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GRAY/20/2181

May 29, 2020

**Statement by Mr. Mouminah, Mr. Alkhareif, and Ms. Alzamel on Solomon Islands  
(Preliminary)  
Executive Board Meeting 20/65  
June 1, 2020**

We thank staff for their well-written report and Mr. Ray and Ms. Johnson for their helpful Buff statement. Since we are in broad agreement with the staff appraisal, we would like to limit our remarks to the following issues.

- 1. We support the authorities' request for financial assistance under the RFI and RCF to address the urgent balance of payment needs.** Solomon Islands faces significant downside risks stemming from the COVID-19 pandemic and in this context, we welcome the authorities' quick response to cushion the social and economic impacts. Fund support should have a catalyzing effect in attracting much needed additional external support. *Given the Fund's contribution as a share of the financing gap is significant, an update from staff on the prospects for further external support, leveraging from the Fund's catalytic role is welcome.* Further, given the significant drawdown of international reserves, we underscore the importance of maintaining an adequate level of gross official reserves to protect the credibility of the basket exchange rate peg regime and safeguard macroeconomic stability. We take note of staff's assessment that Solomon Islands' capacity to repay the Fund remains adequate and the country continues to be at moderate risk of external and overall debt distress. We welcome debt service relief provided under the CCRT to help in freeing up resources. *In this connection, we invite staff to comment on the possibility of Solomon Islands pursuing temporary debt service suspension from the G20 Debt Service Suspension Initiative.*
- 2. Once the crisis abates, efforts to strengthen macroeconomic stability and promote inclusive growth are needed.** As the country is assessed to be at moderate risk of

debt distress, we welcome the authorities' commitment to strengthening debt sustainability and agree that concessional financing should be prioritized to increase fiscal buffers. Further, we welcome the Central Bank of the Solomon Islands' ongoing efforts towards preserving financial stability and inclusion, including by reducing risks stemming from correspondent banking relationships. We welcome the authorities' commitment to transparency and accountability to ensure appropriate use of emergency funding which will be necessary and important, including by undergoing a new safeguards assessment of the CBS. We also appreciate the authorities' commitment to strengthening governance and tackling corruption and money laundering, as set out in the LOI. Lastly, we encourage the authorities to accelerate structural reforms aimed at fostering diversification, enhancing the business environment and promoting competition.

With these remarks, we wish the authorities every success in their policy endeavors.