



**Second Joint UN Mission of the Inter-Agency Task Force on LDC Graduation**

**Joint UN Workshop and related activities in support of the Graduation of  
Solomon Islands from the category of LDCs**

**16-18 October 2019, Honiara, Solomon Islands**

**SUMMARY**

## *INTER-AGENCY TASK FORCE MEMBERS*

- 1. Ms. Heidi Schroderus-Fox, UN-OHRLLS Director and Chair of the Inter-Agency Task Force on LDC Graduation*
- 2. Ms. Susanna Wolf, OHRLLS Senior Programme Management Officer*
- 3. Ms. Margherita Musollino, OHRLLS Programme Management Officer*
- 4. Mr. Matthias Bruckner, DESA Senior Economic Affairs Officer, Secretariat of the Committee for Development Policy*
- 5. Mr. Namsuk Kim, DESA Economic Affairs Officer, Secretariat of the Committee for Development Policy*
- 6. Mr. Oliver Paddison, Chief, Countries with special needs section, MPFD/ESCAP*
- 7. Mr. Yusuke Tateno, Economic Affairs Officer, ESCAP*
- 8. Mr. Sanjesh Naidu, Economic Affairs Officer, ESCAP Fiji Office*
- 9. Dr. Sevil Huseynova, WHO Representative*
- 10. Mr. Berdi Berdiyev, UNDP Country Manager, Solomon Islands*
- 11. Mr. Matthew Johnson-Idan, Development Economist, UNDP Pacific Office in Fiji*
- 12. Mr. Mohammed Mozeem, UN Partnerships and Development Finance Specialist, UNRCO*
- 13. Mr. Bram Peters, Programme Manager, Pacific Financial Inclusion Programme, UNCDF*
- 14. Mr. Abdoulaye Fabregas, Economist, Policy Analysis & Strategy Unit, Financing for Sustainable Development Division, Development Cooperation Directorate, OECD*

## **Background**

This was the second mission of the UN Inter-Agency Task Force on LDC Graduation (IATF) and was led by OHRLLS, DESA, ESCAP and UNDP, in close cooperation with the Office of the UN Resident Coordinator and the Country Team. The UNCDF, OECD, PIF and ADB also participated.

Established in late 2017, the United Nations Task Force on LDC Graduation is chaired by the Director of OHRLLS, Ms. Schroderus-Fox. Its goal is to provide strengthened and coordinated UN system-wide support to the countries graduating from the LDC category.

The Joint UN Workshop in support of the graduation of Solomon Islands from the category of the Least Developed Countries (LDCs) was held at the Heritage Park Hotel in Honiara on 17 and 18 September 2019. It was co-organized by the UN Inter-Agency Task Force on LDC Graduation in close collaboration with the Government of Solomon Islands.

Several senior members of government actively participated as panelists and engaged in the interactive discussions on the impacts of LDC graduation on the economic and social progress of the country. Representatives from 18 UN agencies and other international and regional organizations attended and contributed. A total of over 50 participants attended the two-day workshop with the majority coming from government ministries, as well as civil society and private sector. Representatives of several of the Solomon Islands' development partners also participated and contributed to the interactive discussions.

The main workshop was preceded by a half-day session on 16 October 2019 organized as an interactive discussion with civil society organizations. It was attended by representatives of around 20 CSOs as well as several representatives of the government of the Solomon Islands. A breakfast session with representatives of private sector was held in the morning of 18 October.

**Joint UN Workshop on the Graduation of Solomon Islands from the LDC Category, 17-18 October 2019**

**Opening session**

The Honourable Peter Agovaka, Supervising Minister of Foreign Affairs and External Trade of the Solomon Islands, opened the Workshop, followed by welcome remarks by Dr. Jimmie Rodgers, Secretary to the Prime Minister, Dr Sevil Huseynova, WHO Representative for the Solomon Islands, on behalf of the UN Resident Coordinator and Ms. Heidi Schroderus-Fox, Director, OHRLLS and Chair of the UN Inter-Agency Task Force on LDC Graduation.

**Session 1: Overview of LDC graduation: Costs, benefits and opportunities**

The first session examined the costs, benefits and opportunities that graduation from the category of least developed country might entail for small island developing States (SIDS). SIDS had made significant development progress. As a result, they had repeatedly met the LDC graduation criteria. However, this was largely due to improvements in social indicators (related to health and education) and improvements in the levels of income per capita. In contrast, given their inherent characteristics of geographic isolated island nations with comparatively small populations, SIDS remained highly vulnerable to external shocks and would continue to do so after graduation.

Given the significant level of resources that would be required to address Solomon Islands' development needs and implement the 2030 Agenda and considering the limited capacity to raise resources domestically, the session underscored that efforts to mobilize further external financial resources for development needed to be strengthened. Moreover, it was important that international partners and stakeholders continued to support the sustainable development of Solomon Islands in its transition to *developing country* status.

While the benefits of graduation were hard to quantify *a priori*, it had been observed that graduated countries continued to make significant development progress, accompanied by increases in foreign direct investment. In the case of Solomon Islands, where more than 70% of the economy's exports (comprising rough wood) went to China, the loss of preferential market access and other international support measures was not expected to have a significant impact. Nevertheless, the Government accorded high importance to preparing well for LDC graduation and its implications. Indeed, it had incorporated graduation into Solomon Islands' National Development Strategy (NDS). The NDS sets out a framework for development policies, priorities and programmes, and provides a single reference point and common direction over the next twenty years. Moreover, all ministries included into their corporate strategies the move towards graduation, signaling that they were aware of the potential impacts of graduation and the need to consider these into their development planning.

Notwithstanding these efforts, interesting lessons on how to prepare for graduation could be drawn from the experience of Vanuatu, which was due to graduate in December 2020. The Council of Ministers of Vanuatu established an LDC coordinating committee comprising representatives from Government, the private sector and civil society organizations. This committee had been instrumental in creating awareness in Vanuatu of graduation and its likely impacts. It had also formulated, with the assistance of ESCAP, a national transition strategy which reflected the aspirations of all stakeholders involved. Adopting such an approach may assist Solomon Islands in its own transition to *developing country* status.

## ***Session 2: Improved UN assistance for graduating countries***

This session focused on the UN's approach to improving support available to member states in the lead up to, during, and after the LDC graduation process.

The establishment of the UN Inter-Agency Task Force on LDC Graduation was a response to calls from member states to provide greater and better coordinated technical support and guidance during the transition. There was keen interest from the highest levels of the UN to provide more effective and coherent support, and the joint workshop in Honiara was one of two pilots of how that could be achieved. Potential lines of support could include sharing information (for example through workshops or written publications), identifying and facilitating connection to relevant technical expertise, advocating for support, or supporting peer learning from other countries. However, graduation support was not a one-way street. All stakeholders needed to work together, with the government playing a key central role and clearly setting out the priority needs.

The early preparations for graduation that the Solomon Islands had started provided a good opportunity to identify support needs and plan for a smooth transition. During the preparatory period, the Solomon Islands was invited to make a voluntary annual report to the CDP on preparations, which can be used to identify support needs. Crucially, all support must be demand-driven, so can only be delivered in response to clear government requests.

As part of UN reforms, the Resident Coordinator's Office had been de-linked from UNDP and strengthened with a mandate to improve coordination and coherence of UN activities implemented by both resident and non-resident agencies. The aim of reforms was to make the UN more responsive to country needs, and the Inter-Agency Task Force was a good example of how that can work in practice.

The Solomon Islands government faced challenges in managing a smooth transition including: data collection and management, monitoring and evaluation capacity, inconsistent linkages of policy to provincial authorities, and very limited resources. To plan for and manage a smooth transition there was a need for dedicated capacity to strengthen national systems and processes, for which development partner support would be required.

## ***Session 3: Access to Finance and Mobilization of Resources during Smooth Transition***

Overseas aid played an important role, particularly in the health and education sectors, and may have contributed to pushing Solomon Islands towards graduation. While there was not enough evidence to support the claim that graduation had immediate impacts on access to development finance, experience of former LDCs suggested that potential impacts of graduation on SIDS's external financial flows should be looked at carefully. SIDS attracted significantly higher ODA per capita compared to non-SIDS graduating LDCs and their balance of payment was not so strong. In addition, graduation may be accompanied by a reduction in concessionality and loss of access to exclusive mechanisms. The fact that Solomon Islands had entered into the phase of accelerated transition from GAVI since 2018 posed an additional difficult challenge.

While pro-active management to ensure progress would not stall during the graduation process was important, careful borrowing and debt management was also necessary to ensure debt remained at prudent levels, so that fiscal space could be sufficient to address the needs in other areas. Further

assessment would be needed to incorporate country-specific factors to identify and address potential financial challenges.

Consideration of development financing needs should not focus exclusively on the public sector - the National Development Strategy of the Solomon Islands sets out clear expectations for a larger role of the private sector. In fact, there was potential for greater private financing of development progress if the right opportunities could be identified. In this regard, graduating LDCs, including the Solomon Islands, would need to explore various modalities of financing and to engage with non-public stakeholders, such as the private sector and philanthropy. This should also include more blended transactions to leverage limited public funds and catalyse private capital to address pressing social issues.

Capacity needed to be built to counteract the possible financial shocks due to graduation (i.e. “defensive approach” before graduation and to inclusive and sustained economic growth and development after graduation (i.e., “effective approach”). In the context of access to financing, greater focus should be placed on enhancing domestic resource mobilization in the medium to long-term, complemented by strong international support and development cooperation

#### ***Session 4: Trade, Productive Capacity Building and Economic Diversification for Sustainable Graduation***

The session examined possible impacts of Solomon Islands’ upcoming LDC graduation in the area of trade as well as measures to expand productive capacities and promote economic diversification. Overall, impacts in the area of trade were expected to be limited and could be addressed by trade policies already initiated by the Government as well as by implementing the national development strategy and integrating graduation into development and sectoral strategies. Whereas Solomon Islands would no longer be able to resort to LDC-flexibilities in various agreements under the WTO, these flexibilities had not been relevant for Solomon Islands. Only a small part of exports from Solomon Islands (in particular, exports of processed tuna and palm oil to the European Union) were currently utilizing LDC-specific duty-free quota-free market access schemes. The main export good, rough wood, faced zero tariffs in key export markets.

Solomon Island had already addressed possible impacts of LDC graduation in its trade policy, in line with its 2015 trade policy framework and the National Development Policy. Solomon Islands requested to accede to the interim Economic Partnership Agreement (iEPA) with the European Union, in line with the interests of the private sector (in particular the palm oil and tuna processing sectors) as key stakeholder. The offer by Solomon Islands had been accepted by the European Commission. It was expected that the European Parliament would agree to make accession effective in 2020. Solomon Islands was also in the process of ratifying the regional PACER+ Agreement.

For the private sector in Solomon Islands, political stability was a key component. While logging as dominant export-oriented economic activity was declining, fish processing, palm oil and coconut production remained important export sectors. Economic diversification was driven primarily by the emerging agrobusiness sector, as well as by tourism. Continued efforts to increase outreach of business associations to include businesses in other provinces and rural areas were important to ensure their views were included in stakeholder processes.

### ***Session 5. Reducing vulnerability and enhancing resilience***

During the session it was highlighted that Solomon Islands was expected to stay vulnerable, especially to extreme weather events, climate change and geological events and thus needs to manage various types of risk and build resilience from the bottom up. It was recommended that all policies needed to incorporate the aspect of risk management in their design and implementation and respective Government systems needed to be strengthened, including targeting the local level and rural communities. In this respect Solomon Islands had adopted relevant legislation and a natural disaster management plan but funds needed to be secured for effective implementation.

With respect to climate finance it was highlighted that there was a need to build capacity to access funds, including LDCF, Adaptation Fund, and CGF, and that closer coordination was needed for both providers and beneficiaries. In addition, costs of adaptation had to be carefully estimated. It was flagged that direct access to the GCF was preferable as compared to applications for funding through institutions, which took longer and reduced the share of resources for the country. However, in order to qualify the national system of public financial management had to be robust, including legislation, planning, and oversight.

### ***Session 6: Formulating national policies and strategies for a smooth graduation of Solomon Islands***

In this session the need to take into account other developments in the country, which could exacerbate challenges when preparing for graduation, was flagged. As development challenges were often long-term structural issues, graduation made action more urgent. It was suggested that, as the next 5-year plan under the long-term NDS, would cover the period 2020 to 2024, it would coincide with the preparatory period for graduation and could thus provide an integrated framework.

It was also suggested that preparation for graduation would include short-term and long-term activities and that setting of priorities and sequencing of activities was important. In the case of Vanuatu, the draft transition strategy was a subset of the national sustainable development plan and its goals underpin the IPoA goals. The national sustainable development plan had an M&E framework, which would be applied to monitor the transition strategy. It included an action plan focusing on areas identified as most affected by graduation.

The importance of strengthening data management systems and sharing data across ministries as a basis for monitoring, evaluation and learning was flagged. Likewise, the need to enhance knowledge and awareness of all stakeholders was highlighted.

It was concluded that LDC-specific support should be used until actual graduation or the phasing out of access, in order to prepare for graduation. In order to prepare for graduation, better information on actual external financing sources, including difficulties to access them was needed. More in-depth sectoral studies might be needed to fully understand the potential impact of graduation.

The results of three breakout sessions were also presented in this session.

On resource mobilization, the main challenges identified included the difficulty to access funds in terms of capacity, complicated requirements, long application periods etc., so more human resources are needed in that area. The large informal sector makes it difficult to increase revenue and revenue from logging is rapidly decreasing so domestic resource mobilization is also a challenge. However, the

government plans a reform of tax administration. It was suggested to combine small projects into larger programmes to reduce burden on the administration. It was suggested that the international community should support an information system on accessible funds, especially long-term funds. There was a need to think big and bring all partners together.

On trade and productive capacity, the main challenges identified included: more interaction among government and the private sector, limited trade capacity, need to protect local industries/SMEs. It was noted that access to finance for SMEs was difficult; some schemes existed but there were limitations to access them due to lack of skills. Land rights also posed a challenge as it was difficult to find land for bigger companies. It was suggested to focus on niche markets and on the domestic market.

On the institutional setup for preparations for LDC graduation, different options were discussed, involving the Ministry of Planning and the Office of the Prime Minister. The main challenges identified included the need for an additional budget as well as capacity for the institutional setup for LDC graduation and the slow responsiveness of ministries. It was suggested to establish a straight line of reporting and a focal point for donor interaction. It was also recommended to prioritize graduation as a driver for NDS implementation. Furthermore, the need for a push to produce results was mentioned.

### ***Concluding Session***

Ms Schroderus-Fox, expressed her most sincere gratitude to the people and the government of Solomon Islands for their hospitality and appreciated the excellent engagement in all the discussions, the detailed contributions, ideas and perspectives shared by the members of the Government and representatives from various parts of Solomon society. During the two-day workshop the UN Inter-Agency Task Force team had provided a clear description of the impacts that the graduation of Solomon Islands from the UN List of Least Developed Countries would have on the country. The UN team had also been listening very carefully to the Solomon Islands' concerns and its vision for the future. She commended the government for the specific actions that had already been undertaken in various areas in preparation of graduation.

She noted that the workshop was only a starting point to launch a period of collective reflection about the future. The UN team would be ready to continue strengthening, in a better coordinated and effective manner, the kind of assistance the Government needed in turning its vision into reality.

In her capacity as the Chair of the UN Inter-Agency Task Force on LDC Graduation, she highlighted some key elements that should inform the joint way forward. A first step was to establish a "consultative mechanism" to set up a concrete plan towards and beyond graduation, to bring together the main development and trading partners, facilitate the preparation of the transition strategy and integrate the strategy with NDS and the UN Pacific Strategy. In that respect, the following steps could be further pursued building on what has already been initiated:

- Establish an LDC transition unit
- Endorse an institutional structure for preparations for graduation
- Identify funding for the consultative mechanism
- Map existing consultation mechanisms with requirements for smooth transition strategy

- Reach out to the local and provincial levels
- Learn from peer countries more advanced in the graduation process
- Establish some mechanism to track progress in implementing the roadmap

Further in-depth analysis of potential impacts of graduation, building on DESA's impact assessment and studies undertaken by the Commonwealth Secretariat, could be conducted to identify areas and sectors where continued or additional support was needed, to assess development financing needs and prioritize negotiation areas.

Existing LDC-specific support measures should be used as much as possible to prepare for graduation. Some would be available for an extended period of time after graduation, including:

- EU's Everything but Arms scheme (EBA) - 3 years after graduation – end in 2027
- Enhanced Integrated Framework (EIF) – 5 years – end in 2029
- Least Developed Countries Fund (LDCF) – projects approved before graduation would be funded [capacity building to formulate bankable projects]
- Technology Bank for LDCs – 5 years – end in 2029
- UN Capital Development Fund (UNCDF) – 3 years + 2 years on a cost sharing basis
- UN travel support for GA sessions – 3 years – end in 2027
- IDLO pro-bono legal support – 5 years – end in 2029

It was also important to identify needs for capacity building and additional support to address the challenges related to graduation, including information gaps. From the experience of other graduating countries and the group discussions during the second day of the workshop, these could include: (a) preparing to compensate for the loss of international support measures, including securing resources for social sectors and people in remote areas; (b) seeking assistance for access to climate finance and domestic resource mobilization; (c) engaging with development and trading partners for extension of LDC-specific support measures or post-graduation preferential trade; (d) exploring new exporting opportunities with new products and services but also new markets and seeking assistance of the UN and regional organisations; (e) promoting trade capacity building and improving business environment to attract foreign direct investments for export competitiveness and diversification.

Dr. Rodgers stressed that the workshop had been very beneficial. It was time to quantify losses and map resources. Bureaucratic proliferation was to be avoided. Integration and coordination were to be pursued. Peer learning proved extremely valuable. More in-depth studies would be carried out. He noted that access to finance had become increasingly complex and hoped that SIDS could collectively advocate at the GCF. A request was made to the UN team to provide elements, based on the workshop outcome, to serve as the basis for the formulation of a smooth transition strategy by the Government.

***Meeting with Civil Society Organizations on “Implications of LDC Graduation for Solomon Islands”,  
16 October 2019***

Ms. Lyn Sidi, Permanent Secretary (Acting) Ministry of National Planning and Development Coordination, Solomon Islands, in her welcome remarks stressed the need for all stakeholders to work together in order to address the challenges of graduation. Ms. Heidi Schroderus-Fox, Director, OHRLLS highlighted that the role of civil society in the process is very important and that they not only need to understand what graduation is about but also be involved in dealing with its effects. The moderator for the discussions was Ms. Jennifer Wate, General Secretary, Development Services Exchange, an umbrella organization of NGOs in Solomon Islands.

Mr. Matthias Bruckner, Senior Economic Affairs Officer, CDP Secretariat/DESA, Mr. Oliver Paddison, Chief, Countries with special needs section, MPFD/ESCAP and Mr. Matthew Johnson-Idan, Development Economist, UNDP (Pacific Office in Fiji) provided an overview of LDC graduation and flagged the related opportunities and challenges for the economy and society of the Solomon Islands.

The interactive discussion focused on potential impacts of graduation on NGO financing. It was highlighted that some shift in ODA from social sectors to infrastructure might happen after graduation and that thus it could be necessary to find new partners for the social sector. The need for additional finance to reach out to the most isolated populations was also mentioned. It was suggested to undertake a stocktaking of funding sources and to engage directly with donors.

Furthermore, the linkage of graduation with the national development plan was discussed. The need for further information and outreach to all parts of the population was reiterated. Issues at provincial level in planning and implementation of development plans were also raised. Participants were informed that a study by the Commonwealth Secretariat on the social impact of graduation had been commissioned by the government.

In her closing remarks, Ms. Schroderus-Fox reiterated the importance of national dialogue and that graduation from the LDC category represented an achievement to be celebrated by all.

**Breakfast with Private Sector Representatives, 18 October 2019, 8:30 – 10:00 am**

Ms. Lyn Sidi, Permanent Secretary (Acting) Ministry of National Planning and Development Coordination, Solomon Islands, welcomed participants and stressed the importance of involving the private sector in the preparations for graduation.

Ms. Susanna Wolf, Senior Programme Officer, OHRLLS provided some background information on the graduation of Solomon Islands. She highlighted that the design and implementation of smooth transition strategies that are nationally owned is key and must address the phasing out of international support measures, especially in the areas of trade and development cooperation, and how this can be compensated. While potential impacts of graduation for Solomon Islands could mainly be expected in the area of trade, there are already negotiations under way to prevent any negative effects. By contrast graduation has the potential to increase private sector investment if other conditions are conducive.

Ms. Atenasi Ata, Chief Executive Officer, Solomon Islands Chamber of Commerce (SICCI) informed that SICCI has 220 members consisting of large through to small sized businesses. Shi highlighted that the

companies potentially impacted by LDC graduation are in the palm oil, fisheries, and coconut industries. She stressed that graduation discussions need to ensure interconnected aspects are captured, and gaps are addressed.

Mr. Joseph Ma'ahanua, Trade Commissioner, Ministry of Foreign Affairs and External Trade of Solomon Islands, flagged the need to look at comparative advantages when preparing for graduation and the importance of multilateral trading rules, where Solomon Islands needed to get a fair deal. He also informed about the intention to include the private sector in all stages of the preparations for graduation.

Informal discussions took place among the participants while they enjoyed a light breakfast.