SOLOMON ISLANDS GOVERNMENT

Private Sector Mapping and Analysis Report

SPREP PROE
Sustainable, transformative and resilient for a Blue Pacific

pacific climate change centre

GREEN CLIMATE FUND

Secretariat of the Pacific Regional Environment Programme (SPREP)
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SPREP's vision: *The Pacific environment, sustaining our livelihoods and natural heritage in harmony with our cultures.*

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The mapping of the Private Sector was coordinated by FCG New Zealand. FCG's expertise is in solving the unsolvable. FCG's services focus on development consulting: developing organisational, social, public sector, civil society and private sector structures around the world. We work for sustainable development. We support governments and international organisations in developing and delivering projects that contribute to economic and social wellbeing, environmental sustainability and response to climate change.

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Disclaimer: The views expressed in this publication are those of the author and do not necessarily represent those of FCG and SPREP.

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Acronyms

ACSE	Adapting to Climate Change and Sustainable Energy
ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
ASAP	Adaptation SME Accelerator Program
CALL	Commonwealth Call to Action on Living Lands
CBSI	Central Bank of Solomon Islands
CCDRM	Climate Change and Disaster Risk Management
CCFAH	Commonwealth Climate Finance Access Hub
CDM	Clean Development Mechanism
CEMA	Commodity Export Marketing Authority
CF	Climate Funds
CIF	Climate Investment Fund
CRAFT	Climate Resilience and Adaptation Technology Transfer Facility
CRISP	Climate and Disaster Risk in Solomon Islands Project
DBSI	Development Bank of Solomon Islands
DPSP	Dedicated Private Sector Programmes
EIB	European Investment Bank
ESS	Environment and Social Safeguards
FA	Food and Agriculture Organisation
GCCA	Global Climate Change Alliance
GCCA+	Global Climate Change Alliance Plus
GCF	Green Climate Fund
GDP	Growth Development Product
GEF	Global Environmental Fund
GHG	Greenhouse Gas
GIZ	Gesellschaft für Internationale Zusammenarbeit
GPPOL	Guadalcanal Plains Palm Oil Limited
HCSA	High Carbon Stock Assessment
HDI	Human Development Index
IBRD	International Bank for Reconstruction and Development
ICSI	Investment Corporation Solomon Islands
ICSID	International Center for Settlement of Investment Disputes
IDA	International Development Association
IDB	Inter-American Development Bank
IE	Implementing Entities
IETA	International Emissions Trading Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFD	International Fund for Development
IL	International Labor Organisation
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
ITM	Internationally Transferable Mitigation Outcomes
JICA	Japan International Cooperation Agency
KPI	Key Performance Indicators
KSTA	Knowledge and Support Technical Assistance
LCFA	Labuhila Coffee Farmers Association
LDC	Least Developed Country
LEAP	Leading Asia's Private Infrastructure Fund
MAL	Ministry of Agriculture and Livestock
MDB	Multilateral Development Banks
MEA	Multilateral Environmental Agreements
MECDM	Ministry of Environment, Climate Change, Disaster management, Meteorology
MFMR	Ministry of Fisheries and Marine Resources
MIGA	Multilateral Investment Guarantee Agency
MMERE	Ministry of Mines, Minerals and Rural Electrification

MOFT	Ministry of Finance and Treasury
MPGIS	Ministry of Provincial Government and Institutional Strengthening
MSME	Micro Small Medium Enterprises
MWYCFA	Ministry of Women, Youth, Children and Family Affairs
NAPA	National Adaptation Plan of Actions
NBPOL	New Britain Palm Oil Limited
NDA	National Development Agency
NDC	Nationally Determined Contribution
NDS	National Development Strategy
NEAP	National Education Action Plan
NGFS	Network for Greening the Financial System
NG	Non-Governmental Organisations
NMA	Non-Market Approaches
NYP	National Youth Policy
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation Development
OFID	OPEC Fund for International Development
PAYE	Pay as You Earn
PIC	Pacific Island Countries
PIFACC	Pacific Islands Framework for Action on Climate Change
PIFS	Pacific Islands Forum Secretariat
PPP	Public-Private Partnership
PSDI	Pacific Private Sector Development Initiative
PSF	Private Sector Facility
PSIF	Private Sector Investment Finance
PSOD	Private Sector Operations Department
PSSA	Private Sector Reserved Funding
REDD+	Reducing Emissions from Deforestation and Forest Degradation
RIP	Responsible Investment Principles
SCCF	Special Climate Change Fund
SFE	Strategic Framework for Education
SDG	Sustainable Development Goals
SIG	Solomon Islands Government
SI	Solomon Islands
SICAP	Solomon Islands Climate Adaptation Programme
SICCI	Solomon Islands Chamber of Commerce and Industry
SIDS	Small Island Developing States
SIEA	Solomon Islands Electricity Authority
SIMS	Solomon Islands Meteorological Service
SINPF	Solomon Islands National Provident Fund
SIPA	Solomon Islands Port Authority
SIPC	Solomon Islands Postal Corporation
SIPL	Solomon Islands Plantations Limited
SIWA	Solomon Islands Water Authority
SME	Small and Medium Enterprise
SOE	State-Owned Enterprise
SOLAIR	Solomon Airlines Limited
SP	Solomon Power
SPC	Pacific Community
SP	South Pacific Oil Limited
SPREP	Secretariat of the Pacific Regional Environment Programme
STL	Solomon Telekom Limited
TA	Technical Assistance
TFT	The Forest Trust
TRHDP	Tina River Hydropower Development Project
TRTA	Transaction Technical Assistance
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
VCM	Voluntary Carbon Market
VER	Verified Emission Reductions
WBG	World Bank Group
YECSI	Young Entrepreneurs Council Solomon Islands

1. Introduction

The Solomon Islands are very vulnerable to the negative impacts of climate change with large gaps in their facilities and infrastructure to adapt. Many Small Island Developing States (SIDS) are already experiencing climate-related impacts such as sea level rise as well as changes in precipitation and air, and sea-surface temperature (Nurse et al. 2014). By being so exposed, the development of these countries is heavily impacted. It requires very high costs, difficult to support for countries sometimes already carrying very high levels of debt, that have increased with the COVID-19. It is estimated that investment in infrastructure will require between 6.5 per cent and 9 per cent of Gross Development Product (GDP) per year for the Pacific Island Countries (PICs),[1] which implies finding significant sources of financing.

The overall objective of this report is to map the private sector and to assess and identify opportunities and potential delivery mechanisms for climate finance access for the private sector, especially Micro Small Medium Enterprises (MSMEs). As such, it assesses the opportunities and gaps that prevent greater private sector engagement to date.

In 2017, one of the gaps identified in the Solomon Islands National Climate Change and Disaster Risk Financing Assessment Report was that climate funding for the Non-Governmental Organisations (NGO) community is currently not captured in the main government system (i.e., Oxfam projects, World Vision, etc.). A mapping of the private sector helps to identify efforts to access and deploy Green Climate Fund (GCF) and other global climate fund resources.

This report is organised into five sections. The first section defines the scope of the study and the methodology adopted for the report. The second section provides an overview of the private sector's involvement in adaptation and mitigation activities in the territory. It highlights the regulatory framework within which projects can be implemented, as well as the obstacles faced by this sector. The third section aims to identify the main sources of international and regional financing. These include climate funds and facilities, as well as multilateral banks and agencies, including development banks that can provide loans, and represent major financing opportunities for adaptation and mitigation projects in Solomon Islands. The fourth section examines the type of businesses present in the country, and what the public policy implications are

Finally, in order to address the barriers and actions needed for greater private sector involvement, the report offers recommendations and support measures for securing GCF funding and proposes a roadmap for Solomon Islands to fully engage with climate change, while taking inclusiveness into account.

[1] Manal Fouad et al. "Unlocking Access to Climate Finance for Pacific Island Countries", International Monetary Fund (IMF), (2021)

Upper Mataniko River, Solomon Islands © Stuart Chape

2. Methodological approach

2.1 Scope of the study

The study maps stakeholders from the private sector in the country by sector and size, with a priority focus on MSMEs. To achieve a comprehensive assessment of the different roles in potentially channeling climate finance, consultations and data were collected during the second trimester of 2022. The findings are supplemented with adaptation and/or mitigation projects-related information where available.

The mapping was undertaken a few months after the publication of the Nationally Determined Contribution (NDC),[2] giving an overview of the country priorities. The study takes into account the NDC actions and where the private sector can contribute their achievements.

The data collection process was intended to give an exhaustive and comprehensive picture of the private sector and to be as inclusive as possible in its consideration in the National Development Strategy (NDS).

2.2 Limitations

The main limitation during the data collection was availability, completeness, and robustness of data. Notwithstanding the limitations, adequate data were collected, described in detail in the report's methodology.

2.3 Methodology

2.3.1 Private Sector Categorisation

The report is based on an extensive search of the literature on the topic of climate finance. This literature covers both the current status and projections of the effect of climate change on the Solomon Islands and how it may affect people's economic activities and livelihoods. They have been produced by sources as diverse as United Nations (UN) agencies, bilateral and multilateral donors, the Government of the Solomon Islands, the Central Bank of Solomon Islands (CBSI), and relevant ministries such as the Ministry of Environment, Climate Change, Disaster Management and Meteorology (MECDM), private sector, international civil society organisations, research and policy-making institutions, and academia.

Data are also updated throughout the writing of this report, as amounts may change, currency may fluctuate, or new data may become available.[3]

The report tracks a number of key multilaterally governed funds focused on climate change, many of which have links to the United Nations Framework Convention on Climate Change (UNFCCC) process.

[2] https://unfccc.int/sites/default/files/NDC/2022-06/NDC%20Report%202021%20Final%20Solomon%20Islands%20%281%29.pdf

[3] All data is expressed in millions 3 of US dollars.

The report focuses on climate change adaptation and mitigation activities and projects, with the following definitions.[4]

- **Adaptation**: The process of adjustment to actual or expected climate and its effects. In human systems, adaptation seeks to moderate harm or exploit beneficial opportunities. In natural systems, human intervention may facilitate adjustment to expected climate and its effects.
- **Mitigation**: A human intervention to reduce emissions or enhance the sinks of greenhouse gasses.
- **Reducing Emissions from Deforestation and Forest Degradation (REDD+)**: An effort to create financial value for the carbon stored in forests, offering incentives for developing countries to reduce emissions from forested lands and invest in low-carbon paths to sustainable development.

The mapping of the private sector in Solomon Islands is based primarily on a census of businesses by the Solomon Islands Chamber of Commerce and Industry (SICCI) (Figure 1). In order to have a very broad scope of study that allows for the consideration of all the constraints and opportunities faced by private sector actors, SOEs, and MSMEs.

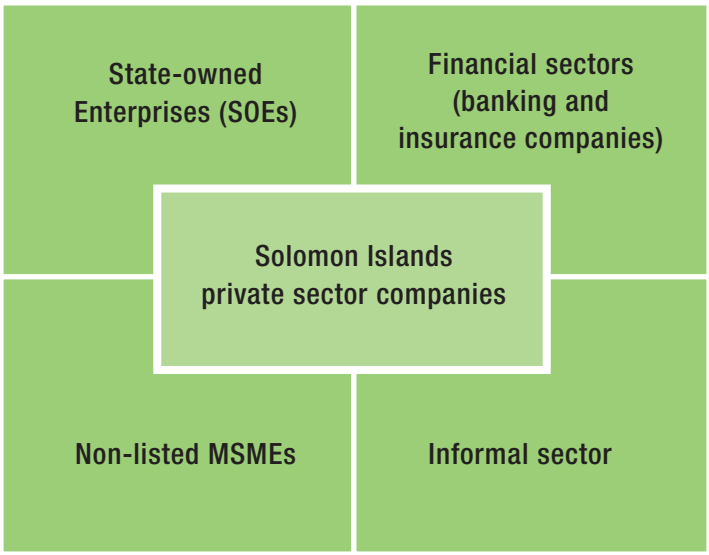


FIGURE 1. Mapping of Solomon Islands Private Sector Companies

To understand the latter, a questionnaire collecting qualitative data was conducted. This questionnaire, which consists of fifteen open or multiple-choice questions, enabled the collection of data from different stakeholders, including some of the companies present in the country.[5]

[4] IPCC, 2022

[5] A workshop enabled to disseminate the questionnaire and collect data (online workshop, 9 August 2022)

2.3.2 MSMEs Definition in the Solomon Islands

An MSME in Solomon Islands is a registered or unregistered business that employs between 1–50 people, has an annual turnover between SBD 0.3–50 m and a capital investment not more than SBD 7.5m. This definition contains categories that include Micro, Small and Medium Enterprises. (Tables 1 and 2.)

TABLE 1. SME Definition for Solomon Islands[6]

Size of the Enterprise	Net Capital Investment (in millions SBD)	Annual Turnover (in millions SBD)	Number of Employees [Full Time Equivalent]
Micro Enterprises	Less than 0.5	Less than 0.3	1 to 5
Small Enterprises	0.5–1.5	>0.3 to 10	>5–25
Medium Enterprises	1.6–7.5	>10 to 50	>25–50
Large Enterprises	> 7.5	>50	>50

TABLE 2. MSME Definition for the Solomon Islands (2)[7]

Size of the Enterprise	Net Capital Investment (in millions SBD)	Annual Turnover (in millions SBD)	Number Of Employees (Full Time Equivalent)
Micro	< 0.5	< 0.3	1–5
Small	0.6–1.5	0.4–10	6–25
Medium	1.6–7.5	11–50	26–50
Large	> 7.5	> 50	> 50

The constraints associated with lack of capacity in MSMEs is important in the Solomon Islands. All banks operating in Solomon Islands have identified limited capacity to develop a credible business plan as a barrier. Where an MSME has been funded, a handful of MSMEs repay their loans according to the agreement. Around 42% (under half) of indigenous MSMEs adhere to agreed repayment plans and 68% will default on repayment plans.

This situation partially explains the high costs of lending. The solution to improve client's repayment rates and high borrowing costs are being addressed, with the implementation of the SMEs Policy and Strategy.[8] Capacity building in financial literacy is providing training and hands on support, and business plan writing.

[6] https://www.commerce.gov.sb/component/edocman/39-smes-policy-and-strategy.html

[7] SMEs Policy and Strategy. (2022). Ministry of Commerce, Industry, Labour and Immigration. http://www.commerce.gov.sb/departments-units/business-and-cooperatives-development/division-resources.html

[8] https://www.commerce.gov.sb/component/edocman/39-smes-policy-and-strategy.html

3. Background and Context to the Private Sector in Solomon Islands

3.1 Baseline Situation

3.1.1 Economic Patterns

The Solomon Islands (SI) is an archipelagic state located in the south-west Pacific Ocean, comprising nine main island groups, including Guadalcanal, the largest island. In the 2021 Human Development Report, SI is classified as a least developed country with a global Human Development Index (HDI) rank of 151 out of 189 countries, similar to Papua New Guinea.[9] Solomon Islands has grown steadily since the end of the civil conflict in 2003, when the economy was on the verge of collapse with a 9 per cent decline in GDP between 1998 and 2003.[10] Yet, although national income has increased, the country has struggled between 2017 and 2019,[11] with GDP per capita among the lowest in the Pacific (Table 3). This is due in part to the high cost of service delivery due to the unique geography of the 1,000 islands that make up the country.

TABLE 3. Key Indicators in Solomon Islands

GDP per capita, current USD, in billion (WB, 2021)	2,337.0
Population, total (WB, 2021)	703,995
Poverty headcount ratio at national poverty lines (% of population) (WB, 2012)	12.7
IDH, scale 0–1 (2020)	0.4
Foreign Direct Investment, net inflows (% GDP) (WB, 2020)	1.4
CO_2 emission, metric tons per capita (WB, 2019)	0.5

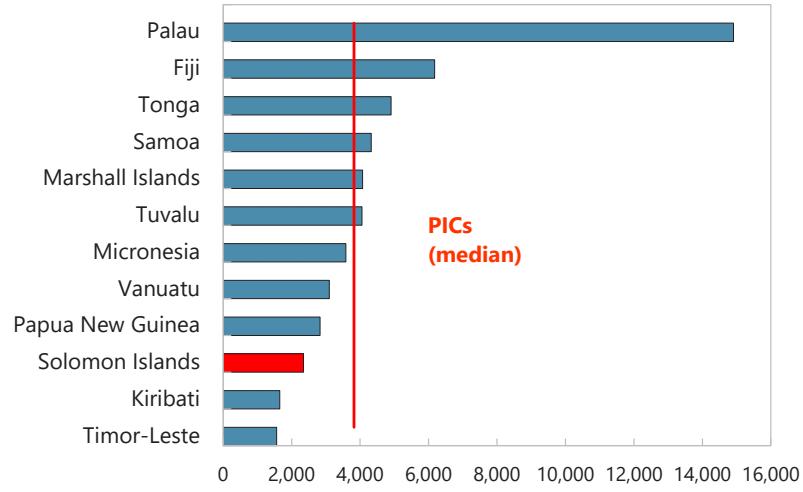


FIGURE 2. GDP per capita in the Pacific (USD) (2019)[12]

[9] HDI value of 2019 from the Human Development Report of 2020 https://hdr.undp.org/sites/default/files/Country-Profiles/SLB.pdf

[10] The World Bank, Solomon Islands Systematic Country Diagnostic, June 2017

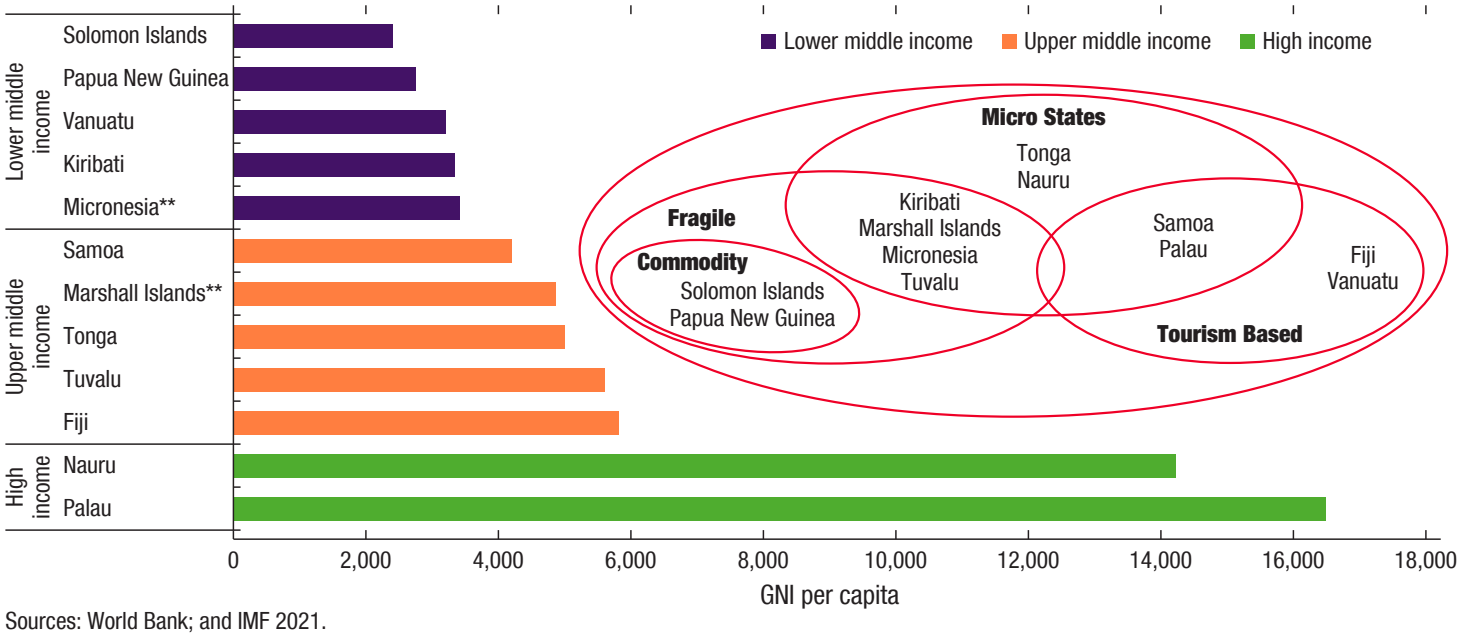
[11] Solomon Islands Data. (2022). International Monetary Fund. https://www.imf.org/en/Countries/SLB

[12] 2021 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director for Solomon Islands (2022, January) https://www.imf.org/en/Publications/CR/Issues/2022/01/21/Solomon-Islands-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-512119

The Solomon Islands is struggling to have a strong and sustainable economic development as it is one of the most vulnerable Pacific island states to climate change and natural disasters. The nature of the islands, the lack of infrastructure and the sources of income based almost entirely on the export of fish and timber does not allow the Solomon Islands to develop in the same way as its Pacific neighbors. Moreover, these sources of income are seriously endangered due to overexploitation of wood and overfishing.[13]

The country's growth is based on four main sectors. The biggest driver of economic growth has been logging which still contributes little to the welfare of rural communities, however, the country now relies mainly on the provision of services, accounting for 55.6 per cent of GDP in 2020, followed by agriculture, fisheries and logging which contributes 30.4 per cent, and industry with 13.8 per cent.[14]

Fisheries and marine resources represent the second largest source of export income after forestry. Subsistence and semi subsistence agriculture and fisheries are important to food security, and the economy.[15] The agricultural sector also represents an important part of the economy, and yet it continues to face technical, human and economic obstacles. Soil degradation due to climate change and poor infrastructure are impacting this sector. Whether it is the fisheries sector or the agricultural sector, this will have a strong influence on women's employment as 76 per cent of rural women work in subsistence agriculture and almost half of women in rural areas work in fisheries or take marine resources for income or consumption.[16]



Sources: World Bank; and IMF 2021.
Note: Countries marked ** are classified based on GNI per capita in 2018 to reflect latest data available.

FIGURE 3. Characteristics of Pacific Island Countries (PICs) in 2019, in US Dollars

[13] Unlocking Access to Climate Finance for Pacific Island Countries, International Monetary Fund, 2021

[14] In Constant Price Values (SI$ millions), Source : CBSI

[15] World Bank. (s. d.). Solomon Islands: Pacific Islands Regional Oceanscape Program – Second Phase for Economic Recovery and Resilience (No P177239)

[16] Solomon Islands Government 2009. Population and housing census. National report volume 2

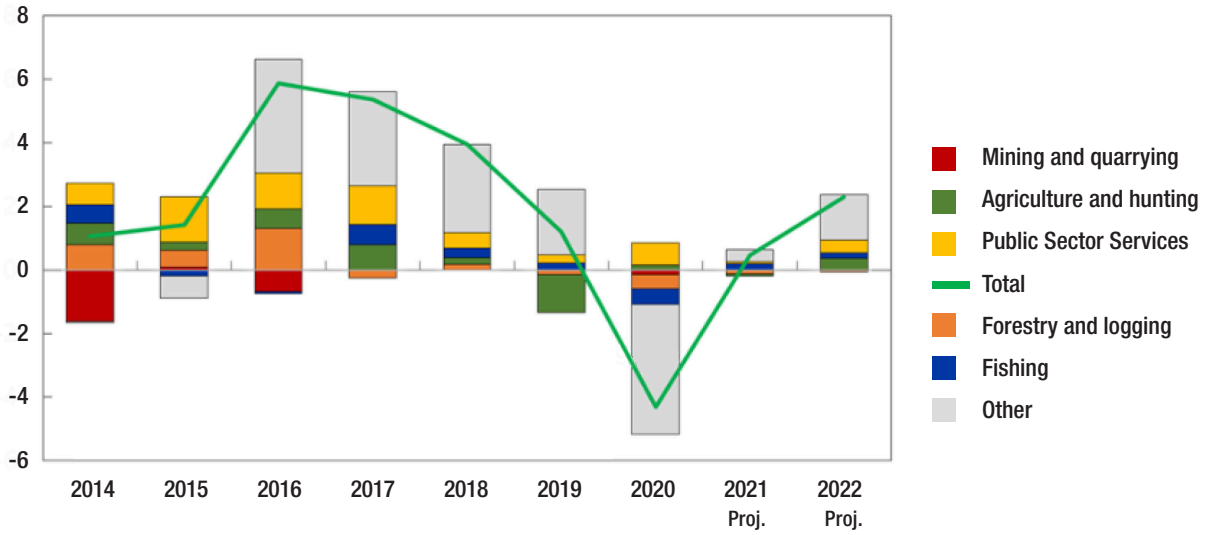


FIGURE 4. Sectoral Contributions to real GDP growth[17]

Sources: IMF World Economic Outlook and IMF staff calculations.

Thus, the Solomon Islands have an undiversified production and export base as well as highly concentrated trade with one market – China – accounting for close to 70 per cent of merchandise exports.[18]

They are also very dependent on international aid, such as Australia, New Zealand and Japan which are the main donors. Indeed, Australia has a deep and long-standing relationship with Solomon Islands, it is an important economic partner, as Australia's merchandise exports in 2019 and 2020 totaled $101 million and provided $161.7 million of Official Development Assistance (ODA) in the same year, making it the main development partner.[19]

3.1.2 Weight of the Informal Sector

An estimated 60 per cent of the worldwide population is involved in the informal sector, and developing countries are particularly affected.[20]

The Solomon Islands is no exception to this trend as it accounts for 30.4 per cent of GDP in 2017,[21] and almost 80 per cent[22] of the country's working population aged 15 years and over are in the informal sector or in subsistence activities.

[17] 2021 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director for Solomon Islands (2022, January) https://www.imf.org/en/Publications/CR/Issues/2022/01/21/Solomon-Islands-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-512119

[18] UNDP. (2022, February). Monitoring of countries graduating and graduated from the list of LDC category: Solomon Islands.

[19] Australian Government, Department of Foreign Affairs and Trade. (2021). Solomon Islands country brief. https://www.dfat.gov.au.

[20] Five Things to Know about the Informal Economy. (2021, 28 July). IMF. https://www.imf.org/en/News/Articles/2021/07/28/na-072821-five-things-to-know-about-the-informal-economy

[21] Economic Statistics. (2020). Solomon Islands National Statistics Office. https://www.statistics.gov.sb/sinso-documents

[22] Asian Development Bank. (2016). Continuing Reforms to Stimulate Private Sector Investment a Private Sector Assessment for Solomon Islands.

3.1.3 Economic Recovery After the COVID-19 Crisis

Following the COVID-19 crisis, the social and economic impacts for Solomon Islands have been significant, including a 4.5 per cent contraction of the economy in 2020, 0.6 per cent in 2021.[23] A revival in the building industry as well as in the production of fish and crops contributes to the improvement. This, however, was insufficient to counteract falls in mining, logging, and services. Projections indicate a decline of 7.3 per cent in 2022 due to the containment measures of COVID-19. This contraction will be fueled by projected declines in all sectors, especially in the provision of services, followed by the primary and secondary sectors.[24] It creates difficulties for the population in terms of food security, youth employment in rural areas, and it has a huge effect on environmental degradation.

However, despite the recession caused by the pandemic and other national crisis, the GDP Growth of Solomons Islands is expected to rise considerably and reach stability from 2025.

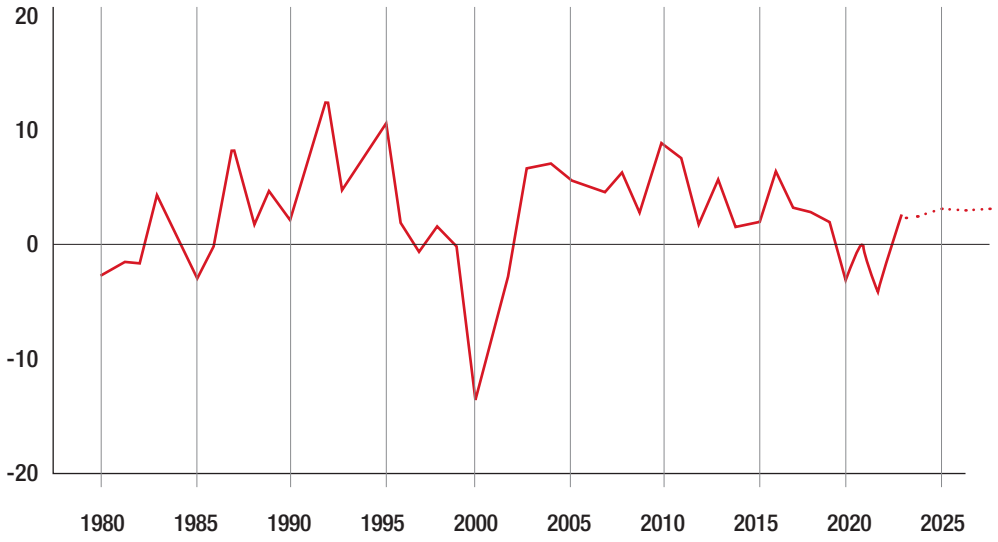


FIGURE 5. Real GDP Growth (Annual Per cent Change, IMF, April 2022)

Inadequate incomes, environmental degradation and lack of job and food security make Solomon Islands one of the Commonwealth countries most affected by extreme poverty, but it has decreased since 2020 (Figure 4). In August 2022, 173,429 people in the Solomon Islands were living in extreme poverty, which means 25 per cent of the total population, and 35 per cent in rural areas.[25]

[23] Solomon Islands Data. (2022). International Monetary Fund. https://www.imf.org/en/Countries/SLB

[24] CBSI, Annual Report 2021

[25] Solomon Islands Poverty rate. (s. d.). World Poverty Clock. https://worldpoverty.io/map

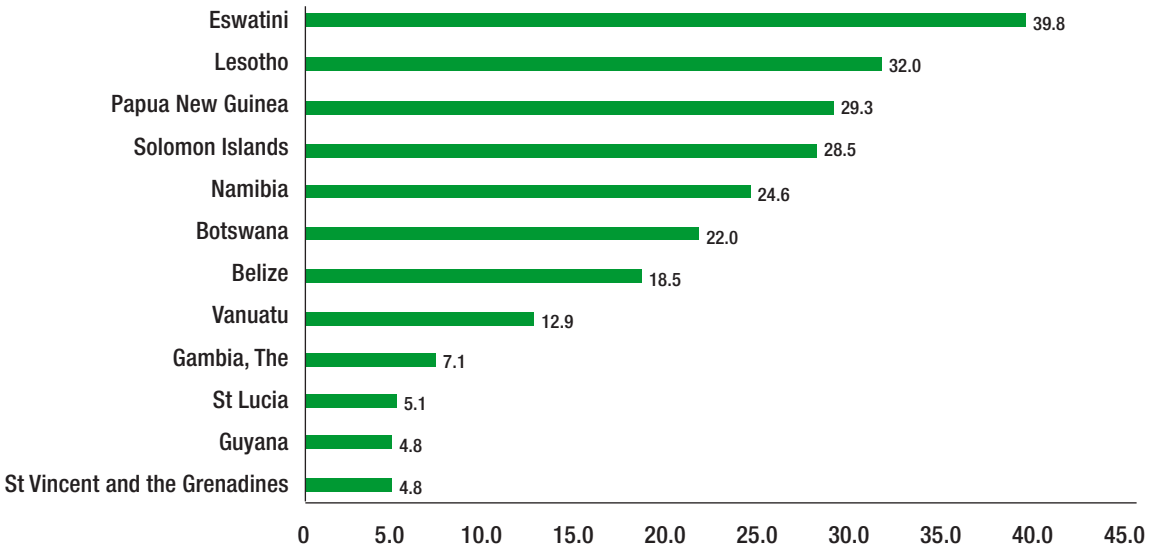


FIGURE 6. Commonwealth Small States with high levels of extreme poverty (>3%)[26]

Therefore, both short and long-term stimulus efforts must prioritise investments that boost jobs and economic activity, but also those that build resilience and decarbonise the economy. Both the private sector and infrastructure represent a key pillar for the territory's economic recovery by contributing to job creation, connectivity and to the resilience of the population.

Thus, the Solomon Islands' digital landscape is already changing thanks to the Australian-funded Coral Sea Cable, which offers quicker, less expensive, and more dependable internet while cutting expenses by as much as 90 per cent.[27]

A growing number of companies are evaluating cross-border e-commerce as they sell their products and services online. In response to COVID-19, the Strongim Bisnis initiative[28] – founded by the Australian Government in order to help the private sector and the SI Government to growth – created a greater emphasis for e-commerce, generalising it to a wide range of industries, including financial services, climate business smart analysis, waste management, horticulture, and forestry, compared to the sectors initially involved: tourism, cocoa, and coconuts.

Despite COVID-19 difficulties, this initiative has recently provided results under 55 partnerships and reported that through Strongim Bisnis investments, with 440 more families connected to new markets in 2020.

Solomon Islands received an additional $10 million during the reporting year from Australia's COVID-19 Response Package for the Pacific and Timor-Leste.

This financial support helped SOEs maintain vital infrastructure and offer essential services. For example, Solomon Water received $5 million to connect 2,770 more vulnerable households to clean water, and Solomon Airlines received $1 million to maintain its fleet, train its engineers and crew, and conduct a remote operational safety audit.[29]

[26] Small States Review and Basic Statistics Volume 21. (2022). The Commonwealth. https://www.thecommonwealth-ilibrary.org/index.php/comsec/catalog/view/958/954/8202

[27] 2020–21 Solomon Islands Development Program Progress Report. (2022). Australian Government, Department of Foreign Affairs and Trade. https://www.dfat.gov.au/publications/development/2020–21-solomon-islands-development-program-progress-report

[28] https://strongimbisnis.com.sb/

[29] 2020–21 Solomon Islands Development Program Progress Report. (2022). Australian Government, Department of Foreign Affairs and Trade. https://www.dfat.gov.au/publications/development/2020–21-solomon-islands-development-program-progress-report

4. Current Engagement of the Private Sector in Adaptation and Mitigation Activities

4.1 Environmental Policy Framework for Private Investment at the National, Regional and International Level

4.1.1 The Climate Regulatory Framework of the Solomon Islands

The Solomon Islands National Climate Change Policy is guided by and linked to the structure of national, regional and international policies and strategies. It aligns with the National Development Strategy (NDS), in addition to other national policies and strategies and also as an expression of the country's commitment to international and regional Multilateral Environmental Agreements (MEA).

On the national level is the government's Solomon Islands National Development Strategy 2011–2020. This strategy includes a range of focus areas and objectives, policies and strategies to improve and maximise adaptation, disaster risk management and mitigation capacity in Solomon Islands.

The SI Government in 2015 requested that the previous NDS be reviewed and revised in order to provide a longer-term framework and more sustainable development. The NDS 2016–2035 maps out a strategic direction for future development and presents a visionary strategy for the next 20 years in each sector of the economy. The Solomon Islands' Ease of Doing Business score, which is now 112,[30] is intended to increase to 108 by 2035 according to the NDS. Government must preserve macroeconomic stability and offer public services and products, such as infrastructure for the economy and a regulatory system. The commercial activities of the government perform poorly in terms of cash flow, service, and growth-promoting capacity.

In order to achieve these objectives, the government wants to take measures for MSMEs and indigenous entrepreneurs, including:[31]

- Strengthen the development environment for MSMEs in key sectors (agriculture, fisheries, tourism, mining) in terms of policy and incentives
- Facilitate and incentivise financial institutions, State-Owned Enterprises, and credit unions to cater to MSMEs and rural communities and provide them with soft financial loans.
- Examine viable options for improving access to rural financial services for savings and credit, including options for: (i) cell phone banking and microfinance; (ii) rural banks to provide credit and financial services to local businesses; and (iii) special rural finance programmes.
- Promote and establish an investment-friendly environment for young entrepreneurs to increase their incentive to invest in the identified potential industries.

At the Pacific regional level, Solomon Islands is a signatory and member of the Pacific Plan, the Pacific Islands Framework for Action on Climate Change (PIFACC) and the Regional Framework on Disaster Risk Reduction and Disaster Management that have established climate change and disaster risk management objectives and actions. Various international and regional intergovernmental organisations, some of which have explicit missions to help their member nations handle climate change, disaster risk management, and associated development concerns, continue to form new partnerships.

On the international front, Solomon Islands is a signatory to the UNFCCC and its Kyoto Protocol which together assemble the core of the international policy response to climate change. Solomon Islands is also

[30] Doing Business. (2020). Economy Profile Solomon Islands. World Bank Group.

[31] National Development Strategies. (2016). Ministry of Commerce, Industry, Labour and Immigration. http://commerce.gov.sb/activities-updates/resources/national-strategies.html

a signatory to the Hyogo Framework on Disaster Risk Management and has been involved in the European Union-Global Climate Change Alliance programmes. The country continues to gain from the funding by GEF which is the financing facilities for the UNFCCC made available through Executing Agencies such as the World Bank, United Nations Development Programme (UNDP) and United Nations Environment Programme (UNEP).

The Government is trying to strengthen the private sector and to promote public-private partnership.

Due in significant part to the relatively modest size of the private sector, the government has traditionally been the primary supplier of public services to the population, but the private sector is becoming more and more important and is the engine of economic growth in the country. The government has made an effort to enhance service delivery in recent years, nevertheless, by promoting private sector involvement in the financing and delivery of formerly state-provided services. This is evident in a number of areas, including a programme to reform state-owned businesses that was launched in 2007 in accordance with the State-Owned Enterprise (SOE) Act.[32] In order to privatise failing SOEs and promote public and private cooperation in SOE service delivery, the SOE Act established a framework.

For the government, access to international climate change and disaster risk finance is their top priority, leading to a mapping project which was a joint undertaking by the SICCI with the Ministry of Finance and Treasury (MOFT); and MECDM supported by the Pacific Islands Forum Secretariat (PIFS). The outcomes were the creation of a database of accredited entities for climate change funds, giving new access to private sectors, and concepts for dedicated private sector funding under GCF and other sources.

According to the private sector, the public sector is one of the obstacles to doing business. The state itself is an obstacle, as it does not provide the right conditions for a sustainable and functional development of business. This is due to the high tax policy, weak property rights, and legal systems that do not have solid roots to solve problems. The procedures are also too long and complicated, which prevents the private sector from developing itself correctly. Therefore, one of the solutions in advancing the public sector is through training and education. The results cannot be achieved in a very short time, but it is from this process that the public sector can develop slowly and produce human resources who are better prepared to accept and do business.

It is also necessary to take into account the regulations, which must be adapted to the circumstances in order to achieve maximum results.

4.1.2 Regulated and Voluntary Carbon Markets

Cooperative approaches and mechanisms developed under the Paris Agreement and modified at COP26 in Glasgow allow countries to implement mitigation actions to contribute to adaptation activities through sectoral private sector investments.

a. ARTICLE 6 OF THE PARIS AGREEMENT

Article 6 of the Paris Agreement provides a mechanism for countries to cooperate on a voluntary basis in developing their NDCs to promote carbon emission reductions through market and other mechanisms.

The carbon market mechanism is a set of economic procedures that allows for the transferability of mitigation results worldwide and is introduced by the Paris Agreement.

It is permitted for low-emission nations to sell extra carbon credits to major polluters. In other words, the mechanism will operate as a motivator for initiatives to reduce GHG emissions, such as voluntary quota exchange and carbon price.[33]

[32] Private Sector Assessment for Solomon Islands. (2005). Asian Development Bank.

[33] Kizzier, K. (2019). What You Need to Know About Article 6 of the Paris Agreement. World Resources Institute. https://www.wri.org/insights/what-you-need-know-about-article-6-paris-agreement

The Paris Agreement provides three mechanisms for international cooperation under Article 6.2, 6.4 and 6.8: [34]

- Article 6.2 allows two or more countries to link a carbon credit exchange system, so that they can trade carbon credits with each other. Under this article, GHG emission reductions or removals can be transferred between countries as Internationally Transferable Mitigation Outcomes (ITMOs).
- Article 6.4 provides for a top-down global platform for the allocation of emission reduction credits by all countries, overseen by a supervisory body and by the UNFCCC secretariat. Often described as the sustainable development mechanism, the 6.4 market will replace the Clean Development Mechanism (CDM) that operated under the Kyoto Protocol. This will enable all nations to use markets to increase multi-stakeholder investment in NDC ambition.
- Article 6.8 facilitates and coordinates Non-Market Approaches (NMAs) to be undertaken by the various stakeholders to promote emission reductions. NMAs can be defined as:
  - Voluntary collective actions that do not depend on market-based approaches.
  - Collaboration on mitigation, adaptation, finance, technology development/transfer and capacity building.

  The Glasgow decision notes that NMAs can include social inclusion, financial policies and measures, circular economy, blue carbon, just transition of the workforce and adaptation benefit mechanism.

b. VOLUNTARY CARBON MARKET (VCM)

The VCM is not governed by the Paris Agreement or its governing bodies, but by private organisations, which are not disconnected from the international climate regime. Voluntary emission reductions or Verified Emission Reductions (VERs) achieved through projects and programmes developed under the VCM are counted in national GHG inventories. The VCM includes all carbon offset transactions that are not purchased with the intention of returning them to an active regulated carbon market. It also includes offsets purchased with the intention of reselling or retiring them to align with carbon neutral strategies.

In this way, countries or companies commit to the fight against climate change through the Paris Agreement mechanism and through the VCM.

4.2 Limited Role of the Private Sector in the Solomon Islands National Climate Strategy

This section provides an overview of the limitations and issues that influence private sector development in the Solomon Islands. According to the DB, the business environment in which the private sector operates is not conducive to economic growth due in part to weak public administration, as well as a significant lack of sound infrastructure and reliable, low-cost telecommunications systems.[35]

[34] COP26 Outcomes : Market mechanisms and non-market approaches (Article 6), UNFCCC https://unfccc.int/process-and-meetings/the-paris-agreement/the-glasgow-climate-pact/cop26-outcomes-market-mechanisms-and-non-market-approaches-article-6#eq-2

[35] Ibidem

Doing business in the Solomon Islands is not easy. For instance, public goods are weak and non-existent, and political circumstances greatly affect the development and progress of business. More specifically, the impediments encountered are:

- Public administration is not the strongest point on Solomon Islands. Staff need more training, and the system of government is weak. It is among the countries with high levels of institutional and social fragility.[36]
- The infrastructure is in poor condition in Honiara and almost non-existent in the rest of the country.
- The tax rates are significantly high, and this reduces incentives for success and the state of public finance does not allow any reduction in the overall tax without any significant expenditure cut.
- There are a large number of activities reserved for Solomon Islands nationals for which few if any local skills exist, which means that investment in these activities does not happen.[37]

4.2.1 High Cost to Start a Business in the Solomon Islands

Investment and entrepreneurship are not properly financed by local financial markets, especially when it comes to native Solomon Islanders. The country is on the top of the list on the cost of starting a business above Singapore, Australia and Papua New Guinea. This number is specifically high and becomes a liability and makes the private sector second guessing their will to invest and join.

There are several costs that could have been deducted from the process of making a business such as the checking of the Articles of Association because there is nobody in the office who has the legal training. Even if there were trained personnel, the purpose of registering a company is to provide information on who has the legal authority to start and commit to contracts and specify the legal address of the company.

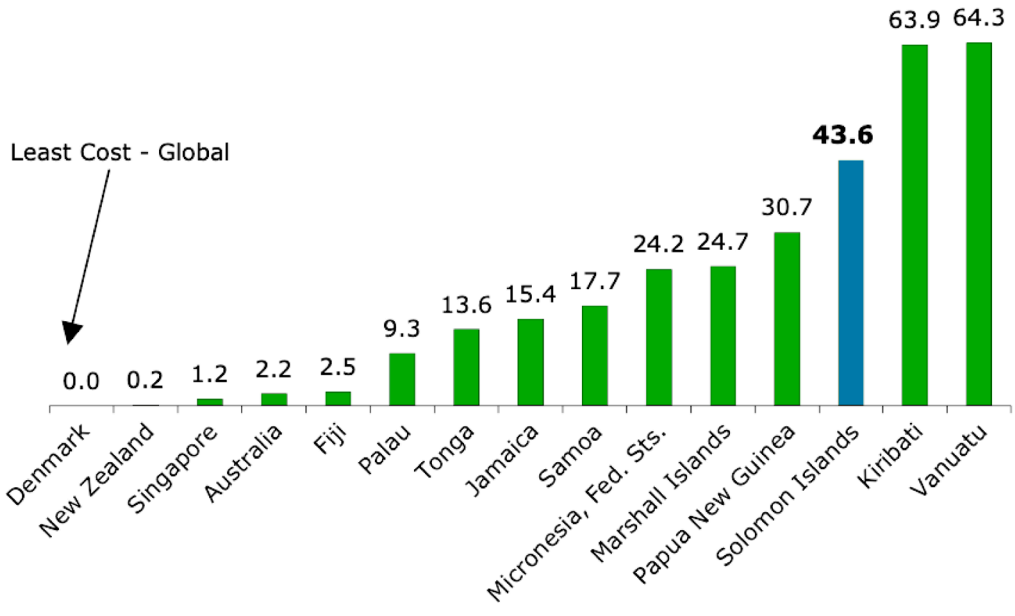


FIGURE 7. Cost to Start a Business in 2005 (% Income Per Capita)
Source: World Bank Doing Business Indicators

[36] Project Information Document (PID), Solomon Islands Agriculture and Rural Transformation Project (No P173043). (2020). World Bank.

[37] Private Sector Assessment for Solomon Islands. (2005). Asian Development Bank.

However, since 2005, costs have decreased as it now takes 27.4 per cent of a person's income to start a business. Solomon Islands is still one of the most expensive countries in the Pacific (Figure 8).

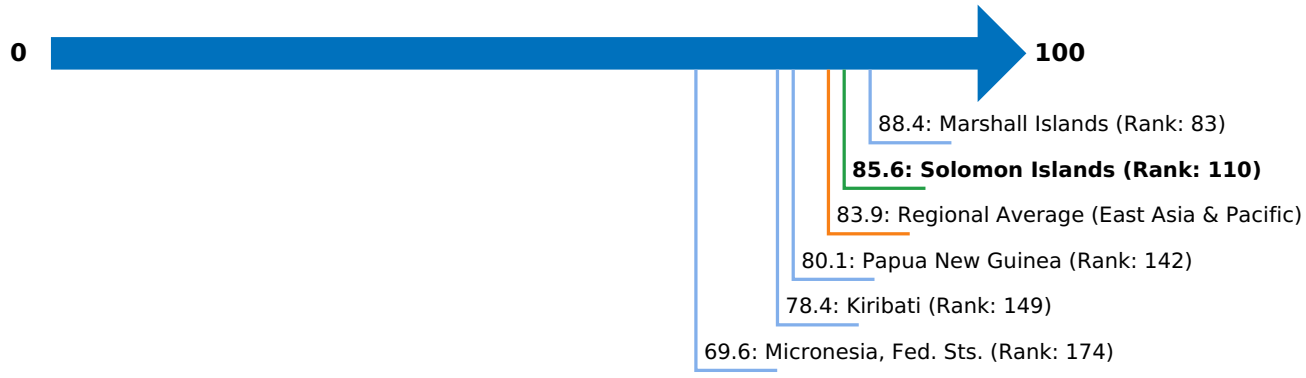


FIGURE 8. Starting a Business in Solomon Islands and comparator economies – Ranking and Score (2020)[38]

4.2.2 Long Starting Day on Creating a Business

Thirty-five days is the minimum time to set up a business in the Solomon Islands.[39] Within this time frame, there are many requirements needed to set up a business, such as a business license which takes a lot of time and money. In addition, most of these licenses must be renewed annually.

The many processes required can be a loophole for corruption. But when using illegal methods, there will be some things that this company cannot get, unlike companies that go through all the necessary processes.

The SI has a strong need for telecommunications, and a high proportion of people have the ability to take advantage of broadband internet access when it is available and affordable. Perhaps the main problem is that the telecommunication costs are quite high, and this is due to the monopoly of the telephone company. Despite this, we can note a strong growth in cell phone usage, which went from 1 per cent in early 2007 to 57 per cent in early 2012.[40] Penetration has increased with the entry of a second provider, Bmobile, which competes with Solomon Telekom Company Limited (STL), a state-owned company.

Therefore, to communicate with parties outside the country requires high costs and there are a lack of options. There are also some hidden taxes that are attached to commercial activities.

Electricity supply has improved for the past few years, but power failures happen quite often in Honiara. There are gaps in the energy infrastructure with a real lack of access to electricity in the country. Thus, about 30 per cent of the population does not have access to electricity, which exacerbates the problems of access to information, and good living conditions in general (cf. Figure 9).

New capacity has been installed and mainly in the main city the chance of electricity cuts is low but still happening. In the rural areas it is a different matter. They may have a small diesel or petrol driven generator which can be very polluting and this small generator is not enough to cover the whole area. This sector is a concern for the government which plans to add more supply and generator capacity.

[38] Doing Business. (2020). Doing Business 2020, Solomon Islands. WBG. https://www.doingbusiness.org/content/dam/doingBusiness/country/s/solomon-islands/SLB.pdf

[39] Private Sector Assessment for Solomon Islands. (2005). Asian Development Bank.

[40] Solomon Islands Economic Analysis. (s. d.). Asian Development Bank.

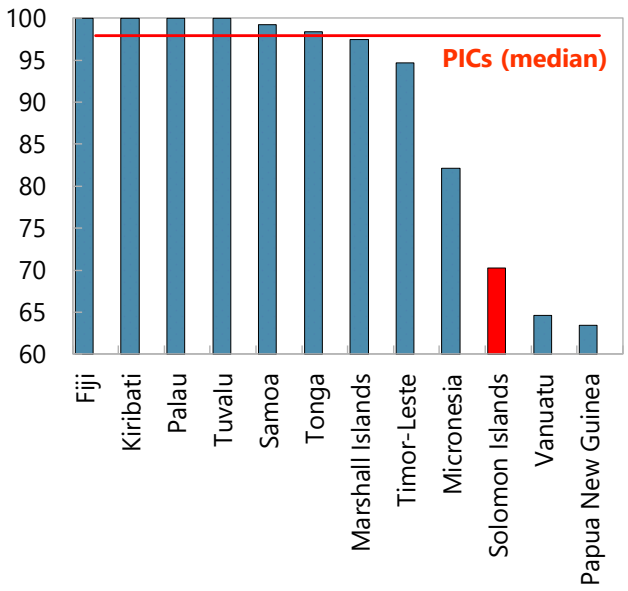


FIGURE 9. Access to electricity (in % of population)

Sources: World Development Indicators and IMF staff calculations.

4.2.3 Taxation

Some tensions emerged in the country, provoking the collapse of the taxation system and administration. This caused revenues to decline and inflation to increase. It was thus of crucial importance that the system was restored in order to guarantee the stability of the government accounts as well as the public finance sector in general.

The dissatisfaction that provoked the collapse of the tax system in Solomon Islands was due to several reasons:

- Formal businesses condemned the inequality of taxes with other businesses, caused mainly by ineffective administration.
- The tax system is inconvenient and imposes high administration costs.
- There is no definite ruling to order and determine the numerous taxes that must be paid, resulting in very high rates in taxes.
- The incentive and drawback system is not easy to understand, causing miscommunication between tax administrators and taxpayer.
- Rules and regulations of the tax are not tight enough, as some businesses could still avoid tax.

Problems with the current tax system are highlighted in detail in the report from PETAC and include:[41]

- The Goods and Sales tax is very complex, and wholesalers and manufacturers have a hard time to identify this precisely.
- Income tax for employees is collected under the Pay as You Earn (PAYE) system. When an Employer pays salary and wages, they must register with the Inland Revenue Division and deduct PAYE tax from payments made to the employees, but PAYE itself is not the final system, and for each employee they still need to lodge an annual income tax return which takes lots of time for tax officials.
- The number of withholding taxes is copious, which makes it difficult to manage.
- Export duties are difficult to control.

[41] Private Sector Assessment for Solomon Islands. (2005). Asian Development Bank.

- Design of the tax system should be modified in order to make the taxation system more simple, easier to access and to support the upcoming business in the Solomon Islands.

Taxes generated by the state cannot be maximally used by them. For example, they cannot provide public and private sector services that are directly proportional to these taxes. Therefore, the role of the government is expected to be able to develop and maximise taxes, to meet need.

One way that this can be done is to give more control to the government in the private sector such as in the field of transportation, cellular phone service, electricity generation. The private sector itself can also help in the field of legal services such as registration of operations, etc.

In addition, it is also important to strengthen the capacity of companies to implement programmes and projects under the carbon trading and offsetting mechanism, including participation in the domestic carbon market. This will give businesses more financial leverage in the fight against climate change.

The second important function of the private sector is to invest in adaptation solutions, such as new technologies, goods and services, as well as projects and other initiatives, in order to close the adaptation financing gap and accelerate the implementation of existing solutions to address current and future climate risks.

Specialised technical assistance is needed on both the supply and demand sides of financing to address the unique challenges of securing private sector financing for adaptation projects, such as lack of knowledge about lucrative investment opportunities, adaptation assumptions, and impact measurement. Scaling up adaptation solutions requires not only redirecting financial resources, but also mobilising new funds and investments. In addition to government financial incentives, the private sector can be persuaded to invest in adaptation solutions through targeted technical assistance programmes that build capacity to recognise, scale-up, and finance adaptation investment opportunities, where the business case is often less clear than in mitigation programmes.

Furthermore, in converting climate impacts into business opportunities, skills and understanding of local climate data, projections, and contexts complement the often too limited financial perspective focused on cash returns, revenues, and profits.

Currently, corporate resources are limited; and countries have gaps in their local environmental knowledge. This underscores the need for local actors to have more resources and reports on climate monitoring.[42]

[42] Private Sector & Adaptation. (2019). Adaptation Community. https://www.adaptationcommunity.net/private-sector-adaptation/

5. Mapping of the Private Sector in the Solomon Islands

The Solomon Islands' private sector, although engaged toward climate change adaptation and mitigation actions, is still growing and facing challenges to be effective. Mapping the private sector showed that each of the banking and financial sectors, SOE sector and MSME sector are essential to the development of the economy, the green financial market and climate change engagement of the Solomon Islands. The following sections will go further by detailing the difficulties and strengths of each sector to better understand the current private sector engagement in tackling climate change.

5.1 Micro Small and Medium Enterprises in Solomon Islands

MSMEs in the Solomon Islands account for 22% of total household income, and 28% of employment income. Small-scale retail trade of goods and services appear the most predominant business-related activity across all provinces.

In terms of analysis of MSMEs by province, Honiara accounts for 35% of all income from business (non-subsistence), followed by Guadalcanal (13%) and Malaita (12%) provinces, as these provinces are key government and commercial areas, with growing populations. Also, close to 19% of households are involved in an MSME. Within provinces, this rate is at about 33% in Honiara. In contrast, Temotu records 3% of households with MSMEs and business income as the main source.

MSMEs in Honiara and Rennell-Bellona show predominance in handicraft (including food processing) activities, accounting for 84% and 54% of the respective total subsistence incomes of households. Business activities from handicrafts come mainly from sales of carvings and mats. Malaita Province relies for 35% on income from livestock-based MSMEs activities (mainly sales of pigs and chickens) after Guadalcanal province (36%). Temotu Province contributes the largest share (25%) of income generated from fishing, across all provinces.

In the GCF report on MSMEs, GCF projects supporting MSMEs are classified as public sector activities. Funding for these activities is often through faith-based lending.

MSMEs are essential to the expansion and advancement of the economy. They serve as a breeding ground for innovative thinking and entrepreneurship, support the creation of jobs, and are regarded as the foundation of the world economy. According to the World Bank, formal MSMEs in emerging economies can account for up to 40 per cent of the GDP.[43] It is important to support MSMEs, including those in the informal sector.

Access to financing for MSMEs continues to be a concern, despite the significant contribution this sector makes to more inclusive economic growth. Due to their lack of credit history, lack of collateral, and low equity ratio, MSMEs are more susceptible to external factors than large businesses are (such as price risk and interest rate risk). It is very difficult for MSMEs to get direct support from climate funds or donors. The fact that the majority of MSMEs, and informal MSMEs in particular, cannot obtain financing through conventional methods is one of the main problems. They only partially meet the impact criteria of the funds with insufficient reporting, and they also lack sufficient collateral or credit history to obtain financing.

The GCF MSME initiative increases the need and capacity for access to credit by developing new financing solutions and providing technical assistance.[44]

In order to help the MSME sector, government regulators and policymakers have developed a range of measures, including supporting laws, infrastructural improvements, capacity building programmes, and education.

[43] SME Finance: Development news, research, data. (2022). World Bank. https://www.worldbank.org/en/topic/smefinance

[44] Increasing MSME access to climate finance. (2015, September). Dalberg.

In the Solomon Islands, financial institutions have difficulty managing businesses effectively, resulting in a large financing gap that hinders growth and job creation. Limited financial sector competition, a lack of MSME-specific products, high risk aversion, and strict collateral requirements have raised financing costs, hurting small businesses. The several global crises have exacerbated these inequalities. New initiatives are taken in order to support the private sector and reduce the gap and difficulties related to it. It has four components:

1. Providing new sources of MSME-focused finance through debt funds.

2. Developing a broader market.

3. Offering flexible risk mitigation tools to increase MSME inclusion.

4. Accelerating the digitalisation of the MSME lending market.[45]

To respond to these issues, the Solomon Islands has developed an MSME policy that seeks to be dynamic and sustainable and would contribute significantly to national economic development. It is intended to stimulate the growth of MSMEs through access to finance, an enhanced business-support service provision and by creating a conducive legal and institutional framework that truly reflects its challenges.

- Seven key objectives are placed under the umbrella of this new MSME policy:[46]
- Establishing a culture of entrepreneurship among the Solomon Islands population.
- Facilitating access to Business Development Services for MSMEs.
- Establishing mechanisms for MSMEs to access appropriate funds.
- Ensuring access to local, regional and international markets.
- Promoting innovation and technological capacity.

The Solomon Islands is working on making the business processes easier and more accessible to the stakeholders. It also receives the help of different organisations, one of them being the Business and Cooperatives Development Division, designed to help and support registered MSMEs through business training, promotional, and consulting services. These recommendations are supported by research projects, including market research, which the Division conducts through its Business Unit in collaboration with stakeholders, partners, and service providers.

An MSME in the Solomon Islands is a registered or unregistered business that employs between 1 and 50 people, has an annual turnover less than SBD 50 million and a capital investment less than SBD 7.5 million.

[45] MSME Policy Performance Monitoring Framework. (2014). Ministry of Commerce, Industry, Labour and Immigration. https://www.commerce.gov.sb/component/edocman/40-msme-policy-performance-monitoring-framework.html

[46] MSMEx, T. (2022, 23 March). What is MSME? Definition, Benefits, Registration & Classifications of MSMEs Explained. Xcelerating Growth. https://www.msmex.in/learn/what-are-msmes

5.1.1 Sectoral Mapping of MSMEs: Agriculture

Consistent with the nature of the land tenure system, most agricultural activity consists of smallholder production and the sector is highly inclusive. In rural areas, most households engage in food and cash crop production on customary land (Tables 4 and 5). They produce a variety of root crops, vegetables, and fruits for own consumption and for sale in domestic markets, livestock (mainly poultry and pigs), and cash crops for export (primarily copra and cocoa, to a limited extent coffee, with nascent exports of other crops). Typically, smallholders engage in some combination of food and cash crop production. Women tend to dominate the production and marketing of food crops and small livestock (and, near Honiara, flowers), but occupy more limited roles in cash crop production (typically not in tasks regarded as more physically demanding, in the post-harvest practices that add value and thus result in higher prices, or in selling higher value products). Men tend to dominate cash crop production, which typically occurs on the prime agricultural land. It is estimated that 30 per cent of the value added in the copra industry accrues to the approximately 40,000 smallholders, while for cocoa some 20 per cent of the value added accrues to the 24,000 smallholders and 57 per cent to the 2,000 processors. The only large-scale agriculture is an oil palm plantation on alienated and customary land on Guadalcanal. The plantation provides some 1,500 jobs, 60 per cent of which are held by men, and there are now 233 out-growers on surrounding customary land. The ability of the agricultural sector to continue to support the livelihoods of such a large number of people in the near future is subject to a number of risks.

The availability of land suitable for agriculture is very limited, due both to the mountainous topography and to the weather – with mean rainfall in many areas excessive for most agricultural activities. Soil fertility is reportedly declining due to more intensive land use, the impact of deforestation, and in some areas also the impact of mining.

The sector is highly vulnerable to the impacts of climate change. Higher temperatures, more intense and shorter periods of rainfall, more intense and longer periods of drought, more intense storms (with high winds, flooding, and coastal erosion), saltwater intrusion, and coastal inundation (most agriculture occurs in coastal areas) are all anticipated to reduce yields, change established patterns of pests and diseases, and increase the volatility of output. Sea level rise or extended periods of inundation are also expected to result in the permanent loss of agricultural land. The potentially negative impact on food security and nutrition is a serious concern. At the same time, the evidence suggests that agricultural producers in Solomon Islands are very responsive to price signals, suggesting their potential receptiveness to adopting higher yielding or more robust varieties and practices. There are now also several relatively large commercial agricultural operations, which have adopted innovative ways of overcoming key constraints in the sector – including high internal transport costs, the challenges of smallholder land tenure, access to finance, and lack of extension services. A number of initiatives are currently underway to tackle the challenges facing the sector and enhance its capacity to meet food and nutrition needs in the face of population growth, and climate change should be viewed as a high priority. The agricultural sector is described as a priority in the NDS, and there is a specific agriculture and livestock sector policy in place. However, the ability of the state to provide effective research and extension services, pest and disease control, and the like to improve agricultural yields (in the face of population pressures) and resilience (in the face of climate change) is limited. Basic data on agricultural production is lacking, core research facilities destroyed in the civil tension were never rebuilt, the recurrent agriculture budget is scant, and the state has a limited ability to reach rural populations.

There is further space for research and development capacity to improve yields, strengthen resilience, and account for nutritional needs. There is also a need to explore the potential of innovative and collaborative modes of delivering agricultural support to smallholders – including through the private sector, churches, RTC network, NGOs, or community-based organisations with a strong presence in rural areas.

TABLE 4. Per cent of Annual Gross Income from Type of Subsistence Activities by Province [47]

Gross income from subsistence activity (market oriented)	Solomon Is.	Choiseul	Western	Isabel	Central	Ren-Bell	Guadalcanal	Malaita	Makira	Temotu	Honiara
Cash & root crops	24.1	24.8	16.6	30.4	30.6	3.9	25.8	21.8	50.2	20.0	12.2
Includes: Cocoa	8.0	0.0	0.0	0.3	7.0	0.0	13.4	7.3	36.8	0.2	0.0
Copra	4.6	11.8	5.4	8.2	10.4	0.0	2.9	2.9	5.7	5.8	0.0
Kumara	3.7	5.3	4.8	3.3	2.7	0.9	4.0	4.4	1.7	2.9	0.8
Cassava	2.7	2.5	4.1	0.9	1.5	0.0	2.7	1.5	0.7	1.3	10.9
Betel nuts	6.5	6.2	0.2	0.2	7.3	0.0	14.4	2.3	1.8	3.4	0.0
Fruits & vegetables	13.2	11.1	11.4	3.6	10.8	0.2	24.6	6.7	5.2	4.9	5.6
Includes: local cabbages	2.0	1.7	3.5	0.8	0.2	0.0	3.9	0.5	0.2	0.9	1.3
Water Melon	1.8	0.4	0.3	0.1	1.0	0.0	3.4	2.4	0.1	0.3	0.0
Leafy cabbage	1.8	0.5	0.2	0.0	0.0	0.0	4.2	0.5	0.4	0.5	2.7
Banana	1.6	2.3	1.7	0.6	1.8	0.0	2.6	0.5	1.4	1.0	0.4
Firewood and flower	1.2	0.0	0.3	0.6	0.0	0.0	3.0	0.0	0.1	0.8	0.3
All type of fish	15.0	13.1	24.9	32.9	28.6	7.3	5.4	13.8	7.2	27.2	13.8
Includes: Deep sea fish	5.7	5.6	7.9	12.2	16.3	3.9	2.9	2.9	2.4	11.1	2.4
Reef fish	5.2	4.5	12.6	12.0	8.4	1.5	1.2	5.2	1.9	3.1	9.5
Tuna	3.9	2.7	4.1	8.7	2.3	0.6	1.3	5.6	2.5	12.2	1.9
Other sea food	5.6	13.2	8.8	12.0	4.9	3.4	0.1	4.5	5.2	25.2	0.3
Includes: Other shellfish, sea foo	2.5	0.1	5.6	2.7	0.0	0.6	0.0	0.6	0.9	21.5	0.0
Trochus	0.9	2.9	0.8	7.5	2.2	0.2	0.0	0.1	2.1	0.5	0.0
Sea weed	0.5	8.7	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Livestock	17.1	17.4	5.3	16.1	10.8	4.1	17.6	29.7	12.0	7.8	15.1
Inclues: Pigs	14.3	15.2	4.5	14.4	9.9	0.7	14.2	26.6	9.5	6.6	7.2
Chicken	2.5	2.2	0.9	1.6	0.9	3.4	3.5	1.7	2.5	0.5	7.9
Livestock products	0.6	0.3	0.9	0.0	0.3	0.0	1.2	0.1	0.0	0.3	0.4
Includes: Eggs	0.5	0.2	0.8	0.0	0.3	0.0	1.2	0.0	0.0	0.1	0.4
Handicraft	3.8	3.7	12.6	1.9	3.4	77.7	0.7	3.8	2.9	1.3	5.8
Includes: Carvings	1.2	0.0	7.5	0.3	1.3	10.7	0.5	0.0	1.8	0.0	0.2
Mats	0.8	1.2	1.0	0.9	0.5	26.4	0.0	1.8	0.4	0.6	0.3
Food processed at home	12.8	10.2	19.0	2.4	3.3	3.4	7.1	17.3	15.4	9.2	46.5
Includes: Cakes & pies, scones	7.6	8.5	10.7	1.6	2.7	0.6	4.0	13.0	13.2	4.7	15.3
Total subsistence activities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[47] https://www.statistics.gov.sb/component/advlisting/?view=download&format=raw&fileId=410

TABLE 5. Per cent Distribution of Home Production by Selected Goods by Province[48]

	Solomon Is.	Choiseul	Western	Isabel	Central	Ren-Bell	Guadalcanal	Malaita	Makira	Temotu	Honiara
Meat	2.8%	1.3%	6.1%	2.9%	1.4%	0.9%	2.5%	2.1%	2.5%	2.4%	2.5%
Fish	13.2%	18.1%	19.7%	16.0%	17.4%	20.9%	10.5%	10.1%	11.2%	14.1%	3.9%
Sea food	6.0%	3.8%	6.2%	9.7%	7.8%	8.6%	1.4%	8.2%	2.9%	5.8%	2.3%
Fruits	16.0%	16.9%	15.2%	12.6%	12.6%	23.3%	17.8%	9.7%	28.4%	40.7%	21.5%
Vegetable	10.7%	9.9%	8.5%	9.3%	7.1%	9.1%	20.6%	8.9%	9.0%	6.6%	11.9%
Tuber	46.4%	45.9%	40.6%	43.6%	45.0%	36.8%	39.8%	58.7%	35.6%	25.6%	54.3%
Others	4.9%	4.1%	3.7%	6.0%	8.7%	0.3%	7.3%	2.3%	10.3%	4.7%	3.6%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

5.1.2 Sectoral Mapping of MSMEs: Fisheries

Coastal fisheries in the Solomon Islands are dominated by subsistence activity and, like agriculture, is highly inclusive. Most of the MSMEs are microscale. Households fish primarily in in-shore areas close to their customary lands for subsistence (with similar freshwater fisheries activity in rivers and lakes). The main products are finfish and shellfish, either for own consumption or sale in domestic markets. Fish and seafood provide 92 per cent of the animal protein intake in the Solomon Islands, 64 per cent of which is from subsistence fishing.

There is also a modest coastal commercial fishery supplying finfish for domestic consumption from small-scale vessels operating in lagoons, reefs, and archipelagic waters, supplying baitfish to National Fisheries Developments (NFD) – a large-scale company[49] – for its two pole-and-line vessels operating in archipelagic waters, and supplying bêche-de-mer, trochus, and shark fins for export. In addition, there is a nascent smallholder aquaculture industry, primarily seaweed for export. Men dominate the sector (with 90 per cent of men participating in some form of fishing activities), tending to do most of the coastal reef fishing and using diverse methods and equipment. Women still play a major role however (with 50 per cent of women participating in fishing activities) and are estimated to take half the subsistence catch – primarily from in-shore areas. They also collect bêche-de-mer and shellfish to generate income (including from handicrafts). Women play a major role in the local marketing of by-catch from oceanic fishing vessels. There are reports that sex work is sometimes undertaken on these vessels in return for fish to sell.

The ability of coastal fisheries to continue to support the food needs and livelihoods of Solomon Islanders is under imminent threat. While data are scarce, coastal fisheries are broadly recognised as being fully exploited or overexploited, due to the high dependence on fish to meet the food needs of the rapidly growing population and the demand from Asian markets for key highly valued species. These two forces, together with the disconnect between customary management and a western state-based regulatory framework and mindset, have seen customary limits on fishing access and effort overwhelmed. The fisheries are also being adversely affected by degradation of essential fish habitats. Logging-induced sedimentation, sewage and solid waste pollution, mangrove clearing, destructive fishing practices, and coral mining degrade the productivity of nearshore fisheries.

[48] https://www.statistics.gov.sb/component/advlisting/?view=download&format=raw&fileId=410

[49] Established in the late 20th century, NFD is the Solomon Islands' premier fishing company, operating a fleet of purse seine and pole and line vessels at the port of Noro in the Western Province. The company's management, staff and crew are Solomon Islanders. NFD is the supplier of tuna raw material to SolTuna.

Climate change poses additional threats, including changing spawning behavior and fish stock locations and damage to reef ecosystems from more intense storms, increased sea-surface temperatures and acidification, and coral bleaching. However, even in the absence of climate change-related threats, projected population growth is likely to overwhelm coastal fisheries, leading to resource collapse. As well as the damage to livelihoods, the food fish gap is projected to widen over coming decades.

For coastal fisheries to become a sustainable source of food and livelihoods, it is critical that existing efforts to develop community-based resource management be accelerated and complementary measures put in place. Given historical patterns of localised resource control and the limited capacity and reach of state authority over fisheries, 'western' state-based regulatory approaches to managing coastal fisheries are very unlikely to work.

The Ministry of Fisheries and Marine Resources Development (MFMRD) is willing to spearhead the provision of support services – through provincial governments and/or non-state actors – to interested local communities, networks of communities and local MSMEs to enable them to maximise the value of their resources in accordance with their needs. This may include analysis of fish stocks, facilitation of management plans based on customary rights but at an ecologically relevant geographic scale, and capacity building for local decision-making, goal setting, planning, and enforcement. Given the different roles men and women typically play in coastal fisheries activity, it will be critical to be gender-inclusive in supporting MSMEs. With some 4,000 coastal villages in the Solomon Islands, this will require significant budgetary resources over a long period.

The local plans and access rules that communities and microentrepreneurs set (including long-term marine reserves, to help rebuild stocks and increase catches in fishing zones), will also need to be codified and enforced at the local and provincial level with support from the MFMRD. As more effective local management helps to restore nearshore fish stocks, food needs will need to be supplemented through greater access to oceanic fisheries, other sources of protein (such as poultry), and aquaculture.

Aquaculture can also generate income if focused on high value nearshore resources such as bêche-de-mer. Great care is needed with policies on commercial nearshore fisheries, to ensure these do not drive overexploitation and are instead developed within local management systems. MSMEs should play a priority role in developing aquaculture.

Finally, regarding processing, few MSMEs are involved. SolTuna, based in the town of Noro in Solomon Islands' Western Province, is the country's only tuna processing facility,[50] and it employs over 1,800 workers, 64 per cent of whom are women. SolTuna has a strong commitment to ensuring equal rights and opportunities for women and men in the workplace. Non-discrimination policies and practices are in place, and the company has taken proactive steps to support women workers and promote greater gender equality through initiatives such as investing in training women forklift drivers and supporting community efforts to address gender-based violence. Nonetheless, the company is operating in an environment of severe gender inequality, where businesses face considerable challenges in attracting and retaining the female human resources they need to operate and grow their business.

[50] SolTuna belongs to Tri Marine Global Group of Companies (www.trimarinegroup.com)

5.1.3 Sectoral Mapping of MSMEs: Forestry

The logging industry is a critical component of the economy, including for MSMEs. Native forests are owned by ascribed timber rights holders, usually – but not necessarily – connected with landowning groups, frequently with chiefly status, and always male. Deals with logging companies are often brokered by local men fluent in written and spoken English, usually to the exclusion of nonelite men and women in landowning groups who may depend on forest areas for fuel, construction materials, and marginal food gardens.

There are major asymmetries of power between the local players such as local MSMEs, and the foreign companies, and while promises of royalties, in-kind benefits (like new buildings), and direct payments to local leaders make the deal appealing to those making it, the share of the rent secured locally is generally regarded as very low. The deals struck may also bear little relation to what happens afterwards when the logging occurs, with few opportunities for locals to do anything about this disparity. Logging usually takes place very quickly, proceeding if logging companies are successful in patronising local power holders for long enough to get the logs out.

Problems underplayed during deal making – such as intergroup conflict, domestic violence (exacerbated by disputes and royalty-funded drinking), sexual exploitation of women with very limited options, and child trafficking – often turn out to be much bigger than communities can handle. Power holders within landowning groups and MPs are frequently included as directors of local front companies for the loggers, to secure duty exemptions. The determined prices for logs (a system that establishes a regulated price for each species and grade of log, as means to tackle undervaluation) are set significantly below global market prices.[51] Loggers and their political allies have significantly weakened state capacity to regulate the industry. They have also a strong bargaining power when negotiating subcontracts to MSMEs.

Governments attempting to regulate the industry or increase determined values have faced the threat of (or actual) stockpiling logs, interrupting the generation and distribution of logging rents, with policies then retracted or governments brought down.

While the timing is uncertain, logging is expected to decline sharply. Under a business-as-usual scenario, log exports could be maintained at a little over 1.2 million cubic meters until the mid-to-late 2020s – but doing that would involve logging all remaining primary commercial forests and all secondary forests, however prematurely.[52]

5.1.4 Sectoral Mapping of MSMEs: Tourism

Over the longer term, tourism offers Solomon Islands a critical engine of economic growth. Its potential stems from the natural, cultural, and historical assets that enable the industry to secure premium prices to cover its relatively high production costs. These assets include its tropical climate, coral reefs, beaches, lagoons and surf breaks, its rich and unique cultural heritage, and its many World War II sites – raw tourism assets that are regarded highly by travel trade representatives in key source markets.[53]

However, the direct contribution of tourism and travel to GDP at present is only about 4 per cent,[54] with some 2,000 jobs in tourism businesses.[55] Even these figures overstate the extent to which Solomon Islands is tapping into its global market opportunities in tourism, because of the relatively small share of leisure visitors among visitor arrivals. The six major hotels in Honiara, for instance, which account for over a fifth of the national room inventory, obtain 80 per cent of their turnover from business rather than leisure guests.

[51] https://www.cbsi.com.sb/publications/quarterly-review/

[52] https://redd.unfccc.int/submissions.html?country=slb

[53] IFC 2020

[54] World Travel and Tourism Council, 2015. Travel and Tourism Economic Impact 2015: Solomon Islands. London: WTTC

[55] DFAT (Australian Department of Foreign Affairs and Trade). 2016. “Solomon Islands Tourism Market Analysis for the Solomon Islands Growth Project.” Australian Department of Foreign Affairs and Trade

Outside hotels, virtually all restaurant business in Honiara is from locals, expatriates in Honiara, and business visitors. A number of other tourism ventures – including some dive operators – also derive their core business from Honiara-based expatriates. While these are important backwards linkages from the urban service economy – and international public sector within it – this is not tapping global tourism market opportunities. There were only about 6,100 leisure visitors to Solomon Islands in 2015 – tiny by regional standards, and only marginally above numbers before the civil tension. Market surveys indicate the key types of tourism leisure visitors engage in are sun and sea, cultural heritage, adventure, and eco-tourism. In the short term, the rapidly growing segment of the tourism sector is cruise tourism, with over 10,000 cruise ship visitors to Solomon Islands in 2016, compared to none just three years earlier.[56]

Developing the tourism sector is crucial, as one of the few economically viable ways for Solomon Islands to tap into the global economy and because of the industry's potential for relatively inclusive growth. A number of neighboring Pacific island states have demonstrated the potential of tourism for generating significant numbers of jobs that are generally appealing – including to young people – and that are often in the formal sector. These paid employment opportunities are typically of disproportionate importance to women. Tourism's potential for gender-inclusive employment is already evident in Solomon Islands, with women estimated to be responsible for 90 per cent of the income in the industry, working as micro or small entrepreneurs or as employees primarily in hotels and restaurants – whereas men dominate diving, fishing, transport, and maintenance operations.[57] Linked to this, there is a need to mitigate the risk to women of sexual exploitation in the sector. The tourism industry's potential for backward linkages is extensive, including – critically – in agriculture and fisheries.

The major hotels in Honiara, for instance, have developed significant direct local agricultural supply relationships over the last five years. While the potential geographic spread of tourism may be larger than for mining, tourism assets are by no means evenly distributed and tourism development will further concentrate around assets where facilitating infrastructure exists – so development is likely to be quite uneven.

Although MSMEs theoretically have access to loans from commercial banks, few in the tourism sector can secure them, due to lack of equity or land security and lack of business planning skills.[58]

5.1.5 Sectoral Mapping of MSMEs: Energy

Wood and coconut shells is the main energy source for cooking in all provinces including Honiara. In Honiara, gas is the second main source of cooking, followed by sawdust.

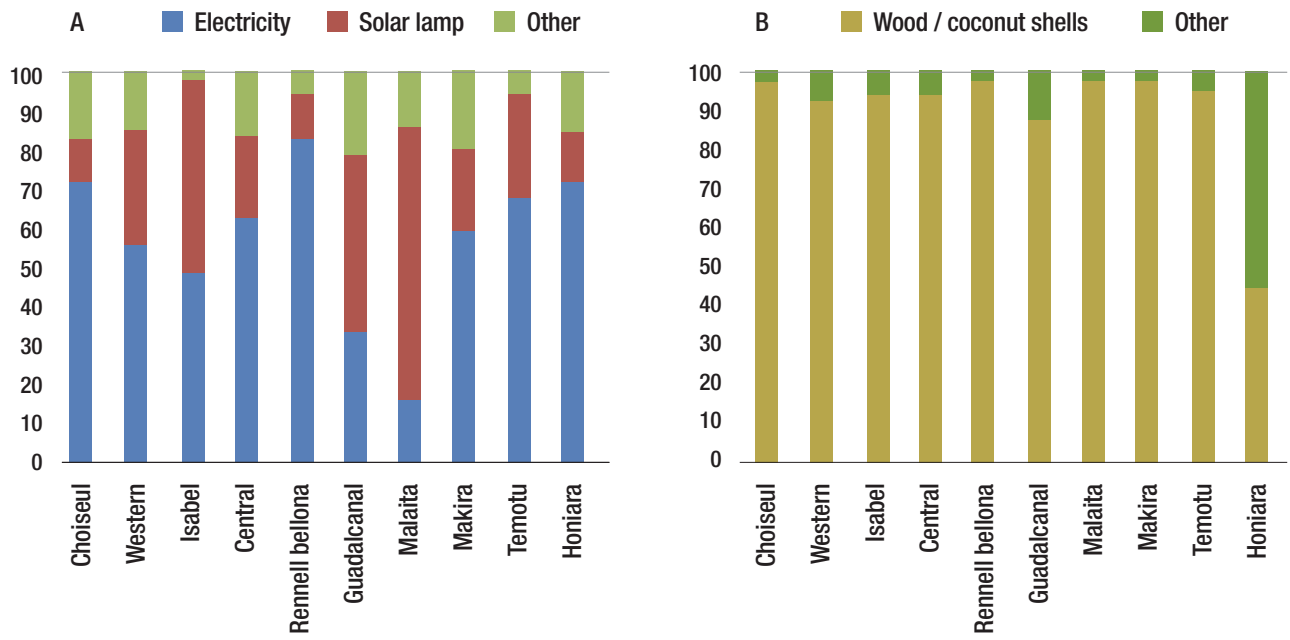
At the national level, electricity is the main source of lighting for 45% of all households, followed by solar (lamp) energy, accounting for 40% of all households. At the provincial level, 49%-83% of all households across the provinces, with the exception of Guadalcanal and Malaita provinces, recorded electricity as their main source of lighting. Solar energy is the main source of lighting for Guadalcanal and Malaita provinces. Isabel Province has an equal proportion of households using electricity (49%) and solar energy (49%) as their main source of lighting (Table 6).

[56] https://openknowledge.worldbank.org/bitstream/handle/10986/29881/Solomon-Islands-SCD.pdf?sequence=1&isAllowed=y

[57] Australian Department of Foreign Affairs and Trade, 2016. "Solomon Islands Tourism Market Analysis for the Solomon Islands Growth Project." Australian Department of Foreign Affairs and Trade

[58] International Finance Corporation, 2009. "Tourism Impediments Diagnostic." Presented to the Solomon Islands Ministry of Culture & Tourism, International Finance Corporation

TABLE 6. Main Energy Sources of Lighting (A) and Cooking (B) by Province[59]



The relationship between use of energy and economic growth has been a subject of inquiry as it is considered to be one of the important driving forces of economic growth: energy is one of the essential inputs to any MSME. To support the growth of MSME, it is important to supply continuous and reliable energy. In the absence of electricity for instance, rural households cannot refrigerate perishable farm and fisheries products for later market sales, productive activity is largely confined to daylight hours, and industries cannot establish unless they develop their essential services. The same applies for infrastructure and access to other services.

5.1.6 Sectoral Mapping of MSMEs: Infrastructure and Services

The economy of the Solomon Islands, concentrated in the capital Honiara, has underpinned the growth of an urban service economy, while natural resource extraction has largely occurred in the form of enclaves, amidst an otherwise predominantly rural, subsistence-based economy. At the same time, reflecting the very high cost of providing infrastructure and services to such small pockets of people spread so widely across such divided territory, access to infrastructure and public services has to some extent been concentrated in Honiara (and to a lesser degree other urban areas) and achieving quality has been a significant challenge, particularly in rural areas. This has accentuated uneven development between urban and rural areas and among different rural areas, through the varying extent of infrastructure and services. Comparisons of access to improved water, sanitation, and internet show stark contrasts between rural areas – where the vast majority of people live – and urban areas.

The poor level of infrastructure in many provinces is a barrier to the development of MSMEs. For instance, differences in access to improved water, sanitation, waste disposal, information and communication technologies are significant between rural and urban areas. Such essential services are inherently important to the population's well-being, including health and health of the environment. These services also provide a critical foundation for social service delivery (for instance, clean water for vaccination programmes or studying after daylight hours). And finally, these essential services provide a critical foundation for private sector development, especially MSMEs. Besides, improving access to essential services would bring important benefits to women, because they tend to bear a disproportionate burden of increased work in the absence of these services, and their safety is more at risk when sanitation facilities are not available.

[59] https://openknowledge.worldbank.org/bitstream/handle/10986/29881/Solomon-Islands-SCD.pdf?sequence=1&isAllowed=y

5.2 Private Sector Representative Organisations

5.2.1 Solomon Islands Chamber of Commerce and Industry (SICCI)

The Solomon Islands Chamber of Commerce and Industry (SICCI) is the main representative of the country's private sector. It is a major actor in the consideration of climate change and its effects on the private sector. SICCI has 200 members covering about 80% of the private sector workforce in the Solomon Islands, and MSMEs represent 60% of SICCI's membership. The SICCI is deeply engaged in private sector capacity building and has been part of several events, initiatives and policies.

Through the Waka Mere Commitment to Action and in partnership with the International Finance Corporation (IFC), SICCI is supporting enterprises in the informal economy (safety and infrastructure), is improving access to capital (especially microcredit) and is improving financial training for women in the formal economy.[60]

The partnership IFC-SICCI is also providing training and workshops to support companies in monitoring and to share their progress against its gender equality targets. They encourage women to participate in the Solomon Islands Professional Women's Network, an initiative launched in 2016 which aims to increase opportunities for women as individuals through networking events and skill-building activities.[61]

SICCI is working towards helping the youth in many fields and according to equal and sustainable values.

In terms of education empowerment, SICCI seeks to introduce and implement formal internship and apprenticeship programmes during school to work transition periods for all youths leaving the education system, and to develop and implement a National Youth Employment and Entrepreneurship Strategy (career pathways, entrepreneurship, other innovative economic opportunities).

As for sustainable development, SICCI seeks to develop a youth-to-youth strategy on youth engagement on sustainable development that aims to (i) inform youth about the issues underlying the Sustainable Development Goals; (ii) inspire youth to take an active role in the implementation, monitoring and evaluation of the SDGs, and (iii) invite policymakers to facilitate meaningful participation of youth in the national discourse, implementation and monitoring of the SDGs. The organisation also aims to create an enabling environment to increase opportunities for youth including disabled and marginalised youth to participate, lead, plan, make decisions, implement, monitor and evaluate development opportunities within and outside of government systems and to facilitate leadership, social accountability and civic engagement opportunities for young people to acquire more knowledge and awareness about the role of government, parliament, parliamentarians, traditional leadership and governance, provincial and ward governance, businesses and civil society to strengthen their roles in democratic society. SICCI wants to develop and implement youth-to-youth programmes that embrace cultural diversity, traditional leadership and governance, social cohesion and inclusion, spiritual maturity, equal opportunity and gender equality as the cornerstones for long-term peace and security, understanding, tolerance, reconciliation and national unity that builds a nation and leaves no one behind.

Finally, the organisation supports young vulnerable women by promoting female recruitment and leadership in the private sector with IFC, building capacities for internal control mechanisms, ethics and compliance of women-owned, and managed MSMEs (United Nations Office on Drugs and Crime, Tackling Corruption a Key to Recover with Integrity), for example through workshops, and creating a young entrepreneur council called YECSI to foster and harness the commercial potential of the country's young and growing population.[62]

In regard to coordination and communication with the private sector on GCF activities, SICCI has several well-established services. These are:

[60] Ministry of Women, Youth, Children and Family Affaires, National Strategy on the Economic Empowerment of Women and Girls 2020–2023.

[61] IFC, Making Progress: Solomon Island businesses advance gender equality.

[62] UNDP, SI Development Finance Assessment

- An active and informative member's email list.
- A newsletter.
- The SICCI website, Facebook Page and Twitter channel.
- Regular networking events, known as "Business After 5" (BA5) held at a Honiara venue.
- Hosting of webinars which can be attended virtually from the provinces.
- Conferences organised around key interests of the private sector.
- Provincial tours made to raise awareness especially with the informal and microenterprise sectors, and to attract new membership.
- Two-way communication with their membership, for instance via online surveys and aggregation of feedback from individual businesses.
- A monthly SIBC radio programme.

SICCI can collaborate with the NDA on communications with the private sector by providing access to these communication mechanisms for GCF communications. The same applies with YECSI, who have their own communication channels and membership database to focus on nurturing emergent businesses, and the special interests of MSMEs and young entrepreneurs. SICCI has a deep understanding of the needs of their membership and can advise the NDA on communication content and materials and identify gaps.

SICCI is also the main actor to fight against climate change and is a representative of the private sector in that field. The aim is to develop more resilience and adaptive measure by giving more means and funds to the private sector. The outcomes are the creation of a database of accredited entities for climate change funds, giving new access to private sectors, and concepts for dedicated private sector funding under GCF and other sources included.

SICCI intends to set up a Business Resilience Council in the near future to deal with climate finance and other climate-related matters.

5.2.2 Young Entrepreneurs Council Solomon Islands

Nearly 500,000 Solomon Islanders, or around 70% of the whole population, are under the age of 34. Young people in Solomon Islands are among the most vulnerable demographics in our society due to the nation's high youth unemployment rate, which is among the highest in the area at over 80%. Only 4,000 new employments are generated each year despite the fact that 16,000–18,000 young people (6,000 of whom are school dropouts) enter the work market annually.

To address the issue of growing young unemployment in the Solomon Islands, the SI Government commissioned the creation of a national youth policy in 2016.

The creation of the Young Entrepreneurs Council Solomon Islands (YECSI) with the support of SICCI is one of the primary deliverables of the three-tier policy framework.

The idea behind YECSI's formation in 2017 was that if given the chance, young people can play a beneficial role in the development of the Solomon Islands. YECSI was formally established because of an innovative Public-Private Partnership (PPP) that the SI Government and SICCI created to ensure the efficiency of YECSI. Young Solomon Islands entrepreneurs continue to get assistance, connections, and bridges from YECSI, which promotes entrepreneurship as a viable alternative to traditional employment for those between the ages of 18 and 40.

They carry out all sorts of activities and programmes:

- Through market-specific training, info sessions, and mentorship programmes, YECSI gives its members the

chance to learn and grow professionally. This includes Business Training, Information Sessions, Networking Events and through Mentorship programmes. Through mentoring programmes, YECSI matches young company owners with experienced industry professionals to develop future business leaders.

- As the voice of young entrepreneurs in the Solomon Islands, YECSI collaborates with a variety of stakeholders to advocate for and amplify their voices in various settings.
- They intervene in schools to promote the "Home Blo Iumi" bridge programme, to reach out to students between the ages of 16 and 24 in an effort to encourage them to pursue entrepreneurship as a viable career path. Additionally, the "Ennovation Blo Iumi" programme nurtures long-term viable firms and ideas.

YECSI has a strong interest in climate change-related aspects and is working with MSMEs from both the formal and the informal sectors. YECSI is also bridging with the provinces by collaborating with the Provincial Youth Councils established in 2021 in 4 provinces under a UNDP, National Youth Congress and MWYCFA initiative.

5.3 The Role of the State-Owned Enterprises (SOEs) in Driving Climate Action

Modern SOEs have proven to be more effective than their private counterparts in addressing market failures, including environmental externalities (without significantly sacrificing shareholder returns).

SOEs in the Solomon Islands have poor service delivery and financial performance as a result of weak management and inefficient corporate governance regimes. This has a significant negative impact on the economy, businesses, and customers. The conflicts from 1999 to 2003 made these issues worse.

In order to develop the private sector in the Solomon Islands in the most effective way, it is necessary to first determine what gaps and impediments exist that could prevent this development. Political instability is already a hindrance to the private sector because it will be complicated or uncertain to open a business in the region. In addition to the complicated political climate, public goods are weak and non-existent infrastructure is mostly damaged and deteriorating, and wages are not rising, reducing the possibility of a reliable and workable market.

Corruption is also rampant in the country and deters investment and the willingness to start a business.[63] The problems are numerous:

- Land leases include ambiguous property rights, and there are several conflicts that have led to some significant natural resource investors leaving the Solomon Islands.
- The laws are out-of-date and there is no effective framework for resolving commercial disputes.
- The functioning of the legal system is poor. Court procedures are drawn out and unpredictable, and registries are ineffective and untrustworthy.
- A sizable fraction of marginal and small enterprises disobey most regulations and pay little tax, which puts an unfair burden on taxed businesses and tilts the playing field. A wider tax base is required.
- An extremely weak public administration. Governmental processes are inadequate, and there is a high rate of absenteeism among the workforce.

Despite these difficulties, the percentage of SOEs has climbed by 14 per cent in 2019/2020 as a result of improved data on flows in developing nations, notably in East Asia and the Pacific, and the implementation of renewable energy funding in the area.

Government grants accounted for the majority of the 12 per cent of public flows (USD 38 billion) that were

[63] https://www.undp.org/pacific/blog/what-fighting-corruption-looks-solomon-islands

primarily driven by low-carbon transportation in 2019/2020, which climbed by 17 per cent.[64]

In 2017, Po-Hsuan Hu et al. wrote a paper "Leviathan Inc. and Corporate Environmental Engagement"[65] that analyses the impact of state ownership on a company's engagement on environmental, social and governance (ESG) issues. The analysis covers a dataset of state-owned companies in 45 countries between 2004 and 2014. The Solomon Islands are not in the sample, but we can note some quite interesting results:

- SOEs have more mitigation and natural resource reduction actions. They responded more significantly to the adoption of the Copenhagen Accord in December 2009, particularly in reducing CO_2 emissions, especially in the Asia-Pacific and Latin American regions, as well as in countries with high per capita CO_2 emissions.
- SOEs tend to be more engaged in environmental issues (and this is not the case for other private sector block owners). The effect is mainly due to domestic government holdings in local companies (rather than foreign government or sovereign wealth fund holdings).

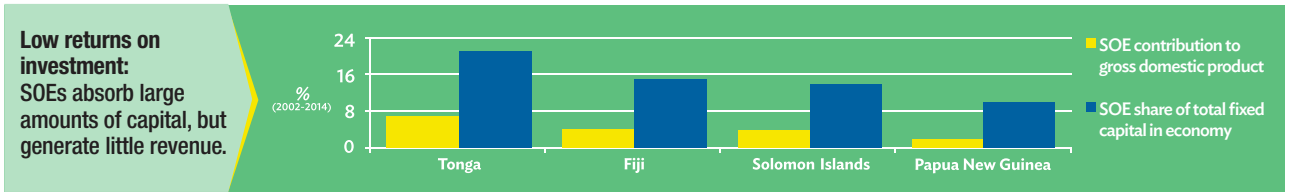


FIGURE 10 Returns on investments SOEs of PICs (2002–2014)[66]

Therefore, the SIG gave improving SOE performance and encouraging private sector participation in the economy top priority in its National Economic Recovery, Reform, and Development Plan (2003–2006). An Economic Reform Unit was established within the former Ministry of Finance, National Reform and Planning to help with developing and implementing economic reforms. This unit was funded by the economic governance support programme of the Regional Assistance Mission to Solomon Islands, which was deployed in 2003.[67]

In 2020, initiatives supporting SOE reform account for 25 per cent of overall spending and have led to the establishment of a community service obligation framework, the development of shared accounting services, the successful privatisation of three SOEs, and a new SOE ownership policy.[68]

In recent years, the rate of return on assets and equity has been positive thanks to the government's strong commitment to the reform of public enterprises and the support of the PSDI. The new framework of CSO for these enterprises has led to a significant improvement in their financial performance through the drafting of these new contracts. The PSDI also continues to support the implementation of the law on state-owned companies.

According to the definition from the State Owned Enterprises Act 2007, the Solomon Islands government owns and operates nine SOEs and these are subject to audits by the Office of the Auditor General to ensure their proper functioning. The government aims to strengthen public sector accountability and transparency within the territory through independent auditing services. Climate engagement and SOEs' vulnerability are set out in Table 7.

[64] Climate Policy Initiative. (2022, August). Global Landscape of Climate Finance 2021. https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2021/

[65] Pho-Hsuan et al., 'Leviathan Inc. and Corporate Environmental Engagement' (2017)

[66] Reforming State-Owned Enterprises. (2016). Pacific Private Sector Development Initiative (PSDI). https://www.adb.org/sites/default/files/publication/223806/reforming-state-owned-enterprises.pdf

[67] Pacific Island State Owned Enterprises, Solomon Islands data; http://www.pacificsoe.org/solomon-islands/

[68] Solomon Islands. (2020). Pacific Private Sector Development Initiative. https://www.pacificpsdi.org/where-we-work/country/solomon-islands

5.3.1 The Solomon Islands Port Authority (SIPA)

SIPA is under the responsibility of the Ministry of Finance and Treasury and the Minister of Infrastructure Development, which has been subject to SOE classification since 2007. This state-owned enterprise operates under the Port Act of 1956 and operates at Honiara and Noro ports.[69]

The organisation has initiated a Green Port project with the aim of sensitising local communities in villages and schools as well as in its internal practices about the climate issues they face. Being mostly located on the coast, the rising seas impact their livelihoods and deteriorate the environment and resources. As of 2019, SIPA aims to adopt more sustainable actions in its port operations with the use of renewable energy – specifically solar energy and LEDs in order to be more economical with its energy consumption.[70]

5.3.2 Solomon Airlines Limited (SOLAIR)

Solomon Airlines Limited (SOLAIR) is a state-owned enterprise under the Minister of Finance and Treasury and registered under the Companies Act of 2009.[71] In 2022, SOLAIR entered into a partnership with Nufuels, a clean technology company that converts waste into energy. The waste collected from the Solomon Islands is delivered to the Design Technology Centre to be processed into low-cost fuel that reduces GHG emissions by 20 per cent compared to standard fuel.

This collaboration is long-term with a commitment to use biodiesel for its land fleet in the future, as well as the establishment of an accessible processing system in the Henderson area. In April 2022, SOLAIR – along with other SOEs (Solomon Power and SIPA) – collected waste on the streets of Honiara in order to raise awareness, and also participated in operator training for community members.[72]

5.3.3 Commodity Export Marketing Authority (CEMA) / Solomon Commodities

The Commodity Export Authority is under the responsibility of the Ministry of Commerce, Industry, Labor and Immigration. CEMA is responsible for regulating commodities as part of its regulatory function since 2002. CEMA aims to maximise the revenue of resource owners by enforcing market standards on exporters.

5.3.4 Investment Corporation Solomon Islands (ICSI)

The Investment Corporation Solomon Islands aims to improve the accountability, transparency, and integrity of the public sector to local communities by conducting professional and independent audits.

[69] Solomon Islands Ports Authority. (s. d.). ADB. http://www.pacificsoe.org/solomon-islands/soes/solomon-islands-ports-authority/

[70] Taking the lead in the fight against climate change. (2021, octobre). Solomon Ports. https://www.sipa.com.sb/blog/blog-posts/2021/october/taking-the-lead-in-the-fight-against-climate-change/

[71] Solomon Airlines Limited. (s. d.). ADB. http://www.pacificsoe.org/solomon-islands/soes/solomon-airlines-limited/

[72] Solomon Airlines and five Solomon Islands organisations partner with Nufuels on World Environment Day. (2022, June). Solomon Airlines. https://www.flysolomons.com/about-us/news/general/solomon-airlines-partners-to-clean-up-honiara-with-solomon-islands-partners-on-world-environment-day-2022

5.3.5 Solomon Islands Electricity Authority (SIEA)

The Solomon Islands Electricity Authority (SIEA) which operates as Solomon Power (SP) is a public company that has been successful in establishing assets for SI and in considering climate change. Currently, projects are already underway, managed by the SP, to provide solar energy networks in several provinces of the country, and also to create a solar farm at Ambu (Malaita Province).

Generation of power in Honiara is mainly from the four new MAN Diesel make generators, which are more fuel efficient. The Honiara grid is also supported by the Henderson 1.0MW and the Ranadi 50kW solar installations. These two solar plants produced 12.54 per cent of the total energy produced of the SP stations during 2016 to 2018.[73]

5.3.6 Solomon Islands Postal Corporation (SIPC)

Solomon Islands Postal Corporation (SIPC) is responsible for providing postal services in Solomon Islands and to other countries. It is under the supervision of the Minister of Communications and Aviation and was established by Act of Parliament in 1996.[74]

SIPC has included in its values and scope of action the desire to have sustainable growth by providing consumers with quality of service and developing connectivity within the ecosystem. In fact, the company wishes to increase its financial progress, and with a more inclusive and ethical development.[75]

5.3.7 Solomon Islands Water Authority (SIWA)

SIWA is the company which provide services of water and sanitation in urban areas and three provincial centres and was established under the Solomon Islands Water Authority Act 1992.[76] SIWA has several climate projects to improve the resilience of infrastructure and communities to climate change.

In 2019, SIWA launched an Urban Water Supply and Sanitation Sector Project (UWSSSP) (2020–2024) with ADB, that works to implement water supply and sanitation expansion and improvement activities in Honiara, Noro, Tulagi, Munda, Gizo and Auki. This project aims to develop a more sustainable, inclusive and resilient water supply in the face of climate challenges, with awareness raising among locals, water conservation and fecal sludge management.[77]

5.3.8 Solomon Islands Broadcasting Corporation (SIBC)

SIBC was established in 1976 by Act of Parliament to provide a news broadcasting service. It was during World War II that broadcasting was introduced in the Solomon Islands by the US Armed Forces. Today, SIBC enables the territorial government to inform and educate the local population on various subjects, including the environment. The SIBC is committed to climate change issues through an environmental section dedicated to news in this area.

[73] Solomon Power Electricity Authority. (2019). Sustainability report 2019. http://solomonpower.com.sb/wp-content/uploads/2019/09/SP-Sustainability-report-17-Sept-2019.pdf

[74] Solomon Islands Postal Corporation. (s. d.). ADB. http://www.pacificsoe.org/solomon-islands/soes/solomon-islands-postal-corporation/

[75] Solomon Islands Postal Corporation (SIPC). (s. d.). SIPC. https://www.solomonpost.com.sb/

[76] Solomon Islands Water Authority. (s. d.). Solomon Water. https://www.solomonwater.com.sb/

[77] Solomon Islands: Urban Water Supply and Sanitation Sector Project, Semi-Annual Safeguards Monitoring Report. (2022). Solomon Water.

TABLE 7. Climate Engagement and SOE's Vulnerability

Name of the SOE	Mitigation / Adaptation Activities	Vulnerability	Low-Carbon Engagement
Solomon Islands Ports Authority (SIPA)	Green Port project: use of solar energy and LEDs in ports operations	+++	++
Solomon Airlines (SOLAIR)	Partnership with Nufuels: use biodiesel for its land fleet in the future	++	+
Commodity Export Marketing Authority (CEMA)	No data	++	No data
Investment Corporation Solomon Islands (ICSI)	No data	No data	No data
Solomon Islands Electricity Authority (SIEA)	Provide solar energy networks Solar Farm at Ambu	++	+++
Solomon Islands Postal Corporation (SIPC)	Sustainable growth value	+	No data
Solomon Islands Water Authority (SIWA)	Urban Water Supply and Sanitation Sector Project (UWSSSP) (2020–2024) with ADB: sustainable water supply	+++	++
Solomon Islands Broadcasting Corporation (SIBC)	No internal actions but an editorial line with a communication on climate issues through an "Environment" publication section	+	No data

5.4 Banking and Insurance Sector in Solomon Islands and Climate Change

The Development Bank of Solomon Islands, commercial banks, credit institutions, a superannuation fund, general insurers, a life insurer, insurance brokers, insurance corporate agents, credit unions, limited foreign exchange dealers, money changers, and a credit reporting agency are all part of the country's regulated financial system.

5.4.1 National Banks

Under the Financial Institutions Act 1998 (as amended), the Development Bank of Solomon Islands Act 2018, the Solomon Islands National Provident Fund Act 1996, and the Insurance Act 1986, the following organisations are granted licenses and are under the supervision of the Central Bank of Solomon Islands (CBSI) to conduct business in Solomon Islands.[78]

DBSI is supporting the nomination for accreditation with the GCF, in collaboration with the SI GCF National Development Agency (NDA) and SPREP to assist. This process will enable the government to better respond to climate threats by allowing stakeholders to access climate mechanisms.

The GCF Readiness 1 Solomon Islands programme builds the capacity of the Designated National Authority, and thus ultimately supports national entities in accreditation with the GCF.

The 2016–2035 NDS for the Solomon Islands serves as a guide for the nation's development goals for the ensuing 20 years. It lays up a framework for policies, priorities, and programmes related to development,

[78] Solomon Islands Financial System Infrastructure. (s. d.). CBSI. https://www.cbsi.com.sb/solomon-islands-financial-system-infrastructure/

giving all stakeholders and residents of the Solomon Islands a common path to follow. The national strategy recognises that sustainable growth is the only way to ensure a decent quality of life for all Solomon Islanders and is in line with the UN SDGs.

By providing the necessary funding where it is needed and pursuing projects of national interest in accordance with the Bank's own underwriting rules and criteria as well as the Bank's policies, legal and regulatory frameworks, DBSI, through its Strategic Plan, supports the articulated strategies of the NDS.[79]

A key player from the financial sector is the DBSI, established in 2018 by the DBSI Act.[80] Through its Strategic Plan,[81] DBSI supports the NDS by providing the necessary finance where needed and undertaking projects of national interest based on the DBSI's own underwriting rules and criteria, policies, legal and regulatory frameworks.

Several financial products are made available by DBSI, such as the MSME Business Loan Guarantee Scheme[82] jointly initiated by the Ministry of Commerce (MCILI) and Ministry of Finance (MOFT) to provide financial support for the extension of financial capital to businesses in rural areas and inclusive participation of communities, women and youth in the productive sector. The scheme is intended to support loans for business development in the following areas:

- Agricultural production or processing
- Timber and wood industries
- Fishing
- Tourism
- Small-scale industry or manufacturing
- Retail trading
- Professional services
- Transportation services

Eligible MSMEs are entitled to apply for assistance under the scheme which is managed by the CBSI and can be accessed through the scheme's participating financial institutions such as the DBSI. Support is provided to MSMEs to benefit from the Business Loan Guarantee Scheme. The Business and Cooperatives Development Division supports registered MSMEs through the provision of business training, promotions and business advisory services. In the provinces, the training is channeled through the Industrial Development Division's (IDD) Provincial Offices and the Business Development Center (BDCs) in Noro. It also collaborates with the Marketing and Export Promotions Division (MEPD) to promote products and services offered by local SMEs. The financial advisory services and training provided to MSMEs, for financing options, include the Business Loan Guarantee Scheme.

In addition, in 2021, the Ministry of Commerce, Industries, Labor and Immigration (MCILI) launched a credit line for MSMEs with DBSI, together with a MSME management database. It enables entrepreneurs to access a sectoral credit funding support to expand on products, interest payment support and loan guarantees under the scope and lending policies of DBSI. Targeted sectors include agricultural production and related industries, fisheries sector, tourism and agri-forestry. The loans range from a minimum of $10,000 to maximum of $3,000,000 at a low interest rate of 8% per annum over a period of 5 years. Entrepreneurs are able to access the MSME credit line facility to improve existing or start new businesses.

[79] Solomon Islands Government National Development Strategy 2016 to 2035. (2016, April). Ministry of Development Planning and Aid Coordination.

[80] https://dbsi.sb/legislation/37-development-bank-of-solomon-islands-act-2018/file.html

[81] https://dbsi.sb/plans-policies/2-solomon-islands-national-development-strategy-2016/file.html

[82] https://dbsi.sb/government-facilities/msme-loan-guarantee-scheme.html

5.4.2 Commercial Banks

In parallel to the DBSI, several commercial banks are established in the Solomon Islands.

The main banks implemented by the region are Australia and New Zealand Banking Group Limited Solomon Islands Branch, BRED Bank Solomon, Bank South Pacific Financial Group Limited, Pan Oceanic Bank Limited. The ownership of these banks is entirely foreign and reflects the influence of various countries in the region, including Australia, France, New Zealand, Papua New Guinea and Singapore.

Although there are some insurance companies that are also from foreign countries near the Solomon Islands, there is one that has been incorporated nationally, called Capital Insurance Solomon Islands Limited. This same company handles general insurance and life insurance. Brokers insurance is controlled by Pacific Insurance Brokers Limited, which was established and incorporated in the Solomon Islands.

Table 8 provides an overview of the different banks established in the Solomon Islands and their actions for climate change.

TABLE 8. Climate Engagement and Vulnerability of the Banking and Insurances System

COMMERCIAL BANKS Name of the institution	Country of ownership	Values and/or actions for climate change	Vulnerability	Low-carbon engagement
Australia and New Zealand Banking Group Limited – Solomon Islands Branch	Australia	Support the Paris Agreement's goals and customers' transition to net-zero emissions by 2050.	+	++
BRED Bank Solomon	France	No data	+	+
Bank South Pacific Financial Group Limited	Papua New Guinea	Launch of the Go Green Campaign to support organisations and initiatives that foster an understanding of environmental issues and provide practical support to building sustainable communities.	++	+++
Pan Oceanic Bank Limited	Singapore	No data	+	No data
Credit & Data Bureau Limited	Papua New Guinea	No data	++	No data
Credit Corporation Limited	Papua New Guinea	Participation in numerous community events throughout the year and in the Pacific, one of their key areas of focus including the environment.	++	+++
Fexco Limited	Ireland	Culture of forward thinking and innovation around sustainable issues by integrating sustainability into operations and programmes and continually look to new areas to reduce their CO_2 footprint.	+	++
Solomon Island National Provident Fund (SINPF)	Solomon Islands	No data	+++	No data
South Pacific Business Development Microfinance Limited	Fiji	Organisation of events such as the "Going Green, Going Blue for Micro-Business Going to Grow" event, where many actors of the Pacific are reunited to talk about the socioeconomic impact of their business.	+++	+++
Solomon Finance Limited	Solomon Islands	No data	+++	No data

INSURANCE COMPANIES

Name of the institution	Country of ownership	Values and/or actions for climate change	Vulnerability	Low-carbon engagement
Capital Insurance Solomon Islands Limited	Papua New Guinea	No data	++	
Tower New Zealand Insurance Limited	New Zealand	▪ Development of an ESG strategy that will guide how Tower manages its environment, social and governance issues in the future, set targets of emissions reduction. ▪ Support to scientific research, education, and innovation through student scholarships for the world's first Bachelor of Climate Change degree at the University of Waikato.	+	+++
QBE (International) Insurance Limited	Australia	▪ Commitment to be a net-zero emissions 55 organisation across their global operations by 2030 and in our investments and underwriting by 2050. ▪ Membership of the UN-convened Net-Zero Asset Owner Alliance and the UNconvened Net-Zero Insurance Alliance	+	++
Capital Insurance Solomon Islands Limited	Papua New Guinea	Participation of Pacific Regional Dialogues on Financial Management of Climate Risk	++	+++
Pacific Insurance Brokers Limited	Solomon Islands	No data	+++	No data
United Risk Services Limited	Solomon Islands	No data	+++	No data
Solinsure Limited	Fiji	No data	+++	No data

Experienced banks are better able to withstand climatic shocks and the various crises that hit the country, which is not necessarily the case for local banks. The latter will be more vulnerable to disasters and will have limited resilience in terms of staff, financial resources, infrastructure, etc. None of the banks operating in the Solomon Islands are accredited by the GCF. The national banks and companies are more fragile and are not able to act on fossil fuels or to work for the eradication of its use, because of their limited strength.

In comparison to other Pacific island economies, the Solomon Islands has a well-developed financial system, with four commercial banks (ANZ Banking Group, Bank South Pacific, Pan Oceanic Bank and BRED Bank) accounting for 62 per cent of the financial sector's total assets and the Solomon Islands National Provident Fund (SINPF) for 34 per cent. There are also four licensed insurance companies, four insurance brokers and two insurance agents.

The banking system plays a significant role in the supply of capital by providing about 70 per cent of the economy's capital needs. The membership of the Network for Greening the Financial System (NGFS), which consists of central banks and supervisory authorities that focus on green finance and climate and environmental risk management, has grown from 90 members and fourteen observers in four years, including the WBG (World Bank Group).[83] This shows that the banking system plays an important role in the development of the green finance market, but also that this issue is becoming a crucial one.

[83] J. PESME. (2021, June). Moving from ambition to action toward a greener financial system. WBG. https://blogs.worldbank.org/psd/moving-ambition-action-toward-greener-financial-system

On the other hand, credit to the private sector is increasing steadily as the Solomon Islands economy grows. The quality of these loans has improved over time. Although the non-performing loan ratio increased to 6.1 per cent in 2017 from 3.8 per cent in 2016, the IMF (2018) noted an improvement to 5.8 per cent in the first quarter of 2018 due to recovery measures taken by banks.

However, despite those improvements, credit to the private sector remains inadequate, the ADB observed in 2016 that the magnitude remains much lower than in other Pacific island economies. The ratio of private sector credit to GDP in the SI averaged 22.3 per cent between 2011 and 2017, below the global average and one of the lowest in the Pacific. To illustrate, Tonga, which had the second lowest average, had an average ratio of 34.2 per cent.

Weaknesses in the collateral system and challenges in risk assessment are believed to be the two primary causes of the Solomon Islands' insufficient credit availability:

- Insufficient collateral, due to the complexity of land titles, prevents many businesses from obtaining credit, and even if land has been registered, banks are still reluctant to accept it as collateral unless it is held in a time-limited estate.
- Difficulties in assessing risk are another obstacle to private sector lending.

Some of the difficulties are not directly related to the private sector, but Solomon Islanders face a problem with knowledge of or access to the banking and financial sector in general, and as a result the majority of Solomon Islander adults remain excluded from the formal financial sector. A 2015 CBSI survey found that 31 per cent of the adult population in the Solomon Islands did not have access to any type of financial service, while 35 had accessed informal financial services such as store credit, moneylenders or savings clubs.[84]

5.5 Companies Addressing Climate Change: Example of Leaders

A certain number of companies have been identified as being already involved or planning to adopt relevant measures to combat climate change, such as:

GUADALCANAL PLAINS PALM OIL LIMITED (GPPOL)

Guadalcanal Plains Palm Oil Plantations Limited (GPPOL) succeeded Solomon Islands Plantations Limited (SIPL) in 2005. SIPL was a national project that aimed to bring peace to the Solomon Islands following the pre-2003 crisis. New Britain Palm Oil Limited (NBPOL) signed a memorandum of understanding with the landowners' association, and reopened the oil palm plantation in Guadalcanal, which has helped to develop local communities and is an engine for development in the region.[85]

GPPOL has done two main projects:

In 2013, GPPOL announced its forest policy, with the goal of no deforestation, which means engaging in best practices to minimise the impact that the establishment of new oil palm plantations can have on the environment, as well as on local communities. It is with this commitment that in 2016, The Forest Trust (TFT) and Hollow-wood Enterprises were commissioned by GPPOL to conduct a preliminary High Carbon Stock Assessment (HCSA) on nine areas.[86]

[84] Pacific Finance Sector Briefs, Solomon Islands. (2019, October). ADB. https://www.adb.org/sites/default/files/publication/530261/pacific-finance-sector-solomon-islands.pdf

[85] Gordon Leua Nanau. (2021, February). A cultural basis for land and livelihood security: The Guadalcanal Plains Palm Oil Limited, Landowners Association & Company, Solomon Islands. Pacific Security. https://pacificsecurity.net/wp-content/uploads/2021/10/DB82_Part13.pdf

[86] Preliminary HCSA assessment. Guadalcanal Plains Palm Oil Limited (GPPOL). (2016, September). Hollow-Wood. http://www.nbpol.com.pg/wp-content/uploads/downloads/2017/10/HCSA-Report-GPPOL-31082017-small.pdf

The GPPOL undertook the initiative to carry out a feasibility study on a potential biogas electricity production installation. Nevertheless, it should be emphasised that although this action is to be welcomed, this project is motivated by the reduction of electricity costs for the company rather than by explicit climatic considerations.

COCONUT BIO ENERGY

Coconut Bio Energy is a company of coconut oil production, and it is one of the four main copra exporters, which is located in Noro.

LABUHILA COFFEE FARMERS ASSOCIATION (LCFA)

LCFA is a family company, founded in 1978 and is part of the Pacific Islands Trade & Invest Pacific Path to Market delegation. The company planted new trees, on a small scale, providing shade to minimise the impacts of rainfall during the pollination stage.

VARIVAO HOLDING LIMITED

The company is a local buying, processing and exporting company (coffee, food beverages, ginger, turmeric, vanilla) established in 2010 in Honiara. Varivao Holdings Ltd impacts the population by connecting people in remote villages to international markets, providing them with opportunities. The company began buying and selling Solomon Gold Coffee in 1993 and is now one of the leading buyers and processors of coffee in the Solomon Islands.

ISLANDS OWN LIMITED

Islands Own Limited is a coconut processing company. It undertook a project to replace senile trees with hybrid coconut trees.

This non-exhaustive list has been active in the strategy of Solomon Islands to include the private sector into the climate change policy and to make them key actors of the economic development while guaranteeing its sustainability.

SUNRICE

SunRice is a dynamic rice food company developing tasting and nutritious food. The company has been involved in the Solomon Island's sustainable supply chain for 44 years with its business SolRice, employing directly more than 60 local people and indirectly more than 100. The company provides consistent supply even during poor weather and supports the local communities in the form of community engagement sponsorships, fundraising and health awareness raising.

Commitment to zero-waste by reusing rice hull, bran and broken rice for animal food, and by using sustainable packaging recyclable at 99%. Overall, they are committed to water efficiency and biodiversity protection through investment in rice research and development.[87]

Climate engagement and vulnerability of these selected MSMEs and a few large companies are set out in Table 9.

[87] SunRice Website. (s. d.). SunRice, https://www.sunrice.com.au/

TABLE 9. Climate Engagement and Vulnerability of Selected MSMEs and a Few Large Companies

Name of the enterprise	Country of ownership	Mitigation / adaptation activities	Vulnerability	Low-carbon engagement
Guadalcanal Plains Palm Oil Limited (GPPOL)	Solomon Islands	Conduct a High Carbon Stock Assessment (HCSA) on nine areas Feasibility study on a potential biogas electricity production installation	+	+++
Coconut Bio Energy	Solomon Islands	No data	++	No data
Labuhila Coffee Farmers Association (LCFA)	Solomon Islands	Plantation of new trees, on a small scale, providing shade to minimise the impacts of rainfall during the pollination stage.	++	++
Varivao Holding Limited	Solomon Islands	No data	++	No data
Islands' Own Limited	Solomon Islands	No data	+++	No data
Our Telekom	Solomon Islands	Pursuing to use solar power and hybrid solutions, in Tikopia, Ontong Java, etc.	++	+++
Bmobile	Solomon Islands	Environmental analysis for their expansion project	+++	+
South Pacific Oil Ltd	Solomon Islands	Environmental value	++	
Heritage Park Hotel	Solomon Islands	No data	+	No data
SunRice	Australia	Environmental policy: Sustainable Packaging Zero waste market Investment in research to improve their production: Rice Research Australia	+	+++

The private sector in Solomon Islands suffers from a lack of data on the status of their climate commitments, especially local businesses, banks and insurance companies that have gaps in monitoring and disseminating information on their actions in this climate fight.

Some state-owned companies (SOLAIR, SIPA, SIEA, SIWA) are engaged in mitigation actions with the consideration of renewable energy and the development of more sustainable resources. However, adaptation actions are necessary to ensure the security of the Solomon Islands. Banks and insurance companies are mostly foreign and involved in climate change activities.

Finally, the MSMEs identified as being the largest in size, are nevertheless the most marked actors in this lack of environmental action. Lacking financial resources, and lacking digital and technical means, these companies are vulnerable to climate change. To develop mitigation activities, but especially adaptation activities in order to be more resilient, actors need international funding to cover costs and help them carry out their projects.

In addition, several large companies can be listed, as they mention climate change as an issue to be addressed. These companies are the following:

OUR TELEKOM

Our Telekom is the largest agency distributing network and provide full telecommunication services since 1988 in the Solomon Islands. They have a strong policy around the SDGs, and contribute to seven goals:[88]

- SDG 1: No poverty
- SDG 3: Good Health and well being
- SDG 4: Quality education
- SDG 5: Gender Equality
- SDG 7: Affordable and Clean Energy
- SDG 9: Industry, Innovation and Infrastructure
- SDG 17: Partnerships for the Goals

BMOBILE

Bmobile SI Limited was launched in Honiara in 2010 and is a telecommunication company which operates in four provinces: Guadalcanal, Malaita, Western and Central Province.

Expansion project of Bmobile approved by the ADB in 2011: an initial environmental examination (IEE) report was prepared by the consultant to implement the project, but Bmobile submitted no environmental and social monitoring report to ADB for the project.[89]

SOUTH PACIFIC OIL LTD. (SPO)

SPO is a wholesaler and retailer of petroleum products owned by Solomon Islands National Provident Fund (SINPF).

One of their values is Raising health safety and environmental awareness in the company and the communities in which we operate.

5.6 Key challenges, issues and gaps to build private sector CC resilience

Indeed, while there are good examples of companies already addressing climate change, key challenges remain due to a small population size, remoteness from major markets, and internal dispersion. The key major constraints are access to finance, access to non-financial inputs, and high cost, in most of the sectors. MSMEs are considering access to finance as the most significant obstacle to their growth compared with SOEs.

The analysis consists in assessing which sectors and provinces to prioritise, using different data such as the background information from the Provincial Capacity Development Fund (PCDF). Table 10 presents the gaps, barriers, and proposed projects in the key sectors.

[88] Business Contributions to Sustainable Development Goals, Sustainability Report. (2019). Our Telekom. https://os-data.s3-ap-southeast-2.amazonaws.com/ourtelekom/bundle10/sustainability_report_our_telekom.pdf

[89] Bemobile Expansion Project, Extended Annual Review Report. (2020). ADB. https://www.adb.org/sites/default/files/project-documents/44937/44937–014-xarr-en.pdf

TABLE 10. Sectoral Gaps, Barriers, and Needs Analysis for the MSMEs in the Solomon Islands

Sectors	Baseline Scenarios (Provinces)	Gap	Barriers	Needs	Proposed Project Idea
Agriculture	Under the baseline scenario, farmers in Malaita province have received boosting assistance of agricultural tools and materials from the Ministry of Agriculture and Livestock.	▪ Commercial banks' willingness to take risk given the current market situation, leading to no or very poor access to finance for MSMEs (loan gap) ▪ No real equity market (equity gap)	Lack of credit guarantees for MSMEs to enable access to climate finance	▪ Understand the climate-induced and disaster related risks ▪ Access to climate finance to transform risks into inclusive business ▪ Good knowledge on policy and financial de-risking instruments (start-up credit, matching rebate, guarantee, crop insurance) ▪ Support to climate-related microfinance ▪ Basic accounting skills ▪ Basic business plan ▪ Targeted credit line or overdraft ▪ Instrument for leasing and hire purchase ▪ Access to small bank loans, and trade credit – etc.	Smart and resilient agriculture for small farmers' project
Fisheries	In Malaita Province, diversifying protein sources through increased contribution from aquaculture could reduce vulnerability of non-coastal fishing households. Aquaculture is still poorly developed in the Province. Also, there is limited actions to increase resilience of coral reef and mangrove ecosystems under the baseline scenario.	▪ Commercial banks' willingness to take risk given the current market situation, leading to no or very poor access to finance for MSMEs (loan gap) ▪ No real equity market (equity gap)	Lack of credit guarantees for MSMEs to enable access to climate finance	▪ Understand the climate-induced and disaster related risks ▪ Access to climate finance to transform risks into inclusive business ▪ Good knowledge on policy and financial de-risking instruments (start-up credit, matching rebate, guarantee, crop insurance) ▪ Support to climate-related microfinance ▪ Basic accounting skills ▪ Basic business plan ▪ Targeted credit line or overdraft ▪ Instrument for leasing and hire purchase ▪ Access to small bank loans, and trade credit – etc.	Sustainable aquaculture project

Sectors	Baseline Scenarios (Provinces)	Gap	Barriers	Needs	Proposed Project Idea
Forestry	Forest cover in Solomon Islands has decreased dramatically from 80% in the 1990s to 50% today, indicating a significant loss in biodiversity. There are a few Protected Areas in the Choiseul Province, but this remains limited. This is an example of the situation in the country, where forest owners are relatively powerless compared to logging companies (they are backed by the Solomon Forestry Association (SFA), an organisation that is influential, not only in the logging industry, but also in politics).	▪ Commercial banks' willingness to take risk given the current market situation, leading to no or very poor access to finance for MSMEs (loan gap) ▪ No real equity market (equity gap)	Lack of credit guarantees for MSMEs to enable access to climate finance	▪ Understand the climate-induced and disaster related risks ▪ Access to climate finance to transform risks into inclusive business ▪ Good knowledge on policy and financial de-risking instruments (start-up credit, matching rebate, guarantee, crop insurance) ▪ Support to climate-related microfinance ▪ Basic accounting skills ▪ Basic business plan ▪ Targeted credit line or overdraft ▪ Instrument for leasing and hire purchase ▪ Access to small bank loans, and trade credit – etc.	Carbon sequestration project Supply chain certification for SFM targeting small forests owners SFM and resilient communities' project
Energy	The Solomon Islands Renewable Energy Roadmap was launched in July 2022, announcing major reforms in the energy sector in the areas of policy, legislation, regulation, institutional, financial and management arrangements. The new Roadmap provides the technical pathway and implementation framework to reach 100% renewable energy by 2030 and would involve a major reform in the energy sector to create an enabling environment for participation of independent power producers (IPPs) to achieve the target.	▪ Commercial banks' willingness to take risk given the current market situation, leading to no or very poor access to finance for MSMEs (loan gap) ▪ No real equity market (equity gap)	Lack of credit guarantees for MSMEs to enable access to climate finance	▪ Understand the climate-induced and disaster related risks ▪ Access to climate finance to transform risks into inclusive business ▪ Good knowledge on policy and financial de-risking instruments (start-up credit, matching rebate, guarantee, crop insurance) ▪ Support to climate-related microfinance ▪ Basic accounting skills ▪ Basic business plan ▪ Targeted credit line or overdraft ▪ Instrument for leasing and hire purchase ▪ Access to small bank loans, and trade credit – etc.	Renewable off-grid energy project

Sectors	Baseline Scenarios (Provinces)	Gap	Barriers	Needs	Proposed Project Idea
Infrastructure and services (excluding energy)	Temotu province is open to or both local and international investors with the focus to broaden the base of its economy. The Temotu provincial government is currently working on a land-use policy with landowners where the province can use their land for development. For instance, rehabilitation work on the Lomlom Coastal Ring-Road in the Reef Islands is one of the national government's major road infrastructure projects in 2022/23.	▪ Commercial banks' willingness to take risk given the current market situation, leading to no or very poor access to finance for MSMEs (loan gap) ▪ No real equity market (equity gap)	Lack of credit guarantees for MSMEs to enable access to climate finance	▪ Understand the climate-induced and disaster related risks ▪ Access to climate finance to transform risks into inclusive business ▪ Good knowledge on policy and financial de-risking instruments (start-up credit, matching rebate, guarantee, crop insurance) ▪ Support to climate-related microfinance ▪ Basic accounting skills ▪ Basic business plan ▪ Targeted credit line or overdraft ▪ Instrument for leasing and hire purchase ▪ Access to small bank loans, and trade credit – etc.	Adaptation-oriented technologies for water, sanitation and hygiene (WASH)
Tourism	The Western Province is known for perfect underwater visibility, making the west an excellent dive destination, teeming with marine life and corals. Many ecolodges can be found in this province.	▪ Commercial banks' willingness to take risk given the current market situation, leading to no or very poor access to finance for MSMEs (loan gap) ▪ No real equity market (equity gap)	Lack of credit guarantees for MSMEs to enable access to climate finance	▪ Understand the climate-induced and disaster related risks ▪ Access to climate finance to transform risks into inclusive business ▪ Good knowledge on policy and financial de-risking instruments (start-up credit, matching rebate, guarantee, crop insurance) ▪ Support to climate-related microfinance ▪ Basic accounting skills ▪ Basic business plan ▪ Targeted credit line or overdraft ▪ Instrument for leasing and hire purchase ▪ Access to small bank loans, and trade credit – etc.	Eco-tourism and support of green travel agencies

5.6.1 Barriers and Solutions to Improving Access to Finance for MSMEs

There are many gaps and barriers in the SI related to private climate finance, such as the lack of climate resilience and adaptation regulatory framework, including for example, any parametric insurance schemes or disclosure of climate change risks associated with private investments.

There is also no consistent and long-term planning and government commitment for engaging with the private sector, especially MSMEs, on climate change and climate finance.

The absence of the integration of the private sector in the SI climate strategy, policy and regulatory framework for mitigation and adaptation does not address the demand and supply sides and is a risk source for private sector investments. Regarding demand, the absence of consumer awareness and knowledge in the provinces, and the lack of fiscal incentives and financial schemes to encourage and enable consumers (households and MSMEs) to purchase renewable energy, delays the development of a local renewable energy demand. Also, many MSMES are micro- and from the informal sector: they lack financial strength, experience, creditworthiness, or collateral to borrow locally.

On the supply side, several SOEs in the SI have a monopoly, making it difficult for small producers to sell and distribute to a customer, or even to the public utility company itself unless under ad-hoc circumstances (e.g., for power generation). Hence, independent and small power producers (IPP) lack a legal framework. See Figure 11.

This may change in the near future with the Solomon Islands Renewable Energy Roadmap (RERM).[90] These reforms will see the removal of the regulatory role away from Solomon Power to an independent regulatory body, opening up the electricity industry to interested independent power producers specifically in the generation component, amending the Electricity Act and developing a new electricity sectoral Bill/Act to transform the sector in the long-term.

The new RERM is an important plan to reform how the country manages its electricity sector and to harness its indigenous renewable energy resources with the aim to convert the Honiara electricity grid to 100% renewable energy by 2030.

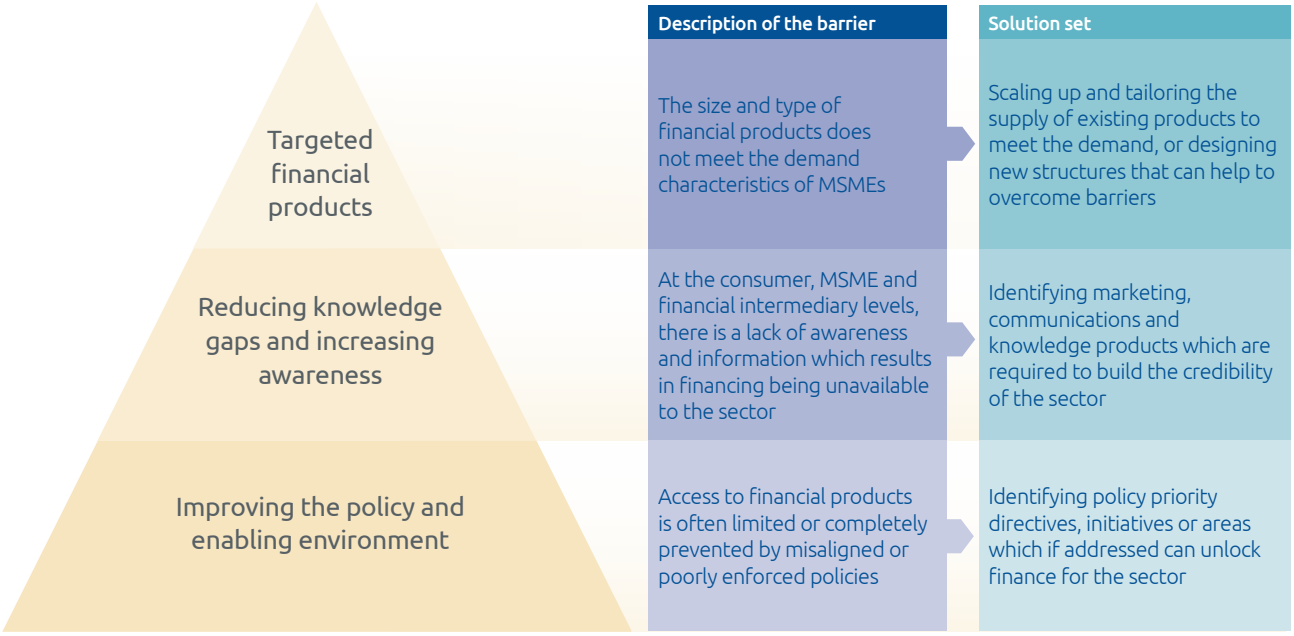


FIGURE 11. Barriers and Solutions to Improving Access to Finance for MSMEs[91]

[90] https://solomons.gov.sb/renewable-energy-roadmap-set-for-launching/

[91] CDKN policy brief: September 2015 Increasing MSME access to climate finance

5.6.2 Taking into Account the Informal Sector

It is important to focus on small-scale producers and local MSMEs, especially in the informal sector, as these play a central role in the economy of the Solomon Islands. Often, climate finance does not reach local markets and businesses conducting potentially profitable revenue-generating activities. MSMEs involvement therefore tends to be unlikely. The intent to foster private sector mobilisation in the Solomon Islands should target MSMEs, especially those in the informal sector, hence responding to particular adaptation needs of communities and population groups most vulnerable to climate change.

Finance providers should test and expand use of alternative credit worthiness assessments and alternative collateral approaches to reach informal businesses. The opportunities for support to the informal sector are multifaceted. Intermediaries should be encouraged to provide finance to non-registered MSMEs by earmarking funding and by using simplified applications and reporting requirements. It could finance risk-sharing instruments such as concessional finance, grants and first-loss investments to reduce the cost and risk of non-registered MSME investments. It could also invest through MSME aggregation points to maximise efficiency of working with small organisations, and it could test alternative credit worthiness methodologies to lend to informal businesses. Finally, financial products should be made available on the growth stage of MSMEs, such as focusing on providing seed funding to new MSMEs or working capital to rapidly expanding businesses.

6. Opportunities for Engagement with GCF/PSF and other climate finance resources

The Solomon Islands can benefit from international funds from various sources. These programmes allow nations to invest in adaptation and mitigation to climate change. The main contributors are the following:

- **Bilateral Sources/Donors:** These parties represent governments and provide the recipient nations with the climate funds. Donors have the option of making financial contributions to specific CFs (such as the GCF or the GEF), to a multilateral organisation that will deploy on their behalf (such as the World Bank or the ADB), or directly to a national bilateral organisation in the nation (for example, the Ministry of Finance or Environment).
- **Climate Funds (CFs)**: These participants are facilities and designated CFs that donors established to fight climate change. Some funds have intricate governance systems and procedures and are multi-donor. Others are bilateral or otherwise have management, governance, and operations that are more focused.
- **Implementing Entities (IEs) and Agencies**: These organisations are in charge of locating, suggesting, managing, and evaluating projects and programmes. To plan the execution of a project, they might collaborate with nearby financial institutions and governments. In addition to being international organisations, many IEs are also the World Bank and the ADB.
- **Receivers**: Governments of poor countries, national development banks, NGOs, and members of the private sector, such as commercial banks, are frequently the recipients of climate money. Donors may give money directly to recipients, through multilateral organisations, or through CFs (directly or indirectly).[92]

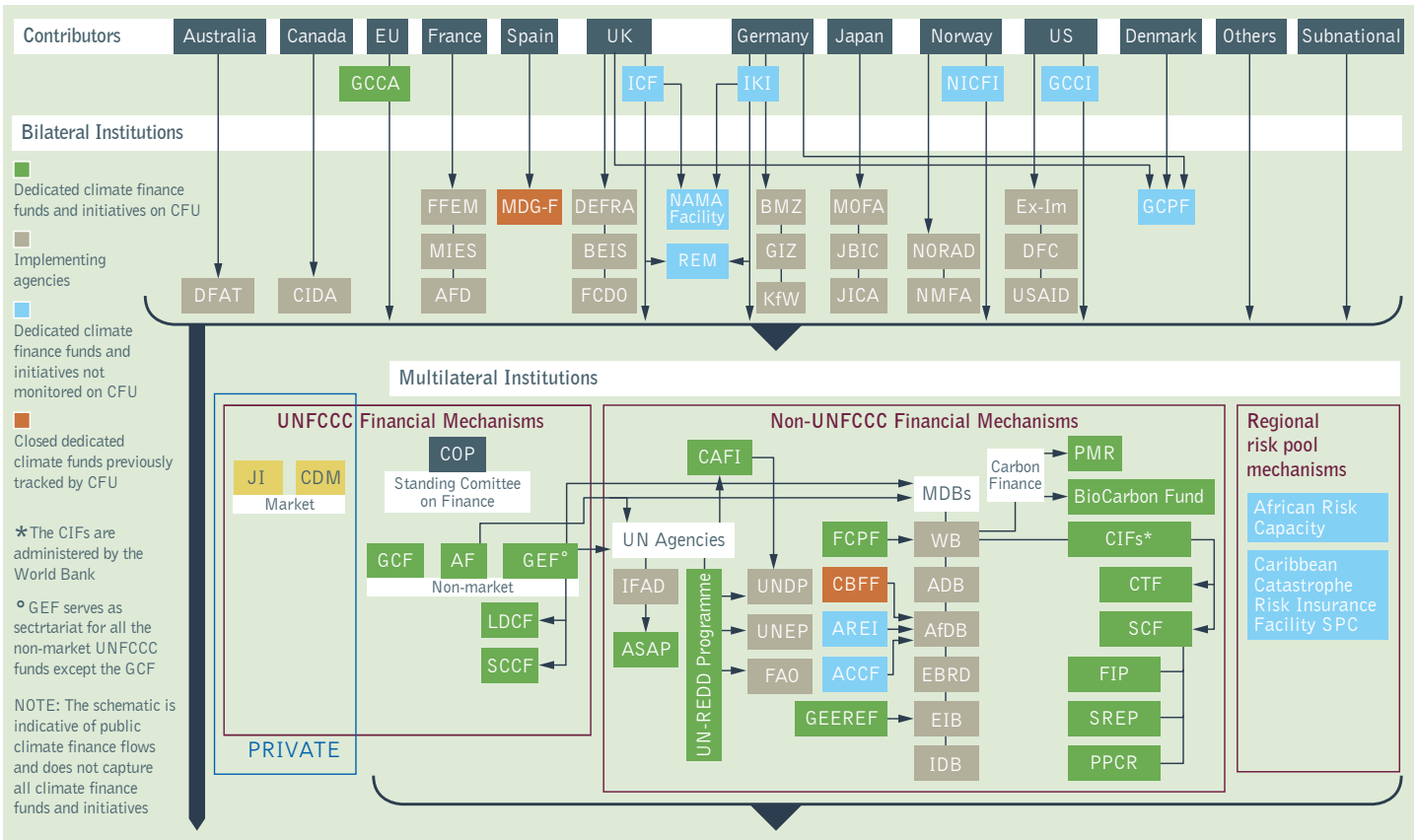
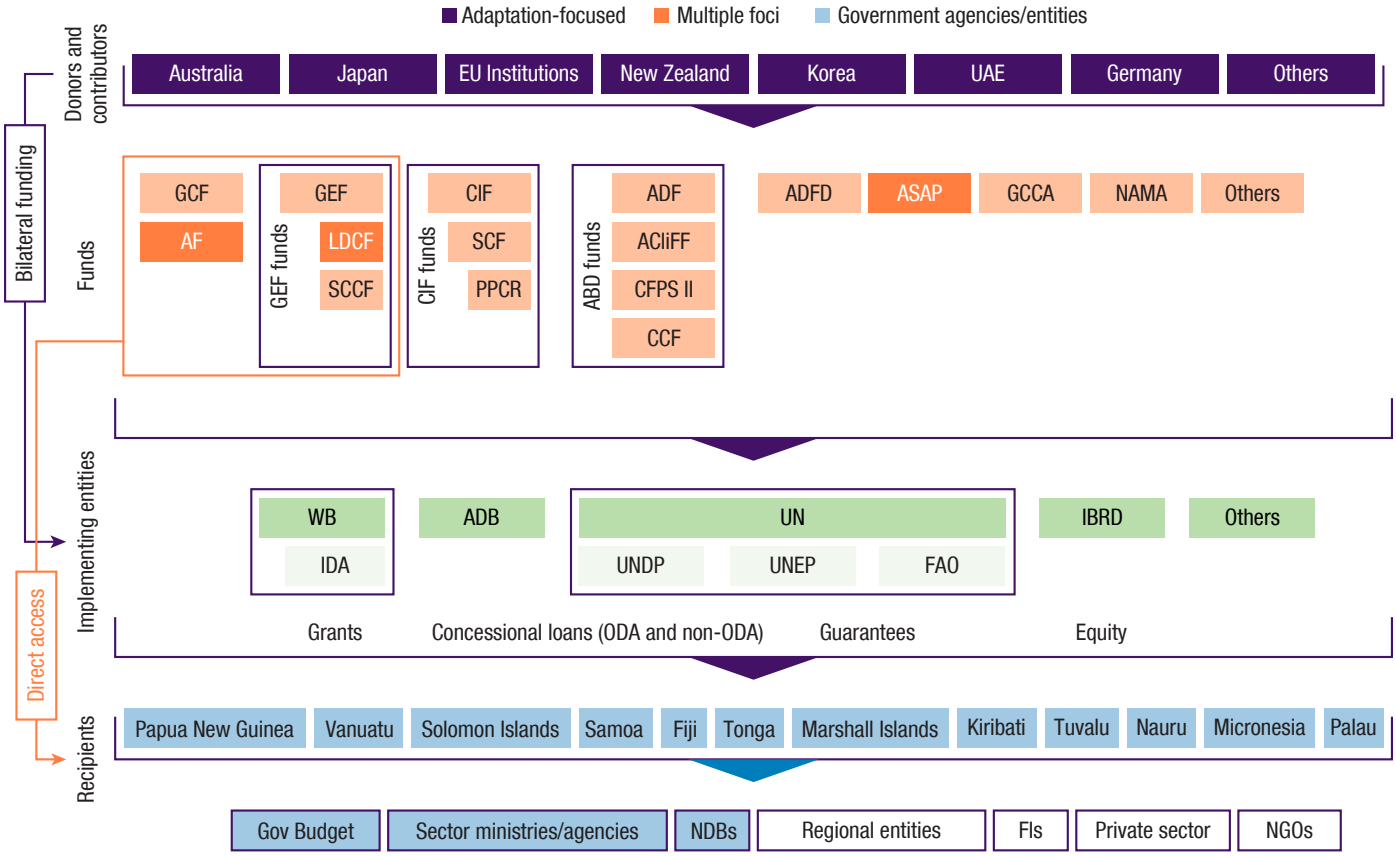


FIGURE 12. Global Climate Finance Architecture (Climate Fund, February 2022)[93]

[92] Unlocking Access to Climate Finance for Pacific Island Countries, International Monetary Fund, 2021

[93] Charlene Watson, Liane Schalatek, & Aurélien Evéquoz. (2022). The Global Climate Finance Architecture. Climate Funds Update. https://climatefundsupdate.org/wp-content/uploads/2022/03/CFF2-Global-CF-Architecture_ENG-2021.pdf

The landscape of climate finance for Pacific island countries is complex and has several participants (Figure 12). Using bilateral donors, multilateral development banks, or multilateral CFs, countries can directly obtain climate funding (for example, the GCF). Large adaptation projects are increasingly turning to multilateral CFs as a key source of funding, which makes it necessary to operate within a network of certified and implementing entities – the so-called climate finance architecture. The structure of public money and organisations that assist nations in carrying out climate mitigation and adaptation programmes is referred to as the climate finance architecture. This is what is depicted in the following figure:

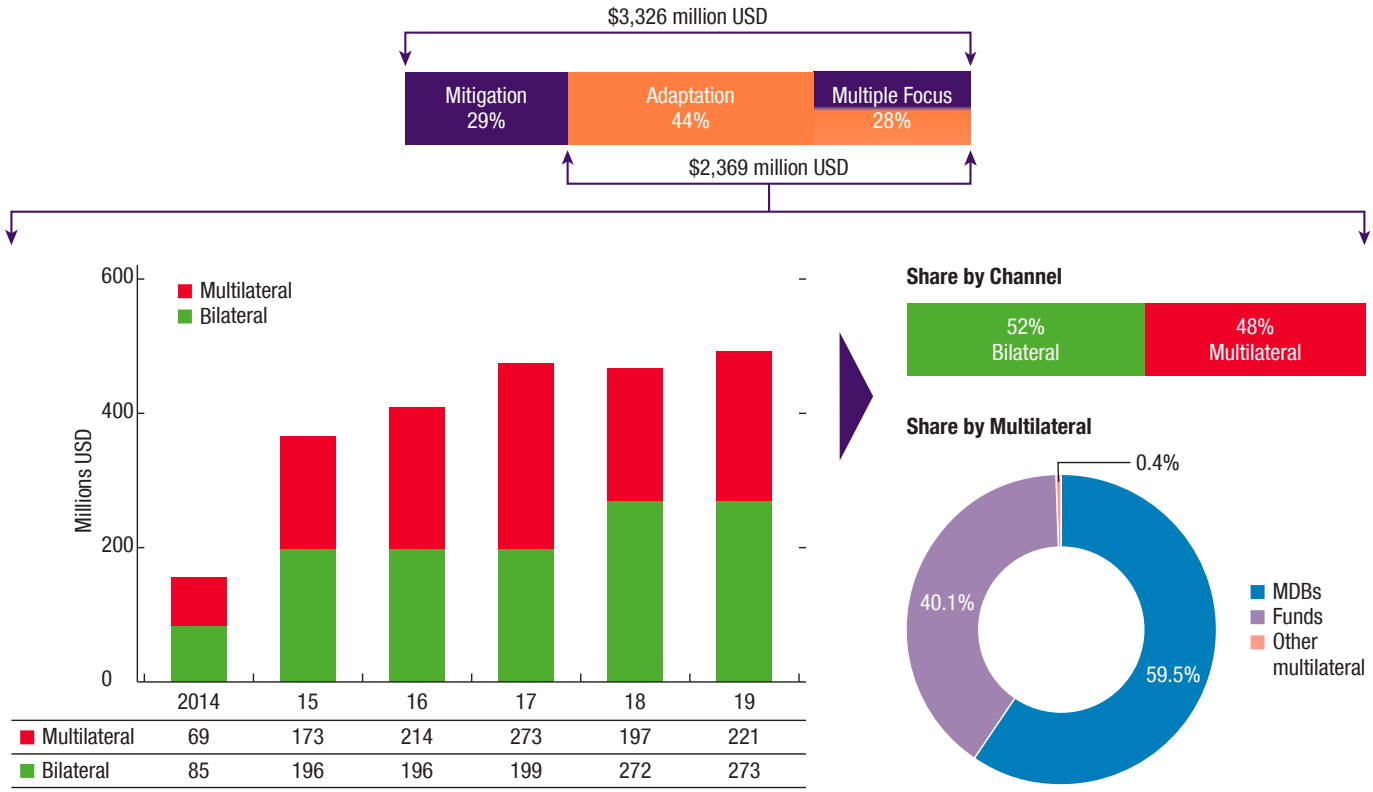


Source: IMF staff.
Note: The acronyms are listed by group. The Funds are as follows: Asia-Pacific Climate Finance Fund (ACLiFF), Asia Development Fund (ADF), Abu Dhabi Fund for Development (ADFD), Adaptation Fund (AF), Adaptation for Small Agriculture Program (ASAP), Climate Change Fund (CCF), Canadian Climate Fund for the Private Sector in Asia II (CFPS II), Climate Investment Funds (CIF), Global Climate Change Alliance (GCCA), Green Climate Fund (GCF), Global Environment Facility (GEF), Least Developed Countries Fund (LDCF), Nationally Appropriate Mitigation Action Facility (NAMA), Pilot Program on Climate Resilience (PPCR), Special Climate Change Fund (SCCF), Strategic Climate Fund (SCF). The Implementing Entities are as follows: World Bank (WB), International Development Association (IDA), Asian Development Bank (ADB), United Nations Development Program (UNDP), United Nations Environment Program (UNEP), Food and Agriculture Organization (FAO), International Bank for Reconstruction and Development (IBRD). The Recipients are as follows: National Development Banks (NDBs), Financial Institutions (FIs), Non-Governmental Organizations (NGOs).

FIGURE 13. Climate Finance Architecture for PICs (IMF, 2021)

Since 2014, investors providing aid to the Solomon Islands have been split between bilateral and multilateral donors, accounting for about 50 per cent each. These funds are primarily used for climate change adaptation (44 per cent), and then revert to mitigation or focus on both aspects at once[94] (Figures 13 and 14).

[94] Unlocking Access to Climate Finance for Pacific Island Countries, International Monetary Fund, 2021



	2014	15	16	17	18	19
Multilateral	69	173	214	273	197	221
Bilateral	85	196	196	199	272	273

Sources: IMF staff; and OECD Climate-related Development Finance Database (2020).

FIGURE 14. Climate Finance Commitments for PICs between 2014 and 2019

7. Accessing international private climate finance

Each climate fund has its own criteria for accepting a country's accreditation, with five recurring criteria:

1. **Fiduciary Standards**: The organisation must adhere to international financial management and accounting standards, have a proven track record of effective and efficient operations, have good corporate governance, and have both internal and external audits as well as fair and transparent procurement policies.
2. **Transparency and Accountability**: The entity must have policies and systems in place to prevent fraud and misconduct and conduct independent investigations of possible fraud.
3. **Compliance with Anti-Money Laundering/Combating Financing of Terrorism**
4. **Environment and Social Safeguards (ESS):** The entity typically must effectively manage environmental and social risks and impacts and improve outcomes.
5. **Gender Policy (for the GCF)**: The entity typically must make explicit commitments to gender equality and women's empowerment.

When striving to meet criteria for accessing multilateral CFs, countries may encounter a variety of difficulties. This mostly has to do with not being able to meet the requirements demanded by international CFs, especially the GCF.

- **Accessibility issues**: Accessibility issues are those that restrict the nation from directly accessing the CF. Developing gender policies, environmental safeguards policies, and social protective measures is typically required as part of accreditation challenges, which can be difficult because these policies may not already exist.
- **Project design challenges:** challenges can impede a nation from creating a project that will meet the necessary project approval requirements. This may be because the CF's project approval standards are complicated or because adaptation projects themselves have unique characteristics that make structuring the finance more challenging.
- **Problems with capacity in general:** A nation may be unable to plan and carry out a pipeline of projects that qualify for funding due to capacity restrictions. Access to climate funding may be hampered by a lack of previously defined National Adaptation Plans, national climate programmes, or specialised units to carry out the plan.
- **Macroeconomic issues**: A nation may be unable to plan and carry out a pipeline of climate initiatives due to the macroeconomic climate and a lack of budgetary headroom. Developing nations, especially those with existing high debt levels, may have trouble securing support from the private sector for climate programmes.
- **GCF requirements**: According to several nations, the lengthy process – the numerous processes and documents that must be filled out to obtain accreditation – rather than the complexity of the GCF standards was the real issue. Even after accreditation, setting up the legal documents required to launch operations might take more than a year. Others from outside the area made the point that the strict standards and difficult certification process demand a very high degree of comprehension of the GCF's rules and regulations.
- **Challenges in implementation of the projects**: Currently, the majority of Pacific islands lack the capacity to create project proposals that are bankable and meet GCF standards. For instance, 90 per cent of initiatives in Fiji seem to stall at the concept note stage. When a concept note is uploaded to GCF, feedback is rapidly received, and GCF provides a pool of consultants. However, cooperation has shown to be far more challenging in distant work environments, such as those seen during the epidemic.

The pool of human resources now employed by Pacific island countries in climate financing activities is quite small. The lack of time and human resource ability to create a comprehensive climate financing national programme and a pipeline of projects was a common complaint among country participants during talks.

Finding and developing the highly technical skill sets required to forward project ideas is challenging. This impacts the nation's capacity to communicate the technical challenges, create thorough feasibility studies, and transform development goals into bankable financial proposals in order to successfully complete project concept notes and get project approval. The GCF frequently cannot get the high-quality statistics it needs from the undeveloped statistics agencies in island nations. These problems are going to be a challenge for a while (Table 11).

TABLE 11. Project Design, General Capacity and Macroeconomic Challenges

Challenge	Description
Lack of administrative and financial capacities	Limited capacity to demonstrate that: a. Financial inputs and outputs are properly accounted for, reported and administered transparently following pertinent regulations; b. Information relating to the overall administration and management of the entity is available, consistent, reliable and complete, and financial information systems are in place; c. Operations of the entity show a track record in effectively and efficiency; d. Entities have public expenditure reviews, if applicable.
Lack of programme management and accountability	Limited capacity to demonstrate: a. Procedures to provision and/or invest capital the Accredited Entity (AE) is managing; b. Policies and mechanisms in place to maintain transparency; c. Ability to undertake specific types of due diligence, including IDD (Integrity Due Diligence), AML (Anti-Money Laundering) and KYC (Know Your Customer); d. Donor management functions, explicitly reporting functions that can enable proper reporting on the progress, delivery and implementation of specific projects, programmes managed by eh AE.
Lack of capacity/ability to conduct internal or external audit	Limited or non-existent legal/regulatory frameworks and formal metrics/standards around internal and external audits for entities that request accreditation. Inability to demonstrate audit reports on institutional management programme effectiveness.
Lack of Environmental and Social Safeguards (ESS) performance management systems	Inability to: a. Demonstrate capacities to identify the environmental and social risks and impacts of projects/programmes as they evolve over the project life; b. Prove the entity systematically applies it to investment/projects; c. Prove the ESS policy has been publicly communicated; d. Ability to provide overall metrics/indicators that describe the overall performance/ effectiveness of its ESS implementation.
Lack of a gender policy	Lack of policy, strategies, and/or processes to ensure gender mainstreaming in operations.
Lack of sufficiently robust and tangible adaptation pipelines within NDC, NAPs (National Adaptation Process), or other country strategy processes	Lack of a well-defined pipeline of projects, programmes, and investment that meet the eligibility criteria for many climate funds; in some cases, this is a function of capacity. In some cases, the high-level strategies do not go far enough in articulate tangible projects. Thus, more work is necessary to move strategies into actional investments.
Strategic allocation of public capital, climate finance, other development aid, and private finance	In some cases, ongoing and existing pressures prevent country policy makers/planners from thinking more strategically about how to allocate public capital, development aid (e.g., Official Development Assistance (ODA) and others), and how and where to mobilise private capital.
Lack of fiscal space to borrow	Limited fiscal space for countries to borrow money. Countries heavily indebted and are unable to take on more debt, even if from climate funds, even if it is highly concessional.
Difficulty in mobilising private capital	Difficulty to get private sector buy-in for climate change adaptation projects, which may be the result of perceived or real risks in the enabling environment 9e.g., regulatory, legal frameworks) and capacity.

7.2 Multilateral Climate Funds

Multilateral climate funds have the potential to be important sources of financing that can help the Solomon Islands private sector integrate and implement the climate change strategy.

7.2.1 Global Environment Facility (GEF)

The GEF was established in 1992 on the eve of the Rio Summit to help member countries finance their environmental projects, either through grants or financial catalysts. It is the financial mechanism of the three Rio conventions including the UNFCCC.

Since its creation, the GEF has funded over $22 billion in grants and blended finance, and leveraged $120 billion in co-financing for over 5,200 projects all over the world.[95]

This multi-donor funding aims to provide long-term financing for national and regional activities with the implementation of partnerships with international institutions, Community Standards Obligations', and the private sector. It supports the position that the global significance of developing countries' eco-regions and their ecosystem services is the rationale for transfers between the international community and those responsible for maintaining ecological and cultural integrity.

Since the publication of the GEF-6 programme, private sector engagement has become even more important for the GEF. Furthermore, the GEF-7 project aims to work with the private sector on two pillars:

- **Expand the use of non-grant instruments**: Under GEF-6, the Unsubsidised Instruments Pilot has resulted in the implementation of eleven projects that have received $99.5 million in GEF funding and $1.8 million in co-financing. This leverages GEF investments, and blended finance for natural resource management enables economic sustainability. Subsequently, under GEF-7, the GEF increased the blended funding envelope to $136 million in an effort to further involve the private sector in GEF projects.
- **Mobilise the private sector as an agent for market transformation**

The GEF also promotes private sector engagement through innovative financing models, with the Non-Grant Instrument Programme. The fund has launched a USD 136 million programme that offers attractive financial terms exclusively to the private sector:[96]

- Flexible concessional interest rate.
- Minimum level of concession to avoid displacing other finance.
- First-loss position if justified.
- Maximum maturity of 20 years.
- Flexible exit date for equity investments.

These resources and benefits can only be used for projects that provide global environmental benefits in at least one of the GEF work areas, listed above. However, there is a funding gap for such projects, which is set at USD 15 million.

The project is more likely to obtain funding if it: (i) demonstrates innovative application of financial mechanisms, business models, partnerships and approaches that may be broadly adopted and can be scaled up; (ii) entails high levels of co-financing and focuses on areas other than climate change.[97]

Several funds under the GEF are available.

[95] Who We Are. (2022). Global Environment Facility. https://www.thegef.org/who-we-are

[96] Private Sector. (2022). Global Environment Facility. https://www.thegef.org/what-we-do/topics/private-sector

[97] Non-Grant Instruments. (2022). Global Environment Facility. https://www.thegef.org/what-we-do/topics/non-grant-instruments

THE SPECIAL CLIMATE CHANGE FUND (SCCF)

The Special Climate Change Fund – created in 2001 – is managed by the GEF and operates in parallel with the fund in the Least Developed Countries (LDC). It is one of the first multilateral instruments for financing climate adaptation. Its main objective is to facilitate the creation of strong, climate-resilient economies and communities by helping countries address the following challenges:

- Limited access to climate-resilient technologies and infrastructure
- Institutional gaps in climate risk management and anticipation
- Limited engagement of the private sector in climate change adaptation, especially small and medium-sized enterprises
- Lack of access to public and market financing for adaptation solutions

In addition to its two main areas of action, which are adaptation and the transfer of climate-resilient technologies, the SCCF also supports projects in the areas of energy, transport, industry, agriculture, forestry and waste management, as well as activities dedicated to economic diversification.

With regards to project eligibility, the SCCF only funds climate change-related activities, programmes and measures that are complementary to the resources allocated by the GEF under its climate change focal area. In addition, the project or programme must be country-driven, cost-effective, and aligned with national poverty reduction and sustainable development strategies, as well as the country's national communication or National Adaptation Plan of Actions (NAPA). Therefore, there is no specific restriction on the size of the project, but it must focus on the incremental costs caused by climate change in addition to basic development needs. The SCCF project cycle is similar to the GEF project cycle, but there are some key distinctions on project characteristics, as illustrated in Table 12: Key distinctions between the GEF Trust Fund and the SCCF.

TABLE 12. Key Distinctions Between the GEF Trust Fund and the SCCF

	CONVENTIONAL GEF TRUST FUNDS	SCCF
Projects must generate global benefits	Yes	No*
Projects must generate adaptation benefits	No	Yes*
Funding allocated according to Resource Allocation Framework or STAR	Yes	No
Projects financed according to the "incremental cost" principle	Yes	No*

*Technology Transfer for Mitigation projects are excepted

The SCCF has invested $355 million since its inception by participating in numerous projects around the world.[98] For example, the Challenge Program for Adaptation Innovation was launched to promote private sector engagement in climate change innovation. It was funded equally by the SCCF and LDC Fund (up to $10 million). The first call for proposals attracted 400 project concepts from over 340 institutions in 2019. The SCCF also supported the establishment of the Climate Resilience and Adaptation Technology Transfer Facility (CRAFT) mentioned above. The SCCF funded the Adaptation SME Accelerator Program (ASAP) with the Inter-American Development Bank (IDB) and Conservation International with the goal of strengthening private sector engagement in climate adaptation. Lightsmith Group, a private equity firm, is leading the programme to help small and medium-sized enterprises commercialise climate risk reduction measures and attract investors.[99]

[98] Special Climate Change Fund – SCCF. (s. d.). SCCF. https://www.thegef.org/what-we-do/topics/special-climate-change-fund-sccf

[99] The Adaptation SME Accelerator Project. (2020, 11 September). The Lightsmith Group. https://lightsmithgp.com/asap/

LEAST DEVELOPED COUNTRIES FUND (LDCF)

The LDCF – managed by the GEF – was established in 2001 with the 194 parties to the UNFCCC to help less developed countries address the lack of facilities and infrastructure they need to meet climate challenges. In collaboration with partner organisations, the LDCF strengthens technical and institutional capacity at the national and local levels, fosters innovation, and engages the business sector. It also works to decrease structural impediments to development and to stimulate investment in adaptation solutions. The LDCF and the Special Climate Change Fund (SCCF) are aligned with the Paris Agreement, assisting these countries in the implementation of National Adaptation Programmes of Action (NAPAs) and the National Adaptation Plan (NAP) process.

It acts on different vulnerable sectors and more specifically: agriculture and food security, natural resources management, water issues, disaster risk management and prevention, coastal zone management, climate information services, infrastructure, and health risks related to climate change.[100]

The GEF is a key source of funds, taking the form of grants for the SI. Some examples of projects include the Community Resilience to Climate and Disaster Risk in Solomon Islands Project (CRISP), which is jointly implemented by the World Bank, MECDM, and the Solomon Islands Water Resources Division of Ministry of Mines, Minerals and Rural Electrification (MMERE). The second project supported by the GEF through the Food and Agriculture Organisation of the United Nations (FAO) is an Integrated Forest Management in Solomon Islands project.

7.2.2 Green Climate Fund (GCF)

The Green Climate Fund (GCF) is a financial mechanism of the UNFCCC that was established at COP-16 in Mexico in 2010. It is the largest multilateral climate fund in the world and aims to support developing countries in their response to the negative impacts of climate change with 50 per cent of the adaptation funding that go to vulnerable countries, including LDC and SIDS. Its main mission is to support and promote private sector investment in climate change mitigation and adaptation measures in developing countries. It focuses on local actors, including MSMEs and local financial intermediaries.[101]

The GCF thus has two strategic pillars: i) promoting the paradigm shift towards low-emission and climate-resilient development pathways and ii) supporting the implementation of the Paris Agreement through climate finance.

FIGURE 15. GCF Portfolio dashboard[102]

[100] https://www.thegef.org/what-we-do/topics/least-developed-countries-fund-ldcf

[101] GCF, Private Sector Facility. (2017). GCF. https://www.greenclimate.fund/sites/default/files/document/green-climate-fund-s-private-sector-facility_0.pdf

[102] GCF in brief, Private Sector Financing. (2022, July). https://www.greenclimate.fund/sites/default/files/document/20220720-psf-2pager.pdf

Developing countries need $2–4 trillion per year to avoid significant negative impacts of climate change on their territories. This requires a mix of public financing and large-scale private capital mobilisation. As a result, the fund created the Private Sector Facility (PSF) to engage the local and global private sector in supporting climate change mitigation and adaptation projects in developing economies by mobilising different types of private sector actors such as project developers, institutional investors and financial institutions. In 2021, one-fifth of approved GCF projects/programmes are private sector activities (35/177), and account for one-third (USD2.957 billion) of the total nominal GCF funds, which means that most of the GCF's private sector activities are larger than the average public sector activity.

The PSF encourages private sector investment through a number of concessional instruments, such as low-interest, long-term loans, lines of credit to banks and other financial institutions, equity investments, and risk mitigation measures such as guarantees, first-loss protection, and grant-based capacity building programmes.

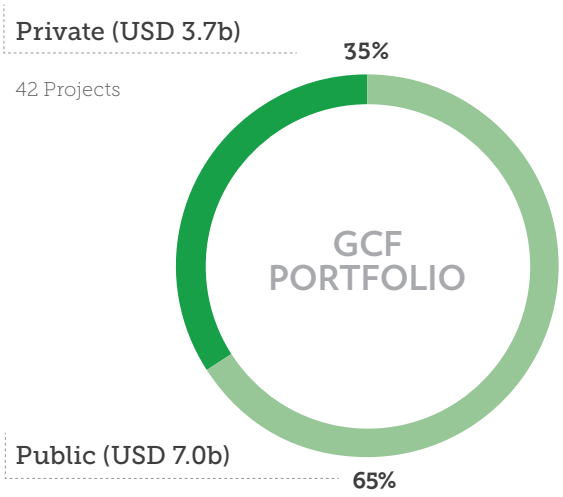


FIGURE 16. GCF Private Sector Finance by financial instrumental, 2022[103]

The PSF has set a framework for these instruments with different practices:[104]

- Financial institutions: allowing climate change considerations to be integrated into the financial system.
- Project finance: concessional financing to reduce the risk of infrastructure projects targeting climate change.
- Climate funds: sorting anchor investments into dedicated climate funds (equity/debt).
- Structured finance: development of capital/carbon markets requiring tailored structuring solutions.
- Climate innovations: increase investments in high-impact climate innovations and technologies.

[103]GCF in brief, Private Sector Financing. (2022, July). GCFhttps://www.greenclimate.fund/sites/default/files/document/20220720-psf-2pager.pdf

[104]Projects & programmes Areas of work Private Sector Financing. (s. d.). GCF. https://www.greenclimate.fund/sectors/private

Applying for funding from the fund is done through a multi-step process detailed below:

Strategy, Organisation and structuring

Stage 1: Country and entity work programmes: Country and entity work programmes are developed with alignment to each country's climate priorities and GCF's strategic plan

Stage 2: Targeted project generation: Supplements to country and entity work programmes are considered and scaled to further strengthen a country's climate action

Stage 3: Concept note submission: Concept notes can help increase proposal efficiency

Technical review and appraisal

Stage 4: Funding proposal development: Funding proposals (FPs) prepared by Accredited Entities must adhere to GCF requirements and policies

Stage 5: Funding proposal review: Review conducted by the GCF Secretariat, and the Independent Technical Advisory Panel ensure the quality and completeness of FPs and act as a second-level due diligence

Approval and legal arrangements

Stage 6: Board approval: board meetings provide an avenue for discussion and collaboration in our global climate action

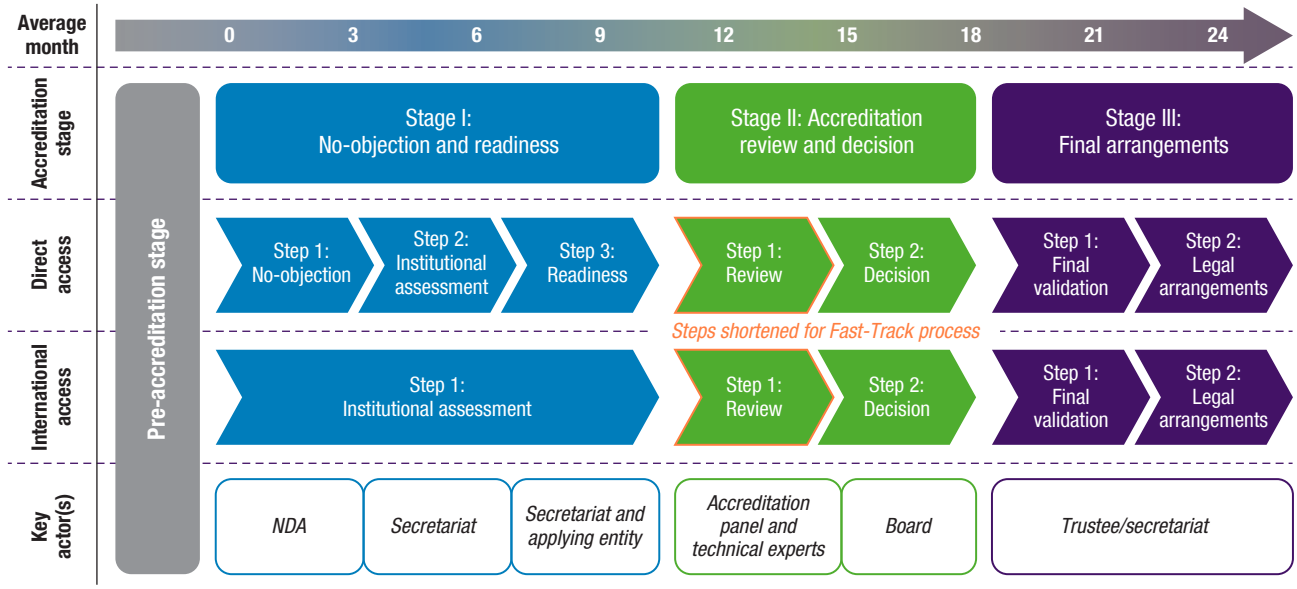
Stage 7: Legal arrangements: Setting legal arrangements of approved funding proposals are critical in carrying out climate projects in the long-term

Implementation

Stage 8: Monitoring for performance and compliance: Proactive and regular monitoring of projects and AE guarantees risks are mitigated, and equitable and sustainable climate actions are scaled up

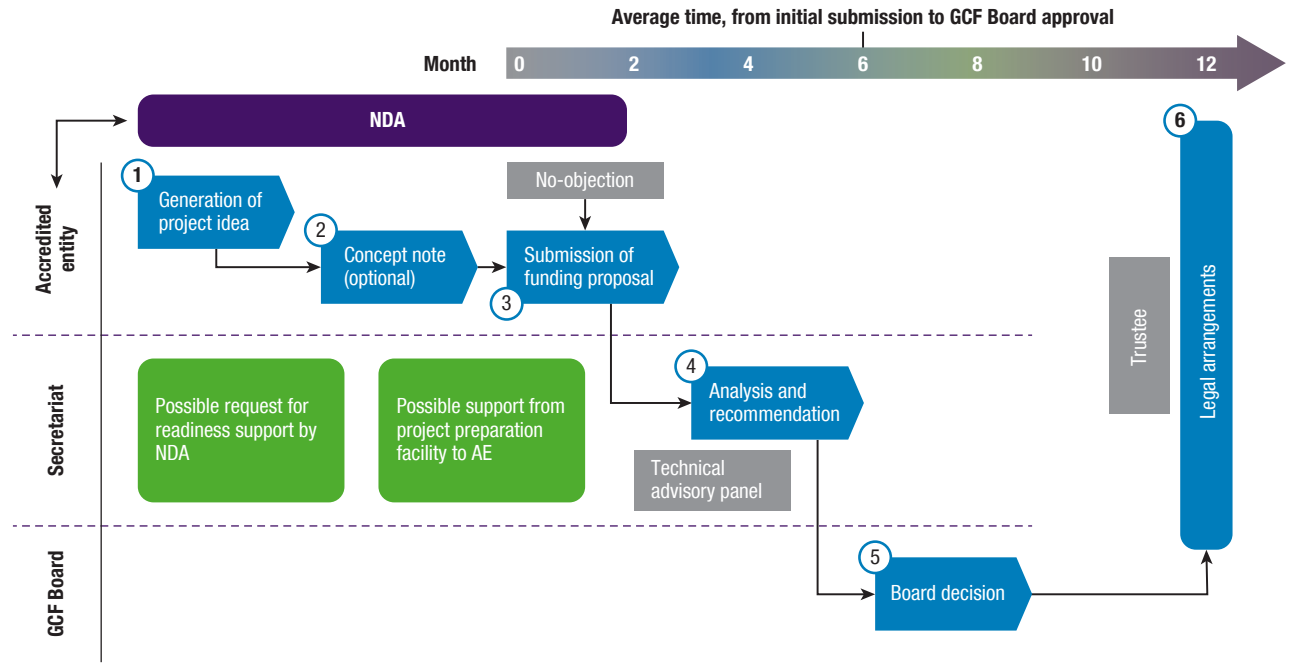
Stage 9: Adaptive management: GCF recognises that projects and programmes are dynamic. The adaptive management approach is in place to respond to changes and adjust accordingly

Stage 10: Evaluation, learning and project closure: Outlining lessons learned lead to better design and implementation of next-gen GCF investment decisions and projects/programmes



Sources: Green Climate Fund; and IMF staff.

FIGURE 17. GCF's Accreditation Stages



Sources: Green Climate Fund; and IMF staff.

FIGURE 18. GCF's Project Approval Process

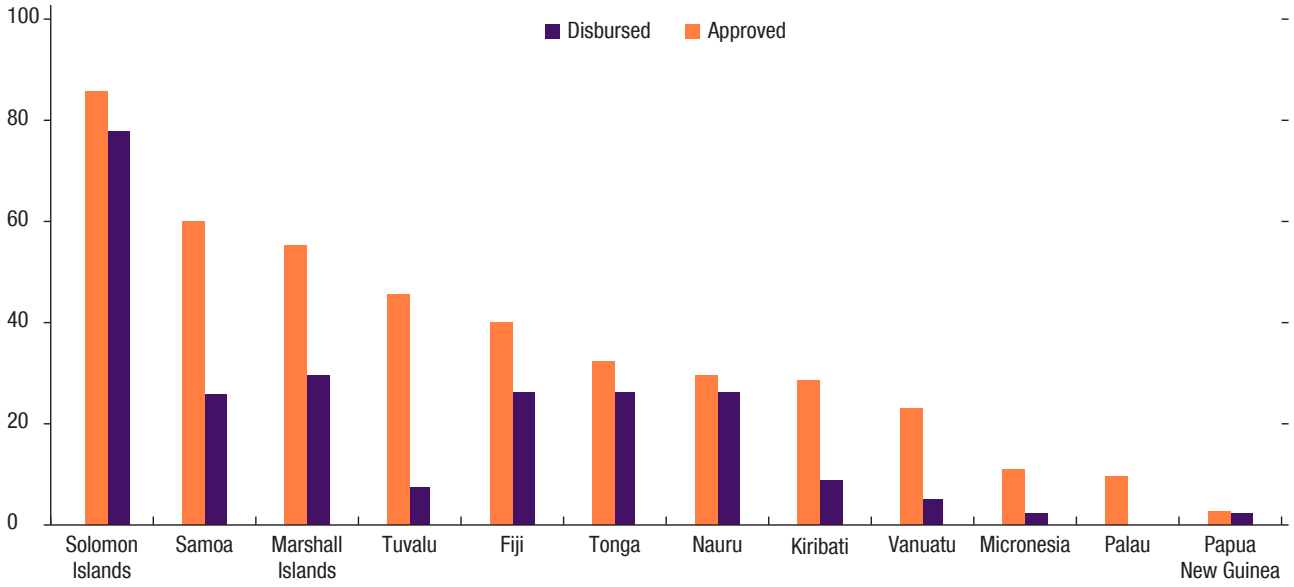


FIGURE 19. Funding Disbursed and Approved by the GCF in the Pacific Countries (May 2021), USD Million

The main emerging multilateral source in the country is the Green Climate Fund (GCF). Solomon Islands accessed its first GCF funding through a World Bank-supported proposal for the Tina River Hydropower Development Project (TRHDP) in 2017. Through this project, the GCF is providing a $70 million, 40-year loan and a $16 million grant to co-finance the construction of an access road to the hydropower plant site.

Solomon Islands' private sector can also access resources from the GCF's Private Sector Facility. With GCF accreditation, Solomon Islands would have better access to GCF funding for its various mitigation and adaptation projects.

7.2.3 The Climate Investment Fund (CIF)[105]

Several donors launched in 2008 the CIF to help low- and middle-income nations address the effects of climate change immediately and fulfill the Sustainable Development Goals (SDGs). Five Development Banks, including the World Bank and the Inter-American Development Bank, are in charge of carrying it out, and a total of fifteen donors have contributed USD 10 billion to its funding. Additionally, this pledge is anticipated to bring in USD 61 billion[106] in additional co-financing through 325 projects across 72 developing and middle-income countries.[107] Since 2009, the CIF has made investments in the private sector. In fact, USD 2.3 billion has been set aside for initiatives in the private sector. The CIF has provided the greatest private sector funding of any other fund for initiatives in clean technology, climate resilience, sustainable forestry, and energy access in CIF countries.[108]

To help the private sector participate in the energy transition more swiftly and extensively, the CIF offers technical guidance along with a variety of financial instruments like equity, loans, guarantees, and local currency hedging. The Fund assists in lowering the obstacles to corporate investment and lowering the risk involved with brand-new low-carbon initiatives. The private sector is estimated to contribute about USD 18 billion to these initiatives globally.

CIF funds dedicated to the private sector are allocated through two different groups of programmes, namely the Dedicated Private Sector programmes and the Private Sector Set-Asides programme. Development projects are listed in national or regional investment plans.

[105] https://www.climateinvestmentfunds.org/country/solomon-islands

[106] DONORS & MDBS. (2022, 28 March). Climate Investment Funds. https://www.climateinvestmentfunds.org/finances

[107] About CIF. (2022, 11 July). Climate Investment Funds. https://www.climateinvestmentfunds.org/about-cif

[108] Private Sector. (2018, 19 May). Climate Investment Funds. https://www.climateinvestmentfunds.org/private-sector

THE DEDICATED PRIVATE SECTOR PROGRAMMES: (DPSD)[109]

These programmes, which were established in 2013, are financing windows of the CIF and are intended to provide money for significant, high-impact clean technology initiatives in the private sector, such as those using "geothermal power, mini-grids, energy efficiency, and solar PV. Their goal is to supply businesses with capital that is risk-appropriate. The CIF and Multilateral Development Banks (MDB) use these programmes as a platform to collaborate and find investment opportunities that could be implemented effectively, rapidly, and significantly in CIF target countries. These programmes provide funding for 22 projects totaling more than USD 420 million.[110] Among these are geothermal energy in Turkey, energy efficiency in Mexico, and utility-scale solar energy in Honduras.

PRIVATE SECTOR RESERVED FUNDING (PSSA)[111]

In order to provide low-income countries (LIC) with access to energy, the Private Sector Set-Asides allocate concessional finance to private sector projects focused on forestry, climate resilience, and renewable energy. PSSAs are designed to encourage innovation and provide flexible funding. The funds allocated total USD 106 million and are distributed among thirteen projects, some of which include climate-smart hydropower plants in Tajikistan and water-efficient homes in Jamaica.[112]

The Solomon Islands has benefited from the CIF with the financing of two energy projects from the Scaling Up Renewable Energy Program in LIC programme. Although the projects are focused more on the public sector, there is a component for private sector investment promotion in both cases.[113]

One was implemented in 2017 by Solomon Power, the state-owned electricity company that aims to improve access to grid electricity as well as invest in renewable energy. The second project aims to increase renewable energy generation in five of the eight provinces of the Solomon Islands. The project, implemented in 2016, aims to replace existing diesel generation with solar power hybrid grid.[114]

7.3 Development Finance Institutions

National and international Development Finance Institutions (DFIs) are development banks that provide technical and financial assistance to the private sector in developing countries. The majority are owned by national governments and are funded by national or international development funds. In a recent evaluation of the development impacts of DFIs (Attridge, Calleja, et al., 2019), they were found to positively contribute to several development impacts, for example through the creation of higher income jobs. In this way, DFIs are likely to play a key role in the SDG agenda.[115]

[109]https://www.climateinvestmentfunds.org/dedicated-private-sector-programs

[110]Dedicated Private Sector Programs. (2018, 2 may). Climate Investment Funds. https://www.climateinvestmentfunds.org/dedicated-private-sector-programs

[111]https://www.climateinvestmentfunds.org/private-sector-set-asides

[112]Private Sector Set-Asides. (2018, 19 April). Climate Investment Funds. https://www.climateinvestmentfunds.org/private-sector-set-asides

[113]Electricity Access and Renewable Expansion Project – 2. (2021, 23 July). Climate Investment Funds. https://www.climateinvestmentfunds.org/projects/electricity-access-and-renewable-expansion-project-%E2%80%93–2

[114]Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS) (No PIDISDSA22039). (2017, October). World Bank.

[115]https://www.sei.org/wp-content/uploads/2022/02/sei-report-development-finance-three-countries-03032022.pdf

7.3.1 World Bank Group (WBG)

The World Bank Group (WBG) was founded in 1944 and is one of the world's largest development banks. With 189 member countries and offices in more than 130 locations, the WBG works in partnership with governments, the private sector, CSOs, regional development banks and other international institutions to reduce poverty and promote sustainable development. By 2030, the Group has set two global objectives: End extreme poverty by decreasing the percentage of people living on less than USD 1.90 a day to no more than 3 per cent and promote shared prosperity by fostering the income growth of the bottom 40 per cent for every country.[116] To do so, the WBG provides financial, institutional and technical support with low interest loans and credits and also grants to developing countries. In 2015, the Group made 302 commitments for a total of USD 60 billion.

The WBG is composed of five institutions:

- The International Bank for Reconstruction and Development (IBRD);
- The International Development Association (IDA);
- The International Finance Corporation (IFC);
- The Multilateral Investment Guarantee Agency (MIGA) and
- The International Center for Settlement of Investment Disputes (ICSID).

IBRD and IDA form what is commonly referred as the World Bank and provide financing, institutional and technical assistance to governments; while IBRD mainly focuses on middle-income and solvable poor countries, IDA assists mainly the world's poorest countries. On the other hand, IFC, MIGA and ICSID focus on strengthening the private sector in developing countries.

In terms of private sector development, WBG works on four main focus areas:

- Creating markets and matching opportunities
- Building new markets for companies
- Promoting investment opportunities for investors and financial institutions
- Building relationships to advance common goals

Here are a few examples of projects funded by IBRD and IFC in the Solomon Islands related to climate change:

SOLOMON ISLANDS AGRICULTURE AND RURAL TRANSFORMATION PROJECT

Launched in 2022 and implemented by the Ministry of Agriculture and Livestock (MAL) of SI, this 15 million dollar project aims to improve access to agriculture extension and support services, but also to improve agribusiness partnership and market linkages in order to improve market access.[117]

FIGURE 20. Distribution of Sectors Affected by the "Agriculture and Rural Transformation" Project

[116]Poverty and Shared Prosperity 2018. (2018). WBG. https://www.worldbank.org/en/publication/poverty-and-shared-prosperity-2018

[117]Project Information Document (PID), Solomon Islands Agriculture and Rural Transformation Project (No P173043). (2020). World Bank.

INTEGRATED ECONOMIC DEVELOPMENT AND COMMUNITY RESILIENCE PROJECT

The MECDM, and the Ministry of Provincial Government and Institutional Strengthening (MPGIS) has implemented a project of 19 million dollars. The goal is to increase access to economic and social infrastructure in rural wards, deliver climate and disaster resilience and enhance provincial governments' accountability to citizens.[118]

FIGURE 21. Distribution of Sectors Affected by the "Integrated Economic Development and Community Resilience" Project

PACIFIC ISLANDS REGIONAL OCEANSCAPE PROGRAM – SECOND PHASE FOR ECONOMIC RESILIENCE

This project – implemented by the Ministry of Fisheries and Marine Resources (MFMR) – aims to strengthen the shared management of selected Pacific Island ocean and coastal fisheries, and the critical habitats on which they depend. The second phase of the SI project is intended to strengthen regional collaboration as well as national capacity to manage towards more sustainable fisheries.[119]

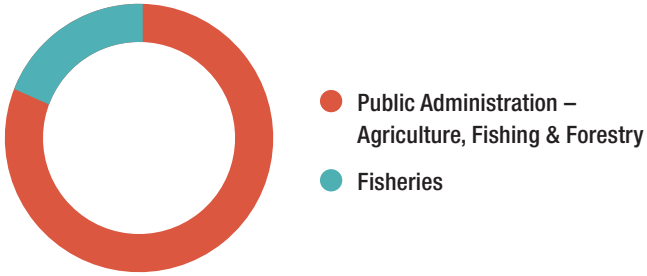


FIGURE 22. Distribution of Sectors Affected by the "Pacific Islands Regional Oceanscape Program – Second Phase For Economic Resilience" Project

INTERNATIONAL FINANCE CORPORATION (IFC)

The International Finance Corporation, which was established in 1956 and operates in more than 100 nations, is the biggest international development organisation that focuses on the private sector. IFC offers asset management, investment, and advising services and has a AAA credit rating. IFC also offers a variety of financial products, including loans, equity, and blended finance. Long-term investments totaled USD 3.4 billion in the East Asia and Pacific area in 2018, including USD 1.4 billion from co-financing investors.[120] Increasing opportunities for women, financial inclusion, lowering carbon footprints, and global integration are priority areas in this region.

[118]Development Projects: Integrated Economic Development and Community Resilience Project – P173688. (2021). World Bank. https://projects.worldbank.org/en/projects-operations/project-detail/P173688

[119]Development Projects: Solomon Islands: Pacific Islands Regional Oceanscape Program – Second Phase for Economic Resilience – P177239. (2022). World Bank. https://projects.worldbank.org/en/projects-operations/project-detail/P177239

[120]IFC invests in the Pacific. (s. d.). Postcourier (2018) https://postcourier.com.pg/ifc-invests-pacific/

A project must fulfill a number of requirements in order to be eligible for IFC funding. The project must: (1) be located in a developing country that is an IFC member; (2) originate from the private sector; (3) be technically sound; (4) have a strong likelihood of being profitable; (5) support the local economy; and (6) be environmentally and socially sound, meeting both the IFC's and the host country's environmental and social standards.

Then, before beginning the discussions, IFC selects suitable projects and performs an early evaluation, a project appraisal, and an investment review.

The Pacific Partnership, a collaboration between Australia, New Zealand, and IFC to boost the private sector and fight poverty, provides funding for IFC's advising work in the Solomon Islands. Among many other financing projects, IFC has supported the Tina River Hydropower Project as the government of Solomon Islands' transaction adviser. This is the country's first significant PPP infrastructure project, which will help the country reduce its reliance on imported diesel for power and increase its use of renewable energy. Financial closing for the project has finally been achieved.

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)

One of the most significant consequences of the 1974 World Food Conference was the creation of the International Fund for Agricultural Development (IFAD), a specialised agency of the United Nations. The early 1970s food crisis, which saw widespread starvation and malnutrition brought on by worldwide food shortages, mainly in the Sahelian countries of Africa, prompted the United Nations to host the summit.

Leaders from throughout the world acknowledged that famine and food insecurity were more related to structural issues with poverty than to failures in food production. The fact that the bulk of the poor people in the developing world resided in rural regions only made matters worse. An International Fund for Development (IFD) should be established right away to finance agricultural development projects, primarily for food production in developing countries. The fund shall provide financing in particular for projects and programmes specifically designed to introduce, expand, or improve food production systems, as well as to strengthen related policies and institutions. At that time, IFAD was established.

In order to play a significant role in the inclusive and sustainable development of rural areas over the next ten years, IFAD has developed a Strategic Framework for 2016–2025 that outlines our activities in this area. It outlines our contribution to the 2030 Agenda and the greater part that IFAD will play in assisting nations in achieving their goals in light of the Agenda.

Three strategic goals are outlined in the Framework: Strengthening the environmental sustainability and climate resilience of their economic activities by enhancing the productive capacity of underprivileged rural residents and increasing the benefits of their market participation.

IFAD is investing in Solomon Islands communities, revitalising agriculture, and contributing to the well-being and prosperity of all Solomon Islanders in collaboration with the government and other partners. IFAD's work in Solomon Islands will reflect the government's 10-year Agricultural Sector Investment and Growth Plan: (i) improving the productivity, sustainability and resilience of peasant agriculture; (ii) providing nutrition education to combat malnutrition; (iii) facilitating smallholder farmers' access to technical solutions and agricultural information; and (iv) opening markets to small producers.[121]

For these goals to be achieved, smallholder farmers must have access to improved agricultural technologies, quality inputs, post-harvest operations, and nutritional information. IFAD supports governments and the private sector in designing and delivering advisory services tailored to the needs of smallholder farmers, with special attention to the needs of youth and women.

[121] Solomon Islands. (s. d.-b). IFAD. https://www.ifad.org/en/web/operations/w/country/solomon-islands

The organisation also established IFAD's Private Sector Engagement Strategy 2019–2024, with five main principles: relevance, additionality, development impact, risk and ESG standards. By establishing four actions that are the following:[122]

- The deployment of financial instruments that allow private investments to be directed to rural MSMEs and agriculture.
- Using loans and grants to attract private investment by analysing IFAD's project portfolio to identify opportunities for stakeholders.
- Testing and making available new technologies and cost-effective solutions by seeking out companies that can help small-scale producers and rural dwellers.

The goal of these actions is to mobilise private funds and investment in MSMEs, as well as to develop markets, and increase income and employment opportunities for certain groups. IFAD also assesses all risks involved in private sector missions in order to mitigate them.

7.3.3 Asian Development Bank (ADB)

The ADB is a regional development bank that aims to support the socioeconomic development of Asia. Established in 1966, the bank now has 68 members, including 49 from Asia and the Pacific. The ADB, with its AAA rating, focuses on projects that help promote private investment for meaningful development and sustainable, inclusive and accelerated growth.

ADB provides non-sovereign operations to eligible private sector beneficiaries in developing member countries, including the provision of loans, guarantees, equity investments, or other financial arrangements.

ADB's Private Sector Operations Department (PSOD) supports private and public enterprises in Asia and the Pacific. The department supports and provides financing to private and public enterprises and specialises in sustainable business transactions while respecting the principle of sustainable and inclusive economic growth. In addition to financial products, ADB also provides Technical Assistance (TA) to public and private entities on a selective basis. This may consist of transaction technical assistance (TRTA) aimed at directly benefiting a project or developing a public-private partnership. Technical assistance includes Knowledge and Support Technical Assistance (KSTA), which includes all forms of technical assistance other than TRTA, such as policy advice, research development, and general institutional capacity building.

For private funding, ADB has five core sectors:

- Infrastructure sector
- Financial sector and capital market
- Agribusiness sector
- Health and education
- Business development

Figure 23 highlights the amount given to each sector.

[122]IFAD Private Sector Engagement Strategy 2019–2024 (2019) https://www.ifad.org/en/-/document/private-sector-strategy

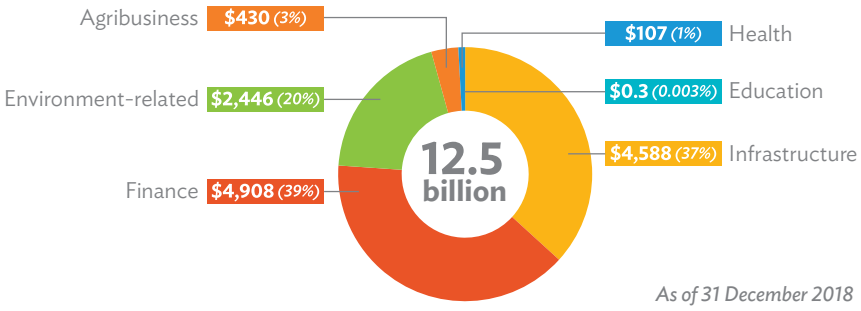


FIGURE 23. ADB Private Sector Operations Portfolio, by Sector (2018)

Source: ADB Private Sector Operations brochure (2018)

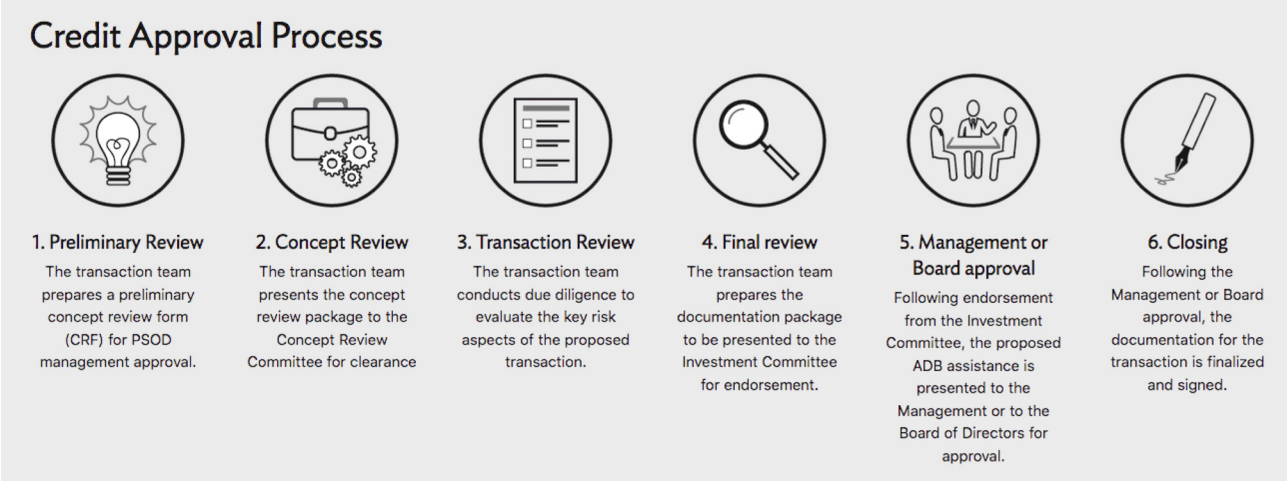


FIGURE 24. ADB Project Cycle

To support a private project, ADB does not provide a standardised form. However, the following information are typically required to obtain funding:

1. Executive summary
2. Project description
3. Feasibility study
4. Background on sponsor(s)
5. Project ownership structure
6. Project's implementation arrangements
7. Project operations
8. The market
9. Environmental and social aspects
10. Cost estimates
11. Financing plan
12. Financial model
13. Risk analysis
14. Permits and licenses

The Solomon Islands has been a member of the ADB since 1973 and has received $406.1 million in 118 loans, grants, and public sector technical assistance. Cumulative loan and grant disbursements to the Solomon Islands amount to $209.5 million.

TABLE 13. Solomon Islands Projects Co-Financed (1 January 201– 31 December 2021)[123]

Co-financing	Number of projects	Amount ($ million)
Sovereign	7	295,27
– Grants	*6*	*118,28*
– Loans	*3*	*176,98*

*A project with more than one source of co-financing is counted once.

CANADIAN CLIMATE FUND FOR THE PRIVATE SECTOR IN ASIA II

This C$200 million fund supported by the Government of Canada was founded in 2017, with the goal of supporting greater private sector participation in climate change mitigation and adaptation projects in LICs – including Solomon Islands – and upper middle-income countries. It enables the private sector to mitigate development risks by providing faith-based financing (subordinated loans, senior loans, and risk participations) to specific projects that could not be undertaken on a commercial basis alone due to the significant costs of initiating and developing them.

The CCFPSA was established as a trust fund and complements the ADB's funds for non-sovereign projects. The ADB is responsible for administering and managing the fund for private sector projects that address climate change mitigation and adaptation activities, including energy efficiency, more resilient infrastructure, and projects leading to gender-responsive economic development.[124]

ASIA-PACIFIC CLIMATE TECHNOLOGY NETWORK AND FINANCE CENTRE

Technology transfer is an important response to the problem of climate change, particularly in developing countries in Asia and the Pacific, whose GHG emissions are increasing rapidly as their populations become more vulnerable to the effects of climate change. The development of cleaner and more advanced technologies, especially in the energy, transportation and urban planning sectors, is essential to reduce GHG emissions. In developing countries, and particularly in the Solomon Islands, advanced climate technologies are not widely available and often face barriers that can impede their transfer and deployment, implying additional risk to investments. The Asia-Pacific Climate Technology Network and Finance Centre, which is a pilot project managed by the ADB and the GEF, aims to create capacity readiness and enabling conditions for market transformation interventions in the region through fostering knowledge sharing, public-private partnerships, and the development of institutional capacity and climate technology policies. To do so, the centre will facilitate and strengthen the network of national and regional technology centres and design, develop, and implement country-driven climate technology transfer policies, programmes, demonstration projects, and scale-up strategies. In addition, the finance centre will develop investment and economic policies by catalysing climate technology deployment. This project could improve access to technology transfers and climate finance.[125]

[123] Asian Development Bank Member Fact Sheet. (2022, April). Asian Development Bank. https://www.adb.org/sites/default/files/publication/27795/sol-2021.pdf

[124] Canadian Climate Fund for the Private Sector in Asia. (2022, 16 March). Asian Development Bank. https://www.adb.org/what-we-do/funds/canadian-climate-fund-for-the-private-sector-in-asia-2

[125] The Pilot Asia-Pacific Climate Technology Network and Finance Center. (2012). ADB. https://www.adb.org/publications/pilot-asia-pacific-climate-technology-network-and-finance-center

7.3.4 European Investment Bank (EIB)

The EIB is the European Union (EU)'s lending arm, through its European Investment Fund (EIF) and one of the largest providers of climate finance in the world.

The Bank's mission is to play a leading role among financial institutions in supporting the financing needed, both inside and outside the EU, to meet global commitments to limit global warming to 1.5 ˚ C. It aims to increase the capacity to adapt to the adverse effects of climate change and to enable the EU to significantly reduce their carbon emissions by 2050, through climate finance.

EIB provides loans, equity, guarantees and advisory services to the private sector. EIB loans for the private sector have five key benefits: attractive pricing thanks to EIB's funding conditions, long financing term to match the economic life of each project up to 10 years, bespoke financing by providing secured or unsecured loans, project support by offering financial and technical expertise to prepare the project and signaling effect by attracting additional investors.

The EIB typically covers up to 50 per cent of a project's total cost. These loans typically start at €25 million and in certain cases the EIB will consider lower amounts.[126] EIB offers four financing options:

- Corporate loans
- Growth finance for mid-caps
- Project finance loans
- Corporate hybrid debt

These financial instruments are focused on four main areas: innovation and skills, small businesses, infrastructure, climate and environment.

A project financed by EIB typically goes through seven following major stages:

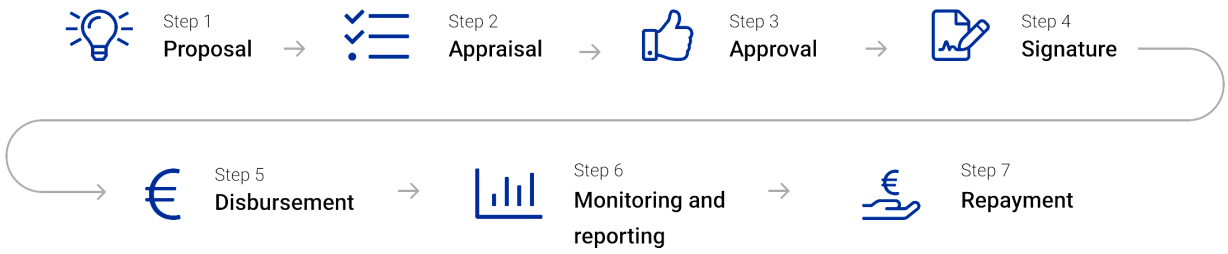


FIGURE 24. EIB's Project Cycle

The EU has supported initiatives such as the R-WASH programme with MHMS, the Solomon Islands Climate Adaptation Programme (SICAP), Increasing Agriculture and Commodity Trade, Adapting to Climate Change and Sustainable Energy (ACSE) project, and the Global Climate Change Alliance (GCCA).

The EU through its EDF-11 (2014–2020) national indicative programme has earmarked 26 million euros to support urban and rural water supply, sanitation and hygiene programmes. In addition, 10 million euros will be earmarked for rural development in Solomon Islands. The regional EDF-11 envelope will also support the strengthening of public financial management systems in PICs, which is a key enabler for improving access to Climate Change and Disaster Risk Management (CCDRM) finance.

Bilateral and Intra-ACP Global Climate Change Alliance Plus (GCCA+). For the Intra-ACP component, there is an allocation of 475 million euros for climate change, resilience building and the environment.

[126]Project Cycle. (s. d.). EIB. https://www.eib.org/en/projects/cycle/index.htm

7.3.5 Asian Infrastructure Investment Bank (AIIB)

A subset of a sovereign state, such as a political subdivision or an administrative division, can get financial assistance from the AIIB. Entities must operate on a member state's territory and adhere to both AIIB, and the host nation's social and environmental norms in order to be eligible for financing. The project must also show how it could be profitable. AIIB usually responds to a project financing application within 30 working days. The AIIB acts as a catalyst to encourage private investment in a number of infrastructure-related sectors in vulnerable countries. AIIB financing is direct or indirect, and flexible in the way it is structured, with investments that can take a variety of forms (loans, guarantees, or equity).[127]

AIIB finances, but is not limited to, six strategic priority sectors:

- Sustainable Energy for Asia Strategy.
- Strategy for Mobilising Private Capital for Infrastructure.
- Strategy on Financing Operations in Non-regional Members.
- Strategy on Investing in Equity.
- Transport Sector Strategy.
- Sustainable Cities Strategy.

In Asia, 70 per cent of infrastructure financing comes from governments, 20 per cent from the private sector and 10 per cent from multilateral development banks (AIIB, 2018). The AIIB is undertaking to encourage private sector investment in infrastructure to reduce the financing gap facing the territory.[128]

7.4 Bilateral Cooperation Agencies

7.4.1 Japan International Cooperation Agency (JICA)

The Japan International Cooperation Agency is a governmental agency that provides Official Development Assistance for the government of Japan. JICA supports private sector and focuses on the following fields:

- Developing policies and institutions for improving the business environment;
- Promoting trade and investment;
- Improving the competitiveness of local companies; and
- Promoting local economies and industries.

JICA offers various cooperation schemes including technical cooperation which is practical assistance to developing countries, ODA grants and ODA loans. To strengthen the development of the private sector, JICA implemented the Private Sector Investment Finance (PSIF) which aims to provide loans and equity to private enterprises around the world with high development outcomes.

With an emphasis on infrastructure as a foundation for economic activity, mitigating the negative effects of rapid economic development, and enhancing MDG-related activities, JICA is offering support to the Solomon Islands. Also, JICA handed over the HimawariCast receiving and processing system to the Solomon Islands Meteorological Services in 2016 as part of the "JICA Follow-up Cooperation for Meteorology Training" project with the Solomon Islands Meteorological Service (SIMS). These data are essential for daily weather forecasting but also for early warning of tropical depressions and cyclones, especially in a country like Solomon Islands which is very vulnerable to these phenomena.

[127] Private Capital Mobilization, AIIB https://www.aiib.org/en/about-aiib/who-we-are/infrastructure-for-tomorrow/private-capital-mobilization/index.html

[128] Mobilizing Private Capital For Infrastructure (Technical Note), AIIB, 2018 https://www.aiib.org/en/policies-strategies/_download/mobilizing_private/Strategy-on-Mobilizing-Private-Capital-for-Infrastructure.Technical-Note.pdf

7.4.2 Gesellschaft für Internationale Zusammenarbeit (GIZ)

The German International Cooperation for Sustainable Development and International Education Work Agency (GIZ) offers services in several areas. It has been actively involved in programmes that help the global implementation of the Paris Agreement and associated NDCs. GIZ had around EUR 3.3 billion in revenue in 2020, which increased by around 9 per cent.[129]

The priority areas of GIZ's work are:

- Vocational training
- Energy and climate
- Health care
- Infrastructure / construction
- Water
- Good governance

By supporting micro and small businesses, fostering commercial relationships, and assisting companies in developing nations in adhering to social and environmental norms, GIZ supports the private sector. GIZ can offer partnership opportunities and aid in the transfer of expertise to secure funding thanks to its extensive network of partners in more than 130 nations. Additionally, GIZ takes on project management duties from project planning to project evaluation. GIZ offers numerous customised solutions to the private sector, including:

1. Corporate sustainability and responsibility
2. Sustainable supply chains
3. Market access
4. Product development
5. Capacity development
6. Sectoral transformation

GIZ established the Private Sector Advisory Board to enhance communication between the private sector and organisations and agencies involved in international cooperation.

GIZ[130] has been working in the Pacific since 1977, providing advisory services to 14 ICPs, including Solomon Islands, to address the various climate challenges they face, with a focus on five priority areas:

- Climate change in the Pacific islands region
- Climate change adaptation and sustainable energy
- Forest conservation
- Marine and coastal biodiversity management
- Transition to low-carbon shipping

[129]Fiscal 2020. (s. d.). GIZ. https://reporting.giz.de/2020/creating-value/fiscal-2020

[130]https://www.giz.de/en/worldwide/363.html

7.4.3 Abu Dhabi Fund for Development (ADFD)

The International Renewable Energy Agency and Abu Dhabi Fund for Development (ADFD) intends to assist developing nations in achieving sustainable socioeconomic progress through administering government grants and shares as well as providing financial support in the form of concessionary loans. Additionally, ADFD pursues investments to motivate the private sector in the recipient countries to play a crucial role in quickening the economic development process while also enhancing and diversifying the Fund's future resource base.

The SDGs, UAE Vision 2021, and Abu Dhabi Economic Vision 2030 are all supported by the present plan. The Fund's policy is focused on maintaining an active role in promoting economic growth in developing nations, expanding the geographic scope of its activities for development financing, and assisting the domestic economy. ADFD invests in companies in various countries around the world either through full ownership or equity sharing in partnership with public or private companies.

ADFD, in partnership with IRENA which is an intergovernmental organisation helping countries in their sustainable energy transition, have selected four projects in the Pacific and Africa, including: the Marshall Islands, Solomon Islands, Niger, and Seychelles. With ADFD funding, a reservoir dam project in 2019 and a 20 MW hydroelectric power plant in 2014 will allow the Solomon Islands to diversify the energy mix, as well as provide access to renewable energy for 183,000 people and generate annual energy savings of $28 million concerning the hydropower project.[131]

7.5 Regional (Pacific) Funds and Facilities

International climate change funds prefer to work on a regional scale or through established multilateral bodies to have a greater impact.

7.5.1 Leading Asia's Private Infrastructure Fund (LEAP)

The Leading Asia's Private Infrastructure Fund (LEAP), established in 2016, is a co-financing fund for infrastructure that will work with and supplement ADB's current non-sovereign platform to close funding gaps and broaden access to capital for regional infrastructure projects. JICA, also makes contributions to the fund by offering USD 1.5 billion in equity, and ADB is responsible for managing the fund's deployment.[132]

Funding non-sovereign projects at various phases of development is the goal. Projects must be in line with the ideals of both the ADB and the JICA and show a significant positive impact on development. Along with conventional project financing, it also enables public-private partnerships, joint ventures, projects funded by private initiatives, and privatisation. The fund conducts mezzanine finance, transactions, equity investments, and loans.

Eligible project types will include the following infrastructure subsectors:

1. Energy
2. Water and other urban infrastructure and services
3. Transport
4. Information and communication technology
5. Health

To be eligible, projects must be located in ADB developing member countries and be eligible for JICA assistance.

[131] https://www.adfd.ae/english/Countries/Pages/countrydetails_new.aspx?102

[132] ADB, JICA Establish $1.5 Billion Fund to Invest in Private Infrastructure. (2016). ADB. https://www.adb.org/news/adb-jica-establish-15-billion-fund-invest-private-infrastructure

7.5.1 Pacific Community

The Pacific Community, initially called the South Pacific Commission (SPC), was established in Australia in 1947 following the signing of the Canberra Convention by the six member states then administering territories in the Pacific region: Australia, France, New Zealand, the Netherlands, the United Kingdom and the United States.

The founding countries wished to bring stability to a region in the throes of the Second World War, to facilitate the administration of the Trust Territories and to serve the interests of the people of Oceania.

Today, SPC has 27 members, including the 22 Oceanic island states and territories, as well as five of the founding countries, the Netherlands having withdrawn in 1962 after distancing itself from its Oceanic interests. The Pacific Community supports sustainable development through a people-centred approach to science, research and technology across the full spectrum of the SDGs. It works to serve its members by weaving and valuing the connections between climate, ocean, land, culture, rights and good governance, building trusted partnerships, investing in Pacific people and understanding their unique contexts.

SPC is renowned for its knowledge and innovation in areas such as fisheries science, health monitoring, geosciences and conservation of plant genetic resources for food security. SPC conducts projects that aim to support maritime governance and security management in the Solomon Islands as well as to conduct information campaigns and build resilience in the region.

7.5.3 OPEC Fund for International Development (OFID)

The OPEC Fund for International Development (OFID), which was founded in 1976, is a multilateral development financing organisation made up of 125 Partners Countries, including Solomon Islands, and 12 Member Countries. It provides funding for initiatives that address basic need for things like food, electricity, infrastructure, employment (especially for MSMEs), clean water and sanitation, healthcare, and education. The fund offers loans and subsidies to the governmental and private sectors.

It operates beneficial actions for the private sector support economic growth by supporting the creation and/or expansion of profitable businesses and fostering the growth of regional capital markets. In addition to direct equity investments or investments in private equity fund structures focusing on the industries that the OPEC Fund is interested in, OFID offers loans to businesses for projects with clearly defined developmental goals, such as enhancing industrial capacity and utilities and fortifying infrastructure. Applications for OFID private sector financing must include the following: a project description and objective; an outline of the general market environment, the sectors involved, and future prospects; an explanation of the organisational, ownership, and management structures of the proposed project; background information on the economic environment and regulatory environment in which the proposed project will operate; and financial information on the proposed project, including level, type a, and other relevant financial information.

The OFID also provides grants and three different kinds of awards under its grant programme:

- Funds for activities and projects that are country-specific
- Grants for unique regional or global development initiatives
- Emergency aid grants in support of humanitarian relief operations.

The scope and type of the proposed grant activity or project determine the amount of OFID contributions. Governmental or non-governmental organisations, co-financing partners, businesses, research organisations, and international NGOs are examples of eligible entities. However, the participation of OFID to a stand-alone project does not exceed 50 per cent of the project's total expenses, with the exception of emergency help and modest grants of up to USD100,000. The grant support provided by OFID is available to Member Countries.

OFID is working to improve living conditions and increase the country's resilience. For example, it has helped rehabilitate roads in Honiara and Guadalcanal, completed a hydroelectric project for the Lungga River, and completed two balance of payments support loan projects. But there have been no new projects since 1995.[133]

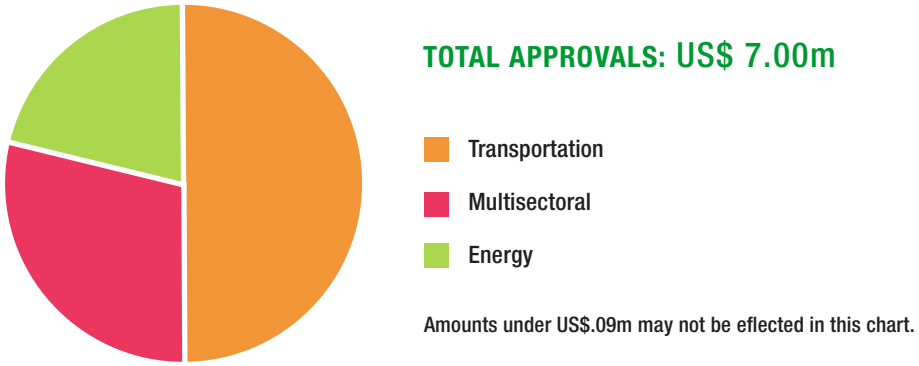


FIGURE 25. Approvals by focus area in Solomon Islands

7.5.4 Pacific Private Sector Development Initiative (PSDI)[134]

The Pacific Private Sector Development Initiative (PSDI) offers advice and capacity building support. Consequently, inclusive, private sector-driven economic growth is aided. Since 2007, the three PSDI stages that were implemented in succession have helped the Pacific developing member countries strengthen the environment for private sector development and investment by implementing reforms and new policies in response to changing requirements and possibilities. During the first three phases, PSDI spent $60.83 million, funding more than 600 subprojects. This includes $54.73 million in grant co-financing from Australia and New Zealand, demonstrating the value and priority their governments take on implementing reforms and enhancing capacity for the growth of the private sector.

Solomon Islands has received $5.7 million from the Pacific PSDI – which represent the second largest recipient of PSDI funds in the region- to support reforms that address the issues discussed, with the aim of achieving more inclusive and sustainable private sector growth in the territory.

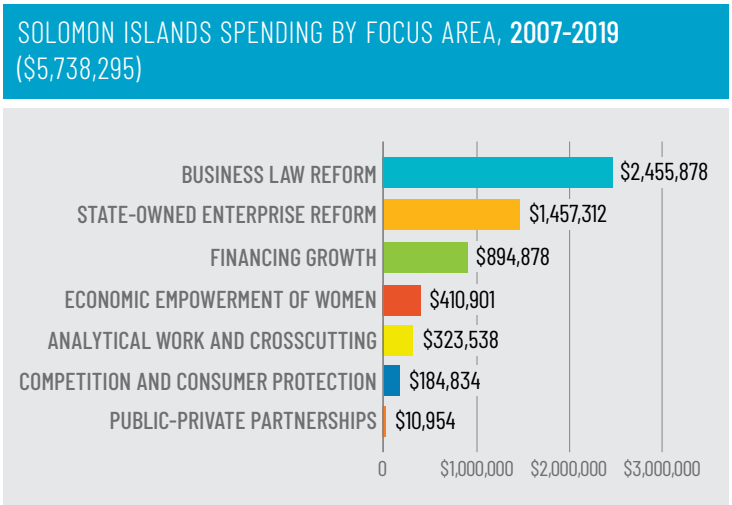


FIGURE 26. PSDI Expenditures by Focus Area (2007–2019)

[133] Solomon Islands. (s. d.). OPEC Fund for International Development. https://opecfund.org/operations/countries-a-z/asia/solomon-islands

[134] https://www.pacificpsdi.org/

7.5.5 Australia Pacific Climate Partnership

Australia upped its commitment to spend $700 million over five years (2020–2024) to improve the Pacific region's resilience to climate change and disasters at the 2021 COP26. The achievement of Australia in exceeding its 2016 promise to spend $300 million over four years and its steadfast support for Pacific climate and disaster resilience serve as a foundation for this (2015–2016 to 2019–2020).

Since 2016, Australia has given Solomon Islands a total of $46.1 million in bilateral climate change and catastrophe resilience assistance. Numerous initiatives, including those in the infrastructure, energy, community, government, and educational sectors, provide this support.[135]

- The Tina River Hydropower Project, co-funded by Australia ($19.3 million, 2017–2024), will offer Honiara's companies and residents safe, inexpensive power. The project will completely achieve Solomon Islands' goal of reducing emissions in accordance with the Paris Agreement.
- For the renovation of the Gizo Market, Australia contributed $3.5 million ($1.1 million for climate change and catastrophe financing from 2016 to 2020). This market has a new sea wall to minimise floods and lessen the chance of erosion, as well as a reinforced construction capable of withstanding a Category 5 storm.
- The Strongim Bisnis initiative encourages inclusive growth and resilience in the cocoa, coconut, and tourist sectors as well as women's engagement and empowerment ($2.9 million in climate and disaster funding from 2016 to 2020 of a $14 million project total). To advance better environmental and social results, it aggressively seeks out business possibilities within environmental protection.
- The new design for the Solomon Islands Infrastructure Program ($250 million over 10 years) includes tools and activities to guarantee that the risks posed by climate change and natural disasters are evaluated and taken into account in the design requirements, building codes, and maintenance schedules.
- In collaboration with Solomon Islands and New Zealand, the Education Sector Support Program ($97 million Australian contribution 2015–2023; $10 million in climate and disaster finance) is delivering certified school buildings rated to Category 4 cyclone standards and working to better integrate climate change into curricula, educational resources, and teacher preparation.
- The Solomon Islands' community-based disaster risk management is incorporating climate change risks as part of the Gender Inequality of Risk programme ($2 million, 2018–2021), which is being implemented by UN Women and UNDRR. It also supports ensuring that women's rights are properly taken into account during disaster preparedness, response, and recovery.

[135] Solomon Islands – Australia's commitment to strengthening climate and disaster resilience in the Pacific. (2022). Australian Government. https://www.dfat.gov.au/about-us/publications/solomon-islands-australias-commitment-to-strengthening-climate-and-disaster-resilience-in-the-pacific

7.6 Other Organisations

7.6.1 The Commonwealth

Solomon Islands is a member of the Commonwealth, which was founded in 1931 and is made up of 56 countries – mostly former territories of the British Empire – working to achieve common goals such as protecting the environment, stimulating trade and the economy, supporting democracy, developing society and youth, including gender equality, and supporting small countries in the challenges they face. The Commonwealth Secretariat helps member states address climate challenges and adapt to its worst impacts through the Climate Change Program, which facilitates public and private sector access to climate finance. Through various mechanisms and programmes, the Commonwealth advocates for mechanisms and international policies that are more responsive to the needs of small island states, and helps them address the challenges of implementing climate action:[136]

- **Commonwealth Finance Access Hub (CCFAH):** Supporting vulnerable countries to gain access to climate finance, by building human, technical and institutional capacity through technical advice.
- **CommonSensing**: It is a geo-spatial data platform for improved access to climate finance. It was developed as part of the Fiji, Solomon Islands and Vanuatu Climate Resilience Project. The Commonwealth Secretariat is assisting the consortium with the technical aspects of using the platform.
- **Commonwealth Call to Action on Living Lands (CALL):** Following the 2019 IPCC report, the Commonwealth created CALL to provide technical support – including the Commonwealth Living Lands Charter – for member states in the implementation of land management objectives, namely biodiversity, climate change and land degradation.
- **Disaster Risk Finance Portal**: This tool allows states to identify the most appropriate type of financing in the event of natural disasters and will also allow contact with actors.

[136] Commonwealth Climate Change Programme. (2022). Commonwealth. https://thecommonwealth.org/our-work/Commonwealth-Climate-Change-Programme

8. Conclusions and Recommendations for the Private Sector and the National Authorities

Despite the existence of so many international organisations and funding institutions, there remains a huge gap of funding in comparison to the actual needs of the Solomon Islands and the Pacific islands in general.

Based on an input-output costing technique for achieving the UN SDGs by 2030, PICs confront a significant climate financing gap, with the average additional yearly expenditure needs projected at around 9 per cent of GDP annually on average for climate adaptation investments. This plan is intended to create coastal protection infrastructure that reduces average economic losses to 0.1 per cent of GDP. Overall, the expected yearly financial needs of PICs for climate adaptation are far higher than the sums obtained from the major funding sources.

Since it began awarding projects in 2015, the GCF has established itself as the leading climate fund in the Pacific area. A quarter of the expected yearly needs are met by GCF disbursements in the region, and slightly under half of the estimated annual needs are met by the lifetime GCF approvals for the PICs. This shows that Pacific island countries have to invest in climate-resilient infrastructure at a quicker rate.[137]

The report "Biodiversity and Financial Stability" (2021) of the Global Network of Central Banks and Banking Regulators demonstrates that there is a negative causal link of biodiversity loss on the economy, as the decline of ecosystem services presents physical risks. Mitigation and adaptation actions, combined with green finance, and regulatory measures will better address these risks.[138]

8.1 Recommendations on international private climate finance in the Solomon Islands

It will be very difficult for any company in the SI to cover the cost of climate adaptation without more grant-based access to climate funding. The expected yearly needs for adaptation have not been fully funded yet. It will be necessary to have more access to grants and concessional loans with favorable terms, as well as help to make sure that these monies are used efficiently and effectively with long-term impact. Most Pacific island countries are unable to go it alone because of little or no capacity or fiscal space, no domestic loan markets, or no access to foreign debt markets. The most successful route to climate finance for Pacific island countries has been through international access procedures, and the Solomon Islands has been successful in leading the way with $120 million in climate finance accessed between 2003 and 2019 (Figure 27).

[137] Unlocking Access to Climate Finance for Pacific Island Countries. (2021). International Monetary Fund.

[138] Christoph Nedopil Wang. (2022, January). Green Finance Year 2021 Review and a 2022 Green Finance Outlook. Green Finance & Development Center. https://greenfdc.org/green-finance-2021-in-review-2022-outlook/?cookie-state-change=1661245919409

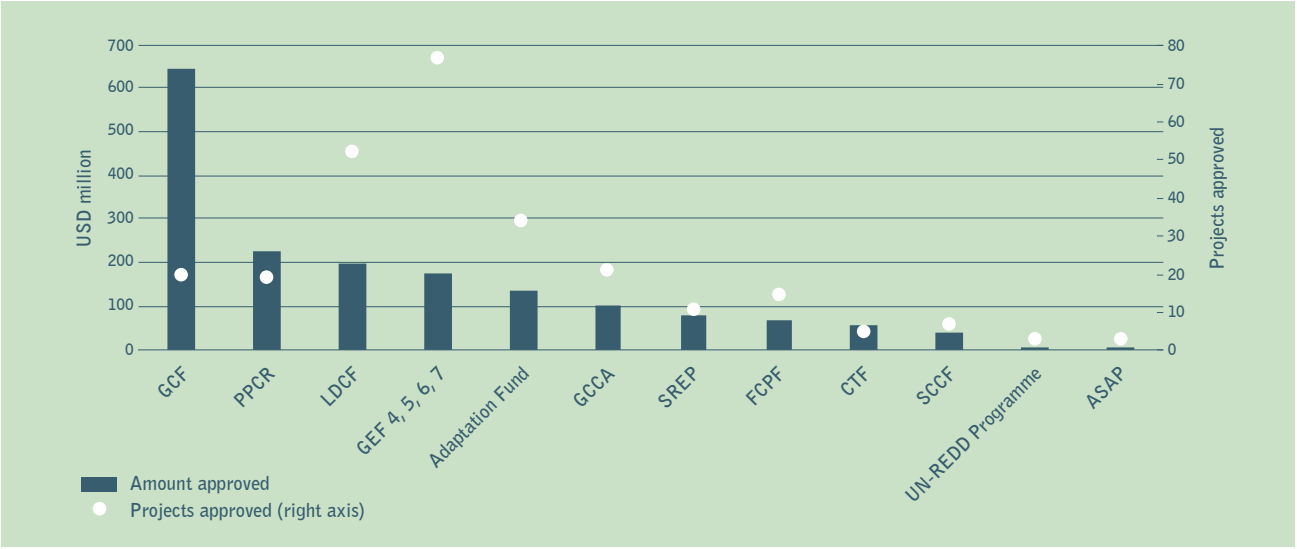


FIGURE 27. Top ten recipient countries by amount approved (2003–2019)[139]

According to other Pacific island country experiences, adopting international access modalities rather than direct or regional access modalities has resulted in greater project sizes, a wider range of instrument options, and quicker access to financing.

It is becoming more and more obvious that a variety of access modalities is required, and SI should strategically employ these modalities to enable investments in the private sector. Countries should make sure they carefully weigh the real costs and perceived benefits of each option when deciding on access modalities, guided by the region's history of success. Countries that prioritise direct-access routes should do so with a thorough understanding of the time and resource commitments necessary to produce outcomes. Projects should be carefully integrated into national and sectoral planning, and the best finance options should be sought for each climate initiative.

SI has proposed three entities (MOFT, DBSI and NTF) for accreditation with GCF. The accredited entities are expected to deliver in the Climate Change projects on both mitigation and adaptation. Kolombangara Forest Products Ltd (KFPL) is a potential private sector entity for GCF accreditation in 2024 to access the GCF Private Sector Facility.

TABLE 14. Overview of the Current Progress in Accrediting National Accredited Entities to the GCF

Accreditation pipeline

Entity Name	Type	Action	Lead	Timeline
1. National Transport Fund (NTF)	Direct (Public sector)	Under Stage 2 Accreditation phase	Ministry of Transport/NDA	Started accreditation in 2022
2. MOFT	Direct (Public Sector)	To start self-assessment and accreditation in 2023	MOFT/SPREP	Aim to be accredited in 2023
3. DBSI	Direct (State-owned enterprise)	Being proposed	DBSI/SPREP	Aim to be accredited in 2023
4. Kolombangara Forest Products Ltd (KFPL)	Direct (Private sector)	Yet to be nominated	SPREP	To start accreditation process in 2024 to access the Private Sector Facility of GCF

[139]Charlene Watson Et Liane Schalatek. (2020, February). *Climate Finance Regional Briefing: Small Island Developing States*. Climate Funds Update. https://climatefundsupdate.org/wp-content/uploads/2020/03/CFF12-2019-ENG-DIGITAL.pdf

SI must make sure that project proposals for climate adaptation and mitigation are aligned with and merged into sectoral and national infrastructure and resilience goals, plans, and strategies and formulated with strong exit strategy and demand driven climate solutions.

- In order to match climate project proposals with potential funding sources and delivery partners in the most effective way, SI companies should adopt a strategic, all-encompassing, and coordinated approach, eventually by bundling private sector projects at the national or even the regional level. They should decide which projects might be better financed through bilateral channels as opposed to those that should be pursued through CFs. While largely used to guide government finance plans, such a strategy may also be a useful way to interact with donors.
- When resource limitations permit, SI private companies should think about creating specialised climate units to manage climate financing throughout the whole portfolio (e.g., with the SICCI Business Resilience Committee). Given their responsibility for managing financial resources, units should ideally be located under ministries of finance. They should also maintain good connections and coordination with ministries, notably the planning and climate change ministries.
- SI private sector must consider all relevant information before deciding whether to pursue direct-access certification. Given the potential costs of time and resources, companies from the SI should pay close attention to whether direct access offers the best value given the advantages of national ownership, control, and retention of management fees.

8.2 Private Sector Needs to Engage in Climate Change Strategies

8.2.1 Strengthening Resilience and Promoting Investments to Adapt to Climate Change

Climate change impacts are tangible and require actions (Pielke et al., 2007, Klein, 2011). These actions can be mitigation, to prevent greenhouse gas (GHG) emissions or reduce their atmospheric concentration, or adaptation, to adjust to the actual or expected climate and its effects (Field et al., 2014). Adaptation to climate change is the process of adjusting to the actual or expected climate and its effects, and can occur through a wide range of actions, structural, institutional, or social (Agard et al., 2014). These facts are reflected in climate financing, as 53 per cent of the total amount is allocated to climate change adaptation projects (Table 6).

TABLE 15. Approved Funding Across Themes in PICs (2003–2019)[140]

Theme	Approved amount (USD millions)	Number of projects approved	Share per theme in the total amount of funding (%)
Adaptation	946.9	127	53
Mitigation	401.7	70	23
REDD+	84.0	18	5
Multiple focus	339.0	119	19

The World Bank's report "Enabling Private Investment in Climate Adaptation and Resilience" (2021) identifies the barriers faced by the private sector and sets out solutions to address them (Table 9). For example, adaptation projects rarely have easily monetisable cash flows and revenue streams, and even when they do, returns are often low. Blended finance combines concessional and commercial returns that increase investment for the private sector.[141]

[140] Charlene Watson Et Liane Schalatek. (2020, February). Climate Finance Regional Briefing: Small Island Developing States. Climate Funds Update. https://climatefundsupdate.org/wp-content/uploads/2020/03/CFF12-2019-ENG-DIGITAL.pdf

[141] Arame & Al. (2021). *Enabling Private Investment in Climate Adaptation and Resilience.* WBG. https://openknowledge.worldbank.org/bitstream/handle/10986/35203/Enabling-Private-Investment-in-Climate-Adaptation-and-Resilience-Current-Status-Barriers-to-Investment-and-Blueprint-for-Action.pdf?sequence=5&isAllowed=y

TABLE 16. Barriers and Measures to Leverage Private Sector Resources in Adaptation and Mitigation Projects

Barrier type	Sub-Category	Barrier	Description	Proposed Approaches to Address Barrier	Who is Best Placed to Address this Barrier?
Data and information	Decision-making and climate data and information	Insufficient availability and adoption of climate risk data and tools	Lack of comprehensive risk data and tools to make informed investment decisions	Investment in data, analytics and technical knowledge to foster the development of quantitative and decision-relevant climate tools for investment selection and portfolio management	• Development partners
	Climate change planning horizons	Mismatch of timescales between climate change adaptation planning and investor planning	Short-term time horizons of investors (linked to investment/loan timeline) as the basis for making investment decisions is often mismatched with long-term/uncertain occurrence of climate events	Climate information services tailored for private investor decision-makers, knowledge sharing of emerging and best practices from across sectors, regions, and geographies which can help address planning uncertainties	• Development partners • Ultimately, shareholders
Institutional arrangements	Needs-driven adaptation planning	Lack of robust adaptation planning through NDCs, NAPs or planning strategies	Weak integration of national commitments for adaptation in NDCs, NAPs or adaptation strategies to guarantee that the climate-related needs are addressed	Capacity building and technical assistance to national ministries and subnational governments to enable them to develop robust adaptation plans inclusive of data and interventions which prioritize the needs of the most vulnerable	• Line ministries, ministries of finance • Development partners
	Institutional capacity	Lack of institutional capacity for climate adaptation projects	Lack of government coordination, fiduciary/ technical capacity, and financial management to encourage private sector participation	Capacity building to ensure the right technical and financial expertise is available (either through training, technical assistance, or both) to governments and policy makers that ensures policies and institutions incorporate the objectives of catalyzing private financing for a country's adaptation plans; Institutionalization of specialized units (i.e., PPP units) with experience in developing and executing project adaptation initiatives across different regions	–

Barrier type	Sub-Category	Barrier	Description	Proposed Approaches to Address Barrier	Who is Best Placed to Address this Barrier?
Institutional arrangements	Locally driven adaptation planning	Low stakeholder engagement	Low engagement of diverse stakeholders in adaptation-related discussions at planning stages	Support for multi-stakeholder coordination, including with private sector (developers and finance) as part of a country/ subnational planning process	–
	Policies and regulations	Absence of policies, regulations, standards, and metrics	Weak or inexistent legal/ regulatory frameworks and formal metrics/ standards for the private sector to act for adaptation needs	Capacity building to develop the regulations, standards, and metrics that underpin climate-resilient investment in the context of local/regional climate-related impacts expected	• Policy makers • Ministries • Regulatory bodies
	Policy effectiveness	Low policy effectiveness	Inadequate transparent monitoring and compliance mechanisms from government institutions	Capacity building and technical assistance to ensure existing policies are monitored and where necessary enforced	• Policy makers • Ministries
	Investment planning for adaptation	Lack of clear adaptation investment plans and/or guidance	Insufficient information on where private participation will be critical for investments to be successful (who, what, where, when, how)	Capital investment plans that indicate public investment priorities, and carve out private investment opportunities	• Policy makers • Ministries
Financial incentives	Incentives and behaviors	Absence of financial incentives	Lack of financial incentives to encourage the private sector to participate in adaptation projects. Financial incentives include instruments/products and programs that help to catalyze ex-ante investment and/or transfer/manage climate risk	Capacity building and technical assistance with the finance ministry that helps to develop sound public financing incentives that allow to crowd-in private investment; coordination with multiple stakeholders, including FDI investors who might support climate-resilient infrastructure investment, as well as actors within the country's own financial markets	• Policy makers • Ministries • Regulatory bodies
		Perverse Incentives	The provision of certain financial incentives can lead to maladaptation or simply discourage development that is resilient to climate change. Financial disincentives can take the form of subsidies and tax breaks, such as subsidized flood insurance, which may reduce the perception of need for resilience building in a flood-prone area.	Ensure that national climate strategies enable the integration of climate considerations and adaptation across multiple agencies and in regulatory and public spending policies. Ensure proper risk and cost modelling that integrates climate change in pricing structures, procurement policies, insurance standards, building codes, etc.	• Policy makers • Regulatory bodies

The World Bank considers that in order to create an enabling environment for investment, it is necessary to have a strong national adaptation strategy to attract the private sector. The Blueprint for action plan recommends measures to support intermediate pipeline selection and market assessment, project preparation, and ongoing monitoring and closure. The action plan is broken down into five steps:[142]

FIGURE 28. Blueprint for Action, steps to enable private sector engagement in climate adaptation

The International Emissions Trading Association (IETA) – which is a group of international companies and business associations – advises parties to adopt rules to establish an oversight body that will undertake the technical work to build the institutions of the new mechanism. Article 6 (section 2.2.1) can enable parties to meet the goals of halving the cost of implementing NDCs and thereby saving $250 billion in 2030 and would result in a reduction of 5 billion tons of CO_2 per year if reinvested in mitigation actions.[143] IETA has published a report to help governments better understand how to implement NDCs in a cooperative manner and encourage private sector investment. The recommendations are divided into six components:[144]

- **Intention**: Each country should announce the countries with which it wishes to collaborate and the cooperative approach it intends to use and publish them.
- **Authorisation**: Each country should provide a clear strategy on the sectors, activities and vintages that will be eligible for Article 6 credits in the host country. This will help the private sector identify opportunities and cooperative approaches between countries with a "white list" that will allow for more efficient and less complex work than traditional procedures. Frequent changes in regulations and pending regulations regarding the eligibility of carbon projects are extremely detrimental and can lead to the abandonment of mitigation opportunities. A standard approval letter should also be issued to streamline and standardise the process, reducing risk and uncertainty for all parties involved.

[142] Arame & Al. (2021). Enabling Private Investment in Climate Adaptation and Resilience. WBG. https://openknowledge.worldbank.org/bitstream/handle/10986/35203/Enabling-Private-Investment-in-Climate-Adaptation-and-Resilience-Current-Status-Barriers-to-Investment-and-Blueprint-for-Action.pdf?sequence=5&isAllowed=y

[143] IETA's Quick Guide to Article 6 and Why It's Vital for Climate Progress. (s. d.). IETA. https://www.ieta.org/resources/Conferences_Events/COP25/IETA%20COP25%20Guide%20to%20Article%206.pdf

[144] How Governments Can Implement NDCs Cooperatively and Encourage Private Sector Investment. (2022, June). IETA. https://ercst.org/wp-content/uploads/2022/06/June-2022-IETA-Article-6-Discussion-Paper.pdf

- **Transparency**: Each country must describe how Article 6 helps them achieve their Paris Agreement goals, and thus their sustainable development strategy.
- **Interoperability**: Each country must establish effective interaction between compliance instruments and the VCM. Article 6 is designed to address carbon transfers between countries, and only obligations can be delegated to the private sector through mandatory systems. If project developers or buyers want the host country to allow carbon credits issued by independent private standards and apply a corresponding adjustment when these credits are transferred internationally, they should have the option of making such a request to the host country. However, international transfer of credits without host country authorisation and corresponding adjustment is allowed, and countries must ensure that the emission reductions associated with these credits remain in the host country's GHG balance sheet and count towards the host country's NDC. The private sector can raise capital for mitigation projects, either by investing in assets or by entering into offsets in exchange for the provision of carbon credits that can be used to meet compliance obligations.
- **Accountability**: Each country must establish an appropriate digital registry for GHG accounting and reporting. Also, project developers and private sector actors engaging in Article 6 transactions are exposed to a range of risks throughout the life cycle of the activity, so countries must identify these key risks. The private sector and investors must be aware of the remedies available to them.
- **Capacity building:** Each country should identify the areas in which capacity building is needed and the role of international organisations.

8.2.2 Assessment of the Private Sector Potential to Foster an Inclusive Business Environment

a. ENVIRONMENTAL AND SOCIAL INCLUSION/GENDER POLICY

It is clear that gender equality can promote economic growth, but in Solomon Islands, gender inequality and discrimination are highly prevalent and negatively impact women's participation in the economy in several ways: lack of decision-making power – only 25 per cent of companies have a woman in senior and middle management positions (WB 2013) – and limited control over financial resources or collateral undermine women's ability to become economically active.

Women participate less than men in the formal labor force (62.4 per cent and 80.3 per cent respectively), but they also earn half as much, although they spend more time than men at work if they are employed. The World Bank ranked Solomon Islands 125th out of 152 countries in its 2021 report on women, business and the law, making it one of the lowest performing countries.

SICCI in collaboration with IFC developed a Waka Mere ("She Works") Action Plan, in which fourteen companies committed to implementing gender equality actions by creating a more respectful and supportive workplace for women. Each company has implemented actions in one or more of these areas:[145]

- Promoting women in leadership
- Building respectful and supportive workplaces
- Increasing opportunities for women in traditionally male-dominated jobs

Also, the Solomon Islands Gender Equality Plan promotes women's leadership and decision-making, ending violence against women, and women's economic empowerment. The plan outlines the Australian High Commission's gender equality programme approach and investments for the period 2020–2022 and was developed in collaboration with the government – including the Ministry of Women, Youth, Children and Family Affairs (MWYCFA).

[145]Making Progress: Solomon Island businesses advance gender equality. (s. d.). International Finance Corporation. https://www.ifc.org/wps/wcm/connect/768208a9–49e4–4bf6-a793-b6bbe3e55794/Making+Progress-Solomon+Island+businesses+advance+gender+equality.pdf?MOD=AJPERES&CVID=mp2v3C2

The NDS further identifies gender equality priorities with detailed reference to the National Gender Equality and Women's Development Policy, the National Disability Strategy and the National Children's Policy. The Gender Equality Plan follows the National Strategy on the Economic Empowerment of Women and Girls 2020–2023 identifying barriers to women's economic development and living conditions. The strategy aims to raise awareness of local, private sector, and employers, as well as financial inclusion.[146] The MWYCFA also aims to help businesses in the informal sector where they are heavily represented – 85 per cent of women are in vulnerable employment (WB 2018) – and especially young women who are doubly affected by the lack of access to the labor market.[147]

b. YOUTH POLICY

Seventy per cent of the Solomon Islands population is under the age of 34 (UNDP 2018). This young population faces several barriers, such as:

- Lack of educational skills that do not match the needs of recruiters in the labor market: educational programmes do not provide students with the necessary skills to be in the capacity to work.
- Entrepreneurship is limited: youth do not have access to investment funds or loans. And if they do have access, regulations make it difficult to start a business.
- Limited employment opportunities in government and the private sector.

As a result of these obstacles, the young population is forced to migrate to the capital, and now represents one-third of the city's population. The International Labor Organisation (ILO) reports that only two out of ten young people in Solomon Islands were gainfully employed, which is due to several problems. The government, through the Solomon Islands National Youth Policy (NYP) 2017–2030, wants to formulate youth policies that help change the conditions of 21st century youth in the territory. Solomon Islands youth must be involved in decision-making processes in all areas that affect their current and future well-being in order to address these barriers. The Strategic Framework for Education (SFE) and the National Education Action Plan (NEAP) aims to achieve universal education by 2030 in order to increase employment opportunities for youth by introducing technical and vocational education in senior secondary schools. However, this cannot close the skills gap for 70 to 80 per cent of students who leave the education system before reaching upper secondary schools.

The Young Entrepreneurs Council Solomon Islands (YECSI) is helping to promote youth employment by promoting entrepreneurship as a viable option for people under the age of 40.[148] By working with SICCI, they are demonstrating the growing commitment of the private sector to support the inclusion of young people in their job search by providing financial support through a specific programme.[149]

[146] National Strategy on the Economic Empowerment of Women and Girls 2020–2023. (s. d.). Ministry of Women, Youth, Children and Family Affairs. http://www.mwycfa.gov.sb/resources-2/strategic-plans-policies/gender-equality-women-s-development/57-nseewg-2020–2023/file.html

[147] Enhancing the economic participation of vulnerable young women in Solomon Islands. (2019). WB. https://documents1.worldbank.org/curated/en/610081573829664436/pdf/Enhancing-the-Economic-Participation-of-Vulnerable-Young-Women-in-Solomon-Islands.pdf

[148] Young Entrepreneurs Council Solomon Islands. (s. d.). YECSI. https://www.yecsi.org.sb/index.php/our-work

[149] National Youth Policy 2017–2030. (2017). MWYCFA. http://www.mwycfa.gov.sb/resources-2/strategic-plans-policies/youth-development-empowerment/6-solomon-islands-national-youth-policy-2017–2030/file.html

8.3 Reduce the Economic Vulnerability of the Informal Sector

The effect of the informal sector and a range of governance indicators on both global and local pollutants for a panel of 58 countries during 1996–2011. The informal sector positively influences the emission of local pollutants.[150]

The key questions for policymakers: social protection instruments including safety nets, economic inclusion programmes, productivity enhancing measures as well as social insurance implemented with support of coordinated policies would ensure a continuum of social protection to the informal economy across the income spectrum.[151]

Informal sector workers are economically vulnerable, operating almost without capital or premises. Taking better account of informal sector workers by providing them with better integration into overall protection systems would help build a more economically favorable environment. In order to establish a voluntary savings scheme for the informal economy, the World Bank has developed ten key points:

- Developing countries concentrate a large part of the informal sector without social protection, yet these workers have a capacity to save.
- Establishing a digital platform that integrates social insurance schemes and social assistance programmes can increase the number of safety net beneficiaries and financial inclusion.
- Facilitate access to savings by reducing operating costs through digital systems, including mobile money.
- Strengthen public trust in institutions.
- Establish incentives and bundle services to boost enrollment rates.
- Scale and cost-effectiveness to make the programme sustainable.

Understand people's logic of action by investing in communication strategies and using aggregates.

Encourage simplicity in programme design.

Pilot test the programme before rolling it out.

Define SMART programme objectives and implement reporting with key indicators tracking.

Representatives of the informal economy sector should therefore be included in policy formulation, in order to avoid setting environmental standards/regulations that could have the opposite effect and further exclude marginalised groups such as women, youth and people with disabilities.

It is hence recommended to look for ways to invest in the informal sector. The majority of MSMEs in the Solomon Islands are in the informal sector. Therefore, access to climate finance will remain limited unless providers find a way of investing in informal businesses that goes beyond traditional financial products. It requires to support solutions such as alternative sources of collateral or alternative credit worthiness assessments.

[150] R. Bali Swain et al. (2020): t

[151] World Bank Group. (2021, November). Social Protection for the Informal Economy: Operational Lessons for Developing Countries in Africa and Beyond. World Bank. https://www.worldbank.org/en/region/afr/publication/social-protection-for-the-informal-economy-operational-lessons-for-developing-countries-in-africa-and-beyond

8.4 Coordinating Government Policies and the Banking System

8.4.1 Supporting and Developing Green Credit

The central government, the banking system, the different ministries, as well as the local authorities must support the private sector, in order to encourage its participation in green and environmentally friendly projects:

a. MOBILISE FINANCIAL RESOURCES FOR GREEN GROWTH

In the coming years, in order to develop green bonds, the government should establish a framework for green bonds, specifically, issue regulations and conditions for the listing of shares (green listing), report and monitor according to green financial criteria, implement initiatives to develop green capital market products, including a green index (sustainability index, carbon index...) to monitor, evaluate and trade in the capital market, and establish a system of green investment certificates issued by investment funds for green projects.

The issuance of green bonds for green projects and programmes as part of local budget expenditures should be encouraged. This would both increase transparency compared to regular bonds and establish a link between local governments and the market on climate change issues, ultimately allowing for a more proactive approach to raising capital for green projects. In addition, authorities should publish a set of responsible investment principles to encourage socially and environmentally responsible investments. For example, they could require listed companies to provide general reports on the company's social and environmental activities and risks, to enable investors to identify key areas that meet green bond financing and investment standards.

In order to promote the liquidity of green bonds, the State Bank should adopt a mechanism to accept the use of green bonds in open market operations, with a higher discount rate than conventional bonds and allow credit institutions to use green bonds (government guaranteed bonds...) as reserve requirements. It should also provide guidance for the issuance of green bonds in the international market, in order to obtain an important source of foreign currency for the development of the national green economy.

b. PRODUCING GUIDELINES FOR THE DEVELOPMENT OF GREEN LENDING INSTITUTIONS

As a source of investment capital for the economy, credit institutions play a very important role in directing cash flows to clean manufacturing sectors, thereby promoting green growth and investment in sustainable development. In order to promote green credit successfully and effectively, the government should promote the development of guidelines on green banking and green credit, including rating criteria for green banks but also guidelines for reporting on green banks and green credit.

c. ACTIVELY PARTICIPATE IN A GREENER ECONOMY TO FACILITATE GREEN CREDITS

In the process of economic transformation towards green growth, the banking system acts as an intermediary link with an impact on the environment through the activities of its clients. It therefore plays an important role in "greening" the flow of investment capital by directing financial resources to green areas, limiting the flow of capital to environmentally harmful projects, and convincing borrowers to use loans for environmentally friendly projects. By reducing the negative impacts of the corporate sector on the environment and society, green credit is not only important for environmental protection, but also contributes to the sustainable development of the economy. Therefore, the government should use leveraged policies, international organisations and environmental funds as incentives for green exports, green infrastructure and green consumption.

d. PROVIDING INCENTIVES AND PREFERENTIAL MECHANISMS AND POLICIES

The Solomon Islands government should formulate and enact preferential policies and support mechanisms for credit institutions to encourage the development of green banks. Consideration should also be given to prioritising the financing of green credit development through the refinancing policy, ensuring that the initiative

does not affect the operation of monetary policies and the inflation target set for each period. Finally, Solomon Islands should consider granting preferential access to loans from international organisations and development partners for commercial banks with a high proportion of green credit.

A separate guideline on environmental and social risk management should be issued, including a statement encouraging the ratio of debt to capital. This initiative should also focus on adjusting the conversion rate of green credit to a lower level than other credits when calculating the risks associated with these assets and increasing the non-performing loan ratio of green banks to encourage commercial banks to lend capital to their clients' green projects.

A key objective of the government should be to develop tax incentive policies and stabilise output prices for green investment projects, especially those that generate electricity from renewable energy sources such as solar, wind, and geothermal, such as the projects led by Solomon Power. Similarly, Solomon Islands should help companies invest in green activities through PPP, in which the government shares significant upfront investment costs with the companies or guarantees the companies' future cash flows.

To the extent that the government regulates listed companies, it should encourage the use of more environmental Key Performance Indicators (KPI), making it easier for banks and investment funds to identify companies with good environmental KPIs.

Overall, national credit mechanisms and policies need to be renewed in line with current market principles, while lending procedures need to be simplified and clarified to reduce loan approval times. At the same time, there is a need to further diversify the forms of credit guarantees to better meet the characteristics of green projects. Finally, the Solomon Islands should implement a positive credit policy, develop specific lending policies for a number of environmentally sensitive areas, such as agriculture, renewable energy, or textiles, and encourage the reduction of credit to environmentally damaging activities.

8.4.2 Supporting the Mainstreaming of Green Bonds

With respect to green bonds, the government and DBSI need to establish a regulatory framework for green bonds. This framework must be capable of issuing regulations and requirements for equity listing (green listing), reporting and monitoring according to international green financial criteria. The framework should allow for the formulation of a scheme to develop products for green capital markets, including a set of green indices, e.g., a sustainability index, a carbon index to monitor capital market transactions. This regulatory framework would have the capacity to authorise green certificates issued by investment funds for green programmes and projects.

In addition, the SI Government should promote green bonds in local budgets to help link local governments to the market to address climate change issues and raise capital for green programmes and projects. Authorities should publish Responsible Investment Principles (RIP), which require publicly traded companies to provide reports on green activities and social and environmental risks, so that investors can identify key industries that meet the criteria for green bond financing and investment, with the goal of encouraging socially and environmentally responsible investment activities.

8.5 Creating an Enabling Environment for the Private Sector to Address Climate Change

8.5.1 Strengthening the Institutional Framework and Encouraging Capacity Building

Solomon Islands needs to provide the right conditions for the private sector to be able to integrate climate change into their long-term business planning. Recommendations for strengthening the institutional framework and harmonising the regulatory landscape include:

- Passing a specific law framing climate change.
- Regulate the integration of climate change response into the system of socioeconomic development strategies and planning.
- Establishing interregional, intersectoral and interprovincial mechanisms to coordinate the response to climate change.
- Implementing policies and mechanisms that encourage investment, research, and the integration of technology and innovation so that organisations and individuals have access to them.
- Implement mechanisms and policies to mobilise and strengthen the participation of people, especially women and ethnic minorities, and the inclusion of the wantok system, in responding to climate change, managing water resources, protecting the environment and developing sustainable livelihoods. Rural communities have to be taken into account, as they represent 75 per cent of the population in SI (World Bank 2021).

The Asia-Pacific Climate Technology Finance Network and Hub, a pilot project managed by ADB and GEF, could be a useful channel for this, as it aims to address key barriers to climate change technology transfer by supporting knowledge creation, policy and institutional reform, and improving climate technology transfer. In addition, to successfully integrate adaptation and mitigation objectives into private sector activities, Solomon Islands will need to develop standardised regulations at the national level. Given that Solomon Islands' development is likely to be accompanied by the construction of a significant amount of new infrastructure such as roads, economic zones, or tourism facilities – which is a growing sector – it is even more critical that the strategic plan define clear standards for infrastructure and housing design, with a focus on adaptation, as well as standard and technical regulations on emissions reduction and greenhouse gas inventory. Future damage to infrastructure can be avoided if regulations require private investors to take into account the increase in extreme climate events.

8.5.2 Communicating, Raising Awareness and Engaging Community

Improving awareness and visibility of climate change should be a key objective of the Solomon Islands government's strategic plan. Public awareness can also be increased through disaster forecasting information and a warning system involving government agencies at all levels, but also civil society organisations and households.

Another way to increase awareness would be to establish communication programmes and training courses on disaster prevention and control that local authorities could disseminate to local communities. Indeed, such a community-based approach would preserve and promote traditional culture and local knowledge while paying special attention to the role of local artisans in responding to climate change. This type of initiative would ultimately contribute to building a model of climate-resilient and emissions-sensitive communities. In addition, the government should encourage and support communities to participate in the sustainable development of forestry, in order to contribute to the restoration of ecosystems in the two largest archipelagos in the Pacific

that are major victims of deforestation (Malaita and Santa Isabel). It should also support the shift in livelihoods of forest communities towards climate change adaptation, GHG absorption and biodiversity conservation.

In addition, increased communication about state-owned climate change-focused enterprises could help build their legitimacy in the eyes of potential partners, as well as increase awareness among consumers, businesses, and government entities, for example by prioritising them or reducing their advertising costs.

It is absolutely critical that the government pay particular attention to strengthening the role and position of women and youth in the formulation and implementation of actions to address climate change and disaster reduction.

8.5.3 Developing Human Resources, Science and Technology

Developing human capacity and skills is the very strength of the fight against climate change. Thus, science, technology, engineering, and mathematics (STEM) curricula need to be updated and aligned nationally, with the dual purpose of meeting specific workforce demands of the market and promoting social innovation and entrepreneurship training through educational institutions. To the same end, the Solomon Islands government should also encourage strong partnerships between universities and the private sector.

The development of training programmes for government officials focused on climate action could also allow for better integration of the issues and priorities of these issues at all scales. The establishment of an interdepartmental working group composed of experts from the MECDM/MOFT will be another element allowing for better interdepartmental coordination and cooperation.

Another priority identified by this report is building capacity and public support for companies seeking to access, apply, and implement programmes and projects under carbon trading and offset mechanisms.

In addition, the Solomon Islands government should make climate change data and information as accessible as possible to the private sector so that they can make appropriate decisions. This could take the form of a centralised database or website containing information and data on climate change risks, but also on projects and grants available for companies seeking to engage in adaptation or mitigation projects. The private sector and SIMS would work together to enrich existing databases, and also to develop action plans for private sector climate strategies based on available scientific research and satellite data.

Finally, effective consideration of new digital technologies such as cloud computing, big data, artificial intelligence, and blockchain, among others, could enable critical technological innovations that impact climate change. The government should also support research and development and technology transfer using new low-emission fuels and materials, especially if they contribute to national and local capacity building. Scientific research on climate change adaptation and greenhouse gas emission reduction technologies should become one of the priority scientific areas for funding and administrative support.

ANNEX: IMF and Post Disaster Support

The International Monetary Fund is an international institution created in 1945 and grouping 190 countries, with the mission of promoting sustainable growth through credits, with the aim of supporting economic policies that guarantee financial stability, and monetary cooperation.[152]

There is a fund for LICs suffering from natural or public health disasters – such as pandemic situations. The Catastrophe Containment and Relief Trust (CCRT) complements the IMF's PRGT, through debt relief grants, to free up resources to meet exceptional balance of payments needs. Countries already eligible for concessional PRGT loans are eligible for this assistance. It is also necessary to have a per capita income below the International Development Association's operational threshold of USD1,205, and USD2,410 for countries with populations of less than 1.5 million.

Within the CCRT, there are two types of assistance:[153]

CATASTROPHE CONTAINMENT WINDOW

The IMF provides assistance to contain a public health disaster through grants and debt service relief. The country accesses aid if there is a global epidemic, or a life-threatening epidemic that spreads within the territory and causes significant economic damage: a cumulative loss of 10 per cent of real GDP or a cumulative loss of revenue and an increase in expenditure equivalent to at least 10 per cent of GDP.

POST-CATASTROPHE RELIEF WINDOW

The IMF provides exceptional assistance following a natural disaster, which requires that at least one-third of the population in the territory is affected, and that this has resulted in the destruction of more than one-quarter of the country's productive capacity. In this case, the country will receive relief from the flow of debt to the IMF coming to an end within two years of the event. There is also a relief of the stock of debt to the IMF which leads to a complete cancellation of the latter. This requires that the natural disaster has resulted in a substantial and lasting balance of payment needs.

[152] About. (2022). International Monetary Fund. https://www.imf.org/en/About

[153] Factsheet – The Catastrophe Containment and Relief Trust. (2016, August). International Monetary Fund. https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/49/Catastrophe-Containment-and-Relief-Trust