

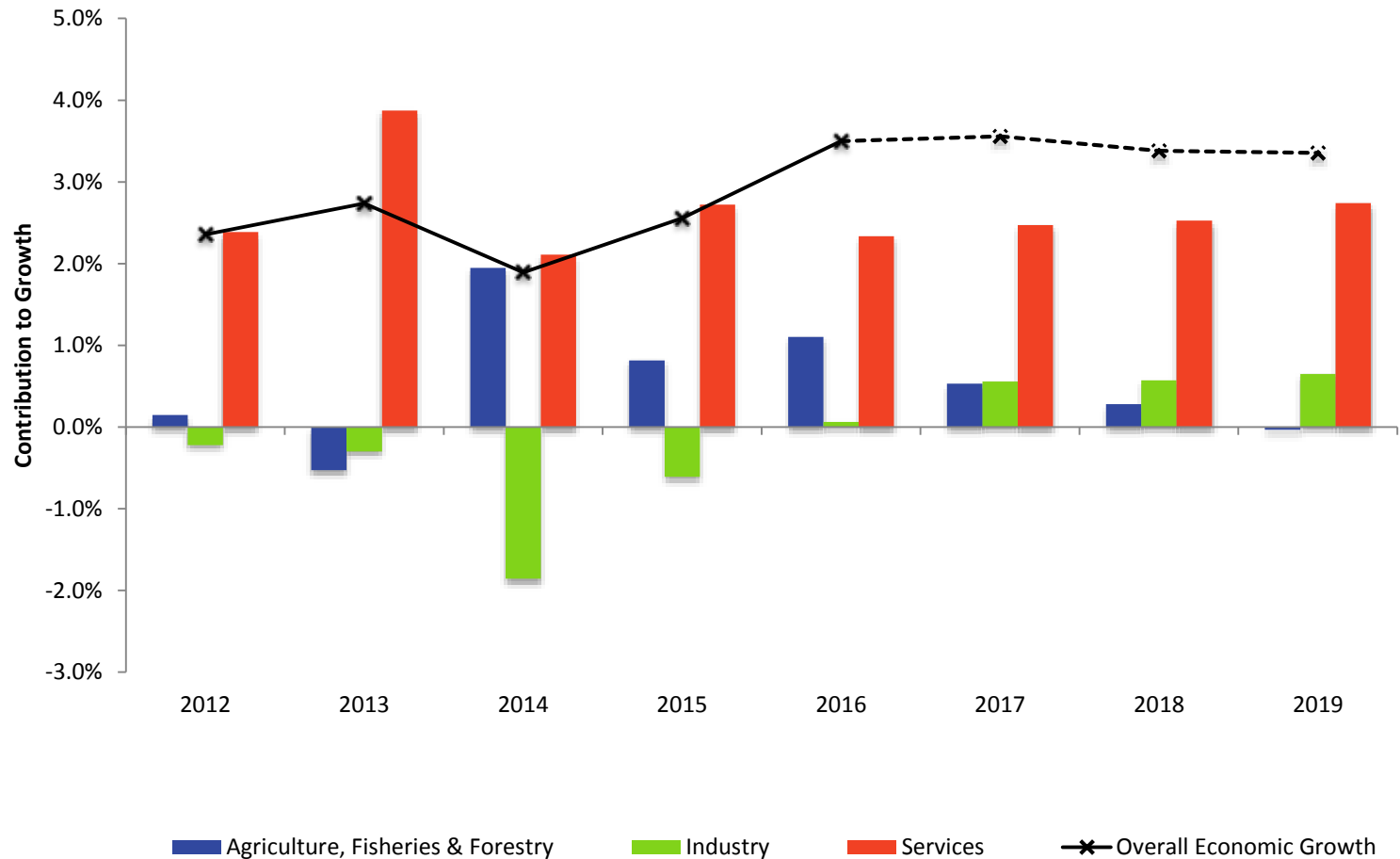
STATE OF THE SOLOMON ISLANDS ECONOMY & INVESTMENT CLIMATE: SETTING THE PLATFORM

National Sustainable Tourism Investment Forum

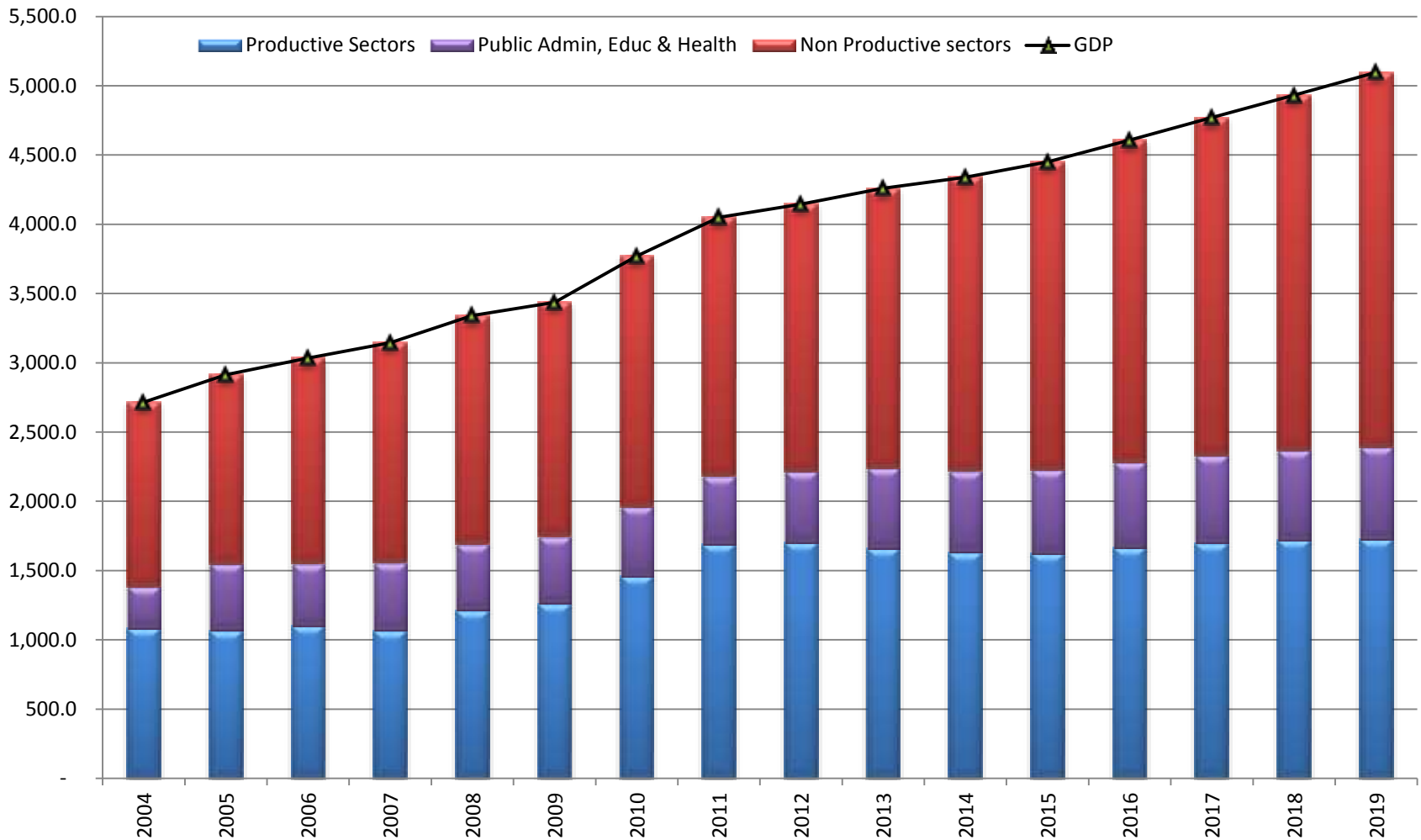
Heritage Park Hotel

13-14 July 2017

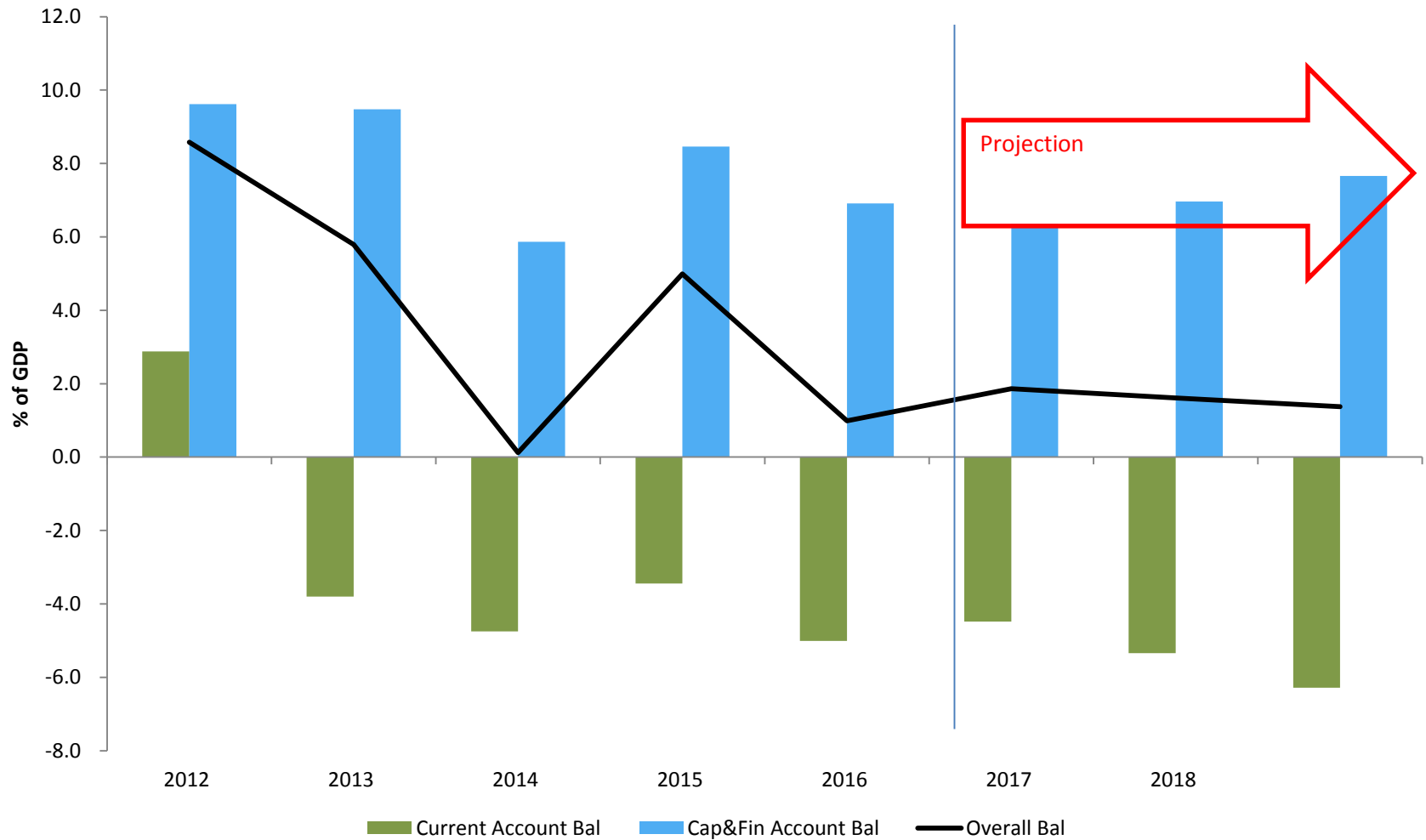
The economy grew by 3.5% in 2016 and estimated growth to be around 3.4% for 2017-2019



Contribution from productive sectors is dominated by logging and is levelling off. Need investment in non logging sectors to support the economy going forward

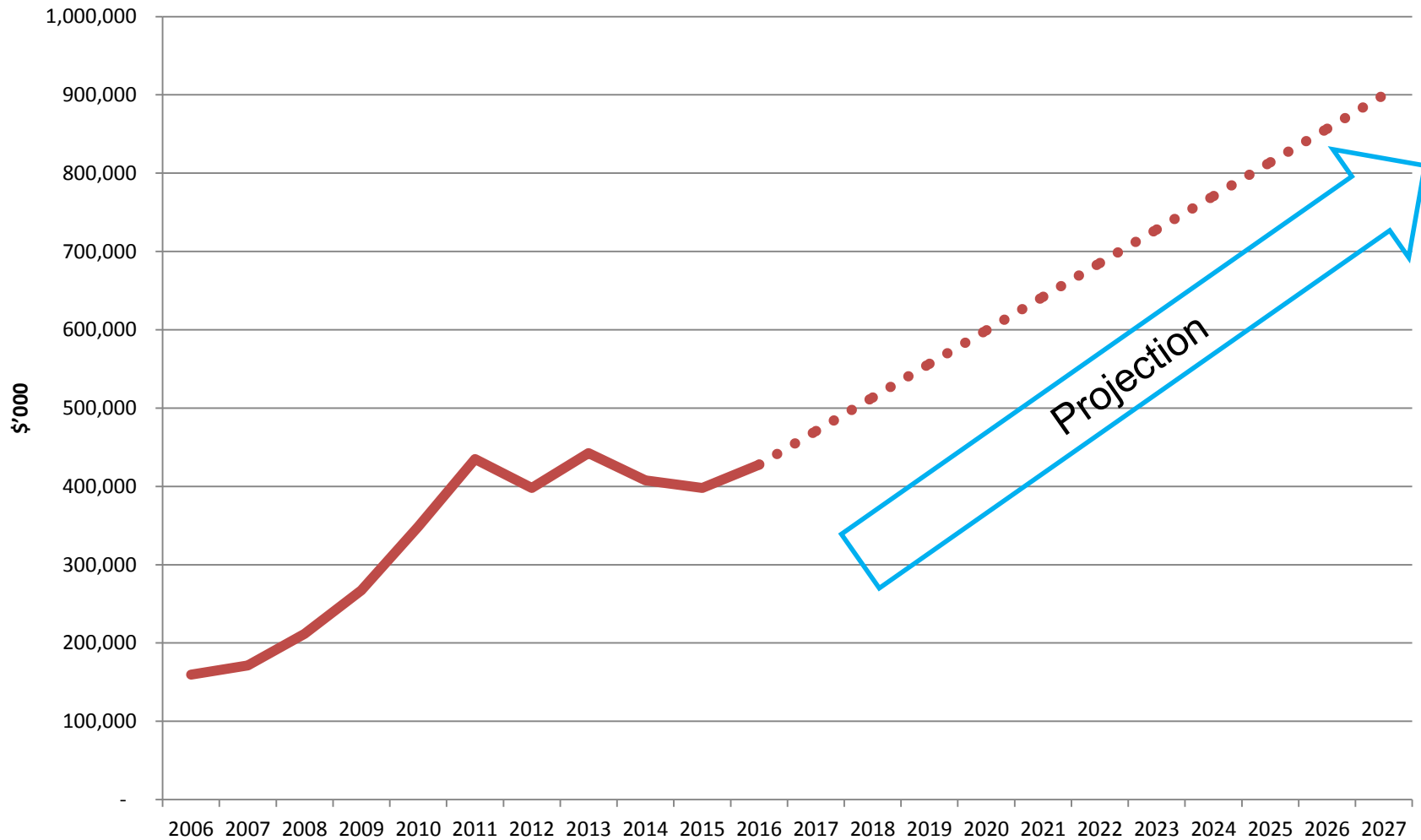


Overall BOP position has been positive, ... expected to continue

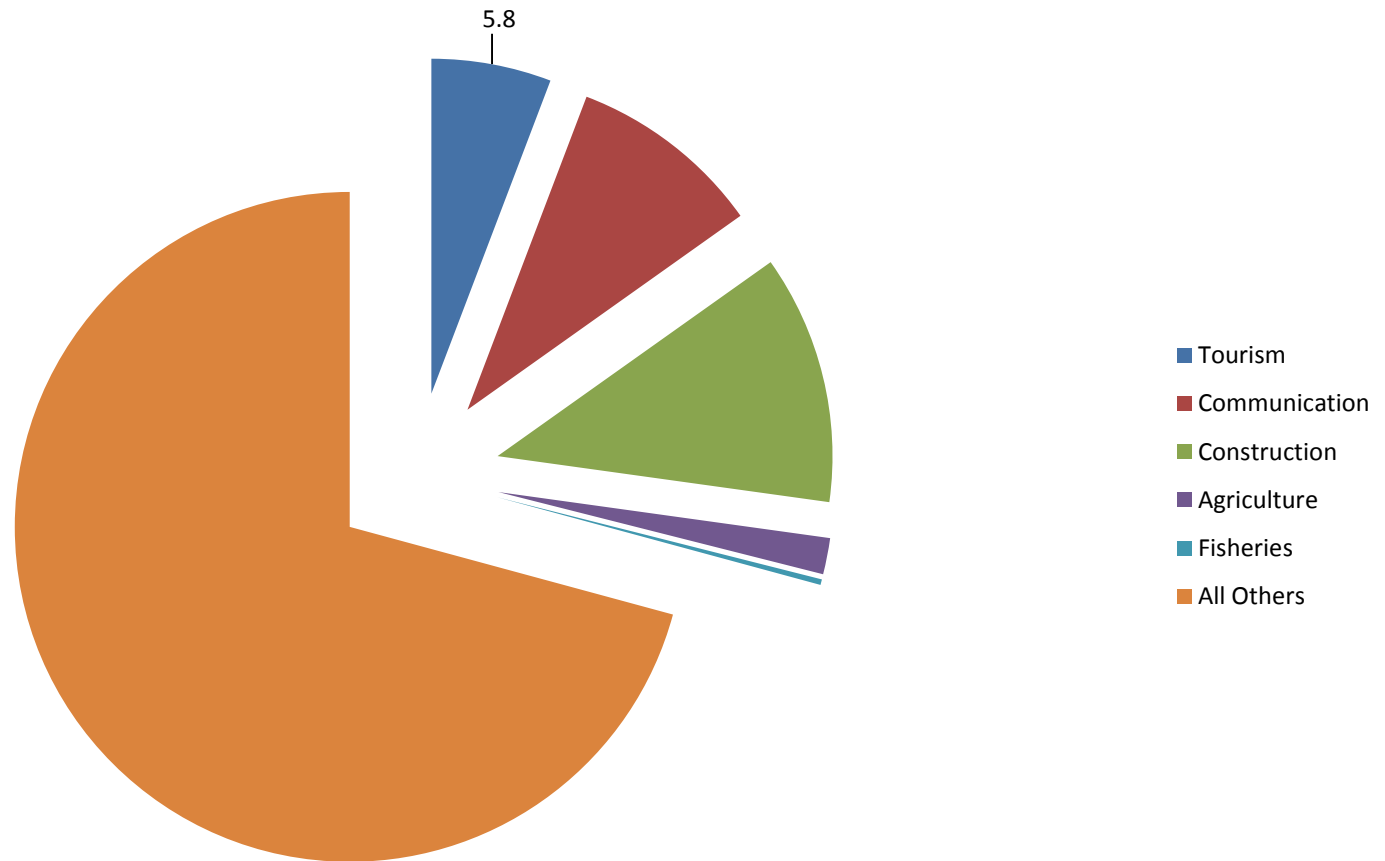


Potential earnings from tourism can increase by more than twofold if the 50,000 visitors target is achieved by 2027.

Estimated actual earnings in 2016 was \$427.7m (from BOP data).

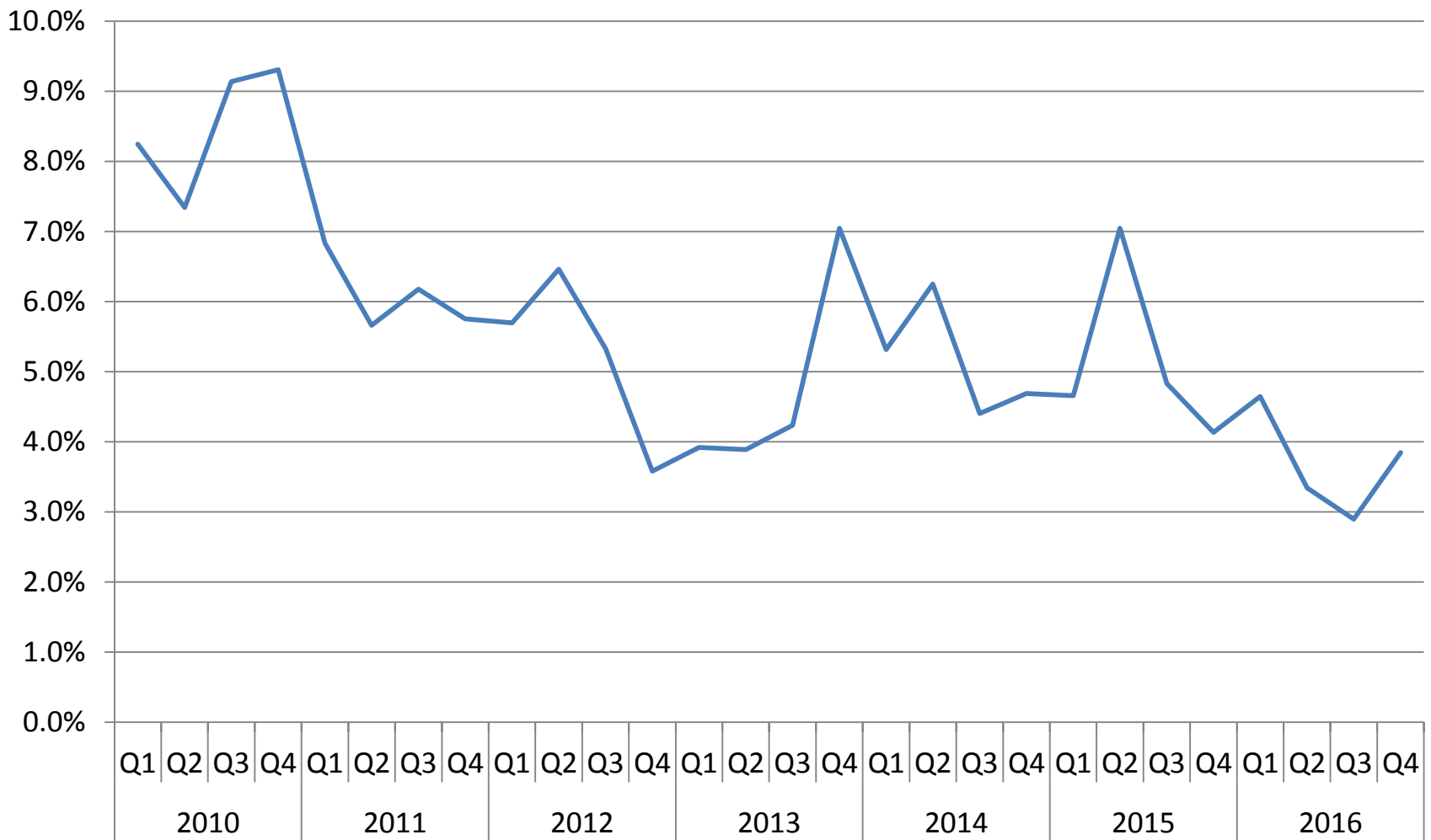


Tourism sector received 5.8 percent of total loans from the financial institutions.



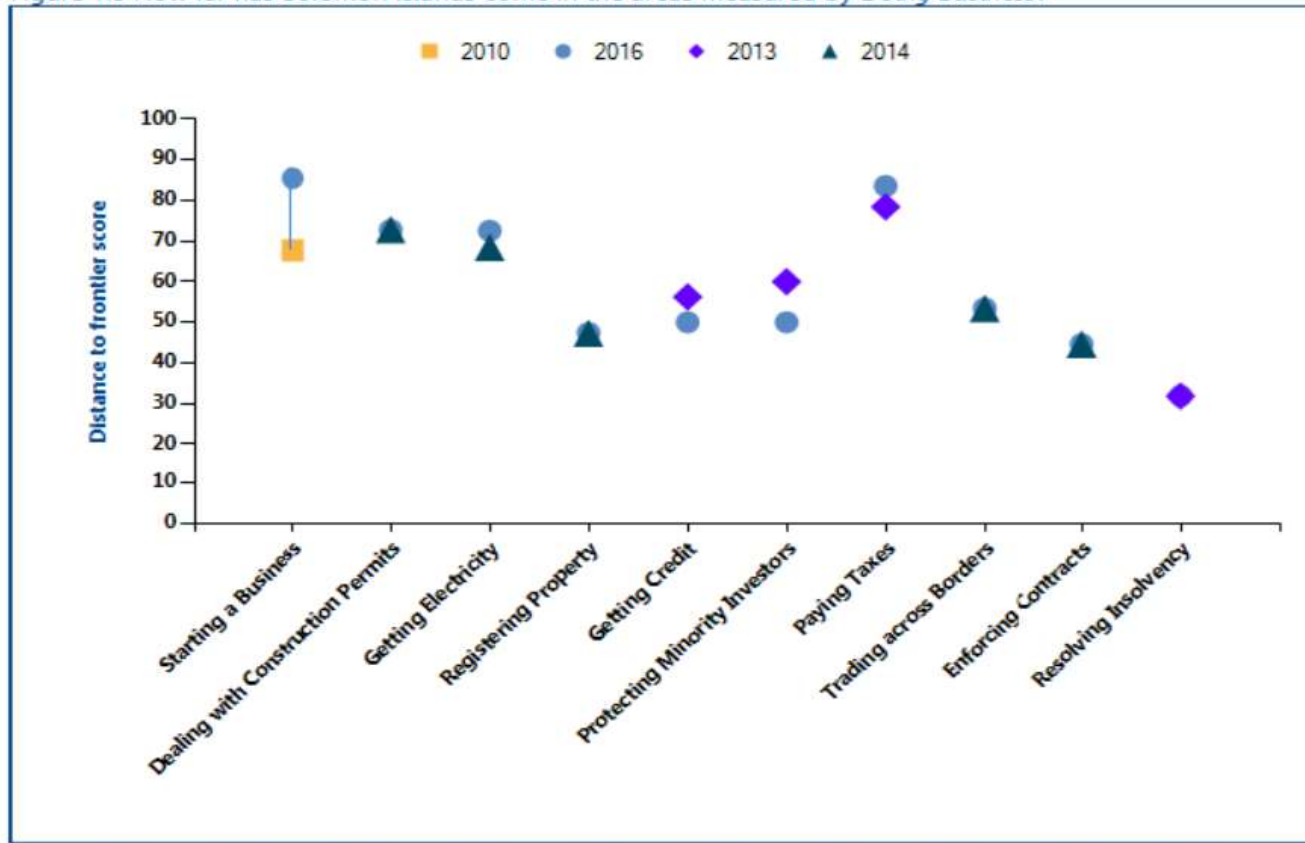
Financial sector is stable. Non performing loans is among the lowest in the region and is trending downwards.

NPL ratio is below 5%, of which Tourism accounts for 3 percent of total NPL as at March 2017.



The World Bank's Doing Business indicator showed incremental improvements.

Figure 1.5 How far has Solomon Islands come in the areas measured by *Doing Business*?



COST OF DOING BUSINESS – Ongoing reforms (legislation, business processes, tax, etc) must continue.

THE BUSINESS ENVIRONMENT

Figure 1.3 Rankings on *Doing Business* topics - Solomon Islands
(Scale: Rank 190 center, Rank 1 outer edge)

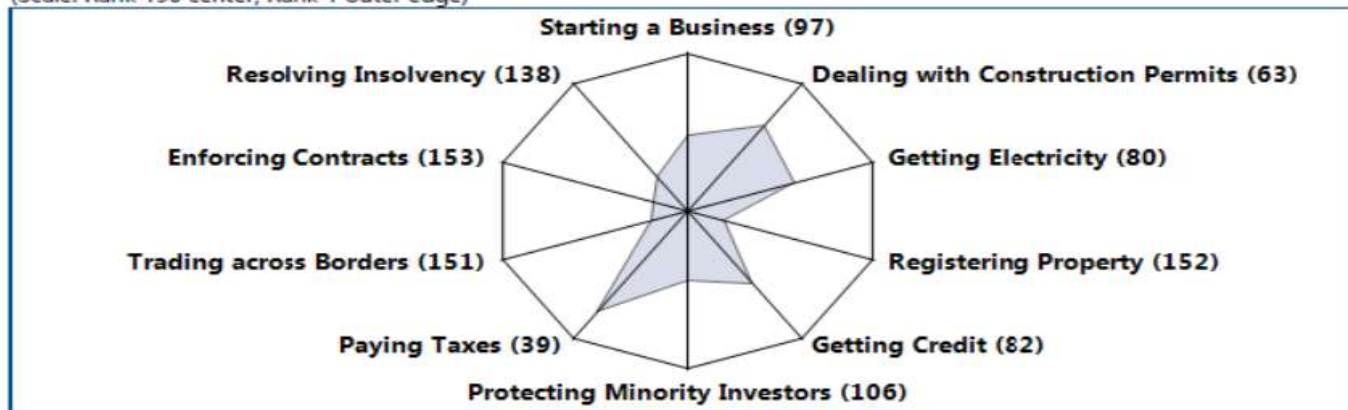
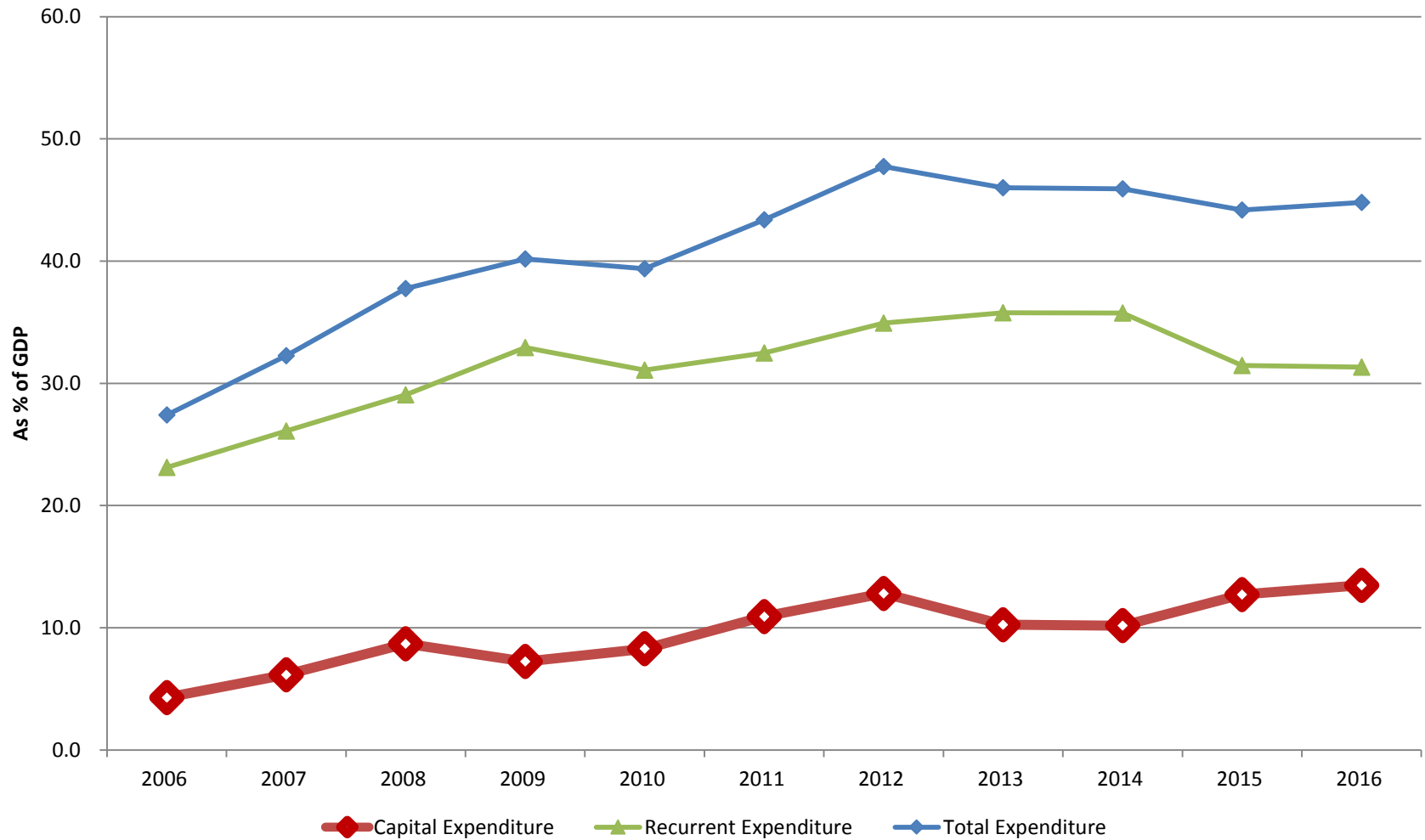


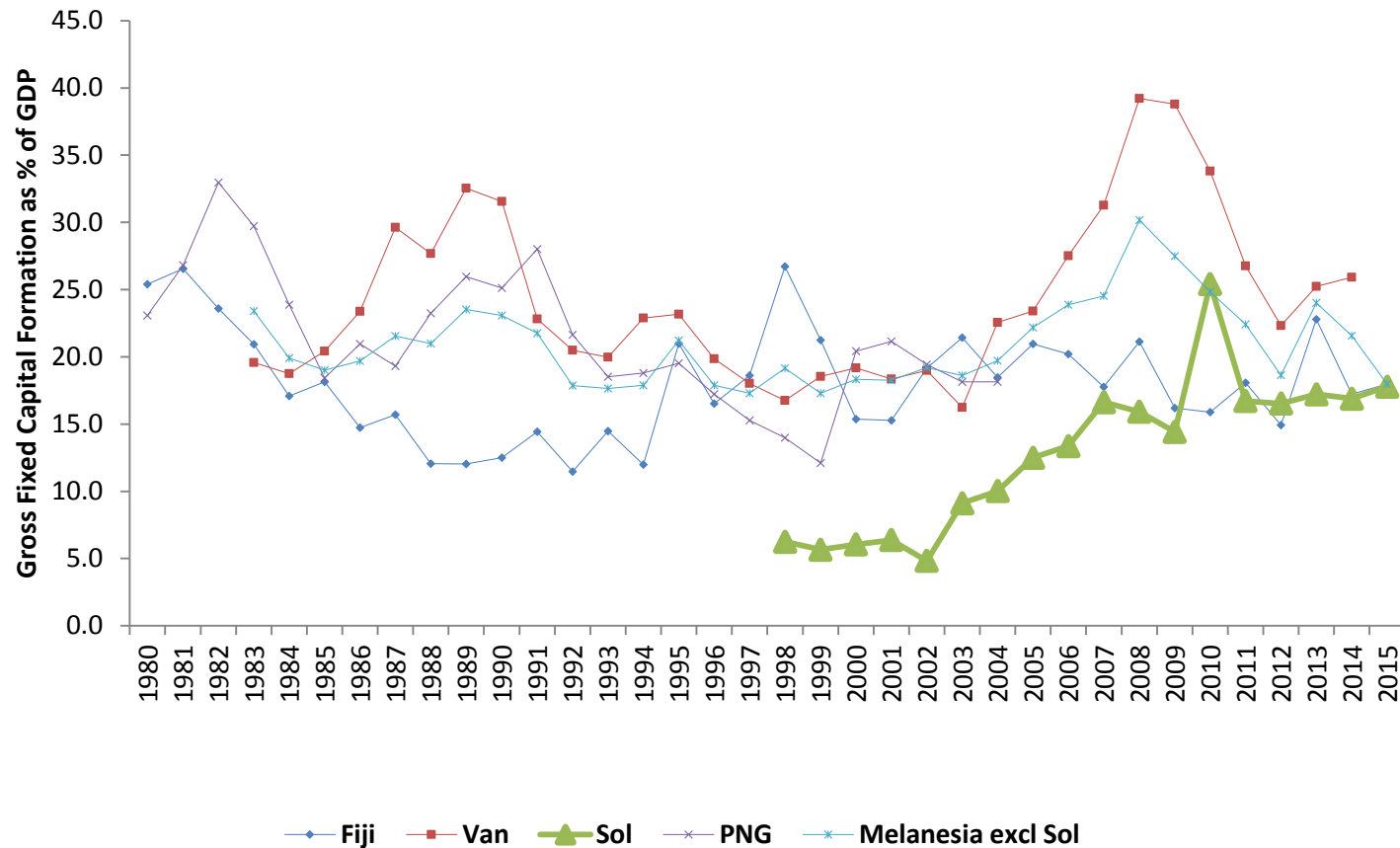
Figure 1.4 Distance to frontier scores on *Doing Business* topics - Solomon Islands
(Scale: Score 0 center, Score 100 outer edge)



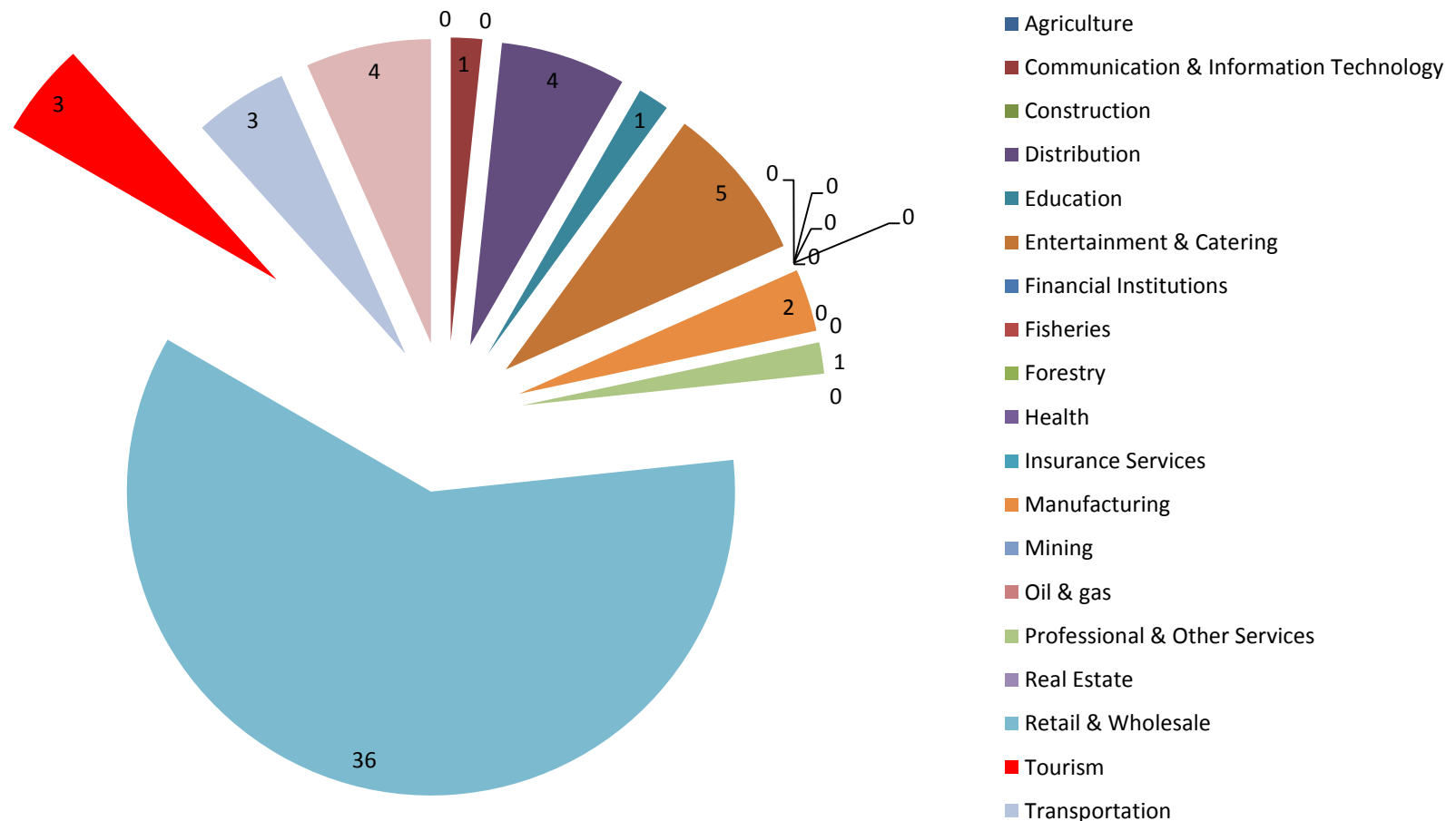
Capital expenditure as a ratio of GDP is very low against other regional countries and needs beefing up



Gross Fixed Capital Formation as a percent of GDP for Solomon Islands is lower than other Melanesian countries. Need to ramp up investments in tourism sector and other productive sectors



Tourism accounts for less than 5% of foreign investment applications



Source: FID 2017Q1

Challenges

- Broaden Sources of Growth?
- Low accessibility to finance especially MSMEs
- Attracting genuine investors
- Attitudes and behaviours
- Need more proper trainings in hospitality

Opportunities

- Tourism, Fisheries, Mineral & Agriculture are our future sources of growth
- Revival of DBSI potentially positive for MSMEs – but please do not default your loans
- Small Business Guarantee Scheme is still underutilised
- Support to tourism entrepreneurial/operators critical
- Adequate liquidity in the banking system

Final Remarks

- Our economy needs alternative sectors to sustain future growth – Tourism can help to fill the logging gap
- Important to raise tourism earnings to improve our current account position
- Tourism needs more investment funding: NTF is there scope?
- We must invest in hospitality trainings
- Invest more in tourism infrastructures

Thank you