030.

⁴⁵ Ibid.

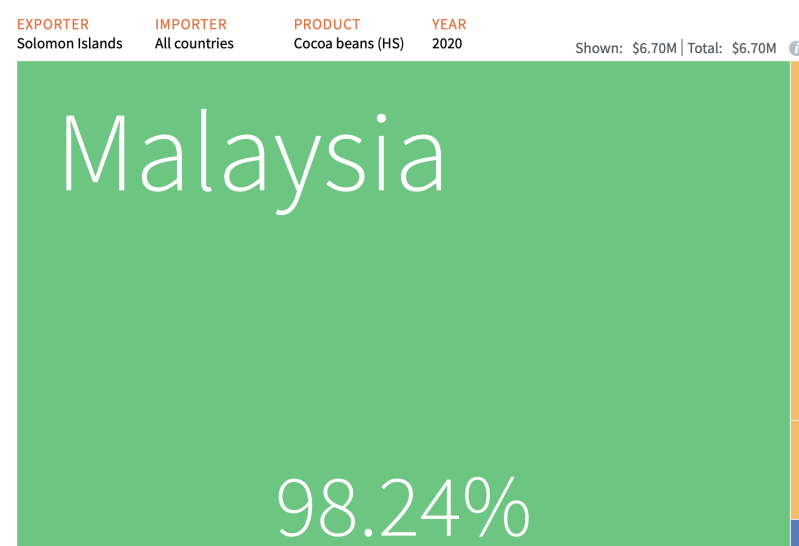
of a solar dryer (instead of fuel-fired hot air dryers) could increase the price that international buyers will pay.⁴⁶

FIGURE 11. Cocoa bean exports

2011 – USD 13.7 million (total)



2020 – USD 6.7 million (total)



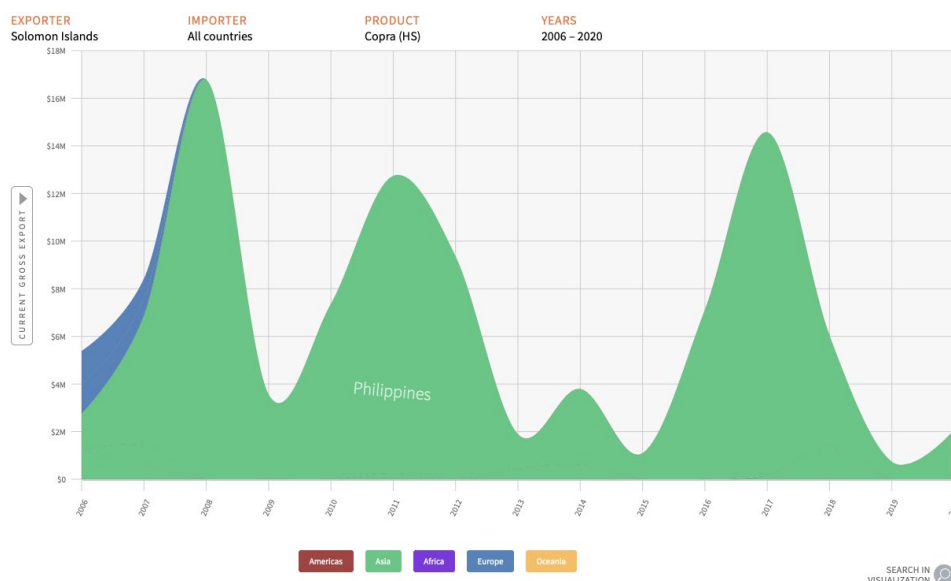
Source: Atlas of Economic Complexity

In addition to diversifying export destinations, there is a need to research global demand for different agricultural products to better understand where Solomon Islands can best compete. Increasing production is only helpful if there is a market that will buy or use that extra output. Kava is a relatively new export that is showing some promise. While exports of kava have mostly gone to the United States, there is potential for growth in Australia to serve the growing

⁴⁶ USAID (2022). Cocoa Bean Drying Facilities. Preliminary Pre-Feasibility Study.

Pacific islander community.⁴⁷ Better understanding that market in Australia would inform kava producers whether they could increase production. MAL is assessing additional high value crops for potential scaling, such as "ginger, turmeric, chillies, vanilla and noni for international and domestic markets."⁴⁸ Part of that assessment will need to include better understanding the regional and international demand for those products. For the domestic market, honey is another high value product that can be produced and sold locally by smallholder farmers.

FIGURE 12. Copra exports, 2006-2020 (USD million)



Source: Atlas of Economic Complexity

There is potential for increasing domestic production of some commonly imported products, particularly meat and coffee. Poultry accounted for 2.1 percent of goods imports in 2020 (USD 7.6 million). The Ministry of Agriculture and Livestock's strategy includes a plan to increase livestock production, including commercial poultry, cattle, and pig operations (as well as village-based pig and poultry farming). According to the World Bank, increasing the production and productivity of smallstock (pigs and poultry) "is the quickest and most cost-effective way to increase domestic meat production."⁴⁹ Imports of coffee totalled USD 4.5 million in 2018 and the Ministry of Agriculture and Livestock has stated that it will develop a coffee strategy to cater to the local

⁴⁷ Australian Broadcasting Corporation (2022). Solomon Islands kava exporters eye region's biggest market.

⁴⁸ MAL (2021). Agriculture Sector Growth Strategy and Investment Plan 2021-2030.

⁴⁹ World Bank (2022). Solomon Islands Agriculture and Rural Transformation Project.

market and some niche export markets.⁵⁰ Increasing domestic production of these items that are primarily imported could reduce the trade deficit while creating new employment opportunities. There is also scope to increase the production and consumption of other domestically produced food (such as root vegetables) by improving transport and storage.⁵¹

Mining

The mining sector has the largest potential for delivering export growth,

but there are also many risks. Solomon Islands has significant mineral resources (including gold, nickel, and bauxite), but past developments in the sector have been rife with environmental, social, and governance problems. The World Bank has done a detailed overview of the mining sector and its challenges in its latest Solomon Islands Public Expenditure Review.⁵² The Gold Ridge mine opened in 1998, but has closed multiple times since, most recently in 2014 after being hit with a flash flood. Gold exports were highest between 2011-2013, reaching over USD 100 million (17.6 percent of goods exports) in 2012. Bauxite exports from Rennell Island began in 2014 and peaked in 2018 at USD 60 million (8 percent of goods exports). In February 2019, a bulk carrier attempting to load bauxite ran aground and spilled 300 tonnes of oil into the Kangava bay off Rennell island.⁵³ Five months later, another accident resulted in an estimated 5,000 tonnes of bauxite to spill from a barge into the bay. Both incidents highlight the environmental risks of mining and the impact on local communities. Bauxite mining continued on Rennell Island until slowing down in 2020 with the beginning of the Covid-19 pandemic and future operations are uncertain.⁵⁴

Several mining projects are underway, which could potentially offset the

decline in logging exports. The Gold Ridge mine, under new ownership, resumed limited production in late 2022 and is expected to eventually reach “a processing scale of 2.5 million tons of ore, which is about the capacity of the mine during its production peak period in the past.”⁵⁵ Pacific Nickel received a mining lease in September 2022 for the Kolosori nickel project on Isabel Island and is expecting to produce 1.3 million wet metric tons of direct shipping nickel

⁵⁰ MAL (2021). Agriculture Sector Growth Strategy and Investment Plan 2021-2030.

⁵¹ FAO (2022). Lessening Import Dependence in Solomon Islands.

⁵² World Bank (2022). Solomon Islands Public Expenditure Review.

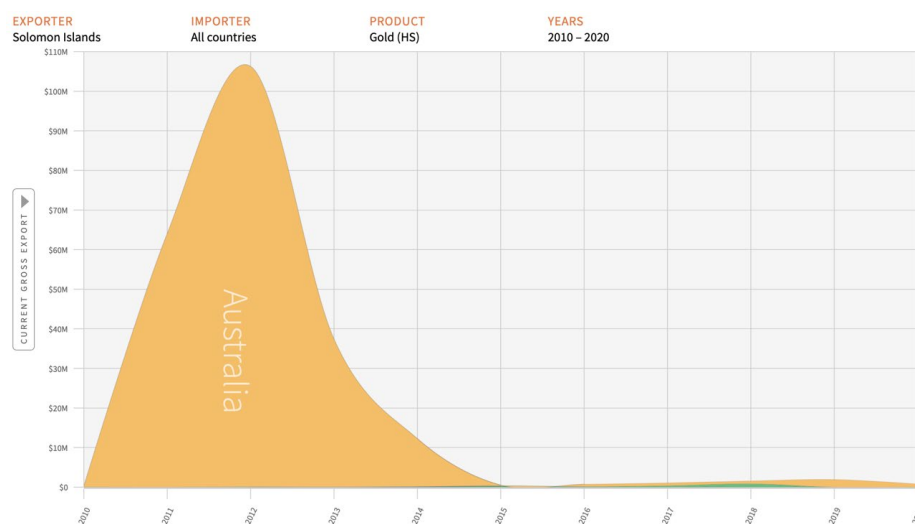
⁵³ The Guardian (2021). ‘They failed us’: how mining and logging devastated a Pacific island in a decade.

⁵⁴ CBSI (2021). Quarterly Review. December 2020.

⁵⁵ World Bank (2022). Solomon Islands Public Expenditure Review.

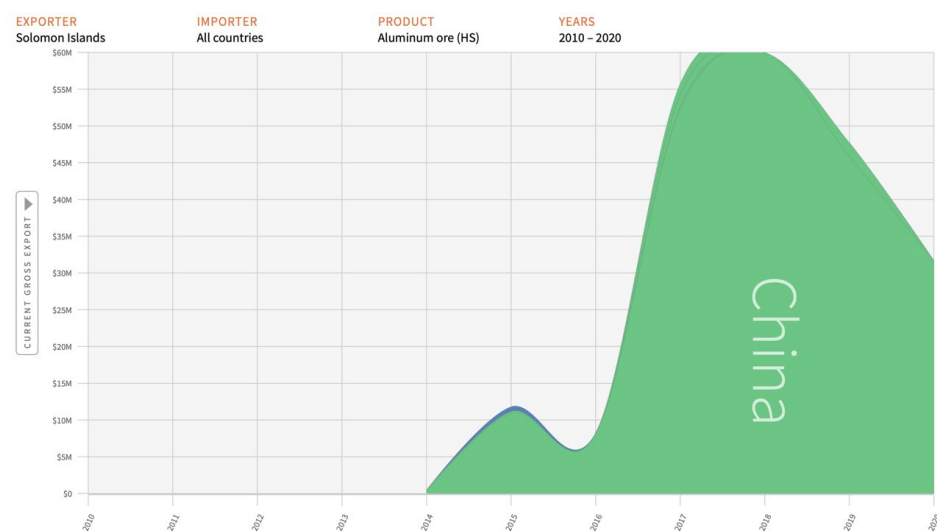
ore per year, starting in 2023.⁵⁶ According to the World Bank, “with a proper legislative framework in place, gold and nickel mining projects could generate 3.3 percent of GDP in additional tax revenue (royalties, export duties, and PIT).”⁵⁷

FIGURE 13. Gold exports (USD million, 2010-2020)



Source: Atlas of Economic Complexity.

FIGURE 14. Aluminum ore (bauxite) exports (USD million, 2010-2020)



Source: Atlas of Economic Complexity

⁵⁶ Mining Technology (2022). Pacific Nickel's Kolosori project gets mining lease in Solomon Islands.

⁵⁷ World Bank (2022). Solomon Islands Public Expenditure Review.

Fisheries

Tuna products have grown to be the country's second largest export, representing 11.5 percent of all goods exports in 2020, and a key source of jobs. SolTuna, based in Western Province is currently the only tuna

processing facility in the country and employs over 1,800 staff, 64 percent of whom are women.⁵⁸ As of 2020, over 93 percent of the USD 50 million in tuna exports went to Europe, mostly Italy and Spain. Solomon Islands benefits from duty-free access to the European Union market. SolTuna produces canned tuna for the domestic market and to a growing list of foreign markets, recently entering United Arab Emirates in 2022.⁵⁹ Work is underway (with support from IFC) to launch the Bina Harbour Tuna Processing Plant in Malaita Province, a potential public-private partnership (PPP) that could lead to 1,600 direct new jobs at the plant.⁶⁰ There are export opportunities with aquaculture, including seaweed, which peaked at an export value of USD 1.4 million in 2013. Other high-value export products, such as sea cucumbers, trochus, and pearl oyster shell are currently overexploited, leaving less opportunity for growth.⁶¹

Worryingly, if nearshore overfishing and climate change continue their current paths, annual fish consumption per capita for Solomon Islands will decrease from 30 kilograms to about 11 kilograms.⁶² This highlights the importance of ongoing community-based resource management efforts to ensure sustainable use of the fisheries sector. The commercial logging and mining industries also has severe negative impacts on coral reefs, through massive erosion, runoff, and shipping accidents.⁶³

Fishing license fees are also a major source of government revenues, reaching USD 36.6 million annually. Solomon Islands is a member of the Parties to the Nauru Agreement (PNA), which controls “the world's largest sustainable tuna purse seine fishery” and mutually agrees on a limit of fishing days per year, which are then allocated by country and sold to the highest bidder.⁶⁴ Revenues have grown over the years and will continue to be an

⁵⁸ IFC (2016). SolTuna – Tuna Processing, Solomon Islands.

⁵⁹ Solomon Times (2022). SolTuna Hits The Shelves in the Emirates.

⁶⁰ RNZ (2022). Solomons tuna plant could establish thousands of new jobs.

⁶¹ van der Ploeg J, Jupiter S, Hughes A, Eriksson H, Boso D and Govan H. 2020. Coral reef conservation in Solomon Islands: Overcoming the policy implementation gap.

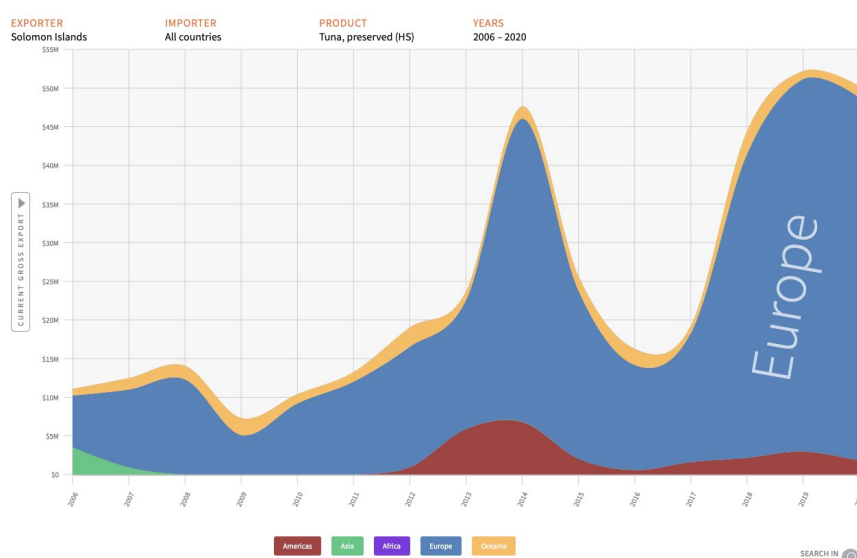
⁶² World Bank (2022). Pacific Islands Regional Oceanscape Program – Second Phase For Economic Resilience.

⁶³ van der Ploeg J, Jupiter S, Hughes A, Eriksson H, Boso D and Govan H. 2020. Coral reef conservation in Solomon Islands: Overcoming the policy implementation gap.

⁶⁴ Parties to the Nauru Agreement (2023). About PNA.

important contributor to government revenues. However, moving tuna populations from climate change mean that by 2050, purse-seine tuna catch in Solomon Islands could drop by 26.1 percent and access fees could reduce by USD 10.8 million.⁶⁵ In the meantime, there are opportunities to increase revenues in the Vessel Day Scheme without increasing fishing by “ensuring that effective measures are in place to address illegal, unreported, and unregulated fishing, and supporting adaptation to changes in abundance and distribution of fish resources associated with climate change.”⁶⁶ In addition, a Pacific fisheries expert consulted for this paper believes there is potential for Solomon Islands to further develop a domestic longline fishery through a public private partnership. This could offer scope for greater “domestication” of the tuna industry and create more local employment. A detailed evaluation should be carried out to identify the cost and benefits. An analysis of feasible opportunities for exports, based on the current exports of Solomon Islands, shows that fish products (fish fillets, whole fish, and preserved fish) could also be a good opportunity for expanding exports (see Figure 17).

FIGURE 15. Preserved Tuna exports (USD million)

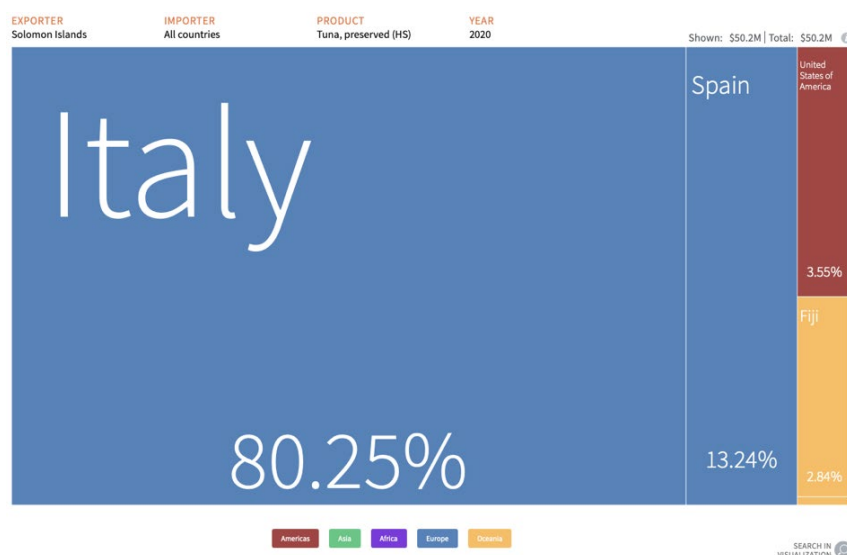


Source: Atlas of Economic Complexity

⁶⁵ Bell, J.D., Senina, I., Adams, T. et al. (2021). Pathways to sustaining tuna-dependent Pacific Island economies during climate change. *Nat Sustain* 4, 900–910

⁶⁶ World Bank (2022). Pacific Islands Regional Oceanscape Program – Second Phase For Economic Resilience.

FIGURE 16. Export destinations for preserved tuna (2020)



Source: Atlas of Economic Complexity

FIGURE 17. Feasible export opportunities (2020)



Source: Atlas of Economic Complexity

Tourism

In the longer term, tourism has the potential to be a strong contributor to **economic growth**. The Solomons has beautiful islands, cultural heritage, and biodiversity. The country has one of the highest concentrations of World War II wrecks in the Pacific⁶⁷ and is home to a large collection of war memorials and relics, which provide substantial opportunities for niche tourism. The Solomons host some of the best scuba diving in the world, as part of the Coral Triangle,

⁶⁷ The Pacific Private Sector Development Initiative (2021). Solomon Islands: Pacific Tourism Sector Snapshot – November 2021.

which is considered one of the world's richest areas of marine life.⁶⁸ In contrast with its potential, the tourism industry is still very underdeveloped and is largely catered toward niche tourists and expatriates. There are three airlines that currently fly internationally to Honiara (Solomon Airlines, Fiji Airways, and Air Niugini) while Solomon Airlines covers the domestic routes. Key challenges to the sector include: (i) the high cost and unreliability of domestic air travel, as well as the poor conditions of marine transport, which limit visits to outer islands; (ii) the high cost of electricity; (iii) poor waste management; (iv) low value for money and accommodation standards; (v) limited marketing and promotion of tourism; (vi) a poor business environment for foreign investors, including a complex land ownership system; and (vii) still improving tourism skills.⁶⁹ The country is also highly vulnerable to climate change, which imposes threats to the sector.

Western Province has been identified as a priority area for tourism

development. Before the Covid-19 pandemic, Solomon Airlines offered a once weekly flight from Brisbane to Munda in Western Province. The Munda airport terminal is undergoing an upgrade and the direct flight is expected to resume when the terminal upgrade is completed in 2023. In collaboration with the Ministry of Culture and Tourism, IFC developed a guide for tourism investors in 2021⁷⁰ and identified over 60 sites on legally registered land for tourism development in Western Province.⁷¹ Attracting a large international investor could help to put Solomon Islands on the map for tourists and investors alike.

The tourism sector was severely hit by the travel restrictions imposed in response to the Covid-19 pandemic and is still in recovery mode. Visitor arrival numbers grew to 28,907 in 2019 (compared to 350,000 in Vanuatu) and then precipitously dropped in 2020 and 2021 (see Figure 18). International flights resumed in the second half of 2022 and as of the fourth quarter of 2022, visitor arrivals were still 48 percent lower than their level during the same period in 2019.⁷² The 2023 Pacific Games, which will be hosted in Honiara, should help contribute to a recovery in the sector and are also an opportunity to market the Solomon Islands as a tourism destination across the region. The reopening of the Brisbane-Munda flight would also boost arrival numbers. In addition,

⁶⁸ Asian Development Bank. *The Coral Triangle*.

⁶⁹ The Pacific Private Sector Development Initiative (2021). *Solomon Islands: Pacific Tourism Sector Snapshot – November 2021*.

⁷⁰ IFC (2021). *Solomon Islands Tourism: Investor Guide*.

⁷¹ IFC (2021). *Solomon Islands Tourism: Western Province Investable Sites*.

⁷² IMF (2023). *Tourism Tracker. Asia & Pacific Edition*.

there is potential to greatly increase the number of cruise arrivals, which reached 10,000 in 2016.⁷³ In particular, smaller expedition cruise ships that hold 100-300 passengers are a good fit for the Solomon Islands as they can visit many remote islands without needing much infrastructure support and provide direct income to the communities they visit. There are opportunities to expand these expedition cruise offerings, especially by adding Solomon Islands as a destination to cruises that are already visiting nearby Papua New Guinea. Seven of these smaller ships are already confirmed to travel to the Solomon Islands in the first four months of 2023.⁷⁴ Large cruise ship voyages from Australia were also growing before the Covid-19 pandemic. There is also potential to build tour packages for business visitors, which represented 24 percent of arrivals in 2019.⁷⁵

Learning from Vanuatu's experience

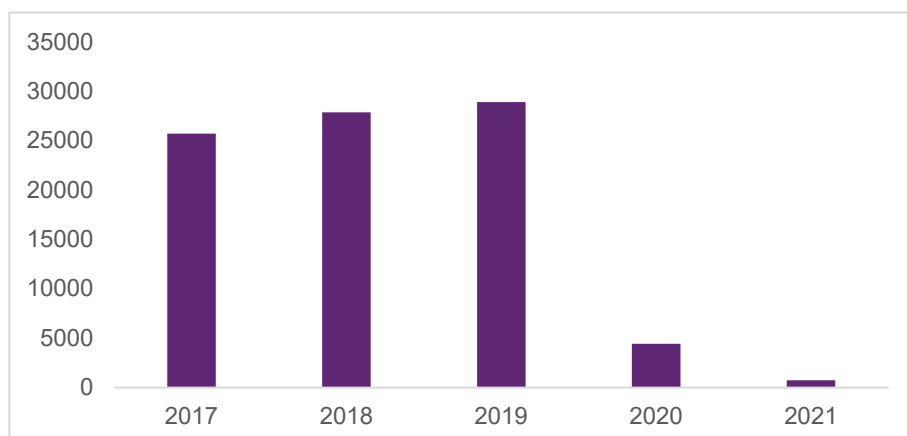
Vanuatu has grown its tourism sector by attracting both cruise and air arrivals in large numbers. Total visitor arrivals in Vanuatu reached 350,000 in 2018, which is over twelve times the number of arrivals Solomon Islands received in the same year. Vanuatu has become a major cruise destination in the region, taking advantage of its proximity to the cruise ship ports in Brisbane and Sydney, Australia. There are twice the number of visitors who arrive by cruise than by air. Vanuatu was able to attract more packaged air tourists from Australia and New Zealand after the introduction of low-cost carriers in 2005. The low cost of leasing land also spurred a construction boom. The Vanuatu Tourism Office operates an informative website (vanuatu.travel), with up-to-date details on entry requirements, flight schedules, and information about activities and lodging. The Covid-19 pandemic had a severe impact on tourism in Vanuatu as the country closed its borders to international travel in March 2020. Like the Solomon Islands, the borders only re-opened in mid-2022 and the first cruise ship returned to Vanuatu in October 2022. Recovery to pre-pandemic levels of tourists is not expected until 2024 at the earliest and there is uncertainty how much the pandemic has changed consumer preferences toward high-density tourism, such as large cruise ships.

Sources: summarized from UNCTAD (2022). Prospects for the post-pandemic tourism and economic recovery in Vanuatu and World Bank (2016). Pacific Possible - Tourism

⁷³ World Bank (2017). Solomon Islands Systematic Country Diagnostic.

⁷⁴ Travel Weekly (2023). Solomon Islands Officially Kicks Off 2023 Cruise Season.

⁷⁵ IFC (2021). Solomon Islands Tourism: Investor Guide.

FIGURE 18. Visitor arrivals, 2017-2021

Source: National Statistics Office.

Sustainable Forestry

The future of the forestry sector is in sustainable plantations and forest conservation. The forestry sector has been overexploited for many years.

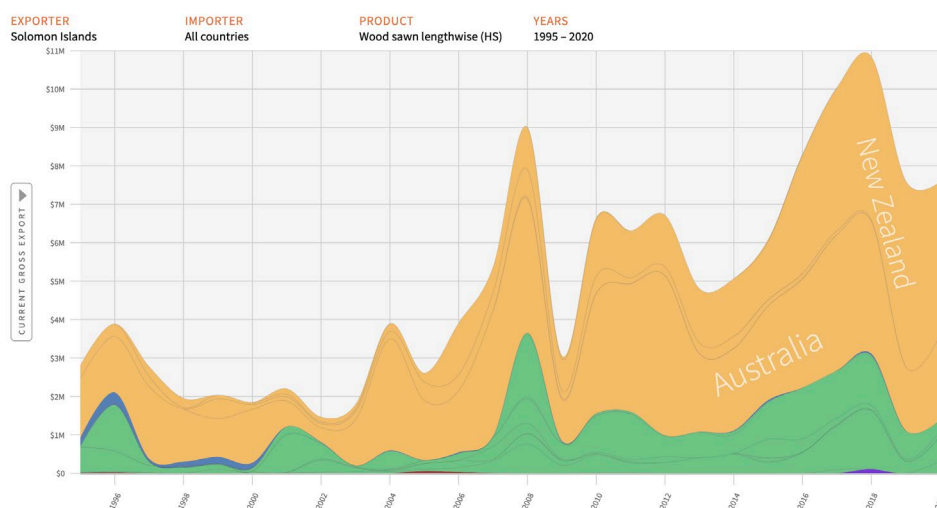
Recorded log exports were 2.1 million cubic meters in 2021, which is more than 8 times the estimated sustainable rate of 250,000 cubic meters per year. The Government of Solomon Islands developed a sustainable logging policy in 2018 that recognises that production must come down significantly. In this scenario, sustainable timber plantations, such as Kolombangara Forest Plantations Limited (KFPL), are better suited for future development. KFPL is certified by the Forest Stewardship Council and operates a 40,000-hectare project site, of which 26,000 hectares is protected natural forest.⁷⁶ However, growing the number of sustainable plantations would require sufficient land, infrastructure, and improved government regulation.

There is also a growing sector for value-added timber products. Sawn wood exports reached nearly USD 11 million in 2018, with the main export destinations of New Zealand (39 percent) and Australia (32 percent). The Solomon Islands Timber Processors and Exporters Association (SITPEA) has been collaborating with the Pacific Horticultural and Agricultural Market Access

⁷⁶ KFPL (2023). <https://www.kfpl.com.sb/about-kfpl/>

(PHAMA) Plus Program to maintain access to the Australia and New Zealand markets by helping its members comply with international timber legality programs.⁷⁷ Research from the Australian Centre for International Agricultural Research suggests that “smallholder teak in Solomon Islands could form the basis for a sustainable forestry industry that earns significant foreign revenue for the country through exports.”⁷⁸ This research found that using a portable mill, transporting the processed timber to a centralised location for solar kiln drying, and then export was viable for smallholder growers with the right equipment, training, and infrastructure. However, a separate case study highlighted that past donor programs to support smallholder teak forestry have largely failed for multiple reasons, including failing to understand local social and cultural factors and geographical challenges.⁷⁹ In addition, Hausmann et. al (2008) note that, in general, “policies to promote greater downstream processing as an export promotion policy are misguided” and that “structural transformation in exports favors sectors with similar technological requirements, factor intensities, and other requisite capabilities, not products connected in production chains.” The government has limited resources, so any export promotion policy should prioritize sectors that build effectively on the current capabilities in Solomon Islands. The government will also need to closely monitor the logging sector to ensure logging remains within sustainable limits and illegal logging is stopped.

FIGURE 19. Exports of wood sawn lengthwise, 1995-2020 (USD million)



Source: Atlas of Economic Complexity

⁷⁷ PHAMA Plus (2020). Sawn Timber Exports Poised for Greater Heights.

⁷⁸ ACIAR (2021). Improving returns from community teak plantings in Solomon Islands.

⁷⁹ Walters, Peter, and Kristen Lyons (2016). Community teak forestry in Solomon Islands as donor development: When science meets culture.

There are increasing opportunities for carbon trading. In 2021, the Sirebe Tribal Association in Choiseul became the first landowner group in Solomon Islands to begin trading forest carbon credits.⁸⁰ The project was developed with the National Resources Development Foundation and the Nakau programme. The income from the carbon credits from these Payment for Environmental Services (PES) programs cover the costs to manage and protect the protected area and are also used for community investments.⁸¹ Several other communities have begun the process for carbon projects. The authorities can accelerate work in this area by continuing engagement on REDD+ activities (including the requisite governance reforms) and exploring the costs and benefits of a national carbon trading strategy for the forestry sector.

ICT-related opportunities

Digital connectivity is increasing, which has positive spillovers for many sectors of the economy. The Coral Sea Cable, a fibre optic submarine cable system that connects Australia to Papua New Guinea and Solomon Islands, was connected in 2020. This investment can help bring faster and more affordable internet to the country. As access to mobile services expand, this will improve information sharing and allow actors in the fishing, agriculture, and tourism sectors to better coordinate and market their products. There is also large potential for information sharing that could improve agricultural productivity. The Central Bank is working on a new national payments system, which will allow for easier digital payments. This could support growth in e-commerce, introducing new ways for businesses to interact with customers and to expand their reach. There are also opportunities to increase financial inclusion through mobile money and fintech has the potential to reduce the cost of sending remittances. The World Bank estimates that ICT could increase Solomon Islands' annual real GDP growth by up to 1.8 percentage points until 2040.⁸²

⁸⁰ Nakau (2022). Hello from Sirebe. <https://stories.nakau.org/hello-from-sirebe>

⁸¹ NRDF (2023). Payment for Environmental Services. <http://nrdfsolomons.org/payment-environmental-services/>

⁸² World Bank (2017). Pacific Possible.

Actions to support growth

Solomon Islands is a resource-rich country, but achieving sustainable economic growth will depend heavily on government policies and support from its development partners. The declining logging industry hastens the need to find new sources of growth. Improving the livelihoods of Solomon Islanders will require a multisectoral approach that increases jobs, boosts exports, and builds a more resilient economy. Based on an analysis of the current economy, this section highlights strategies that can help accelerate economic development across key sectors. It starts with sector-specific strategies and is then followed by cross-sectoral interventions. These are not detailed policy recommendations, which would go beyond the scope of this report. Instead, this section offers a high-level view of the key growth sectors and areas that could be further explored to facilitate economic growth. Any detailed policy solution would require substantial tailoring to the local context and should be driven by the government.

Sector-specific strategies

Increase the number of Solomon Islanders participating in international labour mobility programs.

One of the quickest ways for Solomon Islanders to boost their incomes is to work in higher-productivity countries. There are growing opportunities in Australia for jobs in meat processing, fruit picking, aged care and hospitality. With regards to high-skilled migration, it is important to note that, as per Kone and Özden (2017), there is no strong evidence that emigration of high-skilled

workers leads to a “brain drain” in sending countries. Rather, there is evidence that international migration can in fact result in higher human capital levels in sending countries, through the increased return on education, return migration, and remittances easing the liquidity constraint on paying for education.

In the short-term:

- Increase local training opportunities for aged care, tourism, and hospitality sectors.
- Expand recruitment and marketing in underrepresented provinces for labour mobility opportunities.
- Ensure the growing number of Solomon Islanders working abroad have the necessary pre-departure training and support network to thrive, including sufficient country liaison officers.

In the medium to long-term:

- Explore designs for maximizing the productivity of remittances, such as by providing migrants and households with savings instruments or by targeting remittances to certain agricultural inputs (fertilizers or seeds) or by matching funds for education.⁸³
- Work to reduce fees on remittance transfers and expand access to mobile money. Research from Gibson et al. (2006) suggests that “Pacific Island countries can expect a more than proportionate increase in remittances from a reduction in costs.”⁸⁴

Increase agricultural productivity and grow the domestic market for agricultural products.

It is especially important to increase productivity in the agricultural sector to increase earnings in rural areas and expand exports. There are opportunities for increased production of smallstock, honey, and root vegetables, among other high value crops. There is also scope to lessen dependence of imports through increased domestic production of basic food products. Big-ticket agricultural investments would benefit from enhancements to key supporting infrastructure – see cross-sectoral policy interventions on page 31.

In the short-term:

- Increase extension services to smallholder farmers.
- Support the growth and resources of agribusiness producer organizations.⁸⁵

⁸³ IGC (2020). Remittances in the time of COVID-19.

⁸⁴ Gibson, J., McKenzie, D. & Rohorua, H.T.S. (2006). How cost elastic are remittances? Estimates from Tongan migrants in New Zealand.

⁸⁵ World Bank (2022). Solomon Islands Agriculture and Rural Transformation Project.

In the medium to long-term:

- Diversify export destinations of agricultural products.
- Use increased access to the internet to share price information, farming techniques, and success stories with smallholder farmers.

Improve the mining regulatory framework and the associated monitoring and enforcement.

While the mining sector has the largest potential for delivering export growth, the sector needs more robust regulation, monitoring and enforcement.

In the short-term:

- Finalize the Mineral Resources Bill to ensure the sector shares benefits fairly between landowners, investors, and the government.

In the medium to long-term:

- Ensure there are sufficient resources and authority to enforce the bill and transparently monitor mining activities and tax payments.

Maximize fishing revenues from the Vessel Day Scheme and increase the participation of Solomon Islanders in the fishing sector through greater onshore processing and commercial aquaculture.

The fisheries sector is extremely important for export earnings, government revenues, formal employment, and food security. Nearshore overfishing and climate change are risks to the sector. There are opportunities to increase onshore processing activities, although it's important to note that the Pacific Islands Forum Fisheries Agency concluded that the "granting of concessions to achieve domestic processing outcomes in the Pacific Islands has been largely unsuccessful."⁸⁶ Similarly, commercial aquaculture remains underdeveloped, with promising investment opportunities to be found in sectors like seaweed. More generally, in addition to the scope for generating inclusive economic benefits, any policy should also consider the sustainability of the sector.

In the short-term:

- Continue preparatory work for the Bina Harbour tuna processing facility, while better understanding the feasibility of the project.
- Increase monitoring of onshore fisheries and enforce compliance with sustainable practices.
- Investigate market for seaweed, fish fillets, and preserved fish as potential export opportunities.

In the medium to long-term:

⁸⁶ World Bank (2021). Republic of the Marshall Islands Country Economic Memorandum and Public Expenditure Review: Maximizing Opportunities, Enhancing Sustainability.

- Explore the development of a domestic longline fishery, analysing the costs and benefits.
- Work closely with PNA members to maximize the revenue of the Vessel Day Scheme, including increased enforcement of illegal or unregulated fishing.⁸⁷

Increase efforts to identify and attract international tourism investors for investor-ready sites.

In the longer term, tourism has the potential to be a strong contributor to economic growth. Authorities have taken key steps to identify investor-ready sites; efforts can now be increased to identify and attract international tourism investors and develop additional sites for expeditionary cruise tourism.

In the short-term:

- Build on existing efforts⁸⁸ to identify and attract international tourism investors for investor-ready sites, drawing lessons accordingly for both policymaking and programming.
- Be prepared for and promote the re-opening of the Brisbane-Munda flight.
- Grow and better advertise tours for business visitors in Honiara.
- Ensure the Tourism Solomons website has the latest information on entry requirements.

In the medium to long-term:

- Continue finding additional investor-ready sites in other provinces.
- Identify and develop additional sites for expeditionary cruise tourism. This would require earmarking of sufficient funding for the provincial travel entailed.

Shift to more sustainable timber plantations and explore growing opportunities in carbon trading.

In the forestry sector, sustainable timber plantations have shown an alternative path to the current predominant model of unsustainable logging. There is also a growing sector for value-added timber products and carbon trading is beginning to gain traction.

In the short-term:

- Support the development of sustainably managed timber plantations.

⁸⁷ Ibid. Other potential Vessel Day Scheme reforms identified in the World Bank's country economic memorandum report for Marshall Islands, include: (i) increasing 'pooling', (ii) extending the duration of tuna fishing rights beyond one year, and (iii) allowing transferability of tuna fishing rights between authorized users.

⁸⁸ In particular, the Accessing Land for Tourism Investment Facilitation (ALTIF) Project.

- Improve monitoring of the logging sector to ensure logging remains within sustainable limits and illegal logging is stopped.
- Explore the costs and benefits of a national carbon trading strategy for the forestry sector.

In the medium to long-term:

- Build capacity needed to effectively monitor and enforce compliance with sustainable logging regulations.
- Continue engagement on REDD+ activities (including the requisite governance reforms)

Cross-sectoral policy interventions

Investments in transport infrastructure (roads, ports, airports) - By

prioritizing key transit routes (both within and between islands), this can help increase agricultural production, market access, and boost incomes of smallholder farmers. Improved connectivity can also support tourism development. With support from its development partners, the Solomon Islands Government already has a large pipeline of infrastructure projects. The IMF recently noted that “public investment projects need to be phased in line with the economy’s absorptive capacity and accompanying financing arrangements should be prudently negotiated to mitigate fiscal risks and ensure external balance and debt sustainability.”⁸⁹ Given limited resources, there should be a detailed cost-benefit analysis done for each project.

Investments in renewable energy and energy sector reform – The

commissioning of the Tina River Hydropower Development Project will significantly reduce the cost of doing business in Honiara. Increasing access to electricity in rural areas will allow easier storage of fish and meat, further growing those markets. There is also a need for reform in the energy sector that encourages investment in new technologies. The Solomon Islands Renewable Energy Roadmap calls for the creation of an independent regulatory body and for opening up the sector to independent power producers. Research from Dornan (2018) stresses that in order to function well, this monopsony model requires independent regulation, which requires staff with highly specialized skills.⁹⁰ In addition, Dornan states that independent regulation in small states is particularly vulnerable to regulatory capture. Any reform will need to consider the unique characteristics of the Solomon Islands, including its size, geography, and state capability.

⁸⁹ IMF (2023). IMF Staff Completes 2023 Article IV Mission to Solomon Islands.

⁹⁰ Dornan (2018). When international ‘best practice’ is not: power sector reform in small island states.

Investments in education and human capital - Investment is needed not only for primary, secondary, and tertiary education, but also for vocational trainings in areas such as hospitality, aged care, and tourism, which will be important for both jobs in Solomon Islands and abroad. The Global Education Evidence Advisory Panel has summarized cost-effective interventions for improving learning, including: i) giving information on the benefits, costs, and quality of education, ii) having structured lesson plans with linked materials and ongoing teacher monitoring and training, and iii) targeting teaching instruction by learning level (not grade), among other interventions.⁹¹ These interventions could be analysed to identify what might work in the context of Solomon Islands. Experience in other countries suggests that there will have to be a “systems approach” to improving the quality of learning.⁹²

Accelerating progress in learning

The Research on Improving Systems of Education (RISE) Programme has done substantial research on addressing the global learning crisis. While every country has its own unique context, RISE recommends these five actions to accelerate progress in learning:

1. Commit to universal, early, foundational learning.
2. Measure learning reliably, regularly, and relevantly.
3. Align systems around learning commitments.
4. Support teaching.
5. Adapt what you adopt as you implement.

Source: Pritchett, Lant, Kirst Newman, and Jason Silberstein (2022). Focus to Flourish: Five Actions to Accelerate Progress in Learning. RISE.

Identify community-driven solutions to land tenure – land is a complex issue in Solomon Islands. As noted by Corrin and Baines (2020), “the Government and traditional leaders of Solomon Islands are still struggling to find a way of accommodating the competing aims of retaining the ‘ancestral trust’ in land, which holds together the social fabric of Solomon Islands, whilst permitting this land to be used in a way that leads to economic prosperity.”⁹³ Addressing land issues will require strong consultations that put community voices at the forefront while also providing sufficient clarity to private investors.

⁹¹ Global Education Evidence Advisory Panel (2020). Cost-Effective Approaches to Improve Global Learning.

⁹² RISE (2023). See: <https://riseprogramme.org/systems-thinking>

⁹³ Corrin, Jennifer, and Graham Baines (2020). Land Tenure in Solomon Islands: Past, Present and Future.

Encourage innovation with expanded internet connectivity – the launching of the new Coral Sea Cable in 2020 has helped usher in a new period of increased connectivity, increased data usage, and lower mobile data costs. As connectivity grows across Solomon Islands, there will be growing opportunities to leverage internet-based solutions for mobile banking, e-commerce, e-learning, and eHealth. This is in addition to the productivity gains and knowledge sharing that is enabled from ICT. In the near-term, the authorities can work on the policy and regulatory environment for e-commerce and the digital economy. There will also be opportunities to increase the digitization of government to streamline interactions with taxpayers and businesses.

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