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May 29, 2020

**Statement by Mr. Guerra and Ms. Arevalo Arroyo on Solomon Islands  
(Preliminary)  
Executive Board Meeting 20/65  
June 1, 2020**

We thank staff for the comprehensive paper and Mr. Ray and Ms. Johnson for their helpful Buff statement. The Solomon Islands has been adversely impacted by the COVID19 pandemic and cyclone Harold in early April. Containment measures, in hand with the natural disaster, have weighed on domestic activity, tourism and commodity exports which in turn have generated an urgent balance of payments need. Moreover, there is a need to ensure ample reserve buffers given the uncertainty of the pandemic, the exposure to climate-related shocks, and to preserve the credibility of the basket exchange rate peg regime. **Against this backdrop, we support the request of a purchase of SDR20.8 million, equivalent to 100 percent of quota, under a blend of the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI).**

**We agree with the authorities' proactive strategy to mitigate the socio-economic impact of the pandemic.** While there are no confirmed cases yet, we welcome the authorities' swift action to prepare for an outbreak, as its public health capacity is limited. The announced fiscal stimulus package, in addition to health-related spending, will be important to support the recovery while protecting vulnerable households and businesses. In this regard, we are encouraged by the establishment of an Oversight Commitment to ensure the efficient use of this package, as well as the commitment to an audit of the COVID19-related expenditures.

**We note the disbursement of the Fund-supported RFI arrangement will only fill about a fifth of the Solomon Islands' external financing gap.** We also note the remaining gap will be covered by a significant drawdown of international reserves and financing from development partners. We thus expect that the Fund's assistance will contribute to catalyze

additional budget support from other IFIs and development partners. In this regard, we are encouraged to see, from the information provided by staff, additional financial support that will help address the social and economic emergency. Both external and overall public debt remain at moderate risk of distress and capacity to repay the Fund is adequate. We also take note that the authorities have requested debt relief under the CCRT but have not requested participation in the G20 Debt Service Suspension Initiative (DSSI). We understand the authorities intend to use the programs to provide balance of payments support and that a new safeguards assessment is ongoing.

**Going forward and as the pandemic subsides, it will be important to focus the policy agenda to ensure fiscal and debt sustainability, rebuild buffers, promote sustainable and inclusive growth and enhance resilience to natural disasters.** We welcome the authorities' commitment, as noted in the Buff statement, to strengthening fiscal management and rebuilding fiscal buffers to effectively address climate change related shocks. In addition, addressing financial sector vulnerabilities, improving governance and advancing the structural reform agenda will be instrumental to support economic recovery.

**We call on staff to continue supporting authorities with ongoing technical assistance and capacity development.** As in the case of other small vulnerable economies, important challenges remain in the medium-term, so it is crucial for the Fund to remain closely engaged with the authorities by providing timely policy advice and technical assistance to support their policy goals.