

**FOR
INFORMATION**

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To: Members of the Executive Board

From: The Acting Secretary

Subject: **Solomon Islands—Economic Development Documents—Letter from the Authorities**

Board Action:	Executive Directors' information
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Questions:	Ms. Tumbarello, APD (ext. 34395)



SOLOMON ISLANDS GOVERNMENT



CENTRAL BANK OF SOLOMON ISLANDS

Ref: RF457/5/5

Date: March 8, 2016

Madame Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Madame Lagarde

Subject: Solomon Islands Economic Development Document: the Medium-Term Development Plan - 2016 to 2020

I am pleased to transmit to you the Economic Development Document (EDD) for Solomon Islands - the Government's Medium Term Development Plan 2016 to 2020 (MTDP, dated November 27th 2015). This is being made available to the IMF Executive Board in the context of the 5th and 6th reviews of the ECF program, in line with the IMF's new policy on Poverty Reduction Strategy (PRS) documentation. The MTDP provides essential context for the upcoming Board discussion of the staff report on the Article IV consultation and the 5th and 6th program review. The Government of the Solomon Islands hopes to successfully conclude the 3 year ECF program, set to expire on March 31st 2016.

The MTDP is a rolling five year plan, revised annually, comprising development programs and projects. It is prepared as part of the National Development Strategy (NDS), which covers a twenty year period to provide a longer term framework for planning that lays the foundations for long term sustainable development.¹ The NDS sets development targets for each sector (aligned with the SDGs) that will help the Government to prioritise and advance important reforms. The MTDP maps these long-term development objectives into operational priorities and specific programs and projects, and also translates them into annual budget plans for individual ministries. The MTDP is intended to become the Solomon Island Government's central multi-year planning document. The two documents were developed in

¹ National Development Strategy – 2016 to 2035. A draft, endorsed by Cabinet, was issued in August 2015 for consultation with stakeholders and will shortly be finalized.

Government's central multi-year planning document. The two documents were developed in tandem and are closely aligned under the overall vision to improve the social and economic livelihoods of all Solomon Islanders. There was wide consultation with stakeholders.

The MTDP effectively addresses the key issues identified in the IMF's policy for an EDD:

- **Existing poverty situation and trends.** Over 80% of the population of Solomon Islands lives in rural areas and the benefits of development have not filtered down to areas outside of the capital, Honiara. Basic needs such as water and sanitation are often not met. Poverty and risks of hunger due to lack of food security are prevalent. The NDS discusses progress against the previous NDS (2011-2020).
- **Factors influencing poverty.** Solomon Islands faces particular development challenges as a small, dispersed, and remote country vulnerable to external shocks and frequent natural disasters. A post-conflict country, there is a need to continue to address conflict and post conflict issues. Economic growth averages around 3.5%, barely above the rate of population increase. The drift of the population from rural to urban areas and the growing number of unemployed youths also could undermine the recent improvements in social cohesion and security. The MTDP also highlights the importance of promoting gender equality and empowering women, and ensuring the disabled and other vulnerable groups benefit from economic opportunities.
- **Strategy and policies for poverty reduction.** The MTDP sets out the priority programs and projects in order to achieve progress against the five key objectives contained within the NDS:
 1. Sustained and inclusive economic growth
 2. Poverty alleviated across the whole of the Solomon Islands, basic needs addressed and food security improved; benefits of development more equitably distributed
 3. All Solomon Islanders have access to quality social services, including education and health
 4. Resilient and environmentally sustainable development with effective disaster risk management
 5. Unified nation with stable and effective governance and public order

The Government remains committed to pursuing its sectoral reform programmes which include reforms in the economic and finance sector, productive sector, development sector, resource sector and social sector; and fundamental reforms including in governance, land and anti-corruption.

- **Fiscal and debt framework.** The MTDP identifies priority spending areas and strategies to enhance spending effectiveness. A major objective of the reforms of the

Public Finance Management Act and planning processes is to improve the quality of resource allocation decisions.

- **Safety nets and risk mitigation.** The MTDP contains strategies and policies to manage the impact of climatic and other exogenous shocks that can jeopardize development outcomes in Solomon Islands, including through effectively managing the environment and the risks of natural disasters. It articulates an increased emphasis on disaster risk preparedness and mitigation as immediate priorities. Improved governance, national unity, public order and safety are also essential for a stable environment that supports improvements in the economy and people's livelihoods and wellbeing. The MTDP targets improvements in national unity and peace and stability to reduce and eventually eradicate corruption.

The 3 year ECF program is strongly aligned with the MTDP and NDS. The program's emphasis on strengthening institutions and improved economic management is fundamental to ensuring sustained and inclusive growth, building resilience and supporting stable governance. Improving Public Financial Management is supporting rural development, the delivery of quality social services, disaster management and mitigation, and effective governance.

Sincerely yours,



Hon. Danny Philip, MP
Acting Minister of Finance and Treasury
Ministry of Finance and Treasury



Denton Rarawa
Governor
Central Bank of Solomon Islands

Attachment: - Medium-Term Development Plan 2016 - 2020