# UNLOCKING POTENTIAL FOR PRODUCTIVE SECTORS IN SOLOMON ISLANDS:

## challenges, opportunities and policy considerations

Solomon Islands Government

ESCAP
Economic and Social Commission for Asia and the Pacific

# Unlocking potential for productive sectors in Solomon Islands:

## challenges, opportunities and policy considerations

Ministry of National Planning and Development Coordination, Solomon Islands,
and Economic and Social Commission for Asia and the Pacific[1]

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# Foreword

The Solomon Islands stands at a pivotal moment in its development path, as it prepares to transition from least developed country (LDC) status to a more self-reliant, diversified, and resilient economy. This report, "Unlocking Potential for Productive Sectors in Solomon Islands: Challenges, Opportunities, and Policy Considerations," is a collaborative effort by the Ministry of National Planning and Development Coordination and the Economic and Social Commission for Asia and the Pacific (ESCAP). It provides a comprehensive assessment of the key productive sectors—forestry, agriculture, fisheries, and tourism—and proposes strategic interventions to unlock their potential for sustainable and inclusive growth.

The findings and recommendations presented herein draw on extensive consultations with national stakeholders, in-depth desk research, and valuable inputs from sectoral experts. The report underscores the critical need for targeted policy reforms, institutional capacity building, and strategic investments to address the challenges and seize the opportunities within these sectors. By focusing on short- to medium-term interventions, it provides a practical roadmap for navigating the country's transition smoothly while fostering broad-based economic development.

As the Solomon Islands prepares to graduate from least developed country status by the end of 2027, it is imperative to strengthen governance, enhance productive capacities, and diversify the economic base. This report underscores the importance of coordinated efforts among government agencies, private sector partners, and development organizations to implement the recommended strategies effectively. The successful implementation of these strategies, which reinforce and complement the actions outlined in the Smooth Transition Strategy for the country's graduation from LDC status, will mitigate short- to medium-term risks and lay the foundation for long-term economic resilience and prosperity.

We extend our gratitude to all the contributors who have supported the development of this report. Their expertise and commitment have been instrumental in shaping a comprehensive and actionable plan for the future of the Solomon Islands. We are confident that the recommendations presented in this report will guide policymakers, stakeholders, and development partners in their efforts to unlock the full potential of the productive sectors and drive the Solomon Islands towards a brighter and more prosperous future.

**Hon. Rexson Annex Ramofafia (MP)**
Minister for National Planning
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# **Executive** Summary

**Sustaining the development momentum beyond graduation:** building resilience and economic unlocking potential

Solomon Islands is navigating the challenges and opportunities associated with its transition from least developed country status to an anticipated graduation set for the end of 2027. This transition presents risks and potential for the country, particularly in the context of losing certain international trade privileges. To ensure a smooth and sustainable transition, the country must strategically enhance its productive capacities across key sectors – forestry, agriculture, fisheries, and tourism. In this study, untapped potential in other productive sectors, such as agriculture, fisheries and tourism are identified, and the need to address policy gaps, strengthen governance, and build capacity to achieve economic diversification and growth is stressed. The suggested interventions that are focused on the short- to medium-term offer a road map for a smooth transition from least development country status, promoting sustainable and inclusive growth to prepare the country for its post-least developed country future.

## National development context

Solomon Islands, comprising more than 900 islets across 28,000 square kilometres, faces significant logistical challenges that affect economic activities and the delivery of government services. The country is vulnerable to economic shocks from environmental risks, including climate change and natural disasters. The economy is heavily reliant on a few traditional industries, with the forestry sector playing a dominant role. This dependence, however, has led to a narrow economic base, making the country susceptible to fluctuations in global market prices and local supply chain disruptions.

## Recent economic performance

The economy of Solomon Islands has been volatile in recent years; growth rates fluctuated from 5.7 per cent in 2016 to negative growth in 2021 and 2022 due to the COVID-19 pandemic and civil unrest. The economy rebounded in 2023, recording 4 per cent growth, driven by agriculture, forestry, mining, fisheries and services. The outlook remains moderate; the economy is projected to grow by 2.9 per cent in 2024 and face continued vulnerability to global economic conditions, climate change and political instability.

# Key productive sectors

**Forestry:** The forestry sector has been the backbone of the economy, contributing more than 70 per cent of export earnings. However, unsustainable logging practices have led to significant environmental degradation and the depletion of forest resources. The sector faces governance challenges, including outdated legislation and weak institutional capacities. The Ministry of Forestry is working on a new forest act, expected to be passed in 2024, to improve governance and sustainability. Efforts are also being made to enhance value addition through downstream processing and to promote reforestation.

**Agriculture:** Agriculture remains a critical sector, employing a significant portion of the population and accounting for approximately 17 per cent of gross domestic product (GDP). The sector is dominated by traditional cash crops, such as coconut, cocoa and palm oil. However, declining productivity, ageing crops, and limited investment have hindered the sector’s growth. The Government is prioritizing the revitalization of the coconut and cocoa industries, including through value addition initiatives and the formation of farmer cooperatives, to improve production and market access.

**Fisheries:** The fisheries sector is the second-largest contributor to export earnings in Solomon Islands, accounting for 14 per cent of exports. The sector has exhibited consistent, though marginal, growth. The country's rich marine resources, particularly tuna, are crucial to the economy. However, the sector faces challenges related to illegal fishing and limited processing capacity. The Government is prioritizing the development of the Bina Onshore Tuna Processing Plant, which is expected to significantly boost production capacity.

**Tourism:** Tourism has significant potential to become a leading industry by leveraging the country's natural beauty, cultural heritage and historical sites. Currently, however, the sector remains underdeveloped due to inadequate infrastructure and services. The Ministry of Culture and Tourism is focusing on improving governance, infrastructure and marketing strategies to attract more visitors and increase their economic impact. The country has targeted to welcome 100,000 visitors by 2035. To achieve this goal, substantial investment in accommodations, transport and tourist attractions are required.

## Cross-cutting priorities

The Government recognizes the critical importance of infrastructure development to support economic activities and improve connectivity across the islands. The completion of key projects, such as the Tina Hydro Project, is expected to reduce energy costs, which are a significant barrier to economic growth. Additionally, efforts are being made to strengthen interministerial coordination, enforce tax compliance and enhance value addition across all sectors.

## Conclusion

Solomon Islands faces significant challenges as it prepares to graduate from least developed country status, but the country also has opportunities to transform its economy through strategic investments in key sectors. By focusing on sustainable development, improving governance and enhancing productive capacities, it can navigate this transition successfully and lay the foundation for long-term economic resilience and prosperity.

# Background

**Navigating risks and opportunities** as the country transitions from LDC status

Solomon Islands was assessed as eligible for graduation from least developed country status by the United Nations Committee for Development Policy (CDP) after passing its triennial reviews procedurally in 2015 and 2018. The island State was initially scheduled to graduate by 2024, but this was disrupted by the impacts of the COVID-19 pandemic and domestic civil unrest that occurred in 2021. The Government of Solomon Islands, in response, appealed for an extension of the graduation timeline, which was approved by the General Assembly. The country is now slated graduation by the end of 2027.

As a country graduating from the least developed country category, Solomon Islands is likely to lose certain special treatments from its international trade arrangements, such as European Union market access and a few general support measures tailored to least developed country status. Considering these impending changes, it is critical that Solomon Islands proactively carry out the necessary preparatory work, such as identifying mitigating strategies and policies that would prepare the country for a smooth transition from the least developed country status.

The objective of this paper is to identify challenges and strategic interventions to advance productive capacities and to inform the country's smooth transition strategy. In particular, the analyses focus on the tourism, fisheries, forestry and agriculture sectors and identifying opportunities for increased value-addition and sustainable production. In addition to identifying new opportunities, existing and planned strategic interventions are synthesized in this study.

## 2.1 Methodology

This study was carried out using three approaches:

i. Consultations with key stakeholders of each productive sector. The discussions were guided by key themes emphasized in the objective of the study and, as a result, first-hand information and insights for the priorities of the key sectors were attained. The team conducting the study also used the opportunity to update key stakeholders on the country's preparation for least developed country graduation.

ii. A desk review of reports obtained from the government ministries and departments and other key stakeholders.

iii. Other online reports from international sources relevant to the study were also referenced

## 2.2 National development context

Because of its vast number of islands scatter across 28,000 sq.km, transport connections between the islands is a key challenge in implementing economic activities and delivering government services. As an island State, the country is highly vulnerable to economic shocks triggered by environmental risks from the impacts of climate change and frequent natural disasters. The country's vulnerability is also defined by its unique socioeconomic context, and demographic and geographical characteristics.

The national population exceeds 740,000 and its growth rate is 2.3 per cent. Consequently, the demand for public services, such as health care and education, is increasing. Unemployment remains a key challenge facing the country with numerous social problems that can be attributed to low levels of investment in productive sectors.

The country is adequately endowed with natural resources found in its rich forests, which cover 90 per cent of the land mass, and has an exclusive economic zone of 1.58 million sq.km. Solomon Islands also hosts a number of world heritage sites, natural attractions and diverse cultural practices through its multi-ethnic groupings and islands, which present significant potential for tourism development. Nonetheless, the economy has heavily relied on the logging industry over the past two decades, locking the country in a narrow and undiversified economic base.

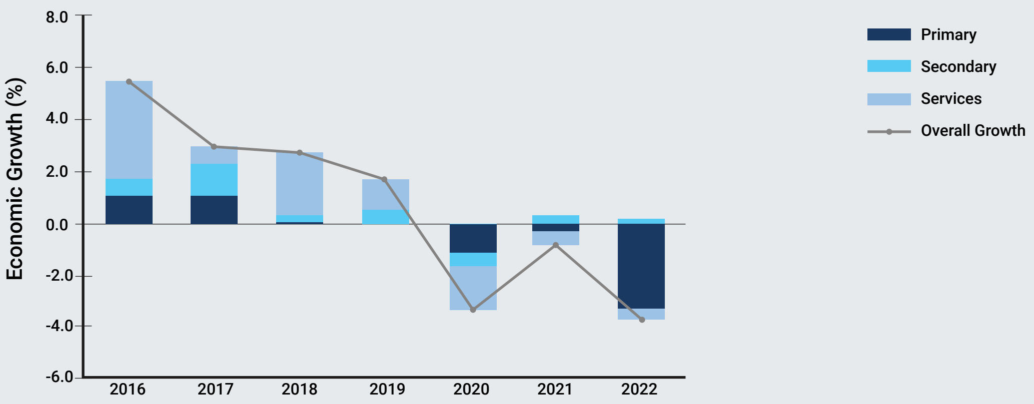
The lessons from the logging industry over the past decades indicate that Solomon Islands has not optimized the benefits from its natural resources as a result of inadequate policies, and governance, legislative and production capacities. As the country scales down on the logging industry, its focus is shifting towards the mining industry, fisheries, tourism and the agriculture sector to sustain the economy. This situation demands policy interventions and legislation to sustainably manage the harvesting of natural resources.

## 2.3 Recent economic performance

The economy of Solomon Islands has a narrow base that is heavily concentrated in a few traditional industries. The economy has been slow in gaining momentum to pursue economic diversification and innovation-driven growth.

The country's overall growth performance has been volatile, falling from a growth rate of 5.7 per cent in 2016 to negative growth in 2021 and 2022[2]. This can be attributed to the global pandemic and civil unrest, which resulted in economic losses estimated at 7 per cent GDP and approximately 1,000 jobs[3]. The economy rebounded to 4 per cent growth in 2023, supported by an increase in agriculture, forestry, mining, fishery and wholesale and retail services. The economic outlook is moderate; economic growth is projected to be 2.9 per cent in 2024 and be below 2024 levels in the medium term. Inflation is projected to remain at 4 per cent and will be above average in the medium term. Despite the positive outlook, the country remains vulnerable to risk elements that include spillovers from the global economy, impacts of climate change, natural disasters and the political instability that continue to affect the national economy.

**Figure 1. Economic growth**

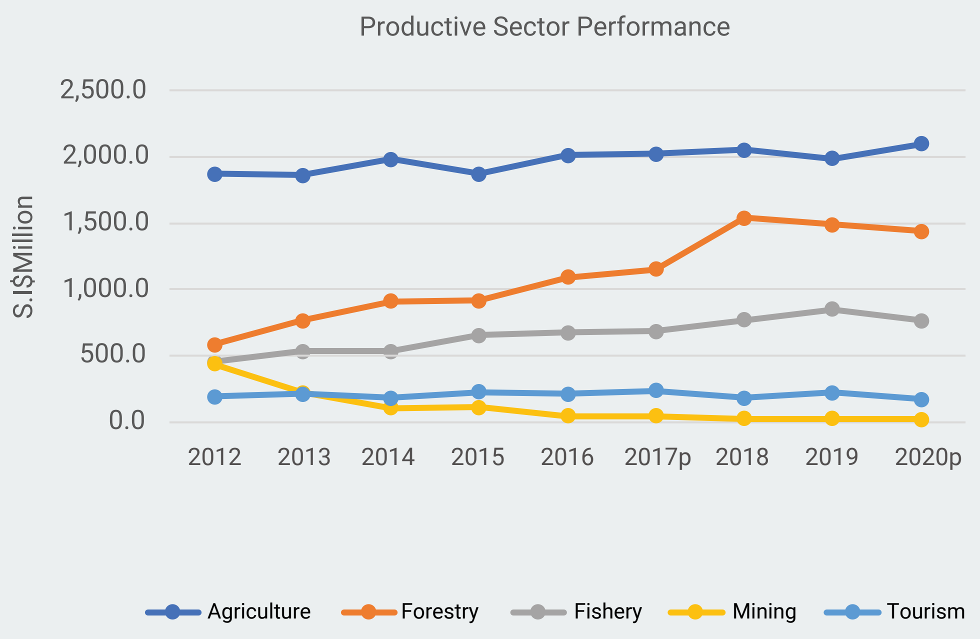



[2] *Central Bank of Solomon Islands Annual Report*

[3] *IMF (2023). Country Report No. 23/162*

The key sectors contributing to the economy are agriculture, forestry, fishery, mining and tourism, as depicted in figure 2. The forestry sector has accounted for 65 per cent of total export receipts, particularly through exports of round log. The agriculture sector continues to be an important contributor to the economy, accounting for more than 16 per cent of the total GDP. Among the dominant agriculture commodities are coconut, cocoa and palm oil. The fisheries sector is the second largest sector in terms of export earnings, accounting for 4 per cent of export earnings or 7 per cent of GDP. The fishery sector has expanded consistently in the past years, however, it is trending at a marginal level.

**Figure 2. Productive sector performance**



# Productive
# Sectors

**Unlocking potential in forestry, agriculture, fisheries, and tourism** for long-term prosperity

Against this backdrop, the following sections delve into the four productive sectors, forestry, agriculture, fisheries and tourism. A brief diagnosis of the challenges and an identification of opportunities is followed by a presentation of strategic priorities/interventions that could be pursued to unleash growth potential in these sectors. As highlighted earlier, rather than attempting to reinvent the wheel by proposing new interventions, this report synthesizes what has already been identified by the sectors.

## 3.1 Forestry

### 3.1.1 Current state

Logging and timber have dominated the economy, accounting for more than 70 per cent of export earnings. Fisheries, the second largest source of export earnings, accounts for about 12 per cent of total export value, while other agriculture industries account for approximately 9 per cent of total exports. Approximately 90 per cent of the country's commodities are exported, primarily as raw materials; only 3 per cent are processed into final or intermediate products.[4] This reflects the country's limited productive capacity to engage in value addition and processing. Reliance on a single industry poses risks, as a plunge in the global market price or any disruption to the industry's local supply chain could result in disproportionate impacts. Though these industries have been the backbone of the economy over the past decades, their capacities to sustain the economy in the long term are diminishing.

Weak policy and legislative capacities are some of the fundamental problems that continue to affect the sustainable governance of the productive sector. As in the case of forestry, the Forestry Act 1999 has been under review since 2004, however a revised act is yet to be passed and gazetted. This has contributed to the poor governance of the forestry sector. As highlighted earlier, despite being a key source of income, the logging industry's activities have also been destructive to the environment and natural ecosystem. This is not sustainable for the economy, the environment and the livelihood of the people.

Solomon Islands is endowed with more than two million hectares of forest, which provides an abundance of resources to the country.[5] These resources form an essential part of people's livelihood, well-being and survival. The logging industry was reported to have provided approximately 10,000 jobs for skilled and unskilled workers, accounting for approximately 20 per cent of total employment in the country. The industry generates 20 per cent of the domestic revenue and accounts for approximately 65 per cent of the export earnings.

The benefit-haring structure in the logging industry is lopsided in favour of logging companies and the State, leaving landowners with limited benefits. The standard logging agreement provides for a 60-25-15 formula for sharing the revenue generated from sales: 60 per cent to the logging company, 25 per cent to the Government, and 15 per cent shared between the licence (middleman) and the land-owning group. Accordingly, the resource owners receive the smallest share of income from the industry.

Governance and administration of the forestry sector has been the subject of much debate as referenced in many reports. The primary challenge facing the sector is weak institutional capacity contributing to poor governance within the sector.

[4] *International Merchandise Trade Statistics, SINSO*
[5] *Solomon Islands (2020).*

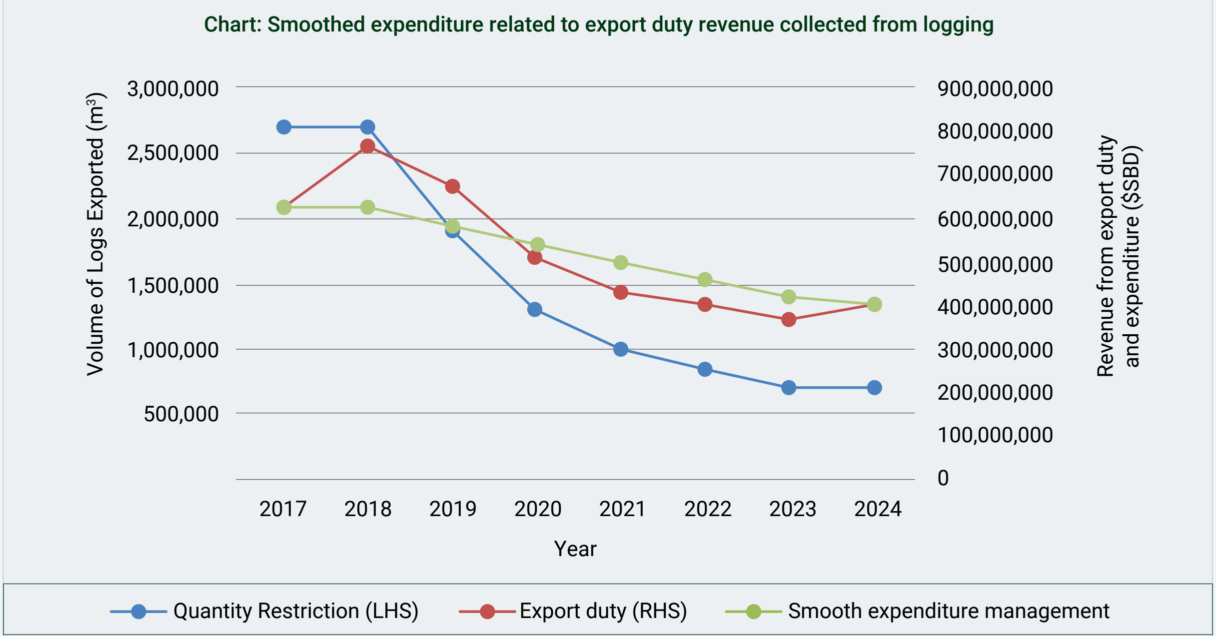
This has resulted in the inability to administer and regulate the industry. More specifically, the current Forest Act was passed in 1999, however, it was not publicly announced and as a result cannot be enforced adequately. A review of the same Act was carried, but the Forest Bill 2004 was not introduced in Parliament.

Lack of progress in reviewing the forest act over the years to its final stage appears to reflect the lack of political will to drive change and fundamental reforms in the forestry sector. At the time this study was conducted, the executive management of the Ministry confirmed that the forestry bill is still in its draft stage and awaiting finalization before its will be passed in Parliament, which may occur in 2024. The executive management has also highlighted that its manpower capacity is not adequate to execute effective monitoring and to report on logging activities across the country.

Since the 1990s, commercial logging has exceeded the permissible annual sustainable threshold of 250,000 $m^3$, It peaked at 2.5 million $m^3$ in 2016. This production level is highly unsustainable and has resulted in considerable depletion of forest resources, disrupting the environment and natural ecosystem, which has resulted in other social issues in the local communities. Logging is considered a sunset industry, as more than 90 per cent of the virgin forest has been logged and a residual portion is projected to be exhausted in the next few years. This has led to companies logging in areas (18 per cent of the forest) that have already been logged, further compromising sustainability.

In response to the lamentable outcome of the logging industry, the Ministry of Forestry and Research has developed a policy to control unsustainable harvesting of the forest resources. This objective of the logging sustainable policy is to reduce export volume from the current unsustainable level to 700,000 $m^3$ annually over a seven-year period. As the logging industry scales down following decades of unsustainable harvesting, adverse impacts in the short to medium term are imminent. It is expected that the Government's domestic revenue through log export duties will drop by approximately 600 million Solomon dollars (SI$) ($71 million).[6] This significant drop will put pressure on the government budget, which could further affect government services and development programmes. Furthermore, an increase in unemployment is expected as workers in the logging industry are laid off.

**Figure 3. Chart: Smoothed expenditure related to export duty revenue collected from logging**




[6] *Logging sustainable committee Report*

### 3.1.2 Opportunities

### Tubi – A high value wood

Despite the depletion of a vast portion of forest resources, the country still has a healthy stock of high-value forest species that are prohibited from being exported. Incidences of illegal harvesting of these high-value protected species by loggers have been reported and is an ongoing challenge. These species include a rare, beautiful blackjack wood locally called "Tubi" (Queen Ebony), which is found only in Isabel and Choiseul provinces of Solomon Islands. It is recommended that such species should be harvested only when the finest result and product is identified. Given its uniqueness, an appropriate market price for it does not as yet exist. A similar high-value wood species has attracted a high premium price of about $2,300 per ton in the Asian market. This rare species presents a range of opportunities and potential that can contribute to the national economy once an appropriate market is identified. However, it is imperative to develop a strategy and undertake research ex-ante ex-ante to support the sustainable management of the Tubi species, followed by regeneration of the stock once harvesting commences.[7]

### Downstream processing and value addition

To mitigate the economic impacts of a reduction in logging, the Ministry of Forestry is strategizing to enhance value addition through downstream processing of logs. The forestry policy reinforces the 8 per cent quota requirement for logging licensed volume to be sawn into timber, which is part of an effort to increase value-added activities in the country. However limited manpower constrains the efforts of the Ministry to monitor and ensure adherence to the policy. Additionally, further downstream processing, such as veneer production, can be supported by the Government through research, public-private partnership, provision of tax incentives and policy support.

The forest development in Kolombangara in Western and Choiseul provinces are success stories that can be replicated in other sectors. As Solomon Islands is endowed with volcanic soil and a tropical climate, it is ideal for growing trees. On average, farmed trees such as mahogany and teak species can mature as early as between 10 to 15 years. This makes reforestation a viable and worthwhile undertaking in the country.

### 3.1.3 Sectoral priorities

The Ministry of Forestry and Research, through its Forest National Policy, is focusing its efforts on a number of key priorities with implementation now underway. These priorities are aimed at strengthening institutional capacities and internal processes and transforming the forestry sector to be more productive and effective in delivering its mandates. These priorities have been reiterated by the executive management during the ministerial consultation.

### i. The New Forest Act

The forest sector operates based on the Forest 1999 Act and has a lot of gaps, which constrains the sector's ability to govern, manage and implement its functions effectively. The current scenario in which the logging industry far exceeds the required sustainable threshold of 250,000 $m^3$ reflects the deficiency in the institutional and legislative capacity of the sector to regulate logging activities, which is leading to the inability of the sector to optimize the benefits from its forest resources, a long-standing priority for the sector over the past two decades.

[7] *Bulahite (2004).*

The Ministry is prioritizing the formulation of the new forest act; work on this is ongoing and the act expected to be passed by the new Government in 2024. The act will contain a revised code of logging practice regulations and is envisaged to empower the Ministry to perform its mandates more effectively.

### ii. Strengthening capacity of forest officers

The Ministry of Forestry and Research is experiencing manpower constraints. Training and recruiting highly qualified professional to support the development of the forest sector and increasing capacity to monitor logging activities across the country is urgently required. Anticipating that logging activities will still be carried over the next few years, it is critical that the sector consolidate its existing manpower to carry out monitoring and compliance in the field.

### iii. Strengthened interministerial coordination to enforce current regulations and ensure compliance by companies

To fully enforce current regulations and compliance by logging companies, the Ministry of Forestry and Research is required to coordinate with the Ministry of Environment, Climate Change and Disaster for the enforcement of the environmental impact assessment (EIA), and the Department of Customs and Excise to carry out mandatory checks on the machineries and equipment of logging companies. More specifically, Customs must carry out a rigorous physical check of all imports of logging machineries and equipment. Similarly, forestry officials are required to conduct checks for all log exports before exports leave the country. This is to ensure that logging companies declare the right volume and value. The revenue from export duties accounts for 60 per cent of customs collection.

### iv. Income tax compliance

Companies operating in Solomon Islands are required to pay income taxes on profits derived from economic activity onshore. In 2017, slightly less than 2.7 million cubic meters of round logs were exported from Solomon Islands. The total value of round log exports for 2017 was approximately SI$2.9 billion and the income tax payable (35 per cent) was estimated at S$1 Billion. The Government needs to bolster efforts to combat transfer pricing that results in revenue leakages from the logging industry and secure an export price duty that is transparent, reliable and appropriate within the Solomon Islands jurisdiction for its round logs.

### v. Enforce logging code of practices

According to reports, the forestry sector has not been able to maximize revenues from its forest resources as a result of poor compliance with the logging code of practices. This has also led to illegal activities within the logging industry. Recently, exemptions have been offered that allow companies to export protected species in round log form. This is a direct contravention to the Forest Act and it undermines the timber milling industry. It can also be viewed as a scenario that reflects a misalignment between implementation and policy.

Other requirements that need to be enforced are the implementation of the 8 per cent processing of log volume per licence to encourage more value addition in timber milling in the country. The increase in the logging license fee of $50,000 helps to control logging activities.

The Government needs to review forest penalties on regulations and enforce penalization of non-compliance with forest and environmental legislation and regulations for instance, by, enforcing the payment of a logging bond of $1,000,000 per year to ensure that companies minimize environmental damage.

Strengthening coordination between the Government enforcement agencies (forestry, police, customs, resource owners and environmentalists) to execute compliances is also critical. The Government should address the policy and legislative gaps within the sector and strengthen manpower capacities to lead the work in monitoring compliance across the country.

## vi. Downstream processing and product diversification

Providing support to local business operators including tax incentives to encourage local wood processing and value addition, is an additional priority. Goal 10 of the Forest Policy promotes diversify of forestry production and strengthening existing businesses with technology and technical know-how and research to produce diversified wood products for national and international markets. These include veneer products and pharmaceutical products. The processing of a higher volume of logs domestically can be beneficial for the local economy; it generates investment, creates jobs (both skilled and unskilled positions) and produces a higher value to resource owners as opposed to export of round logs.

## vii. Reforestation

The forestry policy recognizes the need to protect the environment and biodiversity by establishing plantations across the country. Goal 8 of the policy encourages the establishment of industrial and small-scale forest plantations by communities, local groups and family holdings to support rural livelihood and the economy. Following decades of continuous deforestation, the need to invest in reforestation is important to sustain the forest industries.

# 3.2 Agriculture

## 3.2.1 Current state

Agriculture is an important sector to the national economy, and is the main source of livelihood of the population. The sector continues to dominate output, accounting for approximately 17 percent of total GDP. The population is predominantly engaged in subsistence agriculture for their daily consumption, limiting commercial agriculture to traditional cash crops, such as cocoa, coconut and palm oil. It is estimated that approximately 75 per cent of the labour force is engaged in subsistence agriculture and fishing, which clearly reflects the potential to transform the informal sector into commercial farming.

The country is endowed with an estimated 108,000 ha of arable land for agriculture crops, approximately 4 per cent of total country's land mass, which is sufficient. Approximately 86,700 hectares have been cultivated, although in a suboptimal manner, while 28,900 of the arable land has yet to be cultivated. In terms of farmers, approximately 111,117 agriculture holdings are on record, with 85 per cent of them recorded as individual holdings and 15 per cent as family holdings. These farmers are spread out across the country and remain isolated.

Traditional industries, which include growing cocoa, coconut and palm oil, continue to contribute to the economy. The sector contributes approximately 28 per cent of the total export value, which amounts to SI$500 million. This production level has declined significantly over the past decade to account for 8 per cent in 2018 due to the significant drop in market price for key commodities, such as copra and cocoa. Productivity is significantly lower than it was 10 years ago, when cocoa, coconut and palm oil were the key exports under the agriculture sector. Agriculture export values are dominated by palm oil (56 per cent), cocoa beans (18 per cent), copra (14 per cent) and coconut oil (12 per cent)[8]. For copra, production peaked in 2011, reaching more than 35,000 metric tons before it drastically declined to more than 8,000 metric tons in 2019[9]. While production for cocoa was on a decline in recent years due to global price drops, crop ageing, and competition from newer cash crops like kava, in 2024, the sector experienced a remarkable resurgence, exporting 5,000 metric tons of bulk cocoa and generating SBD 261 million—a 196% increase from the SBD 88 million recorded in 2023 for 4,220 metric tons. This surge was driven by a sharp increase in global cocoa prices and underscores the resilience of the local cocoa sector and its vital role in strengthening the national economy.[10]

Regarding international trade, the importation of food and agriculture products continue to increase in volume. The Government, over the past ten years, has imported food items with the value exceeding SI$630 million in 2018. Rice imports constitute the largest share (55 per cent), followed by poultry meat (17 per cent), wheat and a little bit of maize (8 per cent), coffee, tea and spices (6 per cent), milk and egg products (5 per cent), beef (4 per cent) and flour (2 per cent).[11] Partly owing to an increase in imports, the country has been recording a negative balance of payment in goods of $200 million to $300 million annually.

8 *Agriculture Sector Growth and Investment Strategy 2021*

9 *Commodity Export Marketing Authority- Statistic Division Report*

10 *https://solomons.gov.sb/cocoa-industry-injects-sbd-261-million-into-the-solomon-islands-economy-in-2024-a-remarkable-increase-from-2023/*

11 *Agriculture Sector Growth and Investment Strategy 2021*

There is limited commitment and investment in the sector by the Government and its partners. The budget allocation to the sector is low, averaging between 2 and 3 per cent of the total capital budget in the period 2015–2020, which is lower than other countries in the region[12] - unstable and unpredictable which distorts proper planning for investment in the sector.

The lack of investment into the sector, in terms of required infrastructure, equipment and machineries, also limit the scope for mechanization and consequently commercialization. Among the critical infrastructure for agriculture processing are a quality infrastructure ecosystem for product certification, processing facilities and packaging services. In 2022, the country established its first national public health laboratory office complex with support under the Enhanced Integrated Framework. The laboratory will enable the country to meet the current ISO 17025 accommodation requirements. While the laboratory is fully operational with associated policies, guidelines and equipment, it has yet to be accredited by international accreditors.

### 3.2.2 Opportunities

Despite the numerous challenges outlined above, the Solomon Islands' agriculture sector holds significant potential for transformation and inclusive growth. Several pathways can be pursued to unlock this potential.

First, the predominance of subsistence farming and the underutilization of arable land suggest ample room for commercialization. A more structured approach to integrating dispersed and isolated farmers into organized value chains could transform the informal sector into a commercially viable one. Strengthening farmer cooperatives, introducing aggregation centers, and improving rural infrastructure could be key enablers of this transformation.

Second, the development of quality infrastructure, particularly for product certification, processing, and packaging, presents a critical opportunity. The recent establishment of a national public health laboratory, although not yet accredited, marks a foundational step toward meeting international standards and enabling Solomon Islands to access premium export markets. With proper investment and accreditation, this facility could support certification of value-added products and improve market access.

### Coconut

Coconut is a traditional commodity that locals use for commercial purposes as well as food. The industry is estimated to have contributed a total gross value of SI$300 to 400 million annually. Coconut is a resilient commodity, which is sustainable in the long term and continue to support the livelihood of the people for many years. It is widely distributed across the country; approximately 40,000 rural households have planted coconut trees for their own consumption. There are approximately 200 small medium enterprise rural copra traders, and 11 small coconut and four large copra millers. Most of these are family enterprises that are informally operated. While copra production requires hard work, it earns a relatively lower income, thereby limiting its capacity to contribute to poverty reduction, which is further compounded by the volatility in the value of copra exports. Virgin coconut oil is a new commodity produced by the coconut industry in Solomon Islands. It is reported to maximize the value of coconut, however the production remains negligible.

12 *https://solomons.gov.sb/ministry-of-finance-and-treasury/budget-documents/*

Total coconut production in the Solomon Islands is estimated at 370 million nuts, of which approximately 19 per cent of the output is consumed locally. Copra exports account for 150-200 million nuts worth SI$110-150 million, depending on prices. Coconut oil (crude and virgin) exports generate SI$40-50 million. Other auxiliary products, such as copra meal, charcoal, coir and coconut wood contribute SI$ 20-40 million in the value of coconut products, giving coconut a total gross value of some SI$300.[13]

The coconut industry has been declining in recent years due to the aging coconut palms, thereby becoming less productive with no replacement. Furthermore, coconut trees continue to suffer damages due to the impacts of cyclones and the invasion of the Coconut Rhinoceros Beetle The continuous drop in the international price for copra has discouraged many smallholders from maintaining their plantations and engaging in copra-related activities. Productivity of the coconut trees was estimated to be 0.69 metric tons (690kg) per hectare. In comparison, other copra producing countries harvest approximately 1500-2000kg of copra/ha.[14]

In 2010, Solomon Islands, became the second highest exporter after Indonesia, shipping more than 35,000 metric tons. Since then, it's ranking has dropped to seven. The world market prices for bulk copra fluctuated between $400 and 800 USD/mt between 2005 and 2021. An extreme drop in copra prices in 2019 resulted in significant decline in copra exports from Solomon Islands to its lowest level of 3,000 metric tons. However, in 2023 there has been some positive outturn in the coconut production, which has also contributed to economic growth.

The lack of alternative income-generating opportunities in rural areas continues to keep small landholders in coconut production. As mentioned above, virgin coconut oil is seen as a product with high potential. While the production of it is slowly increasing, virgin coconut oil represents less than 1 per cent of coconut production; notably, the country has only one producer of virgin coconut that also exports the product.[15] The Kokonut Pacific Solomon Islands is a social enterprise comprising of 50 village businesses that produces virgin coconut oil for the domestic market and other coconut-oil products for export.

The Government of Solomon Islands has committed to revitalize the coconut industry through its budget. Over the period, 2010–2019, more than SI$52 million was allocated to the coconut industry under the Government's development budget, which amounts to approximately 15 per cent of the agriculture sector's annual development budget.[16] However, it is unclear what specific activities are supported under the budget., the outcomes achieved from the coconut development programme are indistinguishable and cannot be verified.

Development partners, such as Australia Aid and the World Bank, are providing assistance to value-added initiatives and market systems with coconut operators. Strongim Business program, which is funded by Australia Aid, is aiming to develop a market systems programme for the cocoa and coconut sectors in Solomon Islands. The programme works with individual enterprises to facilitate value adding and the development and expansion of new businesses. Among the objectives of the initiative are strengthening the expansion of the coconut industry through marketing and diversification of the existing product range and sustainability and resilience to businesses.

Similarly, The Rural Development Program (World Bank) takes a partnership approach with the private sector (coconut processors) to promote the development of agricultural supply chains. The programme has entered into some partnerships with coconut processors and exporters in Solomon Islands with the intention to help make their supply chains more efficient, provide farmers access to processing equipment and assist in developing and expanding processing operations.

[13] *Solomon Islands Coconut Sector Strategy 2010*

[14] *Solomon Islands Coconut Sector Strategy 2010.*

[15] *https://phamaplus.com.au/wp-content/uploads/2016/12/PHAMA-TR096-Solomon-Islands-Cocoa-Coconut-161213.pdf*

[16] *https://solomons.gov.sb/ministry-of-finance-and-treasury/budget-documents/*

## Cocoa

Similar to coconuts, cocoa is a cash crops that supports the local economy. The crop has a strong base, as more than 100,000 people are estimated to be engaged in the industry. It was estimated that more than 6.7 million cocoa trees are in the country. Cocoa generates approximately 18 per cent of the total agriculture export earnings, which amounts to approximately SI$72 million annually. The cocoa industry is based on small family holdings; more than 20,000 households are growing cocoa trees. Cocoa is mainly planted in Guadalcanal, Malaita and Makira provinces. From an international perspective, Solomon Islands is a very small producer, ranking thirty-one globally.[17] Cocoa production has declined in the last decade, dropping from 5,481 tons of beans in 2010 to 4,598 tons in 2019. Key factors behind the decline are a slump in global market prices, the declining share of the export contract price to farmers and ageing cocoa trees. Moreover, the inception of new commodities, such as kava, had prompted many producers to shift their focus from cocoa to kava production in recent years.

According to the national agriculture survey, approximately 6.7 million cocoa trees have been planted across the country. Their average lifespan is 14 to 17 years. In terms of land usage, cocoa covers a total land area of 18,987 hectares, which accounts for 10.5 per cent of the total existing crop land. More than 100,000 members are engaged in cocoa production, approximately 5,000 are involved in the drying of beans and selling to cocoa exporters and approximately 15 are exporters of the crop. Unlike other crops, which are used also for local consumption, 98 per cent of the cocoa beans harvested are purely for commercial purposes. Cocoa accounts for 18 per cent of total agriculture export earnings, approximately $72 million annually.[18]

In terms of government support, over the period 2011–2019, the cocoa industry has received $83,425,439, which amounts to 23 per cent of the development budget allocation to the Ministry of Agriculture. Other donor programmes, such as PHAMA Plus, are focusing on improving economic returns from cocoa exports by improving quality, certifications systems and adding value to the crop. Use of solar drying technologies are being trialed to improve the taste and quality of cocoa beans.

In terms of value addition, notably, a small number of companies are fermenting cocoa to produce their own high quality premium grade cocoa. These companies use their quality beans to produce chocolates. Some of these companies also sell premium grade cocoa to international chocolate makers, such as Firetree Chocolates and Atypic Chocolates.[19] Value addition and processing offers the way forward for the cocoa industry in Solomon Islands, which would, in turn, provide a higher return to local cocoa farmers. To pursue this requires investments in processing facilities, such as solar drying and other processing machines, to turn cocoa beans into finished products. Government policy support through tax incentives could also encourage more value addition by the private sector.

17 *Agriculture Sector Growth and Investment Strategy 2021*

18 *NSO- International Trade Statistics.*

19 *Pacific Horticultural and Agricultural Market Access Plus Program (2020).*

## Palm oil

Palm oil is a significant crop, accounting for nearly 56 per cent agricultural exports, making it the third highest export commodity for Solomon Islands.[20] Globally, the country is the forty-first largest exporter of palm oil. The two products extracted from palm oil trees are palm oil and palm kernel; the combined export earnings of these two products is approximately SI$220 million annually.[21] The main export destinations for palm oil are the Netherlands, Switzerland and the United Kingdom of Great Britain and Northern Ireland.

The Solomon Islands Plantation Limited in Guadalcanal plains was abandoned as a result of the ethnic tensions. Agreements were signed with the Government and Guadalcanal province to reopen the plantation in 2005 [22] and he Guadalcanal Plains Palm Oil Plantations Limited took over from the Solomon Islands Plantations Limited (SIPL). It was a national project supported by the Government aimed to support economic recovery following five years of civil unrest.

Government budget allocation to the palm oil industry has fluctuated over the years. The initial government support to the industry enabled the expansion of the Guadalcanal Plains Palm Oil Plantations Limited and other plantations in the provinces of Choiseul, Western and Malaita. However, the budget allocation for the industry has dropped significantly since 2017, which has affected the focus and momentum related to the palm oil industry.

## Other cash crops

One of the key priorities of the country's Agriculture Sector Growth and Investment Strategy is to increase and diversify the export base through the production of high- value crops, such as kava, coffee, cassava, ginger, noni, chili and vanilla. There are niche markets for these commercial crops, both domestic and international. A few crops, such as kava, cassava and noni, are already sold in the international markets. The Ministry of Agriculture, in collaboration with the Ministry of Commerce, Labour and Immigration, is working with respective industry working groups to carry out value chain analysis and develop strategies for development of each crop.

## 3.2.3 Sectoral priorities

## i. Farmers cooperatives and profile

Solomon Islanders are predominantly engaged in subsistence agriculture and fishing. Approximately 20,000 small cocoa farmers and 40,000 coconut family are informally established and scattered across the country. These informal groups of farmers have contributed to the planting of 9 million coconut trees and more than 6.7 million cocoa trees that require rehabilitation.

Poor access to government services, high operational and transport costs, and the worsening global market prices, are the ongoing challenges faced by local farmers. The Ministry of Agriculture and Livestock has categorized these farmers as "accelerators", who can make a great impact if given the right space and support. However, these farmers are informally established and there is no formal structure and process that links individual farmers to governments and partners and other agriculture producers (exporters).

20 *See https://oec.world/en/profile/bilateral-product/palm-oil/reporter/slb.*
21 *NSO- International Trade Statistics*
22 *Nanau and Pendeverana (2021).*

In an effort to address the current stalemate facing producers and local farmers, the Ministry of Agriculture and Livestock is embarking on an approach to organize these individual farmers into a corporatized body. This approach is in line with priority of the Agriculture Sector Investment Plan on agriculture sector governance, which recommends the establishment of farmers' organizations as registered organizations or cooperative to facilitate a more effective and accountable linkage between government agencies and farmers. The approach will enable Individual farmers to consider themselves as part of the corporative body and will enable the aggregation of farmers' outputs. It is expected to raise the profile of farmers, bolster productivity and increase the overall production volume of agriculture commodities.

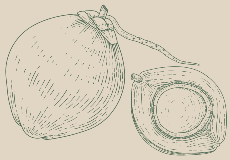
Potentially, the cooperative network can help facilitate government support in finance and technical services directly to the "accelerators". Additionally, easy access to the market, including through transport, can be arranged through this corporative body. This can reduce the cost of production and transport on individual farmers and, therefore, increase the profitability of small businesses. By aggregating the production volume of all the farmers, economies of scale can be reaped in addition to enhancing the bargaining power of the accelerators.

**20,000 Cocoa Farmers &**
**40,000 Coconut Farmers**

face challenges such as:

- High operational costs
- Poor market access
- Lack of government support

The solution:
**Forming cooperatives**
for better market access & funding.



## ii. Coconut industry development

In recent years, there have been some diversification and value-added initiatives which have generated between $40 and 50 million. Given the importance of coconuts to the economy, there is a need to review the Solomon Islands Coconut Sector Strategy 2012–2020 (2010) to reflect new developments, trends and technologies in the industry.

Facilitating tailor-made training activities on the operations of the coconut market and the international coconut trade to improve the market understanding for all significant players in the industry is recommended. Moreover, training could cover other technical areas relating to coconut crop management, coconut farming systems, such as intercropping and agroforestry, pest control, planting and other harvesting husbandry practices. Providing a coconut support scheme through the coconut development fund would also incentivize farmers to join farmer organizations, improve technical knowledge and increase their production.

Development support can also be directed to processing and value addition activities and improving copra quality in the value chain (from harvest to shipping), to avoid moisture content and smoke contamination. These initiatives need to be collaborated with the Commodities Export Marketing Authority, the Ministry of Commerce, Industry, Labour and Immigration, farmer organizations and traders. In addition, partnerships with private businesses is necessary to explore coconut value-addition initiatives. Coconut as a commodity can be diversified into associated products such as crude coconut oil, cooking oil, biodiesel, virgin coconut oil, coconut flakes and flour, cream and water and processing raw material for animal feeds.

### iii. Cocoa industry development

Cocoa in Solomon Islands is not properly managed, with the yields per hectare reported to be as low as 400 grams per tree, indicating that the true potential of the cocoa trees is not fully optimized[21]. Given the strategic importance of cocoa, a review and update of the Solomon Islands Cocoa Industry Policy and the Cocoa Strategy 2012–2020 is necessary to ensure that interventions within the sector reflect the new developments, technologies and challenges.

Cocoa Funding support from the Government and development partners can be properly planned and utilized to support farmers organizations to improve their productivity levels, procure appropriate technologies and develop investment models based on a public-private partnership structure for cocoa product development and diversification. Farmers would benefit from advisory services, appropriate pest and disease control training and instruction on correct management practices, such as planting density and pruning. Many product diversification initiatives are being carried out by local companies in collaboration with international groups to develop products, such as chocolate, for local and international markets. This development is envisaged to generate more value from cocoa beans.

A robust cocoa strategy would help facilitate processing and value addition objectives. Moreover, technological improvement options for fermentation and drying could include solar dryers (polyhouses), evaluating the feasibility of the establishment of (a) improved small-scale driers (usually run by individual growers selling dried beans) and (b) two medium-scale cocoa-chocolate factories (Honiara and Guadalcanal). If feasible, the Ministry of Agriculture and Livestock could seek the establishment of these facilities within a public-private partnership framework.

A plan to establish a dedicated cocoa and coconut secretariat, a cocoa and coconut industry working group, farmers' associations or cooperatives is a step in the right direction that can create a space and platform to corporatize individual farmers. These reforms are expected to improve sector coordination and the efficiencies of internal processes, providing a new space and window of opportunity for local farmers.

## 3.3 Fisheries

### 3.3.1 Current state

Solomon Islands is endowed with rich fisheries and marine resources; access rights encompass a 1.58 million sq.km exclusive economic zone. Fisheries is the second largest sector in terms of export earnings, contributing 14 percent of the total. The sector has continued to report consistent but marginal growth over the past few years. The sector accounts for approximately 7 per cent of the country's GDP and more than 12 per cent of total formal employment.

[23] *Solomon Islands Cocoa Livelihoods Improvement Project (2010).*

According to a Ministry of Fisheries and Marine Resources report, tuna exports of Solomon Islands (canned fish, loins and fish meal) were SI$370 million. When combining other coastal marine products, total fishery exports of the country is approximately SI$386 million. On the other hand, subsistence fisheries remain an important source of food security and household income in Solomon Islands with an estimated annual catch of 20 mt, valued at approximately SI$252 million.[24] Total access fees received from foreign fishing is $213,361,944 million, which is key source of revenue for the government.

The country is party to a number of agreements that are relevant to offshore fisheries and participates in several regional and international platforms to protect its marine resources. This includes membership in the Western and Central Pacific Fisheries Commission, the Pacific Islands Forum Fisheries Agency, and being party to the agreements between the tuna-rich central Pacific countries (Parties to the Nauru Agreement and the Palau Arrangement and the Federated States of Micronesia Arrangement). Solomon Islands is also a member of the Coral Triangle Initiatives, a multilateral partnership for marine diversity, coastal reefs environment, food security and climate change. [25]

The key subsectors in the fisheries sector are the offshore and Inshore fisheries. Main export products include tuna as whole fish, frozen loins and canned meat. A large percentage of formal jobs in the country are involved in offshore fisheries and this subsector produces both the processed and raw tuna for export. The main destinations for Solomon Islands fishery products are the European market, Japan and the Melanesian neighbours. Both foreign and Solomon Islands Island flagged vessels operate in Solomon Islands waters. National Fisheries Development is the largest Solomon Islands-based operator.

Soltuna Ltd. is the sole processor and exporter for the tuna resources in the country. The industry contributes to the economy through government licensing revenue and demand for local services. The industry provides employment for 1,800 people. Annually, total tuna catch from Solomon Islands waters is approximately 130,000 metric tons, however only 30,000 metric tons are processed in the country's only cannery, the Noro Tuna factory. There is a need to build at least two more tuna canneries to accommodate the excess tuna catches in the Solomon Island seas.

The Ministry of Fisheries and Marine Resources has developed policy and strategic plan to support the development of the sector. The plan is aimed at addressing economic growth through the establishment of the new industries and enhancing people's livelihood through community initiatives. While the Ministry continues to receive funding through the budget process to support implementation, the amount is not sufficient to fully implement its priorities in accordance with its plan. One of the challenges facing the Ministry is the lack of consistency in the allocation of funds, making planning difficult.

**Total tuna exports:**
SI$370M (canned fish, loins, fish meal).
**Subsistence fisheries:**
Annual catch of 20,000 MT, valued at SI$252M.
**Foreign fishing access fees:**
SI$213M – a key government revenue source.

**14% to total export earnings,** or SI$386M annually.

**7% of GDP and 12%** of formal employment.

[24] *Gillett (2016).*

[25] *Green and others (2014).*

### 3.3.2 Opportunities

There are considerable opportunities to further develop and enhance the fisheries sector's contribution to the economy, livelihoods, and food security. The country's vast exclusive economic zone and abundant tuna stocks provide a strong foundation for growth in both offshore and coastal fisheries.

A key opportunity lies in expanding the country's fish processing capacity. With only one operational cannery at present—processing less than a quarter of the national tuna catch—there is a clear need to establish additional canneries. The Bina Tuna Processing Plant Project, currently being prepared with support from the New Zealand Ministry of Foreign Affairs and Trade and the International Finance Corporation (IFC), represents a major step in this direction. Once completed, the project is expected to create new jobs, boost local incomes, and reduce the volume of unprocessed fish exported.

Support from development partners also presents ongoing opportunities for strengthening the sector. The New Zealand Aid Programme supports capacity building through the Mekem Strong Solomon Islands Fishery Program. The World Bank-Pacific Regional Ocean Scape Programme provides financial and technical support across offshore, inshore and aquaculture domains. Japan, through the Overseas Fishery Cooperation Foundation and the Japan International Cooperation Agency, is providing assistance for sea cucumber management and the development of community-based resource management systems.

In the inshore and coastal fisheries subsector, further opportunities exist to strengthen community-based fisheries management. These initiatives enhance sustainable harvesting practices and contribute to food security, livelihoods and environmental protection. Strengthening the policy and legal frameworks and supporting fisheries cooperatives and small-scale businesses will also help improve the efficiency and equity of benefits from this sector.

With consistent investment in infrastructure, coordinated development support, and better resource management, the fisheries sector can realize its full potential and play a more transformative role in Solomon Islands' sustainable economic development.

### 3.3.3 Sectoral priorities

### i. Off-shore fisheries

The National Fishery Policy Objective 2 aims to increase and diversify the benefits Solomon Islands receives from its offshore fisheries resources. This is proposed to be a platform on ecosystem-based approaches and through the implementation of agreed national, regional, subregional and international conservation management measures to ensure sustainability of stocks. Illegal, unreported and unregulated fishing is a challenge for offshore fisheries and requires improved resources, systems and infrastructure to effectively conserve and manage offshore fisheries within the national exclusive economic Zone.

The country's limited processing capacity results in an estimated 70,000 to 80,000 metric tons of tuna catch being shipped offshore for processing by foreign companies, with residual catches sold at the local market.

The Government of Solomon Islands is prioritizing the Bina onshore tuna processing plant in Malaita Province as one of its key national projects being implemented by the Ministry of Fisheries and Marine Resources, as it will increase the country's production capacity of tuna

The Ministry, with support from other partners, such as the Ministry of Foreign Affairs and Trade of New Zealand, IFC and the Department of Foreign Affairs and Trade of Australia are coordinating the technical studies and assessment of the Bina project site, which is scheduled to be completed in 2024. These partners will facilitate the design of a public private partnership arrangement for the operation of the state of art tuna processing plant. The Ministry of Fisheries and Marine Resources will work closely with development partners to promote the investment opportunity at Bina with the aim to secure a genuine and reputable investor. Many potential investors have already shown interest to develop and operate the Bina tuna processing plant. It is expected by end of 2024, the foreign investor of the Bina Habour Tuna Processing will be identified and approved in preparation for the development of the processing plant.

The Ministry anticipates the actual construction of the facility to commence in 2025 and to be completed by 2028. The Government, with support from its partners, is expected to support the construction of associated infrastructures, such as roads and electricity connecting to the Bina industrial area. Given that this is a large-scale project, a office was established in 2024 to oversee the implementation of the project in Malaita province.

## ii. Inshore fisheries

Inshore (coastal) small-scale fisheries are an important source of food security and household income in Solomon Islands. In rural areas, where most Solomon Islanders live, nearly half of the women and 90 per cent of the men fish or collect aquatic resources for food and income.[26] Total coastal fishery exports in 2013 was recorded to be 1,739 mt, worth $32,420,862 million per year.[27]

The sea cucumber is the second most valuable fishery resource in Solomon Islands and is an important source of income to coastal communities. In 2013, the Beche-de-mer export was valued at SI$16,215,793. Increased commercial exploitation exacerbated by increasing population, market demand and climate change has resulted in the depletion of some inshore species, such as sea cucumbers. As being consider an endangered species harvesting it is therefore strictly regulated in accordance with the prohibition order under the Fisheries Management Act 2015. Ongoing research work supported by Japan is being conducting on the nursery and breeding of the sea cucumber.

[26] *Solomon Islands National Fishery Policy*

[27] *Gillett (2016)*

### iii. Aquaculture

Aquaculture activities include tilapia farming, pearl oyster farming and farming of giant clams and seaweed. Seaweed farming is gaining popularity in rural communities, especially in western and Choiseul provinces. With ongoing support from development partners, seaweed production increased to close to 1,500 tons annually and is slowly expanding to other communities. In 2014, the export of seaweed exceeded SI$10 million.

On the main islands, a vast majority of the population also settle inland and depend on freshwater fisheries. Some species of note are flagtails, gobies, eels and freshwater shrimps, which are important native species that inhabit many rivers, streams and swamps in Solomon Islands. A proposed trade arrangement with China is expected to open the market for some of the aquaculture products from Solomon Islands. Inshore fishery provides the opportunity for rural areas where a vast majority of the population lives and could actively engaged in local economies through fishery sector.

## 3.4 Tourism

### 3.4.1 Current state

Tourism is one of the key contributors to the economy of Solomon Islands. It is estimated to contribute SI$530 million in foreign exchange annually and accounts for 3.1 per cent of direct jobs.[28] The industry contributes an estimated 5.2 per cent to GDP, according to the World Travel and Tourism Council's 2012 Economic Report. Despite its economic potential, the tourism sector is still considered to be in its infancy, with slow growth over the years.

Solomon Islands possesses considerable natural, historical, and cultural assets, including two global heritage sites and World War II battlefields. These attractions enrich the country's niche tourism appeal. However, tourism performance remains modest, with Solomon Islands ranked 12th out of 17 member countries of the Pacific Tourism Organisation, accounting for less than 2 per cent of South Pacific air arrivals. The country experienced average annual growth of 7 per cent until 2019, reaching a record of 28,930 international arrivals. The COVID-19 pandemic severely impacted the industry, with visitor numbers dropping to just 4,000 in 2021.

Tourists, mainly from Australia and New Zealand, make up over 50 per cent of arrivals. The Ministry of Culture and Tourism has segmented its market strategy into short-hold (Australia and New Zealand) and long-hold (Asia, Europe, and North America) markets. Solomon Airlines offers direct flights to both Australia and New Zealand, positioning the country to capitalize on its geographic proximity.

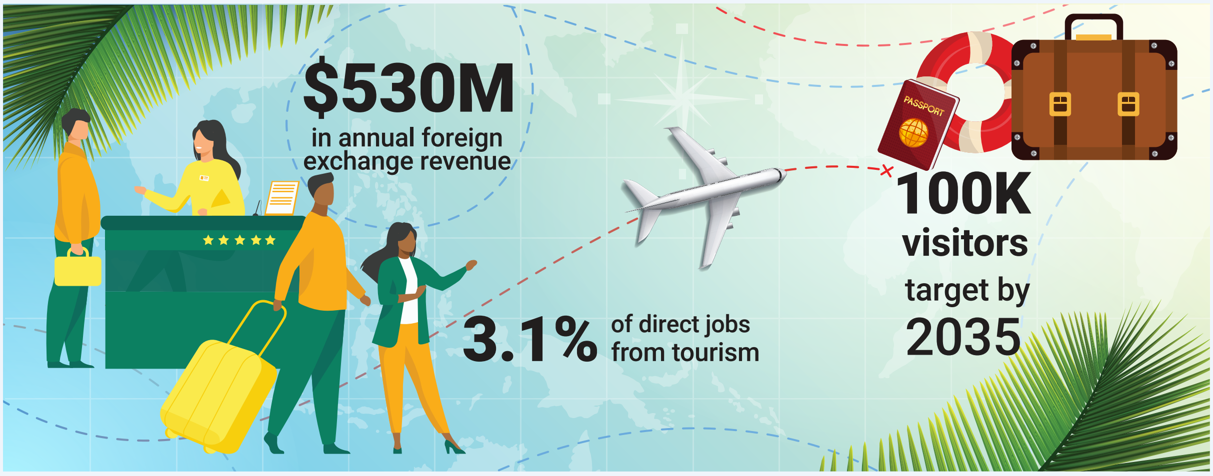
However, the industry continues to face several domestic challenges, including the lingering effects of ethnic conflict in 2000, civil unrest in 2006, and riots in 2021, all of which have affected the country's international image. Institutional and legislative frameworks also remain inadequate.

[28] *Tourism Recovery Plan 2021- 2035*

The Solomon Islands Visitors Bureau (SIVB) Act provides only for marketing functions and does not sufficiently support comprehensive development of the sector. Institutional governance is fragmented, with no coherent structure to coordinate the multiple stakeholders involved—such as those from agriculture, culture and arts, infrastructure, utilities, transport, and hospitality.

Accommodation remains a significant constraint. A 2021 analysis revealed that only 10 per cent of the country's 160 accommodation facilities meet international standards. Most rooms cater to the backpacker segment. International visitors demand higher standards, with the average stay lasting 12.5 nights and a daily spend of SI$1,522. Of this, 52 per cent is spent on accommodation, 20 per cent on food, and 11 per cent on transport—underscoring the lack of diversified activities and transport limitations.

Infrastructural limitations also impede growth. Quality accommodations, reliable air, sea and land transport, ICT connectivity, water and sanitation services, and affordable energy are all insufficient. Electricity costs are among the highest in the world at US$1.05/kWh. This cost is often passed on to consumers, contributing to the overall high cost of travel. However, the forthcoming Tina River Hydropower Project is expected to reduce energy prices, potentially improving the competitiveness of the tourism sector.




## 3.4.2 Opportunities

Tourism holds significant potential to become a leading industry in Solomon Islands. Its unique heritage sites, pristine natural landscapes, and cultural richness provide an ideal foundation for expansion. The country's proximity to key markets in Australia and New Zealand and the strategic market segmentation by the Ministry of Culture and Tourism can help boost arrivals and extend tourist stays.

The government has set a target of attracting 100,000 international visitors by 2035, based on a projected annual growth rate of 20 per cent. Realizing this goal will require investment in essential tourism infrastructure, upgrading accommodation standards, and diversifying product offerings. The development of national branded tourism products and services is crucial. Currently, the tourism industry remains narrow in scope, and expanding into eco-tourism, cultural tourism, and adventure tourism can help fill the gap.

As part of its strategy, the Ministry is promoting the national brand "Solomon Is" through digital platforms to enhance international visibility. The Ministry is also working to attract both domestic and foreign investors by providing information on investment opportunities and incentives.

Policy reform is a key area of opportunity. A new tourism act is being considered to replace the outdated SIVB Act, which will help establish a more robust governance and coordination framework. Embedding the roles of key sectors—agriculture, utilities, transport, retail, culture, and local communities—into tourism policy will ensure a more integrated development approach.

In terms of financing, the government has provided SI$174.8 million to the sector over the past decade, equivalent to just 2 per cent of the total development budget. This suggests significant scope for scaling up public investment. Development partners are already active in supporting tourism growth. The EIF-SI project has contributed to infrastructure, policy development, training, and grants. The International Finance Corporation (IFC) and the Millennium Challenge Corporation Fund (a USAID-funded programme) have assisted in identifying over 100 registered land parcels for potential tourism development. These sites are being prepared for promotion to prospective investors.

With continued policy, institutional and infrastructure support, and targeted private and public investment, the tourism sector in Solomon Islands could become a key pillar of inclusive and sustainable economic growth.

### 3.4.1 Sectoral priorities

### Strengthening institutional and legislative framework

An institutional governance and legislative and policy framework of the tourism industry is incomplete. Because of the absence of these institutional, policy and legal frameworks, relevant stakeholders have been unable to organize themselves into a formal legal entity. These service providers remain isolated without a clear sense of direction and common vision for a whole-of-tourism sector approach. It is imperative that relevant policies guiding the development and functioning of the industry be reviewed to facilitate the integration and coordination of the stakeholders.

The Solomon Islands Visitors Bureau Act, the legislation regulating the industry, has its limitations and does not adequately accommodate the functions of the Tourism Department. This fundamental gap underscores the need to develop an act to facilitate the full functioning of the Ministry and its key stakeholders and to provide support to the tourism industry. The Ministry of Tourism and Culture management has acknowledged this gap and aims to establish a national tourism policy.

## Tourism infrastructure development

Access to tourism sites and national tourist attractions at the provincial rural level remain a key challenge to tourism growth due to their geographic dispersions. Getting to some of the country's top tourism attractions is not easy and can be costly. Accordingly, infrastructure, such as roads, airports, wharves, inter-island shipping, and cruise and telecommunication services are vitally important for the growth of the tourism sector. Recently, major infrastructures have been built in the country which is expected to boost tourism. This includes the opening and operation of the country's second international airport, in the western province, improvement of the Honiara International Airport and upgrade of certain provincial airports to accommodate increasing flight arrivals. Solomon Airlines (national carrier) has recently added a second Airbus to its fleet, providing additional flights and new international routes.

Other priority infrastructure includes increasing the number of quality accommodations and offering more competitive prices, cheaper electricity and water services and reliable telecommunication services. The Government must aim for a sound policy that can improve access and reduce the cost of essential services. As mentioned earlier, a recent analysis on the tourism sector found that while rooms in the country are available, most of them targeted the backpacker segment. International visitors demand hotel and resort standard facilities.

As most of the natural and cultural attractions are at the provincial level, these essential services must be made available at the rural or community level.

## Product and service development

There is great potential to expand tourism in Solomon Islands. The islands and waters are pristine and host a rich biodiversity with different plants, animal species and marine lives. The country is the proud host of two world heritage sites, They are the East Rennell atoll, the largest raised coral atoll in the world and is home to Lake Tegano, the largest lake in the Pacific, and Marovo Lagoon, the largest lagoon in the world, which has extensive biodiversity and conservations. The site is a popular destination for diving and a tourism hub for international travelers.

Solomon Islands has World War 2 battlefields and war relics displaying war wrecks and remains of military artillery in the islands. These attractions provide a strong base for the development of the local tourist industry and enriches the country's niche market. Moreover, other tourism infrastructure, such as national parks (icon product) can further boost tourism development and growth. These natural resources and cultural heritages provide a solid foundation for the industry. Investments need proper coordination and partnership across different stakeholders and partners to ensure that product offerings meet the expected standards and complement the niche markets that guarantee the success of the investment programmes. Lessons can be learned from previous government efforts to support investments that failed to yield positive results.

## Achieving minimum standards

One of the key barriers to tourism growth in the country is the limited capacity of the tourism destination sector to offer its services in line with international standards. As has been reported, 90 per cent of the accommodations are below international standards.[29] The Ministry of Tourism and Culture has introduced a set of minimum standards and accommodation classifications through its Tourism Quality Standards Program. It plans to upgrade 50 per cent of all accommodations to international standard, according to its Strategic plan. The Ministry has introduced these minimum standards and are working with operators to achieve this target. In anticipation of the increase in visitor arrivals, the Ministry should continue to work with tourism operators to meet international standards and improve the quality of their products and services.

## Developing natural and cultural heritages

The country's natural, cultural and historical heritages remain an untapped potential in the custodian of local communities. These national heritages form a key component of the tourism industry and need to be developed and packaged to attract international visitors. A well-designed and developed product renders a meaningful and lasting experience to visitors. The development and design of tourist products need to be inclusive of local communities and other key stakeholders to ensure they are harmonized with the local environment and the social context. Connecting the tourism industry to these rural communities and engaging them through awareness programmes about the industry would be a key step forward.

Further interventions should focus on developing art works, preparing host communities to showcase their culture and natural heritage. The Tourism Department and its partners must continue to support the transmission of local knowledge and reciting of stories from the elders to the younger generations. These local narratives add value to the understanding, experiences and connection of visitors to local culture and heritage, which eventually contributes to the development of tourism. More importantly, it helps develop, conserve and promote the local culture and traditions.

## World War 2 and tourism

During World War 2, the Japanese empire and allied forces led by the United States of America built key infrastructure in the islands in their quest to get control of the South-West Pacific.[30] Key infrastructure includes airfields, roads, wharf facilities, communication systems, hospitals and housing. The country's two international airports were initially built by Japan and later captured and developed by the United States during World War 2. The development of this infrastructures was centred in Honiara, which influenced the decision of the British administration at the time to shift the capital to Honiara in early 1952.

The events of the war, battlefields, visible war relics and its immediate aftermath offer a key attraction and a niche market, targeting "war tourism". This has provided a comparative advantage over other regional destinations that the Government could prioritize by upgrading the related tourist facilities and rebranding its post-war tourism sites. Further development involving the collection and documenting of stories from the locals about their experiences on the war events and promoting the Solomon Islands as a "war tourism" or "memorial tourism" destination would create a market space for war nostalgia tourists to reflect and connect with this the historical event.

[29] *Minimum Standard and Classification for Tourism Accommodations*

[30] *Panakera (2007).*

## Promoting the natural and cultural heritages

As part of developing and promoting the country's cultural, natural and historical heritages to the international market, the Ministry of Culture and Tourism through the Solomon Islands Visitors Bureau may consider packaging these national assets into a marketable activities to international clients. These products could include, hiking, bush trekking, wildlife spotting, water sports, sightseeing, fishing, diving, surfing and geography field trips as well as many other niche markets. Developing a marketing strategy with a high-quality promotional content comprised of authentic stories would set the local destinations in a marketable position in the international market.

## Stakeholder and community integration

Tourism is a multifaceted sector with a complex value chain involving a wide range of stakeholders and service providers who play critical roles in the delivery of tourism services. These providers include accommodation operators and air, sea and land transport, and cultural industries. The ongoing upgrade of provincial airfields and construction of new airports in strategic locations that hosts the natural and cultural heritages are key priorities that must be supported. Integrating these line sectors and rural communities into a network of service providers linked to the tourism industry can add value to the national tourism industry and help sustain the growth of tourism.

Moreover, creating a space where local communities can play a more active role as service providers and key informants is critical for the success of the industry. The majority of the population, tribes and groupings reside in the rural villages and are the custodians of the rich culture, traditions and customs and world heritage sites. Given the distinct rights and possession held by the local communities, tribes and its people, it is only sensible that tourism investments are inclusive of local communities. That said, local communities are key partners of the tourism development activities and getting a clear and mutual understanding with communities renders the communities' willingness and readiness to be engaged.

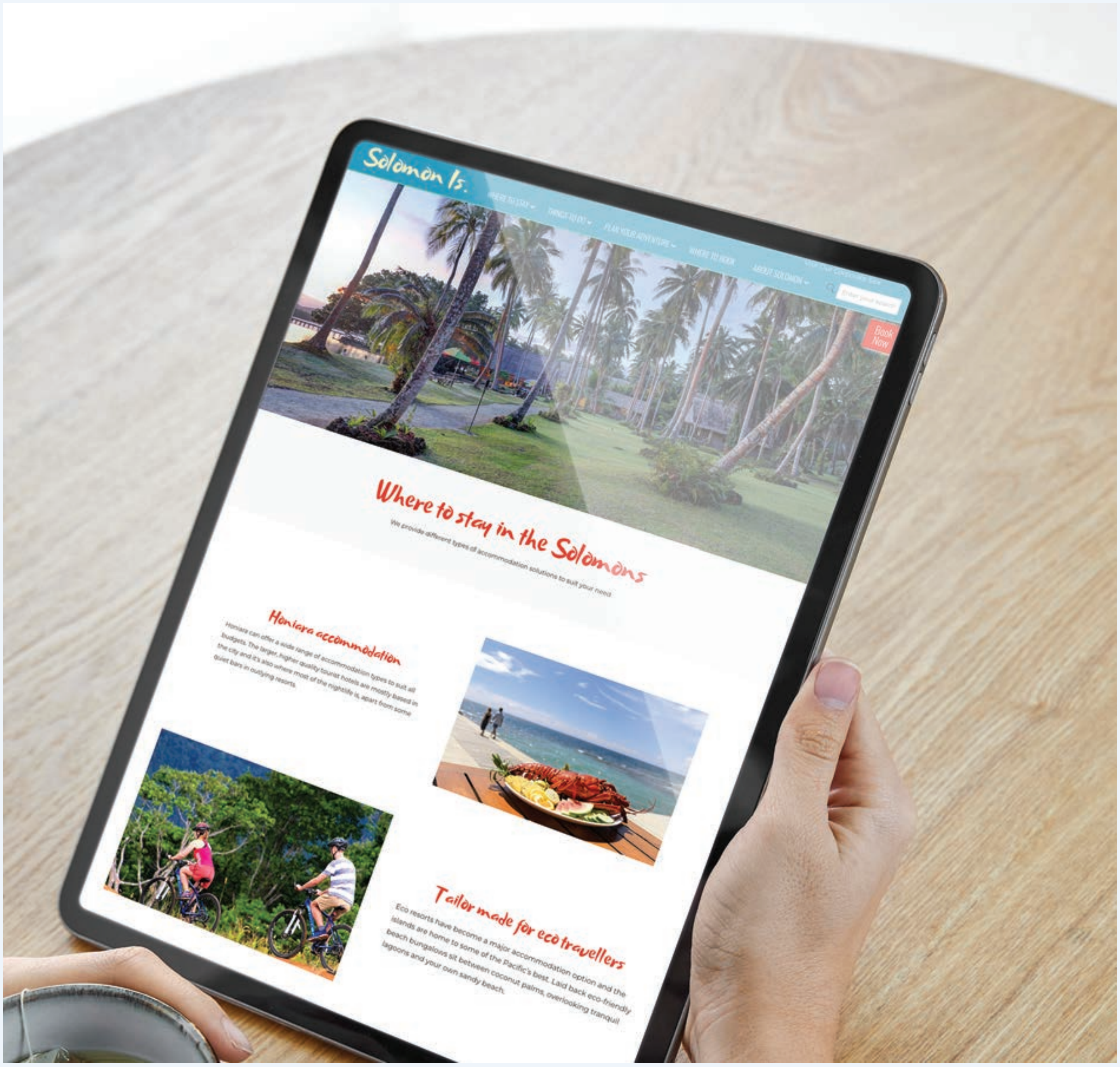

## Marketing tourism investment opportunities

The Ministry of Culture and Tourism, with support from its development partners, have identified more than 100 registered land and potential sites for tourism investment in the western, central and Guadalcanal provinces. The Ministry must actively promote and market these investment opportunities to potential foreign investors. Other essential infrastructure must be connected to the preferred sites, and the Government offer other incentives and investment packages aimed at enhancing the attractiveness of the opportunity to investors.

## Online international marketing and promotion

The Solomon Islands Visitors Bureau (trading as Tourism Solomons), a statutory body established under the Solomon Islands Visitors Bureau Act 1996 is responsible for marketing Solomon Islands as a tourist destination and ensuring that necessary information is available to international clients. Pillar 3 of the Tourism Solomon Strategic Plan is focused on digitalizing, transformation and online marketing and promotion of Solomon Islands as a destination by using innovative digital technology. The objective is to increase destination awareness at the international level and share quality experiences primarily through online marketing.

Framed around the “Solomon Is” brand name, which was launched in late 2018, the sector is focusing on a niche market and is repositioning the destination brand. This is critical for the competitiveness of Solomon Islands as a destination and enabling the island State to identify its unique characteristics, differentiate itself from other destinations in the region and gain market position. The brand was designed to give the unique personal experiences bestowed by its untamed natural beauty, pristine waters, culture and traditional lifestyles and natural environment. The digital product and experience offerings provide an updated database on products attractions, and events, updates of images, online video, and story-telling experiences, all of which are easily accessible through online platforms to international viewers.



# **Cross-Cutting** Priorities

**Infrastructure, policies, and reforms**
to strengthen economic foundations

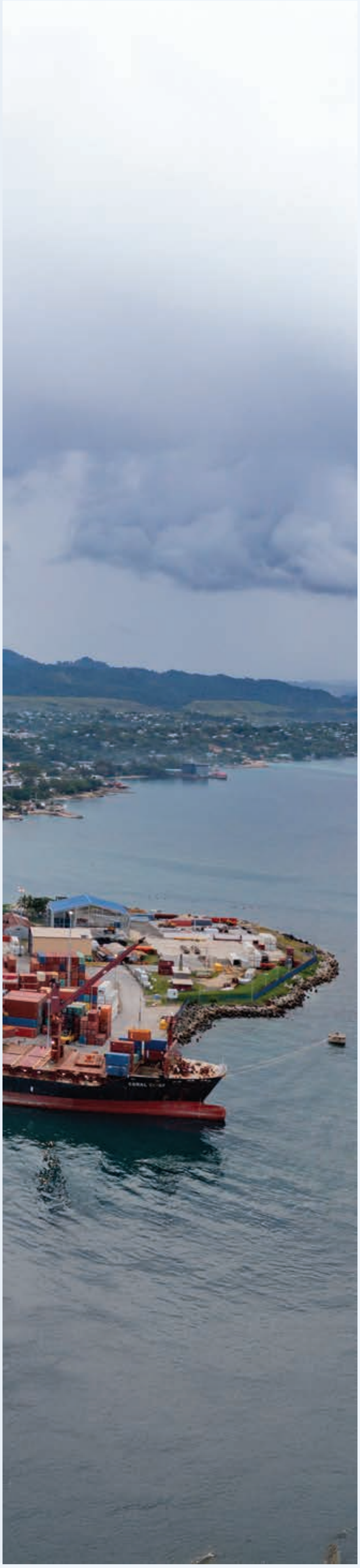
While the sections above included discussions on the strategic priorities specific to each productive sector, it is equally imperative to review interventions that seek to enhance the ecosystem and make it more conducive for all sectors. In the following sections, some cross-cutting priorities are synthesized.

## 4.1 Infrastructure development

Infrastructure services are the backbone of economic development. As already highlighted, the capacity of the country's infrastructure to support economic activities and facilitate the delivery of government services across the country is constrained by its geographical features. Linking producers and consumers across the country to the central business hub in Honiara presents a daunting task to businesses. These constraints are reflected in the accessibility, reliability, affordability and the quality of the infrastructure services available in the country. The country only has 1,180 km of roads within it 28,000-sq. km land mass.

Under the Government for National Unity and Transformation policy, infrastructure is a key pillar in addressing its tenure in Parliament and along with a pledge to invest in building and upgrading infrastructure to support economic activities and enhance connectivity. One of the key infrastructure projects being pursued by the Government is the Tina Hydro Project. The Government is expediting development of the project in 2024 and have it commissioned for operations. This infrastructure once completed will reduce cost of energy, which is the most significant factor behind the cost of doing business in Solomon Islands.

The Government for National Unity and Transformation policy has directed the Ministry of Commerce, Industry, Labor and Immigration to promote and support industrial developments in the country to enhance trade, maximize exports and increase economic growth through investing in infrastructure, providing incentives and streamlining regulations. A flagship initiative includes the establishment of special economic zones to attract foreign investment and create job opportunities. One of the immediate undertakings associated with the policy is the acquisition of the Russell Islands Plantation Estate Limited by the Government. The Estate is currently owned by foreign Investors. As a pay-back price of $140 million to the foreign owners has been offered. Once the acquisition process is completed, the Government will take ownership of the estate and rehabilitate it.



## 4.2 National product accreditation laboratory

The Government for National Unity and Transformation policy through the Ministry of Commerce Industry and Labour encourages local innovation, accreditation and certification of products in partnership with the private sector. Targeted sectors include food technology, cosmetics processing and manufacturing for local and expanded markets. This policy direction aligns well with the work of the National Public Health Laboratory Office.

One of the key constraints related to international trade is inadequate technical capacity to carry out product certification at the national level. The Food Safety Standards and the National Public Health Laboratory Office are carrying out this important function, however, with limitations, and are not able to meet international standards. The International Organization for Standardization (ISO 17025) sets general requirements for laboratories to be able to conduct sample testing and laboratory calibrations. Once a national laboratory meets these basic requirements and based on certification by an international accreditation body, the National Public Health Laboratory can be accredited to perform lab certification and calibration. Such proficiency testing and accreditation is critical for Solomon Islands in its effort to expand the country's export base.

Aided by support from development partners, the National Public Health Laboratory office is a step closer to achieving its accreditation for testing of products. According to the National Public Heath Laboratory, the national laboratory can meet 80 per cent of ISO 1725. However, the Laboratory is facing challenges towards meeting the outstanding 20 per cent of requirements due to financial constraints to procure supplies and maintain the laboratory according to the required standards. The Laboratory office aims to have the International Accreditation of New Zealand in the country to conduct the assessment for attaining certification. While the Laboratory is under the Ministry of Health and Medical Services, given the economic focus on exports, an oversight governance of this important work needs to be established to oversee the process. Key government agencies, such as the Ministry of Health and Medical Services, the Ministry of Commerce, Industry, Ministry of Foreign Affairs and Trade, the Ministry of Agriculture and the Solomon Islands Chamber of Commerce could consolidate their efforts in establishing the national accreditation board to oversee the country's accreditation and certification process.

## 4.3 National export policy

An overarching export policy to deal with the key interrelated barriers, such as product development, certification, relevant infrastructure, regulatory framework, investment environment and trade facilitation is required to facilitate growth. This important function would fall under the marketing department within the Ministry of Commerce, Industry, Labour and Immigration. To date, the country has functioned without an overarching export policy or strategy. The Ministry has recently noted this policy gap and aims to launch the first National Export Policy in 2024. Under the Government for National Unity and Transformation policy, the Ministry of Commerce, Industry, Labour and Immigration is mandated to support and work on mechanisms, processes and strategies that promote exports, through product development, diversification of the export base and improve market access opportunities for exports internationally. The policy is expected to facilitate the development and certification of products being piloted in different sectors.

## 4.4 Tax reform

Solomon Islands has one of the highest levels of taxation in the subregion. The tax regime is not robust enough to address the tax preferences of different industries. For instance, a new business investing in product development could be paying the same tax assessed to established businesses. Concern over taxes was cited as the most common disincentive to business registration and development. Business registration requires the application for a tax identification number. Many new businesses are concerned that tax registration will increase their financial burden and hence are not inclined to register. Given the high tax burden on a few businesses, low tax compliance and tax evasion is an ongoing issue faced by the Inland Revenue Division.

The Government, with support from the Asian Development Bank (ADB), Australia and New Zealand, is engaged in a significant reform programme. Recently, the new Tax Administration Act was passed with support from the Domestic Resource Mobilisation Project. This project supports the restructuring of the country's Inland Revenue Division, establishing a new tax administration information system, providing training to staff, and delivering a national campaign to increase taxpayer understanding and compliance.

The 100 days' policy of the Government for National Unity and Transformation has authorized the Ministry of Finance and Treasury through the Internal Revenue Division to pursue reform initiatives aimed at enhancing the development of the private sector through access to capital and a reduction in the cost of doing business. This also includes tax reform to address inconsistencies and promote a robust and efficient regime. The reform must consider and explore the introduction of a simple, presumptive flat-rate tax that can lead to a more inclusive tax system.

# Issues
# for consideration

**Strategic interventions** to drive sustainable development and resilience.

The following section presents a set of policy considerations and interventions based on their implementation timeline, short term and medium term. These suggested interventions are also consolidated in a matrix that could be further expanded to facilitate implementation and monitoring.

## 5.1 Forestry

### 5.1.1 Short-term interventions

#### I. Strengthening institutional governance and legislative framework

a. The new forest act: The forestry sector currently operates under the Forest 1999 Act, which contains numerous gaps, leading to significant challenges in governance and management. Issues, such as illegal logging, non-compliance, unsustainable practices and environmental destruction, are clear indications of weak institutional, policy, and legislative frameworks. Given that the logging industry is expected to remain in the coming years, it is crucial that a new forest bill be comprehensively developed, presented, and approved by Parliament as soon as possible. The prime minister must also promptly gazette the associated regulations for immediate implementation.

b. Strengthening manpower capacity of forest officers. One of the major issues raised by the Ministry of Forestry and Resources is the insufficient manpower to fully execute its responsibilities nationwide. Although there is a limited manpower establishment, the shortage of well-trained professionals within the ministry is another gap that must be addressed. This shortfall risks compromising compliance with the logging code of practices and established procedures due to the ministry's lack of capacity to enforce them. Given that logging activities are likely to continue in the coming years, it is crucial for the sector to attain sufficient manpower to ensure effective monitoring and compliance in the field.

c. Strengthened inter-agency coordination to enforce compliance with current regulations and ensure compliance by companies. Certain regulations and codes of practice under the current Forest Act and other legislation are not fully complied with by the logging industry. Enforcing these laws requires a cross-sectoral approach and close coordination among relevant agencies. In the context of forestry (logging), the Ministry of Environment and Conservation, the Customs and Excise Department, and, to a certain extent, the National Police Force, must collaborate as a cohesive team to effectively enforce regulations and orders. The Ministry of Forest and Research must take more proactive steps in coordinating with its network of agencies to ensure compliance.

#### II. Downstream processing – timber milling

Although logging is leading to the depletion of permitted species, there are still high-value protected species that could be processed locally in a more sustainable manner, which ensures that resource owners receive greater benefits from their logs. Increased government support for resource owners and local processors could enable both local communities and the Government to generate more income from these protected species. Currently, the country is earning more than SI$70 million from sawn timber exports, which accounts for approximately 2 per cent of total export earnings. The Ministry of Forestry and Research can support resource owners through training, assistance with portable milling saws, and by securing and facilitating market access.

### 5.1.2 Medium-term interventions

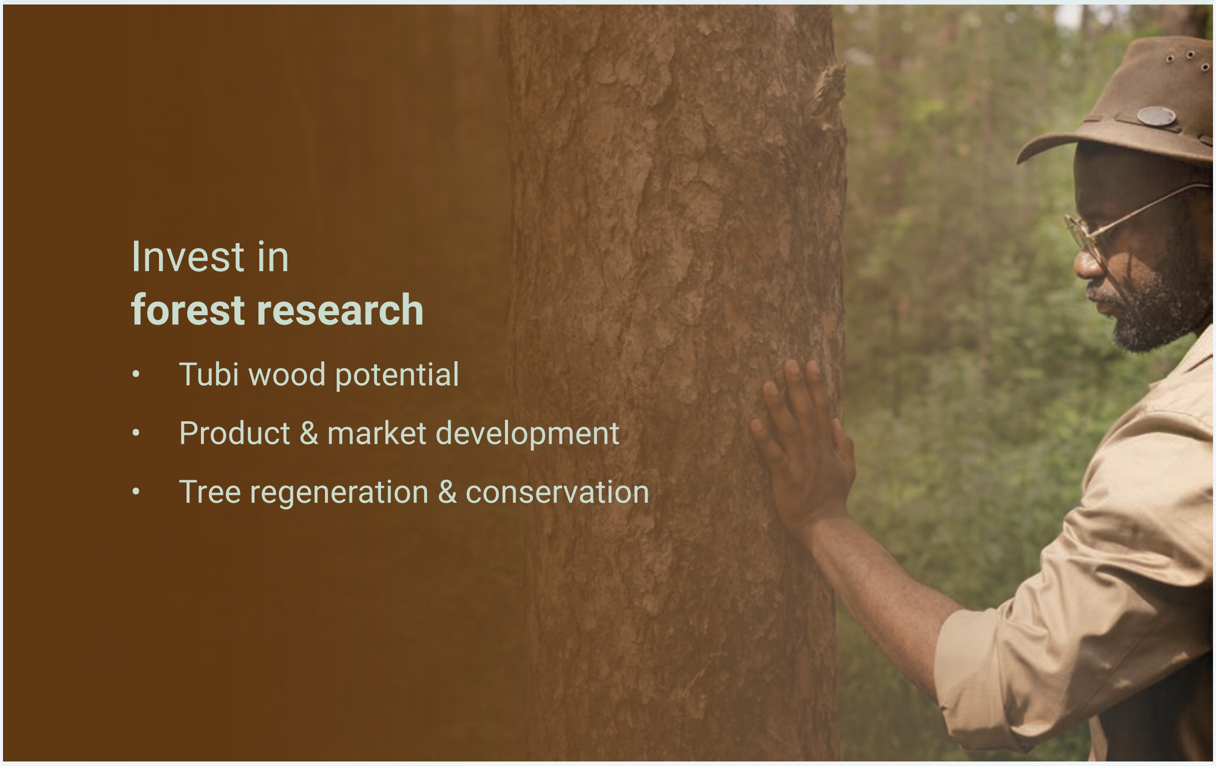
#### I. Value addition and product diversification

Government support to local operators or resource owners in the form of tax incentives, portable milling machines and technical training can encourage local wood processing and value-added activities. The sector could then develop wood products for national and international markets, such as veneer products and pharmaceutical medicines products. Processing a higher volume of logs domestically would be beneficial for the local economy as it generates investment, creates jobs (both skilled and unskilled), and results in a higher value to resource owners than the export of round logs.

#### II. National research

Ongoing research could be supported to identify products to develop from local forest resources. Research could also help to identify market opportunities for national forest products. Relevant partners can be requested to support research activities. Key potential areas of research could include the following:

a. Veneer production – building materials
b. Paper production
c. Pharmaceutical/ medicine products opportunities
d. Home/ office furniture products from hardwood species
e. Potential products for the Solomon native Tubi wood.
f. Research to secure market opportunities for national wood products
g. Botanical Research for regeneration and conservation of local natural trees.



# 5.2 Agriculture

## 5.2.1 Short-term interventions

### I. Coconut industry development

#### a. Coconut industry institutional governance structure

i. Support the establishment of coconut industry a working group/ secretariat. The group could be placed under Ministry of Agriculture and Livestock and comprised of relevant organizations, private business involved in the industry and development partners supporting the coconut sector. The group could be assigned an oversight role on policy matters and regulatory issues affecting the sector and act as a secretariat to the coconut industry and a focal point to key government ministries and partners.

ii. Support and collaborate with coconut farmers across the country to establish

the coconut farmers association. This can be registered as an association or cooperative and could be open for membership to farmers within a specific province. The farmers associations could report to coconut industry group.

#### b. Coconut development support scheme

be aimed at boosting farmers' productive capacity. Support could be given as incentives to encourage farmers' investment in the coconut industry. Technical support should seek to develop superior local and imported coconut genetic materials with the following characteristics: high yields; high degree of pest and disease resistant; and climate resilience.

i. Financial and technical support to coconut downstream processing and value-addition. province. The farmers associations could report to coconut industry group.

- Low-cost mechanization – Explore possible mechanization options to increase the output of smallholder coconut production systems. This can be used to enhance cultivation, collection of coconuts, in-farm, and applied to improve processing, including coconut splitting, dehusking and drying techniques.

- Product diversification – Collaborate with farmer organizations and the private sector to investigate and test suitable coconut processing technologies. Explore value-added product and market diversification opportunities, such as crude coconut oil for export, refined cooking oil, biodiesel and virgin coconut.

## II. Cocoa industry development

### a. Cocoa industry institutional governance structure

i. Support the establishment of a cocoa industry working group/ secretariat. The group could be placed under the Ministry of Agriculture and Livestock and comprised of relevant organizations, private business working in the industry and development partners supporting the cocoa sector. The group could be assigned an oversight role on policy matters and regulatory issues affecting the sector and act as a secretariat to the cocoa industry and a focal point to key government ministries and partners.

ii. Support and collaborate with cocoa farmers across the country to establish cocoa farmers associations. This can be registered an association or a cooperative and could be open for membership to farmers within each specific province. The farmers associations would report to cocoa industry group.

### b. Cocoa support scheme

i. Provide funding incentives and technical support to farmers – Aim to increase the production volume, productivity per tree and quality of cocoa beans. The design of the scheme could be similar to the one for the coconut sector

Improve cocoa value chain performance through various models of mutually beneficial collaborative partnerships. Details describing the development of partnerships province. The farmers associations could report to coconut industry group.

ii. Financial and technical support to cocoa processing and value-addition.

Cocoa processing: test technological improvement options for fermentation and drying cocoa beans. Examples include solar dryers (poly-houses), designs with drying racks and sliding roofs and improved traditional village driers with structural adjustments to avoid smoke contamination, such as the addition of flues.

Evaluate the feasibility of the establishment of (i) medium-scale cocoa-chocolate factories (in Honiara and Guadalcanal). If feasible, the Ministry of Agriculture and Livestock could seek the establishment of these facilities through a public-private partnership framework of PPPs.

### III. Lever Solomon Limited and RIPEL Estates Investment

The Russel Islands Real Estate Limited hosts the largest coconut plantation in the Southern Hemisphere and is a strategic priority for Solomon Islands. The islands are partially covered in coconut plantations and there is a copra and oil factory in Yandina. The estate was the main producer of copra and coconut oil before ethnic tensions led to its closure in 2003. The Lever Solomon Limited estate and RIPEL Real Estate have been foreign owned for a long time. There is now an opportunity to regain full ownership of the estates following a ruling by an Australian court, which recently appointed a liquidator for the Lever Solomon Limited estate. The Government of Solomon Islands has been offered the chance to acquire full ownership of both estates if it can settle the $140 million owed to creditors.

The new Government for National Unity and Transformation is actively pursuing the reacquisition of Russell Islands Plantation Estate Limited and Lever Solomon Limited Estate as part of its policy and is fully committed to reclaiming these estates. The Government is in the process of securing funds to finalize the deal with the estates. Regaining full ownership of these estates is crucial for the long-term economic prosperity, peace, and security of the Solomon Islands. The estates are expected to significantly boost the coconut and cocoa industries. The Government believes it can complete the acquisition within its first 100 days in office.

The Russel Islands Plantation Estate investment offers tremendous potential for Solomon Islands and is one of the low-hanging fruits that must be pursued. The investment is expected to support the agriculture sector and sustain the economy. The Government must remain committed to its agenda of attaining full ownership of these assets and is reminded to pursue the process with due diligence and within the legal framework.

### 5.1.2 Medium-term interventions

#### I. Rehabilitation of the Russell Islands Plantations

The Ministry of Agriculture and Livestock could facilitate the rehabilitation of the Russel Islands plantation once the Government assumes full ownership of the estate. A management committee, including key stakeholders, must be established to oversee the programme for reviving and rehabilitating the plantations and their operations. Exploring the possibility of Solomon Islanders operating the industries under a public-private partnership model, with local community involvement, is a potential path forward. However, the specific business model to be used remains unclear at this stage and will be discussed once the ownership title is officially transferred to the Government of Solomon Islands.

#### II. National Product Accreditation Laboratory

Under the Government for National Unity and Transformation, there is need to enhance the country's productive capacity through technology and innovation. Recently, the focus has increased on diversifying and adding value to resources to create final products for local and international markets. This emphasis has brought the National Public Health Laboratory office and national food safety standards to the forefront of product development. It is timely that the office receives the necessary support and resources to carry out its functions according to international standards.

The National Public Health Laboratory office has reported that it has met 80 per cent of the ISO 1725 requirements in its preparation for international accreditation. However, government support is essential to address the remaining requirements before inviting the international accreditation body to audit the facilities. The government should allocate funds through the Ministry of Health and Medical Services to enable the National Public Health Laboratory office to perform its duties and fully prepare for a review by the International Accreditation of New Zealand. The office aims to have the International Accreditation of New Zealand conduct an in-country assessment and testing of its laboratory facilities, which could lead to certification.

Institutionalizing the work of the National Public Health Laboratory office support structure and governance is crucial to ensure its integration with key ministries and other stakeholders. Establishing a strategic oversight body to support the office is vital for the effectiveness and sustainability of the national accreditation office. Key government agencies, including the Ministry of Health and Medical Services, the Ministry of Commerce and Industry, the Ministry of Foreign Affairs and External Trade, the Ministry of Agriculture and Livestock, and the Solomon Islands Chamber of Commerce, should be involved.

## 5.3 Fishery

### 5.3.1 Short-term interventions

#### I. Bina tuna processing plant (Malaita)

The National Fishery Policy is focused on the need to increase and diversify the benefits the country derives from its offshore fisheries resources. With 1.58 square kilometres of the exclusive economic zone, the Solomon Islands produces more than 100,000 metric tons of tuna annually, but currently lacks the capacity to process it locally. The Government is prioritizing the establishment of a state-of-the-art tuna processing plant at Bina in Malaita to boost economic returns from tuna resources and create employment opportunities nationwide. The final technical studies are underway, to be followed by the design of a business model that will be offered for international tender to attract reputable investors. The Government, through the Ministry of Fisheries and Marine Resources, must continue to work with its partners (the New Zealand Ministry of Foreign Affairs and Trade, IFC, and Australian Aid for International Development) and land-owning groups to facilitate the development of the Bina Tuna Project. The Government may also need to enhance roads and bridges near the Bina project site.

#### II. Increasing inshore coastal fishery

Inshore fisheries are within the purview of local communities, making a community-based resource management approach particularly well-suited to the land and sea tenure systems of Solomon Islands. Given the success stories from commodities, such as seaweed, support for inshore fisheries should be strengthened. There is significant potential for increased production, as the majority of the population lives in rural communities and is eager to participate in community-based industries.

**The following initiatives could be promoted or supported:** As the second most valuable fishery resource in the international market, the beche-de-mer industry must remain regulated to ensure its long-term sustainability. Continued support for research projects focused on the nursery and breeding of sea cucumbers is essential to ensure the industry’s expansion.

**Seaweed:** This small, emerging industry has grown consistently over the years and is becoming increasingly popular among rural communities. Given its success and suitability for local environments, the Government and its partners should continue to support farmers in boosting seaweed production and expanding development of it to other coastal communities.

## 5.3.2 Medium-term interventions

### I. Bina tuna cannery construction

Once the Bina Tuna Cannery project completes the first phase of implementation, which includes finalizing all technical studies, designing the appropriate business model and securing an international investors, the developer will begin the physical construction of the project site. This is anticipated to start in 2025. A more detailed activity plan for the construction phase will be developed by the project management unit in consultation with the selected investor.

### II. Aquaculture development and diversification

Invest in the farming of additional aquaculture species, both coastal and inland freshwater, such as clam shell farming, oyster farming, flagtails, gabies, eels, and freshwater shrimps.

Conduct research and invest in seaweed product value addition and diversification to fully realize its potential as a commodity. Currently, seaweed is exported as a raw material, but value addition could significantly increase its economic value. Potential products include food items, cosmetics, fertilizers and other industrial products.

Secure international markets for new aquaculture and other marine products from the Solomon Islands.

The focus is on building the **Bina tuna plant,** expanding **community-led seaweed and sea cucumber farming,** and developing **aquaculture and export-ready marine products** for long-term growth.

## 5.4 Tourism

### 5.4.1 Short-term interventions

#### I. Institutional Strengthening – Policy and legal framework

The tourism sector's cross-cutting nature necessitates an effective policy framework and strong institutional governance to manage and support the industry's operations. The country lacks a formal tourism policy, making the creation of this framework an urgent priority. It is recommended that resources and support be directed towards developing the country's tourism policy and a tourism bill. These legal frameworks are essential for facilitating the integration of key stakeholders into the tourism sector.

#### II. Tourism infrastructure development

Accommodations are crucial services that underpin tourism growth. Reports indicate that 90 per cent of accommodations fall below international standards; only 10 per cent are suitable for marketing to international visitors. This low quality can negatively impact the perception of the tourism industry and contribute to low tourist numbers. The Ministry of Culture and Tourism should continue enforcing minimum accommodation standards across the country through its Tourism Quality Standards Program. Given that most natural and cultural attractions are at the provincial level, it is essential for rural and community-level accommodations to meet these minimum standards. The Ministry must persist in its efforts to upgrade 50 per cent of all accommodations to meet international standards in the medium term.

#### III. Promotion/ marketing of tourism investment opportunities

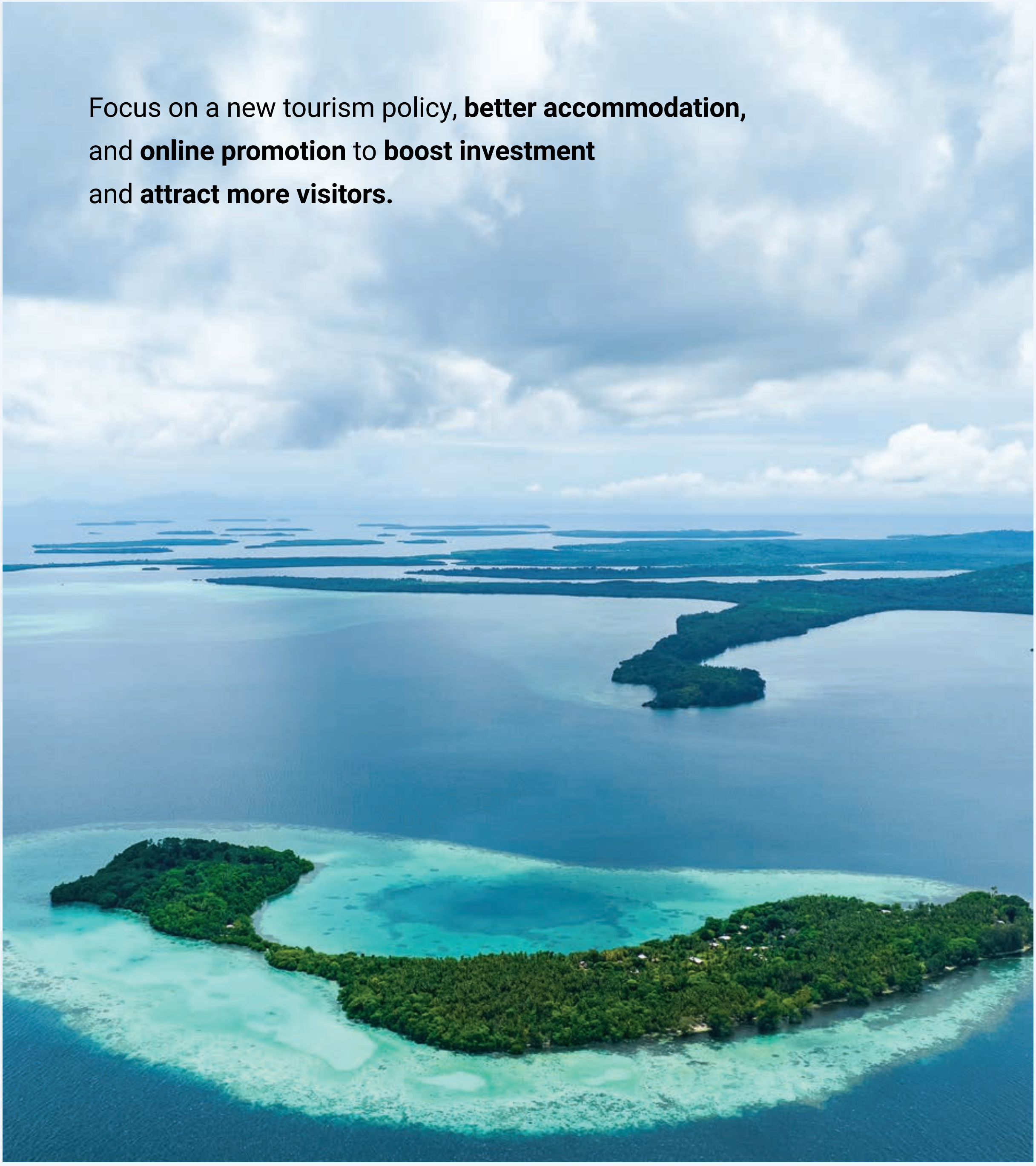
With the support of its development partners, the Ministry has identified more than 100 registered land parcels and potential sites for tourism investment in the Western, Central, and Guadalcanal provinces. The Ministry must actively promote and market these investment opportunities to potential foreign investors. Additionally, essential infrastructure must be developed at the preferred sites, and the Government should offer incentives and investment packages to make these opportunities more attractive to investors.

#### IV. Developing natural and cultural heritages

The country's natural, cultural, and historical heritages represent an undeveloped potential within local communities. These national heritages are key pillars of the tourism industry and need to be developed and packaged to meet international market demands and expectations. They should be transformed into products and services that provide meaningful and lasting experiences for visitors. The development and design of tourist products must involve local communities and be harmonized with the local environment and social context. It is crucial to create opportunities for local communities to play a more active role as service providers and key informants, as they are the custodians of rich cultures, traditions, customs, and world heritage sites, as the majority of the population resides in rural villages.

### V. Online international marketing and promotion

Online international marketing and promotion are essential strategic tools for reaching potential visitors and clients. The Ministry, through the Solomon Islands Visitors Bureau, should continue to invest in digitalizing and transforming national tourism products and natural attractions through innovative online marketing and promotional platforms. Promotional packages featuring the brand name “Solomon Is” should be designed to enhance destination awareness at the international level and share quality experiences primarily through online marketing.



Focus on a new tourism policy, **better accommodation,** and **online promotion** to **boost investment** and **attract more visitors.**

## 5.5 Summary table of issues for consideration

| SHORT-TERM INTERVENTIONS | | | | |
|---|---|---|---|---|
| **Sector** | **Policy/programme** | **Interventions** | **Summary** | **Responsible agency** |
| FORESTRY | Strengthening institutional framework and governance (A) | Draft new forest bill and seek parliamentary approval to empower the Ministry of Forestry and Research and its agencies to enforce compliance with the act. | The Forest 1999 Act is plagued by numerous gaps, resulting in the sector's inability to govern and enforce the code of practices. The new forest act would have to be drafted and finalized in consultation with the Office of Attorney General and approved in Parliament. | Ministry of Forestry and Research<br><br>Office of Attorney General |
| | Downstream processing – Timber milling | Identify forest owners, and provide portable Lucas mills to help process their logs for timbers and facilitate market access. | Moreover, as the logging industry winds down, support must be extended to local resource owners to process their logs into timber. The initiatives should aim to map and profile resource owners and provide licensing to resource owners. They should also support them with portable timber mills to help maximize returns from log resources. | Ministry of Forestry and Research<br><br>Forest Resource owners<br><br>Value Added Timber Authority |
| | Strengthened inter-agency coordination for compliance | Establish a cross-sectoral coordination committee to enforce regulations and ensure compliance by logging companies. | Given the cross-sectorial requirements, an inter-agency coordination group consisting of the Ministry of Forestry and Research, the Ministry of Finance and Treasury, Customs, the Ministry of Environment and the Royal Solomon Islands Police Force should be established to enforce regulations and compliance by logging companies. | Ministry of Forestry and Research/Customs and Ministry of Environment |

| SHORT-TERM INTERVENTIONS | | | | |
|---|---|---|---|---|
| **Sector** | **Policy/programme** | **Interventions** | **Summary** | **Responsible agency** |
| AGRICULTURE | Farmers cooperatives and profile | Establish farmers cooperatives | The Ministry of Agriculture and Livestock has identified potential farmers as “accelerators”, who have the ability to significantly expand production if given the proper support. These farmers are individuals, isolated and not formally established. To raise their profiles, these farmers could be registered as a formal entity and linked to Ministry of Agriculture and Livestock and other institutions. | Ministry Agriculture and Livestock/farmers |
| | Coconut industry development | 1 )Revise the coconut sector strategy<br><br>2)Rehabilitate coconut pl antations<br><br>3 )Coconut support scheme | A review and update of the Solomon Islands Coconut Sector Strategy 2012 –2020 to reflect new developments, trends, and technologies in the industry is required.<br><br>Providing a coconut “support scheme” as incentives to farmers through the National Coconut Development Fund could be explored. | Ministry of Agriculture and Livestock – Coconut project coordinator |

| SHORT-TERM INTERVENTIONS | | | | |
|---|---|---|---|---|
| **Sector** | **Policy/programme** | **Interventions** | **Summary** | **Responsible agency** |
| AGRICULTURE | Cocoa industry development | 1 )Revise cocoa development strategy<br><br>2 )Support rehabilitation of cocoa plantations<br><br>3)Cocoa support scheme | The Ministry of Agriculture and Livestock intends to review and update the Solomon Islands Cocoa Industry Policy and Strategy 2012–2020, to reflect new developments, trends and technologies.<br><br>Assist cocoa farmers in establishing producer groups and farmer organizations is recommended. Supporting active and registered farmer organizations to establish warehouses with basic equipment could then be pursued. | Ministry of Agriculture and Livestock – Cocoa project coordinator |
| | Russell Islands Plantations Estate Investment | Acquisition and transfer of ownership of the Lever Solomon Limited estate and the Russell Islands Plantations Estate Investment. | Finalize the pay back agreement with the Lever Solomon Limited estate and the Russell Islands Plantations Estate<br><br>Secure Funds for the payback agreement<br><br>Legal transfer of estate ownership to the Government | Office of the Prime Minister, Ministry of Finance and Treasury and Ministry of Commerce, Industry, Labour and Immigration, and Lever Solomon Limited estate and the Russell Islands Plantations Estate |

| SHORT-TERM INTERVENTIONS | | | | |
|---|---|---|---|---|
| **Sector** | **Policy/programme** | **Interventions** | **Summary** | **Responsible agency** |
| FISHERIES | Bina tuna processing plant (Malaita) | 1 )Establish a second tuna cannery processing plant.<br><br>2 )Enhance revenue from fishery sector through canned tuna exports | Coordinate with IFC to complete outstanding technical studies (geotechnical study).<br><br>Develop an onshore tuna processing business plan based on a public-private partnership model that provides tuna fishing rights to an investor to develop, finance, build and operate the tuna processing plant | Ministry of Fisheries and Marine Resources/ New Zealand Ministry of Foreign Affairs and Trade/ IFC |
| | Expand coastal fishery exports | 3 )Increase revenue from non-tuna fishery products (seaweed, reef fish/ fillet, beche-de-mer, shark fin) | Increase support for expansion of seaweed farming. Secure market for new products – reef fish, considering the new reciprocal trade deal with China | Ministry of Fisheries and Marine Resources/ Ministry of Commerce, Industry, Labour and Immigration |
| | Increase compliance to fishery laws and international treaties | 4 )Institute a compliance, surveillance and enforcement programme to combat illegal, unreported and unregulated fishing | An integrated fishery monitoring programme to collect and verify data on fishing activities using observers and e-monitoring<br><br>Offshore fisheries development approaches could control the harvest, processing and export of Solomon Islands fish through appropriate public–private partnership arrangements | Ministry of Fisheries and Marine Resources/Forum Fisheries Agency |

| SHORT-TERM INTERVENTIONS | | | | |
|---|---|---|---|---|
| **Sector** | **Policy/programme** | **Interventions** | **Summary** | **Responsible agency** |
| TOURISM | Strengthening institutional, policy and legislative framework | 1 )Establish national tourism policy<br><br>2 )Clearly specify roles of key institutions within the tourism sector in the policy and legislation.<br><br>3 )Review of the Solomon Islands National Tourism Strategy | Carry out national consultation with key stakeholders on the development of the national tourism policy<br><br>Conduct national consultation with key stakeholders on the development of the Solomon Islands national tourism strategy with relevant stakeholders. | Ministry of Culture and Tourism senior management<br><br>Development Partners<br><br>Solomon Island Visitors Bureau/ tourism operators<br><br>Department of Tourism |
| | Minimum international standard for tourism accommodations | 1 )Train and support accommodation businesses to meet the minimum international standards<br><br>2 )Quality of accommodations meeting international standards improved from current 10% level. | Continue to roll out the minimum international standards for accommodations with all operators. Secure development partner to support the roll-out the minimum standards.<br><br>Provide support through training and financial assistance to upgrade accommodation facilities to meet the minimum standards | Ministry of Culture and Tourism<br><br>Tourism operations<br><br>(Accommodations) |

| SHORT-TERM INTERVENTIONS | | | | |
|---|---|---|---|---|
| **Sector** | **Policy/programme** | **Interventions** | **Summary** | **Responsible agency** |
| TOURISM | Promote national investment opportunities to potential investors | Attract new investors to develop identified sites | Ministry of Culture and Tourism with the support from its partners continue to promote investment opportunities for the selected prime sites to foreign investors in the tourism industry.<br><br>Memorandum of understanding agreement signed between the Government of Solomon Islands/Ministry of Culture and Tourism with investors to develop the registered potential sites | Ministry of Culture and Tourism/ Solomon Islands Visitors Bureau, Pacific Tourism Organisation |
| | Online international marketing and promotion of national tourism products and attractions | 1 )Create and launch online international marketing and promotion platform<br><br>2 )Increase viewers and online followers internationally on the online, digital marketing platform | The Ministry of Culture and Tourism, through the Solomon Islands Visitors Bureau must establish the online digital marketing platform.<br><br>All information, data and live stories, experiences, video and pictures are captured as an in content and promotional package that is available online. | Ministry of Culture and Tourism and Solomon Island Visitors Bureau |

| MEDIUM-TERM INTERVENTIONS | | | | |
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| **Sector** | **Policy/programme** | **Interventions** | **Summary** | **Responsible agency** |
| AGRICULTURE | National standard export accreditation product certification | 1 )Laboratory accreditation for export product certification<br><br>2 )Solomon Island products are certified and meet international standards for export | The support should aim to prepare the National Public Health Laboratory for accreditation by International Accreditation New Zealand. This will qualify the National Public Health Laboratory to conduct sanitary testing and certification of local products for export<br><br>Institutionalize a national accreditation board, which may include the following entities: Ministry of Commerce, Industry, Labour and Immigration; Ministry of Foreign Affairs and External Trade; Ministry of Health and Medical Services;, Ministry of Agriculture and Livestock; and Solomon Islands Chamber of Commerce and Industry | Ministry of Health and Medical Services, Ministry of Commerce, Industry, Labour and Immigration, Ministry of Agriculture and Livestock |
| | Coconut industry development | Provide support initiatives on coconut value addition and product diversification | Collaborate with private entrepreneurs to explore value-added initiatives and market diversification, such as crude coconut oil, refined cooking oil, biodiesel, virgin coconut oil, coconut flakes and flour, cream and options and include use as a raw material for animal feed. | Private business / Ministry of Commerce, Industry, Labour and Immigration |

| MEDIUM-TERM INTERVENTIONS | | | | |
|---|---|---|---|---|
| **Sector** | **Policy/programme** | **Interventions** | **Summary** | **Responsible agency** |
| AGRICULTURE | Cocoa industry development | Support cocoa processing and value-addition initiatives | Test technological improvement options for fermentation and drying. Include solar dryers (polyhouses), as well as improved traditional village driers with structural adjustments to avoid smoke contamination. | Ministry of Health and Medical Services, Ministry of Commerce, Industry, Labour and Immigration, Ministry of Agriculture and Livestock |
| | Institutional governance and coordination | Establish a sector coordination working group for respective industries | Evaluate the feasibility of establishing two medium-scale cocoa-chocolate factories in the country. The Ministry of Agriculture and Livestock should consider establishing facilities through a public-private partnership model.<br><br>Review and improve current institutional and regulatory arrangements for the coconut and the cocoa sector. Improve or establish various levels of coordinating and implementing agencies ,such as a coconut/cocoa secretariat, a coconut industry working group, provincial coconut task forces, farmer associations/cooperatives) involving all relevant stakeholders. Facilitate tailor-made training to industry groups | Private business / Ministry of Commerce, Industry, Labour and Immigration |

| MEDIUM-TERM INTERVENTIONS | | | | |
|---|---|---|---|---|
| **Sector** | **Policy/programme** | **Interventions** | **Summary** | **Responsible agency** |
| **AGRICULTURE** | Russell Islands Plantations Estate Investment | Pursue rehabilitation of the Russell Islands Plantation Limited | The rehabilitation of the Russell Islands Plantation Limited will progress as soon as ownership issues are resolved. Plantations owned again by the Government of Solomon Islands, coconut and cocoa plantations to be rehabilitated. | Ministry of Agriculture and Livestock<br><br>Coconut, Cocoa and Livestock Department |
| **FORESTRY** | Downstream processing and product diversification | 1 )Business incentives are provided to new investors venturing into downstream processing, value addition of Forestry projects | Provide support to local business operators including tax incentives to encourage local wood processing and value-added activities to occur inshore.<br><br>Diversify forestry production by using technology, technical knowledge and research to produce diversified wood products for national and international markets, such as veneer products and pharmaceutical medicines products. | Ministry of Forestry and Research |
| | | 2 )Enforce the current logging code of practices and sector policy | Enforce the implementation of the 8% quota for processing of log volume per licence to encourage downstream processing<br><br>The increase in the logging license of $50,000, will help control logging activities<br><br>Enforce the payment of logging bond of $1,000,000 per year to ensure companies are cautious on environment damage. | Ministry of Forestry and Research<br><br>Solomon Island Customs |

| MEDIUM-TERM INTERVENTIONS | | | | |
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| **Sector** | **Policy/programme** | **Interventions** | **Summary** | **Responsible agency** |
| **FISHERIES** | Bina tuna processing plant (Malaita) | Construction of a second tuna cannery processing plant. | The construction and commencement of operation of the tuna processing plant. | Tuna investors<br><br>Ministry of Fisheries and Marine Resources, IFC and Ministry of Foreign Affairs and Trade of New Zealand |

# Conclusion

Building a diversified, strong,
and sustainable economy beyond 2027

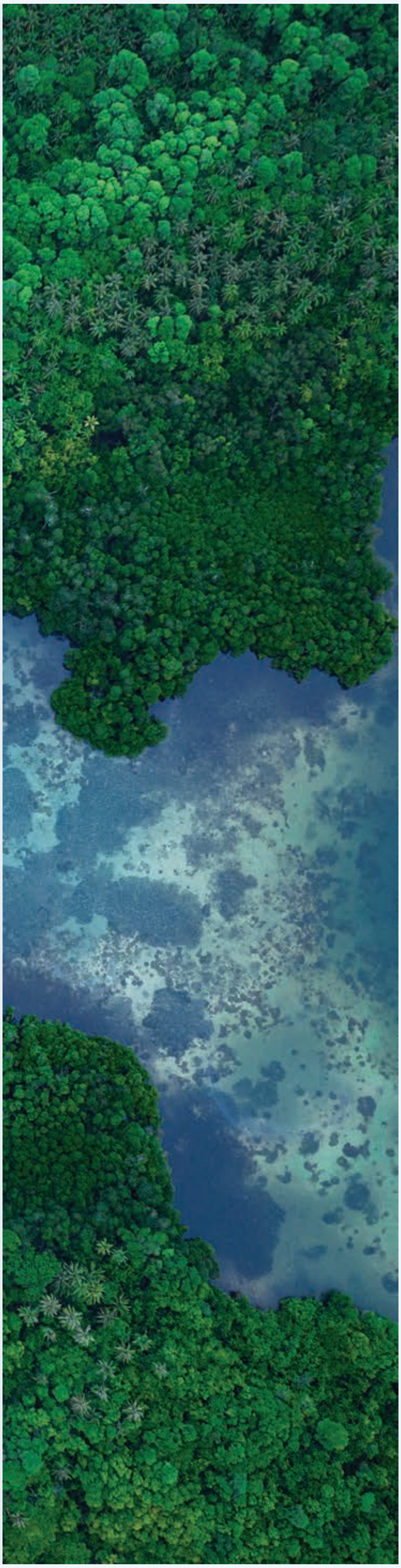
Solomon Islands is at a critical juncture, poised to graduate from least developed country status, which may result in the loss of special treatment in international trade and development assistance from multilateral partners. To facilitate a smooth transition from the this category, the present study provides an assessment of the national economy and an analysis of its productive sectors to identify key challenges and opportunities, and to recommend strategies for short- to medium-term implementation.

In recent years, the country's economic growth has been disrupted by the global pandemic and civil unrest. Although the economy was trending negatively, it began to recover in 2023. However, due to the declining logging industry, economic growth is projected to be moderate over the next three years, which may affect government finances, particularly in terms of service delivery and development.

Solomon Islands has a narrow-based economy, heavily reliant on the logging industry, which accounts for more than 60 per cent of export earnings. The remaining shares come from the fisheries and agriculture sectors. The logging industry's continued decline is expected to persist, making it essential for government policies to prioritize investments in other productive sectors.

A sector analysis reveals that the Solomon Islands has great economic potential, with opportunities to diversify its economic base through agriculture, forestry, fisheries, tourism and other cross-cutting priorities. However, these opportunities remain largely undeveloped. Urgent national intervention is needed to address policy and legislative gaps, strengthen institutional governance and build capacity for effective coordination and implementation of these priorities. The identified priorities are mainly for the short to medium term and require coordination among relevant ministries and partners.

Some of the recommended interventions are ongoing and need to be scaled up systematically. Additionally, several significant investments aligned with government policy priorities require enhanced coordination and resourcing by the government and its partners. The study's key recommendations underscore that opportunities and challenges must be incorporated into sector-specific action plans.



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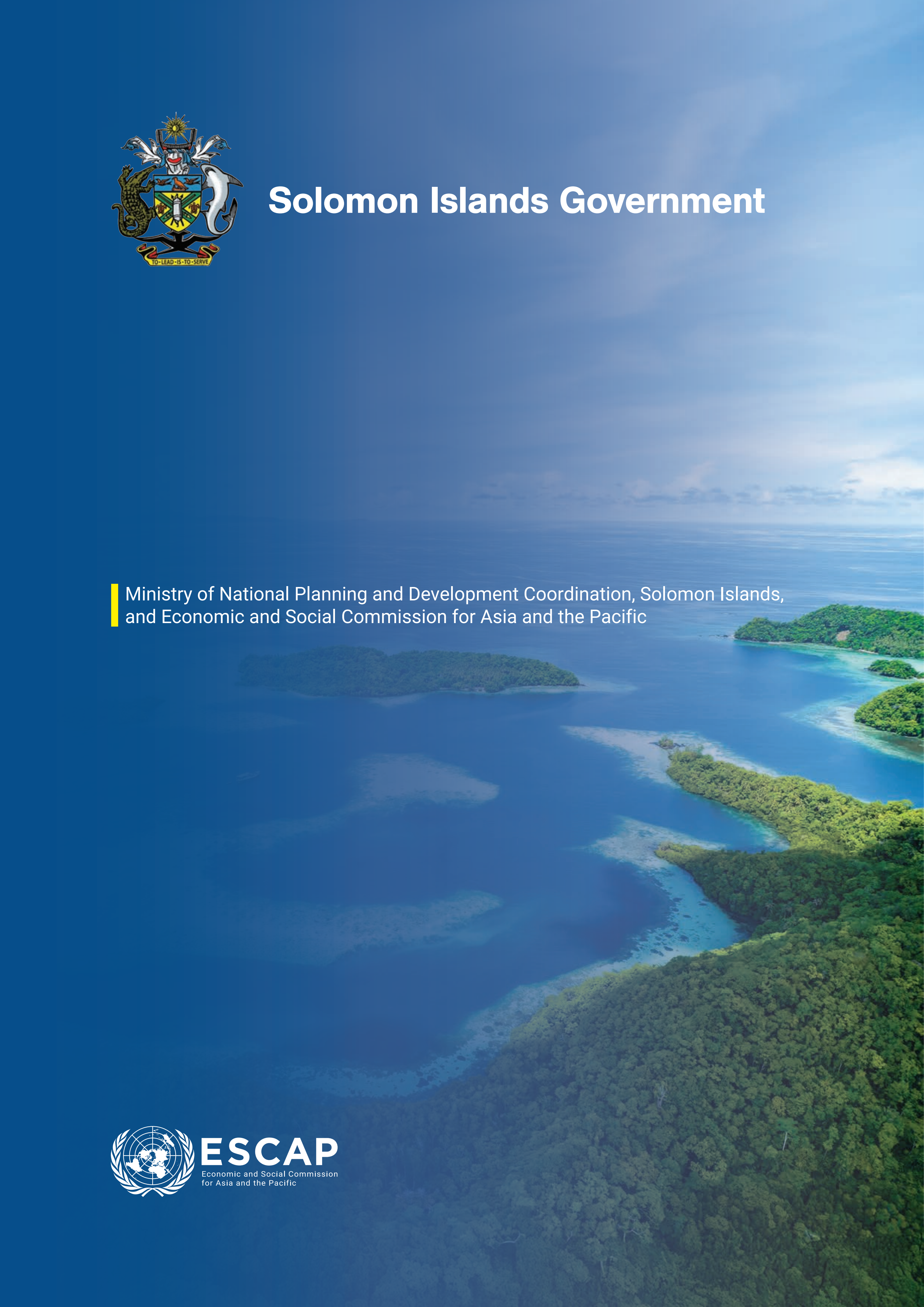

Solomon Islands Government

Ministry of National Planning and Development Coordination, Solomon Islands, and Economic and Social Commission for Asia and the Pacific

ESCAP
Economic and Social Commission for Asia and the Pacific