



Solomon Islands Country Presentation for Investment Forum



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Investment Forum
Rome, Italy | 17-19 October 2022



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and opportunity

The background is a teal gradient with several concentric circles of varying shades. Scattered around these circles are several white dots of different sizes. The text is centered in the middle of the image.

SECTION 1:

Overview

Solomon Islands: overview

- **Country area:** 28370 sq. km
- **Population:** 700 000
- **Poverty incidence:** up to 32%
- **Cropland** approx. 8% of land area (Coconut approx. 65 000 ha)
- **Climate:** tropical monsoon; few extremes of temperature and weather
- **Natural resources:** fish, forests (90%), gold, bauxite, phosphates, lead, zinc, nickel
- Three **farming systems:**
 - smallholder subsistence agriculture ,
 - smallholder semi-commercial (cash crops),
 - commercial (plantations).
- **Agriculture, forestry and fisheries** together make up to 40% of GDP
- **Low production and productivity** and reliance on imported food (e.g. rice, dairy, meat etc.) (approx. 80%)
- > 80% of population living in **rural areas** with limited access to infrastructure and services, carrying out subsistence and semi-commercial agriculture.



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Solomon Islands – Mapping of poverty headcount

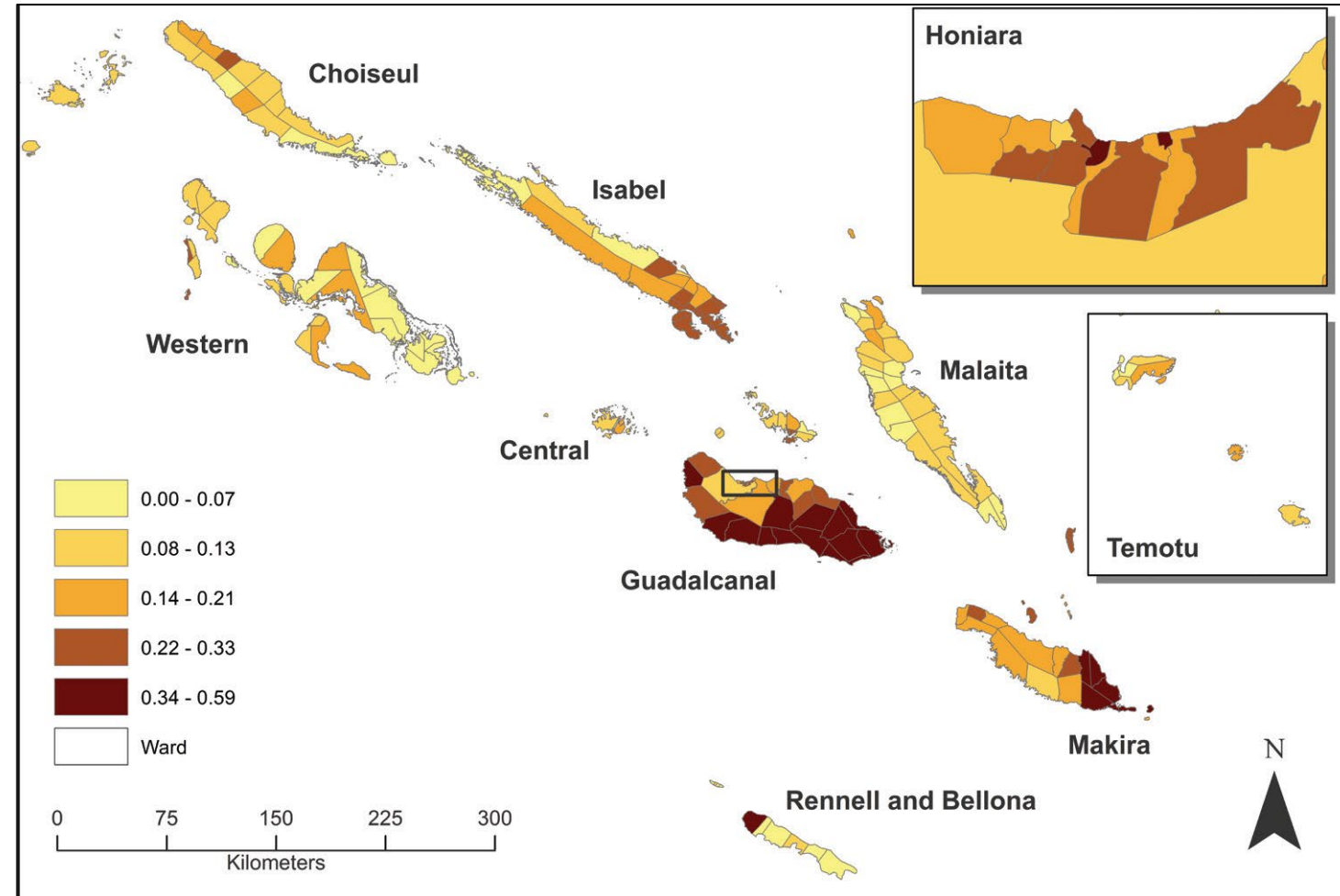


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- **Highest rate of poverty** headcount in Guadalcanal, Makira and Isabel.
- Except for Honiara City, all other islands and provinces of the country have **poverty incidences**; at the same time these are potentially **unexploited areas for agriculture**.
- **High dependency on root crops** as main diet (roots/tubers/plantain, **pulses/seeds/nuts** and **fruits and vegetables**).
- In 2020, Solomon Islands imported SBD\$ 7.35M in Poultry Meat mainly from Australia.
- Stunting rate - **31.5%** (UNICEF, WHO, World Bank) - Malnutrition in Solomon Islands manifests as stunting in children under 5 years of age, adult obesity, and iron deficiency anemia in women of reproductive age (referred to as women) and young children (SINSO, MHMS, & SPC, 2017).



Map of Poverty Headcount: Poverty Headcount rate at ward level - Share of population living below the basic needs (WB Ref: below 1.99 USD per day)

Ease of doing business in Solomon Islands



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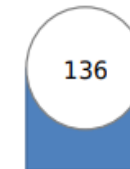
Doing Business 2020 – Solomon Islands

Ease of Doing Business in Solomon Islands

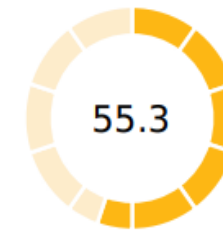


Region	East Asia & Pacific
Income Category	Lower middle income
Population	652,858
City Covered	Honiara

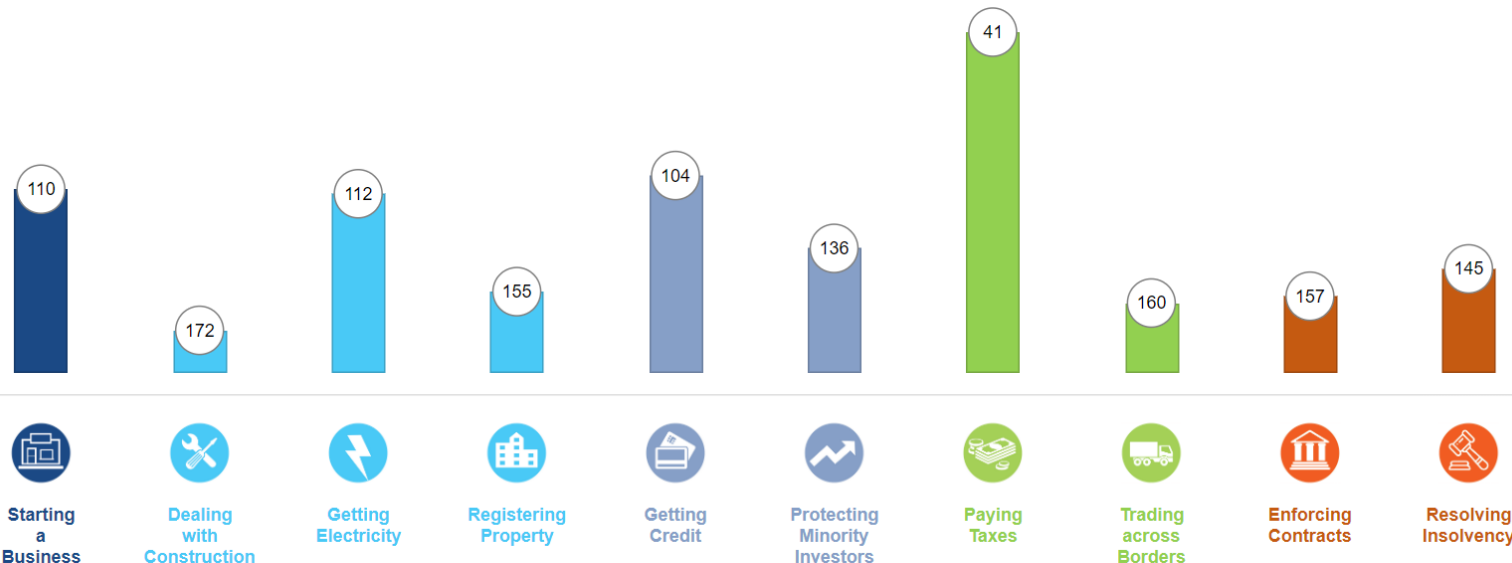
DB RANK



DB SCORE



Ranking on Doing Business topics – Solomon Islands



SECTION 2: ENABLING ENVIRONMENT

- Policy and governance factors
- Economic factors

Enabling environment: Legislations and Acts, Regulations and Action Plans



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- The National Development Strategy
- Solomon Islands Trade Policy
- The 2010-2015 National Agriculture and Livestock Sector Policy,
- Solomon Islands Agriculture Sector Growth Strategy and Investment Plan (ASGIP) 2021-230
- Commodity Export Marketing Authority (CEMA) legislation and acts
- National Food Security, Food Safety and Nutrition Policy
- Solomon Islands National Nutrition and Healthy Lifestyle Plan
- The Pure Food (Food Control) Regulation
- National Plan of Action for Nutrition
- Forests Act 1999
- Forest Policy 2020
- National Adaptation Plan of Action
- Foreign Investment Act 2005
- Land and Titles Act 1978
- Bee Industry Act 1995
- Biosecurity Act 2013
- Protected Areas Act 2010
- Environment Act 1998
- Environmental Health Act 1980
- Maritime Safety Administration Act 2009
- Solomon Islands Water Authority Act 1992

Enabling environment: Legislations and Acts, Regulations and Action Plans



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Income Tax Act (2012): Under the Income Tax Act, new agricultural firms may qualify for income tax exemptions in five out of ten years following the start of operations. These firms may also qualify for additional import duty and income tax exemptions.

Tax Exemption for Enterprises with local value addition in respect of the approved products amount	Tax Holidays (in Years)
75% or more of the value of ex-factory sales of the products.	6
50% or more but less than 75% of the value of ex-factory sales of the products	5
40% but less than 50% of the value of ex-factory sales of the products.	4
25% or more but less than 40% of the value of ex-factory sales of the products	3
Enterprises which involve a capital investment of not less than SBD\$ 10 million irrespective of their local value added.	5 to 10

Enabling Environment: Economic Factor /Market Access through SI GREEN PORTS

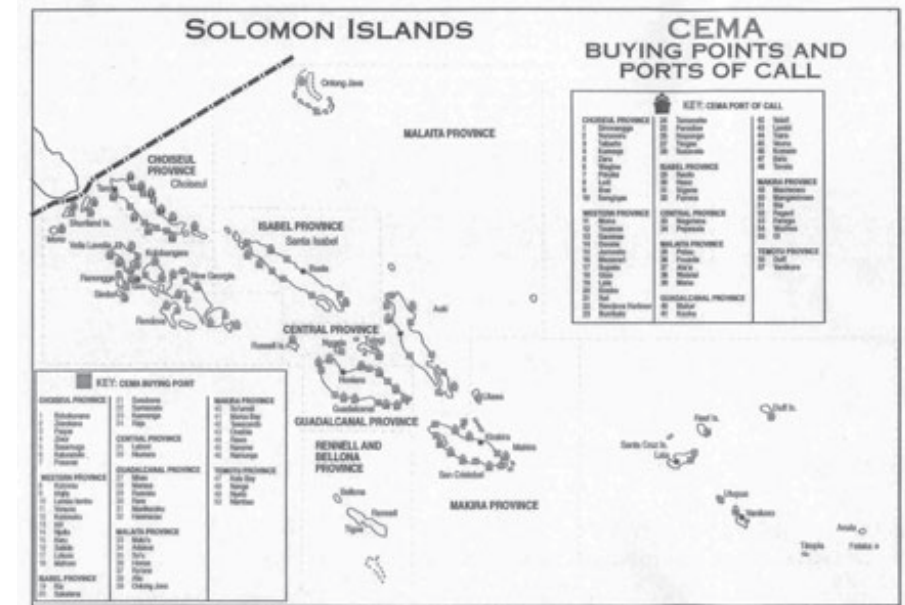


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- SI GREEN PORT (Deep Sea Port) provide investors, the south Pacific gateway to the world with services aimed at benefiting the poor in the country and minimizing impact on the environment.
- The infrastructure allow for smooth engagement and shipments of imported and exported high value produce/products
- Govt. support improved linkage of transport. 3 Major export centres (Honiara, Noro and Yandina) and more than 53 provincial buying points



SECTION 3: INVESTMENT PLAN & OPPORTUNITIES

Overview of investment programme and opportunities

- **Thematic entry points and ASGIP programme components**
- **Possible investment areas and locations**
- **Strong national market for poultry and poultry products**
- **National and International market for coconut and value added products**
- **Summary of Investment proposals**

Section 3: Investment plan & opportunities



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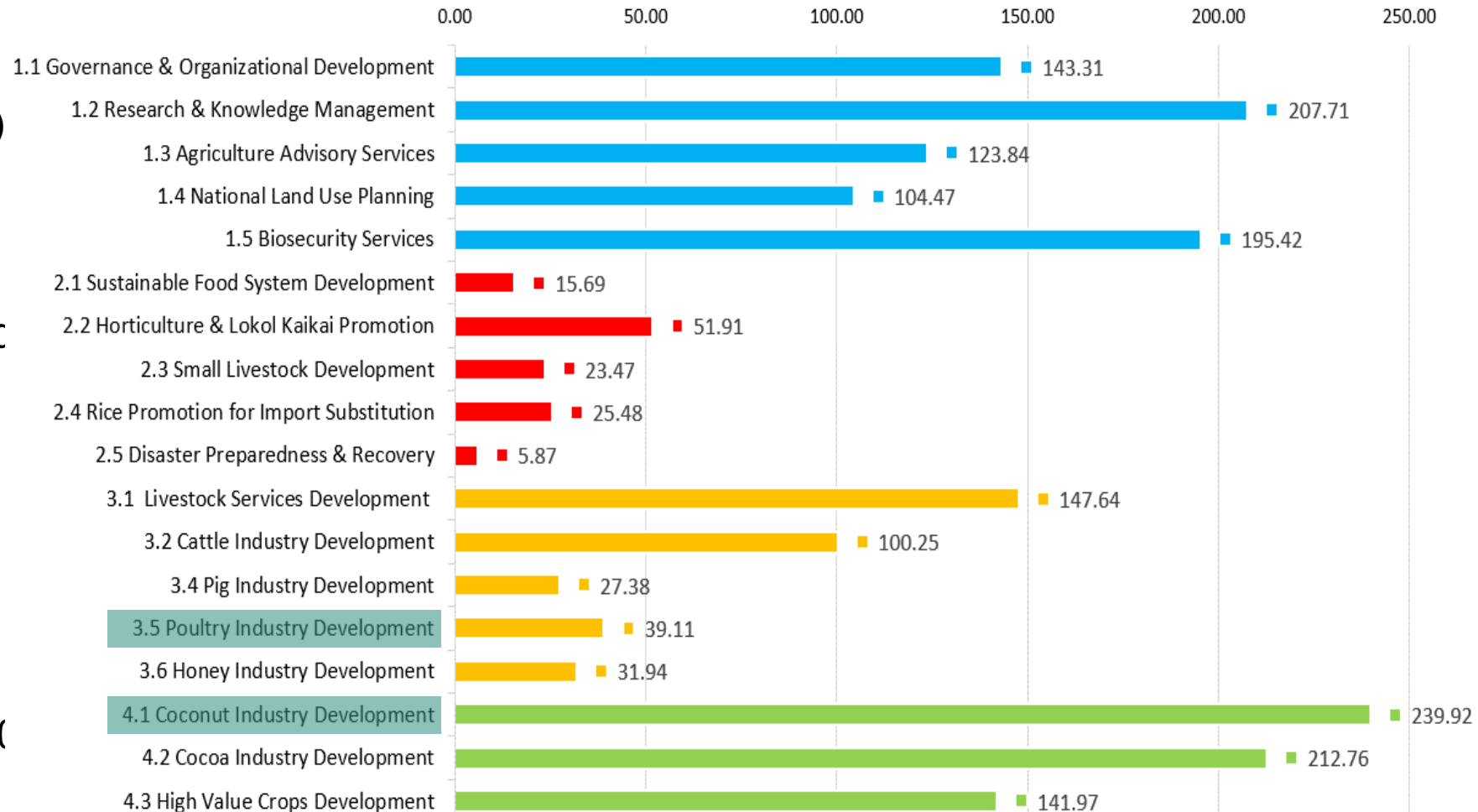


Hand-in-Hand Initiative

Agriculture Sector Growth & Investment Plan 2021-2030 (ASGIP) programs

- Program 1: Governance Management and Innovation
- Program 2: National Food and Nutrition Security
- Program 3: Livestock production for import substitution
- Program 4: Crop production for export earnings

Total 10-year Development Budget: \$1.838 billion (SBD\$m) (Approx. 230 Mn USD)



In Mn SBD

Why poultry and coconut?



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WHY POULTRY

- Primary source of dietary protein
- More than **30%** of the children are malnourished and the population generally is protein starved.
- In 2019, poultry meat domestic supply for Solomon Islands was **4 000 tonnes**. Poultry meat domestic supply of Solomon Islands increased from 2 thousand tonnes in 2010 to 4 thousand tonnes in 2019 growing at an average annual rate of **9.26%**.
- This is a **growing commodity** in the agriculture sector thus requires government and private investment to support.
- Through the use of simple **improved poultry** husbandry principles and investment, village chicken production can be quickly increased so there is much more meat and eggs to supplement peoples' meals.
- The majority of the village farmers have very **small incomes** and are not able to utilize the expensive commercial chicken breeds or processed feeds.
- Investment in the poultry means **directly intervening** in most of the rural livelihood income capacity to build resilience at the rural levels.

Why poultry and coconut?



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WHY COCONUT

- Coconuts are the most widely distributed crop in the Solomon Islands and form a key part of almost all farming systems in all provinces. Some **40 000 rural households** produce coconuts for their consumption, to produce fuel and building materials, and to generate cash income.
- According to the Pacific islands Forum Secretariat Mapping exercise (2017) of the Private Sector, it has identified coconut as a commodity which the government and investors should support to **revive domestic economic growth and development**.

Selection of these two agricultural commodities for investment is critical for both national and rural based economic growth across the country.

Poultry Sector Investment



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Investment Pillars	Investment (USD)	NPV	IRR
48 Broiler chicken farms across three provinces	9.9 m	1.9 m	14%
16 Layer Chicken farms across three provinces	1.1 m	1.3 m	34%
7 Hatcheries	2.2 m	1.8 m	27%
Value Chain Support for Semi-Commercial Projects			
Feedmills, Parent Flock Farms, Processing facilities technical assistance to support the domestic poultry value chain	1.0 m		
Village and Farmer Support			
<ul style="list-style-type: none"> • 3 breeding, multiplication and distribution farms • Technical training, grant and loan access for farmers, and development of government vet. livestock extension services 	1.0 m		

Impacts

- Create sustainable income sources for rural farmers and supply chain stakeholders (per capita 790 USD).
- Replace up to 25% of annual poultry meat imports and improve egg availability.
- Reduce import dependence and providing better and more affordable food access for Solomon Islands' in 7000 villages
- Decrease in malnutrition.
- Full time jobs creation (350 jobs).

Market

- High national demand for poultry meat and eggs. Poultry Meat was the 4th most imported product in Solomon Islands.
- Competitive local production pricing for both meat and eggs
- Investment locations Honiara (national capita), Gizo (a tourism destination), Malaita (big population size)

Risk and Mitigation

- Risk: Operational risks around running the farms.
- Mitigation: Upskilling the producers and provision of technical training.
- Risk: Avian flu and other diseases.
- Mitigation: to ensure the biosecurity measures with vet authorities.
- Risk: Feed cost and availability
- Mitigation: Set up of local feed mills and supplies

TOTAL REQUIRED INVESTMENT: USD \$15.2m



Coconut Sector Investment



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Investment Pillars	Investment (USD)	NPV	IRR
Plantation Rehabilitation of aged coconut trees of approx. 1 million trees (10% of the ASGIP target) on approx. 6400 1-hectare smallholder farms, to raise coconut yield/ha from \$690/ha to \$2000/ha	20.4 m	21.3 m	27%
20 virgin coconut oil extraction units across the islands to empower farmers to produce an aggregate of 15,000 litres of virgin coconut oil per year.	1.0 m	1.1 m	31%
Set up 27 copra drying facilities across the islands for farmers to dry c. 840 MT of export-quality grade copra per year	130 K	160 K	31%
Value Chain Support			
Germplasm, Seed Gardens, Intercropping initiatives and Biosecurity control to create robust coconut farms	1.2 m		
Support for Post-harvest Processing innovation and Product Diversification, Technical Training and Coaching, Marketing and Trade promotion	2.6 m		



TOTAL REQUIRED INVESTMENT: \$25.3mn USD

Investment Impacts

- **40,000 rural households** produce coconuts for own consumptions as well as cash income,
- Increase in per capita **income (600 USD)**
- VCO (Virgin Coconut Oil) and other product innovation and value addition initiatives enable farmers to increase income by converting their crop into higher value-add coconut products
- Long term sustainability of coconut incomes and social and environmental benefits

Market

- **Domestic Market**
- High local demand of variety of coconut based foods and household goods produced and sold in local market (water, scrubbing fibbers, broom, oil for food and cosmetics, etc.)
- VCO is sold locally as health food and cosmetic lotions and soaps and CNO (Crude Coconut Oil) used to manufacture soaps and detergents
- CNO used locally as biofuel
- **International Market**
- 4 Main exporters (SICE, Coconut BioEnergy, SICPL, CEMA)
- 40 plus communal or family-owned VCO units using the “direct micro expeller” (DME) technology.
- Kokonut Pacific Solomon Islands is main company providing technical support and equipment
- Copra exported to the Philippines, Bangladesh, EU and New Zealand
- VCO is exported to Australia, Belgium, and New Zealand.
- VCO exported as an organic product
- Drinking nuts in NZ and Australia supermarkets

Risk and mitigation:

- Risk: Price volatility of coconut in international markets
- Mitigation: Diversification and value addition
- Risk: Lower production due to aged tree and pest & diseases.
- Mitigation: Provision of improved varieties and better biocontrol measures.
- Risk: market access, quality and certification
- Mitigation: Provision of technical training, certification, marketing and trade promotion

Solomon Islands investment plan



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SUMMARY

US\$230 Mn
Govt. Budget for 10
Years

US\$ 40.5 Mn
Total Investment
Required

14 to 35%
Overall - Average IRR

6,880
Direct Beneficiaries

US\$ 600 to 800
Income Increase
Per Capita

22,805,073 tCO2-eq
Emission Reduction
Potential in 20 years

KEY INVESTMENTS

1

Intervention
Poultry Sector

Cost (USD)
US\$ 15.2 Mn

14 to 34 %

NPV
US\$ 5 M

Sustainability Benefits

Beneficiaries: approx. 480 direct
beneficiaries and 39,000 indirect
beneficiaries

Income increase per capita: US\$ 790
Emission reduction per ha: 0.02 tCO2-
eq/ha over 20 years

2

Intervention
Coconut Sector

Cost (USD)
US\$ 25.3 Mn

IRR (%)
27 to 31 %

NPV
US\$ 23 M

Sustainability Benefits

Beneficiaries: 6,400 direct beneficiaries,
34,000 indirect beneficiaries

Income increase per capita: US\$ 600
Emission reduction per ha: 228 tCO2-
eq/ha over 20 years

