

Ex-Ante Evaluation (for Japanese ODA Loan)

Southeast Asia and Pacific Department

Pacific and Southeast Asia Division 6

Japan International Cooperation Agency (JICA)

1. Basic Information

Country: Solomon Islands

Program name: COVID-19 Crisis Response Emergency Support Loan

Loan Agreement: March 3, 2021

2. Background and Necessity of the Program

- (1) Current Circumstances and Issues of the Solomon Islands' Response to COVID-19 and Positioning of this Program

Since the first confirmed case on October 3, 2020, a total of 18 COVID-19 infections has been recorded in the Solomon Islands as of February 26, 2021, all of whom were Solomon Islanders returning from overseas. Due to concerns over its aging health care facilities and shortage of medical personnel, the Government of the Solomon Islands has been successful in preventing community-acquired infections by declaring a state of emergency on March 25, 2020, and a suspension of all international flights on March 27, 2020, measures that are still remain in place today.

The Solomon Islands economy has been hit hard by the slowdown in the global economy, particularly in export industries such as forestry, mining and fisheries (agriculture, forestry, and fisheries account for 35% of 2019 GDP, with forestry accounting for 68% of 2019 exports), and tourism (5% of 2019 GDP). Solomon Islands' economic growth rate has slowed in recent years due to reduced timber production and a decrease in exports from the depleted forest resources. COVID-19 is expected to compound this decline; originally forecasted to grow 2.5% in 2020 as of pre-COVID, this has been adjusted to minus 5.0% (IMF, October 2020). In the Solomon Islands, where there is a limitation of job choices in the formal sector, leaving most of its workers engaged in informal sector jobs including self-sufficiency farming, and retails. Many of these workers have lost their jobs because of slowed economic activity in Solomon Islands affected by government measures to prevent the spread of COVID-19 infections. As for the balance of payments, the trade balance between imports of goods (more than 30% of GDP) and exports of timber has been almost equilibrium, and the current account deficit holding stable at 3-5% in the red. However, timber exports have started to decline due to resource depletion, expanding the trade deficit to 8.9% in 2019. With lower

exports due to the global COVID-19 pandemic, a trade deficit of 17.8% is forecast for 2020 (IMF, 2020). While the Solomon Islands held abundant foreign currency reserves at the end of 2019, equivalent to 10 months' worth of imports, this is expected to fall to less than six months' worth by the end of 2021. Over the medium term, they are expected to cover the gap in funds caused by a large current account deficit by public and foreign borrowing, with foreign reserves expected to remain constant.

Accounting for the impacts of COVID-19, the Ministry of Finance and Treasury (MoFT) of Solomon Islands has revised its fiscal 2020 revenue forecasts down substantially to approximately US\$380 million dollars, an 11% decrease from the original forecast. Accordingly, MoFT predicts that the 2020 fiscal deficit will increase to 7.3% of GDP (from 2.6% for the previous fiscal year). Under these circumstances, the Government of the Solomon Islands has decided to implement the COVID-19 Preparedness and Response Plan (US\$87 million dollars), which includes the strengthening of infection control, protection and relief of vulnerable groups. The government is also rolling out an Economic Stimulus Package totaling US\$89 million, including investments in agriculture, forestry, fishing, and tourism, as well as supplemental social security and support for small and medium-sized enterprises and state-owned enterprises. MoFT has secured a combined US\$73 million, including US\$15 million of government bonds issued along with loans and donations from the World Bank, the Asian Development Bank (ADB) and others totaling US\$58 million. Still, a US\$103 million gap in funds remains (as of November 18, 2020).

As previously mentioned, while most workers in the country are engaged in informal sectors, many of these have lost their jobs in the slowed economy. Therefore, care must be taken to ensure that support from both COVID-19 Preparedness and Response Plan and Economic Stimulus Package reaches adequately.

In light of these needs, financial support to help carry out infection control, protection and relief of vulnerable groups, and economic measures, will be provided to the Government of the Solomon Islands through the COVID-19 Crisis Response Emergency Support Loan (hereinafter "the Program"), by co-financing with the Asian Development Bank. This will contribute to promoting social and economic stabilization and recovery, and also the development efforts of Solomon Islands, which are affected by the worldwide spread of COVID-19.

(2) Cooperation Policies for Response to COVID-19 on the Government of Japan and JICA

Under the priority area "Overcoming Vulnerability", the Country Assistance Policy for the Solomon Islands (April 2019) lists support in building, maintaining and strengthening connections for basic economic and social infrastructure; support for regional industry promotion, centering on agriculture, forestry and fisheries; support for training the human resources needed to promote the tourism sector and other industries; and support in improving quality for regional healthcare services and school education and in upgrading educational facilities. Also in response to the recent health crisis with COVID-19, JICA announced the JICA Global Health Initiative, which aims to achieve strong universal health coverage (UHC) to protect people's health from new infectious diseases. Over the medium- to long-term, JICA will work to strengthen treatment, vigilance, and preventive systems.

In accordance with these policies and by supporting measures to combat the global COVID-19 pandemic, the Program will help in ensuring self-sustaining development and peace and stability, thus contributing to the creation of a Free and Open Indo-Pacific (FOIP). It will also contribute to SDGs 3 (good health and well-being), 5 (gender equality), and 8 (decent work and economic growth).

(3) Response of other Development Partners

The IMF has approved approximately US\$28.5 million dollars through its Rapid Credit Facility and its Rapid Financing Instrument (June 2020). The World Bank has approved approximately US\$15 million dollars in International Development Association (IDA) general financial assistance (May 2020) and the COVID-19 Emergency Response Project, worth US\$5 million (January 2021). The ADB has approved and implemented the US\$6 million Pacific Disaster Resilience Program Phase II (April 2020) and US\$20 million COVID-19 Rapid Response Program (June 2020), which is co-financed with the Program.

Australia has donated US\$9 million dollars for COVID-19 response, New Zealand has given US\$2 million dollars, and China has provided medical equipment and materials.

3. Outline of the Program

(1) Objective of the Program

The objective of the Program is to help carry out infection control, protection and relief of vulnerable groups, and economic stimulus measures, through

concessional financing to the government of the Solomon Islands by co-financing with the Asian Development Bank (ADB). This will contribute to promoting social and economic stabilization and recovery, and also the development efforts of Solomon Islands, which are affected by the worldwide spread of COVID-19.

(2) Program Site/Target Area

Whole of Solomon Islands

(3) Details of the Program

The Program will provide financial support to the Government of the Solomon Islands, which has formulated and implemented the COVID-19 Preparedness and Response Plan and an Economic Stimulus Package, as a crisis response for social protection and relief and economic measures against the impacts of COVID-19. Details of the COVID-19 Preparedness and Response Plan and Economic Stimulus Package are as follows:

Plan	Category
COVID-19 Preparedness and Response Plan	(a) Establishing an integrated management system of preparedness and response through a whole-of-government sector approach
	(b) Implementing health systems preparedness and response measures
	(c) Implementing education systems preparedness and response measures
	(d) Implementing livelihood preparedness and response measures
	(e) Ensuring the safety and security of communities and health professionals
Economy Stimulus package	(f) Support for farmers as a form of social protection
	(g) Support for forestry, fisheries, and tourism as a form of social protection
	(h) Social protection and community support measures
	(i) Support to businesses, particularly micro, small, and medium-sized enterprises (MSMEs)
	(j) Support to state-owned enterprises and large employers
	(k) Promoting infrastructure projects

(4) Estimated Program Cost (Loan Amount)

2,500 million yen

(5) Program Period

The Program started in March 2020. As described in 2(1), the COVID-19 Preparedness and Response Plan and Economic Stimulus Package have already been formulated and are underway. Thus, the Program will be completed when the loan is executed (scheduled for March 2021).

(6) Program Implementation Structure

1) Borrower: The Government of Solomon Islands

2) Guarantor: None

3) Program implementation organization: Ministry of Finance and Treasury (MoFT)

4) Operation and maintenance agencies: For monitoring, the MoFT will aggregate information from the relevant ministries and agencies.

(7) Cooperation and Sharing of Roles with other Development Partners

1) Support activities by the Japanese government

None

2) Support activities by other development partners

In cooperation with co-financier ADB, JICA will monitor the progress of the COVID-19 Preparedness and Response Plan and Economic Stimulus Package by reviewing progress reports to be submitted by MoFT. The monitoring period shall be from March 2020 to December 2021, with quarterly reports submissions scheduled.

(8) Environmental and Social Considerations, Cross-Cutting Issues, and Gender Classifications

1) Environmental and Social Considerations

① Category: C

② Reason for the classification: The Program is considered to have minimal adverse impact on the environment as per JICA Guidelines for Environmental and Social Considerations (April 2010).

2) Cross-Cutting Issues

① Items related to climate change measures: none

② Poverty measures/considerations: Items (f) and (h) mentioned in 3.(3) are to be implemented to mitigate the impact of COVID-19 on the poor and vulnerable group.

③ Consideration for the disabled: Item (h) mentioned in 3.(3) is to be implemented to mitigate the impact of COVID-19 on the disabled, and

considerations will be taken to ensure programs are accessible to the disabled.

3) Gender Classification: [Gender Program] ■ GI(S) (Gender Informed (Significant))

<Activity description/reasons for categorization> Because the Program uses operation and effect indicators to set target ratios for women.

(9) Other special notes

None in particular.

4. Effects of the Program

(1) Quantitative Effects: Outcome (operation and effect indicators)

Indicator	Standard value (February 2020 results)	Target value (*Dec. 2020) (**Jun. 2021)
Nurses and doctors with improved knowledge and skills in fighting COVID-19 cases are available for full activation if a COVID-19 case is confirmed in Solomon Islands	—	150* At least 50% women
Farmers have been provided with some form of support, and sex-disaggregated data is collected ^{*2}	—	10,000**
Funds are injected into state-owned enterprises that agree to retain staff	—	4 state-owned enterprises*
Women, youth, and students contracted to monitor prices	—	100 total* At least 60% women

*1: Using the same Performance Indicators as co-financier ADB's COVID-19 Rapid Response Program for operation and effect indicators.

*2: Support for promoting the production of value-added products (10 agricultural products: cassava, cocoa, coconut, noni, etc.).

(2) Qualitative Effects

Recovery and stability of domestic socio-economic activity, stabilization of life for vulnerable groups, etc. (Will be checked comprehensively for change in

indexes such as GDP growth rate, export industries (forestry, mining, fisheries, etc.), and tourist-based income) .

(3) Internal rate of return:

No internal rate of return is calculated since this is a program-type loan.

5. Preconditions / External Conditions

- (1) Precondition(s): N/A
- (2) External condition(s): N/A

6. Lessons Learned from Past Programs and Application to the Program

In the aftermath of the financial crisis of 2008, JICA carried out three ODA loans for emergency budget support to Southeast Asian countries (Emergency Budget Support Loan for the Philippines, Climate Change Program Loan (II) (economic stimulus support) for Indonesia, and the Eighth Poverty Reduction Support Credit with Economic Stimulus Support for Viet Nam. The ex-post evaluation of these loans, conducted in 2011, emphasizes that since one of the objectives of emergency budget support is to extend financing in a timely manner to facilitate crisis responses, the timing of the financing is crucial for maximum effectiveness. It concludes that the procedures up to the loan disbursement should preferably be as simple and as flexible as possible. Having learned the lessons described above, by co-financing with ADB which is already providing financial support, funds can be provided quickly securing a system for monitoring progress without having to form our own policy matrix.

7. Evaluation Results

The Program is to help carry out infection control, protection and relief of vulnerable groups, and economic stimulus measures, through concessional financing to the Government of the Solomon Islands. This will contribute to promoting social and economic stabilization and recovery, and also the development efforts of Solomon Islands, which are affected by the worldwide spread of COVID-19. This Program loan will contribute to the achievement of SDGs 3(good health and well-being), 5 (gender equality), and 8 (decent work and economic growth). For the reasons listed above, it is highly necessary that JICA supports the implementation of the Program.

8. Plan for Future Evaluation

(1) Indicators to be used

As indicated in sections "4. Effects of the Program" .

(2) Future evaluation schedule

Ex-post evaluation: 2 years after the Program completion.

End