



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

SOLOMON ISLANDS

This report, prepared for the third Trade Policy Review of Solomon Islands, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Solomon Islands on its trade policies and practices.

Any technical questions arising from this report may be addressed to Arne Klau (Tel: 022 739 5706) and Nelnan Koumtingué (Tel: 022 739 6252).

Document WT/TPR/G/349 contains the policy statement submitted by Solomon Islands.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Solomon Islands. This report was drafted in English.

CONTENTS

SUMMARY	5
1 ECONOMIC ENVIRONMENT	8
1.1 Overview.....	8
1.2 Recent Economic Developments.....	9
1.3 Main Macroeconomic Policy Developments.....	11
1.4 Main Structural Policy Developments and Challenges	11
1.5 Balance-of-Payments Developments.....	12
1.6 Trade Performance	13
1.7 Foreign Direct Investment	15
2 TRADE AND INVESTMENT REGIME	16
2.1 General Framework	16
2.2 Trade Policy Objectives and Formulation	17
2.3 Trade Agreements and Arrangements.....	18
2.3.1 WTO	18
2.3.2 Regional and preferential agreements.....	19
2.3.2.1 Pacific Islands Forum.....	19
2.3.2.2 Melanesian Spearhead Group Trade Agreement	19
2.3.2.3 SPARTECA	19
2.3.2.4 PICTA.....	20
2.3.2.5 PACER.....	20
2.3.3 Other agreements and arrangements.....	20
2.4 Investment Regime	20
3 TRADE POLICIES AND PRACTICES BY MEASURE.....	23
3.1 Measures Directly Affecting Imports	23
3.1.1 Customs procedures and requirements	23
3.1.2 Customs valuation	24
3.1.3 Rules of origin	24
3.1.4 Tariffs	24
3.1.4.1 Applied MFN tariffs	24
3.1.4.2 Tariff bindings	27
3.1.4.3 Tariff exemptions and concessions.....	29
3.1.4.4 Tariff preferences.....	29
3.1.5 Other duties and taxes	30
3.1.6 Import prohibitions, restrictions, and licensing	30
3.1.7 Anti-dumping, countervailing, and safeguard measures	31
3.1.8 Standards and other technical requirements	31
3.1.9 Sanitary and phytosanitary requirements	32
3.2 Measures Directly Affecting Exports.....	33
3.2.1 Export procedures and requirements	33

3.2.2	Export taxes, charges, and levies	34
3.2.3	Export prohibitions, restrictions, and licensing.....	34
3.2.4	Export support and promotion	35
3.2.5	Export-processing zones	35
3.2.6	Export finance, insurance, and guarantees	35
3.3	Measures Affecting Production and Trade	35
3.3.1	Incentives	35
3.3.2	Competition policy and price controls.....	36
3.3.3	State trading, state-owned enterprises, and privatization.....	36
3.3.4	Government procurement	37
3.3.5	Intellectual property rights.....	38
4	TRADE POLICIES BY SECTOR.....	40
4.1	Agriculture, Fisheries, and Forestry	40
4.1.1	Agriculture.....	40
4.1.2	Fisheries.....	42
4.1.3	Forestry	43
4.2	Mining and Energy	45
4.2.1	Mining.....	45
4.2.2	Energy	46
4.2.2.1	Electricity.....	46
4.2.2.2	Petroleum.....	47
4.2.3	Manufacturing	48
4.3	Services	48
4.3.1	Overview	48
4.3.2	Financial sector	48
4.3.2.1	Banking.....	49
4.3.2.2	Credit unions.....	50
4.3.2.3	Insurance	50
4.3.3	Telecommunications.....	51
4.3.4	Transport	53
4.3.4.1	Maritime transport and ports	53
4.3.4.2	Air transport and airports	54
4.3.5	Tourism.....	55
4.3.6	Professional services	56
	REFERENCES	58
5	APPENDIX TABLES	60

CHARTS

Chart 1.1	Direction of merchandise trade, 2010-15.....	14
Chart 3.1	Distribution of MFN applied tariff rates, 2009 and 2016	27

TABLES

Table 1.1 Selected macroeconomic indicators, 2010-15	8
Table 1.2 GDP by sector, 2010-15	10
Table 1.3 Balance of payments, 2009-15	12
Table 3.1 Tariff structure, 2009-15	25
Table 3.2 Tariff summary, 2016	26
Table 3.3 Products for which applied rates exceed bound rates, 2016	27
Table 3.4 Products for which applied rates may exceed bound rates, 2016	28
Table 3.5 Solomon Islands preferential tariffs, 2016.....	29
Table 3.6 Goods subject to import licensing, 2016	31
Table 3.7 Export taxes, 2016	34
Table 3.8 Purchasing limits, 2016.....	37
Table 3.9 Summary of the protection of intellectual property rights, 2016	38
Table 4.1 Production and exports by major commodity, 2010-15	40
Table 4.2 Generation and sales of electricity, 2010-15.....	46
Table 4.3 Financial system assets, 2010-15	48
Table 4.4 Financial stability indicators, 2010-15	49

APPENDIX TABLES

Table A1.1 Merchandise exports by product group, 2010-15.....	60
Table A1.2 Merchandise imports by product group, 2010-15	61
Table A1.3 Merchandise exports by destination, 2010-15.....	62
Table A1.4 Merchandise imports by origin, 2010-15	63

SUMMARY

1. Solomon Islands is a least developed country and shares many of the challenges of other small island developing countries. The economy relies strongly on a few natural resources (including logging), and is heavily exposed to natural disasters and external shocks. Growth has ranged between 2% and 10% since 2010. Since its last TPR, Solomon Islands has recorded some positive strides in economic development, including a decline in the incidence of poverty and a strong increase in per capita income. However, unemployment is prevalent and the economy is dominated by informal and subsistence activities. Merchandise exports continue to be heavily concentrated in logs and fish. Imports are dominated by machinery and transport equipment, food and live animals, and mineral fuels. Australia, China, and the EU are among Solomon Islands' main trading partners.

2. During the review period, Solomon Islands moved from a US dollar peg to a peg against a basket of currencies. New legislation was passed in 2012, setting domestic price stability as the primary objective of monetary policy and strengthening the independence of the Central Bank of Solomon Islands. Major reforms in public finances include the adoption of a new debt management strategy and a new public financial management law, and the strengthening of the revenue collection system. A large part of the budget is financed by external donors, most notably Australia. Solomon Islands' foreign reserves position remained at a comfortable level during the review period. FDI inflows have been relatively low, with the main investment sectors being services, forestry, mining, and tourism.

3. The National Development Strategy 2016-2035 is Solomon Islands' new long-term economic policy document. Its main policy objectives are inclusive development and poverty alleviation. These are to be achieved through macroeconomic stability, containment of population growth, and targeted social spending. The sources of growth are to be diversified away from logging towards other sectors such as mining, fishing, and tourism. Improving the environment for business, trade and private sector-led growth is also a priority.

4. Solomon Islands adopted its first formal trade policy framework in 2015, with a view to mainstreaming trade into the National Development Strategy and improving the medium- to long-term performance of the economy in the areas of trade and foreign direct investment. This is to be achieved by, *inter alia*, addressing supply-side constraints and taking advantage of opportunities in existing international agreements.

5. Solomon Islands has yet to ratify the Trade Facilitation Agreement, but has already notified its category A commitments under the Agreement. Between 2009 and July 2016, Solomon Islands did not submit any other notifications to the WTO. While Solomon Islands' current interest in the multilateral trading system is limited, the authorities indicate that the importance of WTO issues could increase with the country's graduation from LDC status.

6. Solomon Islands is party to several overlapping regional trade and economic cooperation arrangements: the Pacific Islands Forum, the Pacific Agreement on Closer Economic Relations, the South Pacific Regional Trade and Economic Cooperation Agreement, the Melanesian Spearhead Group Trade Agreement, and the Pacific Island Countries Trade Agreement. As a least developed country, Solomon Islands is also eligible for the Generalized System of Preferences schemes of most developed Members of the WTO.

7. All foreign investment must be registered. The important contribution of FDI to economic development is recognized by the Government, and Solomon Islands' investment regime is relatively open. Fourteen activities, including retail trading and domestic transport services, are reserved for Solomon Islands nationals. Exemption from customs duties on imported capital goods is the most important investment incentive; it is available to foreign and domestic investors alike. While no restrictions are placed on remittances of dividends, profits, and other earnings, approval from the Central Bank is required. In practice, investors may also be confronted with the difficulty of identifying land owners and, once a land transaction has been sealed, security of the land title.

8. In January 2015, customs migrated to ASYCUDA World. All customs declarations must be submitted electronically. Imports must be reported to customs by lodging a cargo manifest, the bill of lading or airway bill, the commercial invoice, and a customs declaration. Additional information

is required when imported goods are subject to licensing. Since Solomon Islands' last TPR, new legislation has been adopted to give effect to the WTO Customs Valuation Agreement. Customs clearance of imports usually takes between two and three days.

9. Solomon Islands' tariff schedule comprises 5,512 tariff lines at the HS eight-digit level; non-*ad valorem* tariff rates are applied on 1.7% of all tariff lines. The simple average applied MFN rate increased slightly during the review period, from 9.1% in 2009 to 9.3% in 2016. The average applied tariff for agriculture (WTO definition) is 10.1%, slightly higher than the average for non-agriculture (9.1%). More than 82% of all *ad valorem* tariff lines carry an MFN rate of 10%, and another 15% have a rate of 5%. Less than 1% of the total tariff lines are duty-free. Solomon Islands has bound all of its tariff lines, mostly at 80%. However, for 58 tariff lines (mainly various seeds, sugar, and alcoholic beverages), applied rates still exceed their bindings. Solomon Islands grants preferential tariffs to other members of the Pacific Islands Trade Agreement and the Melanesian Spearhead Group. The importance of import duties as a source of government revenue has declined significantly in recent years.

10. Other charges levied by Solomon Islands include goods tax, sales tax, and excise duties. The application of internal taxes seems to be both discriminatory and inconsistent: for example, the goods tax rate is higher for imports than for equivalent domestic goods. On the other hand, excise duties are applied only on domestically produced goods.

11. Solomon Islands maintains import prohibitions to protect public health, safety and morals, and the environment. Certain goods, including food products, are subject to import licensing. Solomon Islands does not have safeguard, anti-dumping or countervailing duty legislation, nor has it applied any safeguard, anti-dumping or countervailing duties.

12. Solomon Islands has limited institutional capacity to adopt and enforce technical regulations and conformity assessment procedures. There is no centralized standardizing body, nor is there an inventory of technical regulations or conformity assessment procedures in force; standards are adopted and administered by various government agencies and ministries. Certain technical regulations applicable on imports are laid down in the Customs and Excise Act.

13. New legislation on biosecurity was adopted in 2013. Under the Biosecurity Act 2013, the Government may regulate imports of plants, animals and products thereof to prevent the introduction of diseases and pests. The Act also establishes the procedure for the development of SPS measures to be applied on imports. A licence issued by Biosecurity Solomon Islands is generally required to import plants, animals, and their products. The capacity to undertake risk assessments in the area of SPS measures improved during the review period.

14. There are no registration requirements for exporters who have a tax identification number. Customs clearance for exports usually takes between one and two days. Exports of various goods (including logs, fish, and timber) are subject to duties, with rates between 2.5% and 30% of the f.o.b. value. Specific duties are applied on logs. Fiscal income from export taxes remains important for Solomon Islands, contributing around 16% to total public revenue. Public export support and promotion activities are limited.

15. There is no generic competition law in Solomon Islands. Price controls are in place on various staples as a means to address competition perceived as being too low. Maximum prices are based on a mark-up system which allows traders to add a certain percentage on landed costs plus goods tax. State-owned enterprises are active in a number of key sectors of the economy, including air transport, broadcasting, electricity, ports, and water.

16. During the review period, new legislation on public procurement was adopted. A Central Tender Board is responsible for managing the tender process of goods or services for all procurement above SI\$500,000 (equivalent to US\$63,000). Competitive tendering is required for all procurement exceeding SI\$100,000. There are no provisions that grant foreign products or suppliers less than national treatment.

17. Intellectual property laws in Solomon Islands are mostly outdated, except for the Copyright Act 1987. However, since 2014, the Government has been developing a national IP strategy, and all IP legislation is currently being reviewed. Enforcement activities mainly consist of public

campaigns to raise awareness of IP issues and dissemination of information regarding intellectual property protection for creators.

18. Agriculture (including fisheries and forestry) remains of major importance to the economy of Solomon Islands. Forest area covers about 80% of the land area, although it has been on a declining trend. The forest sector suffers from poor enforcement of the legislation; there are indications that under-invoicing and illegal logging is prevalent. Fisheries accounted for 11.5% of total exports in 2015. Solomon Islands is a member of the Parties to the Nauru Agreement, under which a Vessel Day Scheme (VDS) has been used collectively by members to manage their tuna stock since 2010.

19. The mining industry is predominantly focused on the extraction of gold and nickel. The output of the industry declined substantially following the closure of the only gold mine in the country in 2014. During the review period, the main legislation governing mining activities was amended, *inter alia*, to introduce a new tax regime and make provisions for the Government to require licence holders to build infrastructure as part of the licence agreement.

20. The manufacturing sector is marginal in terms of contribution to GDP, and is largely geared towards the local market.

21. Services continue to be the largest sector of the economy of Solomon Islands, accounting for about 57% of GDP in 2014. Financial system assets grew strongly during the review period. Access to financial services has been expanded through the Pacific Financial Inclusion Programme (PFIP).

22. In telecommunications, there has been significant growth in the mobile segment. The adoption of the Telecommunications Act in 2009 marked the liberalization of the sector. In 2009, the Government reached an agreement with the historic operator to surrender its exclusive licence, thereby allowing the entry of another operator into the mobile market in 2010. The Telecommunications Commission of Solomon Islands was established in 2010 as the regulator of the sector. Since March 2015, it has been mainly funded by licence fees and a 2% levy on operators' revenues.

23. Maritime transport is of vital importance to Solomon Islands owing to its geography of dispersed islands. Key reforms during the review period include: the establishment of the Solomon Islands Maritime Safety Administration in 2010 as the regulatory authority in the sector, and the introduction of a franchise shipping scheme in 2010 to provide shipping services to remote areas; subsidies accorded under the scheme are to be eliminated over a period of five to ten years.

1 ECONOMIC ENVIRONMENT

1.1 Overview

1.1. Since its previous trade policy review (TPR) in 2009, Solomon Islands' economic growth has been positive, although the pace of growth has moderated in recent years. The economy remains dependent on a few natural resources (logging and fishing) and is vulnerable to commodity price declines. Solomon Islands has made some positive strides in economic development. Since 2010, gross national income per capita increased on average by 16.3% each year to nearly US\$2,000 in 2015 (Table 1.1). The poverty incidence has declined over the past decade. However, about 12.7% of the population remains below the national poverty line (compared to an estimate of 23% for the period 2005-2006), according to estimates based on the 2012-13 Household Income and Expenditure Survey.¹ The poverty headcount is estimated at 45.6% in 2012 based on the international poverty line of \$1.90 a day (2011 purchasing power parity).² Solomon Islands ranked 156th (out of 188 countries) on the 2014 UNDP's Human Development Index.³

1.2. Unemployment remains prevalent, especially among youth, and in rural areas. In 2012, youth unemployment was 20% in Honiara (the capital city) and reached 50% in some rural areas.⁴ The economy is dominated by informal and subsistence activities; estimates from the 2009 census indicate that the formal economy employed only about 21% of the country's active population, the remainder being employed in the informal economy or subsistence economy.⁵

Table 1.1 Selected macroeconomic indicators, 2010-15

	2010	2011	2012	2013	2014	2015 ^a
Nominal GDP (SI\$ million)	5,416.0	6,774.0	7,540.0	7,738.0	8,542.0	8,948.0
Nominal GDP (US\$ million)	671.6	886.5	1,025.1	1,059.7	1,158.2	1,130.6
GNI per capita, Atlas method (current US\$)	910	1,120	1,520	1,830	1,830	1,940
Inflation (CPI, % change)	1.1	7.3	5.9	5.4	4.8	2.9
National account (2004 prices, %age change)						
Real GDP (2004 prices)	9.7	7.4	2.3	2.8	2.0	3.2
Consumption	8.9	-3.8	-0.2	6.6	5.4	1.2
Private consumption	7.7	3.7	3.6	4.0	4.3	0.0
Public consumption	10.0	-20.7	-9.9	12.8	8.0	3.7
Gross fixed capital formation	88.7	-53.0	3.5	1.9	2.8	0.0
Exports of goods and services	34.8	26.1	8.1	-7.3	-10.6	-3.0
Imports of goods and services	51.7	-6.8	3.6	-0.5	-0.6	-6.4
X of goods and services (% of GDP)	49.2	62.4	59.0	54.0	49.0	46.1
M of goods and services (% of GDP)	81.6	68.8	63.5	64.0	59.0	53.3
Money and interest rates						
Money supply (M1, % change)	15.6	43.6	27.9	12.6	-1.7	23.3
Deposit rate (% , period average)	3.29	2.00	0.86	0.29	0.25	0.31
Lending rate (% , period average)	14.43	13.17	11.28	10.77	10.91	10.48
Public finance (% of GDP)						
Operating revenue	46.3	35.5	34.3	39.7	36.4	36.1
Tax revenue	36.2	30.7	31.4	32.5	29.5	29.8
Expenditure	32.5	33.3	33.7	36.7	34.8	38.4
Balance (excluding development grants)	13.7	2.2	0.6	3.0	1.7	-2.3
Central government debt	27.8	21.6	17.6	15.5	13.3	10.4
Domestic debt	8.1	6.4	4.9	4.3	2.9	0.6
External debt	19.7	15.2	12.7	11.3	10.4	9.8
External sector						
Real effective exchange rate (% change – increase is an appreciation)	-7.0	3.0	9.2	7.7	5.8	5.1

¹ Solomon Islands National Statistics Office (2015).

² Asian Development Bank (2016a).

³ UNDP online information. Viewed at: <http://hdr.undp.org/sites/default/files/ranking.pdf>.

⁴ World Bank online information. Viewed at: <http://www.worldbank.org/en/news/feature/2012/08/13/solomon-islands-giving-a-second-chance-to-honiara-young-unemployed-population>.

⁵ Curtain, Richard (2013).

	2010	2011	2012	2013	2014	2015 ^a
SI\$/US\$ (period average)	8.06	7.64	7.36	7.30	7.38	7.91
Current account (% of GDP)	-2.7	-0.3	0.4	-0.5	-0.6	-0.5
Gross official reserves (end of period) ^b						
in US\$ millions	500	528	514	520
in months of imports	8.4	9.35	10.2	10.1

.. Not available.

a Estimate.

b Includes SDR allocations made by the IMF to Solomon Islands in 2009 and actual and prospective disbursements under the IMF-supported programmes.

Source: IMF online information; Solomon Islands National Statistics Office online information; Central Bank of Solomon Islands online information; and World Bank online information.

1.3. Solomon Islands is a least developed country. It is dependent to a large extent on donor assistance, which is on a declining trend. Net official development assistance declined from US\$340 million in 2010 to around US\$200 million in 2014, equivalent to US\$346.9 per capita.⁶

1.4. As in the case of some other small island developing states, Solomon Islands is faced with a number of challenges including: high cost of public service provision due to its geographical setting of dispersed islands⁷; a narrow economic base; and a vulnerability to external economic shocks. Due to its geographical location, the country is susceptible to both hydro-meteorological (tropical cyclones, floods and droughts) and geophysical disasters (earthquakes, and resulting tsunamis and landslides). Solomon Islands was hit by several tropical cyclones during the review period. In February 2013, a magnitude 8.0 earthquake and a subsequent tsunami affected the Santa Cruz Islands, causing losses of life and damages to infrastructure in several communities. In April 2014, heavy rains brought by a tropical cyclone caused destructive flooding in some major cities, resulting in damages and loss estimated at US\$107.8 million (equivalent to 9.2% of GDP).⁸

1.2 Recent Economic Developments

1.5. After a contraction in 2009 resulting from the global financial crisis, the economy of Solomon Islands recorded two consecutive years of strong growth, mainly driven by log exports and strong growth in palm oil, cocoa, and fisheries. Economic growth has moderated since then, largely on account of a reduced output and price decline in the commodity sector. In spite of severe flooding and associated damage, the economy expanded by 2% in 2014 on the back of an unprecedented rise in log production. In 2015, natural disasters (the El Niño phenomenon and the Tropical Cyclone Raquel) severely impacted fish catch and agricultural production.⁹ However, the economy grew by 3.2%, led by logging activity, tuna processing, construction activity from rebuilding after the flooding, and retail services. Growth is expected to level off at 2.9% in 2016, driven largely by fishing, construction, manufacturing, transportation, and communication sectors.¹⁰

1.6. Inflation peaked at 7.3% in 2011, reflecting increases in fuel and food prices (Table 1.1). It declined to 4.8% in 2014 and moderated further to 2.9% by end-2015, on account of falling food and energy prices (despite supply shocks resulting from natural disasters).¹¹

1.7. There was no major change in the overall sectoral pattern of GDP over the review period (Table 1.2). The services sector (including public administration and defence) remained the most important in terms of contribution to nominal GDP (57%) in 2014. The share of agriculture, fisheries and forestry in GDP declined slightly to 28% in 2014, and the contribution of the manufacturing sector remained at around 8% during the review period. Notable is the contribution

⁶ World Bank, World Development Indicators. Viewed at: <http://data.worldbank.org/data-catalog/world-development-indicators>.

⁷ The majority of Solomon Islands' 512,200 inhabitants (as of end-2014) live in small rural communities on 90 islands, dispersed across 1.34 million square kilometres of ocean.

⁸ Government of Solomon Islands (2014).

⁹ IMF (2016).

¹⁰ CBSI (2016a).

¹¹ CBSI (2015).

of the mining sector, which peaked at 4.3% in 2011 (from 0.7% in 2010), but dropped significantly following the closure of the Gold Ridge Mine (Section 4.2.1).

Table 1.2 GDP by sector, 2010-15

(%)

	2010	2011	2012	2013	2014	2015
GDP by sector (2004 prices, percentage change)						
Agriculture, forestry and fishing	14.8	2.3	-0.5	-0.8	7.1	1.4
Agriculture	9.5	8.5	-2.2	-1.4	1.8	-2.2
Forestry	33.7	-10.9	1.1	0.4	15.6	10.1
Fishing	2.1	8.3	2.4	-0.9	9.6	-2.3
Mining	41.2	708.4	0.0	-13.0	-59.0	-50.0
Manufacturing	8.5	2.3	2.1	0.1	3.5	5.4
Electricity and water	75.8	-11.1	-15.0	11.0	8.5	5.4
Construction	-8.1	-16.6	-1.7	10.8	21.9	11.0
Services	6.4	2.5	5.3	7.2	3.6	4.9
Retail and wholesale trade	2.1	0.5	5.2	6.5	7.9	7.0
Hotel and restaurants	25.5	4.9	8.5	8.5	4.3	5.0
Transport and storage	2.1	0.4	5.2	6.5	7.9	4.9
Communication	10.4	6.6	2.3	3.2	2.3	1.9
Financial intermediation	28.0	10.8	15.1	6.5	5.5	4.6
Insurance	28.1	11.0	14.9	6.6	5.5	4.6
Real estate and renting	3.7	3.7	3.7	3.7	3.7	4.2
Owner occupied dwellings	4.0	4.0	4.0	4.0	-0.6	4.5
Business services	8.2	9.5	3.8	5.3	0.0	2.2
Public administration and defence	5.0	-5.9	3.2	11.6	1.2	5.0
Education	1.9	4.6	5.3	15.2	-0.3	9.8
Health	2.4	7.0	1.6	18.9	-0.3	0.0
Other services	2.4	2.4	2.3	2.3	2.4	2.4
Share of sectors in nominal GDP (value added, %)						
Agriculture, forestry and fishing	30.4	29.6	29.3	28.2	28.0	..
Agriculture	18.1	18.2	16.6	16.1	15.9	..
Forestry	9.6	8.4	9.0	9.2	9.6	..
Fishing	2.8	3.0	3.7	2.9	2.5	..
Mining	0.7	4.3	2.7	2.6	0.8	..
Manufacturing	8.3	8.4	7.9	7.3	7.9	..
Electricity and water	2.0	2.0	2.4	2.7	3.2	..
Construction	2.3	2.1	2.4	2.6	3.1	..
Services	56.3	53.5	55.2	56.7	57.0	..
Retail and wholesale trade	13.0	13.1	13.8	13.8	14.7	..
Hotel and restaurants	2.5	2.8	2.7	2.8	2.3	..
Transport and storage	5.5	5.2	5.1	5.0	5.2	..
Communication	2.3	1.3	1.1	1.1	1.0	..
Financial intermediation	2.4	2.5	2.9	2.9	3.1	..
Insurance	1.3	1.4	1.6	1.6	1.7	..
Real estate and renting	5.3	4.9	4.8	5.4	5.3	..
Owner occupied dwellings	2.7	2.5	2.9	3.3	3.2	..
Business services	0.7	0.8	0.8	0.8	0.8	..
Public administration and defence	10.2	9.0	9.2	9.6	9.5	..
Education	4.8	4.6	4.7	5.0	4.8	..
Health	2.0	1.9	2.1	2.2	2.2	..
Other services	3.7	3.4	3.5	3.2	3.3	..

.. Not available.

Source: Solomon Islands National Statistics Office online information; and Central Bank of Solomon Islands online information.

1.8. According to the IMF, medium-term prospects for economic growth are favourable, but risks are tilted to the downside.¹² External risks include slowing growth in Asia and associated lower demand or prices of exports, the impact of the phenomenon El Niño on agricultural production and fish catch, and a steeper than expected withdrawal of foreign aid. Domestic risks include a projected decline in logging activity (although predictions have been overshot many times). Growth could be boosted by persistently low oil prices, and possible spillovers from major infrastructure projects.

¹² IMF (2016).

1.3 Main Macroeconomic Policy Developments

1.9. Monetary policy is the responsibility of the Central Bank of Solomon Islands (CBSI). During the review period, the policy framework was amended to set domestic price stability as the primary objective of the monetary policy, and strengthen the independence of the central bank.¹³ The stability of the financial system is an additional objective subordinated to price stability. The CBSI pursues its objectives through the exchange rate regime, open market operations, and the cash reserve requirement for commercial banks. The monetary policy was mostly accommodative over the review period, in an effort to support economic growth.

1.10. CBSI is also tasked with the responsibility of determining and implementing the exchange rate policy. The broad objectives of the exchange rate policy are to maintain the competitiveness of exports and production for the domestic market, and to protect external reserves. In October 2012, Solomon Islands moved from a US dollar peg to a peg against an invoice-weighted basket of currencies, with the bilateral rate against the US dollar (the main invoicing currency) not allowed to deviate beyond a margin of 1% in either direction from a pre-set base rate.¹⁴ The basket of currencies consisted of the Australian dollar, the British pound sterling, the Japanese yen, the New Zealand dollar, and the US dollar. The weighting structure of the basket is not made public. In September 2014, CBSI decided to remove the operational band around the exchange rate against the US dollar, allowing bilateral exchange rates with currencies within the basket to adjust fully against each other to determine the value of local currency. According to the authorities, the basket-peg regime has worked effectively since the removal of the operational band. In 2015, the Solomon Islands dollar (SI\$) depreciated by 6.8% against the US dollar (the major invoicing currency for its exports), and appreciated against the Australian dollar and the New Zealand dollar.

1.11. Over the review period, the fiscal balance was mostly in surplus, owing mainly to tight controls and reduction of some recurrent spending. Following the flooding in 2014, donor partners were quick to respond by providing the Government with the fiscal space to cushion the revenue shortfall and accommodate high unplanned expenditure pressures. Further contributions came from unexpected increases in revenue from fishing licences, increased budget support and expenditure savings, mostly in the capital budget. As a result, the fiscal balance recorded a surplus equivalent to 1.7% of GDP (Table 1.1). In 2015, it slid into a deficit (against a projected surplus of 5%) due mainly to an increase in government-funded development activities (rural infrastructure and social services). The deficit is expected to widen to 8% of GDP in 2016, as the Government projects an expansionary budget with capital expenditures channelled to rural development, infrastructures, and service sectors. Major projects include the construction of hydropower generation facilities (Section 4.2.2), roads and wharfs, and legislative reforms. The deficit is expected to be financed mainly by the Government's accumulated savings. External funding continues to account for a large share of government resources (15.7% of total revenue in 2014), although it is expected to decline in the medium term.

1.12. A new public financial management law (the Public Financial Management Act 2013) came into force on 1 January 2014. The Act sought to strengthen the framework for the management of public resources through increased transparency, accountability and fiscal monitoring, improved reporting and tighter regulation of procurements. A Debt Management Strategy was endorsed by the Government in 2012 (Section 1.5).

1.4 Main Structural Policy Developments and Challenges

1.13. During the review period, major reforms in the taxation system included the institutional strengthening of the Inland Revenue Division, which resulted in: significant improvements in revenue collection, tax compliance, and auditing; the establishment of a committee dedicated to fiscal exemptions, which aimed to make the process of issuing exemptions more transparent, and reduced the number and value of exemptions granted; and the introduction of a new mining tax regime (Section 4.2.1).

¹³ Central Bank of Solomon Islands Act of 2012.

¹⁴ The base rate (per US\$1) was set at SI\$7.3561 until end-May 2013, and lowered to SI\$7.2833 from June 2013 to March 2014.

1.5 Balance-of-Payments Developments

1.14. The current account improved from a record deficit in 2010 to a surplus of US\$26.4 million in 2012 owing mainly to higher export commodity prices (logs and minerals) (Table 1.3); it swung back to a deficit in 2013 as commodity prices fell and log production declined.¹⁵ In 2014, investment income outflows increased to US\$48.6 million, leading to a further deterioration of the current account. The secondary income is on a worsening trend as donor assistance continued to decline. According to the IMF, the current account deficit is expected to deteriorate further in 2016 and 2017 as lower mineral and log exports are anticipated.¹⁶

Table 1.3 Balance of payments, 2009-15

(US\$ million)

	2009	2010	2011	2012	2013	2014	2015
Current account	-59.5	-143.9	-18.8	26.4	-38.5	-50.3	-17.5
Goods and services balance	-119.8	-232.0	-72.9	-18.6	-139.0	-116.7	-81.7
Trade balance	-74.1	-136.4	-3.4	65.6	-16.8	-4.9	-5.8
Exports	164.9	224.0	419.7	499.7	447.8	455.2	419.9
Imports	239.0	360.3	423.0	434.1	464.6	460.1	425.7
Services balance	-45.7	-95.6	-69.5	-84.2	-122.2	-111.8	-75.9
Credit	59.3	91.9	117.5	119.1	125.7	111.8	101.2
Transport	13.8	32.1	20.2	27.4	29.5	21.3	26.2
Travel	33.4	43.5	57.3	54.1	60.6	55.3	47.4
Debit	105.0	187.5	187.1	203.3	248.0	223.6	177.1
Transport	35.6	44.9	50.2	50.1	62.6	66.0	56.0
Travel	31.8	47.2	64.9	67.9	67.7	64.4	56.6
Primary income	-55.8	-43.9	-73.8	-57.2	3.8	-14.2	-18.2
Credit	13.2	19.1	28.9	33.5	31.3	45.6	51.6
Compensation of employees	2.3	2.8	3.7	5.1	5.4	6.0	5.7
Investment income	5.7	6.0	10.5	15.8	11.8	11.9	9.8
Other primary income	69.1	63.0	102.7	90.6	27.5	59.8	69.8
Debit	69.1	63.0	102.7	90.6	27.5	59.8	69.9
Compensation of employees	4.4	3.4	5.1	6.0	7.7	11.1	11.2
Investment income	64.7	59.6	97.6	84.6	19.8	48.6	58.6
Secondary income	116.2	132.0	128.0	102.2	96.7	80.6	82.4
Credit	151.3	191.3	190.7	149.8	140.7	128.3	142.5
General government	121.1	169.1	164.5	115.2	110.6	99.6	93.8
Personal transfers	10.2	11.4	13.3	15.7	15.3	10.4	12.9
Other current transfers	20.0	10.8	12.9	18.9	14.9	18.4	35.8
Debit	35.1	59.4	62.7	47.6	44.0	47.8	60.1
General government	0.4	1.1	1.0	7.0	6.9	13.0	15.6
Personal transfers	34.7	58.3	61.7	40.6	37.1	34.7	44.5
Capital account	26.8	50.3	71.2	98.2	86.7	70.6	55.2
Financial account	24.6	106.3	-64.9	-88.8	-49.3	-9.4	-31.9
Direct investment balance	45.6	163.6	116.4	21.3	50.4	20.3	17.2
Assets	3.0	2.3	3.7	2.5	3.0	0.7	4.7
Liabilities	48.6	165.9	120.1	23.9	53.4	21.0	21.9
Portfolio investment	-0.0	-2.1	0.1	-1.2	0.1	0.1	-0.7
Assets	0.0	2.1	-0.1	1.2	-0.1	-0.1	0.7
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment	23.8	57.2	-31.7	-29.7	-40.8	-30.2	1.1
Assets	9.9	-1.0	8.5	-4.8	16.0	17.1	-16.2
Debt instruments	9.9	-1.0	8.5	-4.8	16.0	17.1	-16.2
Liabilities	33.7	56.2	-23.2	-34.5	-24.7	-13.1	-15.1
Other equity	0.0	0.0	-0.5	-2.2	-0.6	-1.6	0.0
Special drawing rights	14.5	0.0	0.0	0.0	0.0	0.0	0.0
Other debt instruments	19.3	56.2	-22.7	-32.3	-24.2	-11.5	-15.1
Reserve assets	43.8	111.4	148.6	78.2	57.9	-1.4	48.4
Net errors and omissions	8.1	-12.7	12.4	-35.8	1.1	-11.0	-5.9

Source: IMF, Balance of Payments online information.

¹⁵ CBSI (2014).

¹⁶ IMF (2016).

1.15. The level of the central government debt in Solomon Islands has been on a downward trend, and is among one of the lowest in the region. Central government debt declined from about 60% in 2005 to 17.6% as at end-2012, owing mainly to the implementation of the Honiara Club Agreement, which prohibited new borrowing by the Government.¹⁷ In 2015, the Government undertook a one-off advance repayment of SI\$136 million on domestic debt and a SI\$51 million repayment to external creditors, bringing the debt-to-GDP ratio to 10.4 of GDP as at end-2015.¹⁸ External debt is largely owed to multilateral creditors, and domestic debt is mainly related to special securities and treasury bills. In 2012, the Government adopted a new Debt Management Framework which, *inter alia*, relaxed the no borrowing regime under the Honiara Club Agreement and provided scope for concessional borrowing for large infrastructure investments.¹⁹ Under the new debt management strategy, the Government sets a debt limit with the goal of keeping the borrowing level below 30% of GDP. The ceiling is revised on a yearly basis and covers all external government borrowing, external and domestic borrowing by state-owned enterprises, and government guarantees. The limit was set at SI\$300 million for 2016.

1.16. Solomon Islands' foreign reserves position remained at a comfortable level during the review period.²⁰ As at end-December 2015, the gross official reserves level was equivalent to 10.1 months of imports (Table 1.1), well above the IMF's reserve adequacy metrics of 5.5 months. According to IMF projections, the reserves level will continue strengthening to reach US\$580 million by end-December 2017.²¹

1.6 Trade Performance

1.17. The ratio of Solomon Islands' trade in goods and services to GDP declined from around 130% in 2010 to 99% in 2015, as economic growth outpaced trade, especially imports growth: imports as a share of GDP fell from 81.6% in 2010 to 53.3% in 2015 (Table 1.1).

1.18. Merchandise exports continue to be heavily concentrated in a few items. Based on data from the Central Bank of Solomon Islands (CBSI)²², logs accounted for about two thirds of total exports in 2015 (Table A1.1). However, the actual ratio might be higher as there are large discrepancies between officially recorded log exports and imports as reported by some trading partners. For instance, according to statistics from UN Comtrade, Solomon Islands' total exports of rough wood (HS code 4403) were worth US\$146.6 million in 2015. However, imports of the same product from Solomon Islands as reported by China were valued at US\$441 million.²³ Other major export commodities include fish, and palm oil and kernels, accounting respectively for 11.5% and 6.3% of total exports in 2015. One key development during the review period was the entry into production of the Gold Ridge Mine in 2011, which boosted exports by 86% to US\$415.3 million in the same year. The share of minerals in total exports peaked at 23.3% in 2012 before dropping to 6.3% in 2014 as the mine closed following flooding in April 2014.

1.19. The structure of merchandise imports was broadly unchanged during the review period. Machinery and transport equipment, food and live animals, and mineral fuels are the top categories of imported products (Table A1.2). The share of machinery and transport equipment in total imports declined to 33.8% in 2015, while that of mineral fuels increased to 20.1% (after a peak of 26.5% in 2013).

¹⁷ IMF (2016).

¹⁸ CBSI (2016b).

¹⁹ In addition to the debt management strategy, the Debt Management Framework included a borrowing policy for state-owned enterprises, an on-lending policy, and a guarantee policy.

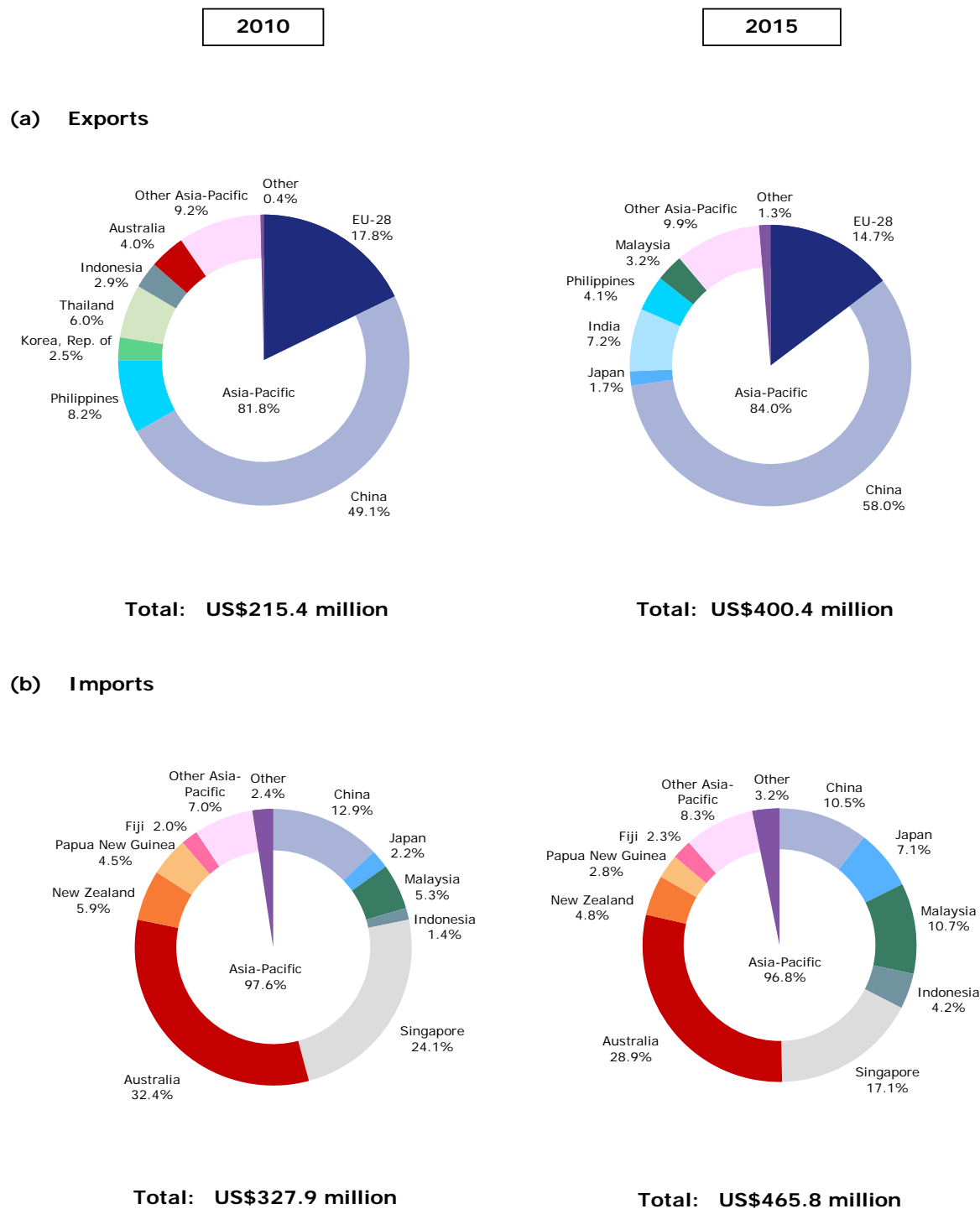
²⁰ The monetary policy objective is to maintain foreign reserves at a level equivalent to 3 months of import cover.

²¹ IMF (2016).

²² Due to differences in the level of detail in trade data, data from the Central Bank of Solomon Islands has been used for the analysis of trade by products, and data from the UN Comtrade database has been used for the analysis of trade by partners. Both datasets are different for many reasons (including the coverage, the time of recording and the method of valuation), but complement each other in providing a better picture of Solomon Islands' trade patterns. Totals are of the same magnitude (Tables A1.1 and A1.2).

²³ UN Comtrade database. Viewed at: <http://comtrade.un.org/db/default.aspx>.

Chart 1.1 Direction of merchandise trade, 2010-15



Source: UNSD Comtrade database.

1.20. The direction of merchandise trade remains oriented towards Asia. China is the major market for merchandise exports, accounting for 58.0% of exports in 2015, compared to 49.1% in 2010 (Chart 1.1 and Table A1.3). Logs account for the bulk of exports to China. During the review period, the share of European markets (mainly EFTA countries) declined. Australia and Singapore are the two major suppliers for imports in Solomon Islands, accounting respectively for 28.9% and 17.1% of total imports in 2015 (Chart 1.1 and Table A1.4). However, imports from Australia and Singapore (mostly trans-shipments) as a share of total imports declined during the review period, while those from Malaysia and Japan increased.

1.7 Foreign Direct Investment

1.21. FDI flows in Solomon Islands have been relatively low and on a declining trend. According to UNCTAD's 2015 World Investment Report²⁴, FDI inflows were US\$24 million in 2014, down from US\$238 million in 2010. FDI stock was estimated at US\$781 million in 2014, compared to an estimate of US\$106 million in 2000. Outward FDI flows are marginal. The main sources of FDI inflows are Australia, Malaysia and China, with the main investment sectors being other services, forestry, wholesale, mining, tourism, fisheries, transport/communication and construction.

1.22. In 2015, the Foreign Investment Division (Section 2.4) received FDI applications covering about SI\$1.4 billion worth of investment.²⁵ Wholesale and retail was the leading sector, accounting for 38% of the projected investment, followed by the other services sector (26%), mining and tourism.

²⁴ UNCTAD (2015).

²⁵ CBSI (2016b), Vol. 28, No. 4.

2 TRADE AND INVESTMENT REGIME

2.1 General Framework

2.1. Solomon Islands is a constitutional monarchy with the British Sovereign, represented by a Governor-General, as the Head of State. The Governor-General must be a Solomon Islands' citizen and is elected by Parliament. The executive follows a Westminster-style system led by the Prime Minister who is chosen from and by the Parliament. The cabinet is chosen by the Prime Minister and holds executive power.

2.2. Solomon Islands has a unicameral parliament. The National Parliament, empowered by the Constitution, is the law-making body of the country. Once a bill is passed by Parliament, it requires the assent of the Governor-General to become a law (Acts of Parliament). Gazette notification is required for any law to enter into operation.

2.3. The number of seats in Parliament is 50; this implies that Solomon Islands is divided into 50 single-member constituencies. General elections are held at least every four years, on the basis of universal adult suffrage.¹ The last election was held in 2014. Since there are no established political parties as such, the Government has been characterized by fragile short-lived coalitions; and changes in the prime ministership have become frequent. The next general election is due by the end of 2018, by which time the Government hopes to have replaced the existing first-past-the-post voting system with one that provides for a parliament more representative of the diverse population.

2.4. The Judiciary is independent of the executive and the legislature. The judicial system in Solomon Islands is based on English Common Law. The Court of Appeal, consisting of three judges, is the final level of judiciary. Below the Court of Appeal is the High Court followed by magistrate and local courts. Decisions (judgements) by the court of appeal are upheld in the High Court and magistrate courts. Both the High Court and magistrate courts deal with civil and criminal cases. Local courts are primarily responsible for handling matters of land. There is also a statutory trade dispute panel.

2.5. The Constitution of 1978 is Solomon Islands' supreme law. Any law that is not consistent with the Constitution is void to the extent of its inconsistency. International agreements must be incorporated into domestic legislation. Therefore, WTO provisions may only be invoked directly before national courts to the extent that they have been incorporated into domestic law. International treaties and conventions, including multilateral and regional trade agreements, are the responsibility of the Ministry of Foreign Affairs and External Trade, under the supervision of the Office of the Prime Minister and Cabinet. International agreements are incorporated into domestic law through legislation passed by National Parliament. In the vast majority of cases, this requires amendment of existing domestic law or enactment of new legislation.

2.6. Solomon Islands has nine provinces: Central; Choiseul (Lauru); Guadalcanal; Isabel; Makira; Malaita; Rennell and Bellona; Temotu; and Western; and the separate administrative centre of Honiara. Each province is governed by an elected provincial assembly and a provincial government. Provinces have limited taxation powers, and rely heavily on grants from the national government. While the provincial assemblies and governments have no power to make laws affecting the international obligations of Solomon Islands, their legislative or executive actions, e.g. regulating services, can have trade policy implications. In case of conflict, Acts of Parliament prevail over provincial legislation.

2.7. Solomon Islands' politics has been characterized by fluid coalitions of parties and independents, and political stability remains a challenge. A Constitutional Reform Unit under the Office of the Prime Minister and Cabinet, established in 2008, recommended the establishment of a

¹ Parliament can be dissolved at any time by a resolution supported by the votes of an absolute majority of the Members of the Parliament. A general election is required within four months of dissolution.

federal system with more powers and authority delegated to the provinces.² However, this has not yet been implemented.

2.8. Constituency development funds (CDF) are provided to Members of Parliament to spend within their constituency for the purpose of helping constituents. The management and administration of CDFs is done through the Ministry of Rural Development and the 50 Constituency Offices. However, fund administration is haphazard with few rules governing spending, and constituency funds are frequently used as a tool for rewarding the political supporters rather than as a means of developing constituencies. It has been frequently argued that CDFs have a negative impact on accountability and service delivery that Solomon Islands can ill afford.³ In 2013, the Constituency Development Funds Act was amended to enhance transparency and accountability in the management of CDFs. The authorities indicate that additional legislative changes on CDFs are under preparation with a view to improving their governance. The 2015 budget for CDF-related expenditures was SI\$386 million.

2.2 Trade Policy Objectives and Formulation

2.9. The National Development Strategy 2016-2035 is Solomon Islands' long-term economic policy document.⁴ The main policy objectives laid down in the Strategy are inclusive development and poverty alleviation. These are to be achieved through macroeconomic stability, containment of population growth, and targeted social spending. The sources of growth are to be diversified, away from logging towards priority sectors such as mining, fishing, and tourism. Trade should increase by addressing supply-side constraints and taking advantage of opportunities in existing international agreements. Improving the environment for business, trade and private sector-led growth is also a key priority.

2.10. Solomon Islands adopted its first formal trade policy framework in 2015, with a view to mainstreaming trade into the National Development Strategy and improving the medium- to long-term performance of Solomon Islands in the areas of trade and foreign direct investment.⁵

2.11. International trade matters fall within the responsibility of the Ministry of Foreign Affairs and External Trade. Trade policies are usually formulated through inter-ministerial consultations; the ultimate policy decision is vested with the Cabinet. Other institutions involved in trade policy formulation and implementation include: the Ministry of Commerce, Industry, Labour and Immigration (MCILI), the Ministry of Finance and Treasury (MoFT), the Ministry of Fisheries and Marine Resources (MFMR), the Ministry of Infrastructure and Development (MID), the Ministry of Forestry and Research (MFR), the Ministry of Agriculture and Livestock (MAL), the Ministry of Mines, Energy and Rural Electrification (MMERE), the Ministry of Education and Human Resource Development (MEHRD), the Ministry of Culture and Tourism (MCT), and the Central Bank of Solomon Islands.

2.12. Consultations with civil society take place in a regular manner. The National Trade Development Council (NDTC), a cross-government initiative chaired by the Minister of Foreign Affairs and External Trade, provides a formal forum to discuss trade matters and meets four times a year. The Government's most important partners include: the Solomon Islands Chamber of Commerce and Industry (SICCI), the Association of Solomon Islands Manufacturers (ASIM), the Pacific Islands Private Sector Organisation (PIPSO), trade unions, producers' associations, academia, and regional networks.

² Additional information on the Constitutional Reform Program is available under <http://www.sicr.gov.sb/>.

³ For example: Van Zyl, Albert, *What is wrong with the Constituency Development Funds?* Viewed at: <http://www.internationalbudget.org/publications/brief10/> [23 February 2016]; and Haque, Tobias, *Policy not cultural reform needed for development in the Solomon Islands*. Viewed at: <http://devpolicy.org/policy-not-cultural-reform-needed-for-development-in-the-solomon-islands20120618/> [23 February 2016].

⁴ Solomon Islands Government (2016), *National Development Strategy 2016-35*. This Strategy replaces the National Development Strategy 2011-2020.

⁵ Ministry of Foreign Affairs and External Trade (2015).

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.13. Solomon Islands became a Member of the WTO on 26 July 1996.⁶ In 2012, Solomon Islands opened a permanent mission in Geneva. Solomon Islands accords at least MFN treatment to all, including non-WTO, trading partners.

2.14. Solomon Islands' authorities state that their interest in the multilateral trading system is limited. The market access gains from WTO negotiations are considered to be minimal as most of its exports already receive duty-free access either on an MFN basis or under regional and unilateral preference programmes. Interest in WTO issues could increase, however, with Solomon Islands' graduation from LDC status. The authorities are aware of Solomon Islands' WTO commitments, although many remain to be implemented (Section 3).

2.15. At the 2013 Ministerial Conference in Bali, Solomon Islands urged for the "Bali Package" to be delivered.⁷ At the 2015 Ministerial Conference in Nairobi, Solomon Islands called on all Members to deliver on the Doha Round as a matter of priority and to first and foremost address outstanding development issues. In addition, putting in place disciplines on fisheries subsidies was of particular interest to Solomon Islands.⁸

2.16. Solomon Islands is not an active participant in the DDA negotiations and has not submitted any proposals since its last TPR. However, Solomon Islands is one of the proponents of the Work Programme on Small Economies, and joined other small, vulnerable economies (SVEs) in co-sponsoring a number of proposals in the negotiations between 2005 and 2007.⁹

2.17. Solomon Islands is not a signatory to any of the WTO plurilateral trade agreements. It has yet to ratify the Trade Facilitation Agreement. Solomon Islands has never invoked the dispute settlement provisions of the WTO, no complaints have been brought against it, and it has not exercised its right to participate as a third party in any dispute.

2.18. In February 2016, Solomon Islands notified its category A commitments under the Trade Facilitation Agreement.¹⁰ However, between 2009 and July 2016, Solomon Islands did not submit any other notifications to the WTO. Before 2009, Solomon Islands made three notifications, including joint notifications: under the Agreement on Sanitary and Phytosanitary Measures (SPS), the authorities notified Solomon Islands' enquiry point¹¹; under the provisions of the Enabling Clause, Solomon Islands, jointly with Fiji, Papua New Guinea, and Tonga, notified the Pacific Island Countries Trade Agreement (PICTA), in September 2008¹²; and Solomon Islands was a party to a notification made by Papua New Guinea in 1999 with regard to the Melanesian Spearhead Group (MSG) Trade Agreement.¹³

2.19. Solomon Islands has bound 100% of its tariffs (Section 3.1.4.2). It undertook both horizontal and sector-specific commitments under the GATS, but has not submitted a services offer in the context of the DDA negotiations.

2.20. Between January 2010 and December 2015, Solomon Islands participated in 59 technical assistance activities undertaken by the WTO Secretariat, including regional seminars and

⁶ It was a *de facto* GATT contracting party following its independence in 1978, due to its past protectorate status with the United Kingdom.

⁷ WTO document WT/MIN(13)/ST/20, 4 December 2013.

⁸ WTO document WT/MIN(15)/ST/94, 5 January 2016.

⁹ In the rules negotiations, Solomon Islands co-sponsored two SVEs submissions seeking appropriate special and differential treatment in any disciplines on fisheries subsidies (WTO documents TN/RL/GEN/57/Rev.2, 13 September 2005; and TN/RL/W/210/Rev.2, 22 June 2007). In the trade facilitation negotiations, Solomon Islands co-sponsored a proposal that seeks to allow SVEs that are members of a customs union or RTA to establish enquiry points at the regional level (WTO document TN/TF/W/129/Rev.1, 21 July 2006).

¹⁰ WTO document WT/PCTF/N/SLB/1, 29 February 2016.

¹¹ WTO document G/SPS/ENQ/12, 4 July 2001.

¹² WTO document WT/COMTD/N/29, 17 September 2008.

¹³ WTO document WT/COMTD/N/9, 7 October 1999.

workshops, e-learning courses, Geneva-based trade policy courses, and national training activities on specific topics.

2.3.2 Regional and preferential agreements

2.21. Solomon Islands does not have any bilateral trade agreements. It is, however, party to several regional trade and economic cooperation arrangements: the Pacific Islands Forum, the Pacific Agreement on Closer Economic Relations, the South Pacific Regional Trade and Economic Cooperation Agreement, the Melanesian Spearhead Group Trade Agreement and the Pacific Island Countries Trade Agreement.

2.3.2.1 Pacific Islands Forum

2.22. Solomon Islands is a member of the Pacific Islands Forum (PIF). The Forum, founded in 1971, is a political and economic policy organization in the South Pacific; it comprises 16 independent and self-governing states.¹⁴ Forum leaders meet annually; at the most recent Forum, in September 2015, the parties renewed their commitment to the PACER Plus negotiations (see below) as an instrument for promoting regional integration in the Pacific. The Forum trade ministers also meet on a regular basis.

2.23. Regional cooperation and integration efforts by Forum members are pursued on the basis of the Pacific Plan, which was first formulated in 2005 and reviewed in 2013. The PIF *per se* does not provide for the granting of trade preferences, but two regional integration processes which do provide for such preferences, namely PICTA and PACER (see below), were initiated under the auspices of the PIF.

2.3.2.2 Melanesian Spearhead Group Trade Agreement

2.24. The Melanesian Spearhead Group (MSG) is composed of Fiji, Papua New Guinea, Solomon Islands, Vanuatu, and a representative of the Kanak Socialist National Liberation Front of New Caledonia. The initial MSG Trade Agreement covered duty-free entry of some 180 tariff lines, but was undermined by frequent exemptions and import bans. It was notified to the WTO by Papua New Guinea in 1999.¹⁵

2.25. The revised version of this agreement, the MSGTA2 (2005), established a free trade agreement among members. Tariffs were to be eliminated on all products exported from other parties with the exception of individual members' negative lists. A labour movement scheme entered into force in September 2012. Negotiations on MSGTA3 started in 2013 and centred on labour mobility, services, and investment. They were concluded in May 2016, but as at July 2016 MSGTA3 has not been signed.

2.26. The authorities indicate that, as of 2017, Solomon Islands will provide tariff-free access to all but a few exempt products (alcoholic beverages, tobacco, mineral fuels, and sugar), while products from Solomon Islands are expected to have tariff-free access to the other MSG countries.

2.3.2.3 SPARTECA

2.27. Solomon Islands takes part in the South Pacific Regional Trade and Economic Cooperation Agreement, which entered into force for most members in 1981. SPARTECA is a non-reciprocal trade agreement under which Australia and New Zealand offer duty-free and quota-free market

¹⁴ Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. New Caledonia, French Polynesia, and Tokelau were granted associate membership. Current Forum observers include Wallis and Futuna (2006), the Commonwealth (2006), the Asian Development Bank (2006), the Western and Central Pacific Fisheries Commission (2007), the World Bank (2010), the ACP Group (2011), American Samoa (2011), Guam (2011), the Commonwealth of the Northern Marianas (2011), and the International Organization for Migration (2014). Timor Leste is a special observer (2002).

¹⁵ WTO document WT/COMTD/N/9, 7 October 1999.

access for products from 13 Forum Island economies.¹⁶ The agreement also includes provisions for economic and technical cooperation, and safeguard provisions relating to dumped and subsidized goods and suspension of obligations. In general, rules of origin require at least 50% of the product's total factory cost to be from the SPARTECA parties.

2.3.2.4 PICTA

2.28. The Pacific Island Countries Trade Agreement (PICTA) seeks to gradually establish a free-trade area among 14 of the Forum Island economies.¹⁷ The PICTA covers trade in goods, but excludes trade in alcohol and tobacco products. Under the agreement, which was signed in 2001, Solomon Islands has made reciprocal commitments on trade in goods. Apart from 16 products (78 tariff lines) on its negative list, it is obliged to eliminate tariffs on products from other Forum Island economies by 2021. The Agreement was notified to the WTO in September 2008 under the provisions of the Enabling Clause.¹⁸

2.29. Negotiations of the PICTA Trade in Services Protocol (PICTA TIS) were completed in 2012. Twelve of the fourteen Forum Island Countries have signed, but the Protocol has not yet entered into force. Solomon Islands has signed, but is yet to ratify the Protocol. When the Protocol enters into force, it will provide for preferential trade in services among the parties, albeit on a fairly narrow range, in the area of professional, telecommunications, construction, financial, tourism and transportation services, and with expansive safeguards provisions. The negotiations initially included a scheme for regional labour mobility, but the issue was not included in the final Protocol.

2.3.2.5 PACER

2.30. The Pacific Agreement on Closer Economic Relations (PACER) is an umbrella agreement between members of the Pacific Islands Forum which entered into force in 2002 and provides a framework for the development of trade cooperation and gradual integration. It does not contain substantive trade liberalization provisions; rather it is intended to provide "stepping stones" to allow the Forum Island economies to gradually become part of a single regional market.

2.31. PACER Plus is the proposed free trade agreement between the Forum Island economies and Australia and New Zealand. Negotiations were launched in August 2009. PACER Plus is expected to subsume SPARTECA once a Forum-wide free-trade agreement is in place. Negotiations were expected to conclude by June 2016, but a number of issues remained open.

2.3.3 Other agreements and arrangements

2.32. Solomon Islands, along with other countries of the South Pacific region, continues to negotiate an Economic Partnership Agreement with the EU. However, negotiations have been stagnating since 2012. An interim Economic Partnership Agreement entered into force with Fiji and Papua New Guinea, but has not been signed by Solomon Islands.

2.33. Solomon Islands is eligible for the Generalized System of Preferences (GSP) schemes of most developed Members of the WTO. However, many are barely used, mostly due to the composition of its exports, which are MFN duty-free in some markets or attract low MFN duties.

2.4 Investment Regime

2.34. The Government recognizes that FDI can make an important contribution to economic development, most notably by increasing productivity and contributing to local employment. It encourages foreign investors "whose development proposals are strategic and align to its national

¹⁶ Forum Island economies are: Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

¹⁷ So far, 12 islands have signed the agreement: Cook Islands, Fiji, Kiribati, Micronesia, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

¹⁸ WTO document WT/COMTD/N/29, 17 September 2008.

aims and objectives with respect to the environment and social structure"¹⁹. An investment policy document is under preparation.

2.35. Several pieces of legislation make up Solomon Islands' legal framework for foreign and domestic investment: the Foreign Investment Act 2005 (amended in 2009), the Foreign Investment Regulations 2006, the Foreign Investment (Amendment and Validation) Act 2009, the Companies Act 2009, and the Companies Act Regulations 2010. Additional provisions are laid down in sector-specific legislation.

2.36. All foreign investment must be registered. Prospective investors must apply to the Registrar of Investment²⁰ and pay the lodgement fee of SI\$200. The Registrar will review the application to ensure that the planned investment does not fall under prohibited or reserved activities (see below). FDI projects are assessed, encouraged and positively considered if they can be expected to generate the following outcomes: strengthening the technical and marketing expertise of the private sector; maximizing the use of local raw materials; promoting export and import substitutes; creating employment and providing training to local people; integrating or transferring knowledge and technology to the country's economic system. The authorities indicate that no requests by prospective investors have been denied since 2009. The authorities indicate that online registration of FDI is expected to be operational by end-2016.

2.37. The Registrar is required to issue a certificate of registration (Foreign Investment Certificate) within five days of receipt of the application. Immediately after receiving the Foreign Investment Certificate, the investor must incorporate a company in Solomon Islands. The Registrar may cancel a certificate of registration on certain grounds, including in the event that a foreign investor has not commenced an investment activity within twelve months of receiving the certification of registration.

2.38. Pursuant to the Foreign Investment Regulations, 14 activities are reserved for Solomon Islands nationals: 1) cultivating plant crops exclusively for sale on the domestic market; 2) timber milling operations producing not more than 2,500 m³ of sawn timber per year; 3) retail trading of household goods and services on premises with an area of less than 200 m²; 4) producing handicrafts and cultural artefacts; 5) operating buses, taxis and hire car services; 6) breeding of livestock for sale on the domestic market; 7) gathering of wild forest products for sale on the domestic market; 8) offering laundry services without being part of a hotel; 9) operating restaurants, cafes and other eating and drinking businesses other than speciality businesses, and operating within an area of less than 25 m²; 10) market vending and operating roadside stalls; 11) domestic help services; 12) static guarding services for offices and domestic dwellings with employment of less than 20 employees; 13) office and lawn cleaning services not associated with hotels; and 14) working as a customs clearing agent.

2.39. The Foreign Investment Division in the Ministry of Commerce, Industry, Labour and Immigration (MCILI) is Solomon Islands' *de facto* investment promotion agency. Its responsibilities include promoting and facilitating foreign investment. The authorities indicate that the Foreign Investment (Amendment and Validation) Act 2009 helped streamline the investment approval process. Nevertheless, the Government is aware of a number of obstacles to increasing investment.²¹ These include: political instability, high cost of doing business, poor infrastructure, high tax rates, problems relating to land ownership and registration, inconsistencies between different pieces of legislation, distance from markets, and lack of knowledge about investment opportunities in Solomon Islands.

2.40. A licence is required to carry on a business in Solomon Islands. Business licences are granted by provincial governments for a fee. Under the Companies Act, businesses may incorporate to form a limited company. Incorporation is effective from the date specified in the certificate of incorporation, which is issued by the Registrar of Companies in Honiara upon registration of the company's memorandum of association. Prior to registration of the company,

¹⁹ Foreign Investment Division online information, "Investment Policy". Viewed at: <http://www.investsolomons.gov.sb/Policy.html> [29 February 2016].

²⁰ The Registrar is the *ex officio* Director of the Foreign Investment Division of the Ministry of Commerce, Industry, Labour and Immigration, and is accountable to the Minister in charge of this Ministry.

²¹ Ministry of Foreign Affairs and External Trade (2015).

the Minister of Commerce, Industry, Labour and Immigration must approve the company name. There is no minimum capital requirement. Companies incorporated under the Companies Act must have a registered office in Solomon Islands. There are no nationality or residency requirements for company directors. It takes around 14 days to set up a limited liability company in Solomon Islands. It involves seven steps and costs SI\$4,450.²²

2.41. A number of incentives are available to foreign and domestic investors. Most importantly, the Customs and Excise Act provides for exemption from customs duties on imported capital goods (machines, buildings and equipment).

2.42. The Foreign Investment Act mandates that disputes with foreign investors be settled under the law of Solomon Islands. There are no maximum foreign ownership limits pertaining to foreign investment. No restrictions are placed on remittances of dividends, profits, and other earnings (net of tax) of non-residents. However, approval from the Central Bank is required. The tax rate on profits is 35%.

2.43. Challenges to domestic and foreign investment include high operational costs and infrastructure deficits, many of which are related to the fact that Solomon Islands is both a small and remote island country.²³

2.44. Most land in Solomon Islands is held communally, which makes it difficult to establish clear titles on land ownership. Investors are confronted with both the difficulty of identifying land owners and, once a land transaction has been sealed, security of the land title. Moreover, the Land and Titles Act establishes that foreign nationals and foreign-owned companies may not purchase land, but may lease it from government or land-holding groups. Lease contracts can be renewed.

2.45. Solomon Islands ranks 87th on the World Bank's Ease of Doing Business Index in 2015, down from 85th in 2009.

2.46. In 2015, the Government commenced the development of a comprehensive National Anti-Corruption Strategy, the drafting of anticorruption legislation, and the establishment of an Independent Commission against Corruption. An Anti-Corruption Bill was debated in Parliament in April 2016, but has not yet been passed.

2.47. The Government has undertaken efforts to improve the general business and investment climate in recent years, including measures to facilitate investment in land-based activities in a manner consistent with continued customary ownership of land.

2.48. Solomon Islands does not have any double taxation agreements, nor does it have any bilateral investment promotion and protection treaties. It is, however, negotiating a bilateral investment treaty with Papua New Guinea and an investment chapter as part of the PACER Plus negotiations.

²² World Bank, Doing Business data. Viewed at: <http://www.doingbusiness.org/data/exploreconomies/solomon-islands/starting-a-business/> [4 March 2016]. Data collection for the survey was completed by June 2015.

²³ Winters, L. Alan, and Martins, Pedro M.G. (2004).

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures and requirements

3.1. The Customs and Excise Act 2002 (as amended) provides the legislative basis for customs procedures and the imposition of duties on imports and exports. The authorities indicate that a new Customs Act is under preparation; introduction to Parliament is expected for early 2017. Customs policy is implemented by the Customs and Excise Division of the Ministry of Finance and Treasury. There are six customs offices throughout the country, including offices in Gizo and Noro.

3.2. There are no registration requirements for importers who already have a tax identification number (TIN) from the Inland Revenue Division of the Ministry of Finance and Treasury. Importers without a TIN must register with Customs, which automatically assigns to them a "customs client number". No policy is in place to establish a scheme of authorized operators.

3.3. Imports must be reported to customs by lodging a cargo manifest, the bill of lading or airway bill, the commercial invoice, and a customs declaration. Additional information is required when imported goods are subject to licensing (Section 3.1.6).

3.4. In January 2015, Customs migrated to ASYCUDA World. All customs declarations must be submitted electronically. There is a SI\$10 fee for every submitted declaration; an increase to SI\$50 is planned. All carriers are required to provide a report of all the cargo carried aboard to Customs, through ASYCUDA World, in advance of the arrival of a ship or aircraft. The use of a customs agent is mandatory. However, companies can be allowed to do their own customs declaration after having undergone ASYCUDA training. Solomon Islands does not require pre-shipment inspection.

3.5. In the absence of complete information, imports may be allowed provisionally into Solomon Islands following payment of import duty and a surcharge not exceeding 50% of the duty. The surcharge is reimbursed if the information is presented within six months of importation.

3.6. The Customs and Excise Division maintains an electronic risk management system to identify high-risk shipments. Under these procedures, importers are assigned to one of three risk levels, based on past performance with respect to customs clearance and other criteria. Importers' risk status is reviewed every three months. The level of risk is also determined by the type of product in a shipment: chemicals, explosives, film, electrical goods other than from Australia and the United Kingdom, video tapes, motor vehicles, and household effects are classified as high risk, while live animals and plants, animal and plant products, noodles, tobacco, beverages and spirits are considered medium risk.

3.7. Shipments classified as high risk are subject to physical examination and documentary review, while medium-risk shipments have a 50% chance of being subject to documentary review; physical examinations of medium-risk shipments are carried out occasionally. Low-risk shipments are not subject to physical examination or documentary review, unless randomly selected. According to the risk management profiling procedures, 5% of low-risk shipments are randomly selected for further inspection. The authorities indicate that clearance usually takes between one and three days.

3.8. The Customs and Excise Division may conduct post-entry audits up to three years after importation. In fact, however, such audits are rare.

3.9. Decisions by Customs may be challenged administratively or judicially. Valuation is the most frequent matter of dispute. Although there is currently no formal process for administrative challenges (one is supposed to be included in the new legislation), the authorities indicate that importers may lodge complaints with the Comptroller of Customs or the Minister of Finance and Treasury. Data on such challenges are not recorded.

3.10. As at June 2016, Solomon Islands has not ratified the Trade Facilitation Agreement. In December 2014, Solomon Islands benefitted from a WTO seminar to assess its needs with regards to trade facilitation and help determine its category A commitments. Solomon Islands submitted its category A commitments in February 2016.¹

3.1.2 Customs valuation

3.11. The Customs Valuation Act 2009, the Customs Valuation (Amendment) Act 2010, and the Customs Valuation Regulations 2010 have been passed to give effect to the WTO Customs Valuation Agreement. The authorities have indicated their intention to notify Solomon Islands' customs valuation rules.

3.12. The dutiable value of all imports is the sum of the purchase cost and all expenses incurred for transport, insurance and freight up to the point of entry into Solomon Islands. Importers and exporters are required to keep proper records of all transactions, including all supporting documentation, for at least five years. In principle, the primary method of valuation is the transaction value of the imported goods; when necessary, recourse to alternative methods follows the hierarchy set out in the WTO Customs Valuation Agreement.

3.13. In practice, reference prices are still applied for a large number of goods. These include: numerous consumer goods², electrical hardware, vehicles and automotive products, boats and parts thereof, and containers. The authorities indicate that under-invoicing is particularly frequent for equipment imports in the logging industry.

3.1.3 Rules of origin

3.14. Solomon Islands does not maintain non-preferential rules of origin. As a party to the MSG Trade Agreement and the PICTA, Solomon Islands applies preferential rules of origin. The rules have not been notified to the Secretariat.

3.15. Goods containing inputs from non-MSG countries qualify for MSG preferences if they have been "sufficiently worked or processed". This criterion is met when the goods are classified under a different four-digit tariff heading from their non-MSG inputs.

3.16. Under PICTA, goods containing non-PICTA inputs must have been "substantially transformed" to qualify for preferential treatment. Substantial transformation occurs when the final manufacturing process occurs in the exporting PICTA country, with at least 40% of material, labour, and overhead costs incurred in that country.

3.17. To qualify for preferential treatment, importers must submit to Customs a certificate of origin issued by the competent authority of the exporting country.

3.1.4 Tariffs

3.1.4.1 Applied MFN tariffs

3.18. Solomon Islands grants at least MFN tariff treatment to all its trading partners.

¹ WTO document WT/PCTF/N/SLB/1, 29 February 2016.

² Baskets, backpacks, canned fish, carpets, playing cards, plastic chairs, chicken wings and cuts, cooking oil, corn beef, cups and plates, diapers, disinfectants, exercise books, fish hooks, fishing lines and nets, fly spray, guitars, chewing gum, gum boots, hair dye, insect control, jam, juice, kitchen utensils, lamps, lighters, lunch boxes, machetes, margarine, matches, milk, milk powder, mosquito coils, mushrooms, noodles, peanuts, peanut butter, pens, pencils, photocopy paper, plastic containers, potato chips, pots, rat traps, reading glasses, rulers, safety boots, salt, sardines, sauces, scissors, sealing machines, shampoo, shavers, shoes, shoe polish, sleeping mats, snacks, soaps, soft drinks, staples, steel-wool, straws, sugar, suitcases, sunglasses, toilet paper, tooth brushes, tooth paste, tuna, umbrellas, washing powder, watches, drinking water, whiteboards, yeast.

3.19. The tariff schedule is contained in the First Schedule to the Customs and Excise Act, and specifies only MFN rates. Cabinet must approve modifications to the tariff schedule, including rates, before the Minister of Finance and Treasury issues an order to that effect.³ The latest amendment to the tariff schedule became effective in September 2014.

3.20. The tariff schedule comprises 5,512 tariff lines at the eight-digit level (Table 3.1). The tariff nomenclature is based on the Harmonized Commodity Description and Coding System (HS 2012). Non-*ad valorem* tariff rates are applied on 1.7% of all tariff lines, including wine, spirits, fuels, explosives, cinematographic film, video tapes, and goods subject to excise tax (Section 3.1.5 below). The simple average applied MFN rate increased slightly during the review period, from 9.1% in 2009 to 9.3% in 2016. Solomon Islands does not apply seasonal or variable tariffs, or tariff quotas.

Table 3.1 Tariff structure, 2009-15

(%, unless otherwise indicated)

	MFN applied			Final bound ^a
	2009	2015	2015 (including AVEs)	
Bound tariff lines (% of all tariff lines)	100.0	100.0	100.0	100.0
Simple average rate	9.1	9.2	9.3	79.3
WTO agricultural products	9.3	9.4	10.1	72.0
WTO non-agricultural products	9.1	9.2	9.1	80.4
Duty-free tariff lines (% of all tariff lines)	0.6	1.0	1.0	0.0
Tariff quotas (% of all tariff lines)	0.0	0.0	0.0	0.0
Non- <i>ad valorem</i> tariffs (% of all tariff lines)	1.3	1.7	1.7	2.3
Domestic tariff "peaks" (% of all tariff lines) ^b	0.0	0.0	0.2	0.0
International tariff "peaks" (% of all tariff lines) ^c	0.0	0.1	0.3	95.0
Coefficient of variation	0.2	0.2	0.4	0.2
Nuisance applied rates (% of all tariff lines) ^d	0.0	0.0	0.0	0.0
Total number of tariff lines provided	5,496	5,512	5,512	5,512
<i>Ad valorem</i> rates	5,391	5,362	5,362	5,386
Duty-free rates	33	56	56	0
Specific	72	94	94	110
Alternate rates	0	0	0	16

a Based on 2015 tariff schedule.

b Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.

c International tariff peaks are defined as those exceeding 15%.

d Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: 2009 tariff is based on HS02 nomenclature; 2015 is based on HS12.
2015 figures including AVEs are based on 2014 import values and volumes taken from ITC Trade Map online information.

Out of 94 specific rates 27 AVEs could be calculated. Figures for final bound rates exclude specific rates and include the *ad valorem* part of alternate rates.

Source: WTO Secretariat calculations, based on data received by the authorities.

3.21. The coefficient of variation is 0.2, reflecting a large degree of uniformity among rates (Table 3.2). The average applied tariff for agriculture (WTO definition) is 10.1%, slightly higher than the average for non-agriculture (9.1%). These estimates exclude 67 non-*ad valorem* rates, because no data were available to calculate their *ad valorem* equivalents. Average tariffs are lowest on chemicals and products thereof, and highest on prepared food, beverages and tobacco.

3.22. More than 82% of all *ad valorem* tariff lines carry an MFN rate of 10%, and another 15% have a rate of 5% (Chart 3.1). The highest *ad valorem* rates, of 15%, 18%, and 20%, apply on 33 tariff lines comprising alcoholic preparations, chemical preparations for photographic use, vehicles, unmanufactured tobacco, and videotapes. There are 56 duty-free tariff lines, around 1%

³ Section 7, Customs and Excise Act.

of the total. Tariff escalation is limited, due to the quasi-uniformity of tariffs, and exists only between semi-processed and fully processed goods.

Table 3.2 Tariff summary, 2016

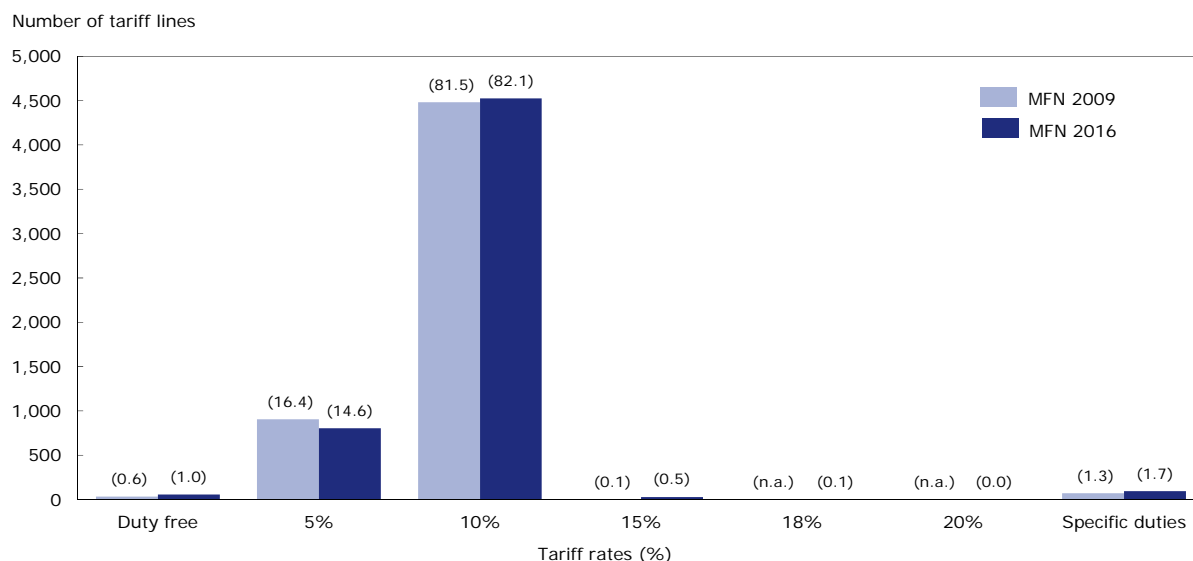
	Number of lines ^a	Average (%) ^b	Range (%) ^b	Coefficient of variation (%) ^b
Total	5,512 (94/27)	9.2 (9.3)	0-20 (0-137.6)	0.2 (0.4)
HS 01-24	1,048 (71/21)	9.6 (10.1)	0-18 (0-137.6)	0.2 (0.7)
HS 25-97	4,464 (23/6)	9.1	0-20	0.2
By WTO category				
WTO agricultural products	805 (71/21)	9.4 (10.1)	0-18 (0-137.6)	0.2 (0.8)
Animals and products thereof	114	8.3	0-10	0.3
Dairy products	21	8.3	5-10	0.3
Fruit, vegetables, and plants	211	10.0	10-10	0.0
Coffee and tea	24	10.0	10-10	0.0
Cereals and preparations	96 (1/1)	9.4 (10.6)	0-18 (0-126.4)	0.2 (1.1)
Oils seeds, fats, oil and their products	83	8.7	0-10	0.3
Sugars and confectionary	17	9.1	5-10	0.2
Beverages, spirits and tobacco	94 (70/20)	11.0 (19.7)	10-18 (1.8-137.6)	0.2 (1.2)
Cotton	5	10.0	10-10	0.0
Other agricultural products, n.e.s.	140	9.4	0-10	0.2
WTO non-agricultural products	4,707 (23/6)	9.2 (9.1)	0-20	0.2
Fish and fishery products	311	10.0	5-10	0.0
Minerals and metals	908 (7/6)	8.5	5-10 (0-10)	0.3
Chemicals and photographic supplies	857 (8/0)	7.9	0-15	0.3
Wood, pulp, paper and furniture	341	9.8	5-10	0.1
Textiles	589	10.0	5-10	0.0
Clothing	218	10.0	10-10	0.0
Leather, rubber, footwear and travel goods	161	10.0	10-10	0.0
Non-electric machinery	527	9.2	0-10	0.2
Electric machinery	250	9.8	0-10	0.1
Transport equipment	150	9.0	0-15	0.5
Non-agricultural products, n.e.s.	380	9.7	0-20	0.2
Petroleum	15 (8/0)	10.0	10-10	0.0
By ISIC sector				
ISIC 1 – Agriculture, hunting and fishing	517	9.6	0-18	0.2
ISIC 2 – Mining	97 (4/3)	10.0 (9.7)	10-10 (0-10)	0.0 (0.2)
ISIC 3 – Manufacturing	4,897 (90/24)	9.1 (9.2)	0-20 (0-137.6)	0.2 (0.4)
Manufacturing excluding food processing	4,246 (19/3)	9.1	0-20	0.2
Electrical energy	1	10.0	10	0.0
By stage of processing				
First stage of processing	853 (8/6)	9.7 (9.6)	0-18	0.1 (0.2)
Semi-processed products	1,756 (4/0)	8.5	0-15	0.3
Fully processed products	2,903 (82/21)	9.5 (9.6)	0-20 (0-137.6)	0.2 (0.4)
By HS section				
01 Live animals and products	406	9.4	0-10	0.2
02 Vegetable products	305	9.7	0-10	0.1
03 Fats and oils	48	9.8	5-10	0.1
04 Prepared food, beverages and tobacco	289 (71/21)	9.5 (11.7)	5-18 (1.8-137.6)	0.2 (1.1)
05 Mineral products	158 (15/6)	10.0 (9.6)	10-10 (0-10)	0.0 (0.4)
06 Chemicals and products thereof	793 (8/0)	7.4	0-15	0.4
07 Plastics, rubber, and articles thereof	212	10.0	10-10	0.0
08 Raw hides and skins, leather, and its products	72	10.0	10-10	0.0
09 Wood and articles of wood	181	10.0	10-10	0.0
10 Pulp of wood, paper and paperboard	142	9.6	5-10	0.1
11 Textiles and textile articles	802	10.0	5-10	0.0
12 Footwear, headgear, etc.	47	9.7	5-10	0.1
13 Articles of stone, plaster, cement	142	10.0	10-10	0.0
14 Precious stones and metals, pearls	53	10.0	10-10	0.0
15 Base metals and articles thereof	566	7.9	5-10	0.3
16 Machinery, electrical equipment, etc.	781	9.4	0-20	0.2
17 Transport equipment	161	9.1	0-15	0.5
18 Precision equipment	211	9.6	0-10	0.2
19 Arms and ammunition	18	10.0	10-10	0.0
20 Miscellaneous manufactured articles	118	9.8	5-10	0.1
21 Works of art, etc.	7	10.0	10-10	0.0

a First figure in parentheses refers to the number of specific rates; second figure refers to the number of AVEs calculated.

b Figures in parentheses refer to calculations including AVEs.

Note: For 27 specific rates AVEs are calculated, based on 2014 import data.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Chart 3.1 Distribution of MFN applied tariff rates, 2009 and 2016

n.a. Not applicable.

Note: Figures in parentheses denote the percentage share of total lines.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.23. Fiscal income from import duties amounted to SI\$217.3 million in 2014 (equivalent to 6.5% of total fiscal revenue). The importance of import duties as a source of government revenue has declined significantly in recent years as this share stood at around 11% in 2007 and 20% in 2003.

3.1.4.2 Tariff bindings

3.24. Solomon Islands has bound all of its tariff lines, mostly at 80%. Certain goods, including meat, processed fish, soap, prepared foods, bottled water, and photocopying machines are bound at rates between 90% and 150%. Lower bound rates of between 5% and 35% apply on wheat, malt, margarine, sugar, pharmaceuticals, and fertilizers. Several goods, including beer, wine, spirits, tobacco products, fuels, explosives, media for sound recording, and cinematographic film are subject to non-*ad valorem* or compound bound rates.

3.25. In general, applied tariff rates are well below their bound rates. For 58 tariff lines, however, applied rates exceed their bindings (Table 3.3). Furthermore, for 28 tariff lines for which *ad valorem* equivalents were not made available, applied tariffs may exceed bindings (Table 3.4).

Table 3.3 Products for which applied rates exceed bound rates, 2016

HS code	Product description	MFN rate	Bound rate
12091000	Sugar beet seeds	10%	5%
12092100	Alfalfa seeds	10%	5%
12092200	Clover seeds	10%	5%
12092300	Fescue seeds	10%	5%
12092400	Kentucky blue grass seeds	10%	5%
12092500	Rye grass seeds	10%	5%
12112000	Plants and parts of plants used primarily in perfumery, pharmacy, or for insecticidal or similar purposes	10%	5%
12113000		10%	5%
12114000		10%	5%
12119000		10%	5%
17019100		Certain cane or beet sugar	10%
17019900	Certain cane or beet sugar	10%	5%
19011000	Preparations of infant use, put up for retail sale	10%	5%
19012000	Mixes/doughs for the preparation of certain bakers' wares	10%	5%
19019000	Other food preparations following under HS heading 1901	10%	5%
22030020	Alcohol of strength > 7% vol.	SI\$17.60/l	SI\$15.00/l
22030030	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22030090	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22041020	Alcohol of strength > 7% vol.	SI\$117.60/l	SI\$15.00/l

HS code	Product description	MFN rate	Bound rate
22041030	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22041090	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22042120	Alcohol of strength > 7% vol.	SI\$17.60/l	SI\$15.00/l
22042130	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22042190	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22042920	Alcohol of strength > 7% vol.	SI\$17.60/l	SI\$15.00/l
22042930	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22042990	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22043020	Alcohol of strength > 7% vol.	SI\$17.60/l	SI\$15.00/l
22043030	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22043090	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22051020	Alcohol of strength > 7% vol.	SI\$17.60/l	SI\$15.00/l
22051030	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22051090	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22059020	Alcohol of strength > 7% vol.	SI\$17.60/l	SI\$15.00/l
22059030	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22059090	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22060020	Alcohol of strength > 7% vol.	SI\$17.60/l	SI\$15.00/l
22060030	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22060090	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$15.00/l
22082090	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$75.00/l
22083090	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$75.00/l
22084090	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$75.00/l
22085090	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$75.00/l
22086090	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$75.00/l
22087090	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$75.00/l
22089090	Alcohol of strength > 7% vol.	SI\$108.00/l	SI\$75.00/l
27101210	Light petroleum oils	SI\$0.30/l	SI\$0.25/l
27101220	Light petroleum oils	SI\$0.30/l	SI\$0.25/l
27101230	Light petroleum oils	SI\$0.30/l	SI\$0.25/l
27111100	Petroleum gases and other gaseous hydrocarbons, liquefied	SI\$0.20/kg	SI\$0.16/kg
27111200	Petroleum gases and other gaseous hydrocarbons, liquefied	SI\$0.20/kg	SI\$0.16/kg
27111300	Petroleum gases and other gaseous hydrocarbons, liquefied	SI\$0.20/kg	SI\$0.16/kg
27111400	Petroleum gases and other gaseous hydrocarbons, liquefied	SI\$0.20/kg	SI\$0.16/kg
27111900	Petroleum gases and other gaseous hydrocarbons, liquefied	SI\$0.20/kg	SI\$0.16/kg
27112100	Petroleum gases and other gaseous hydrocarbons, liquefied	SI\$0.20/kg	SI\$0.16/kg
27112900	Petroleum gases and other gaseous hydrocarbons, liquefied	SI\$0.20/kg	SI\$0.16/kg
33021020	Preparations for food/drink industries containing >= 57% by volume of alcohol	SI\$18.00/l	SI\$15.00/l
37069000	Certain cinematographic film	SI\$0.36/30 m	SI\$0.30/30 m

Source: Data provided by the authorities.

Table 3.4 Products for which applied rates may exceed bound rates, 2016

		MFN rate	Bound rate
22090000	Vinegar	SI\$15.00/l	80%
24021000	Cigars, cheroots and cigarillos	SI\$630.36/kg	SI\$150/l
24022010	Cigarettes	SI\$1.56/stick	SI\$150/l
24022020	Cigarettes	SI\$1.56/stick	SI\$150/l
24029000	Cigarettes	SI\$1.56/stick	SI\$150/l
24031100	Water pipe tobacco	SI\$511.32/kg	SI\$150/l
24031900	Other smoking tobacco	SI\$832.08/kg	SI\$150/l
24039100	Homogenized or reconstituted tobacco	SI\$832.08/kg	SI\$150/l
24039900	Other smoking tobacco	SI\$832.08/kg	SI\$150/l
27050000	Coal gas, water gas, etc.	10%	SI\$0.16/kg
27060000	Tar distilled from coal, peat, etc.	10%	SI\$0.25/l
27071000	Oils and other products of the distillation of high temperature coal tar	10%	SI\$0.25/l
27072000		10%	SI\$0.25/l
27073000		10%	SI\$0.25/l
27074000		10%	SI\$0.25/l
27075000		10%	SI\$0.25/l
27079100		10%	SI\$0.25/l
27079900		10%	SI\$0.25/l
27081000	Pitch	10%	SI\$0.25/l
27082000	Pitch coke	10%	SI\$0.25/l
27101280	Residual fuel oils	10%	SI\$0.25/l
27101910	Lubricating oils	10%	SI\$0.25/l
27101920	Lubricating greases	10%	SI\$0.25/l
27101990	Certain other petroleum oils	10%	SI\$0.25/l
27102000	Certain other petroleum oils	10%	SI\$0.25/l
27109100	Waste oils	10%	SI\$0.25/l
27109900	Waste oils	10%	SI\$0.25/l
33021010	Compound alcoholic preparations for drink and food industries	15%	SI\$15.00/l

Source: Data provided by the authorities.

3.26. Solomon Islands has bound other duties and charges at zero.

3.1.4.3 Tariff exemptions and concessions

3.27. Various institutions are exempt from paying import tariffs. These include the national and provincial governments, diplomatic missions, regional and international organizations, and registered charitable organizations. All imports claiming tariff exemption must be accompanied by a Customs Exemption Form (C44).

3.28. Pursuant to the Customs and Excise (Amendment) Act 2012, the Minister of Finance and Treasury may, on the recommendation of an Exemption Committee, grant duty exemption on imported or exported goods. From September 2013 to December 2014, for example, the Committee considered 81 applications, of which 43 were approved (SI\$51.6 million) and 38 were declined (SI\$45.5 million).

3.29. Tariff concessions apply to imports of cultural, educational, health, religious, scientific, and meteorological materials, initial capital investment, and raw materials or industrial inputs imported by manufacturers.

3.1.4.4 Tariff preferences

3.30. Solomon Islands grants preferential tariffs to other members of the Pacific Islands Trade Agreement (PICTA) and the Melanesian Spearhead Group (MSG) (Table 3.5).

Table 3.5 Solomon Islands preferential tariffs, 2016

	Number of lines	MFN		MSG ^a		PICTA ^b	
		Average (%)	Duty free (%)	Average (%)	Duty free (%)	Average (%)	Duty free (%)
Total	5,512	9.2	1.0	9.0	2.1	0.1	98.6
WTO agricultural products	805	9.4	1.4	9.0	3.6	0.2	98.0
Animals and products thereof	114	8.3	0.9	8.1	0.9	0.1	99.1
Dairy products	21	8.3	0.0	8.3	0.0	0.0	100.0
Fruit, vegetables, and plants	211	10.0	0.0	10.0	0.0	0.0	100.0
Coffee and tea	24	10.0	0.0	10.0	0.0	0.0	100.0
Cereals and preparations	96	9.4	4.2	8.5	11.5	1.1	88.5
Oils seeds, fats, oil and their products	83	8.7	6.0	6.9	15.7	0.0	100.0
Sugars and confectionary	17	9.1	0.0	9.1	0.0	0.0	100.0
Beverages, spirits and tobacco	94	11.0	0.0	9.4	3.2	0.3	96.8
Cotton	5	10.0	0.0	10.0	0.0	0.0	100.0
Other agricultural products, n.e.s.	140	9.4	0.7	9.4	0.7	0.0	99.3
WTO non-agricultural products	4,707	9.2	1.0	9.0	1.9	0.1	98.7
Fish and fishery products	311	10.0	0.0	9.9	0.6	0.0	100.0
Minerals and metals	908	8.5	0.0	8.5	0.8	0.0	100.0
Chemicals and photographic supplies	857	7.9	1.9	7.5	4.4	0.2	98.2
Wood, pulp, paper and furniture	341	9.8	0.0	9.5	2.9	0.0	100.0
Textiles	589	10.0	0.0	10.0	0.0	0.0	100.0
Clothing	218	10.0	0.0	9.4	0.0	2.2	78.4
Leather, rubber, footwear and travel goods	161	10.0	0.0	10.0	0.0	0.0	100.0
Non-electric machinery	527	9.2	0.8	9.2	0.8	0.0	100.0
Electric machinery	250	9.8	0.8	9.8	0.8	0.0	100.0
Transport equipment	150	9.0	12.7	9.0	13.3	0.0	100.0
Non-agricultural products, n.e.s.	380	9.7	1.1	9.7	1.3	0.0	100.0
Petroleum	15	10.0	0.0	10.0	0.0	0.0	100.0

a Melanesian Spearhead Group (Fiji, Papua New Guinea, Solomon Islands, and Vanuatu).

b Pacific Island Countries Trade Agreement (Cook Islands, Fiji, Kiribati, Federate States of Micronesia, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu).

Note: Excluding specific rates.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.31. Most imports from other members of PICTA are subject to a phase-out of tariffs and will be tariff-free as of 2017. Tariffs of 20% remain in place on 78 tariff lines, including various textile products, frozen poultry, and wheat flour.

3.32. Under the MSG, preferential rates on 138 tariff lines are lower than MFN rates and 19 are lower than rates under PICTA.

3.1.5 Other duties and taxes

3.33. Other charges in Solomon Islands include goods tax, sales tax, and excise duties. The application of internal taxes is both discriminatory and inconsistent: for example, the goods tax rate is higher for imports than for domestic goods. On the other hand, excise duties on beer, tobacco, and cigarettes are only applied on domestically produced goods.

3.34. The goods tax is 15% on imports and 10% on domestically produced goods. The tax is levied on the "wholesale value", except for imports by persons who have not registered with the Inland Revenue Division; the sale value for these imports is 130% of the sum of the c.i.f. customs value plus import duties. Goods tax on imports must be paid upon lodging an import entry with Customs. However, importers can defer payment until the imported goods are sold if they have been issued a goods tax certificate by the Inland Revenue Division. The following products are exempted from goods tax: drugs, medicines and surgical goods; educational, religious and scientific goods; art and antiques; goods procured by government; coffins; bird and aquatic food; machinery used in manufacturing; safety equipment; aircrafts; buses; flags and awards. Fiscal income from goods tax amounted to SI\$629.1 million in 2015 (equivalent to 16.9% of total fiscal revenue), up from SI\$324.8 million in 2009.

3.35. Sales tax applies to retail sales of certain services and domestic and imported goods. A rate of 10% applies on: telecommunication services; restaurant services; domestic sea travel; professional and security services; motor vehicle rental; vessel and aircraft rental; real estate services; electronic repairs and equipment; machinery and equipment rental; video and computer equipment rental; services by hairdressers, barbers, and beauty shops; laundry services; tyre services; and casino entrance and table fees. Specific rates apply on: air and domestic sea travel (SI\$10 per ticket), video rental (SI\$2 per tape), movie tickets (SI\$0.5 per ticket), petrol and diesel (SI\$0.1 per litre), and casino entries (SI\$5). Fiscal income from sales tax amounted to SI\$84.8 million in 2015 (equivalent to 2.3% of total fiscal revenue), up from SI\$41.3 million in 2009.

3.36. Excise duties are levied on domestically produced alcoholic beverages, tobacco, and cigarettes. The rates on alcoholic beverages depends on the alcohol content, with SI\$5.60 per litre for beer. The rate on cigarettes containing tobacco with more than 10 mg of tar per cigarette is currently SI\$614.06 per kg; all other cigarettes are subject to a rate of SI\$0.3168 per stick. The rate for tobacco is SI\$66.60 per kg. Imports are not subject to excise duties although the same goods are subject to specific tariffs that are significantly higher than the excise duties levied on domestically produced goods (Section 3.1.4.1). Fiscal income from excise duties amounted to SI\$158.2 million in 2014 (equivalent to 4.7% of total fiscal revenue).

3.1.6 Import prohibitions, restrictions, and licensing

3.37. Under the Customs and Excise Act, the Minister of Finance and Treasury may issue an order prohibiting imports of "any goods whatsoever" or from "any particular place".⁴ However, this provision has not been used since the last TPR. The Comptroller of Customs may also refuse the release from Customs of "goods of any class or description chargeable with a duty of customs or excise... in quantities exceeding those which appear to the Comptroller to be reasonable in the circumstances".⁵ Goods subject to this provision must be released after three months at the latest. According to the authorities, this provision has not been used in recent years.

3.38. Solomon Islands maintains import prohibitions to protect public health, safety and morals, and the environment. Import bans cover counterfeit coins and currency, indecent or obscene materials, honey, certain knives and arms, matches containing white or yellow phosphorous, certain narcotics under the Dangerous Drugs Act, ozone-depleting substances, war relics, and wildlife specimens.

⁴ Section 33.

⁵ Section 73(1), Customs and Excise Act.

3.39. Certain goods are subject to import licensing (Table 3.6). Only licensed persons can import medicines and poisons.⁶ The licences specify the conditions under which a product may be imported into Solomon Islands. Solomon Islands has not notified its import licensing procedures, nor has it answered the questionnaire on import licensing.⁷

Table 3.6 Goods subject to import licensing, 2016

Product	Purpose of the restriction ^a	Licensing authority	Licensing requirements
Arms and ammunition	Protection of public safety	Ministry of Police, National Security and Correctional Service	..
Certain drugs under the Dangerous Drugs Act	Protection of public health	Ministry of Health and Medical Services	Products must be for medicinal purposes
Used clothing, linen, and jute sacks	Protection of public health	Ministry of Agriculture and Livestock	Importer must prove to the Comptroller of Customs that the product has been sterilized, disinfested, and/or disinfected
Plants, animals, and their products	Protection of animal and plant health	Ministry of Agriculture and Livestock	As specified in the Import Specification Manual of the Agriculture Quarantine Service
Live fish	Protection of the environment	Director of Fisheries	Permits are granted after assessing the possible effects of the release of fish into the wild
Food	Protection of public health	Ministry of Health and Medical Services	Permits are issued upon presentation of a certificate attesting that food has been processed under sanitary conditions
Wildlife specimens	Environmental protection	Ministry of Environment, Climate Change, Disaster Management and Meteorology	Compliance with Wildlife Protection and Management Act and CITES obligations
Ozone-depleting substances	Environmental protection	Ministry of Environment, Climate Change, Disaster Management and Meteorology	..

.. Not available.

a As stated by the authorities.

Source: Agricultural Quarantine Act, Pure Food Act, Dangerous Drugs Act, Pharmacy and Poisons Act, Firearms and Ammunition Act, and Fisheries Act 1998.

3.1.7 Anti-dumping, countervailing, and safeguard measures

3.40. Solomon Islands does not have safeguard, anti-dumping or countervailing duty legislation, nor has it applied any safeguards, anti-dumping or countervailing duties.

3.41. The Protected Industries Act 1954 permits the granting of orders to restrict imports that may affect particular industries.

3.1.8 Standards and other technical requirements

3.42. Solomon Islands has limited institutional capacity to adopt and enforce technical regulations and conformity assessment procedures. It has not adopted legislation to implement the TBT Agreement. It has not made any notifications under that Agreement nor has it designated an entity responsible for answering enquiries about technical regulations, conformity assessment procedures, and standards. The preparation and notification to the WTO of an inventory of technical regulations and conformity assessment procedures would be an important step towards increasing transparency for traders and helping efforts to enhance consumer protection.

3.43. There is no centralized standardizing body in Solomon Islands; standards are adopted and administered by various government agencies and ministries. There are no competent agencies to assess conformity with Solomon Islands technical regulations. The National Metrology and Testing Laboratory was destroyed during the period of civil strife, and has not been rebuilt. Market

⁶ Parts V and VI, Pharmacy and Poisons Act, Chapter 105 of the Laws of Solomon Islands, 28 July 1941.

⁷ As required under Articles 1.4(b) and 7.3 of the Agreement on Import Licensing Procedures, and WTO document G/LIC/3, 7 November 1995.

surveillance activities remain limited to the control of calibrations, weights, and measures by the Consumer Affairs and Price Control Division.

3.44. Technical regulations and conformity assessment procedures may be embodied in statutes passed by Parliament, or in subsidiary legislation made by the executive.⁸ Under the Consumer Protection Act, the Minister of Commerce, Industry, Labour and Immigration can regulate "product safety or quality standards for any specified kind of goods".⁹ Measures adopted under this provision may include requirements relating to performance, composition, design, packaging, marking and labelling, processing method, and testing.¹⁰ Under this provision, quality standards for freezers, refrigerators, and air conditioners were adopted in January 2016.

3.45. The Minister of Commerce, Industry, Labour and Immigration may also make regulations on "methods of inspecting, verifying and stamping weights, measures, copies and models thereof, weighing instruments and measuring instruments, and of certifying such verification".¹¹ However, no such regulations have yet been adopted.

3.46. To the extent that technical regulations and conformity assessment procedures are embodied in subsidiary legislation, the administrative procedure for their adoption is governed by the Interpretation and General Provisions Act.¹² Subsidiary legislation must be published in the *Solomon Islands Gazette*, and enters into force on the date of publication, unless another date is specified in the legislation itself.¹³ In addition, it must be sent to Parliament, which may annul it through resolution within three months.¹⁴ Subsidiary legislation approved by Parliament in draft form is not subject to this requirement.¹⁵ Legislation governing the adoption of subsidiary legislation does not contemplate public comment or WTO notification of draft measures.

3.47. Solomon Islands does not maintain an inventory of technical regulations or conformity assessment procedures in force. The Customs and Excise Act specifies certain technical regulations applicable on imports.¹⁶ For example: brandy and whiskey must have been matured "by storage in wood" for not less than three years, and rum for not less than two years; electrical appliances designed to be connected to the electricity supply system must meet the conditions specified by the Solomon Islands Electricity Authority; and cigarettes imported in quantities of more than 200 must be contained in packages displaying a health warning. The Pharmacy and Poisons Act specifies labelling requirements for imported medicines.¹⁷

3.1.9 Sanitary and phytosanitary requirements

3.48. The Solomon Islands' notified enquiry point and national notification authority under the SPS Agreement is the Director of the Environmental Health Division of the Ministry of Health and Medical Services.¹⁸ Solomon Islands has not notified any SPS measures to the WTO.

3.49. Solomon Islands is a member of the Codex Alimentarius Commission and a signatory to the International Plant Protection Convention; it is not a member of the World Organisation for Animal Health (OIE). It has signed protocols on SPS issues with Australia, Fiji, New Zealand, Papua New Guinea, and Vanuatu.

3.50. Under the Biosecurity Act 2013, the Minister of Agriculture and Livestock may, by order in the Gazette, regulate imports of plants, animal and products thereof to prevent the introduction of

⁸ National Parliament of Solomon Islands (2007a).

⁹ Section 12(1), Consumer Protection Act, Chapter 63 of the Laws of Solomon Islands, 16 October 1995.

¹⁰ Section 12(2), Consumer Protection Act.

¹¹ Section 15(1), Weights and Measures Act, Chapter 155 of the Laws of Solomon Islands, 1 December 1980.

¹² Chapter 85 of the Laws of Solomon Islands, 29 September 1978.

¹³ Section 61(1).

¹⁴ Section 62(1) and (2), Interpretation and General Provisions Act.

¹⁵ Section 62(3), Interpretation and General Provisions Act.

¹⁶ Second Schedule to the Customs and Excise Act.

¹⁷ Section 50, Pharmacy and Poisons Act.

¹⁸ WTO documents G/SPS/ENQ/23 and G/SPS/NNA/13, 27 March 2008.

diseases and pests into Solomon Islands.¹⁹ The Ministry of Health and Medical Services is responsible for ensuring that imported food meets the requirements of the Pure Food Act 1996 and the Environmental Health Act. Provincial governments cannot adopt SPS measures.

3.51. The procedure for the development of SPS measures applied on imports is described in the Biosecurity Act 2013. Measures are developed by the Chief Biosecurity Officer of Biosecurity Solomon Islands or the Chief Veterinary Officer of the Livestock Department, Ministry of Agriculture and Livestock, on the request of importers. Measures must be prepared in accordance with accepted international guidelines. There is no public inventory of SPS measures, or of products subject to such measures.

3.52. Risk assessments are conducted following any request to import a product for which no SPS measures are specified in the Import Specification Manual, or to renew a licence. While capacities for risk assessments used to be limited, Biosecurity Solomon Islands can now perform them. Around two risk assessments are carried out every year. There are no statutory provisions regarding the maximum duration of risk assessments; the authorities indicate that these take between three months and one year. The cost of risk assessment is borne by Biosecurity Solomon Islands. The import conditions are stipulated in the 2015 Import Specification Manual and Schedules.

3.53. A licence issued by Biosecurity Solomon Islands is generally required to import plants, animals, and their products. The procedure for issuing licences is described in the 2015 Import Specification Manual and Schedules. Licences are valid for one year and are for multiple entries. They are granted within one week of completion of the corresponding risk assessment. Around 100 licences are issued per year.

3.54. Imports considered "low risk" are exempt from licensing requirements, provided that they are "commercially packaged and labelled". Low risk products are specified in the 2015 Import Specification Manual and Schedules and include processed food containing animal products from Australia and New Zealand, and processed food containing plant products from any country.

3.55. Food imports require a permit issued by the Environmental Health Division of the Ministry of Health and Medical Services. Permits are issued upon presentation of a certificate from the competent authority in the exporting country attesting that the food has been processed under sanitary conditions. The authorities indicate that permits are normally issued in three days. In addition to a permit, food containing animal or plant products may require an import licence from Biosecurity Solomon Islands.

3.56. All imports of plants, animals, and their products are subject to physical inspection at the border. Inspections are conducted by a biosecurity officer. Fees for inspection, treatment, and quarantine are specified in Schedule 17 of the Biosecurity Regulations 2015.

3.57. In 2012, the Government adopted a National Biosafety Framework. The Government ratified the United Nations Convention on Biological Diversity (UNCBD) in 1995 and the Cartagena Protocol on Biosafety in 2004. The objective of the Biosecurity Act 2013 is to prevent the entry and spread of animal and plant pests and diseases in Solomon Islands. The Act restricts or prohibits the importation of products that pose a risk to human, animal and plant life and health.

3.2 Measures Directly Affecting Exports

3.2.1 Export procedures and requirements

3.58. There are no registration requirements for exporters who have a tax identification number (TIN) from the Inland Revenue Division of the Ministry of Finance and Treasury. For all exports, the bill of lading, commercial invoice, packing list, port handling receipts, and customs declaration must be lodged with Customs. Additional information is required for exports of goods subject to licensing requirements (Section 3.2.3). Customs declarations must be filed electronically using the

¹⁹ Section 2, Agricultural Quarantine Act, Chapter 343 of the Laws of Solomon Islands, 10 February 1986.

electronic self-assessment declaration (eSAD). The use of a customs agent is mandatory. However, companies can be allowed to do their own customs declaration after having undergone ASYCUDA training.

3.59. The Customs and Excise Division has established "risk management profiling procedures" for exports, which are similar to those set up for imports. Exports of reptiles and insects, birds, live fish, and crocodile skin are considered high risk, while fish and marine products, gold, silver, wood, and metal waste and scraps are medium risk.

3.60. The authorities indicate that the customs clearance time for exports is usually between one and two days. If clearance exceeds two days, the exporter can raise their concern to Customs.

3.2.2 Export taxes, charges, and levies

3.61. Exports of various goods are subject to duties (Table 3.7). Export taxes on most goods are *ad valorem*, with rates between 2.5% and 30% applicable on the f.o.b. value. Taxes on logs are specific and depend on species and quality.²⁰ Rates are calculated to correspond to 25% of the log's f.o.b. value; they range from US\$18 per m³ (parinari, low grade) to US\$36 per m³ (calophyllum, regular grade).

Table 3.7 Export taxes, 2016

Commodities	Duty charged (% unless otherwise indicated)
Copper and aluminium waste and scrap	15
Precious metal ores and concentrates	15
Ferrous waste and scrap	SI\$1.50 per ton
Shells	10-30
Live fish	10
Dolphins and porpoises	25
Fish, fresh or chilled	10
Fish, chilled or frozen	5
Fish, dried, slated or in brine; smoked fish, whether or not cooked	20
Crustaceans, molluscs	10
Logs	Various specific rates, depending on species and quality
Timber	2.5
Rattan, raw or dried	30
Coral	10
Live animals	10
Crocodile skin	10

Source: Information provided by Solomon Islands Customs authorities.

3.62. Although export taxes discourage the production and trade of the dutiable products, given Solomon Islands' limited institutional capacity they provide a short- and medium-run means to capture economic rents from natural-resource exports. The authorities consider export taxes a practical and cost-efficient means of raising revenue that could also encourage downstream domestic processing and help protect the environment. The authorities indicate that due to an expected decline in logging, a comprehensive tax review may be necessary.

3.63. Fiscal income from export taxes remains important for Solomon Islands. It amounted to SI\$562.7 million in 2015 or 15.8% of total fiscal revenue (of which SI\$548.1 million was export duties on logs), up from SI\$170.4 million in 2009.

3.2.3 Export prohibitions, restrictions, and licensing

3.64. Under the Customs and Excise Act, the Minister of Finance and Treasury can issue an order prohibiting exports of "any goods whatsoever" or to "any particular place". However, this provision has not been used since the last TPR. Solomon Islands prohibits exports of certain narcotics under the Dangerous Drugs Act.²¹ Exports for commercial purposes of wildlife specimens listed in

²⁰ The relevant Order distinguishes 24 different species and four different grades.

²¹ Third Schedule to the Customs and Excise Act and sections 4(2) and 11, Dangerous Goods Act.

Schedule I of the Wildlife Protection and Management Act 1998 are also prohibited.²² Under the Forest Resources and Timber Utilization Act, the exportation of certain round logs is prohibited.

3.65. Export restrictions apply to wildlife specimens, certain medicaments, firearms and ammunition, certain marine products, war relics, and items of cultural significance. These items may only be exported with a licence granted by the Comptroller of Customs and Excise or the relevant government authority. Gold exports must be authorized by the Ministry of Mines, Energy and Rural Electrification, while exports of marine products must be authorized by the Ministry of Fisheries and Marine Resources. A licence is also required for all products subject to export taxes (Section 3.2.2). Timber exports still require "specific authority" from the Central Bank.

3.66. Special licence requirements apply for the exportation of cocoa and copra. Licences are issued by the Commodities Export Marketing Authority (CEMA) against a non-refundable administration fee of SI\$150 and an annual fee of SI\$5,000. Exporters of copra and cocoa also pay a management levy to CEMA per ton exported of SI\$50 or SI\$60 respectively (or any rate approved by the CEMA Board).

3.2.4 Export support and promotion

3.67. Public export support and promotion activities are limited. A Marketing and Export Promotion Division exists in the Ministry of Commerce, Industry, Labour and Immigration. Its activities include the organization of national trade shows, the support of private companies to participate in exhibitions abroad, and the identification of new export markets. The Division also issues GSP forms to exporters and has developed an export guide.

3.68. Exports are exempt from excise and goods taxes.

3.69. The Commodities Export Marketing Authority (CEMA) provides quality assurance and market intelligence services to cocoa and copra exporters.

3.2.5 Export-processing zones

3.70. To encourage foreign investment in the fisheries, agriculture and tourism sectors, the Government plans to establish special economic zones, where companies would benefit from tax and duty exemptions. It hopes that the expansion of these sectors will help to offset the expected long-term decline in the logging industry and uncertain prospects for mining.

3.2.6 Export finance, insurance, and guarantees

3.71. Solomon Islands does not have any public finance, insurance, or guarantee schemes exclusively for exporters, nor does it have public finance schemes for domestic production.

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.72. Investors are eligible for various duty and tax concessions (Sections 2.4 and 3.1.4.3). In particular, imported machinery, equipment and other capital goods can be exempted from import duties. The Minister of Finance may also provide by order exemptions from income tax.

3.73. Rural development and the promotion of SMEs are central pillars of economic policy and donor-funded activities. The objective of the Solomon Islands Small Business Enterprise Centre is to be a catalyst for the development of successful businesses by designing and delivering courses and providing support to both new and existing business owners and managers.

3.74. Constituency Development Funds (CDF) absorb an important part of public expenditure (Section 2.1). Outlays for CDFs increased from SI\$20 million to SI\$350 million in 2016.

²² Section 11(1), Wildlife Protection and Management Act 1998.

3.75. There are no R&D or regional subsidies in Solomon Islands.

3.3.2 Competition policy and price controls

3.76. Solomon Islands does not have a generic competition law. Various statutory provisions relating to competition policy are laid down in the Consumer Protection Act of 1990, the Price Control Act of 1982, the Price Control Order of 2011, and the Telecommunications Act of 2009. There is no active enforcement of the few provisions designed to prevent anti-competitive business practices. Although the authorities have been considering introducing new legislation for a long time, there have been no concrete steps to strengthen the legal framework on competition policy since the last TPR. The authorities also note that monopolies are widespread, partly reflecting the small size of the Solomon Islands market.

3.77. The Consumer Protection Act contains general provisions on refusal to sell, tied selling, exclusive dealing, price discrimination, and monopolization. The director of the Consumer Affairs and Price Control Division of the Ministry of Commerce, Industry, Labour and Immigration has wide discretion in exempting particular firms from the provisions on exclusive dealing, price discrimination, and monopolization if this is "in the interest of the national economy". There is no statutory definition of this term. The Consumer Affairs and Price Control Division may also carry out competition-related investigations, but has not done so since the entry into force of the Consumer Protection Act. Price controls apply on various staples as a means to address perceived market failures, including low competition.

3.78. The Telecommunications Act regulates a number of competition-related issues in its area of competence. In particular, sections 60 and 61 prohibit practices that have the purpose or effect of lessening competition in the market. The Telecommunications Commission of Solomon Islands has conducted its first investigations into anticompetitive conduct, concerning resellers and domestic interconnection.

3.79. Price controls may be established through ministerial orders issued under the Price Control Act. They mainly apply to various staples as a means to address competition perceived as being too low. Price controls may apply only to specific areas of Solomon Islands. Draft price control orders must be sent to Parliament, which may annul them, through resolution, within 20 days. Maximum prices are based on a mark-up system which allows traders to add a certain percentage on landed costs plus goods tax.

3.80. As at July 2016, price controls apply to: beef and pork meat, fish, rice, cooking oil, flour, curry powder, biscuits, sugar, sauces, milk, soaps, non-alcoholic beverages, and shipping freight rates. The relevant law is the Price Control (Product Substitute Goods) Order 2014.

3.3.3 State trading, state-owned enterprises, and privatization

3.81. State-owned enterprises are active in a number of key sectors of the economy in Solomon Islands, including airlines, broadcasting, electricity, ports, post, and water. The State Owned Enterprises Act 2007 is intended to regulate the conduct and improve the performance of state enterprises. The SOE Act states that the principal objective of every SOE shall be to operate as a successful commercial business. The Act's accountability provisions, which include the requirement to make publicly available a statement of corporate objectives, annual report, and audited financial statement, extend to all subsidiaries owned by these enterprises. State-owned enterprises and their subsidiaries must disclose assistance received from the Government. In 2013, the Government adopted a Borrowing Policy for SOEs with a view to striking a balance between efficiency and the provision of "services essential to society".

3.82. Currently, eight SOEs are operating under the Act: Solomon Islands Water Authority (SIWA), Solomon Islands Ports Authority (SIPA), Solomon Islands Electricity Authority (SIEA), Solomon Islands Broadcasting Corporation (SIBC), Solomon Islands Postal Corporation (SIPC), Investment Corporation of Solomon Islands (ICSI), Commodities Export Marketing Authority (CEMA), and Solomon Airlines (SAL). The ICSI, a statutory body created in 1988 to hold the Government's shares, has equity holdings in several enterprises.

3.83. Solomon Islands has not made any notifications concerning state trading enterprises within the meaning of Article XVII of the GATT 1994. In the context of the previous TPR of Solomon Islands, the authorities indicated that there were only two state trading enterprises in the sense of Article XVII of the GATT 1994: the Government Pharmacy, which has exclusive import rights on methylated spirits and ethyl alcohol, and the Commodities Export Marketing Authority (CEMA).

3.84. Since the last TPR, overall profitability of SOEs in Solomon Islands has increased, following a programme of increased privatization, public–private partnerships, financial restructuring and efforts to place SOEs on a sound commercial footing.²³ One SOE, Sasape Marina, was sold to private investors in 2012.

3.3.4 Government procurement

3.85. Solomon Islands is not a party or observer to the Government Procurement Agreement. In general, central government agencies procuring goods and services, or conducting public works, must follow instructions issued by the Ministry of Finance and Treasury.

3.86. Central government expenditure on goods and services totalled around SI\$4,488 million in 2015. There is no data on the value of procurement at the sub-central level.

3.87. During the review period, new legislation on public procurement was adopted. Under the Public Financial Management Act 2013, the Minister of Finance and Treasury issued Financial Instructions to ensure the proper supervision and control of central government finances.²⁴ Chapter 7 of the Financial Instructions covers procurement of goods, services, and public works by the central government. Further subsidiary legislation with detailed regulations is under preparation and expected to be adopted by the end of 2016.

3.88. A Central Tender Board is responsible for managing the tender process of goods or services used by more than one ministry and for all procurement above SI\$500,000, while procurement between SI\$100,000 and SI\$500,000 is handled by ministerial boards (Table 3.8).

Table 3.8 Purchasing limits, 2016

Purchasing limits	Up to SI\$10,000	More than SI\$10,000 up to SI\$100,000	More than SI\$100,000 up to SI\$500,000	More than SI\$500,000
Procurement procedures	Accountable officer must approve the sole supplier based on one written quotation	Accountable officer must approve the supplier based on a minimum of three written quotations	Ministerial Tender Board must approve the supplier based on a competitive tender	Central Tender Board must approve the supplier based on a competitive tender

Source: Authorities of Solomon Islands.

3.89. For every competitive tender, the Board must: advertise the tender in all daily newspapers and on the Ministry of Finance and Treasury website; issue the tender documents, which must specify evaluation methods and criteria; ensure all tenders are submitted in a sealed envelope; open all tenders immediately after closing time; keep full records of all original tender documents; and disclose the details of the successful tender and display them on the MoFT website.

3.90. There are no registration requirements for prospective tender participants. Procuring entities may maintain lists of preferred suppliers for frequent purchases. Quotation or tender requirements may be waived for the procurement of domestic transport services, hotel accommodation or perishable goods, in a declared emergency, or when a ministry has entered into a preferred supplier arrangement. There are currently two preferred supplier arrangements in place, covering ICT goods and non-perishable food rations.

3.91. Foreign firms established outside Solomon Islands are not required to have an agent in Solomon Islands to participate in tenders. The Financial Instructions do not preclude discrimination

²³ Asian Development Bank (2015).

²⁴ Financial Instructions. Viewed at: <http://www.mof.gov.sb/ReportsNew/FinancialInstructions.aspx> [22 February 2016].

between foreign and domestic products or suppliers, or against foreign-owned suppliers. There are no provisions that grant foreign products or suppliers less than national treatment.

3.92. There is no formal procedure for bidder complaints. However, bidders can lodge administrative complaints with the tender board responsible for a particular tender.

3.3.5 Intellectual property rights

3.93. Solomon Islands has not adopted any legislation to implement the TRIPS Agreement. It has never made a notification under the TRIPS Agreement or a submission to the TRIPS Council. Solomon Islands is not a member of the World Intellectual Property Organization (WIPO), neither is it a signatory to any international intellectual property rights treaties. However, the authorities indicate their intention to become a member of WIPO and a signatory to relevant international IP treaties, and to establish a national IP office. Currently, copyright issues are under the responsibility of the Ministry of Culture and Tourism, while patents and trademarks are under the responsibility of the Registrar General.

3.94. The main legal instruments on intellectual property rights are the Copyright Act 1987, the Registration of United Kingdom Patents Act, and the Registration of United Kingdom Trade Marks Act (Table 3.9). A Bill to protect traditional knowledge is currently before Parliament. According to the authorities, all IP legislation is currently being reviewed.

Table 3.9 Summary of the protection of intellectual property rights, 2016

Main legislation	Duration	Coverage
Patents Registration of United Kingdom Patents Act, Chapter 179 of the Laws of Solomon Islands, 14 July 1924	Patents expire at the same time as their respective UK patents	Registration in Solomon Islands is limited to patents granted in the United Kingdom within the previous three years
Industrial designs United Kingdom Designs (Protection) Act, Chapter 181 of the Laws of Solomon Islands, 16 July 1934	According to certificate of registration issued in the UK	Registration in Solomon Islands is limited to designs registered previously in the United Kingdom
Utility models No specific statute	n.a.	n.a.
Trademarks Registration of United Kingdom Trade Marks Act, Chapter 180 of the Laws of Solomon Islands, 20 June 1939	Trademarks expire at the same time as their respective UK trademarks	Registration in Solomon Islands is limited to trademarks registered previously in the United Kingdom
Geographic indications No specific statute	n.a.	n.a.
Copyright and related rights Copyright Act 1987, Chapter 138 of the Laws of Solomon Islands, 1 June 1988	50 years from the end of the calendar year in which the author died, the recording or film was published, or the broadcast made	Original literary, dramatic, musical, or artistic work; sound recordings, cinematograph films, broadcasts, and editions first published in Solomon Islands that meet certain conditions. General exceptions are listed under sections 7 and 15 of the Act; special exceptions are contained in sections 8 to 10 of the Act
New plant varieties No specific statute	n.a.	n.a.
Layout designs of integrated circuits No specific statute	n.a.	n.a.
Undisclosed information No specific statute	n.a.	n.a.

n.a. Not applicable.

Source: WTO Secretariat, based on information provided by the Solomon Islands authorities.

3.95. There are no statutory provisions on compulsory licensing of intellectual property rights. The Registration of United Kingdom Patents Act and the Registration of United Kingdom Trade Marks Act do not contain provisions on international exhaustion. In practice, Solomon Islands allows parallel imports of items protected by patents and trademarks. Under the Copyright Act, the copyright owner cannot prevent someone who does not own the copyright from importing protected items acquired legally in a foreign market.

3.96. The authorities recognize that the intellectual property laws in Solomon Islands are dated and not in compliance with its obligations under the WTO. They do, however, acknowledge that some intellectual property protection is necessary to encourage foreign investment and domestic innovation and entrepreneurship.²⁵ Since 2014, the Government has been developing a national IP strategy.

3.97. The Copyright Act 1987 provides for civil remedies and criminal penalties for copyright infringement. The production, exhibition, or distribution for commercial purposes of items that are known to infringe copyrights is a criminal offence. The Registration of United Kingdom Patents Act and the Registration of United Kingdom Trade Marks Act do not contain enforcement provisions.

3.98. Under the Copyright Act 1987, a copyright owner may request the Comptroller of Customs to prohibit imports of items suspected of infringing copyright for a period of up to five years. According to the authorities, no import prohibitions have been put in place under this provision. Under the Act, the Minister may also deny copyright protection to the works of citizens from countries that "fail to give adequate protection to Solomon Islanders' works". According to the authorities, between ten and twenty copyrights are registered annually.

3.99. Enforcement activities mainly consist of public campaigns to raise awareness of IP issues, such as appeals to stop piracy. The Government also disseminates information regarding intellectual property protection for creators.

²⁵ Ministry of Foreign Affairs and External Trade (2015).

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, Fisheries, and Forestry

4.1.1 Agriculture

4.1. The economy of Solomon Islands heavily relies on the production of primary products; the primary sector contributes to around a third of GDP and provides some of the country's export commodities such as timber, fish and copra (Table 4.1). During the review period, the contribution of agriculture to GDP declined slightly to 28% in 2014. The primary sector is the major source of food crops, cash crops and livestock for about 85% of the population in rural areas. The livestock subsector consists of pigs, backyard chickens, and cattle. Solomon Islands imports meat mainly from Australia, New Zealand, and Vanuatu to meet its domestic consumption needs.

Table 4.1 Production and exports by major commodity, 2010-15

	2010	2011	2012	2013	2014	2015
Production (volume)						
Copra (mt)	26,610	13,922	19,101	13,922	19,101	17,408
Coconut oil (mt)	189	196	238	196	238	1,163
Palm oil (mt)	31,846	32,261	33,752	32,261	33,752	32,579
Palm kernel oil (mt)	3,387	3,201	3,347	3,201	3,347	3,614
Fish catch (mt)	29,377	25,846	32,796	25,846	32,796	28,917
Cocoa (mt)	4,838	5,054	4,758	5,054	4,758	4,521
Timber (000 m ³)	1,948	1,895	2,128	1,895	2,128	2,292
Gold (ounces)	67,819	62,541	17,057	62,541	17,057	..
Silver (ounces)	28,993	23,639	8,715	23,639	8,715	..
Exports (SI\$ million)						
Copra	88.4	184.4	172.9	42.3	73.3	73.7
Coconut oil	3.3	..	6.4	14.8	15.7	29.5
Palm oil	211.2	265.4	276.7	192.6	187.5	168.6
Palm kernel oil	33.3	58.9	41.0	26.3	30.7	62.5
Fish catch ^a	111.5	152.7	168.2	124.7	100.6	33.0
Cocoa	116.0	121.6	65.5	67.2	95.2	90.1
Timber, sawn	46.2	71.5	72.8	71.5	57.2	45.5
Timber in logs	951.8	1,481.1	1,436	1,770.3	1,952.8	2,190.6
Gold	26.4	516.5	828.3	780.6	308.7	19.8
Silver	0	0	4.4	1.1	3.4	..

.. Not available.

a Does not include fish catch from the Exclusive Economic Zone by foreign flagged vessels.

Source: Information provided by the National Statistics Office; and CBSI (2016), *Quarterly Review*, December 2015.

4.2. The Ministry of Agriculture and Livestock (MAL) is responsible for agriculture- and livestock-related policy. The objectives of the Government's policy for the agricultural sector are to: address the basic needs of people in villages and rural areas, and ensure real improvement in their standard of living; work towards food security and poverty alleviation; generate jobs and increased employment opportunities for the population and achieve high economic growth, wealth and social wellbeing; and, ensure the sustainable utilization and conservation of natural resources, protection of the environment and successfully combating the adverse effects of climate change.¹

4.3. Key pieces of legislation for the agricultural sector include: the Livestock Development Authority Act 1977, covering all aspects of livestock production and the commercial development or related products; the Diseases of Animals Act (Cap 37) as amended in 1972 and the Agricultural Quarantine Act 1982, to control the importation and movement of plants, animals and related products; the Pure Food Act 1996, to control safe use and trade of food products; the Wildlife Protection and Management Act 1998, to ensure compliance with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); and the Biosecurity Act 2013.

¹ Democratic Coalition for Change Government (DCCG), *Policy Statement 2014-2020*.

4.4. Lack of clear property rights remains a major impediment to agricultural development in Solomon Islands. Land tenure and land acquisition is regulated under the Land and Titles Act 1968. There are two land tenure systems: the customary land tenure system, and the registered (alienated) land tenure system. The customary land tenure system controls about 85% of the total land area, making the mobilization of land for large-scale economic projects problematic. The authorities are of the view that the legislation is outdated, and in need of a thorough overhaul. In 2014, the Land and Titles Act was amended to establish a Land Board endowed with the power to deal with interest in land and all other related powers and functions.² In 2015, the Board issued its policies on the issuance of temporary occupation licences, and the renewal of fixed-term estates (FTE).³ Under the new policies, the term of FTE renewal was increased from 50 years to 75 years. The Board has reviewed over one thousand land applications.

4.5. The National Agriculture and Livestock Sector Policy 2009-2014 was the main policy framework covering the review period.⁴ The policy was expected to contribute to, *inter alia*, poverty alleviation and enhanced food security; sustainable management of natural resources and the environment; the readjustment and restructuring of the farm sector; investment in agricultural research and development; food safety and quality improvement; and, reduced dependency on food imports and increased agricultural exports. It outlined cross-sectoral policies as well as policies specific to subsectors such as the coconut, cocoa, oil palm, and rice subsectors. In the area of international trade and trade facilitation, the objective of the agricultural policy was to enhance agricultural trade, increase the contribution of agricultural exports to total merchandise exports, and generally, enhance the country's export potential. Strategic activities included: ensuring that commitments on tariff reduction did not jeopardize the development of the sector; coordinating agricultural trade policies with the national trade policy; and updating relevant legislation.

4.6. Launched in 2015, the Agriculture and Livestock Sector Policy 2015-2019 has four objectives⁵: to achieve "food sovereignty"; to improve rural livelihoods; to promote agriculture for import substitution; and, to increase trade. Specific targets include: reaching 40,000 hectares of oil palm over the next ten years; establishing a 400-hectare commercial rice production project; continuing the rehabilitation and value-added product development of coconut and cocoa; reviving the cattle industry; and improving the production and processing of staple food crops and spices.

4.7. During the review period, the enactment of the Biosecurity Act 2013 was one of the major developments in the legal framework. The law aims at preventing the entry and spread of animal and plant pests and diseases into and throughout Solomon Islands, and controlling their establishment and spread. It also provides the legal framework for compliance with some international and regional obligations, including requirements under the International Plant Protection Convention, the Pacific Plant Protection Organisation, and the World Organisation for Animal Health. The legislation establishes Biosecurity Solomon Islands (BSI) as the agency in charge of, *inter alia*, maintaining quarantine services; negotiating market access requirements for agricultural exports; and facilitating trade while ensuring compliance with international standards.

4.8. Solomon Islands is a beneficiary of the Australia- and New Zealand-funded Pacific Horticultural and Agricultural Market Access Programme (PHAMA)⁶, a programme designed to help exporters in Pacific Island countries meet the standards and requirements of destination markets. Under the programme, assistance was provided to, *inter alia*, help the tuna processing industry maintain compliance with EU food safety requirements; help the forest industry develop guidelines to ensure that sawn timber is sourced and exported legally; and establish a cocoa quality testing facility at the Commodities Export Marketing Authority (CEMA).

4.9. A range of tax incentives are available for agricultural projects. These include: an income tax exemption for a period of three to six years for eligible projects; the possibility of claiming

² These include the power: to grant and transfer fixed-term estates; to set land premiums and rentals; to decide whether to allocate interest in land by direct allocation or by ballot or auction; and, to grant temporary occupation licences. These functions were previously carried out by the Commissioner of Lands.

³ Ministry of Lands, Housing and Survey (2016).

⁴ Ministry of Agriculture and Livestock (2009).

⁵ Ministry of Agriculture and Livestock (2014).

⁶ The programme covers the following countries: Fiji, Samoa, Solomon Islands, Tonga, and Vanuatu.

exemption from income tax for a period of five years out of the first ten years of commercial production.

4.10. Coconut and cocoa are the main cash crops and a source of activity for a majority of households in rural areas. In 2014, cocoa exports neared 5 million metric tons, for an estimated value of SI\$95.2 million. Malaysia and Singapore are the two major markets for cocoa exports. A few operators are involved in copra oil and virgin coconut oil processing for value-added products and oil exports. A value chain analysis conducted in 2013 (at a time of low prevailing prices) concluded that the margin was not sufficient to generate commercial interest.⁷ A company (Kokonut Pacific Solomon Islands) is currently involved in the production and export of virgin coconut oil, predominantly to Australia.

4.11. The Government's vision for the coconut sector is to have, by 2020, a modernized industry "that is able to contribute significantly to national peace, unity and economic development".⁸ The Coconut Sector Strategy (CSS) 2010-2020 is the main policy framework for the sector. Its purpose is to guide and support the development of the coconut industry, and achieve an annual target of about 370 million nuts (worth US\$201 million) processed and commercialized.

4.12. The Commodities Export Marketing Authority (CEMA), a statutory body under the Ministry of Commerce, Industry, Labour and Immigration, has regulatory functions in the coconut and cocoa subsectors. It facilitates pricing, licensing, inspection and grading of these commodities. Its revenues are from fees collected from the issuance of licences. Licences for both copra and cocoa exports are valid for 12 months. They are subject to an application (or renewal) fee of SI\$150, and a licence fee of SI\$5,000 each. Inspection and grading requirements are set out in the Copra Inspection and Grading Regulations 1985 and the Cocoa (Amendment) Regulations 2013 for cocoa exports. A management levy of SI\$50 per metric ton applies to copra exports and a management levy of SI\$60 per metric ton applies to cocoa exports. As at November 2015, there were 3 registered copra export licence holders and 13 registered cocoa export licence holders.

4.13. Basic food items are subject to price controls (Section 3.3.2).

4.1.2 Fisheries

4.14. The fisheries sector continues to be of major importance to the economy of Solomon Islands despite its relatively small contribution to the GDP (2.5% in 2014). Fish and fish products accounted for 11.5% of total exports in 2015 (Table A1.1). Japan and Vanuatu are the predominant export markets, followed by Chinese Taipei, Thailand, the US, and Fiji. The fisheries sector is characterized by the large importance of both subsistence fisheries (with relatively low productivity) and offshore foreign-based fisheries.

4.15. In 2013, there were 360 licensed fishing vessels, including 183 distant water fishing vessels (including purse seine, longline and pole-and-line vessels), 177 charter vessels (primarily from China and Chinese Taipei) and 11 domestic vessels.⁹ The total catch from the Exclusive Economic Zone (EEZ) was about 124,724 tonnes, comprised of 65.2% skipjack tuna and 24.7% yellowfin tuna. Most of the catch is exported for processing abroad. About 10% of the catch is processed locally through SolTuna, a canning plant based in Noro, Western Province. SolTuna processes about 22,000 tonnes annually, with an export value of about US\$44 million.

4.16. The Ministry of Fisheries and Marine Resources is responsible for regulating the fisheries sector. The Fisheries Management Act 2015 (FMA), together with its related regulations, is the main legal framework for the sector. It makes provisions for the conservation, management, development and sustainable use of fisheries and marine resources in Solomon Islands, and the monitoring and control of fishing vessels. The legislation does not apply to vessels used by indigenous Solomon Islanders for customary fishing.

4.17. Under the FMA, the export or import of fish and fish products is subject to licensing. The Act provides for the establishment of: a Fisheries Licensing Committee, tasked with making

⁷ Young, David, and Pelomo, Moses (2014).

⁸ ITC (2013).

⁹ FFA (2015).

recommendations on the grant, renewal, suspension and revocation of licences; a Fisheries Appeals Committee, to hear appeals from decisions on licensing; and, a Fisheries Advisory Council, to make recommendations on matters relating to fisheries conservation, management, development and sustainable use. The legislation provides for the establishment of a fisheries Management and Development Fund to receive funds from foreign fishing vessel access fees. The fund is not operational. A health certificate is required for all export shipments, for quality control purposes. There is a 10% royalty tax on fish caught within the EEZ. An exemption from the royalty tax applies to processed fish, with a view to encouraging local transformation.

4.18. Solomon Islands is a member of the Parties to the Nauru Agreement (PNA)¹⁰, which controls about 50% of the global supply of skipjack tuna, the most commonly canned tuna. Since 2010, members of the PNA have been using a Vessel Day Scheme (VDS) to manage their tuna stock.¹¹ Its purpose is to constrain and reduce catches of target tuna species, and increase the rate of return from fishing activities through access fees paid by distant water fishing nations (DWFNs). Under the VDS, members agree on a limited number of fishing days for the year based on the status of tuna stocks. Days are allocated to countries which then sell them to the highest bidder. When apportioning fishing days, provisions are made for regional fishing arrangements to which the PNA members are a party.¹² Since 2015, the minimum benchmark fee for foreign fishing vessels is US\$8,000 per fishing day (up from US\$6,000 in 2014).¹³

4.19. PNA members also use a number of measures to manage their stock; protect the marine ecosystem; and, combat illegal, undeclared and unreported (IUU) fishing. These include: closures of high seas pockets; seasonal bans on the use of fish aggregating devices (FAD); satellite tracking of boats; the presence of an observer on all purse seiners. Since January 2016, PNA members launched an initiative to levy a fee of US\$1,000 per fishing day on each ship that sets FADs.¹⁴

4.20. The Government's objective for the fisheries sector is to increase onshore fishing and encourage processing to add more value. For this purpose, the harvesting of certain marine products is reserved for domestic companies. In 2012, the Government introduced changes to its longline licensing, with a view to encouraging local processing and inducing companies to invest locally. Under the new policies, fish caught in the EEZ should be unloaded and processed in Solomon Islands. Operators that choose to unload their catch abroad might be subjected to penalties, and will have low priority in future licence issuance.

4.21. Tariff protection accorded to the activity remained unchanged during the review period. Applied MFN tariffs on fish imports averaged 10% in 2015, which is slightly higher than the overall average applied MFN tariff of 9.3% (Table 3.2). All tariff lines related to fish and fisheries products are bound, and the simple average bound rate is 89.7%.

4.1.3 Forestry

4.22. Between 2010 and 2015, forest area in Solomon Islands declined at an annual average rate of 0.3% to 2,185 hectares, covering about 78.1% of the land area.¹⁵ It is a major source of revenue for the various stakeholders – export duty revenue for the Government and royalties for landowners – and source of livelihood for a large proportion of the population. However, forest resources are projected to be completely depleted by 2020 if there is no active reforestation.¹⁶

¹⁰ PNA members are: the Federated States of Micronesia, Kiribati, Marshall Islands, Nauru, Palau, Papua New Guinea, Solomon Islands, and Tuvalu.

¹¹ The Vessel Day Scheme replaces the purse seine vessel number limit of 205 set under the Palau Arrangement for the Management of the Western Pacific Purse Seine Fishery (Palau Arrangement).

¹² These regional arrangements include: the States of Micronesia Arrangement for Regional Fisheries Access (FSMA) and the Multilateral Treaty on Fisheries between the Governments of certain Pacific Island States and the Government of the United States of America (US Treaty).

¹³ Memorandum of Understanding between the Parties to the Palau Arrangement on Minimum Benchmark Fee for a Fishing Day under the Vessel Day Scheme. Viewed at: <http://www.pnatuna.com/sites/default/files/MOU%20Benchmark%20VDS%20fee%202014.pdf>.

¹⁴ PNA online information. Viewed at: <http://www.pnatuna.com/node/260>.

¹⁵ FAO (2015).

¹⁶ *Solomon Times*, "Solomon Islands Forests Face Complete Depletion by 2020", 1 December 2014. Viewed at: <http://www.solomontimes.com/news/solomon-islands-forests-face-complete-depletion-by-2020/8329>.

There are two commercial forest plantations in the country: Kolombangara Forest Products Limited with a production plantation of 14,237 hectares, and Eagon Pacific Plantation Limited with a production plantation of 10,000 hectares. Like in most sectors, the land tenure system seems to be a major constraint for the establishment of large-scale forest plantations. Enforcement of legislation in the forest sector is poor in most of the provinces. Huge discrepancies between officially recorded log exports and imports reported by major trading partners (Section 1.6) point to a strong prevalence of under-declared or illegal logging.

4.23. The Ministry of Forestry and Research (MFR) is responsible for the overall management of the forest resources of Solomon Islands. It is also responsible for drafting and implementing forestry legislation, and monitoring, auditing and inspecting logging operations and shipments. The Solomon Forestry Association (SFA) is the association representing the forest industry in negotiations with the Government. By law, all logging companies are required to be a member of the SFA. Member companies pay an annual membership fee of SI\$1 per cubic metre of log exports.

4.24. The Forest Resources and Timber Utilization Act (FRTUA) 1999 provides for the conservation of forests and the improved management of forest resources, the control of timber harvesting, the encouragement and facilitation of sustainable forestry activities, the establishment of plantations, and the domestic processing of timber. A licence from the Commissioner of Forests is required for all felling of trees and milling. Felling licences are issued for a five-year term at a cost of SI\$10,000, and are subject to an annual licensing fee of SI\$10,000. Licensees are required to post a bond of SI\$250,000 to be established with the Pan Oceanic Bank (POB) or a guarantee from any commercial bank before commencing operations. They are also required to submit annual harvesting plans and obtain consent ("Development Consent") from the Director of Environment.

4.25. The MFR has the power to declare certain land areas to be a state forest or a forest reserve. In February 2015, the Government announced a moratorium on new registrations and applications for logging business activities.¹⁷ However, it has not been implemented. The Government is also providing a freight subsidy to help businesses get the timber to the port in Honiara. Other policy tools include market intelligence and the provision of storage facilities.

4.26. During the review period, the Forestry Development Strategy 2009-13 was the main policy framework for the sector. The policy objectives for the sector included: reviewing the legislation; promoting downstream processing of forestry and the timber industry; encouraging reforestation and smallholder plantation schemes; establishing parks and conservation areas and encouraging participation in initiatives aimed at reducing emissions from deforestation and forest degradation (REDD+); and encouraging medium- to large-scale plantation development, in partnership with landowners.

4.27. The export of round logs is administered by the Central Bank of Solomon Islands (CBSI), in collaboration with the MFR. Exporters must be granted "Specific Authority" by the CBSI, after receiving clearance from the MFR. In 2015, 819 applications by log exporters for "Specific Authority to export" were approved by the CBSI, covering a volume of 2.7 million cubic metres of round logs and a value of approximately SI\$2.2 million.¹⁸ For timber products other than round logs, a permit to export is required. The permit is issued by the Ministry of Forestry and Research. A phytosanitary certificate is required for markets where fumigation is required. The export of some key commercial species, such as vitex (*Vitex cofassus*), kwila (*Intsia bijuga*), and rosewood (*Pterocarpus indicus*), in roundwood form is prohibited. They can only be exported as processed timber. Some species such as ngali nut (*Canarium indicum*) and tubi (*Xanthostemon melanoxylon*) may only be exported with approval from the Ministry of Environment, Climate Change, Disaster Management and Meteorology.

4.28. Log exports are subject to an export tax at rates depending on the species and the quality (Section 3.2.2).

¹⁷ SIBC online information. Viewed at: <http://www.sibconline.com.sb/moratorium-imposed-on-new-logging-registrations-applications/> [24.08.16].

¹⁸ CBSI (2016a).

4.29. The Protected Areas Act 2010 and the Protected Areas Regulations 2012, which came into force in 2012, aim at fulfilling Solomon Islands' commitments under the Convention on Biological Diversity. Under the legislation, any group of landowners can apply to the authorities to create a protected area on their land. NGOs and the Government can also apply to create a protected area. The legislation defines five types of protected area, depending on their purpose: natural reserves, natural parks, natural monuments, resource management areas, and closed areas. Commercial logging and mining within protected areas are prohibited. The Protected Areas Regulations 2012 prescribe activities that are prohibited or restricted in a protected area. A Protected Areas Advisory Committee (PAAC) is tasked with the responsibility of advising the Government on related matters, and granting permits for activities such as biodiversity research or bio-prospecting research in protected areas.

4.30. Other key pieces of legislation include the Environment Act 1998 which requires an environmental impact assessment before the commencement of any timber processing activity; the Illegal Logging Prohibition Act 2012; and the Wildlife Protection and Management Act which regulates the export and import of certain animals and plants.

4.31. Solomon Islands joined the UN-REDD Programme in 2010.¹⁹ Solomon Islands is not a member of the International Tropical Timber Organization (ITTO), an intergovernmental organization promoting the conservation of tropical forest resources, and their sustainable management, use and trade.

4.2 Mining and Energy

4.2.1 Mining

4.32. Solomon Islands' mineral resources include deposits of gold, copper, lateritic bauxite, lead, nickel, and zinc. The industry is however predominantly focused on the extraction of gold and nickel. In 2013, Solomon Islands produced 62,541 ounces of gold and 23,639 ounces of silver.²⁰ Mineral export receipts reached US\$210 million in 2014 before dropping to US\$44 million in 2015 following the closure of the Gold Ridge Mine. Despite its declining contribution to economic output, the mining sector has the potential to be a major contributor to government revenues and foreign exchange earnings.

4.33. The Government has the sole authority to allocate mineral rights. The Department of Mines and Energy in the Ministry of Mines, Energy and Rural Electrification (MMERE) has the responsibility of administering and regulating the mineral sector.

4.34. The Mines and Minerals Act 1990 is the main law governing mining activities in Solomon Islands. It vests the ownership of minerals in "the people and the Government of Solomon Islands". Any business wishing to carry out any of the activities under the Act must obtain the approval of the relevant landowners. The MMERE may order that land be compulsorily acquired for the purpose of mining. In accordance with the legislation, a permit from the Department of Mines and Energy is required prior to engaging in any prospecting and mining activity. Permits can take the form of a reconnaissance permit, a prospecting licence, or a mining lease. Permit applications are processed by the Minerals Board, which is composed of representatives of the central and relevant provincial governments, and landowners. The Minerals Board determines the scope and duration of permits, and the obligations of permit holders.

4.35. In 2014, the Mines and Minerals Act was amended to include provisions allowing the authorities to require licence holders to invest in the construction of "approved infrastructure", defined as infrastructure that would benefit a local community and could be constructed more efficiently by a mining company than by the Government.²¹ The legislation also set the rate of royalty at 3% of the gross value for minerals considered as most precious (compared to 1.5% previously). These are gold, copper, silver, nickel, bauxite, and iron ore. The rate of royalty had previously been set by the Government under its discretion. For the other types of minerals,

¹⁹ The United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD) was launched in 2008.

²⁰ Central Bank of Solomon Islands (2016b).

²¹ Mines and Minerals (Amendment) Act 2014.

royalty payments are determined by the line ministry in consultation with the Minister of Finance and Treasury. Royalties for the most precious metals are to be paid into the Consolidated Revenue of the Government and distributed among stakeholders as follows: 40% to landowners; 10% to the relevant provincial government; and 50% to the central government. The landowners' portion is included as consolidated revenue if the project is in an area without a landowner. For other types of minerals, royalties are to be paid into a newly established Mining Royalty Special Fund; the allocation rule is at the discretion of the line ministry.

4.36. There are no statutory limitations on foreign ownership of permits, except that holders of alluvial mining permits must be Solomon Island citizens.

4.37. Exports of gold and other metals are subject to taxes (Section 3.2.2). Under the Income Tax Act, mining companies can deduct expenditure in infrastructure projects approved by the Government for income tax purposes. A permit is required for gold exports.

4.38. Solomon Islands joined the Extractive Industries Transparency Initiative (EITI) in July 2011 and was granted EITI Candidate status in June 2012.²² A stakeholder group (Solomon Islands Extractive Industries National Stakeholder Group) comprising representatives from the extractive companies, the Government, and civil society was formed in January 2012. The first EITI report for Solomon Islands was issued in June 2014, and reconciled the payments made during 2012 and 2013.

4.2.2 Energy

4.2.2.1 Electricity

4.39. At present, Solomon Islands is largely dependent on imported petroleum fuel for its electricity production. Nonetheless, there is considerable potential for solar energy owing to the country's location near the equator, and for coconut-based biofuel due to the massive planting of coconut. There is also significant potential for hydroelectricity development, in addition to indications of exploitable geothermal resources in locations such as West Guadalcanal, Paraso Bay on Vella Lavella Island, Simbo Island, and Savo Island.²³

4.40. Solomon Islands has one of the lowest rates of electricity access in the world, and some of the highest electricity prices. Access is uneven across the country. In rural areas, where 85% of the population lives, less than 10% of households have access to electricity, and less than 6% are connected to the national grid.²⁴ In 2015, total power generation was 81.5 GWh (Table 4.2).

Table 4.2 Generation and sales of electricity, 2010-15

	2010	2011	2012	2013	2014	2015
Units generated	79,143	74,669	75,313	81,083	83,930	85,563
Units sold	55,893	60,918	55,181	61,463	65,403	67,014
	(%)					
- Domestic	15.5	20.2	15.0	23.0	21.3	21.9
- Commercial and industrial	66.7	64.1	70.1	61.4	69.3	62.1
- Government	14.7	12.9	13.4	14.3	8.7	14.9
- Other	3.0	2.7	1.6	1.3	0.7	1.1

Source: CBSI (2016), *Quarterly Review December 2013 and 2015*, Vol. 28, No. 4. Viewed at: <http://www.cbsi.com.sb/fileadmin/publications/qr/2015/QR-DEC2015.pdf>.

4.41. The Solomon Islands Electricity Authority (SIEA), a state-owned company, has monopoly over the electricity market. It has exclusive rights for the transmission and distribution of electricity in all urban and provincial centres (i.e. Honiara, nine provincial centres, and Noro

²² Solomon Islands Extractive Industries Transparency Initiative (SIEITI) online information. Viewed at: <http://www.sieiti.gov.sb/index.php>.

²³ A geothermal energy prospecting licence was granted to Kentor Gold Ltd, an Australia-based company, to explore the feasibility of a 20 MW geothermal plant on Savo Island to power Honiara.

²⁴ World Bank online information. Viewed at: <http://www.worldbank.org/en/news/press-release/2014/03/21/solomon-islands-gets-13-million-improve-efficiency-reliability-electricity-services-honiara>.

Township in the Western Province). It also has exclusive rights for power generation, with some exceptions: private generation is allowed provided that the generation capacity remains below 50 kW. A number of NGOs are actively involved in developing rural electrification projects.

4.42. The Electricity Act of 1989 is the main law governing the electricity sector in Solomon Islands. Under the legislation, the supply of electricity, and the operation of installations to that end, is subject to licensing by the SIEA. Most private generators with a capacity of 50 kW or less are exempt from the licensing requirement. Licences are granted for a period not exceeding 21 years, and may be transferred.

4.43. Electricity tariffs are high and account for a major cost for businesses operating in Solomon Islands. In 2013, the tariff rate was US\$0.86 per kWh for domestic users and US\$0.92 per kWh for commercial or industrial users. Tariffs are determined by the Minister of Mines, Energy and Rural Electrification on the recommendation of the SIEA.²⁵ The tariff structure comprises two parts: a base tariff and a fuel tariff component.²⁶ The base tariff is adjusted annually by 90% of the CPI change during the previous year; the fuel tariff is adjusted every quarter by 95% of the change in fuel prices during the previous quarter. In 2015, tariff charges were reduced at rates between 3 and 4% as part of an institutional reform of the sector, and also because of lower global oil prices. The latest adjustment to the tariff was implemented on 1 July 2016.²⁷ During the review period, the Government implemented the Solomon Islands Sustainable Energy Project (SISEP), which aimed at improving the operational efficiency, system reliability and financial sustainability of the SIEA. The project has contributed to the financial turn-around of the SIEA. The company has recovered from a situation of recurrent operating losses (of up to 30% of total operating revenue in 2007) to one of profit-making since 2011.²⁸ The project has also contributed to reducing losses, improving power reliability in Honiara, and increasing revenue collection. In 2014, the World Bank provided US\$13 million in additional financing, to further strengthen the capacity of the main power grid.²⁹ In May 2016, a 1-MW solar farm was constructed to supplement the generation capacity of Honiara.³⁰

4.44. Plans to increase generation capacity include the Tina River Hydropower Development Project, and a geothermal resource-based project on Savo Island (about 35 km offshore from Honiara). The Tina River Hydropower Development Project involves the construction of a 20-MW run-of-the-river hydropower facility to supply electricity to the capital city of Honiara.³¹ The facility is to be developed on a build-own-operate-transfer basis by an independent power producer. The producer will sell the power to SIEA under a power purchase agreement.

4.45. Electricity supplied by SIEA is not subject to the sales tax. Since 2010, imported solar equipment is exempted from import duty and goods tax, with a view to supporting clean energy development.

4.2.2.2 Petroleum

4.46. There is no upstream oil industry in Solomon Islands. In 2014, mineral fuels accounted for about 20.1% of total imports (Table A1.2).

4.47. The Petroleum Act of 1987 is the main legal framework governing petroleum activities in Solomon Islands. Under the legislation, a licence from the Ministry of Mines, Energy and Rural Electrification is required in order to engage in petroleum exploration.

²⁵ Section 21, Electricity Act.

²⁶ Electricity Tariff (Automatic Base Tariff and Fuel Tariff Adjustment) Regulation 2005.

²⁷ SIEA online information. Viewed at: <http://solomonpower.com.sb/sites/default/files/tariff/Q3%20Tariff%202016.pdf>.

²⁸ SIEA (2016).

²⁹ World Bank press release, "Solomon Islands Gets US\$13 Million Boost to Improve Efficiency and Reliability of Electricity Services in Honiara", 22 March 2014. Viewed at: <http://www.worldbank.org/en/news/press-release/2014/03/21/solomon-islands-gets-13-million-improve-efficiency-reliability-electricity-services-honiara>.

³⁰ Prime Minister's Press Secretariat Office online information. Viewed at: <http://pmpressecretariat.com/2016/05/10/government-launched-first-commercial-solar-farm/> [05.08.2016].

³¹ World Bank (2014).

4.48. Petroleum products are imported by two national oil companies, Markwarth Oil Ltd (MOL) and South Pacific Oil Limited (SPOL). Petroleum and gas prices are regulated by the Ministry of Commerce, Industry, Labour and Immigration (MCILI). The Ministry sets maximum prices for wholesale and retail.

4.2.3 Manufacturing

4.49. Manufacturing within Solomon Islands remains relatively minor and is largely focused on the local market. Key activities in the sector include basic timber processing, furniture making, food packaging and processing. Manufacturing accounted for about 8% of GDP in 2014. The Industrial Development Division of the MCILI is responsible for coordinating economic activities aimed at broadening the productive sector.

4.50. Under the Protected Industries Act of 1954, the authorities may issue an order limiting entry by new firms into industries whose development is deemed to be in the public interest.³² The legislation permits the granting of orders to restrict imports that may affect particular industries. The authorities state that there is no such order currently in force.

4.51. In 2016, the average applied MFN tariff rate for the manufacturing sector (ISIC definition) was 9.1%, compared to an overall average MFN rate of 9.3% (Table 3.2). Various duty and tax concessions are available for the import of machinery, equipment and other capital goods (Section 3.3.1).

4.3 Services

4.3.1 Overview

4.52. Services continue to be the largest sector of the economy of Solomon Islands. During the review period, the share of services in GDP remained relatively stable and was 57% in 2014. Retail and wholesale trade remains the most important subsector, accounting for 14.7% of GDP in 2014. Solomon Islands' GATS commitments have remained unchanged since its previous review.³³

4.3.2 Financial sector

4.53. The financial sector comprises commercial banks, non-bank financial institutions, and insurance companies. The contribution of financial intermediation and insurance to GDP was 4.8% in 2014. Between 2010 and 2015, the consolidated assets of the financial system increased more than twofold to near SI\$8.2 billion in 2015 (Table 4.3). The banking subsector remains dominant in the sector.

Table 4.3 Financial system assets, 2010-15

(SI\$ million)

	2010	2011	2012	2013	2014	2015
Commercial banks	2,364.0	2,989.1	3,457.9	4,010.9	4,122.6	5,042.6
Solomon Islands National Provident Fund	1,180.7	1,324.9	1,555.4	2,467.1	2,683.7	2,826.3
Insurance companies	110.7	120.3	117.5	124.4	126.0	115.0
Credit Corporation (SI) Ltd	32.5	69.3	87.1	113.4	134.5	151.1
Credit Unions	43.2	51.7	49.7	50.6	52.6	58.4
Total	3,731.1	4,555.3	5,267.6	6,766.1	7,119.4	8,193.4

Source: CBSI (2015), *Annual Report 2014*; and CBSI (2016), *Annual Report 2015*.

4.54. Under the SINPF Act 1973, every employer is required to pay to the Solomon Islands National Provident Fund (SINPF) a sum equivalent to 12.5% of each employee's total gross salary each month. This contribution comprises a 5% deduction from a member's gross salary and a

³² Section 3, Protected Industries Act, Chapter 177 of the Laws of Solomon Islands, 29 November 1954.

³³ More information on Solomon Islands' GATS commitments may be found in WTO document GATS/SC/117, 1 April 1996.

7.5% contribution by the employer. The SINPF is a major source of investment and liquidity in the country.

4.55. Solomon Islands undertook financial services commitments under the GATS. It fully bound market access and national treatment with respect to banking, insurance, and other financial services delivered via cross-border supply and consumption abroad. Commercial presence is constrained by a horizontal limitation providing for the possibility of an economic needs test.

4.3.2.1 Banking

4.56. In September 2013, the Central Bank of Solomon Islands granted an interim banking licence to Pan Oceanic Bank Limited, bringing the number of operating commercial banks to three (the other two being Bank South Pacific and the Australia and New Zealand Bank). Another player is expected to enter the market by the end of the year or early 2017. The banking sector is relatively well capitalized, with both regulatory capital-to-risk weighted assets (total capital adequacy ratio) and Tier 1 capital in excess of the minimum statutory requirement of 15% and 7.5% respectively (Table 4.4).

Table 4.4 Financial stability indicators, 2010-15

	2010	2011	2012	2013	2014	2015
Tier 1 capital (%)	22.7	28.5	24.9	26.5	26.9	..
Total regulatory capital (%)	..	30.9	33.2	32.4	31.6	..
Liquid asset ratio	47.7	55.9	59.0	57.2	54.6	..
Liquid assets to total assets	7	67.8	69.9	66.9	64.4	..
Non-performing loans						
- in SI\$ million	..	67.4	44.7	101.4	79.2	..
- in % of gross loans and advances	7.9	5.8	3.6	7.0	4.7	..

.. Not available.

Source: Information provided by the Central Bank of Solomon Islands.

4.57. The Central Bank of Solomon Islands is responsible for the supervision of banks, credit unions, and the Solomon Islands National Provident Fund. The Financial Institutions Act of 1998 (FI Act) provides rules and regulations relating to, *inter alia*, ownership and licensing requirements; minimum capital requirements; restrictions on business activities; and sanctions. There were no amendments to the legislation during the review period.

4.58. Under the FI Act, the CBSI has the power to issue prudential standards for the regulation of the banking sector. During the review period, 9 prudential guidelines entered into force. They are related to capital adequacy requirements (2010); asset classification and provisioning (2010); foreign currency open positions (2010); external audit (2010); large credit exposures (2011); liquidity management (2010); disclosure on interest rates, fees and charges (2013); and complaints management (2014).

4.59. During the review period, a new Central Bank of Solomon Islands Act was passed by the Parliament in 2012. The new legislation, *inter alia*, limits political interference into CBSI institutional autonomy and clearly identifies and prioritizes its objectives (Section 1.2).

4.60. Foreign currency and security dealings are regulated under the Exchange Control Act of 1976; the Exchange Control (Foreign Exchange) Regulations; and the Exchange Control Policy. Exchange control approval is required for a company registered in Solomon Islands (or a local branch of an overseas incorporated company) to borrow funds from, pay interest, or repay a loan to a non-resident lender. The Secured Transactions Law passed in 2008 broadened the range of assets that can be used as collateral to include movable assets such as boats, cars, and farm equipment. A filing office was established under the Ministry of Commerce, Industry, Labour and Immigration, and an electronic registry was set up in 2009.³⁴ According to a report by the Asian

³⁴ Solomon Islands Secured Transactions Filing Office: <https://stfosi.com/>.

Development Bank, lending has expanded as a result of the reform, but banks are yet to take full advantage of the opportunity to take movable assets as collateral.³⁵

4.61. Solomon Islands participates in the Pacific Financial Inclusion Programme (PFIP), a Pacific-wide programme aiming at helping low-income households gain access to quality and affordable financial services and financial education.³⁶ The financial inclusion target was set at having 70,000 new bank accounts opened by 2015, with at least 50% to be held by women and 50% by customers in rural areas. However, the numeric target was met ahead of time; thus the target was subsequently revised to 160,000 new bank accounts to be created by 2017. By December 2015, this new target had already been achieved, although access by women and people from rural areas remain limited.

4.62. Solomon Islands still uses a manual method for settling interbank transfers. Work is under way for the establishment of a national payments system. According to the authorities, a policy paper on the reform project is awaiting Cabinet endorsement.

4.3.2.2 Credit unions

4.63. As at end-2015, there were 11 active credit unions with consolidated assets totalling SI\$58.4 million and a base of 6,232 customers.³⁷ The sector remains hampered by governance issues, as identified by the CBSI through its ongoing supervision and monitoring of the sector. The issues include an inadequate policy framework and procedures to manage risks, and the lack of prudent practices to manage funds.³⁸

4.64. The Credit Union Act 1986 is the main legal framework for credit unions in Solomon Islands. Under the legislation, a group of fifteen or more persons may form a credit union if they have a common bond or interest. They are required to take up at least one share in the credit union, with a value of at least SI\$2. The legislation provides for the establishment of a Registrar of Credit Unions. The legislation establishes the Solomon Islands Credit Union League as the representative body of credit unions, and subjects all credit unions to its supervision. Interest rates on loans made by credit unions are subject to a 1% monthly ceiling.

4.65. The Credit Union Act is under review, although the progress is slow.³⁹ A policy paper on the draft Credit Union Bill is being vetted by the Attorney-General, and is expected to be resubmitted to Cabinet for approval in the second quarter of 2016. In anticipation of the new Act, the CBSI has endorsed a new prudential guideline on credit union investments as part of good corporate governance. This guideline came into force on 1 March 2016.

4.3.2.3 Insurance

4.66. As at end-December 2015, the insurance industry comprised four companies, four brokers and three insurance agencies.⁴⁰ Between 2010 and 2015, the total assets of insurance companies fluctuated around SI\$120 million, although the consolidated assets of the financial system more than doubled to SI\$8.2 billion (Table 4.3). In 2015, gross premiums declined by 35% to SI\$47.2 million, owing mainly to high cancellations and non-renewals of policies. The ability to expand remains the main challenge for the industry.

4.67. Under the Insurance Act, the carrying on of any insurance business is subject to registration by the CBSI. The Minister of Finance and Treasury may direct the CBSI not to register an applicant if it is deemed to be against the national interest. Foreign insurance firms may establish through a subsidiary or a branch. Registration must be renewed annually. The legal framework does not differentiate between the types of services that foreign and domestic insurers can provide.

³⁵ Asian Development Bank (2014).

³⁶ The PFIP aims to add one million Pacific Islanders to the formal financial sector by 2019 by spearheading policy and regulatory initiatives, facilitating access to appropriate financial services and delivery channels, and by strengthening financial competencies and consumer empowerment.

³⁷ CBSI (2016a).

³⁸ CBSI (2016a).

³⁹ CBSI (2016a).

⁴⁰ CBSI (2016a).

4.68. Under the legislation, any offshore insurance placement must be approved by the CBSI. In practice, offshore placements are for specialist and global corporate insurance risks as well as aviation risks. In 2015, the CBSI introduced a directive specifying the minimum requirements that an insurance company should fulfil when taking up re-insurance policy cover offshore. These include withholding tax clearance from the revenue authorities, and evidence that the policy cannot be offered domestically.⁴¹

4.69. Minimum capital requirements did not change during the review period. Life insurance firms must have adequate assets to match their liabilities if they wish to provide other types of insurance.

4.70. Foreign reinsurance firms can offer services without establishing in Solomon Islands. However, consumption abroad and cross-border supply of insurance services is only permitted for services that have been explicitly "exempted" by the Minister of Finance and Treasury. Exemptions can be granted for services that are not available in Solomon Islands or for "public interest" reasons.⁴²

4.71. In July 2016, the CBSI announced that it was undertaking a comprehensive review of the insurance legislation, with the objective of bringing it up to date with global standards and practices.⁴³

4.3.3 Telecommunications

4.72. Access to telecommunication services remains limited in Solomon Islands, although there has been a significant growth in the mobile segment owing to the liberalization of the market in 2010 on the basis of the Telecommunications Act 2009. As at end-2015, the mobile-cellular subscription rate was 73% (compared to 20% in 2010).⁴⁴ Between 2010 and 2015, the use of the fixed-line network for voice telephony declined by about 10% to 7,438 lines, while the number of mobile Internet subscribers increased eightfold to 66,664 subscribers. The sector is characterized by a *de jure* monopoly in fixed telephony and a *de facto* duopoly in mobile telephony. Solomon Telekom Company Limited, the historic operator, provides fixed-line, mobile, and internet services. The Government holds a marginal stake (2.68% of shares) in Solomon Telekom. The National Provident Fund owns the remaining share, compared to 64.7% at the time of the previous trade policy review. However, the Government appoints the board of the National Provident Fund, and has absolute discretion in terminating its appointment.

4.73. In 2009, Solomon Telekom Company Limited reached an agreement with the Government to surrender its exclusive mobile telecommunications licence, which was not to expire until 2018.⁴⁵ This made possible the entry of Bemobile Limited into the mobile market in 2010. As of 2015, Solomon Telekom and Bemobile held about 60% and 40%, respectively, of the mobile market in terms of subscriptions. The legislation provided for a grace period to the duopoly.⁴⁶ The authorities indicated that there is currently no opposition to the entry of another operator into the market. There is no number portability. There are three licensed firms providing Internet access.

4.74. The Ministry of Communications, Aviation and Information Technology is responsible for policy-making in the telecommunications sector. Telecommunication services are regulated under the Telecommunications Act 2009.⁴⁷ The legislation establishes the Telecommunications Commission of Solomon Islands (TCSI) as a regulatory authority. The TCSI has been operational

⁴¹ CBSI (2016a).

⁴² Part III, Insurance Act.

⁴³ CBSI press release. Viewed at: <http://www.cbsi.com.sb/press-release-insurance-legislation-review/>.

⁴⁴ Telecommunications Commission of Solomon Islands (2016).

⁴⁵ Under the agreement, Solomon Telekom is to be compensated with an amount of about SI\$109 million over a period of five years, for the early loss of its exclusive rights and the obligation to continue operating its loss-making fixed lines.

⁴⁶ The legislation precluded: any further market entry before April 2011, any amendments to the numbering plan before September 2011, and any requirement of number portability before April 2012. A move by the regulator in 2011 to allow the entry of a third operator into the mobile market was challenged by the incumbents, and was ultimately withdrawn.

⁴⁷ Telecommunications Act No. 20 of 2009. Viewed at: http://www.parliament.gov.sb/files/legislation/Acts/Telecommunications_Act%202009.pdf.

since February 2010, and reports to the Parliament. Under the Act, the TCSI is to be funded primarily from licence fees and a levy of up to 2% of gross revenues on licensed telecommunications service providers. Nonetheless, until March 2015, the TCSI was funded mainly through grants under the Solomon Islands Telecommunications Technical Assistance and ICT Development Project⁴⁸, as the licensing fee revenues were diverted to pay Solomon Telekom for the surrender of its exclusive licence.

4.75. Under the Telecommunications Act, a licence issued by the TCSI is required to provide telecommunication services. The Commission may issue an individual or a class licence. Individual licences are issued for terms between 5 and 20 years. Applications for a service licence or the assignment of radio spectrum are subject to a SI\$200 fee. Licensed services providers are subject to an annual licence fee that is set at 2% of their gross revenue for a given financial year, the maximum allowed by the legislation. As at end-2015, there were a total of 21 licences, although only three licensees were active: Solomon Telekom, Bemobile-Vodafone, and Satsol Limited.

4.76. Services providers are free to negotiate interconnection agreements, access and other services. No approval is required from the TCSI. There is currently one interconnection agreement between the two mobile operators. In accordance with the legislation, the Commission may regulate the price of services provided by a dominant provider. No operator is currently considered as a dominant provider.

4.77. The legislation provides for the establishment of a Universal Access Plan, defined as including telephone service (whether fixed or mobile); emergency service; reasonable disaster relief services; and operator assistance service. A Universal Access Special Fund is to be established to help finance the plan. Sources of funding for universal access include levies on providers (not to be levied before 31 August 2015); grants and donations; and annual fees for the use of certain radio spectrum. The fund is ring-fenced from general government funding, and is to be managed by a Universal Access Advisory Committee. The authorities indicated that universal access obligations are not being implemented yet.

4.78. A US\$68 million submarine cable project involving an international cable landing in Honiara West and two domestic cables (running from Honiara West to Noro and Aukiis) is under consideration by the Government. The project is to be implemented through a public-private partnership.

4.79. Solomon Islands is a member of the International Telecommunication Union (ITU), the Asia-Pacific Telecommunity⁴⁹ and the Pacific Islands Telecommunications Association (PITA).

4.80. Broadcasting activities are regulated under the Broadcasting Act 1976, the Television (Amendment) Act 1996, and the draft Solomon Islands Broadcasting Corporation Bill 2003. The legislation establishes the Solomon Islands Broadcasting Corporation (SIBC) as the regulator of broadcasting activities. Telekom Television Limited (a subsidiary of Solomon Telekom) and Satsol Limited are the two main commercial television broadcasters. A few other operators have been granted television broadcasting licences, but are yet to operate.⁵⁰

4.81. The Television Act provides for the establishment of the Television Board and the licensing of television broadcasters, dealers and receivers. It also specifies technical conditions and requirements with respect to broadcasting equipment and transmission, and standards and codes with respect to programmes and advertising.

4.82. Between 2010 and 2015, the Government implemented the Solomon Islands Telecommunications Technical Assistance and ICT Development Project, with the goal of facilitating increased access to a wide variety of reliable and affordable telecommunications

⁴⁸ The Solomon Islands Telecommunications Technical Assistance and ICT Development Project is a project funded by the World Bank. It aims to facilitate increased access to a variety of reliable and affordable telecommunications services through efficient and well-regulated competition.

⁴⁹ Founded in 1979, the Asia-Pacific Telecommunity (APT) aims at fostering the development of telecommunication services and information infrastructure throughout the region with a particular focus on the expansion thereof in less developed areas.

⁵⁰ These include One News Limited and The Eternity Broadcasting Network.

services for the majority of Solomon Islanders, through efficient and well-regulated competition. As part of the regulatory component of the project, a National Broadcasting Policy and National ICT Policy were launched in October 2013, setting out the Government's objectives in these areas and laying down the strategies to achieve them. The National Broadcasting Policy applies to radio and television broadcasting activities.⁵¹ Its objectives are, *inter alia*, to encourage the development and effective regulation of the broadcasting sector; to promote equality of access to broadcasting services; to support the creation of culturally relevant content; to create an environment that is conducive to competition and investment, including in new broadcasting technologies; and to ensure efficient management of the radiofrequency spectrum. The Television Act is being reviewed to allow competition in the market.

4.83. Postal services are regulated under the Solomon Islands Postal Corporation Act 1996. The Solomon Islands Postal Corporation has the exclusive right to convey standard letters and issue postage stamps.

4.3.4 Transport

4.84. Transport and storage accounted for about 5.2% of GDP in 2014. Under the GATS, Solomon Islands has no specific commitments in the transport sector.

4.85. The objective of the Government in the transport sector is to provide an integrated, efficient and affordable infrastructure and transport system. The National Transport Plan 2011-2030 sets out a strategic and policy framework for achieving this objective.⁵² Policies and investment priorities are implemented through three-year sector action plans.

4.86. The transport sector depends heavily on external aid. In the period 2011-2014, about 80% of the sector's SI\$1 billion in funding was from external aid. In 2010, the Government established the National Transport Fund with a view to providing ring-fenced funding for transport infrastructure maintenance and development.⁵³ Funds are to be provided by the Government, donors and development agencies. The Fund is managed by a board comprising representatives of government agencies and development partners.

4.3.4.1 Maritime transport and ports

4.87. Maritime transport is vital to Solomon Islands, as the country's land area of 20,000 km² is spread across six large islands, dozens of smaller islands, and hundreds of islets and atolls. The country has three international ports (at Honiara, Noro, and Yandina), about 86 small wharves and jetties, and 26 anchorages.

4.88. One key reform during the review period was the establishment in 2010 of the Solomon Islands Maritime Safety Administration (SIMSA) as the regulatory authority in the maritime sector. SIMSA has the authority to regulate franchise shipping schemes (see below), manage maritime infrastructure, and implement maritime conventions and agreements. The Government adopted a set of new regulations to be administered by SIMSA. These include the Shipping (Registration) Regulations and the Shipping (Navigation Aids) Regulations. Other regulations are under preparation to implement the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW). Following the reform, the Ministry of Infrastructure and Development (MID) retains the responsibility over infrastructure management and service provision.

4.89. Another notable reform during the review period was the introduction of a franchise shipping scheme. Launched in 2010 under the Domestic Maritime Support Project, the franchise shipping scheme awards franchises for the provision of shipping services to remote areas that are considered not commercially viable. Under the scheme, the Government provides subsidies to private sector operators to run safe and regular services to these areas. Franchised routes are selected based on several criteria including: the distance from the capital city; confirmation by stakeholders that the route is socially and economically desirable; and the route possessing a

⁵¹ Ministry of Communications, Aviation and Information Technology (2015).

⁵² Ministry of Infrastructure and Development (2010).

⁵³ National Transport Fund Act 2009.

history of subsidized calls. On the franchised routes, operators are required to provide a specific number of voyages during the contract period (generally between one and two voyages per month). There are currently 8 shipping routes under the programme. The programme was initially funded by donors, and the Government is to take over the funding of the programme, starting in mid-2016. Subsidies are to be reduced gradually to zero over a period of five to ten years. An assessment of the scheme is under way.

4.90. The Solomon Islands Port Authority (SIPA), a statutory body under the MID, owns and operates the ports of Honiara and Noro.⁵⁴ Although private participation in port operation is permitted under legislation, the SIPA currently provides all port, stevedoring, and international cargo handling services at these ports. The SIPA is also responsible for setting charges at these ports. The applicable rates are specified in the Levy of Rates and Dues (Ports of Honiara and Noro) Rules; rates on overseas ships are generally higher than on local ships. Vessels qualify as local if they are licensed in Solomon Islands and are "employed in voyages involving calling at ports in Solomon Islands". In 2015, SIPA implemented two successive port fees increases (in June and in September) as part of a reform aiming at improving the infrastructure and increasing the labour force. The first adjustment was a broad-based 6% increase and was implemented in June. The second adjustment that took place in September 2015 raised ports charges by an estimated average of 300% according to a report by the Asian Development Bank.⁵⁵ The report, which is a comparative study on ports pricing in the Pacific region, has concluded that ports operations in Solomon Islands are of significantly higher costs and lower productivity; it suggests that these have resulted in higher import and export prices, and caused shipping lines to reduce their traffic through the ports.

4.91. There is no statutory limitation to the number of scheduled or non-scheduled international maritime transport service providers. Foreign companies providing international maritime transport services in Solomon Islands are not required to establish locally. There are no institutional arrangements for cargo allocation.

4.92. Passenger cabotage is reserved for domestic flag vessels.⁵⁶ Under the Shipping Act 1998, domestic flag vessels must be wholly owned by Solomon Islands citizens or corporations with their principal place of business in Solomon Islands. Although there are no statutory restrictions on the provision of cargo cabotage by foreign flag vessels, in practice only domestic flag vessels are allowed to provide this service.

4.93. The crew on domestic flag vessels must not include foreign citizens.⁵⁷ Under the Shipping Act 1998, the MID can waive this prohibition for up to six months if duly certified Solomon Island citizens are unavailable.

4.3.4.2 Air transport and airports

4.94. The challenges faced by Solomon Islands in the aviation sector are similar to those of many small island developing nations, including a limited economic capacity to fund aviation infrastructure, and a limited capacity to develop and manage regulatory systems.

4.95. Air transport is under the responsibility of the Ministry of Communications, Aviation and Information Technology. The Civil Aviation Act 2008⁵⁸ is the main law governing the air transport sector. It established the Civil Aviation Authority of Solomon Islands (CAASI) to regulate safety, security and personnel licensing in the aviation sector. CAASI became operational in 2009. The Ministry of Communications, Aviation and Information Technology retains responsibility over the operation and maintenance of airfields. There has been no change to the legislation since 2009.

4.96. The air transport infrastructure includes one international airport (Henderson International Airport) at Honiara, and seven other airports, all owned by the Government. About 20 other

⁵⁴ Sections 9(1) and 11, Ports Act, Chapter 161 of the Laws of Solomon Islands, 4 June 1956.

⁵⁵ Asian Development Bank (2016b).

⁵⁶ Section 10(2), Shipping Act 1998.

⁵⁷ Section 50, Shipping Act 1998.

⁵⁸ Civil Aviation (Amendment) Act 2009. Viewed at: [http://www.parliament.gov.sb/files/legislation/Acts/Civil_Aviation_\(Amendment\)_Act%202009.pdf](http://www.parliament.gov.sb/files/legislation/Acts/Civil_Aviation_(Amendment)_Act%202009.pdf).

airfields are in community or customary ownership. In addition to Solomon Airlines, the national carrier, four other airlines are currently operating scheduled and unscheduled services from and to Solomon Islands: Virgin Australia, Air Niugini, Air Calédonie International, and Fiji Airlines. Solomon Airlines Limited is 100% government-owned. It is engaged in both domestic and international air transport, including cargo and charter operations. Its domestic network comprises 24 destinations. Since July 2016, Solomon Airlines Limited has been operating a codeshare service with Air Niugini and Air Vanuatu, linking Honiara, Port Moresby and Port Vila.

4.97. Terminal services are provided by private companies, under contract to the Ministry of Communications, Aviation and Information Technology. Air traffic services and air navigation systems are operated by the Ministry of Communications, Aviation and Information Technology. Ground-handling for scheduled passenger services is provided by Solomon Airlines. Since 2013, the management of upper airspace use is carried out by Airport Fiji Limited.⁵⁹

4.98. Airports and airfields assets are owned by the Government through the Solomon Islands Airports Corporation Limited (SI Airport Corporation). Solomon Islands undertook a reform of the aviation sector during the review period. In line with the National Transport Plan 2011-2030, the Government is seeking to delegate the management and operation of airports and airfields under a long-term commercial concession arrangement with a private party.⁶⁰ The concession holder is expected to manage and operate airport activities at all of the government-owned airfields, and administer air service arrangements at the privately and community-owned airfields.

4.99. An aviation special fund was established in 2005, for the purpose of operating, developing, and maintaining aviation infrastructure and facilities. The revenues for the fund are primarily from air navigation fees. Other revenue sources include fees and charges for the use of aerodromes, air traffic services, and other aviation services.

4.100. Solomon Islands signed the Pacific Islands Air Services Agreement (PIASA) in 2005, a multilateral air services treaty that seeks gradual movement from bilateral air services agreements to a liberalized regional air services agreement. The agreement came into force in October 2007. However, Solomon Islands is yet to ratify it. Solomon Islands is also a member of the Pacific Islands Aviation Safety Office which was established in June 2005. The agency provides oversight on aviation and safety in the Pacific Islands using guidelines provided by the International Civil Aviation Organization (ICAO). Solomon Islands has bilateral air services agreements with Australia, Fiji, Nauru, New Zealand, Papua New Guinea, and Vanuatu.⁶¹

4.101. A tax of SI\$100 is levied on passengers (12 years and older) departing from Solomon Islands. The tax is collected by the CAASI.

4.3.5 Tourism

4.102. Travel and tourism's contribution (including indirect and induced contributions) to the economy of Solomon Islands was estimated at about 10.7% of GDP in 2014, according to estimates from the World Travel and Tourism Council.⁶² Solomon Islands is known for its high level of biodiversity. Other major tourist attractions include ships and plane wrecks from World War II. Tourists are mainly from Australia and the South Pacific Region. According to the authorities, the number of visitor arrivals neared 25,000 in 2015. Holidays and business are the most frequent purposes of visits. The average length of stay was estimated at 15.3 nights in 2013.⁶³

4.103. The sector has potential in terms of future employment and growth and there seems to be high-level policy recognition of its place in national sustainable development. However, it remains hindered by several constraints, including limited air services; an unskilled workforce; inadequate infrastructure; and limited access to capital.

⁵⁹ Until 2013, the management of Solomon Islands' upper airspace was carried out by Air Service Australia.

⁶⁰ Ministry of Communication and Aviation (2012).

⁶¹ WTO (2009).

⁶² WTTC (2015).

⁶³ South Pacific Tourism Organisation (2014).

4.104. The Solomon Islands Visitors Bureau Act 1996 is the main piece of legislation regulating the sector. The law establishes the Solomon Islands Visitors Bureau as the regulatory body. It issues licences for tourist facilities. The Bureau is funded by a 10% bed levy collected by hotels.

4.105. In June 2015, the Government adopted the National Tourism Development Strategy 2015-2019, with the goal of developing the country into a unique tourist destination within a five-year timeframe. The strategy identifies actions in five key components: transport and infrastructure development; marketing and research; product development and investment; human resources and capacity development; and cruise ships and yachts.

4.106. A departure tax of SI\$100 per passenger (12 years and older) is collected by the CAASI for outbound international flights (Section 4.3.4.2).

4.107. Incentives for tourist-related projects include: a five-year tax exemption on profits and income (subject to a minimum bedroom number requirement of 300 for hotels and 50 for tourist resorts); a 50% capital depreciation; and a 150% tax deduction for expenses incurred in overseas promotion. Imports for tourism development may be eligible for duty exemption.

4.3.6 Professional services

4.108. Solomon Islands has GATS commitments with respect to legal, accounting, auditing, architectural, and engineering services.

4.109. In general, foreign professionals are required to obtain a work permit and a residency permit prior to providing any professional service in Solomon Islands. Work permits are issued by the Commissioner of Labour (from the Ministry of Commerce, Industry, Labour, and Immigration). A work permit may be approved if there is evidence that there is no trained local to fill the position and provisions are made to train a local to eventually fill the position. Work permits are granted for a maximum period of two years, are specific to an employer, and are not transferable to another employment. Residency permits are granted by the Director of Immigration. They are subject to a SI\$250 application fee, a SI\$1,200 approval fee and a SI\$210 multiple entry fee. They are valid for renewable periods of two years.⁶⁴

4.110. The legal profession is regulated under the Legal Practitioners Act of 1987 and associated regulations.⁶⁵ To practice before a court, lawyers must obtain a "certificate of qualification" issued by the Chief Justice. The legislation does not establish any nationality requirements for legal practitioners. Under the Legal Practitioners (Admission) Rules 1996, any person who is entitled to practice as a barrister, solicitor or legal practitioner in any commonwealth country with at least five years of practice may apply for admission as a legal practitioner in Solomon Islands.⁶⁶ Admissions are obtained by way of petition to the High Court. The Solomon Islands Bar Association represents lawyers as a profession.

4.111. The notarial profession is regulated by the Notaries Public Act. Public notaries must be appointed by the Chief Justice.⁶⁷ The legislation does not establish any nationality requirements for public notaries.

⁶⁴ Ministry of Commerce, Industry, Labour, and Immigration online information, "Residing in Solomon Islands". Viewed at: http://www.commerce.gov.sb/Divisions/Immigration/Residing_in_SI.htm.

⁶⁵ These include the Legal Practitioners (Professional Conduct) Rules 1995; and the Legal Practitioners (Admission) Rules 1996.

⁶⁶ The Legal Practitioners (Admission) Rules 1996.

⁶⁷ Section 2, Notaries Public Act, Chapter 22 of the Laws of Solomon Islands, 15 June 1965.

4.112. The accountancy profession is regulated under the Accountants Act of 2010.⁶⁸ Under the legislation, the practice of accountancy is subject to registration. The Act re-establishes the Institute of Solomon Islands Accountants with the mandate, *inter alia*, to regulate the practice of accountancy, and to establish and enforce accounting and auditing standards. All accountants are required to be member of the Institute.

4.113. Professional services are subject to a 10% sales tax.

⁶⁸ Accountants Act 2010. Viewed at: <http://www.parliament.gov.sb/files/legislation/Acts/2010/Accountants%20Act%202010.pdf>.

REFERENCES

- Asian Development Bank (2014), *Unlocking Finance for Growth: Secured Transactions Reform in Pacific Island Economies*. Viewed at: <http://www.adb.org/sites/default/files/publication/42904/unlocking-finance-growth-pacific-island-economies.pdf>.
- Asian Development Bank (2015), *Finding Balance 2014: Benchmarking the Performance of State-Owned Enterprises in Island Countries*.
- Asian Development Bank (2016a), *Basic 2016 Statistics*. Viewed at: <http://www.adb.org/sites/default/files/publication/183338/basic-statistics-2016.pdf>.
- Asian Development Bank (2016b), *Regional Ports Pricing and Productivity Comparative Study*, Project Number: TA-8378 REG: Private Sector Development Initiative Phase III. Viewed at: <http://www.adbpsdi.org/2016/06/comparative-study-on-pacific-ports.html>.
- CBSI (2014), *2013 CBSI Annual Report*, Honiara. Viewed at: <http://www.cbsi.com.sb/fileadmin/publications/ar/AR-2013.pdf>.
- CBSI (2015), *Annual Report 2014*, Honiara. Viewed at: <http://www.cbsi.com.sb/fileadmin/publications/ar/AR-2014.pdf>.
- CBSI (2016a), *Annual Report 2015*, Honiara. Viewed at: <http://www.cbsi.com.sb/wp-content/uploads/2016/06/AR-2015.pdf>.
- CBSI (2016b), *Quarterly Review, December 2015*, Honiara. Viewed at: <http://www.cbsi.com.sb/wp-content/uploads/2016/06/QR-DEC2015.pdf>.
- Curtain, Richard (2013), *Review and Analysis of the Demand for Skills in the Solomon Islands Labor Market*. Viewed at: <https://dfat.gov.au/about-us/publications/Documents/review-analysis-demand-skills-solomon-islands-labour-market.pdf> [04.08.2016].
- FAO (2015), *Global Forest Resource Assessment 2015*, Rome. Viewed at: <http://www.fao.org/3/a-i4808e.pdf>.
- Government of Solomon Islands (2014), *Rapid Assessment of the Macro and Sectoral Impacts of Flash Floods in the Solomon Islands, April 2014*, July. Viewed at: <http://www.drrinacp.org/sites/drrinacp.org/files/publication/Solomon%20RAI%20Flood%20Report%20Oct%202014.pdf>.
- IMF (2016), *Solomon Islands: 2016 Article IV Consultation – Staff Report*, Country Report No. 16/90. Viewed at: <https://www.imf.org/external/pubs/ft/scr/2016/cr1690.pdf>.
- ITC (2013), *Solomon Islands – Coconut Sector Strategy*.
- Ministry of Agriculture and Livestock (2009), *National Agriculture and Livestock Sector Policy, 2009-2014*, November, Honiara. Viewed at: <http://pafpnet.spc.int/pafpnet/attachments/article/solomon-islands/National-Agriculture-and-Livestock-Sector-Policy.pdf>.
- Ministry of Agriculture and Livestock (2014), *Solomon Islands Agriculture and Livestock Policy 2015–2019, Final Draft*. Viewed at: http://pafpnet.spc.int/images/articles/policy-bank/solomon/Solomons-Islands-NALSP_Final%20Draft_151118.pdf.
- Ministry of Communication and Aviation (2012), *Information Memorandum relating to Private Sector Operation and Management of Solomon Islands Airports and Airfields*, Solomon Islands Government, 6 August. Viewed at: http://www.mof.gov.sb/Libraries/Reform_Agenda_Reports/Expression_of_Interest_Memorandum1.sflb.ashx.
- Ministry of Communications, Aviation and Information Technology (2015), *National Broadcasting Policy*, Honiara.

Ministry of Foreign Affairs and External Trade (2015), *Solomon Islands Trade Policy Framework*, Honiara.

Ministry of Infrastructure and Development (2010), *National Transport Plan 2011–2030*. Viewed at: <http://www.adb.org/sites/default/files/linked-documents/41171-02-sol-oth-09.pdf>.

Ministry of Lands, Housing and Survey (2016), *Annual Report 2015*, Honiara.

National Parliament of Solomon Islands (2007), *Report on Subsidiary Legislation*, National Parliament Paper No. 25 of 2007, 22 February, Honiara.

Pacific Islands Forum Fisheries Agency (FFA) (2015), *An Assessment of Global Sourcing and Fisheries Aspects of the Interim Economic Partnership Agreement for the Solomon Islands*.

Solomon Islands Electricity Authority (SIEA) (2016), *Annual Report 2015*. Viewed at: <http://solomonpower.com.sb/sites/default/files/Reports/2015%20AR.pdf>.

Solomon Islands National Statistics Office (2015), *Solomon Islands Poverty Profile based on the 2012/13 Household Income and Expenditure Survey*, December. Viewed at: http://www.statistics.gov.sb/images/SolomonFiles/Social-and-Demography-Statistics/SI_Report_on_Poverty_2012-13_HIES_FINAL/Solomon_Islands_Report_on_Poverty_2012-13_HIES_FINAL.pdf.

South Pacific Tourism Organisation (2014), *Solomon Islands Tourist Survey*, February.

Telecommunications Commission of Solomon Islands (2016), *Annual Report 2015*.

UNCTAD (2015), *World Investment Report 2015 – Reforming International Investment Governance*. Viewed at: http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf.

Winters, L. Alan, and Martins, Pedro M.G. (2004), *Beautiful But Costly: Business Costs In Small Remote Economies*.

World Bank (2014), *Solomon Islands – Tina River Hydropower Development Project*, World Bank Group, Washington DC. Viewed at: <http://documents.worldbank.org/curated/en/2014/11/23076144/solomon-islands-tina-river-hydropower-development-project>.

WTO (2009), *Trade Policy Review – Solomon Islands*, Geneva.

WTTC (2015), *Travel & Tourism Economic Impact 2015 – Solomon Islands*. Viewed at: <https://www.wttc.org/-/media/files/reports/economic%20impact%20research/countries%202015/solomonislands2015.pdf> [20.03.16].

Young, David, and Pelomo, Moses (2014), *Solomon Islands Coconut Value Chain Analysis*, World Bank Group, Washington DC. Viewed at: <http://documents.worldbank.org/curated/en/2014/01/19253715/solomon-islands-coconut-value-chain-analysis>.

5 APPENDIX TABLES

Table A1.1 Merchandise exports by product group, 2010-15

Products	2010	2011	2012	2013	2014	2015
Total (SI\$ million)	1,804.4	3,173.5	3,677.0	3,272.1	3,354.4	3,326.2
Total (US\$ million)	223.7	415.3	499.9	448.1	454.8	420.3
	% of total					
Copra and coconut oil	5.4	7.3	3.5	1.7	3.0	2.9
Fish	10.9	10.7	11.5	13.8	13.7	11.5
Logs	55.7	45.9	43.8	47.4	58.3	68.0
Cocoa	6.6	3.8	1.8	2.1	3.0	2.7
Timber	2.6	2.3	2.2	2.2	1.9	2.5
Palm oil and kernels	14.2	10.3	8.4	6.4	7.1	6.3
Minerals	1.4	16.3	23.3	19.1	6.3	1.3
Other	1.4	1.1	2.6	4.5	0.7	1.5
Re-exports and coverage adjustments	1.7	2.2	2.9	2.9	6.1	3.4
Memorandum item						
Total, in US\$ million (source: UN Comtrade)	215.4	417.4	466.3	489.2	458.5	400.4

Source: Central Bank of Solomon Islands online information.

Table A1.2 Merchandise imports by product group, 2010-15

HS section	2010	2011	2012	2013	2014	2015
Total (SI\$ million)	3,260.9	3,562.8	3,580.2	3,802.3	3,802.6	3,779.9
Total (US\$ million)	404.3	466.3	486.8	520.7	515.6	477.6
	% of total					
Food and live animals	21.8	20.3	21.8	22.8	24.5	23.3
Beverages and tobacco	1.4	1.8	2.1	1.8	2.0	1.5
Crude material excluding fuels	0.6	1.3	0.4	0.3	1.4	0.9
Mineral fuels	15.7	23.1	26.4	26.5	22.9	20.1
Animal, vegetable oils and fats	0.5	0.7	0.5	0.5	0.5	0.6
Chemicals	6.2	10.3	8.4	7.9	6.3	5.5
Basic manufactures	16.0	18.1	14.9	14.4	15.9	15.7
Machinery and transport equipment	39.8	27.1	25.7	27.3	29.3	33.8
Other	9.0	8.1	10.2	8.3	7.1	9.2
Re-imports and coverage adjustment	1.2	1.5	1.8	2.2	2.2	1.5
Freights and insurance	-12.2	-12.2	-12.1	-12.1	-12.1	-12.2
Memorandum item						
Total, in US\$ million (source: UN Comtrade)	327.9	466.1	493.4	580.2	499.6	465.8

Source: Central Bank of Solomon Islands online information.

Table A1.3 Merchandise exports by destination, 2010-15

(US\$ million and %)

	2010	2011	2012	2013	2014	2015
Total exports (US\$ million)	215.4	417.4	466.3	489.2	458.5	400.4
	% of total					
Americas	0.4	0.1	0.6	1.9	2.5	0.3
United States	0.4	0.1	0.6	1.9	2.5	0.2
Other America	0.0	0.0	0.0	0.0	0.0	0.0
Europe	17.8	15.9	13.5	13.4	13.5	15.7
EU-28	17.8	15.8	13.5	12.9	13.4	14.7
United Kingdom	7.4	3.5	8.6	6.1	6.3	7.4
Italy	3.1	4.6	3.7	6.3	5.9	6.9
Spain	6.9	2.5	1.1	0.3	1.0	0.3
EFTA	0.0	0.0	0.0	0.5	0.1	1.0
Switzerland	0.0	0.0	0.0	0.5	0.1	1.0
Other Europe	0.0	0.0	0.0	0.0	0.0	0.0
Commonwealth of Independent States (CIS)	0.0	0.0	0.0	0.0	0.0	0.0
Africa	0.0	0.0	0.0	0.1	0.0	0.0
Middle East	0.0	0.0	0.0	0.0	0.0	0.0
Asia	81.8	84.0	85.9	84.6	83.9	84.0
China	49.1	46.3	38.6	44.8	57.5	58.0
Japan	0.6	0.2	0.7	0.3	0.9	1.7
Other Asia	32.2	37.5	46.6	39.6	25.5	24.3
India	0.0	1.3	1.4	0.4	0.0	7.2
Philippines	8.2	6.2	6.3	3.0	2.8	4.1
Malaysia	0.9	1.9	1.0	1.6	2.6	3.2
Chinese Taipei	0.0	0.4	0.6	2.7	1.2	1.4
Australia	4.0	16.2	25.2	22.6	10.6	1.4
Hong Kong, China	0.7	0.2	0.5	1.7	0.6	1.3
Korea, Republic of	2.5	1.1	1.3	1.0	1.1	1.1
Thailand	6.0	5.6	5.4	3.4	2.2	1.0
New Zealand	0.6	0.5	0.9	1.1	0.6	0.8
Viet Nam	0.2	0.4	0.2	0.3	0.3	0.6
Indonesia	2.9	1.9	0.5	0.3	0.6	0.6
Fiji	0.5	0.3	0.4	0.3	0.5	0.6
Vanuatu	0.1	0.2	1.3	0.3	0.2	0.2
Bangladesh	0.0	0.0	0.0	0.0	0.2	0.2
Papua New Guinea	2.4	0.1	0.6	0.5	1.4	0.2
Nauru	0.1	0.0	0.1	0.0	0.1	0.1
Memorandum item						
Total, in US\$ million (source: CBSI)	223.7	415.3	499.9	448.1	454.8	420.3

Source: UNSD, Comtrade database.

Table A1.4 Merchandise imports by origin, 2010-15

(US\$ million and %)

	2010	2011	2012	2013	2014	2015
Total imports (US\$ million)	327.9	466.1	493.4	580.2	499.6	465.8
	% of total					
Americas	1.3	2.0	1.8	2.1	1.4	1.3
United States	1.2	1.9	1.7	2.0	1.4	1.2
Other America	0.1	0.1	0.1	0.1	0.1	0.1
Europe	1.0	3.0	0.9	1.8	1.1	1.8
EU-28	0.8	2.6	0.9	1.5	1.1	1.7
Netherlands	0.1	0.1	0.1	0.3	0.2	0.4
United Kingdom	0.3	0.5	0.1	0.3	0.2	0.4
Germany	0.2	1.4	0.2	0.1	0.3	0.3
Italy	0.1	0.1	0.1	0.1	0.1	0.2
Denmark	0.1	0.1	0.1	0.3	0.1	0.1
EFTA	0.2	0.4	0.0	0.3	0.0	0.0
Other Europe	0.0	0.0	0.0	0.0	0.0	0.0
Commonwealth of Independent States (CIS)	0.0	0.0	0.2	0.1	0.1	0.0
Africa	0.1	0.1	0.0	0.2	0.0	0.1
Middle East	0.0	0.1	0.1	0.1	0.1	0.1
Asia	97.6	94.7	97.0	95.7	97.3	96.8
China	12.9	10.8	8.5	8.3	12.0	10.5
Japan	2.2	3.4	4.7	5.0	3.9	7.1
Other Asia	82.5	80.5	83.8	82.4	81.4	79.1
Australia	32.4	32.0	31.8	27.4	27.6	28.9
Singapore	24.1	21.0	28.2	31.1	24.2	17.1
Malaysia	5.3	6.6	5.6	7.6	8.4	10.7
New Zealand	5.9	5.9	5.1	4.4	6.1	4.8
Indonesia	1.4	2.7	2.3	2.3	4.4	4.2
Papua New Guinea	4.5	4.1	3.2	2.7	2.7	2.8
Fiji	2.0	1.8	2.1	2.3	2.7	2.3
Hong Kong, China	0.6	1.0	1.2	1.1	1.5	2.0
Thailand	1.9	1.8	1.6	1.4	1.2	1.9
India	0.7	1.1	0.5	0.4	0.6	1.3
Viet Nam	1.5	0.5	0.1	0.1	0.2	1.2
Korea, Republic of	0.4	0.1	0.4	0.1	0.5	0.8
Chinese Taipei	0.4	0.9	1.0	0.6	0.4	0.4
Vanuatu	0.4	0.2	0.2	0.2	0.3	0.3
Philippines	1.0	0.3	0.5	0.4	0.5	0.3
Other	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum item						
Total, in US\$ million (source: CBSI)	404.3	466.3	486.8	520.7	515.6	477.6

Source: UNSD, Comtrade database.