



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 26-Apr-2020 | Report No: PIDC29189

**BASIC INFORMATION****A. Basic Project Data**

Country Solomon Islands	Project ID P173043	Parent Project ID (if any)	Project Name Solomon Islands Agriculture and Rural Transformation Project (P173043)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date Nov 16, 2020	Estimated Board Date May 21, 2021	Practice Area (Lead) Agriculture and Food
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance and Treasury	Implementing Agency Ministry of Agriculture and Livestock	

Proposed Development Objective(s)

To improve the livelihood of smallholder farmers in selected commodities through agribusiness partnerships, its related productive infrastructure and improved extension services.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	15.00
Total Financing	15.00
of which IBRD/IDA	15.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	15.00
IDA Credit	7.50
IDA Grant	7.50



Environmental and Social Risk Classification

Substantial

Concept Review Decision

Track II-The review did authorize the preparation to continue

B. Introduction and Context

Country Context

- Solomon Islands is a small and fragile island developing state (SIDS) of around 1,000 islands in the south-west Pacific with a population of 682,795¹ and a total land area of about 28,400 square kilometres.** It is classified as a least developed country with a global Human Development Index (HDI) rank of 153rd out of 189 countries, similar to Papua New Guinea, but below the other countries of the Melanesian group (Vanuatu, 141st and Fiji, 98th)². The annual Gross Domestic Product (GDP) growth of 2.5-3.5% per annum over the last five years is offset by a population growth of around 2.6% per annum, creating challenges of food security and youth employment in rural areas, exacerbated by environmental degradation, climate change and natural disasters.
- The biggest driver of economic growth has been logging which is continuing at unsustainable rates and contributes little to the welfare of rural communities.** Income from logging is expected to decline sharply over the next years due to the Government's approach to move to a more sustainable path in the forestry sector over the medium-term. Currently logging contributes 17% to the GDP, while the agricultural sector contributes around 20-21%. The agriculture sector is the largest employer, providing employment to 60% of the population. In terms of export value, timber exported as logs amount to 72% (~US\$ 405 million) of total exports, fisheries 11% (~US\$ 64.7 million), agriculture 8% (~US\$ 46.9 million), minerals 7% (~US\$ 40.3 million), with the rest accounted for by sawn timber and re-exports.
- Solomon Islands is among the countries with high levels of institutional and social fragility.** The country's fragility derives largely from its very short history of a democratic central government and the unsteady balance between central/provincial hegemony and fragmented traditional affiliations. Its fragility has multiple dimensions, including a recent history of civil unrest known as "the tensions"; vulnerability to natural disasters; deteriorating food and nutrition security; high levels of youth unemployment; land tenure disputes; weak governance; unsustainable deforestation/timber extraction; relatively small domestic markets; imports and exports exposed to international price volatility; and the impacts of climate change. Gender is highly skewed and most of the resources, assets, services, and decisions are controlled by men. Rapid social changes associated with increasing urbanisation contribute to stresses, including the erosion of customary authority, disenchantment among young people, and a loss of social cohesion. These situations persist, as shown by civil disturbances following the April 2019 elections, highlighting the importance of improving infrastructure, services and economic opportunities in rural and urban areas.
- National food poverty and basic needs poverty headcounts are relatively low at 4.4% and 12.7% respectively, but there are significant disparities between rural and urban areas, and between provinces.** Poverty in the Solomon Islands is largely a rural phenomenon with 87% of Solomon Islanders below the food poverty line living in rural areas³. The dietary protein consumption gap is widening as a result of the gradual shift towards lower cost, higher-level carbohydrate diets; lower fish consumption due to declining coastal fish catches; the rising cost of fish and meat; and the lagging domestic production of livestock and poultry. The daily 2017 per capita nutrient intake of meat-derived

¹2020 Population estimates based on interpolation of World Population Prospects data

² UNDP, 2019 Human Development Index Ranking

³ UN-CDP (2018). Vulnerability Profile of Solomon Islands



protein was only 4.7g, and has remained static over the past twenty years. Combined with the declining consumption of fish at 30 g per capita per day, the daily total dietary intake of meat and fish amounted to 34.7 g per capita. World Health Organization (WHO) guidelines for per capita protein intake set a minimum of 50 g per day. Dietary protein consumption varies greatly between urban and rural consumers, with the latter having a fraction of the purchasing power of urban consumers to buy meat, while relying increasingly on declining catches from offshore subsistence fishing. **Overall, in terms of value, Solomon Islands' food imports surpassed food exports by 72% and reached US\$ 116 million in 2018.**⁴

5. **The speed and extent of the Coronavirus (COVID-19) pandemic around the world has led to a widespread health crisis and business closures and a global economic slowdown.** Recent estimates indicate a significant decline in real GDP in the Solomon Islands of between minus 3% to minus 5% in 2020. It is imminent that the economy is moving into a recession starting in the second quarter of 2020. The impact of COVID-19 will affect almost all sectors of the Solomon Islands economy. On the supply side, travel has been limited, some supply chains have been affected and there has been disruption to business activity. On the demand side, global demand for the country's exports is uncertain, along with a significant slowdown in consumer spending in the domestic market. The industrial sectors most impacted include tourism, transport, manufacturing, distribution, government services and forestry⁵.

Sectoral and Institutional Context

6. **The agriculture sector continues to face a number of challenges.** Priority among these are the limited availability of suitable agricultural land, the depletion of soil fertility due to intensive land use for logging and mining, the impact of climate change, high internal transport costs, rudimentary or missing infrastructure in terms of warehouses, processing facilities, roads, wharfs and jetties, insufficient or insecure land tenure for small landholders, and limited access to finance and other agricultural support services.

7. **Almost 80% of Solomon Islanders live in rural areas.** An estimated 32% of households own less than 1 hectare, 25% own 1 to 4 hectares and 16.5% own 4 to 10 hectares⁶ of land i.e., 57% of households are smallholders and own less than 4 hectares of land. The majority of households, including 76% of all rural women, are engaged in subsistence agriculture as their primary economic activity.⁷ The wet tropical climate is favourable for a wide range of crops, including important cash crops such as cocoa and coconut, spice crops such as vanilla, cardamom, chilli, ginger and turmeric, as well as major food crops such as sweet potato, yams, cassava, taro, bananas, pawpaw, noni and a range of fruits and vegetables.

8. **Agricultural extension services and access to appropriate technologies, implemented through the Ministry of Agriculture and Livestock (MAL), suffer from persistent underfunding, lack of field mobility, eroding technical know-how and staff motivation.** The delay in accessing both extension and technologies is detrimental to farmers' ability to increase the cropping area and intensity, and moving away from a subsistence livelihood. The lack of extension services and technologies also holds true for the Department of Livestock and Veterinary Services (DLVS) in charge of the country's livestock sector, as well as for the Department of Extension which is responsible for the crops sector. MAL currently employs about 300 technical staff, of which approximately 22% are female.

9. **The ratio of farmers per extension staff is too high for achieving optimal results in outreach and training.** This situation is exacerbated by a lack of roads, means of transport and dispersed communities. Acknowledging these

⁴Solomon Islands National Statistics Office. International Merchandise Trade Statistics 2017 and 2019

⁵ April 09, 2020, CBSI Press, The Island Sun News

⁶ November 2019, Report on National Agricultural Survey 2017, Solomon Islands Government

⁷ World Bank, 2018. Country Partnership Framework for Solomon Islands for the Period FY2018–FY2023



constraints, MAL aims to (i) improve its infrastructure and logistical capabilities, (ii) improve its human resource capabilities, (iii) collaborate with other actors for providing extension services (Non-Government Organisations, private sector, Commodity Export Marketing Authority (CEMA), Solomon Islands Chamber of Commerce and Industry (SICCI), etc.), (iv) harness ICT solutions for increased outreach, and last but not least (v) align additional funding becoming available from development partners to effectively improve its agricultural advisory services.

10. Agricultural exports are dominated by palm oil (56% of total agricultural export value), cocoa (18%), copra (14%), and coconut oil (12%). While the palm oil sub-sector is solely driven by the Guadalcanal Plains Palm Oil Ltd estate (GPPOL) and some GPPOL out-growers, production of cocoa and coconut is done by smallholder farmers all around the Solomon Islands. Collection and export of cocoa and copra originally facilitated by CEMA has been reduced to promote decentralized marketing and exporting of cash crops by the private sector. CEMA's role has been refocused towards quality control, certification and information dissemination. Now, the private sector exporters have taken over the logistics, warehousing and export of Palm oil, Coconut, Cocoa, Ngali Nut, Yam, Taro, Sweet Potato and Vegetable.

11. Recent developments and policies indicate the Government's commitment to revive the cocoa industry sector. Studies have shown that Solomon Islands cocoa has potential to improve its current standing and reputation in the world market in order to fetch better prices. To achieve this goal, improvements in agricultural advisory services, productivity of cocoa trees⁸, quality of beans, trade arrangements, conducive partnerships between farmers and exporters, new markets, and efficiencies are needed. Solomon Islands' cocoa has been acknowledged as having a good characteristic flavour, and the fact that most of it is grown organically opens possibilities of serving niche markets. The main cropping season is opposite to main world producers⁹ which offers additional opportunities. Currently, there are 17,847 households cultivating cocoa in 18,988 hectares, with cocoa sales amounting to 2.25 million kgs, valued at about US\$ 6.93 million per annum. Similarly, 38,296 households are engaged in coconut production covering 28,104 hectares. Sales total about 10.74 million kgs per year, amounting to about US\$ 11.94 million¹⁰ per annum. As part of the Agribusiness partnerships supported under the Rural Development Program (RDP II), 14 cocoa partnerships were established, benefiting 8,993 households (including 4,223 female). These partnerships generated an income of US\$ 1.48 million per year for the beneficiary households. An additional 13 coconut partnerships were established, benefiting 5821 households (including 2,733 females), generating an income of US\$ 1.62 million per year¹¹. The proposed Solomon Islands Agriculture and Rural Transformation (ART) project will build on the lessons and achievements of the Agri-business Partnership of the RDP II, which will further scale up to other commodities.

12. Pigs and chickens (including domestic breeds) are reared as small livestock in almost all the provinces of the country. The Report on National Agricultural Survey 2017 documents 149,651 pigs are reared by 32,912 households whereas 552,427 chickens are reared by 39,272 households. The number of improved small livestock per household is low due to the high cost of imported feed and day-old chicks transported to different islands from Honiara. Locally produced, less costly feed for pigs and chickens may increase the incentive for local production and enable local producers to be more competitive with imported frozen meat, which is cheaper than domestically produced meat. Rearing of large livestock is rare and an estimated 2000 cattle are kept by some 300 households. Currently there is not a single slaughterhouse in the country.

13. Due to low productivity resulting in low meat production levels, the increasing domestic demand from growing urban as well as rural centres cannot be met. Imports of meat and edible meat by-products, especially in the form of

⁸ Vadjal, D. and Pelomo, M., 2014. Solomon Islands Cocoa Value Chain Analysis

⁹ Pacific Horticultural and Agricultural Market Access (PHAMA) Program, 2015. Technical Report 84; SOLS22 (Stage 2): Cocoa Marketing Study

¹⁰ November 2019, Report on National Agricultural Survey 2017, Solomon Islands Government

¹¹ Progress Report, September 2019, RDP II



frozen poultry, beef and pork, coming from Australia, New Zealand, Vanuatu, Fiji and Papua New Guinea, have increased from US\$ 5.6 million in 2010 to US\$ 16.7 million in 2018. Imports of poultry meat has increased from 298 metric tons (MT) (US\$ 2.7 million in 2010) to 4,137 MT (US\$ 12.7 million in 2018), beef from 75 MT to 555 MT, and pork from 12 MT to 204 MT within the same time frame¹². The Government is concerned about this rapid increase in meat imports and is putting new thrust to developing the livestock sector through its new Policy Framework as well as through its upcoming Agriculture Sector Strategy and Investment Plan. The aim is to promote commercialization of the pork and poultry industry through supporting larger scale operators as well as producers' organizations to increase locally produced quality products for import reduction¹³.

14. **Female and male headed households in the country is 13.4% and 86.7% respectively**¹⁴. Both women and men in the villages engaged in subsistence agriculture and fisheries. In order to secure cash income, rural women are gradually turning to cash crop which are more lucrative. Women play a significant role in subsistence agriculture by growing root crops, tubers and vegetables for both household consumption and sale in local markets. A move by women and their families into substantial cash crop production, and away from conventional crops could impact the health of families as nutritious homegrown food is increasingly replaced by imported and less nutritious foods.¹⁵ Broadly speaking, men control most of the productive resources, assets and services and are the primary decision makers. The number of women officers within MAL is low.

15. **Solomon Islands has a tropical climate, often humid and wet, with an average temperature of 27°C and average rainfall of 3,000-5,000 mm, depending on elevation and topography.** Cyclones often occur between December and April. The other natural disasters are flood, earthquake and tsunami. These events lead to crop damage, pest attack, transportation disruptions and food unavailability. These disasters are widespread and distributed across all provinces, more highly experienced among agricultural households leading to various states of food insecurity. It is estimated that nearly 17% of households in the Solomon Islands are affected by storms or floods¹⁶.

16. **The Agribusiness Partnership piloted under the RDP II has established 35 partnerships in cocoa, coconut, honey, ngali nut, vegetables and livestock.** Investment of US\$ 6 million on these partnerships has created productive infrastructure such as small equipment and machinery for productivity enhancement, value chain infrastructure such as hot air driers, direct micro expelling (DMEs), copra oil extraction units, storage space, packaging units and logistics infrastructure such as boats and trucks in the project operational villages.

17. **The concept of ART builds on experiences from RDP I and RDP II** (expected to close on February 28, 2021) as well as from other World Bank-funded projects on agri-business partnership and rural livelihoods¹⁷. It also builds on other development partners' initiatives such as Pacific Horticultural and Agricultural Market Access (PHAMA) and "Strongim Bisnis", funded through the Australian Department of Trade and Foreign Affairs (DFAT). The key lessons learnt include (i) project implementation costs in small islands countries are high and therefore the project needs a clear focus, e.g. the value chain approach, in order to create measurable impacts, (ii) implementation capacities of MAL are low and project support to MAL should target well-defined areas linked to the project's focus such as developing producer organizations (POs), provide improved agriculture extension and facilitating private sector and NGOs for linking POs to markets; (iii)

¹²<http://www.intracen.org/itc/market-info-tools/market-analysis-tools/>

¹³ Solomon Islands Government, 2019. Policy Translation Framework

¹⁴ November 2019, Report on National Agricultural Survey 2017, Solomon Islands Government

¹⁵ Country Gender Assessment of Agriculture and Rural Sector in Solomon Islands, FAO, 2019

¹⁶ November 2019, Report on National Agricultural Survey 2017, Solomon Islands Government

¹⁷ Those include Bolivia Rural Alliance Projects, Viet Nam Agriculture Competitiveness Project, Viet Nam Second Northern Mountain Poverty Reduction Project, State of Maharashtra's Agriculture and Rural Transformation Project – India, Mongolia Livestock Commercialization Project.



embedding the project within the MAL structure to ensure optimal mainstreaming and institutionalization, as well as sustainable capacity building, and (iv) use of newly available disruptive technologies for better outreach and monitoring and evaluation (M&E) of the project's interventions.

18. **The immediate economic impact of COVID-19 is being felt by hotels with zero visitors due to restrictions on international flights; market vendors, roadside street vendors, food markets, restaurants required to close; and the loss of income for these workers and entrepreneurs.** People have fallen back on their social network by going back to their villages, where they feel secure. As they carry less money to village and considering the ongoing recession, they may require some cash and / or food to buy necessities to ensure food security. Even public servants have been asked to take leave at half pay. Apart from cash crop harvesting; all the agriculture activities have halted. MAL has recommended and encouraged farmers to do backyard gardening (proposed as home nutrition garden in ART) and to adopt safe market set up and mobile marketing. Presently, all the shops are well stocked with food and other goods. There may be some impact to the supply of rice, a staple diet in the Solomon Islands, in the near future as countries that export rice change their export policies and shipping lines are disrupted¹⁸. The proposed project will promote rice production for home consumption as part of home nutrition garden i.e., 500 m² to 1000 m² of land (0.05 to 0.1 hectare) and mobile marketing.

Relationship to CPF

19. **The Country Partnership Framework (CPF) for Solomon Islands for the period FY2018–FY2023, dated June 26, 2018, identified three focus areas:** (1) Strengthening the Foundations of Well Being, (2) Promoting Inclusive and Sustainable Growth, and (3) Managing Uneven Development. The proposed ART project will contribute directly to the realisation of Focus Area-2, specifically in the domain of increasing productive opportunities in agriculture, and partly to Focus Area-3 in the field of improved access to service delivery. In line with the Systematic Country Diagnostic¹⁹ and the CPF, noting the direct importance of subsistence and semi-commercial agriculture and fisheries to the wellbeing of the rural urban population, the project will focus on getting smallholders engaged in improved and sustainable agriculture practices, and elevate and practice of semi-commercial farming. The project also aligns with the Bank's priority to support countries with the COVID-19 recovery. Potential activities would include training of lead farmers of POs on high quality breed and improved seed production and replacement through adaptive research and extension for adoption by smallholder farmers, and developing home nutrition gardens with short duration varieties to address immediate food needs, develop self-sufficiency and reduce imports in the long run.

20. **The project's interventions are closely aligned to the country's National Development Strategy 2016-2035 (NDS),** specifically under its Objective 1 (Sustained and inclusive economic growth) and Objective 2 (Poverty alleviated across the whole of Solomon Islands, basic needs addressed and food security improved; benefits of development more equitably distributed)²⁰. While Objective 1 aims at reinvigorating productive sectors (including agriculture, livestock, agro-forestry) in order to increase value addition and exports, Objective 2 addresses poverty in its various forms, including increased incomes for rural households.

21. **The project is focus on building capacities along the selected value chains, improving performance of export crops (cocoa and coconut) as well as on increasing production of small livestock (poultry and pigs),** and these align well with the country's new Policy Translation Framework²¹ and the newly emerging Agriculture Sector Strategy and

¹⁸ <https://devpolicy.org/covid-19-and-solomon-islands-the-first-casualties-and-possible-ramifications-20200409/>

¹⁹WB, 2017. Systematic Country Diagnostic

²⁰Ministry of Planning and Development Coordination, (2016). National Development Strategy 2016-2035

²¹Solomon Islands Government, 2019. Policy Translation Framework



Investment Plan 2020-2030 (ASGIP). The activities of the project are clustered around two interlinked technical components: (i) support to development of productive infrastructure, and (ii) support to value chain development.

C. Proposed Development Objective(s)

22. To improve the livelihood of smallholder farmers in selected commodities through agribusiness partnerships, its related productive infrastructure and improved extension services.

Key Results (From PCN)

23. **The project's intermediate outcomes in relation to the targeted value chains are defined as (1) improved access to agriculture extension and support services, and (2) improved agribusiness partnerships and market linkages.** Key results achieved will be measured through (i) number of producer organizations (POs) developed and functioning, (ii) percentage of smallholders satisfied with improved agricultural extension services, (iii) percentage of smallholders satisfied with productive infrastructure, (iv) number of POs engaged in agribusiness partnerships in targeted value chains, and (v) number of smallholders with increased income

D. Concept Description

24. **The new project's concept is designed around a value chain approach.** This entails that all support rendered to the borrower will contribute to the improved functioning of the selected value chains which will translate into increased incomes for smallholder farmers. Based on this concept the project will support and work with various relevant actors along the value chain such as POs, agribusiness partners, service providers, etc. In addition, through establishing multiple stakeholder value chain roundtables (consisting of representatives from POs, traders, processors, exporters, chamber of commerce, CEMA, PHAMA, SICCI, relevant ministries, development partners, etc.), the project will be able to coordinate value chain related support, including improving policies and regulations governing the respective value chains.

25. **The concept builds on three pillars:** (i) building and strengthening institutions of smallholder farmers through improved agriculture extension and advisory services, appropriate technologies leading to higher productivity and production, (ii) value chain commercialization through agribusiness partnerships and innovations to improve value chains of selected commodities, and (iii) building an ecosystem for facilitating access to finance by POs from commercial banks and increased private sector engagement. To work along this concept and to achieve the stated objectives the project will need flexibility in order to react or adapt to new developments in the markets or findings from studies relevant to the targeted value chains.

26. **The project aims to sustainably increasing crops and livestock productivity and access to markets through productive partnerships.** It will contribute to: (i) developing and strengthening POs with equitable women representation (ii) increasing import substitution and the supply and consumption of domestically produced meat and honey, (iii) boosting exports of cocoa and coconut oil, and (iv) building the capacity of lead farmers / best practicing farmers to develop as a cadre of community professionals to increase the resilience of smallholder farmers to climate change and climate-induced disasters.

The project has four components:

- Component 1: Building and strengthening institutions of smallholder farmers through improved agriculture extension and technologies
- Component 2: Value chain Commercialization
- Component 3: Project Management
- Component 4: Contingency Emergency Response



Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

Overview of the assessment of relevance of the Standard for the Project

The project will support (i) agricultural and livestock improvement including agronomic practices, processing; livestock breeding, husbandry practices; and productive research; (ii) infrastructure such as provincial offices, field experiments stations; and (iii) technical assistance and capacity building. The project activities will provide positive benefits to the country including economic development and community livelihood opportunities, capacity training and building to staff of MAL and new technology for outreach activities for producer organizations (POs), smallholder farmers, and private sector.

The overall Environmental and Social Risk Classification (ESRC) is Substantial due to (i) the borrower’s limited capacity and track record of relying on external consultants; and (ii) nature, characteristics, and typologies of the project are not complex or large, do not involve investment that have a high potential for harming the environment and society. Environmental and Social standards (ESSs) 1,2,3, 4, 6, 7, and 8 have been screened as relevant. ESSs 5 and 9 were screened as not relevant. The Concept Environmental and Social Review Summary (ESRS) provides further information on E&S risks of each ESS. Per the project typologies, adverse environmental and social impacts and risks are anticipated to cause temporary and limited adverse impacts and risks on the environment and human population. Therefore, the project-ESMF which includes subproject screening process and application of Environmental Codes of Practice (ECOP), Pesticide Management Plan (PMP), and Labor Management Plan (LMP) will mitigate those environmental and social risks.

Prior to project appraisal, MAL will prepare an Environmental and Social Commitment Plan (ESCP) to ensure adequate budget, staffing and operational arrangements for project environmental and social risk management. The ESCP can include specific activities, responsibilities, timeframe of activities, responsibilities on the Bank and borrower side. MAL will also prepare a Stakeholder Engagement Plan (SEP) for meaningful consultations with relevant stakeholders on the environmental and social risks and for extensive community consultation and engagement, especially with the value chain approach.



CONTACT POINT

World Bank

Son Thanh Vo
Sr Agricultural Spec.

Borrower/Client/Recipient

Ministry of Finance and Treasury
McKinnie Dentana
Permanent Secretary
mdentana@mof.gov.sb

Implementing Agencies

Ministry of Agriculture and Livestock
Ethel Tebengi Frances
Permanent Secretary
Ethel.Frances@sig.gov.sb

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Son Thanh Vo
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Approved By

Practice Manager/Manager:	Dina Umali-Deininger	29-Apr-2020
Country Director:	Michel Kerf	17-May-2020