



SOLOMON ISLANDS GOVERNMENT

**NATIONAL ECONOMIC RECOVERY, REFORM
AND DEVELOPMENT PLAN
2003 - 2006**

STRATEGIC AND ACTION FRAMEWORK

Final Report

**Department of National Reform and Planning
Honiara
October 2003**

NATIONAL ECONOMIC RECOVERY, REFORM AND DEVELOPMENT PLAN 2003-2006 SOLOMON ISLANDS

Strategic and Action Framework *Final Report*

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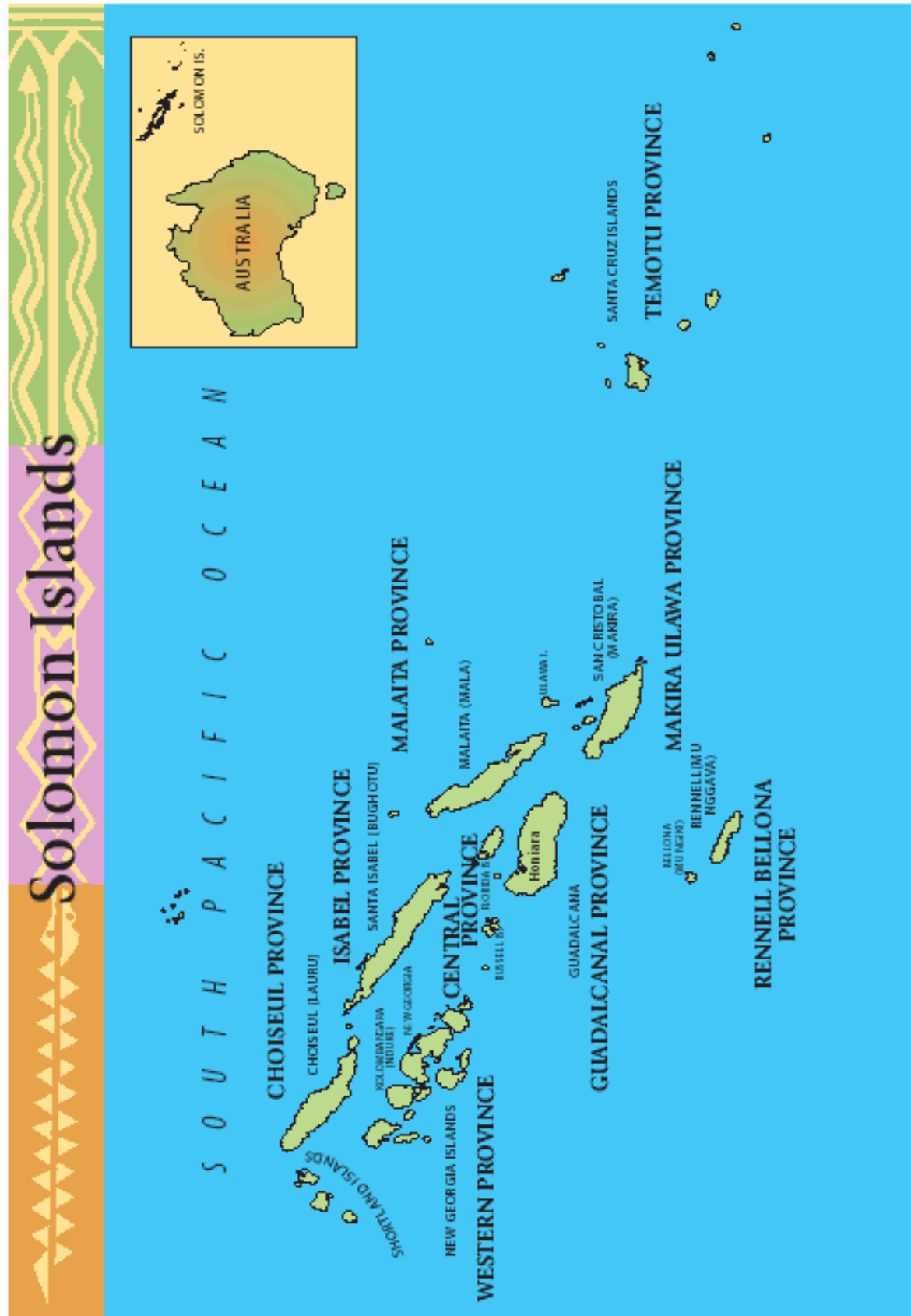
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Abbreviations

AusAID	Australian Agency for International Development
ACP	Africa, Caribbean and Pacific
ADB	Asian Development Bank
AIDS	Acquired Immunodeficiency Syndrome
ARI	Acute respiratory infection
CBSI	Central Bank of Solomon Islands
CEDAW	Convention for the Elimination of All Forms of Discrimination Against Women
COLP	Code of Logging Practises
CRC	Convention on the Rights of the Child
DBSI	Development Bank of Solomon Islands
EASI	Economic Association of Solomon Islands
EEZ	Economic Exclusive Zone
EMIS	Education management information system
EU	European Union
GDP	Gross domestic product
GLF	Guadalcanal Liberation Front
GRA	Guadalcanal Revolutionary Army
HFC	Home Finance Corporation
HIS	Health information system
HIV	Human Immunodeficiency Virus
HPI	Human poverty index
HRPI	Honiara retail price index
ICT	Information and communication technology
IMR	Infant mortality rate
IPMT	International Peace Monitoring Team
KSA	Key Strategic Area
MEF	Malaita Eagle Force
MDGs	Millennium Development Goals
MOH	Ministry of Health
MP	Member of Parliament
NACC	National Advisory Committee on Children
NERRDP	National Economic Recovery, Reform and Development Plan
NGOs	Non-government organisations
NPC	National Peace Council
NPF	National Provident Fund
PFNet	People First Network
RAMSI	Regional Assistance Mission to Solomon Islands
RIPEL	Russell Islands Plantation Estates Limited
RSIPF	Royal Solomon Islands Police Force
SIEA	Solomon Islands Electricity Authority
SICHE	Solomon Islands College of Higher Education
SIG	Solomon Islands Government
SIPL	Solomon Islands Plantations Limited
SIWA	Solomon Islands Water Authority
SME	Small and Medium Sized Enterprises
SOE	State Owned Enterprise
STDs	Sexually transmitted diseases
TPA	Townsville Peace Agreement
UN	United Nations
UNDP	United Nations Development Programme



Foreword

The National Economic Recovery, Reform and Development Plan (NERRDP) 2003-2006 is a medium-term development strategy policy document of the Solomon Islands Government. Its purpose is to set out government strategies, policies and actions to be taken for economic recovery, social restoration, reform and development during the Plan period. The Plan sets out the immediate tasks for economic recovery and social restoration and those tasks for rebuilding basic economic and social infrastructure as well as rebuilding the foundations for sustainable economic growth and human resources development in the Solomon Islands.

The preparation of the NERRDP 2003-2006 involved a wide consultation process with all stakeholders. This includes written submissions from the government departments, provincial governments, statutory bodies, civil society and non-government organisations and the private sector. It also involved a consultation workshop with the provincial government representatives, a national workshop involving the national government provincial governments, civil society and non-government organisations, the private sector and the development partners as well as a workshop involving Parliamentarians and Provincial Premiers.

On behalf of the Government of Solomon Islands, I wish to thank the individuals and organisations that have contributed to the preparation of the Plan, the government departments, provincial governments, the civil society and non-governmental organisations, the private sector and statutory bodies as well as the development partners. I wish to acknowledge with appreciation the United Nations Development Programme (UNDP) and the European Union for providing technical and financial assistance to support the Government in preparing the Plan.

I wish to express my personal gratitude to my staff of the Department of National Reform and Planning for their commitment and dedication to this task, despite the many difficulties encountered during the process of compiling and in the production of the Plan.

Hon. Nollen Leni
Minister of National Reform and Planning
Department of National Reform and Planning

Executive Summary

The National Economic Recovery, Reform and Development Plan (NERRDP) 2003 –2006 is a plan with a purpose. It has been prepared by the Solomon Islands Government (SIG) in the aftermath of a serious breakdown in law and order and national security – a period of ethnic tension and civil disruption which has impacted negatively on the economy and livelihoods of many Solomon Islanders; on normal governance and administration and on the delivery of basic social services – in particular on education and health throughout the country from 1999 through to 2003.

The purpose of the Plan is to set out a strategic framework with clearly identified priority targets and actions which SIG and its Development Partners must actively work towards to achieve economic recovery and reform and the restoration of those basic social services as well as to re-establish and build the foundations for sustainable economic and social development.

The course of the “ethnic tension” as it is known, is outlined and its impacts described in this plan document. These include loss of lives and violations of human rights, the displacement of some 30,000 people within Guadalcanal and to Malaita; the closure of the Gold Ridge mine of the Solomon Islands Plantations Limited (SIPL), and other companies with the loss of several thousand jobs where only 23 percent of the adult population were in paid employment; the end to exports of gold and palm oils with the loss of earnings to the economy and revenues to SIG and the severe downturn in other exports and private business activities; the practical restrictions on peoples’ movements and latterly the activities of special constables and others in prominent positions who effectively lodged and extorted from government substantial and spurious claims for financial compensation.

The Government with support of civil society organisations and neighbouring countries, Australia and New Zealand, negotiated a peace agreement between the militant groups, the Townsville Peace Agreement, which was signed in October 2000. Although law and order and security situation improved significantly with the signing of the peace agreement, there continued considerable security and law and order problems because of continuing active militancy in some parts of the country and presence of a large number of illegal weapons in the community.

The Government, civil society and non-government organisations and the local communities have endeavoured, with great difficulty, to address the continuing law and order and security problems. The Government continued to seek external assistance to support its efforts in dealing with these problems. With the shift in policy stance by Australia and New Zealand, the Government, with the endorsement of the National Parliament, submitted a request to them for police and military assistance. With support of other members of the Pacific Islands Forum, the Regional Assistance Mission to Solomon Islands (RAMSI) was deployed in Solomon Islands towards the end of July 2003. Since the arrival of RAMSI to support the Government in dealing with the law and order and security problems and the problems with government finances, considerable improvements have already been made in these areas in the last three months.

The Plan is the product of wide consultation over a period of months from April to October 2003 with workshops and individual discussions, written submissions and follow up meetings with a wide range of stakeholders including parliamentarians, provincial premiers and provincial governments, all government departments, multilateral and bilateral donors, private companies and organisations, NGOs and individuals. The Plan follows on from the Multi-Donor Economic Governance Mission in late 2002 and draws on the Missions findings

and the recommendations made in its report received in March 2003 to which SIG has indicated its broad acceptance.

As such the Plan represents and incorporates widely held views and strategies, many of which have been identified in years gone by, such as public sector reform and the disposal of state-owned enterprises as an example, but have faltered for various reasons.

The NERRDP identifies and focuses on five Key Strategic Areas. These are as follows

- A.1 Normalising law and order and security situation.
- A.2 Strengthening democracy, human rights and good governance.
- A.3 Restoring fiscal and financial stability and reforming the public sector.
- A.4 Revitalising the productive Sector and rebuilding supporting infrastructure.
- A.5 Restoring basic social services and fostering social development.

During the consultations a relatively long list of objectives and actions required for recovery, reform and development were inevitably generated, given the under-investment and neglect over four years of conflict and disruption. This gave the Department of National Planning and Reform (DNRP), charged with the compilation of the Plan, a challenge to identify the most urgent and strategically important actions. The task was undertaken whereby each Government Department with Primary Responsibility for a sector was asked to produce time-bound quantifiable targets for each of the actions it proposed. Each department was then asked to identify out of these the most important targets. These became the Key Targets and with their associated indicators have become the core of the NERRDP. These are attached to this Summary. The importance of these Key Targets is that, given the resources, SIG believes they are achievable by the end of 2006 and are essential in the recovery process at the sectoral level.

A further aspect of this inclusive process is that given this compendium of targets and indicators each government Department has an outline work plan and a framework against which it can be monitored. The DNRP will drive this monitoring process with regular reports to the Cabinet, the Parliament, public and to the country's Development Partners, including importantly those donors engaged in supporting the programme. The importance of Parliament in taking ownership is emphasised as the Plan aims to place its implementation into the mainstream of Government activity and not as an add-on to meet a particular set of circumstances.

The resources for Plan implementation are channelled through the annual Budgets of the Government. This approach is most clearly illustrated in the relationship between NERRDP and the national annual budgets, recurrent and development, in resourcing the actions identified in the Plan targets. Previous plans have identified "priority projects" to be undertaken but usually have not clearly identified funding sources beyond a reference to the annual development budget and applications to external donors and attracting foreign investors.

In departure from past practice the NERRDP does not set out to identify specific projects considering this to be the role of the Development Budget process. Thus the NERRDP needs to be viewed in conjunction with the Development Budget process. Likewise the NERRDP will form the compilation of the Development Budgets during the Plan period. The Recurrent and Development Budgets for 2004, still separate entities, are currently under preparation and the level of consultation between the authorities responsible is greater than in previous years.

Solomon Islands Government is already heavily in debt and will not borrow further to fund operations or development programmes. Thus all revenues will be committed to cover recurrent expenditures and these will not be allowed to exceed actual revenue receipts. SIG will not therefore be able to fund any development activities and thus all Development Budget items for 2004 will be donor funded. Furthermore the Development Budget will in principle only include those projects for which funding has already been secured, recognising that the time required to design and appraise and agree project costing is likely to preclude significant levels of actual expenditure in the budget year. Any projects that are included in the Budget because they are considered to be of strategic importance in line with NERRDP targets but are not yet funded will be clearly identified as such.

The DNRP has the responsibility for the coordination and monitoring of the implementation of the Plan. The monitoring process will be done jointly with the development partners. A number of coordination and monitoring mechanisms are established involving the national government, the provincial governments, the private sector, civil society and non-government organisations and the development partners. The reports on the progress of implementing the Plan will be provided to the government, the Cabinet and Parliament, the public, civil society and non-government organisations, and the development partners. This will ensure transparency and accountability in implementing the Plan and the continued involvement and participation of all stakeholders.

Monitoring Development and Performance Indicators and Targets

Key Strategic Area 1 Normalising Law and Order and Security Situation

<p>Law & Order</p> <ul style="list-style-type: none"> • Security climate normalised throughout Solomon Islands including Honiara, Malaita and Guadalcanal.
<p>RSIPF</p> <ul style="list-style-type: none"> • Police Services to be re-established in all Provinces in 2004. • Reform programme of RSIPF and Prison Service completed in 2004 and continue capacity building. • Public confidence in police services built and regained.
<p>Legal Affairs</p> <ul style="list-style-type: none"> • All outstanding cases in 2003 – cleared by end 2004. • Magistrates' Court in Auki, Gizo refurbished and operational by end 2004.
<p>DNRUP</p> <ul style="list-style-type: none"> • 3 Counselling Centres established, staff trained and operational by mid 2004.

Key Strategic Area 2 Strengthening Democracy, Human Rights and Good Governance

Democracy, Human Rights and Good Governance

- **New Federal Constitution** with strengthened Bill of Rights launched on Independence Day, 7 July 2004.
- Public Service **General Orders and Financial Instructions** republished, distributed to officers and **training programme** designed and started by end 2004 and implemented by end 2005.
- **National Parliamentary timetable** adhered to with two Sessions in 2004 and two Sessions in 2005 and capacity building programme commenced by end 2004.
- **Review enforcement agencies of good governance** - Public Service, Police, Judiciary and Leadership Code Commission and the Ombudsman - conducted to improve structure and efficiency by end 2005.

Key Strategic Area 3 Restoring Fiscal and Financial Stability and Reforming the Public Sector

Macro Economic Management

- Achieve a **positive growth in per capita GDP** by end 2005.
- Achieve **inflation rate below 5%** by 2005 and thereafter maintain below 5%.
- Achieve **external reserves level** equivalent to 3 months of import cover by end 2004 and increase to 5 months import cover by end 2006.
- Initiate **household income and expenditure survey** in 2004 and produce survey report.

Fiscal and Financial Management

- **Increase Government Revenue collection** and achieve budgeted levels for 2004, 2005 and 2006.
- **Control recurrent expenditure** within budget commencing 1 October 2003.
- Put a **stop to payment of illegal claims** by end September 2003.
- **Stop and eliminate all “ghost” workers** from public sector payroll (police, teachers, medical and public service) by mid 2004.
- **Debt Servicing of both domestic and international debts** planned and agreed and operational by end 2003.
- **Agree with all creditors** (domestic and external) to a rescheduling of all debts by April 2004; new debt servicing level to be kept current thereafter.
- **2004 Budget** (both Recurrent and Development) completed and presented to Cabinet by early November 2003.
- **Government Accounts** for 1999-2003 audited by June 2004, all outstanding **accounts for government & statutory bodies** audited and submitted for Parliamentary review by end 2004.

Strategic National and Provincial Planning and Aid Coordination

- **NERRDP** completed and accepted by SIG and Development Partners as credible and realistic.
- **Produce annual reports on NERRDP** implementation with particular focus on impacts and outcomes at the provincial level.
- DNRP enhanced role as **SIG Aid Coordination unit** and national planner defined, resourced and operational by mid 2004.

Reform of Public Sector

- **Down-sizing of Public Service** – Phase 1 completed by June 2004; Phase 2 by end 2004 (number of redundancies to be determined after payroll cleansing).
- **Review and Reform Plan for Public Service** completed, costed and agreed by third quarter 2004 for inclusion in 2005 Budget.

Financial Institutions and Development

- **New SME development finance facility** identified, developed and operational by mid 2005.
- Review and prepare strategy for **state-owned financial institutions** including development of NPF, reform of HFC and decision on future of DBSI by June 2004.
- Develop and launch **SOE privatisation programme** with disposal of SML and Government Printers by March 2004.

Key Strategic Area 4 Revitalising the Productive Sector and Rebuilding Supporting Infrastructure

Employment, Production and Resource Management

- Generate 500 new jobs in private sector by end 2004, rising to 1000 new jobs by end 2005.
- Resume annual employment survey to monitor employment trends and produce 2003 report in 2004.
- Increase **copra production from smallholders** from 11,000 mt (est. 2003) to 24,000 /17,000 mt by end 2005; increase **cocoa production** from 3500 mt (est. 2003) to 5000 mt by end 2005.
- Comprehensive **private sector copra and cocoa buying and support programme** including RIPEL and other operators designed and funding secured by June 2004 and operational by end 2004 in at least four provinces.
- New **Forest Act** passed by Parliament by end 2003.
- Continue monitoring all licensed logging sites for compliance with **Code of Logging Practices** at least four times per year **and inspecting 50%** of all log shipments.
- At **Gold Ridge Mine** Facilitation of transparent Landowner Council elections and reasonable landowner agreement by third quarter 2004; new mine owner finalised by mid 2005.
- **Fishing Rights Based Management System** in place and **Tuna Management Plan** (Access Agreements) reviewed by December 2004.

Supporting Infrastructure

- **National Transport Strategy** with infrastructure operating and investment plan completed by end 2004 specifically addressing **inter-island shipping**, air services, marine and roads.
- Seven **new wharves** completed by 2005.
- Rehabilitate and upgrade **roads and bridges** and other physical infrastructure on North Guadalcanal, Malaita and other locations of major economic activities – 2003-2006.
- Rehabilitate and upgrade **airfields** around the country, and increase flights especially in economic routes – 2004/2005.
- Commence **tribal lands pilot project** in 2004.
- **SME Promotion Support and Advisory Services** incorporating private companies and NGOs investigated, designed and operational by mid 2005.
- **New Investment Promotion Act** passed and **Foreign Investment Board** membership overhauled and procedures streamlined by end 2004
- Encourage **commercial banks' lending** activities – private sector borrowing to grow by 10% in 2004.

Key Strategic Area 5 Restoring Basic Social Services and Fostering Social Development

Education

- Achieve **universal access to nine years of basic education** from standard 1 to Form 3 by 2015, established target enrolment rates for 2006.
- 95% of all primary and Forms 1 to 3 schools to have **text books and a basic set of learning materials for all pupils on 1:1 basis** by end 2004
- **Teaching service payroll validation completed** by end 2004 and full personnel records by 2005.
- 1100 primary teachers to have received **training in curriculum materials** by 2004 and all primary teachers by 2008.
- Establish a comprehensive **education management information system (EMIS)** by end of 2004.

Health

- **Reduce malaria** cases from 160/100,000 population (2001) to less than 80 per 100,000 by end 2005.
- **Reduce infant mortalities** from 66 per 1000 live births (1999) to less than 50/1000 by end 2005.
- **Reduce maternal mortality rate** from 129 in 1999 to less than 80 by end 2005.
- Achieve **90% coverage of immunisation** of children (tuberculosis, diphtheria, OPV, measles and hepatitis) by end 2004.
- Determine the **child mortality rate** for Solomon Islands as whole as well as for each province by 2004.

Women and gender equality

- Achieve 100% **equality in enrolment** of boys and girls in primary education by 2006 (1999 gender gap of 3%); and reduce gender gap in secondary education to 5 percent (1999 gender gap of 9%); total elimination of gender disparity in basic education by 2015.
- Appoint at least one female to each of **the boards of directors** of public authorities and other state-owned enterprises when board vacancies arise and achieve female representation in all the boards by 2006.
- Formulate a national policy on **violence against women** in 2004 and implement.
- Convene 6 consultative workshops (total 180 women participants) on **rural skills training and economic empowerment** of women by end 2004.
- 24 women graduate as **community paralegals** in 2004 to advocate for human rights.
- Complete CEDAW initial report on Solomon Islands by mid 2004 for submission to UN Committee.

Children and Youth

- Protection of Child Rights Bill enacted by Parliament in 2004 and Child Protection Bill in 2005.
- Establish a **child protection system in 2004** to link all authorities and partners involved in supporting children.
- Adopt UN CRC recommendations and conclusions under the National Children's Policy and Plan of Action by first quarter 2004.
- Formulate and implement a national programme for reintegration and rehabilitation of **conflict-affected youth** in 2004 and implement.
- Establish youth centres for **employment, training and micro-credit promotion** in Malaita (Auki), Guadalcanal and Honiara by 2005.
- 24 youth graduate as community paralegals in 2004 to advocate for human rights.

Sports development

- Host and/or participate in at least one regional or international sports event each year during 2004-2006.
- Successfully bid in 2005 for hosting of 2011 South Pacific Games.
- Initiate actions to have **internationally recognised national stadium and facilities** completed by 2010.

Community development

- Increased **community projects** supported by mechanisms such Micro-projects Programme, Community Peace Restoration Fund and Grassroots Projects Programme (2003 projects as base).
- Agreed **Memorandum of Understanding** between Government and NGOs in place in 2004.
- Programme for **funding for non-state actors** under the EU/ACP Cotonou Convention agreed and begin implementation by end 2004.

Millennium Development Goals (MDGs)

- Produce Solomon Islands country report on progress with the Millennium Development Goals in 2004.

Provincial Focus of Key Strategic Areas

Development Outcomes at Provincial Level

- Produce comprehensive baseline data on development indicators on a province-by-province basis by end 2004.
- Reporting on Plan outcomes at the provincial levels as part of annual reporting on NERRDP implementation, beginning with 2003 report.

Chapter 1. Introduction: Background

Since the early 1990s the Solomon Islands has been experiencing major economic difficulties due to domestic policy and structural problems as well as factors generated by the global economy. In the early 1990s the Solomon Islands Government attempted to initiate reforms in a number of areas to bring about economic stability and foster economic growth and development. These reforms were carried out in a piecemeal fashion. In 1997 the Government began a more comprehensive programme of policy and structural reforms.

1.1. Ethnic Conflict

The implementation of the policy and structural reform programme was halted due to the ethnic conflict¹ that began towards the end of 1998 and escalated during 1999 and 2000. However, with the support of a number of neighbouring countries, peace negotiations were carried out between the militant groups² and the Government. These culminated in the Townsville Peace Agreement signed by the militant groups³ and the Government in October 2000.

The ethnic conflict and its aftermath exacerbated the policy and structural problems and set back the gains achieved in economic and human development in the country during the last 25 years. It disrupted major productive activities and the delivery of services in health and education as well as the economic and social infrastructure. The aftermath of the ethnic conflict and the continuing problems in security environment made it difficult to immediately start the process towards economic recovery and social restoration.

1.2. Townsville Peace Agreement

Following the formal cessations of the ethnic conflict with the signing of the Townsville Agreement, the Government focussed its attention on restoring peace and security in the affected areas. With the improvement in the security environment, the Government began to focus on implementing policies and programmes for economic recovery, social restoration and development.

1.3. National Economic Recovery Plan 2002

At the June 2002 SIG/Development Partners Meeting, Solomon Islands Government (SIG) presented its National Economic Recovery Plan for 2002. The government implemented this Plan under constrained circumstances.

The Government had begun work towards the end of 2002 on a multi-year National Economic Recovery, Reform and Development Plan. However, with a decision to field a Multi-Donor Economic Governance Mission in November 2002, work on the Plan was postponed pending receipt of the report of that mission⁴.

¹ The two provinces most affected by the ethnic conflict were Guadalcanal and Malaita as well as Honiara, the Capital, which is located in Guadalcanal. In June 2000 the Prime Minister was forced to resign and Parliament elected a new Prime Minister.

² The militant groups engaged in ethnic conflict were the Isatabu Freedom Fighters (IFF) of Guadalcanal, initially known as the Guadalcanal Revolutionary Army (GRA) that initiated the ethnic conflict in 1998 and the Malaita Eagle Force, formed in 2000 to respond to the actions taken by the GRA/IFF against Malaita people.

³ A faction of the Guadalcanal Isatabu Freedom Fighters, called the Guadalcanal Liberation Front, refused to take part in the final negotiations and did not sign the Townsville Peace Agreement.

⁴ Received end March 2003.

1.4. Multi-Donor Economic Governance Mission, 12 November - 3 December 2002

Discussions between donors at the SIG/Donors meeting, the Pacific Donors Meeting (in Sydney in June 2002) and the Forum Economic Minister's Meeting (FEMM) led to agreement on the need for a multi-donor mission to consider options for a coordinated donor response to assist in achieving improved economic management. The mission was seen as an opportunity for SIG and donors to develop a programme of assistance, underpinned by a strategic framework and building on existing SIG plans that will enable donors to effectively support the Government's economic reform agenda.

The Mission report highlighted the need to address the serious concerns about law and order and security as well the ongoing corruption and misuse of public funds that prevents the public service delivering adequate services to the majority of people of Solomon Islands. There was an urgent need for the Government to reassure the people of Solomon Islands and the international community of the credibility of both the recurrent and development budgets. It was recognised that development budgets, produced in recent years, were unrealistic, neither reflecting accurately expected donor support nor identifying potential local support, including that which might be seen to be provided through personnel or other activities funded by the recurrent budget.

The Mission accorded highest priority to the completion of the National Economic Recovery, Reform and Development Plan. The production of the Plan was seen as providing the foundation for renewed SIG ownership of the aid coordination process and also providing an opportunity for donors to respond to a coherent economic recovery and development plan that addresses key aspects of economic reform. Joint donor consultations on the strategies will provide an opportunity for donors to agree a programme of action with SIG in areas of economic governance while at the same time not losing sight of actions being taken more broadly to promote improved living standards in all parts of the country.

It was also determined that in order to secure the confidence of the civil society in Solomon Islands and donor community it was important that the monitoring mechanisms developed for the Plan allow regular and comprehensive monitoring and evaluation of performance and that such assessments be made available to the general public on a regular basis and with donor participation in such monitoring exercises from time to time. It was also important that the goals set in the Plan are realistic and that where required donor inputs are well programmed and there is agreement by all parties on what is to be achieved.

In considering a possible framework for a multi-year development strategy, the Mission proposed the following **five key result areas** restoration of peace and security; fiscal and financial stabilisation; reconstruction and support of key services; redefinition and redirection of the public service; and support for commercial and community initiatives. The strategies defined to support the achievement of these key result areas largely correspond with those now outlined in the NERRDP 2003-2006.

1.5. National Economic Recovery and Development Plan 2003-2006

The NERRDP 2003 – 2006 sets out Government strategies, policies and actions for economic recovery, social restoration, reform and development to be carried out during Plan period. The Plan sets out the immediate tasks for economic recovery and social restoration as well as those for rebuilding the basic economic and social infrastructure and re-establishing the foundations for sustainable economic growth and human development in Solomon Islands.

1.6. Wide Consultation

The preparation of the Plan has been coordinated by the Department of National Reform and Planning (DNRP) and carried out by the NERRDP Working Group. The preparation of NERRDP 2003 – 2006 involved a wide consultation process including written submissions, individual consultations as well as consultative workshops (Box 1.1 and Box 1.2). The DNRP requested and received submissions from the national government ministries and departments, provincial governments, statutory bodies, the private sector and non-government organisations. The DNRP also organised two consultative workshops in May 2003, one for provincial governments and a national workshop involving the national government, provincial government, private sector and non-government organisations as well as the resident donors. The Economic Association of Solomon Islands (EASI) also facilitated a public forum for discussions of issues and strategies for NERRDP. The presentation of the key issues and strategic areas of the NERRDP for discussion at the SIG/Donor Coordination Meeting was part of the consultation process with all stakeholders including the development partners whose resources are essential for the successful implementation of the Plan. In September 2003 the DNRP convened the workshop for consultation with the Members of Parliament and Provincial Premiers. The discussions focussed on the key strategic areas of NERRDP.

With the arrival of RAMSI in late July 2003 three SIG Sub-Task Forces were set up, one on Economic Recovery, one on Law and Order and the other on Services. The Secretary for each was a senior member of the DNRP staff. These Task Forces received written submissions, presentations and undertook discussions with a number of stakeholders and the outcomes of the deliberations were conveyed to DNRP for incorporation in the Plan.

The purpose of the extensive consultation process is to **engender a sense of national ownership of the Plan** and its strategies and policy actions and build a wide support within Solomon Islands and with the development partners for its implementation. Such consultations through a number of coordination and monitoring mechanisms as well as national workshops will continue throughout the implementation of the NERRDP. This will enable the involvement of all stakeholders and the wider community in the implementation of the Plan.

The Plan document provides the strategic and action framework for economic recovery, social restoration, reform and development during the plan period. It differs from previous Plans; whilst it identifies targets and priorities it does not list projects. These are contained in the Development Budget. The identification and formulation of priority projects will therefore be in line with the resources available and the priorities set and agreed in the NERRDP.

1.7. Structure of NERRDP Document

The Plan document provides the strategic and action framework for economic recovery, reform, social restoration and development during the plan period. It begins by specifying the overall goal and objectives for economic recovery, social restoration, reform and development, followed by a brief historical context of nation building. It informs on population and reviews the security and macroeconomic environment and equitable development. It then outlines the five key strategic areas of focus during the Plan period and outlines the expected impacts and outcomes at the provincial level. It discusses financing and resource mobilisation for the Plan, and the process of implementation, monitoring, coordination and the reporting of the progress of Plan implementation.

Box 1.1 Wide Consultations on NERRDP

- The consultation process for NERRDP involved ministries and departments of national government, provincial governments, the private sector and civil society and non-government organisations as well as the development partners. This included written submissions, individual consultations, consultative workshops and a public forum. The NERRDP Working Group in DNRP initiated the consultation process in March 2003.
- The NERRDP Working Group requested and received submissions from government departments, provincial governments, statutory bodies, the private sector and civil society and non-government organisations.
- A Reference Group consisting of Permanent Secretaries was established for consultations on the focus of the Plan, crosscutting issues and strategies and plan implementation. The Reference Group subsequently evolved into the inter-departmental mechanism for coordination and monitoring of the implementation of NERRDP.
- In May 2003 the DNRP convened two workshops for consultations on the NERRDP, one for provincial governments and national workshop that involved the national government, provincial governments, the private sector and civil society and non-government organisations as well as resident aid donors.
- Prior to the above consultative workshops, the DNRP also participated in a public forum convened by the Economic Association of Solomon Islands (EASI) in April 2003 for discussion of issues and strategies for national economic recovery and development. The Minister of Planning gave the keynote address on the progress to date of the implementation of recovery and development strategies, policies and programmes by the Government and support provided by the development partners.
- In July 2003 the DNRP convened the first meeting of the SIG/Donor Coordination Meeting, which discussed the key issues, and strategic areas of NERRDP as well as the coordination and monitoring mechanisms for the implementation of NERRDP. DNRP also presented the immediate priority programme and project areas for the implementation of the NERRDP.
- The draft NERRDP 2003 - 2006 (July 2003) was circulated by DNRP to the ministries and departments of the national government, provincial governments, statutory bodies, the private sector and civil society and non-government organisations for review and comment. The DNRP also requested comments from the development partners. The draft NERRDP was also distributed to the Members of Parliament and Provincial Premiers in preparation for the consultation workshop with the Parliamentarians and Premiers.
- In September 2003 the DNRP convened the workshop for consultation with the Members of Parliament and Provincial Premiers. The discussions focussed on the key strategic areas of NERRDP.
- Following the consultations and comments on the draft NERRDP, the DNRP finalised NERRDP for formal approval by the Government. The NERRDP will be tabled by the Government in Parliament during the Budget Session in November 2003. A presentation of the NERRDP will be made by the Government at the SIG/Development Partners Consultative Meeting also in November 2003.

Box 1.2 Recurring Themes in the Consultations

Out of many important points repeatedly raised in the wide consultation process several stand out as fundamental in formulating a National Economic Recovery, Reform and Development Plan, which is both meaningful and retains its wide ownership.

- **84 percent of the population live and work in rural areas.** Economic recovery and social development must reach them in the provinces.
- **Only 23 percent of the adult population is in paid employment** - 64 percent rely on the exploitation of natural resources - subsistence agriculture, horticulture and fishing and marketing copra, cocoa, fish, and logs etc.
- **42 percent of the population is less than 15 years old** - this young nation is set to continue to grow.
- **61 percent of the youth (15-29 yrs) are unemployed** i.e. seeking paid work.
- **Paid employment opportunities have contracted.**
- **Education in the Solomon Islands** - both formal and informal - must be geared to equip these young people with the skills and knowledge they will need.
- **Economic and social development** must both involve the youth and address their needs.

Chapter 2. National Development Goal and Objectives

2.1. Overall Goal and Objective of NERRDP 2003-2006

The overall national development goal of the National Economic Recovery, Reform and Development Plan 2003-2006 is to enhance and improve the quality of life and the living standards of all the people in Solomon Islands, not just some people or groups but all people and all groups in Solomon Islands.

This goal can be achieved through ensuring that there is peace and harmony and personal safety among the people, increasing incomes and their equitable distribution and increasing the availability and improving the access to social services for everyone.

This means equitable distribution of development between all provinces and people in each province, between social groups and between men and women. It means giving preferential attention to the disadvantaged and marginalised groups as well as areas in the country. It also means facilitating and providing assistance directly at the community level and encouraging and supporting community initiatives.

2.2. Immediate Objectives of NERRDP 2003-2006

The immediate objectives of the Plan are to

- 1) Improve the security environment in restoring law and order and fostering peace.
- 2) Strengthen and improve governance institutions and good governance.
- 3) Bring about macroeconomic stability and income growth.
- 4) Restore basic social services in health and education.
- 5) Re-establish the foundations for sustained economic growth and human development.

2.3. Key Strategic Areas of NERRDP 2003-2006

In the context of its overall goal and its immediate objectives, NERRDP 2003-2006 focuses on five key strategic areas. These are

- A.1 Normalising law and order and security situation.
- A.2 Strengthening democracy, human rights and good governance.
- A.3 Restoring fiscal and financial stability and reforming the public sector.
- A.4 Revitalising the productive Sector and rebuilding supporting infrastructure.
- A.5 Restoring basic social services and fostering social development.

The expected outcomes in these five key strategic areas at the end of the Plan period are

1. The law and order and security situation normalised.
2. Democracy deepened, human rights protected and good governance improved.
3. Fiscal and financial stability restored and substantial progress made in public sector reform.
4. The productive sector revitalised and supporting infrastructure rebuilt.
5. Basic social services restored and social development fostered.

Monitoring and assessing the progress of implementing the Plan to achieve these expected outcomes will be done by using measurable indicators including those for the Millennium Development Goals. This will assist in determining the extent to which real progress is made in improving the quality of life and living standards of people in Solomon Islands.

Chapter 3. Building a Nation

3.1. Physical Setting

Solomon Islands comprises six relative large islands and many small ones with a total land area of just over 30,400 square kilometres. These islands presently host a population of about 456,800 people. The nation's tropical islands are mostly volcanic with rich soils whilst some of the small islands are atolls. The islands stretch across 1,300 km of the Pacific Ocean. The larger islands constitute a compact archipelago whilst the islands to the south and southeast are dispersed over a wide expanse of the Pacific Ocean. The spread of its islands enables Solomon Islands to have an Exclusive Economic Zone (EEZ) of 1.3 million square kilometres. In terms of land area and population, Solomon Islands is one of three largest Pacific island countries, with Papua New Guinea and Fiji. Solomon Islands is relatively well endowed with natural resources and a resourceful people.

3.2. The Making of a Nation

Before the declaration of a British Protectorate, there were many "nations" of tribes and clans in the islands now comprising Solomon Islands. In 1893 the British declared a British Protectorate over the islands and its people, delineated the physical boundary of its protectorate and called it the British Solomon Islands Protectorate. So began the process of building a nation out of the numerous "nations" of tribes and clans.

With the declaration and establishment of the British Solomon Islands Protectorate, the British introduced their political, legal and justice systems in their governance of the Protectorate. As the worldwide process of decolonisation accelerated, the British handed over these systems of governance to the people of Solomon Islands. The process of decolonisation culminated in Solomon Islands becoming an independent nation in 1978, 85 years after the declaration of a British Protectorate over the islands and the people.

The people of Solomon Islands adopted the British parliamentary democracy and legal and justice systems and conducted the affairs of the new nation accordingly. The new nation pursued economic and social development policies, strategies and programmes to improve the economic and social well-being of its people. The country, that came to call itself the "Happy Isles", made considerable progress in improving the economic and social well-being of its people during the remaining two decades of the 20th Century. However, towards the end of the century, an ethnic tension that became an ethnic conflict threatened the democracy and human well-being in the country.

3.3. A Nation Shaken

Prior to the declaration of British Protectorate and establishment of British rule the "nations" of tribes engaged in tribal warfare. The contact with Europeans and introduction of iron and steel technology as well as guns made the conflicts quite devastating on the population. With the establishment of British rule and introduction of Christianity peace gradually settled over the islands of Solomon. For over 40 years the people lived in peace and tranquillity until the Second World War. But this was a foreign war that reached the shores of the islands of Solomon. In any case the people of Solomon Islands were engaged in that war. The Battle of Guadalcanal was one of the biggest and fiercest in the Pacific. Its outcome was a turning point of the war in the Pacific.

Peace, law and order again prevailed in islands of Solomon with the ending of the Second World War. For over 50 years the people of Solomon Islands again enjoyed peace and security. The decolonisation process and the transition to an independent country

proceeded peacefully and there was considerable economic and social progress made following independence. But towards the end of 1998 the signs of a major discord appeared.

The escalation of this ethnic tension by mid-1999 led to deaths and missing persons as well as the displacement of about 20,000 people of Malaita origin from Guadalcanal to Malaita. The Royal Solomon Islands Police Field Force was not able to deal with the situation, nor an envoy sent by the Commonwealth Secretariat to negotiate peace with the Guadalcanal militants.

In 2000 the displaced people of Malaita, not satisfied with Government's efforts, formed their own militant group, the Malaita Eagle Force (MEF) and engaged the GRA, which by then called itself the Isatabu Freedom Fighters. By mid 2000 elements of the Police Field Force joined the Malaita Eagle Force, calling themselves the MEF Joint Operations, and took over control of the capital, Honiara. In June 2000 the MEF Joint Operations staged a coup, placed the Prime Minister under house arrest and forced him to resign and his government collapsed. The National Parliament was convened under stressful conditions and elected a new Prime Minister⁵.

Peace negotiations between the two militant groups and the Government were facilitated with the assistance of neighbouring countries, Australia and New Zealand. This resulted in the signing of the Townsville Peace Agreement (TPA), in October 2000. However, the Guadalcanal Liberation Front, a faction of the Guadalcanal Isatabu Freedom Fighters, refused to sign the Townsville Peace Agreement.

The breakdown of law and order and security in the country between 1999 and 2003 had serious consequences for the country, its population and its economy (Box 3.1).

3.4. A Nation Recovering and Rebuilding

The signing of the TPA marked the formal cessation of the ethnic conflict between the Malaita Eagle Force and Guadalcanal Isatabu Freedom Fighters. However, the refusal of the Guadalcanal Liberation Front, which has its stronghold on the Weathercoast of Guadalcanal, to sign the TPA, caused continued uneasiness, especially among the people of Malaita. With the progressive surrender and collection of illegal weapons from the ex-militants the tension gradually subsided and peace gradually returned. However, law and order and security problems that inevitably flow on as an aftermath of armed conflict continued and were being dealt with slowly and with difficulty.

At the political level, national unity was tested as some provincial governments intensified their demands for more autonomy and others threatened to breakaway. The process of constitutional reform was initiated in 2001. Democracy was further tested in 2001 as the government was intending to delay the General Elections for a year. However, because of intensive public pressure the General Elections were held when it was due in 2001. The Elections were held freely and peacefully as attested to by international and regional observers of the elections.

⁵ The Prime Minister who was forced to resign was a Member of Parliament from Malaita; the new Prime Minister was a Member of Parliament from Choiseul province.

Box 3.1 Impact of Ethnic Tension

Major factors included:

- **Loss of lives and violations of human rights**, fear and insecurity in the community.
- **The closure of the Gold Ridge mine** with the loss of several hundred jobs, demand for services and export earnings.
- **The closure of Solomon Islands Plantations Limited (SIPL) and Russell Islands Plantation Estates Limited (RIPEL)** with the loss of over 2,000 jobs; the loss of a market for copra for smallholders and the cessation of palm oil and palm kernel exports.
- **The displacement of over 20,000 people** mainly from Guadalcanal to Malaita
- **A severe downturn in smallholder market production** (particularly of copra) as buyers ceased to operate and inter island shipping services contracted. This deprived rural households of a principal source of cash and has forced many to survive at a subsistence level.
- **The collapse of police authority and the growth of crime** particularly in Honiara and Guadalcanal Weathercoast and parts of Malaita which in turn restricted travel and the carrying out of normal public and private sector activities.
- **The illegal activities of special constables** and in particular their demands for payments which led to the **collapse of government functions and the breakdown in financial discipline** as further unbudgeted payments were demanded by many categories and authorised whilst government revenues were dwindling with the downturn in economic activities and the abuse of waivers and collection procedures.
- **The consequent "starving" of funds for public services** including most importantly those for education and health.

The private sector and enterprises that were devastated during the ethnic conflict are slowly increasing the production of goods and services. The provision of public goods and services is going on but very slowly. The various communities affected by the ethnic conflict and its aftermath are going through reconciliation processes to rebuild trust within and between communities.

The process of re-building the nation after the armed ethnic conflict will not be easy and will take some time. The pace of progress is dependent on building upon what has already been done to re-build peace and addressing the fundamental issues of law and order and personal security. It also depends on public accountability and transparency in government and dealing effectively with other policy and structural impediments to economic recovery, social restoration and re-establishment of the foundations for sustained economic growth and human development. These are the issues addressed in the planning for economic recovery, social restoration and development in the immediate and medium term.

Chapter 4. The Nation's People

4.1. Multicultural People

The indigenous people of the Solomon Islands are largely Melanesians who inhabit the main islands and smaller number of Polynesians who inhabit the outlying islands. Whilst there are common cultural, social and political norms among the Melanesian tribes and Polynesian ones, there are also differences. The most obvious and distinguishing one is the spoken language. There are over 80 indigenous languages and dialects spoken in the islands of Solomon. In addition there are patrilineal and matrilineal societies. The traditional governance systems are of both a chiefly system of inherited leadership and acquired competitive leadership system, sometimes called the "big man" system.

In addition to the indigenous people there are the more recent immigrants mostly Micronesians who were resettled in the 1950s by the British from their former colony of Gilbert and Ellice Islands (now two independent countries of Kiribati and Tuvalu). There are also Asians, mostly Chinese, who arrived during colonial times as well as in the more recent times. There are also few Caucasians and people from other Pacific islands who have settled and become citizens of Solomon Islands.

4.2. Population Size, Growth and Distribution

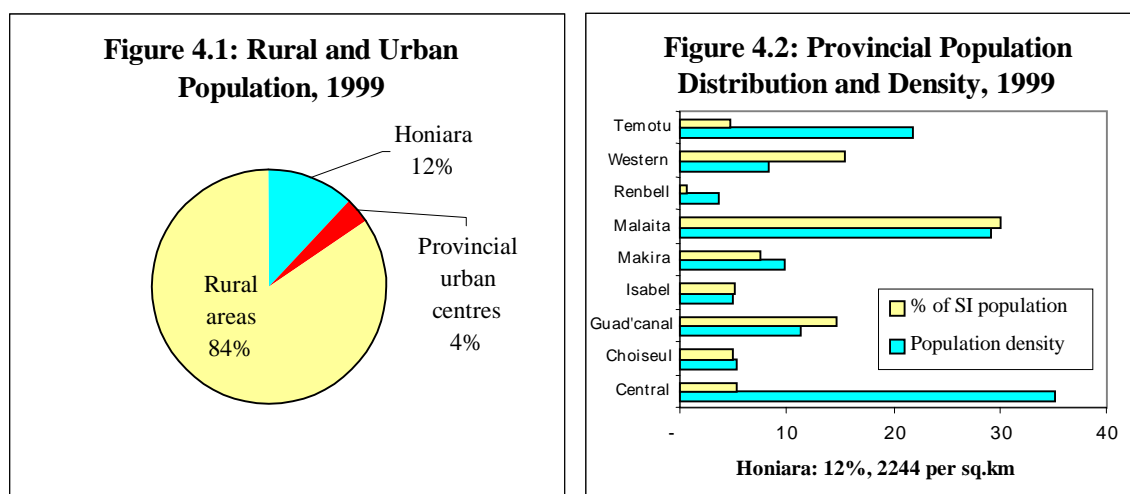
The 1999 population census enumerated a total of 409,042 people living in Solomon Islands. Melanesians comprised 95 percent of the population, followed by Polynesians with three percent and Micronesians with just over one percent and the remaining one percent for all other population. Males made up slightly more than half (51.7 percent) of the population whilst females constituted 48.3 percent of the population.

The majority of the people, 84 percent, live in the rural areas, in small and widely dispersed settlements, mostly along the coasts (Figure 4.1). Honiara, the capital, is the main urban area where 12 percent of the population live⁶. The provincial towns are relatively small. Although the urban population is small, it has increased rapidly since 1986, largely a result of migration from rural areas to the urban centres.

The distribution of population between the provinces shows that Malaita has, by far, the largest population, followed by Western, Guadalcanal and Honiara (Figure 4.2). Rennell Bellona has the smallest population. The population of Malaita, Guadalcanal and Honiara in 1999 reflected the displacement of people, particularly from Guadalcanal to Malaita, as a result of the ethnic conflict. Over 20,000 displaced people went from Guadalcanal to Malaita in 1999. Even adjusting for this, Malaita would still have the highest population among all provinces and Honiara.

Solomon Islands as a whole is sparsely populated, with a population density of 13 people per square kilometre. Population density varies between the provinces. Honiara has the highest population density, followed by Central, Malaita and Temotu. Rennell Bellona has the lowest population density. In each province the population is unevenly distributed so that some areas are relatively densely populated.

⁶ In 1999 population of Honiara was affected by the ethnic conflict, with people moving from Guadalcanal province into Honiara and people moving from Honiara to the provinces, mainly Malaita.

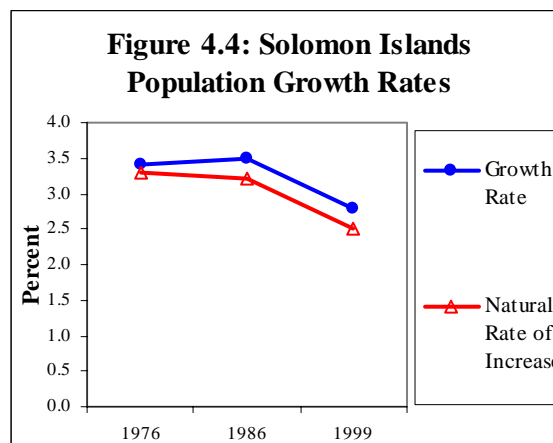
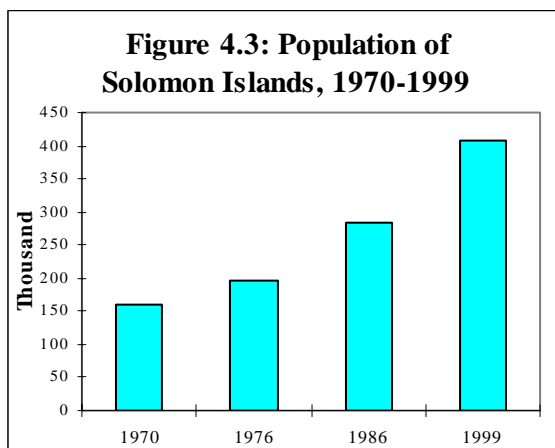


Source 1999 Census Report

Overall there are more males than females, a sex ratio of 107 males for every 100 females. However, at the working age group (15-64) females outnumber males whilst there are more males than females at the younger and the older age groups. The population is young with 42 percent of the population being younger than 15 years and youth between the ages of 15 and 30 are estimated to account for 31 percent of the population. The child dependency ratio is high at 75 percent. A young population has an in-built momentum for growth. This means that the population will continue to grow for some time even if every couple were to have just two children. It also means that the high child dependency ratio will continue for some time.

The population increased by some 124,000 people since the 1986 census and about a quarter of million people (250,000) in the last 30 years since 1970 (Figure 4.3). The population increased at an average annual rate of 2.8 percent between 1986 and 1999. At this rate of population growth there will be twice as many people in Solomon Islands in 25 years' time. That is just within the lifetime of anyone who is now 36 years or younger. Solomon Islands population will reach one million people by the middle of this century.

Population growth has slowed down between 1986 and 1999, compared with the previous two census periods. This reflected the underlying slowing down in the natural rate of population increase (Figure 4.4). This results from reduced birth rates i.e. women are having fewer children than in the previous census periods. The crude death rate has also declined but not as much, proportionately, as the crude birth rate. Family planning programmes and socio-economic development have an impact in reducing birth rates and also death rates. The impact of the latter is, however, a slower process than that of family planning programmes.



Source Census Reports (various)

4.3. Development Impacts

Population growth impacts on economic and social development. Economic and social progress also has an impact on population growth. One of the main impacts of population growth on economic and social development and living standards is that given any rate of population growth, goods and services have to increase at the same rate just to maintain the existing standards of living of people. To improve living standards for every one, goods and services have to increase faster than the rate of population growth and that the gains are equitably distributed. One of the main impacts of economic and social progress on population is that over time it will reduce the natural rate of population increase.

Solomon Islands with its relatively large natural resource base can support a much larger population with higher living standards and human well-being than at present. The challenge for Solomon Islands is to increase opportunities and fairly distribute these opportunities for people to improve their living standards. There is no natural resource constraint to achieving this. The fundamental constraints are policy, institutional and structural ones. However, a slower growth in the population will ease the added pressure that population exerts on resources and on the policy, institutional and structural issues.

There are already widening disparities in incomes and standards of living among the population and increasing level of disadvantage and poverty among the people. Unless there is a redirection of policies and strategies to deal with the policy, institutional and structural problems, disadvantage and poverty will increase and deepen in Solomon Islands.

Chapter 5. Security and Macroeconomic Environment and Equitable Development

Since the early 1990s Solomon Islands has been experiencing major economic problems due to domestic policy and structural constraints as well as factors generated in the global economy. The ethnic conflict and its aftermath exacerbated the policy and structural problems already faced by Solomon Islands and set back the gains achieved in economic and human development in Solomon Islands during the last 25 years since independence in 1978. It disrupted major productive activities and human services in health and education as well as the economic and social infrastructure.

The current law and order and security situation, and macroeconomic environment as well as social and equitable development are outlined here⁷.

5.1. Security Environment

5.1.1. Ethnic Conflict

For over 50 years since the end of the Second World War the people of Solomon Islands enjoyed peace and security. The decolonisation process and the transition to an independent country proceeded peacefully and there was considerable economic and social progress made following independence. But towards the end of 1998 the signs of a major discord appeared.

A militant group, calling itself the Guadalcanal Revolutionary Army (GRA), surfaced and began harassing and chasing out people of Malaita origin from Guadalcanal province. The ethnic tension escalated during 1999 leading to deaths and missing persons, mostly of people of Malaita origin. At the height of the ethnic tension in 1999 about 20,000 people of Malaita origin were forced out from Guadalcanal and returned to Malaita. The efforts by the Royal Solomon Islands Police Field Force to deal with the situation did not make any headway nor those of an envoy sent by the Commonwealth Secretariat to negotiate peace with the Guadalcanal militants.

Dissatisfied with efforts of the Government to contain the situation, the displaced people of Malaita formed their own militant group, the Malaita Eagle Force (MEF), in 2000 and began engaging the GRA, which by then called itself the Isatabu Freedom Fighters. The ethnic tension then became an ethnic conflict. By mid 2000 elements of the Police Field Force joined the Malaita Eagle Force, calling themselves the MEF Joint Operations, and took over control of the capital, Honiara, and continued to engage Guadalcanal Isatabu Freedom Fighters. In June 2000 the ethnic conflict took another twist and turned political when the MEF Joint Operations staged a coup, placing the Prime Minister under house arrest and forcing him to resign and his government collapsed. The National Parliament was convened under stressful conditions and elected a new Prime Minister⁸.

With the assistance of neighbouring countries, Australia and New Zealand, peace negotiations were facilitated between the two militant groups and the Government. These negotiations culminated in the final peace negotiations held in Townsville in Australia and the signing of a peace agreement, the Townsville Peace Agreement (TPA), between the parties in October 2000. However, a faction of the Guadalcanal Isatabu Freedom Fighters, called

⁷ This analysis is derived from the NERRDP background document "Solomon Islands National Economic Recovery and Development Plan Review of Recent Socio-Economic Development in Solomon Islands" (DNRP, June 2003).

⁸ The Prime Minister who was forced to resign was a Member of Parliament from Malaita; the new Prime Minister was a Member of Parliament from Choiseul province.

the Guadalcanal Liberation Front, refused participation in the final negotiations and did not sign the peace agreement.

Law and order and security situation improved considerably following the signing of the TPA in October 2000, which marked the formal cessation of the ethnic conflict. Since then the government, civil society organisations and the communities have made strenuous efforts to bring real peace and restore law and order in the country. These efforts focussed particularly on the two provinces involved in the ethnic conflict, Guadalcanal and Malaita, as well as Honiara and the trouble spots in other provinces. The refusal of the Guadalcanal Liberation Front⁹ to participate in the peace negotiations in Townsville and to sign the TPA complicated the process of re-establishing and fostering peace and restoring law and order in the country and particularly in Guadalcanal.

5.1.2. Re-establishing Peace

Re-establishing peace and restoring law and order involve two related activities. One is the surrender and collection of all illegal weapons and their destruction. The other is enforcement of law and order and ensuring personal safety. With regard to the former, following the signing of the Townsville Peace Agreement, the government through the Peace Monitoring Council, now renamed the National Peace Council (NPC), and the International Peace Monitoring Team (IPMT)¹⁰, provided by Australia and New Zealand, engaged in the collection of arms from the ex-combatants as stipulated by the TPA. Most of the known illegal weapons have now been collected. However, a substantial number of illegal weapons were still considered to be at large in the community¹¹ with many in Honiara.

The refusal by leader of the Guadalcanal Liberation Front to sign the TPA or abide by the terms of the Agreement continued in 2002 and in the first part of 2003 to be a risk to the peace and security environment particularly in the Weathercoast area of Guadalcanal under the control of Guadalcanal Liberation Front as well as other areas of Guadalcanal. The Royal Solomon Islands Police Force (RSIPF) had carried out a number of special operations to capture the leader of the Front, but with little success and incurring casualties. A private group had also attempted to capture the leader of the Front. All members of the group were subsequently reported to have been murdered. In early 2003 the Guadalcanal Liberation Front was still in existence and in control of part of the Weathercoast of Guadalcanal. This continued to be a threat to fully re-establishing peace within Solomon Islands as well as fully restoring law and order in the whole of Guadalcanal. In early July it was reported that the leader of the Front signed a cease-fire agreement with the government mediators. He and some his followers were subsequently disarmed and arrested by the participating Police of the Regional Assistance Mission to Solomon Islands (see 5.1.4 below).

The programme of demobilisation of the special constables that were recruited into the RSIPF from among the ex-militants is progressing steadily, despite the difficulties experienced at the early stages of programme implementation and the killing of one of the members of the NPC in early 2003. Estimates of the number of special constables vary between 1800 and 2000, the large majority of whom were ex-militants recruited into the Police Force soon after the signing of the TPA. The UNDP-funded demobilisation programme registered a total of 1180 special constables for demobilisation. A total of 900 special constables are targeted for demobilisation. By end of August 864 special constables have been demobilised. It is expected that the demobilisation programme will be completed towards the end of 2003.

⁹ The Guadalcanal Liberation Front leader is Harold Keke who was one of former commanders of the Guadalcanal Revolutionary Army, which later renamed itself as the Guadalcanal Isatabu Freedom Fighters.

¹⁰ The International Peace Monitoring Team completed their assignment and left Solomon Islands in 2002.

¹¹ There are suspicions of gun trading and cross-border movement of illegal weapons.

The NPC is carrying out a Weapons Free Village Campaign programme. A programme target of 1600 villages is to be declared as free of illegal weapons by 2005. By mid-2003 total of 769 villages, comprising 477 villages in Malaita and 292 villages in Guadalcanal, have been declared by NPC as weapons free.

5.1.3. Re-establishing Law and Order

The enforcement of law and order by the Royal Solomon Islands Police Force, as well as apprehending those having illegal weapons, was still a major problem especially in Honiara where the Police Headquarters is located and with the largest contingent of the Police Force. It is also where most of the illegal weapons were being held. Amongst those involved in harassing government officials for payments of claims and allowances were police officers and special constables who were former militants. Public confidence in the Police Force all but disappeared.

Slowly the Police began re-asserting their authority and increasing its presence in the community, making arrests and in other policing areas such as traffic control in Honiara. There has also been a rise in the reporting of crime to the Police by the community, indicating either people are gaining confidence in the Police Force in reporting crimes or criminality has increased. It is most likely to be both. The Police Force has also improved its performance in crime detection and dealing with offenders since 2000.

Apart from the IPMT whose specific tasks were to monitor the surrender and collection of weapons from the ex-militants, the Development Partners have been providing assistance to the Police Force with its efforts to improve performance. Australia has been funding a police capacity building project that has been implemented since it started before the ethnic conflict. New Zealand has also provided a contingent of police officers to support the local police in several areas ranging from community policing traffic control to criminal investigations. The United Kingdom has provided a senior police officer to take up the post of Commissioner of Police who took up the job in early 2003. The new Police Commissioner visited the provinces to foster morale of police officers, to emphasise the need and support for community policing and generate public confidence in the Police Force. There was a general expectation from the public that the involvement of the expatriate police personal will lead to improvement in police performance in the enforcement of law and order.

With the involvement of number of police officers on both sides of the ethnic conflict and their inability to fully enforce law and order and apprehending those that continue to have illegal weapons, improvement in police performance will require a deep reform of the Police Force and its operations. This may not be easily achieved in the short term. It is likely to be a slow and careful process. A strategic review of the RSIP was announced in mid September 2003. The review aims to rebuild RSIP into a disciplined, professional and credible force. The review is now underway.

5.1.4. Regional Support

In early June 2003 the Australian Government with the support of the New Zealand Government offered to provide police and military forces to assist Solomon Islands Government deal with the security situation and restore law and order, as well as to provide an increased level of development assistance for economic recovery.

The Solomon Islands Government considered and accepted the Australian offer of strengthened assistance. In July 2003 the National Parliament passed both the policy statement permitting the deployment of a substantial number of Australian, New Zealand and other nations disciplined forces and civilian personnel in line government positions and

as advisors, as well as the legislation to permit the deployment of foreign military personnel and military operations in the Solomon Islands.

Thus on the eve of the arrival of the Australian and New Zealand led mission in July 2003, SIG had identified the **outstanding issues in relation to the restoration of law and order** including the need to

- Strengthen the Courts and the Judiciary through provision of proper budgetary support and materials, and manpower.
- Resolve outstanding serious crimes and bring those convicted to justice and establish improved relations between the public and the police.
- Reinforce Police and Security personnel to trouble spots in the country especially Weathercoast, CDC and Honiara of Guadalcanal and Malaita.
- Put a complete end to threats and compensation demand by certain members of the society.
- Provide financial and manpower needs to strengthen the prison services and improve the health standard of prisons.
- Revive the concept of Community Policing on strategic areas within the country.
- Complete the demobilisation of the Special Constables to reduce the payroll and to re-engage them into society.
- Provide logistical support for Police operations in terms of equipment and finance

The Regional Assistance Mission to the Solomon Islands (RAMSI)

RAMSI arrived in the Solomon Islands on 24 July 2003 (see Box 5.1) and by late September there were some 280 RAMSI Police officers (from 7 countries)¹² 1840 military personnel (from 5 countries)¹³ with 16 civilians occupying in line and advisory positions in the Department of Finance and a substantial number (expected to rise to around 45) of persons similarly serving in line and advisory positions in the justice sector (including a High Court Judge and Magistrates, Public Prosecutors, Public Solicitors and Police and Prison Advisors). These are in addition to expatriate specialists deployed under the ongoing bilateral aid programmes of Australia and New Zealand.

Since the arrival of RAMSI substantial improvement has been made in the law and order situation in Solomon Islands. Active militancy in south Guadalcanal has been stopped with the disarming and arrest of the leader of the GLF group and some of his followers, the collection of about 3,700 weapons following the weapons amnesty and over 365 arrests including of police officers and significant increase in police presence in the country with establishment of 15 police posts and presence of RAMSI police in seven of the nine provinces, apart from Honiara. Achievements since the arrival of RAMSI have been substantial and significant and have been acknowledged and welcomed by all Solomon Islanders. The Box 5.2 below documents the position at the end of September 2003.

¹² Australia, New Zealand, Fiji, Samoa, Tonga, Kiribati, Cook Islands

¹³ Australia, New Zealand, Fiji, PNG, Tonga,

Box 5.1 RAMSI Mandate

The Regional Assistance Mission to Solomon Islands (RAMSI) is a long-term partnership between Solomon Islands and countries of the Pacific Islands Forum. RAMSI's mandate is to reinforce and uphold the legitimate institutions and authorities in Solomon Islands, and ensure respect for the Constitution and implementation of the laws. The Mission is a unique and complex initiative involving contributions from a number of Pacific Islands Forum members and the deployment of police, military and civilian personnel.

The Government of Solomon Islands invited the Assistance Mission to Solomon Islands to restore law and order, bring stability to the budget, rebuild the machinery of government, and assist in the delivery of essential government services to the people. RAMSI respects the sovereignty of Solomon Islands and is not establishing a new or separate authority structure. The Prime Minister and Cabinet remain in charge, answerable to Parliament. The head of the RAMSI police contingent is sworn in as a Deputy Police Commissioner of the RSIP; members of the contingent have the same powers as the RSIP and work alongside them to enforce Solomon Islands law.

The Special Coordinator, Nick Warner, is responsible on behalf of the Pacific Islands Forum, for overseeing the operation of the Regional Assistance Mission and implementation of the strengthened assistance programme to Solomon Islands. The operation is a significant financial and human resource commitment for the Australian and other governments, costing in the order of AUD200-300 million.

Box 5.2 A Return to Law and Order

At the end of September 2003 RAMSI reported:

- A climate of security has been established throughout large parts of the country including, importantly, in Honiara, the Weathercoast and Malaita.
- In addition to the main base in Honiara, RAMSI has established 15 police posts in eight out of the nine provinces.
- The weapons amnesty, which concluded on 21 August, was successful. As at 29 September a total of 3,680 weapons were under RAMSI control (or had been destroyed), of which 629 were former police weapons.
- A wide-ranging strategic review of the Royal Solomon Islands Police (RSIP) is underway. The review will take several months.
- The head of the police contingent, Ben McDevitt, was appointed as a Deputy Commissioner in the RSIP on 28 July, and immediately instigated a campaign to lift professional standards.
- The negotiated surrender and incarceration of Weathercoast-based Guadalcanal militant Harold Keke was a significant achievement for RAMSI.
- Subsequent investigations on the Weathercoast have resulted in a large number of arrests for murder. Several murders that occurred in recent years are also being investigated.

By the end of October the new prison at Rove will be fully operational including a high security wing holding risk prisoners. Deployment of advisers to the prison service is complete; the staged deployment of magistrates, prosecutors and public solicitors continues.

5.2. Good Governance

5.2.1. Governance

The ethnic conflict highlighted many of the governance issues facing Solomon Islands as well as exacerbated the problems of governance in the country. These problems are amongst the underlying causes of the ethnic conflict. A long-standing issue with the system of governance in Solomon Islands is the sharing and distribution of power at the national and local levels. Since the period of transition towards independence, people have expressed the desire for, and agitated for, a more decentralised form of democracy. The devolution of powers made in the present provincial government system has not met the level of decentralised powers that have been desired. During the 1980s there were several reviews of the provincial government system. There have been recommendations, following extension consultations with the people, for a high level of decentralisation of powers from the central government to the provincial governments in a federal structure of government. However, the governments of the day had not taken these recommendations any further.

The ethnic conflict and the coup in 2000 gave strong impetus to the desire for decentralised democracy, the transfer of powers to the provincial levels and a federal system of government. Following the cessation of the conflict in 2000 the national government convened a conference of the provincial premiers. The provincial premiers conference held in November 2000 unanimously resolved to reform the National Constitution and to move to a federal system of government. Following the resolution by the provincial premiers, the national government adopted a policy of reviewing and reforming the National Constitution through a wide and extensive consultation process with the people.

The consultation process with the people were carried out in 2003, made possible by technical and financial support provided by the United Nations Development Programme (UNDP). These public consultations were held simultaneously with technical assessments of the social and economic implications of a federal government system. The outcome of the public consultations is a set of legal drafting instructions for a new national constitution for a federal system of government. The present Government aims to table the new federal constitution in Parliament for debate and enactment in 2004.

Whilst the process of constitutional review and reform has proceeded quite rapidly and much attention and effort have been put into it, **there has been less focus on the implication of the federal system and the operational aspects of implementing it.** Furthermore, having a new structure of government does not necessarily solve problems of good governance in the country. These problems are present at both national and provincial government levels and will continue to persist under a federal system of government unless particular attention is given to deal with them and to enforce the principles of good governance.

5.2.2. Principles of Good Governance

Any development process that is human-centred and that aims to benefit everyone in improving their living standards and well-being is not possible without good governance. If the principles of good governance are not practised the development process will lead to inequity and an unjust society as well as increasing and deepening poverty among the people.

In the consultation process for the NERRDP, the effects of corruption, the misuse of public funds, the persistent pursuit of waivers, of non adherence to existing rules and the wilful neglect of certain procedures were cited again and again. Political interference and political appointments were also often mentioned as constraints on good administration and on

making the right decisions. Good governance will require an enduring commitment from government, civil society and individuals to personal integrity and adherence to a set of principles.

The principles of good governance are

- (a) Inclusive, decentralised development.
- (b) Maintenance of human rights and the rule of law.
- (c) Transparency in decision-making.
- (d) Accountability by public officials and other decision-makers.
- (e) Efficient allocation and management of public resources.

There are many instances in the analysis contained in this document, which relate to these governance issues. A brief recapitulation of governance in the Solomon Islands is provided here.

5.2.3. Overview of Performance in Good Governance

As can be deduced from the analysis in each of the Key Strategic Areas the practice of governance needs to be considerably improved in Solomon Islands so that all the people in country can benefit from the development process. **If the present state of affairs continues, then inequity and conditions of an unjust society will increase and poverty will increase and deepen.**

Inclusive, Decentralised Development

Inclusive development means that everyone participates in economic and social development and in the affairs of the community and the nation. This means that policy preference and focus is given to the marginalised and disadvantaged and that resources are allocated to the most local level possible, to correct imbalances and restore equity. However, as the analyses in this Plan indicate **there is an increasing level of social exclusion of individuals and household in terms of income, employment, education and health, and with gender and in spatial areas.** Failure by adults to include youth in developing plans and programmes – especially those that involve them is a particular concern given that they comprise two fifths of the population. The development process, with the growing rural-urban divide, is leaving behind an increasing number of people, households and communities instead of carrying them forward and improving their lives.

Maintenance of Human Rights and the Rule of Law

Maintenance of Human Rights and the Rule of Law means that personal safety property rights are assured, and there is respect for individuals and all their human rights including social, economic and cultural rights. It means that everyone is treated fairly and equally under the law. The critical area now is enforcement of law and order by the police authorities, and enforcing of rules and regulations by other responsible authorities in conjunction with the police and the arrest and bringing to justice those who break the laws of the country regardless of their position or status. The RSIPF has to regain the confidence of and rebuild trust with, the public they serve.

Despite the security situation and continuing presence of illegal weapons prior to the arrival of RAMSI, the justice system has been able to maintain its independence and provided a fair trial for those brought before the courts, including matters of contracts and agreements involving the Government.

Transparency in Decision-Making

Transparency means openness of the decision-making process a clear distinction between the government and the community. It means that there are well-defined rules and roles for policy and management in government and that objective criteria and procedures are established and used in the decision-making process. It means that the public can easily get information about past and present decisions.

This has not been a feature of governance in the country. The failure of government as a whole and of nearly all the SOE and institutions to produce and publish statutory accounts and annual reports is symptomatic of the need for change.

There are **systems and procedures** established to facilitate and ensure transparency in decision-making in government. The Standing Orders, General Regulations of the Public Service and Financial Instructions all exist and provide guidance on procedures for the conduct of government. These processes include those of recruiting people to work in the government, as well as acquiring and disposing of goods and services by the government¹⁴. However, these processes have been largely circumvented. An important problem that is plaguing the civil service and its performance is the increasing political appointment of people to work in the government and to serve in the various boards within government and of the statutory bodies. This problem is also a major obstacle to accountability.

There is a need therefore for a mindset change where Rules and Regulations are recognised as having a purpose and are to be followed and not flouted.

A positive step, as mentioned earlier, which the government has taken with improving transparency and accountability is the abolition of discretionary powers of the Minister of Finance to give exemptions and remissions of export and import duties. These powers are now vested in a committee consisting of representatives of government departments and private sector. However, it is also important that the decisions of the committee are made public.

Accountability by Public Officials and Other Decision-Makers

Accountability means that people are answerable for their decisions and actions. It means a process of review and reporting of decisions and actions, as well as an independent checking and reporting of performance of those in authority. It means that corrective, including punitive, actions are taken where there are shortcomings, or negligence or misconduct. It means that agencies established to provide independent checks and reporting of performance are adequately resourced to perform their functions effectively. It also requires a government to report regularly, and on a timely basis, on its actions and make these reports available to Parliament and to the general public, including through the media.

At the national level the important agencies involved in the process of ensuring the accountability by public officials are the Auditor General, the Leadership Code Commission, the Ombudsman and the Public Service Commission, as well as the Public Accounts Committee. At the apex of these agencies ensuring accountability by public officials and other people in authority is the National Parliament and, ultimately, the people through the General Elections. In Solomon Islands both mechanisms have been put at risk. Accountability by people in authority has to be ensured, not only at the national level, but

¹⁴ Copies of the Orders, Regulations and Instructions are no longer generally available and more recent recruits to Public Service have not been trained in their use and application. A simple cost effective step would be to copy these documents and provide training in their application.

also at the provincial government and community levels as well as in the private sector and in civil and non-government organisations.

Importance of the National Parliament

At national level the important agencies involved in the process of ensuring the accountability by public officials are the Auditor General, the Leadership Code Commission the Ombudsman and the Public Service Commission, as well as the Public Accounts Committee. At the apex of these agencies ensuring accountability by public officials and other people in authority is the National Parliament and, ultimately, the people through the General Elections. In Solomon Islands both mechanisms have been put at risk¹⁵ Accountability by people in authority has to be ensured, not only at the national level, but also at the provincial government and community levels as well as in the private sector and in civil and non-government organisations.

A critical area of reporting, discussed earlier, is the annual reporting of government accounts, its revenue, how government spends these public funds, and equally importantly, subjecting these reports to auditing. The importance of reporting and auditing of government accounts are underlined by the fact that law requires it.

The statistical information produced by the Statistics Office is important for assessing performance in economic management and therefore accountability for economic management policies and their implementation. As discussed earlier the Statistics Office has not been able to carry out its functions effectively and efficiently. The problems faced by the Statistics Office need to be resolved.

Public Service Reform and Resources

The low morale in and poor resourcing of Public Service offices has been noted earlier. This clearly impacts on accountability and standards of governance overall. Public Service redundancy programmes have been thwarted by lack of funds and created a log jam, which urgently needs to be cleared in order for other initiatives on Public Service reform to be progressed.

An important aspect of accountability is also that the government, or any agency for that matter, addresses and deals with any issues of accountability raised by the statutory agencies mentioned earlier. There is a chronic tendency to ignore these queries and recommendations to improve the process of accountability.

The bodies established to ensure accountability have not been adequately supported with financial or human resources, to carry out their functions effectively. It is necessary that these bodies, especially the Auditor General and Ombudsman, are provided with adequate resources.

Efficient Allocation and Management of Public Resources

Efficient allocation and management of public resources means that public resources are used where they provide the greatest benefit to the country. It means that greater benefits can be achieved from the use of minimal resources. It also means ensuring that the benefits

¹⁵ In this regard the Speaker of the National Parliament of the Solomon Islands, Sir Peter Kenilorea issued a Communiqué for the Consultative Forum of Solomon Island Parliamentarians on 13 September 2002, which makes definitive proposals for strengthening the role and functions of Parliament including that of oversight of government and other institutions. (See MDEGM Final draft 2003 p80-84).

will also accrue to future generations, and their livelihoods and living standards are not jeopardised.

As has been discussed earlier, the efficient allocation of public resources have been jeopardised by the various claims and demand for payments, many of which are questionable. Public funds, including some external assistance, are used for purposes for which they have not been approved or agreed upon. The disposal of public assets has not returned to government their realisable value in the market or has deprived the departments of their use for delivery of services.

Also the allocation of public resources has not been in line with the expressed priority areas of government. This is particularly the case with recurrent financing of services and deployment of staff resources in the public service. The payroll has appropriated the biggest share of public revenues so that there is little left to provide services including instructional and other materials to schools for children's education, and medicines for hospitals and clinics to help people who are ill to return to good health.

The lack of maintenance of public assets e.g. roads and buildings including schools, hospital and clinics has resulted in these rapidly deteriorating. Failed projects also attest to the fact of inefficient allocation of resources, especially those projects that have little economic and social justification to be carried out in the first place.

5.2.4. Improving Good Governance

Improving good governance, by its nature, involves the decision-makers and people in authority. **There has to be a change within, such that decision-makers are committed to improving good governance and actively pursuing the principles of good governance, in order to reverse the trends that have been developing and consolidating over the years.** There has also to be public pressure that is exerted at all times, and necessarily at the time of elections and appointments, especially to key positions in the public sector. **The role of civil society and NGOs is crucial in providing information and insights and participating in public debate.** If the present trends are not reversed the development process in Solomon Islands will increase and deepen poverty and foster injustice and build an unjust society in the country.

KEY ISSUES

- **There is an increasing level of social exclusion in the development process, which Government and Leaders must acknowledge and address.**
- **Public confidence in and trust of the Police** needs to be rebuilt and access to functioning courts needs to be improved.
- Many **procedures guiding good governance** such as Standing Orders, General regulations and Financial Instructions exist and need to be relaunched with training in order that they are applied with greater rigour.
- Whilst **downsizing the Public Service** initially through redundancy and payroll cleansing it is important that the Service is resourced to undertake the responsibilities assigned and salary levels reviewed.
- The need to strengthen the functions and oversight **responsibilities of the National Parliament**
- The **importance of Civil Society including NGOs participation** in the pursuit of improved governance.

5.3. Macroeconomic Environment

5.3.1. National Income

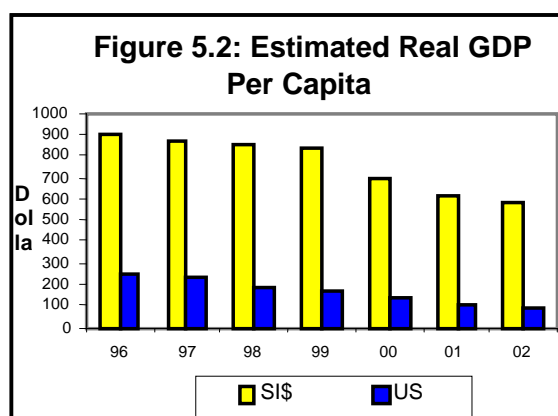
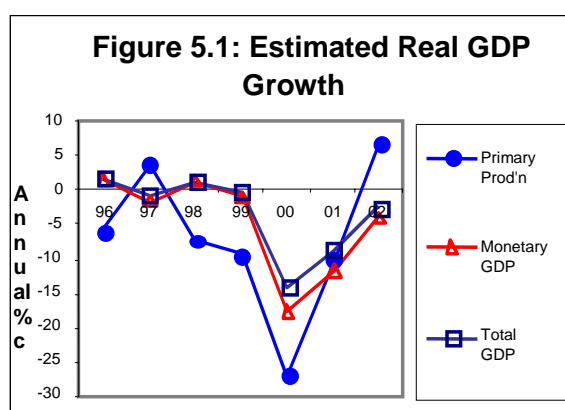
The Solomon Island economy is dominated by the exploitation of natural resources through agriculture, forestry and fishing and intermittently by mining. These economic “engines” have faltered since 1999 and with it GDP has fallen.

An overview of the economy since 1999 can be summed up in the following:

- Real GDP and GDP per capita have fallen since 1999.
- The contribution of primary industry has fallen and is the main cause of the decline overall in GDP.
- The value of exports (again primary products) has fallen. Though the value of imports has also declined this fall has been less than that for exports. As a result the country had a negative trade balance.
- Government debt has increased, and in fact arrears are increasing, as government has been unable to service its outstanding debts.
- Government revenues have declined.

However data for 2003 indicate an upturn, which illustrate that the economy in macroeconomic terms has turned a corner and can provide the basis for a more widespread recovery and development that this Plan envisages.

The total value of goods and services produced in Solomon Islands, the Gross Domestic Product, (GDP) fell again in 2002, although not as much as in the previous two years (Figure 5.1).



Source CBSI

The largest drop in GDP was in 2000 reflecting the effects of the ethnic conflict in 1999 and 2000. **Real per capita GDP** has continued to fall each year from 1998 to \$584 in 2002 (Figure 5.2). This is the result of the fall in production of the major primary commodities and earnings, which are the major contributors to national income, combined with the continued growth in the population. For a country to sustain the standard of living of its inhabitants its overall growth of real GDP must match population growth. This is clearly not the case in the Solomon Islands in recent years.

The estimates of national income are problematic in any country but more especially in developing countries and, particularly, Solomon Islands where there is a large subsistence sector and statistical capacity and resources are limited. This also applies to household income and expenditure surveys. The constraint of limited statistical capacity and resources also applies to collection of other economic and social statistical data.

The Government Statistics Office is also deficient in producing up-to-date data on other economic statistics e.g. employment, external trade and government finances. There is an urgent need for the Government to address the problems faced by the Statistics Office. It is necessary and important that up-to-date and accurate data is available for planning and monitoring of economic and social development in the country.

The “productive sector” in the Solomon Islands is the wealth-creating part of the economy, where householders earn their income and from whence Government receives its revenues. Over two thirds of adult individuals and householders earn their income from a combination of subsistence and market activities. Government in the past gained its revenues from large scale logging, copra and fish exports as well as company and individual income taxes on the 23 percent of the adult population, in paid employment.

Economic recovery aimed at all Solomon Islanders must therefore address two categories of income generation

- (i) Market activities linked to subsistence living (sometimes termed the “informal sector”); and
- (ii) Companies involved in commodity exports; in supplying goods and services and providing paid and taxable employment.

Both categories of activity are necessary – the first to ensure income gets to rural households to meet their primary cash needs for school fees, medicines, clothes, transport and basic domestic items. The second for government to function and deliver its responsibilities ensuring law and order, protecting and promoting human rights and providing services including health and education and the development of the nation.

Distribution of Income

GDP per capita is an average measure indicating the level of income per person if national income were distributed equally among the population. Of course, in reality this is not the case. The actual distribution of income can be determined from information on personal or household incomes.

Household income and expenditure surveys carried out in the early 1990s showed that there was a wide income disparity between the low and high-income groups. This highly skewed income distribution reflected the distribution of household income in Honiara where the top one percent received over 50 percent of total incomes. There is also a **significant rural-urban income disparity. Honiara household incomes were four times that of rural households.** It seems likely that the income disparities between income groups and rural and urban households will have widened, or have not been narrowed, since the early 1990s.

The impact of any economic recovery and growth on an improved distribution of income and other economic and social benefits among the population is, however, uncertain. Fundamental policy, institutional and structural changes are required to change the growing pattern of inequity. **In the short period of this Plan it is expected that the existing pattern of inequity is unlikely to change.** However, it is necessary and important that the fundamental policy, institutional and structural obstacles to economic and social equity are

dealt with immediately and seriously so that the existing pattern of increasing inequity, and consequently disadvantage and poverty, can be reversed as soon as possible.

Improving Income Growth and Distribution

Economic growth in the Plan period is dependent on increasing production, trends in the world economy, the return to macroeconomic stability and the level of development expenditure supported by external assistance and private investment, both domestic and foreign. Underlying all this is the re-establishment of law and order and ensuring personal safety.

With the implementation of policies and strategies to normalise the law and order and security situation, restore fiscal and financial stability, revitalise the private sector and rebuild supporting infrastructure, it is expected that production will grow and the level of development and capital investment expenditure, supported by development assistance, will increase in the next three years. Private investment will also start to pick up, but the prospect of foreign direct investment is more uncertain. It is expected that real GDP will increase and consequently slow down the decline in GDP per capita and that per capita GDP will eventually increase towards the end of the Plan period.

The impact of this projected economic recovery and growth on an improved distribution of income and other economic and social benefits among the population is, uncertain. Fundamental policy, institutional and structural changes are required to change the growing pattern of inequity. It is necessary and important that the fundamental policy, institutional and structural obstacles to economic and social equity are dealt with immediately and seriously so that the existing pattern of increasing inequity, and consequently disadvantage and poverty, can be reversed as soon as possible.

5.3.2. Production

Household Subsistence and Market Production

Production in the economy consists of two types subsistence production and production for sale i.e. market production. The large majority of people and households in Solomon Islands engage in subsistence production, mainly food and housing, for their livelihoods. Rural households also engage in market production, particularly in agriculture and fishing. Those who have easy access to the urban markets sell the surplus from subsistence production in these markets.

Given the availability of land (and low population densities), subsistence production is expected to grow to accommodate growth in population.

The impact of ethnic conflict on total subsistence production was very limited. The affected areas and households were in northeast and northwest Guadalcanal and the surrounding areas of Honiara where the ethnic conflict occurred, particularly in 1999 and 2000. Household market production (mainly cocoa, copra and food crops) was largely affected in the areas of ethnic conflict in Guadalcanal. In other provinces it was affected to the extent that the buyers and exporters of copra and cocoa were based in Honiara and were affected by the conflict. The other factors that have impacted on household market production and income are changes in world market prices, the disruption of domestic transportation and adverse changes in marketing infrastructure.

People in rural areas will continue to sustain their livelihoods with subsistence production and involvement in small-scale agriculture and fishing for cash incomes as well as in formal employment opportunities in rural areas.

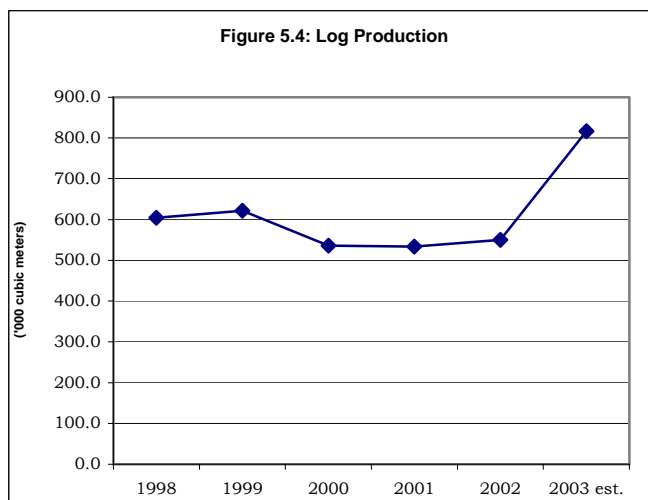
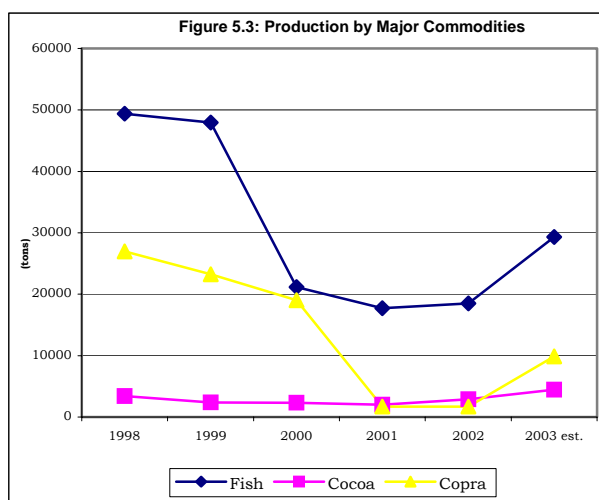
This informal sector is crucial to the well being of the majority of the population in the Solomon Islands and this sector will continue to underpin the economy of the provinces in the medium term.

The priorities in this area overlap with the general thrust of the overall NERRDP and include

- Economic and governance reforms that boost confidence and result in overall growth in the market.
- Infrastructure and transport improvements that improve market access for small-scale suppliers.
- Revitalisation of the credit unions and the encouragement of savings clubs to facilitate small loan options for those who wish to grow their micro businesses.
- Development of a Backward Linkages/Nucleus Estates programme to assist small-scale commodity suppliers to secure a reliable market for their output (See below)

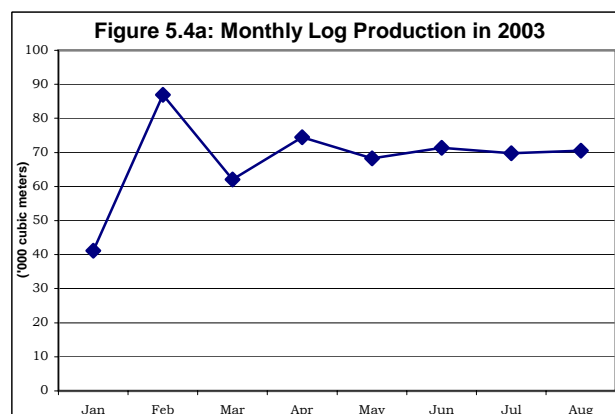
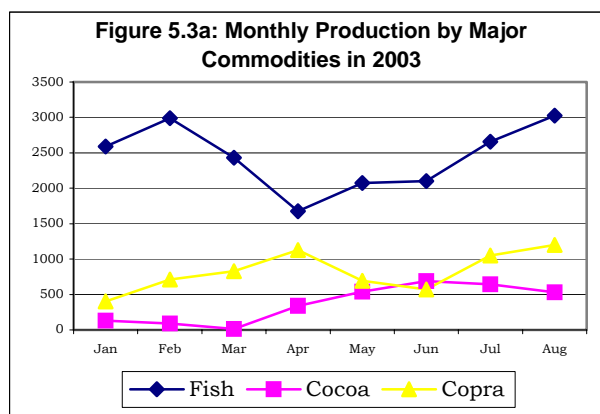
Production of Major Commodities

Production of all the major commodities decreased in 1999, 2000 and 2001, as result of conflict. The production of cocoa, fish catch and logs recovered in 2002 (Figures 5.3 & 5.4). Data available on the production of these commodities to August 2003 show a continuing upward trend. (Figures 5.3a & 5.4a).



Source CBSI

Copra production in the first eight months to August 2003 is nearly six times more than the total production for 2002. Also in the first eight months of 2003, **cocoa production** has equalled the total 2002 production level, **the fish catch** has reached 105 percent and **timber logs** are 98 percent of the respective commodity production for the whole of 2002.



Source CBSI

The commodities most affected by the conflict were those located on Guadalcanal. As the major primary industries were in Guadalcanal the impact of the ethnic conflict on Guadalcanal was severe on total primary production. **Logging operations** on Guadalcanal were also affected. The only oil palm production establishment, **Solomon Islands Plantations Limited (SIPL)**, closed in mid 1999 (employing about 1800) and gold mining, **Gold Ridge Mine**, closed in June 2000. Both operations remain closed to date.

Russell Island Plantations Estate Limited (RIPEL) also suffered loss of copra and cattle due to the tension – employing about 1000 – facilities were vandalised and the operation closed in both Russell Island and on their Guadalcanal plantations. The latter have not reopened to date (October 2003). RIPEL has been privatised and has returned to production. (See below for further details).

With regard to major industries, the government is making efforts to reopen the **SIPL** (oil palm and cocoa) and **Gold Ridge Mine** (gold and silver). However, it seems unlikely that that production from these two establishments will come on stream in the immediate future. Law and order and safety in the surrounding areas have improved considerably. With regard to SIPL, Commonwealth Development Corporation, the joint venture partner, has indicated it was not interested in further involvement in SIPL. A new investor will need to be found. A considerable investment outlay will be required to rebuild facilities and re-develop the plantation. Secondly the landowners have set a number of conditions, which have to be satisfied before SIPL could be re-opened¹⁶.

With **Gold Ridge Mine**, a new mining company will need to be found. A considerable investment outlay is required just to repair damaged properties and replace stolen ones. The demand by the landowners for a new agreement will also need to be accommodated and an early action will need to be the transparent election of a new landowner council. Actual production will not take place immediately upon re-opening the mine. It would take about 12 months after the re-opening of the mine for actual production to come on stream.

Log exports continue to be the main source of export earnings and government revenues and are important to many village households. However public and international perceptions of the logging industry in the Solomon Islands are generally negative with images of

¹⁶ The SIPL Landowners position is that they will not open negotiations with any potential investor until the land rents for the years 2001 and 2002 amounting to SB\$1.3m are paid.

unscrupulous Asian companies extracting unsustainable quantities, damaging the environment, evading taxes and avoiding payments to landowners and using unfair transfer pricing mechanisms to the disadvantage of the economy. Whilst there is evidence in the past that all these events have occurred, recent AusAid-funded work with the Forestry Department¹⁷ confirms a much more positive and robust position.

Revenues to Government (25 percent of f.o.b. value) amounting to approximately \$80m in 2003 and to Landowners (approx 15 percent f.o.b) have been and are of very great importance. Logging revenues have literally sustained Government as others from copra, cocoa, fish, palm oil and gold disappeared since 1999.

Annual log cuts from virgin forest have averaged 645,000 m³/y since 1994, well above the 398,000 m³/y figure now considered to be the sustainable rate. At current extraction rates virgin forest will be exhausted by 2015. Landowners, not the state, own the forest. Reducing harvesting through revoking nearly half the valid logging licenses held by Solomon Islanders¹⁸ is not considered politically or financially feasible, though some reduction may be affected if non-performing licenses are revoked and there is moratorium on the issue of new licenses (this has not occurred).

SIG has adopted a workable alternative with the effective imposition of a practical **Code of Logging Practises** (COLP) which aims at minimising environmental damage and maximising regrowth, properly resourced and trained Forest Department staff now **monitor each logging licensed site** at least twice per year for compliance and **inspect 50 percent of all logging shipments**. Responsibility for aspects of the control of **logging exports** is shared between the Central Bank of Solomon Islands, the Forest Department and Customs¹⁹.

Furthermore the **industrial plantations** are reaching maturity and the annual cut of 120,000 m³/y is expected to rise to 200,000 m³/year by 2020, whilst **village plantations** – with higher value teak and mahogany are rapidly gaining popularity. In future these family forests (typically less than 1ha) are expected to provide one third of the annual cut (with one third each from industrial plantations and natural forest regrowth) but to generate up to 80 percent of the value from the more expensive species.

Manufacturing and Service Industries and SOEs

The large majority of the manufacturing and service industries are located in Honiara and therefore were affected by the ethnic conflict and its aftermath of law and order and security problems. The impacts of the ethnic conflict on these industries were two-fold. First there was a direct impact arising from threat to personal safety of workers and owners. The other impact arises from reduced demand for the goods and services produced by the industries. Production for all industries, as shown in estimates for GDP, fell during 1999-2001. There were increases in production for some industries in 2002. A longer-term impediment to a growth in private businesses which predates the tension is the poor performance of the state owned enterprises (SOEs) which often “crowd out” private sector initiatives.

The constraints to production include operations and size of the public sector (i.e. its operations in providing a level playing field, its bureaucracy and over-regulations), lack of advisory services for small and medium size enterprises (SMEs), (in particular indigenous-

¹⁷ SEE Appendix C Forest Management and Logging in the Solomon Islands 2003

¹⁸ Currently the landowners are required to take out the license and then typically they sub contract to a foreign operator. Under the provisions of the new Forest Act the operator will be required to take out the license – provide the bond with Customs etc.

¹⁹ Under the AusAID support to Customs this activity is being strengthened

owned business), access to finance especially by SMEs and micro-enterprises, reliable supporting infrastructure and secure access to land. Revitalisation of production and the economy require that these constraints be eliminated. These constraints and the strategies to deal with them to revitalise the economy are outlined in Appendix B.

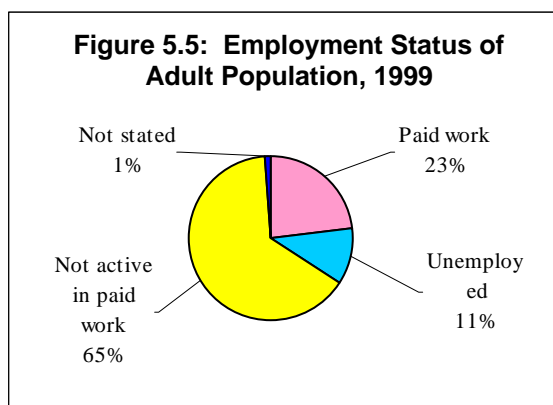
5.3.3. Employment and Work

Informal Employment and Self-Employment

One of the driving reasons for revitalising the economy is to **improve household incomes**. Part of that strategy will be to increase the number of paid jobs in the private sector. This section examines the patterns of employment.

In Solomon Islands the large majority of the adult population are engaged in informal and self-employment. These are the rural people who are subsistence farmers, those engaged in smallholder production of export commodities and fishing for local markets and also those in urban areas and the informal urban sector. These people are not in paid employment.

The 1999 census showed that 65 percent of adult population was not in paid employment, including subsistence farmers and those doing household duties in urban areas (Figure 5.5). This would include those displaced by the ethnic conflict from paid work in Guadalcanal and Honiara and returned to their villages and were not seeking paid work. It is reasonable to expect that a proportion of people in rural areas, although not actually seeking paid work, will take the opportunity to have paid employment if the opportunities arise.

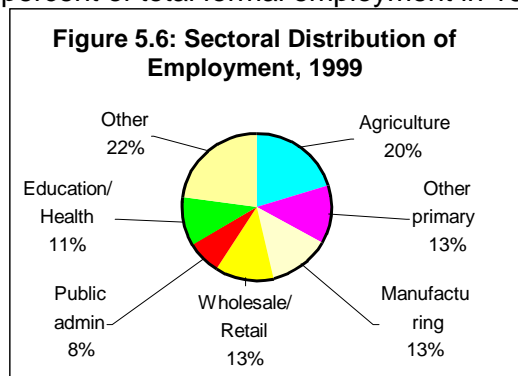


Source: 1999 Census report

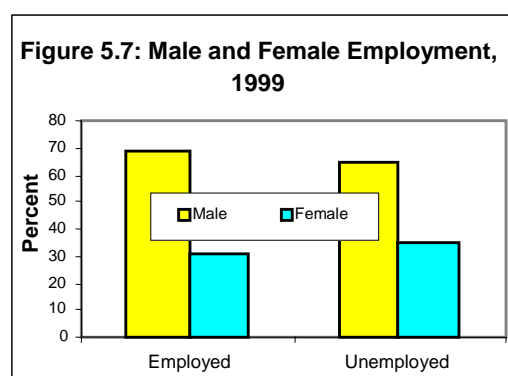
Formal Employment and Unemployment

The Government Statistics Office carries out annual surveys of formal employment. The latest report is for 1998. Due to the ethnic conflict and other problems, no surveys and reports were produced since 1998. However, data from the 1999 census shows that 23 percent of the adult population was in paid employment (Figure 5.6).

Agriculture, forestry and fishing provide the most employment, followed by manufacturing, wholesale/retail and public administration. The private sector provides most employment 70 percent in 1998. In the public sector, the central government is the largest employer, 24 percent of total formal employment in 1998.



Source: 1999 Census Report

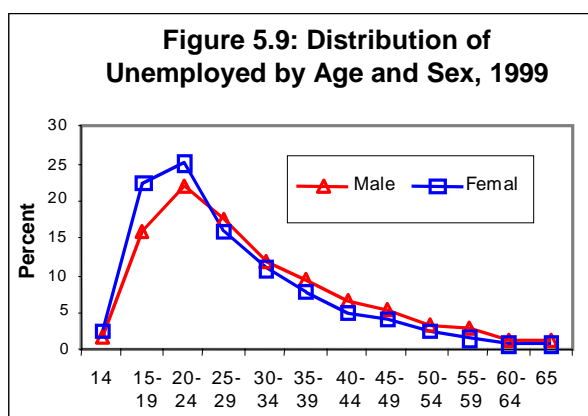
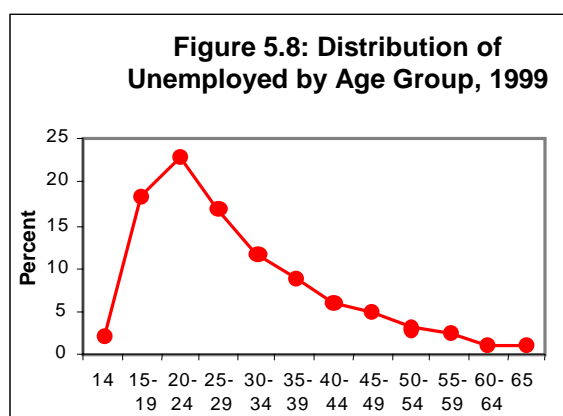


Of those in formal employment in 1999, more than two-thirds were men (Figure 5.7). Data from the annual employment surveys show that female employment increased by 6.5 percent between 1994 and 1998 and 8.4 percent for males in the same period. Total formal employment rose by 8 percent in the period 1994-1998, an average of two percent per year. In 1999 the government carried out a redundancy exercise as part of the policy and structural reform programme. Since 1999 the ethnic conflict and subsequent law and order problems took a major toll on formal employment.

Information on unemployment is available only from the 1999 census report. Unemployment is defined as those who are seeking paid work. According to the 1999 census, 11 percent of the adult population was unemployed (Figure 5.6). Of those seeking paid work in 1999, 65 percent were male and 35 percent female (Figure 5.7).

There is a high level of youth unemployment. Among those in age group 14-29 years, 61 percent were unemployed i.e. seeking paid work. Unemployment was highest among the 20-24 age group, followed by those in age group 15-19 years (Figure 5.8).

Male unemployment was higher than female in the age groups of 25-29 years and older (Figure 5.9). In the younger age groups, 14-24 years, there is a higher proportion of female unemployment. These age groups account for half of female unemployment, with 25 percent in 20-24 age group. An increasing number of females are looking for paid work.



Source 1999 Census report

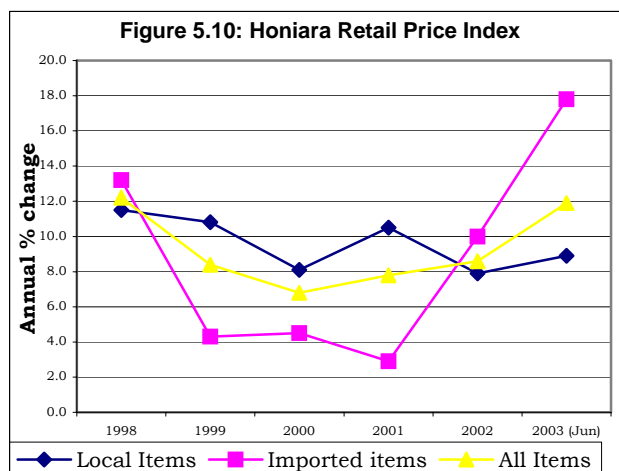
With a young and growing population and the high “push out” rate in the school system, an increasing number of young people are coming into the labour market each year. Many of these young people will enter the ranks of the unemployed or engage in informal employment. Many of the unemployed youth will be in the urban areas, particularly Honiara. Formal employment remained low in 2002 little prospects of major improvement in the immediate term. Particular attention needs to focus on informal and self-employment opportunities particularly household cash crop production and formal employment opportunities.

5.3.4. Prices and Wages

Prices

The average annual inflation rate as represented by the Honiara Retail Price Index (HRPI) increased in 2002 to just over 9 percent compared with around 7 percent in the previous two years (Figure 5.10). The increase in 2002 was due to the increase in the price of imported

products, which rose by 12 percent compared with three percent the previous year. The price index for local products increased in 2001 but fell in 2002.



Source Statistics Office, Bulletin No. 4/2003

The price of food items went up during 2001 and 2002 and generally remained higher than the All Items index. Housing and Utilities index went down 2001 and then went up again in 2002. The ethnic conflict and subsequent law and order and security problems in Honiara continue to depress the housing market. The Statistics Office has experienced difficulties in collecting price data during the ethnic conflict and the subsequent years. Thus these figures are likely to understate the real changes in price levels, particularly in 2000 and 2001.

Increases in price levels erode the purchasing power of incomes. This is severe on the low-income groups. There is a mechanism and system established for price control to ensure that prices of basic household items, especially food, are maintained at reasonable levels. However, the price control mechanism and system have not been effectively managed. It is important and necessary to improve the management of price control system to protect the low-income groups from exploitative price increases of basic household items.

Wages

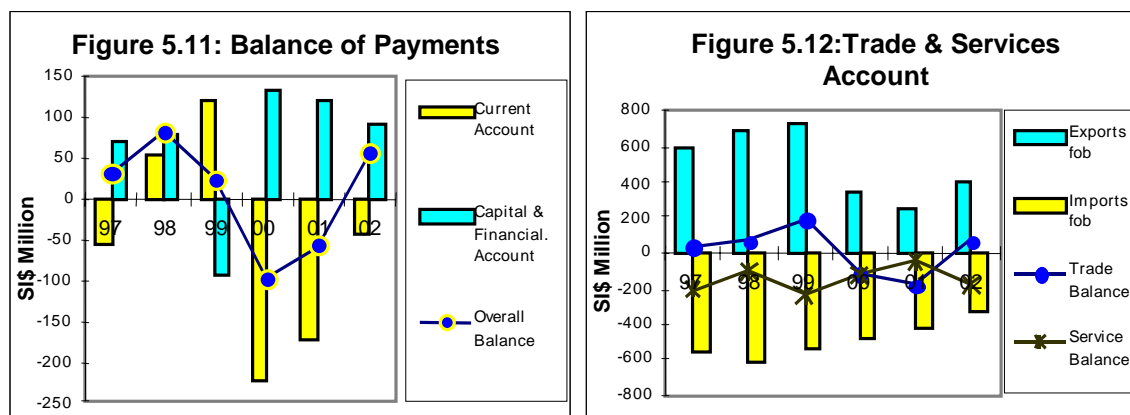
There is a minimum wage legislation, which provides for setting of minimum wages. Minimum wage rates are set for urban and rural areas. Wages and salary increases for workers are usually determined through a bargaining process between the workers' unions and the employers. Increases in the salaries in the government sector usually influence wage and salary increases of workers in the private sector. Government imposed a wage freeze in 1999. The wage freeze continued in 2002. There have been some wage adjustments in the private sector. Enforcement of the minimum wages is a problem especially among the non-union members, as this requires monitoring to be carried out by the relevant government department officials.

5.3.5. External Balance

The balance of reflects the interactions of Solomon Islands in the global economy. In a small open economy like Solomon Islands it can be generally expected that in the normal course of development the trade in goods and services will generally be in deficit as, consequently, will the current account. Conversely, the capital and financial will generally be in surplus. The overall balance of payments will be in surplus or deficit depending on the magnitudes of the deficits and surpluses in the current account and the capital and financial accounts.

A deficit in the overall balance of payments is of concern because it threatens the external reserves. A balance of payments surplus increases external reserves. This provides the opportunity for additional capital importation required for economic growth and development. It also fosters investor confidence in the economy, which is positive for growth.

The balance of payments in 2002 was in surplus, reversing the trend of the previous two years (Figure 5.11). This came about from further shrinking of the current account and surpluses in the capital and financial accounts. Balance of payments estimates as at August 2003 showed a surplus in the overall balance. This was brought about by increased export earnings and surplus in the trade and current accounts as well net capital inflows.



Source CBSI

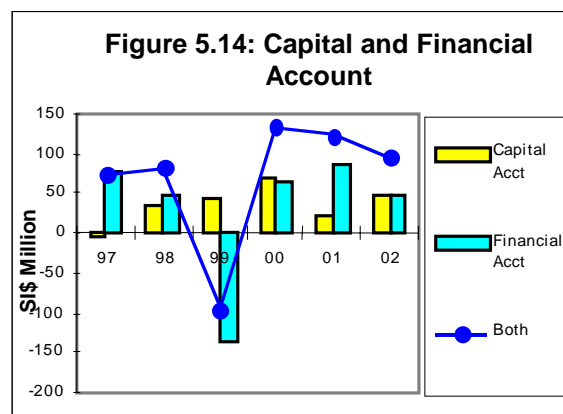
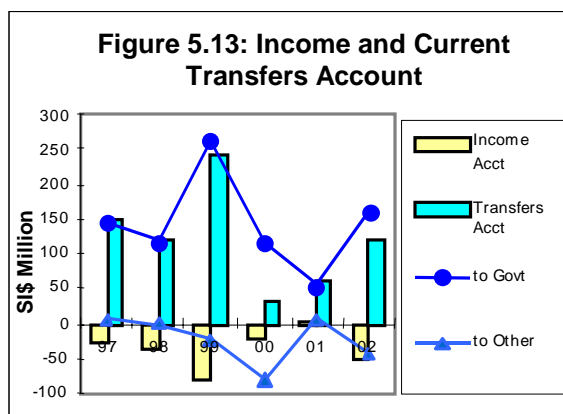
Commodity Trade and Services

Trade in commodities resulted in surpluses between 1997 and 1999 and then deficits in the following two years with the reduction in export earnings. There was a surplus in 2002 as result of increase in export earnings coupled with the continuing decline in import spending (Figure 5.12). However, the larger deficit in the Services Account overwhelmed the commodity trade surplus resulting in deficit in the trade in goods and services, as has been in the previous five years. Trade balance up to August 2003 showed a surplus as result of increased export earnings and slower growth in import spending.

Income and Current Transfers

The income account provides information on payments and receipts of remuneration to employees as well as payments and receipts on investment income, including equity and interest income in regard to direct investment as well as income on portfolio and other investments. This includes interest earned on the external reserves. The income account sustained deficits with the major deficits in 1999 and 2002 (Figure 5.13). It continued in deficit into August 2003. The level of the balances on the income account reflected the arrears on the external loans incurred by the Government.

Net current transfers to the Solomon Islands economy substantially increased in 1999 and then plummeted in 2000 and gradually increased during 2001 and 2002. The official transfers went down both in 2000 and 2001 as the government reform and development programmes were slowed down and stopped as result of the ethnic conflict. A major outflow from the other sectors occurred in 2000 as result of the political events in June of that year. The Government introduced stiff exchange control measures in 2000 and further in 2001 to manage the outflows from the economy. Current transfers increased again in 2002 as the donor programmes were gradually restored. This continued during 2003 (to August).



Source CBSI

Capital and Financial Account

The capital and financial account shows the capital and financial flows in and out of the Solomon Islands economy. As Solomon Islands is normally a net borrower and recipient of foreign direct investment, the account is usually in surplus. However, in 1999 there was a substantial deficit in the capital and financial account caused by a substantial net financial outflow (Figure 5.14). In August 2003 the capital and financial account was in surplus.

In 1999 there was net capital outflow from the economy arising from payments by the government. However, with exception of 1999 there was net inflow of capital transfer into the Solomon Islands economy since 1998. The larger part of the capital transfers has been to the government. The inflow of capital transfers increased between 1998 and 2000 then went down in 2001 but increased again in 2002. This continued in 2003 (to August).

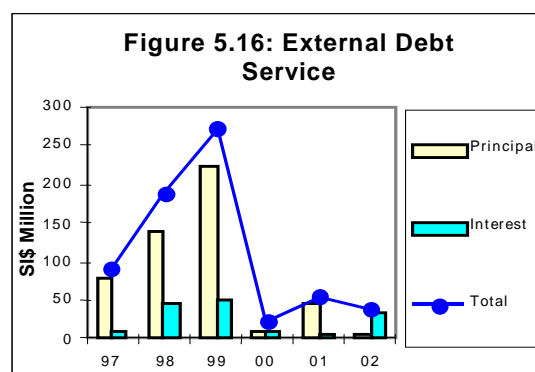
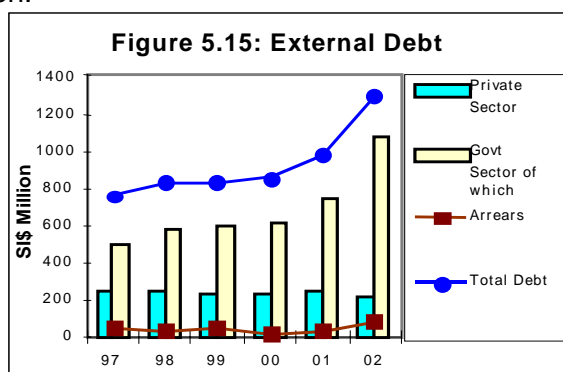
As noted earlier, the financial account went into a substantial deficit in 1999. This was caused by major outflows with direct investment capital and repayment of long-term loans by the private sector. There was declining inflow of direct investment capital during 1997 and 1998 and in 2000. There were substantial net outflows of direct investment in 1999 and 2000 and a relatively small amount in 2002. Some inflow of direct investment occurred during June-August 2003.

With regard to external loans, there were net inflows between 1997 and 2002 with the exception of 1999 when there was a net outflow as a result of payments from the private sector (Figure 5.14). There was significant use of short-term loans, particularly in 2000 and 2002 by the private sector. With long-term loans, there were net outflows from the government during 1997, 2000 and 2002, largely as a result of the difficulties in government making draw-downs on loans from international financial institutions because of arrears in loans repayments. In 1998 and 1999 long-term loans were provided to support the policy and structural reform programme. In the 2001 the Government received EXIM Bank loans for the payment of claims for properties lost during the ethnic conflict.

External Debt

External debt increased by 10 percent from 2001 to total \$1.3 billion in 2002, rising from \$828 million in 1998, 56 percent increase in debt stock (Figure 5.15). Increase in external debt is driven by external debt of the government. Government's external debt totalled \$1,071.0 million in 2002. By September 2003 it stood at \$1,090.4 million. The main part of

the increase in government external debt was debt arrears, which the government continues to incur since 1995. When the Government first defaulted on its external debt repayments in 1995 the total arrears amounted to \$9.3 million. By the end of 2002 government external debt arrears stood at \$82.8 million in 2002. By September 2003 they increased to \$101.5 million.



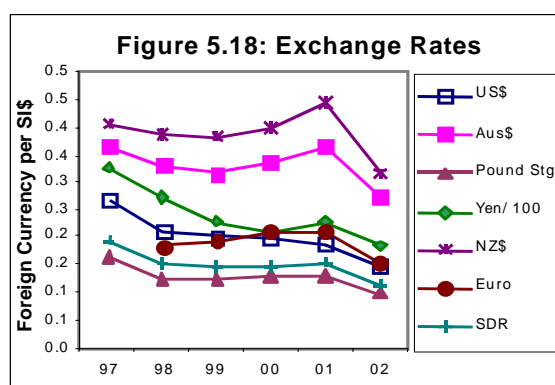
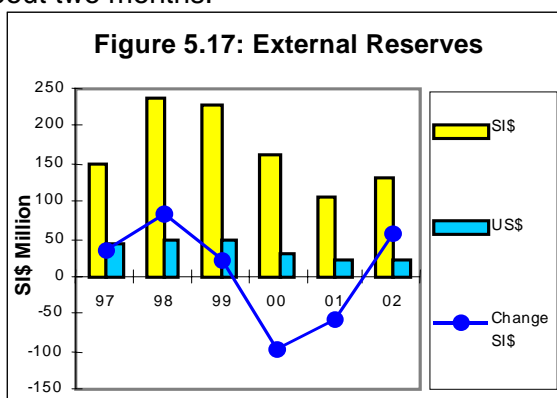
Source CBSI

The increase in government external debt in 2001 was due primarily to the EXIM Bank loan to pay for claims for properties lost during the ethnic conflict. In 2002 the increase in the external debt of government was purely from debt arrears. External debt of the private sector was generally below \$250 million during the period. The stock of external debt in 2002 was five (5) times real GDP.

Total debt service in 2001 amounted to \$12.8 million of which \$3.0 million was in interest payments (Figure 5.16). Government debt service payment was \$6.2 million with interest payments of \$2.8 million. Debt service payment by the private sector was \$6.6 million (interest payment of \$0.2 million). In 2002 total debt service payment was \$38.3 million of which 32.7 million was for interest payments and \$5.6 million for capital repayments. External debt service payments by government in 2003 (January –September) totalled just \$22.2 million.

External Reserves

External reserves which increased to \$226 million in 1999 fell in 2000 and continued to fall in 2001 to just \$103.0 million (US\$19.4 million). This represented import cover of just 1.3 months. The reserves recovered in 2002, increasing to \$129.9 million (Figure 5.17) (US\$17.4 million). Tight monetary policy and stiff exchange control measures have been used to protect against further diminution of the external reserves. By September 2003 gross reserves increased to \$220.6 million (US\$29.4 million). This represented import cover of about two months.



Source CBSI

Exchange Rates

In nominal terms the Solomon Islands dollar depreciated during 2000 and 2001 but appreciated in real effective terms during the period. In 2002 it depreciated both in nominal and real terms. Against individual currencies, the Solomon Islands dollar depreciated against some currencies of its major trading partners and appreciated against others in 2000 and 2001. In 2002 the Solomon Islands dollar depreciated against all currencies (Figure 5.18). That trend continued during the first six months of 2003.

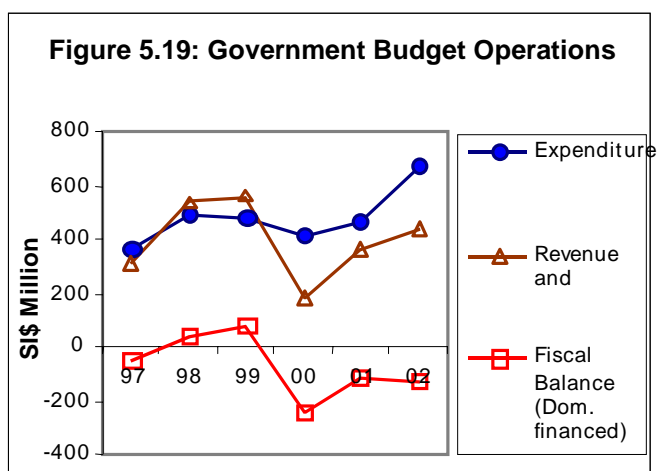
For a temporary period in 2000 the Solomon Islands dollar was fixed against the US dollar because of concerns about domestic inflation. However, the Solomon Islands dollar was later allowed to fluctuate against all currencies within a specified band. In 2002 the Solomon Islands dollar was devalued by 25 percent but was revalued by the same percent a few days later. In any case, the Solomon Islands dollar depreciated against all currencies an average of 25 percent during 2002.

5.3.6. Fiscal Balance

Government Budget Outcomes

The government accounts are produced on a cash accounting and not on an accrual basis. Thus the analysis of the budget outcomes, revenue and expenditure is of the cash receipts and spending. The development budget is funded largely by external assistance and mostly with aid-in-kind. Only development expenditures met by cash outlays, either by external grants or domestic revenue or borrowing, are shown in the government accounts. The government finance data for 1999 and subsequent years are estimates only as the annual government accounts are still to be completed and audited.

Government budget outcomes showed **cash surpluses in 1998 and 1999** and then **deficits again since 2000** (Figure 5.19). The surpluses in 1998 and 1999 resulted from the substantial grants and financing received from development partners for the policy and structural reform programme, which increased the total of revenues and grants in those two years. Revenues and grants fell sharply in 2000 and then increased in 2001 and 2002. Total expenditure fell between 1998 and 2000 and increased during 2001 and 2002. The fiscal balance deteriorated further in 2002.



On an accrual basis the estimated fiscal balance in 2001 was a deficit of \$194.5 million. This increased to \$309.1 million in 2002. The deficits were financed by domestic debt arrears and arrears on other charges as well as arrears on external loans and the EXIM Bank loan for payment of claims for properties lost during the ethnic conflict.

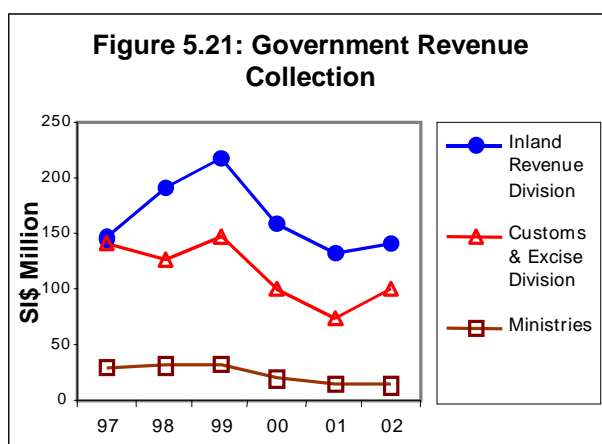
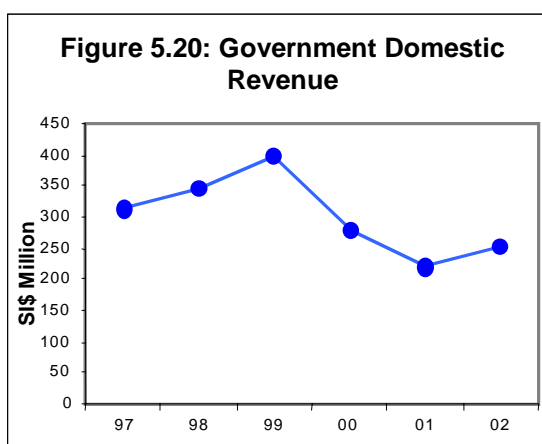
Domestic Revenues

Sources of government revenues are direct and indirect taxes as well as non-tax sources. The latter included fees and charges for services provided by the government. Most of government revenue is from taxes. The Inland Revenue Division and the Customs and

Excise Division collect the direct and indirect taxes. The various government ministries and departments collect non-tax revenues.

Total government revenues increased to nearly \$400 million in 1999 and then fell in 2000 and 2001 and then recovered in 2002 (Figure 5.20). Total revenue collection in 2003 up to September was \$257 million (compared with the budget estimate of \$195 million). This is equivalent to a monthly average of \$28.6 million compared with 2002 monthly average of \$21.4 million.

The decline in revenues reflected the fall in collections by both the Inland Revenue Division and Customs and Excise Division (Figure 5.21). Both Divisions increased their revenue collection in 2002. Since 1997 Inland Revenue Division has maintained higher revenue collection than the Customs and Excise Division. This is a reversal of their relative positions in the early 1990s.



Source CBSI

Revenue Collection

The collection of government revenues since 1999 has been affected by the ethnic conflict and its aftermath situation of law and order and security. Two major companies (SIPL & RIPEL) closed down and many other businesses in Honiara and Guadalcanal were affected by the ethnic conflict. This impacted both on direct and indirect taxes. However, the collection of tax as well as non-tax revenues has long been recognised as needing major improvement. This was addressed as a priority area under the previous policy and structural reform programme that was interrupted by the ethnic conflict. Government revenues from taxes and non-tax sources can be substantially increased, without increasing the tax burden on people, if revenue collection is improved. The increase in revenue collection so far in 2003 indicated some improvement in the collection of taxes.

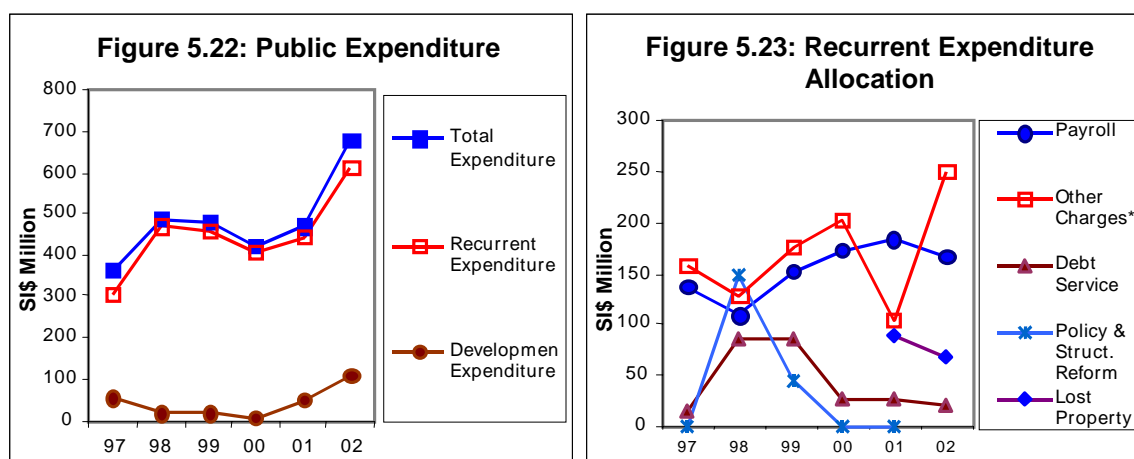
A major source of revenue leakage has been the granting of remissions and exemptions of import and export duties²⁰. However, the discretionary powers of the Finance Minister to grant duty remissions and exemptions were transferred in 2002 to a committee consisting of government and private sector representatives. There have also been substantial revenue leakages in the forestry sector not only from export duty remissions but also from a lack of inspection and monitoring of log exports as well as transfer pricing that has been rampant in the sector. There are also revenue leakages in the commercial fishing sector that need to be addressed.

²⁰ At a recent meeting in October 2003 applications for remissions amounting to over \$50m were tabled and only \$200,000 granted to a community project. An indication that the new committee is effective.

Expenditure

Total public expenditure which composed of recurrent and development expenditure, increased sharply in 1998 and then declined during the subsequent years but increased again in 2001 and 2002 (Figure 5.22). Total spending on recurrent expenditure to September 2003 amounted to \$229 million (compared with budget estimate of \$194 million) (Box 5.3).

Development expenditure remained low since 1998, but picked up in 2001 and 2002 as development assistance increased.



* 2002 Other charges include arrears.

Source CBSI

Total recurrent expenditure increased in 1998 as result of the financing of the policy and structural reform programme and increase in debt service payments (Figure 5.23). The development partners met the expenditure on the policy and structural reform programme. They also provided assistance to enable a high level of debt service payments, especially to reduce accumulated debt arrears. The ethnic conflict disrupted the implementation of the reform policy and structural reform programme and it was effectively abandoned in 2000. Total recurrent expenditure has risen each year since 2000. Whilst expenditure on structural reform and debt servicing were reduced, the payroll continued at a high level and the unbudgeted and mainly illegal payments for lost property claims were met by a loan from the EXIM Bank. There have been numerous claims on the government for payments by various individuals during 2002. This continued in the first seven months of 2003.

Box 5.3 2003 Budget

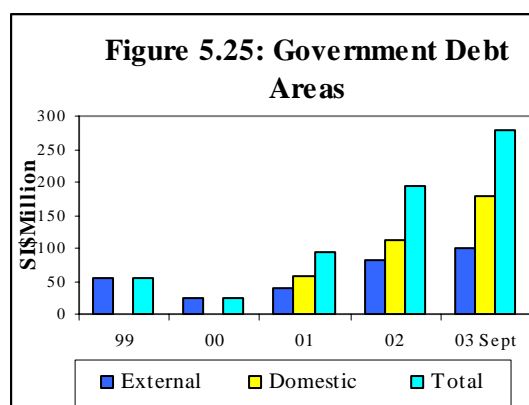
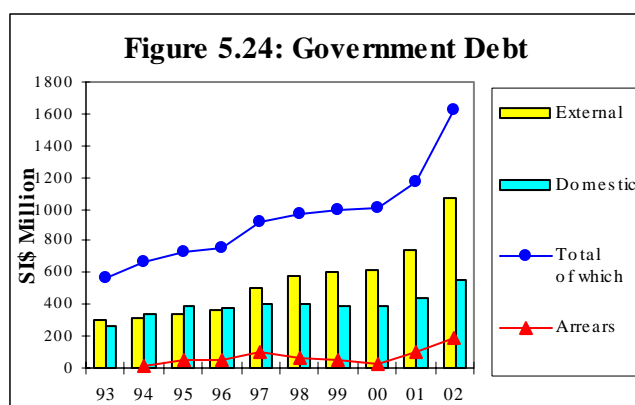
Total government expenditure for the first 8 months of 2003 was \$225m, which represented 87 percent of the expenditure budget authorised for the 2003 financial year. This was \$52m ahead of budgeted expenditure (pro rata to end August \$173m).

Expenditure estimates by the Department of Finance for the whole of 2003 are conservatively estimated at around \$338m, which is 31 percent higher than that originally budgeted. The principal driver in this higher than forecast expenditure has been the massively higher expenditure by the Department of Police, National Security and Justice which in effect meant that most other Ministries and Departments received significantly less than that budgeted.

Payroll costs continued to increase between 1999 and 2001 and went down in 2002 as result of government sending out about 800 public servants on unpaid leave. However, most of them were reinstated by February 2003. The government redundancy plan to separate 1,500 public servants from the public service has not materialised due to the lack of funds to meet redundancy payments required by law.

Government Debt and Arrears

Total government debt of \$1153.6 million in 2001 increased to \$1635.9 million in 2002 including debt arrears (Figures 5.24 and 5.25). Total external debt of government in 2002 was \$1087.3 million and domestic debt of \$458.6 million. By September 2003 government debt increased to \$1657.5 million of which external debt amounted to \$1090.4 million and domestic debt \$567.1 million.



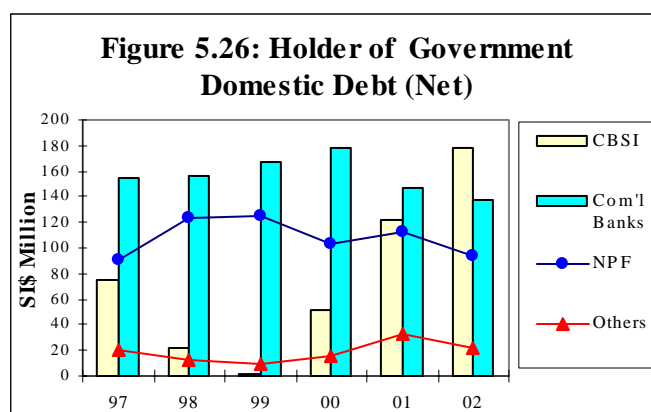
Source CBSI

Government managed to make external debt service payment of just \$7.7 million in 2002 (\$5.4 million in 2001); consequently its external debt arrears soared to \$82.8 million (Figure 5.25). The external debt arrears continue to escalate. By September 2003 external debt arrears stood at \$101.5 million.

During 1999 and 2000 there were no domestic debt arrears. However, by the end of 2001, domestic arrears stood at \$56 million and by the end of 2002 they doubled to \$112 million (Figure 7.15), after debt service payments of just \$12 million (\$22.3 million in 2001). As with external debt arrears, domestic debt arrears continue to escalate. By September 2003 domestic debt arrears climbed to \$177.4 million.

Government external debt holders with arrears in 2002 were Hong Kong Marubeni (\$35.8 million), Kuwait (\$13.6 million), Asian Development Bank (\$15.5 million), European Union (\$4.6 million), European Investment Bank (\$3.8 million), International Fund For Agricultural Development (\$1.7 million) and Organisation of Oil Producing and Exporting Countries (\$3.3 million), EXIM Bank (\$3.0 million) and International Cooperation Development Fund (\$0.9 million).

The main holders of government domestic debt are the commercial banks and National Provident Fund and since 2001 the Central Bank of Solomon Islands (Figure 5.25). The government began borrowing heavily from the CBSI in 2001 increasing its debt from \$50.9 million in 2000 to \$122.4 million in 2001. This increased to \$178.6 million in 2002. The government has gone over its legal borrowing limit with the CBSI.



Source CBSI

A major concern for the banking system is the high level of indebtedness by the government (Figures 5.25, 5.26 and 5.32) and inability of the government to meet scheduled bond repayments to the banks. The commercial bank holdings of development and restructured bonds totalled \$149.8 million dollars, equivalent to 30 percent of total assets. The Commercial Banks have taken the Government to court and obtained an interim settlement whereby regular reduced interest payments are now to be paid with immediate effect and interest paid on arrears pending full settlement at a future date.

External Assistance

The worsening of the ethnic conflict in 2000 disrupted external assistance and many of the development projects funded by development partners were suspended or cancelled. Since the cessation of the conflict in October 2000, donor programmes have gradually returned, particularly in the areas of key social services. The government and donors had a policy dialogue meeting in June 2002 during which the donors emphasised the need for good governance and specified the conditions under which increased donor assistance would be forthcoming. Access to concessional financing and technical assistance from multilateral financial institutions will continue to be difficult unless the debt arrears with these institutions are fully paid. These debt arrears have now been paid by Australia.

Aid Coordination and Management

In Solomon Islands, consultation between the Government and donors is carried out at the policy, programme, sectoral and project levels and between both individual donors and donors as a group. Bilateral donors such as **Australia and New Zealand** have annual high-level aid talks with SIG to agree on the funding allocation to projects for the coming year and indicative allocation for the following two years²¹.

Coordination at the project level is the project steering or monitoring committees usually established especially for large projects.

Bilateral donors such as **Japan**, which responds to project requests, do not have such annual overall programming discussions.

The European Union has policy and programme discussions at the beginning of the funding period to agree on the programme focus areas. The country aid allocation is made under the ACP-EU convention (currently the Cotonou Convention). The EU and the Government

²¹ This and following descriptive paragraphs are drawn from the MDEGM Final draft Feb 2003.

discuss and agree on a **National Indicative Programme**²², which provides the framework for the use of the funds. In addition **STABEX** funds²³ are made available by the EU after a Framework of Mutual Obligations is negotiated and agreed with Government.

The **UN agencies** have recently initiated a common approach through the common country assessment and development of UN development assistance framework under which individual agencies would formulate their country programmes with SIG for funding in the next five-year funding cycle (2003-2007)²⁴. Tripartite project reviews are carried out during project implementation between the government, UNDP and the executing agency, which is usually another UN agency.

The development finance from the **Asian Development Bank** is provided through a three-year country strategy plan (CSP) that provides the operational programme of lending and technical assistance for the three-year period²⁵. The **World Bank** provides development assistance in form of soft loans and technical assistance to Solomon Islands on a project-by-project basis.

Donor coordination is the responsibility of Solomon Islands Government.

Regional organisations and institutions²⁶ provide support to Solomon Islands in their areas of operations and specialisation and through regional programmes. The areas of support provided by the regional organisations and institutions to Solomon Islands include economic management and trade, agriculture, fisheries, environment, health and education and training.

The current mechanism of coordination between SIG and donors as a group in regard to **policy dialogue and overall resource mobilisation** is the SIG/Development Partners Consultative Meeting. These have been held annually since 1998 (except in 2000) initiated by government but with technical help from donors (e.g. UNDP 1998 ADB 1999).

At the **sectoral level** SIG/multi-donor coordination meetings have been held for the education and health sectors and for public service reform under the Policy and Structural Reform Programme (PSRP) and the public sector reform programme. However, this and the PRSP were short lived due the ethnic tensions starting in 1999.

Apart from the SIG/Donors Meeting, the sectoral and project level coordination, there has been no overall mechanism of coordination between SIG and the donors at operational level. However, an outcome of the June SIG/Donors Meeting in 2002 was the establishment of the regular monthly meetings between SIG and donors. These meetings, which draw on the outcomes of the **Monthly Monetary Management Meeting (4Ms)**, enable ongoing information flow and interaction between SIG and the donors.

The problems of management and coordination of a multitude of donors have been exacerbated by the events of the last four years. There is need for government to improve its management and coordination of external assistance to ensure that external resources are used efficiently and effectively to achieve development objectives. The Department of

²² The national indicative programme is currently under preparation.

²³ STABEX Funds have been suspended by the EU pending 1) the restoration of law & order and 2) the provision by SIG of a credible economic development and recovery plan, which is the object of this current document.

²⁴ WHO has two-year programming cycle.

²⁵ ADB's programme has been suspended due to SIG arrears in loan repayment. These have now been paid by RAMSI on behalf of SIG. The ADB, with the World Bank, fielded a mission for consultations with SIG in October 2003.

²⁶ Regional organizations and institutions: Forum Secretariat, Pacific Community, Forum Fisheries Agency (FFA), South Pacific Regional Environment Programme (SPREP) South Pacific Geo-Science Commission and University of the South Pacific (USP)

National Reform and Planning within the Ministry of Finance, National Reform and Planning is charged with this responsibility and with compiling the Development Budget each year. **The DNRP requires further strengthening as the coordination of donor activities and funding is increasingly complex and growing in scope and scale.** In particular, it requires strengthened logistical capacity to assess and monitor projects.

Donor coordination

The coordination of the donors and donor assistance is the responsibility of Solomon Islands Government. To be effective it requires cooperative effort between the Government and the donors. As noted above and discussed in Chapter 8, mechanisms have been established by the Government to facilitate the process so as to improve aid effectiveness. Some principles and approaches for donor coordination in implementing the NERRDP are outlined in Box 5.4 and discussed in Chapter 8.

Box 5.4 Principles, Mechanisms and Approaches

Principles

- Donor coordination is the responsibility of SIG
- Donor coordination processes need to be practical
- Jointly implemented and monitored by SIG and donors
- Objectives, key performance indicators, ongoing monitoring needs to be transparent - Parliament and community need to be kept informed
- Build on donor coordination to date - MDEGM process, previous SIG/Donor Meeting and sectoral level coordination in Honiara (law and justice, economic governance)
- Opportunities for donor harmonisation should be considered
- Framework must guide budgetary support and bilateral project aid (giving greater structure to donor inputs into recurrent and development budgets)

Mechanisms/Processes

- NERRDP to provide the basis for developing action plan for recovery, reform and development - linked with multi-year budget framework
 - Effective integration of budgeting and planning
- NERRDP would be operationalised through action matrix
 - Action matrix could provide guidance on key priorities, sequence of activities and financing (SIG and donor inputs)
 - Also set out indicators for monitoring achievement - clear benchmarks
 - Monitoring and reporting against key benchmarks in action matrix
 - Donor assistance calibrated against helping achieve benchmarks where necessary
- SIG would provide regular progress reports - six monthly assessments which could be undertaken jointly with donors - do monitor and evaluate implementation
 - Providing a basis to refocus/reprioritise activities where required
 - Outcomes - progress reporting and updates of future plans - feed into policy dialogue between SIG and donors
 - SIG/Development Partners Meetings - high-level forum (annually or half-yearly if required)
 - Progress fed into donor decisions on future budgetary/project commitments
- Sectoral coordination meetings continue at the operational level

Public Financial Management

The problem of proper management of government finances have been exacerbated by the numerous demands for payment of claims and allowances on the government and the harassment of the officials of the Department of Finance in connections with these demands. Discretionary accounts and discretionary payments of public revenues, as well as departmental bank accounts opened to transact public funds without the authority of the Department of Finance, all make it very difficult to properly manage and account for public funds. However, the Department of Finance has taken steps to try to manage the situation in an orderly fashion.

Government Accounts

The timely completion of government accounts for auditing is a continuing problem. So far the latest audited annual accounts of government are for 1996. The annual accounts for 1997 and 1998 were submitted for auditing in 2000 but auditing has yet to be completed. The annual accounts for 1999, 2000, 2001 and 2002 are still to be completed. The law requires that the annual government accounts are completed and submitted for audit within six months of the end of the financial year. **The financial accounts of provincial governments is even worse than that of the national government.** The provincial governments' financial accounts have not been submitted for audit or audited for many years. Both the capacities of the Treasury and those of the provincial treasuries as well as the Auditor General's Office need to be strengthened so that there is timely completion of the annual accounts as well as timely completion of auditing the accounts.

Reforming and Resourcing the Public Service

Wide consultation within the Public Service revealed a common condition. Poorly resourced offices, old and often unserviceable furniture and equipment, with minimal or no supplies and limited or delayed funds transferred for operations. Many departments have vacant establishment positions and staff training and development activities have lapsed in recent years.

Furthermore Public Service salaries have not increased at all since 1996. The lack of resources and training, and declining remuneration have all impacted negatively on the morale and efficacy of Public Servants.

The need for reform of the Public Service have been recognised by SIG and donors alike for many years, as has its dominance in providing employment in the country and its unsustainable payroll burden on the government budget.

A redundancy programme totalling 1500 officers was drawn up in 2001 but has been stalled successively due to lack of funds. Similarly a "payroll cleansing"/validation scheme is required and is now underway (September 2003) being led by the Department of Finance.

Reform of the Public Service takes a long time. Execution of the redundancy programme is a first priority. A further priority is to reenergise the existing departments with clearly identified targets and the resources to achieve them however modest. In the medium term there need to be a systematic review of the functions shape and scope of the Public Service.

Box 5.5 Government Finance Issues and Actions to Date

Key points requiring attention in this area were the need to:

- Increase Government revenues.
- Reduce and control recurrent expenditure at a level sustainable by domestic revenue.
- Manage and control government debt.
- Improve public financial management.
- Strengthen SIG capacity in aid coordination and management.

In this regard the arrival of RAMSI has had a significant impact. Thus by end September 2003 there were a number of achievements, which they reported in the following manner.

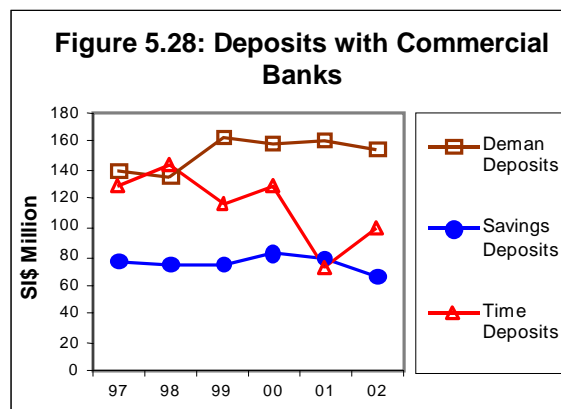
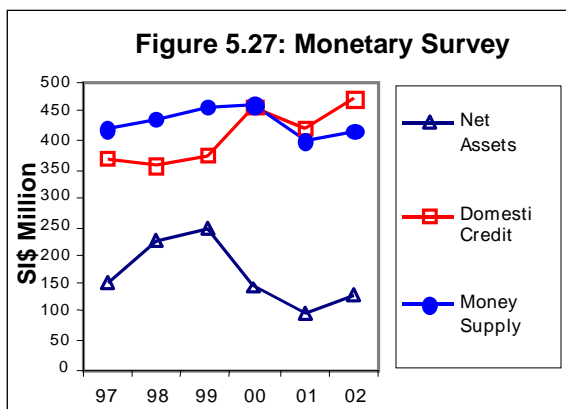
- ✓ The budget stabilisation programme is well underway, with all 16 advisers and in-line personnel in the Department of Finance.
- ✓ Department of Finance has regained control of expenditure and a December quarter budget plan and budget guidelines for 2004 have been prepared and have received Cabinet approval.
- ✓ Australia is also providing A\$12 million in direct budget support up until June 2004, contingent on the Solomon Islands Cabinet and Parliament approving a credible budget. The disbursement of the funds is subject also to quarterly review. A further A\$6 million direct budget support is anticipated but not confirmed for the second half of 2004.
- ✓ Australia has cleared Solomon Islands' arrears with the World Bank and the Asian Development Bank (ADB), enabling their re-engagement. Australia is working closely with both institutions and will join a mission to Solomon Islands, which the World Bank and the ADB will undertake jointly in mid-October.

5.3.7. Money and Finance

Money Supply

Money supply (M3) increased during 1997-2000, went down in 2001 and increased in 2002 (Figure 5.27) and also during the first half of 2003. This reflected the movements in net foreign assets and domestic credit during the period. Net foreign assets fell since 1999 and recovered in 2002 and continued to increase in the first half of 2003. Domestic credit fell in 2001 and went up in 2002 and in the first six months of 2003. Narrow money supply (M1) remained constant since 1999, reflecting largely the movement in demand deposits.

Demand deposits increased between 1997 and 1999 and then flattened out since then. Savings deposits, which remained largely constant during previous years, declined in the last three years. The major fluctuations are seen in the time deposits but generally there was a downward trend since 1998 (Figure 5.28). This reflected the depositors' reaction to the ethnic conflict and perception of the future of the country. As reflected in the net foreign assets, a good part of liquidated time deposits flowed out of the economy.



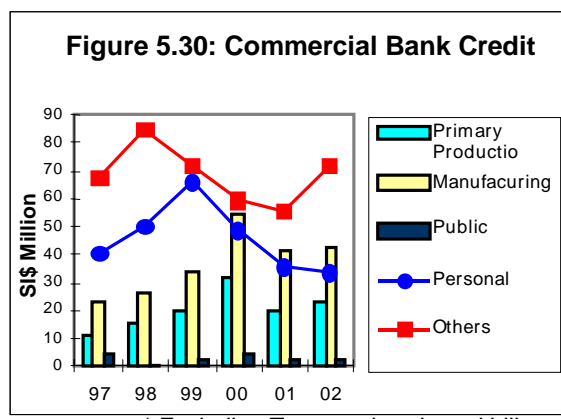
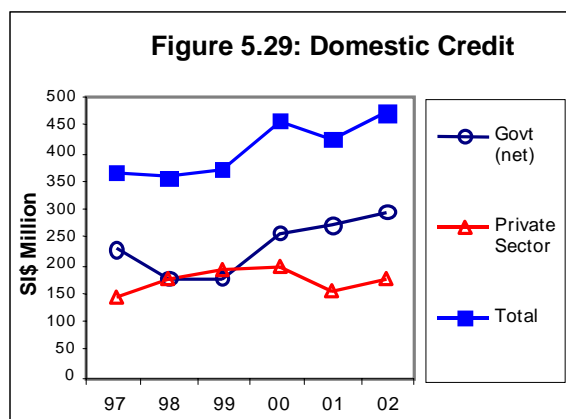
Source CBSI

Domestic Credit

There was an upward trend in domestic credit between 1997 and 2000. Domestic credit went down in 2001 and up again 2002 (\$470.7 million) (Figure 5.29) and increased to \$523.2 million by September 2003. Credit to the private sector increased during 1997-2000, dropped in 2001 and increased in 2002 (\$173.3 million) and increased to \$191.8 million by September 2003. Net credit to the Government fell between 1997-1998 and continued to increase since 1999. The borrowing by the government from the domestic financial system increased substantially during the period as government borrowed heavily from the Central Bank of Solomon Islands. The increase in net credit to the government in 2002 was due primarily to a reduction in government deposits in the banking system and not necessarily new borrowing from the banking system, similarly for the first nine months of 2003. Net credit to the government stood at \$331.4 million in September 2003, compared with \$297 million at the end of 2002.

The main sectors benefiting from commercial bank credit are those in primary production, in particular forestry as well as manufacturing and individuals (Figure 5.30). Personal loans went up until 1999 and dropped thereafter as the banks tightened lending as a consequence of the ethnic conflict and its aftermath. The **high level of indebtedness of the National Provident Fund to the government** also affected personal loans sector, as the commercial banks no longer accept NPF members' savings as security for personal loans.

The commercial banks have maintained a high level of liquidity (holdings of till cash and deposits with CBSI). The liquidity level was between \$60 million and \$65 million during 1999 and 2001. In 2002 it increased to \$81 million and on to \$122 million by September 2003.



* Excluding Treasury bonds and bills

Source CBSI

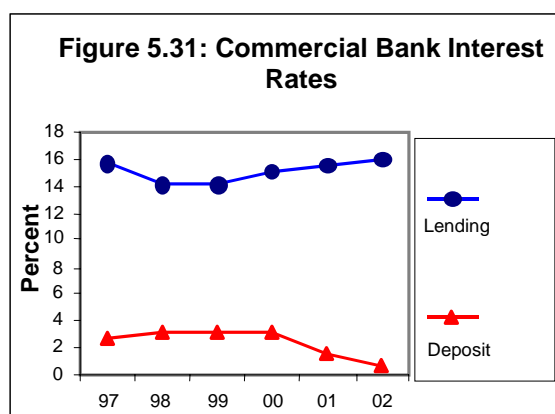
The excess liquidity (total liquidity less the holdings in required reserves assets) was between \$31 million and \$41 million during 1999 and 2001. In 2002 it rose to \$56 million and increased to \$92 million by September 2003.

Rural Credit

Rural enterprises (with the exception of loggers as noted above), including copra and buyers and shippers have little or no access to credit and the list of failed rural credit schemes – mainly administered through the DBSI is not encouraging. There is a real vacuum in access to credit for the majority of Solomon Islanders. The DBSI has proposed the establishment of a rural credit arm as part of its restructuring (see below). Given the international donors experience in the provision of rural development finance mechanisms which take into account the attendant challenges of provide finance to small scale borrowers – lack of collateral, high transaction and supervision costs, seasonal risks and low margins this is seen as a priority area for external expertise and support. This point is reiterated under KSA 4 Revitalisation of the Productive Sector.

Interest Rates

Commercial bank interest on deposits continued to fall since 1998 (Figure 5.31). In 2002 the weighted average interest rate on deposits was just 0.6 percent, compared with 3.2 percent in 1998. Interest rate on loans and overdrafts continued to increase during the same period. The weighted average interest rate on loans and overdrafts increased from 14.1 percent in 1998 to nearly 16 percent in 2002. Commercial bank interest margins, or interest spread i.e. the difference between lending and deposit rate, increased from 10.9



Source: CBSI

percent in 1998 to 15.4 percent in 2002. Commercial banks have announced in October 2003 an interest rate cut to borrowers.

The nominal rate of interest for lending has been maintained above the inflation rate (as measured by the Honiara Retail Price Index). Thus there has been positive real rate of return on lending. This has been increasing since 1998. The nominal interest rate on deposits has remained lower than the inflation rate. Thus depositors have been receiving negative real returns on their deposits with the commercial banks. This has worsened since 1997.

Financial Institutions²⁷

Central Bank of Solomon Islands (CBSI)

The policy objectives of CBSI are to maintain an adequate level of foreign reserves and to maintain low inflation. The CBSI actively collect and collate all the macro economic data for the country.

The principal objects according to CBSI are to

²⁷ This section covers only those financial institutions that normally provide credit. Therefore, the Investment Corporation of Solomon Islands and insurance companies are not discussed here.

- Regulate the issue, supply, availability and international exchange of money.
- Advise SIG on banking and monetary matters.
- Promote monetary stability.
- Supervise and regulate banking business.
- Promote a sound financial structure.
- Foster financial conditions conducive to the orderly and balanced economic development of Solomon Islands.

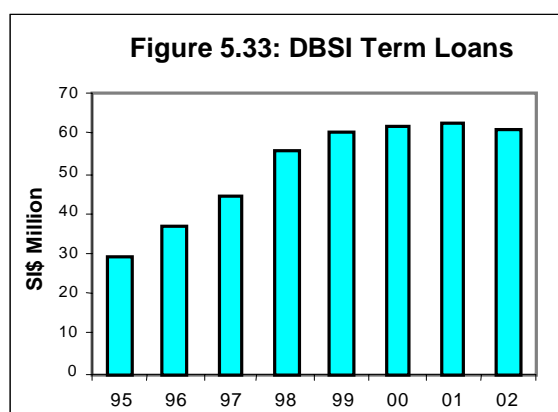
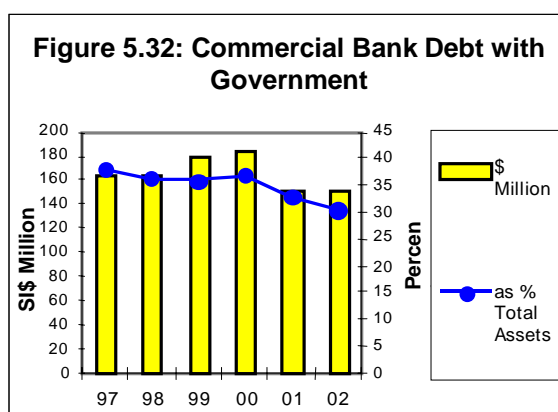
The CBSI also have been mandated to include the DBSI and NPF in their supervisory functions but due to budgetary constraints and staff cuts the CBSI have a limited capacity to exercise this role in relation to these two financially stressed organisations²⁸.

Commercial Banks

The commercial banks have the important role of mobilising savings and making these available to borrowers to meet their investment or consumption needs. This role of financial intermediation is essential for economic and social development and especially for the recovery of the economy. The major areas of the operations of the commercial banks were covered in the discussion above on money supply, domestic credit and interest rates.

In the two years of the ethnic conflict and the subsequent two years the commercial banks continued to provide banking services although at reduced levels. There were temporary closedowns of some bank branches at the height of the ethnic conflict and suspension of lending. Despite the reduced operations the banks continued to maintain profitability. In 2002 the after-tax profit of commercial banks together increased by 46.6 percent from the previous year to \$22 million.

As noted earlier a major concern with the banking system is the high level of indebtedness to the government and inability of the government to meet scheduled bond repayments to the banks²⁹. The commercial bank holdings of development and restructured bonds totalled \$149.8 million, equivalent to 30 percent of total assets in 2002 (Figure 5.32).



Source CBSI

²⁸ The MDEGM proposes assistance to the CBSI (Section 10) on DBSI and NPF and SIG has asked that this be further discussed with CBSI.

²⁹ Further details of these "Default Bonds" are given in the MDEGM Draft Final Report Feb 2003 p96-98.

Development Bank of Solomon Islands

The Development Bank of Solomon Islands (DBSI) has been facing operational difficulties for some time. The events in the last four years have exacerbated these difficulties for the DBSI. Terms loans outstanding remained almost unchanged since 1999 with very little additional lending by DBSI (Figure 5.33). Rural lending activities of the DBSI have been suspended since 1999. In 2002 for the first time the DBSI did not make any loan disbursement because of unavailability of funds. This is the culmination of the problems that DBSI had been experiencing.

Apart from being unable to make any new lending in 2002, DBSI was also unable to repay its depositors.

The DBSI has not been able to generate internal funds from its operations to lend out. This is because of the problems it faced with loan repayments and therefore increasing arrears (over \$20 million) as well as high level of overhead costs. In 2002 DBSI has taken steps to reduce overhead costs by reducing working hours to six per working day and putting in place a retirement scheme. It has temporarily closed down four of its seven branches, the branch staff being made redundant or redeployed elsewhere within DBSI.

The only chance for DBSI to make new lending in the near future and to repay its depositors is if it has access to financing from Stabex funds (1998) or recapitalisation by government. Given the fiscal situation of the government, it is unlikely that government will provide any direct capital injection into DBSI.

Access to Stabex funds will only partly address the fundamental structural problems facing DBSI, those of the inability to recover outstanding loans and relatively high overhead costs. It is necessary to address these fundamental problems to improve the recovery of outstanding loans and substantially reduce overhead costs.

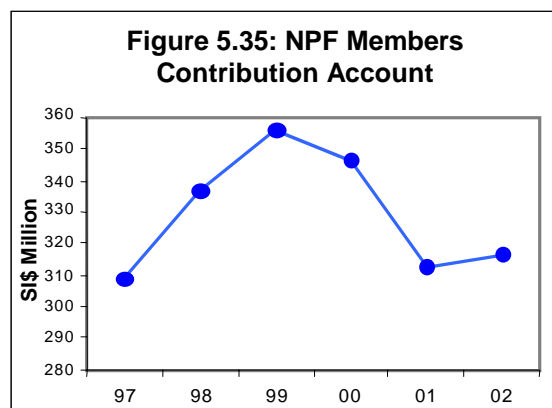
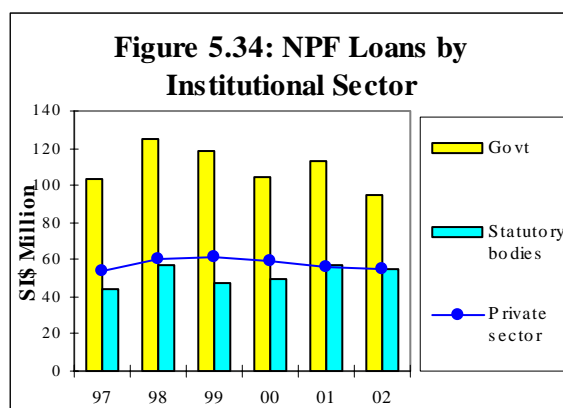
Solomon Islands National Provident Fund

The financial position of the National Provident Fund (NPF) improved marginally in 2002 compared with the deterioration during the previous year. The improvement was due to the reduction in loans outstanding with government (Figure 5.34) and increase in member contribution (Figure 5.35). The largest amount of loans outstanding is with the government, mostly restructured bonds. This amounted to 46 percent of total loans outstanding in 2002 and represented 25 percent of total assets of NPF. Most of the loans to the statutory authorities and the private sector, which includes staff loans, Western Province Housing Scheme and NPF Housing Scheme, have not been profitable.

The government has not been servicing its debt with NPF and its debt arrears are mounting. Apart from being unable to service its debt with NPF, government has not been paying the required NPF contribution for its workers. However, in 2002 the government made a payment of \$0.5 million of the outstanding contributions. At the end of 2002 total government arrears on members' contribution amounted to over \$50.5 million.

NPF financial position deteriorated in 2000 and 2001 with the closure of the major companies and suspension of operations by some enterprises as well as redundancies. Not only that those members' contributions ceased, but members also withdrew their funds. The members' contribution account fell in 2000 and tumbled in 2001 (Figure 5.35). Part of the fall in the contribution account was caused by government not paying the required NPF contributions for its workers. The policy of two-thirds security pledge of members' contribution on members borrowing with commercial banks also depleted members' funds

when the commercial banks called upon the pledge. NPF Board proposed changes to the criteria for withdrawal but these have yet to be approved by government.



Source CBSI

The assets of NPF composed mainly of loans to the public and private sector, commercial real estate and also term deposits with the commercial banks. NPF should look at having a more diversified portfolio of assets. The NPF also needs to improve its accountability. It has not published its annual reports and annual accounts since 1996.

Home Finance Corporation

The Home Finance Corporation (HFC) continues to face difficulties in fulfilling its primary function of providing housing loans. The suspension of its lending facility in 1999 due to lack of funds continued into 2002. There have been increased loan defaults as result of various redundancy exercises that affected its clients. The HFC is venturing into real estate development by securing in 2002 a site of 5.8 hectares at Noro to build houses for sale. The site can accommodate 150 houses. The HFC is targeting the major companies at Noro, Soltai Fishing and Processing Ltd and National Fisheries Development as its clients. The proposed partial privatisation of HFC has not yet eventuated. There has been lack of investment interest from the public. It seems unlikely that this partial privatisation will come to fruition in the near future.

Credit Unions

The credit union movement has shrunk considerably. Of the 165 registered credit unions, only 17 credit unions were active in 2002. Two of them were from rural areas and the rest were urban-based and employee-based credit unions operating in Honiara. The two rural active credit unions were in Isabel province. There were no active credit unions in the other provinces. Due to financial difficulties, the Solomon Islands Credit Union League, the umbrella body, was not able to provide the required services to its member credit unions, particularly the rural-based credit unions. The League has concentrated on assisting the 15 urban-based credit unions. The auditing of the League's financial accounts for 2001 and 2002 are still to be completed.

Key Points Requiring Attention

- Government to service bond repayments with commercial banks.
- Pursue development of rural credit, development finance and microfinance mechanisms.

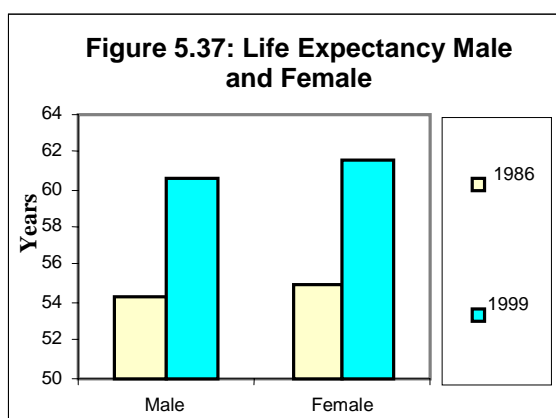
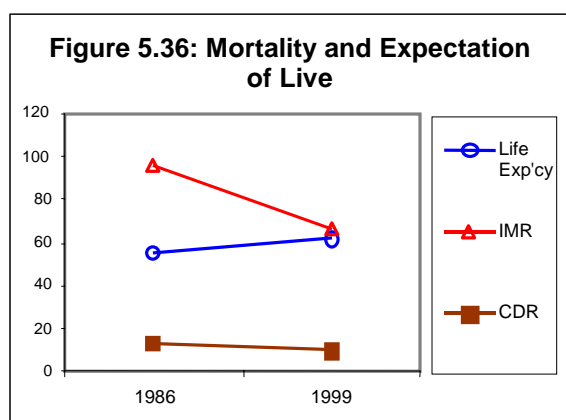
- Reform of state-owned financial institutions (NPF, HFC).
- A decision on the future of DBSI.
- Upgrade Public utilities SIEA & SIWA.
- Strengthening of CBSI oversight role.

5.4. Social Development

5.4.1. Health

Mortality and Life Expectancy

The main health indicators show that generally there has been improvement in the health status of the people. Data from the 1999 census showed that life expectancy has increased and the **infant mortality rate (IMR)** and crude death rate have fallen since 1986 (Figure 5.36).



Source Census reports 1986 and 1999

Life expectancy has increased by 6.5 years since 1986 to 61 years³⁰. Life expectancy for females increased by 6.6 years between 1986 and 1999 to 62 years and males by 6.3 years to 61 years during the same period (Figure 5.37). Women live just slightly longer than men. A significant proportion of the population (17.8 percent) will not live to reach age of 40 years.

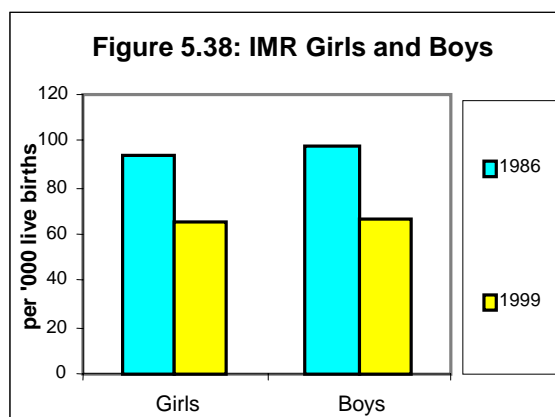
Infant, Child and Maternal Mortality

Infant mortality has dropped by 30 infant deaths per 1000 live births (or 31 percent) since 1986, to 66 in 1999 (Figure 5.36). Infant deaths among girls dropped by 31 percent to 65 in 1999 and that for boys fell to 67 in 1999, a drop of 32 percent during 1986-1999 (Figure 5.38)

The Health Information System (HIS) of the Department of Health does not provided data on causes of death among the population. However, it provides information on the causes of death for infants. The major causes of infant deaths are complications of childbirth, pneumonia, malaria, diarrhoea and meningitis. These account for 83 percent of infant deaths in 1999. More recent data is not available.

³⁰ The 1999 census report used a different model from the 1986 census in arriving at life expectancy and infant mortality rates. To enable comparison, the 1986 life expectancy and infant mortality rates used here are 'revised' indicators applying the 1999 model on the 1986 data. The magnitude of improvement, however, is the same if the 1986 census model was used to calculate the life expectancy and infant mortality rates in the 1999 census.

The 1999 census report did not provide any estimate of child (1-5 years) mortality. With regard to causes of child deaths, Department of Health data shows that the main **causes of death of children under 5 years are malaria, pneumonia and diarrhoeal diseases. Malaria** has been the predominant cause of deaths of children. In 1999 malaria accounted for 25 percent of child deaths, compared with 42 percent in 1994. As child mortality rate is an important indicator for monitoring child health and how well children are cared for, it is important that official and consistent estimates are made of child mortality rates over time.



Source Census reports 1986 and 1999

Department of Health provided an estimate of maternal mortality rate in 1999 of 129. This is a considerable reduction from about 550 in 1992³¹. Behind these national figures are considerable differences between provinces. HIS data for 2001 showed a total of 25 maternal deaths, of which 13 were deaths at home and 12 in clinics. In 2001, 41 percent of deliveries were in clinics. Maternal mortality rate is an important indicator for monitoring the health of women, particularly during pregnancy and thus the health of the unborn child, it is important that consistent estimates are made of maternal mortality rates over time. Improving maternal health and reducing child mortality are among the eight Millennium Development Goals (MDGs), which the world community including Solomon Islands, has agreed to focus attention on during the first part of the 21st Century.

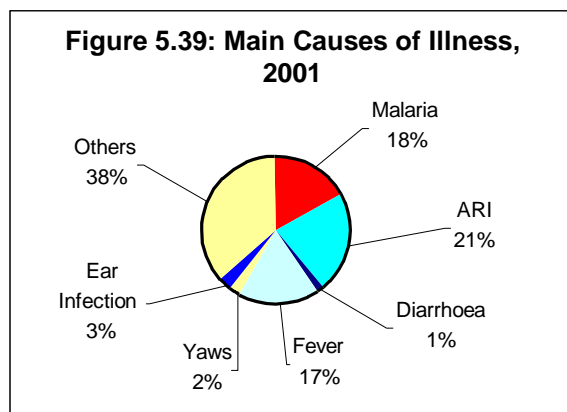
Morbidity

Communicable and infectious diseases are the main causes of morbidity (illness) and also mortality. However, non-communicable or lifestyle disease (diabetes, cancer and hypertension) are on the increase. A dual disease pattern is emerging with which the health services have to cope.

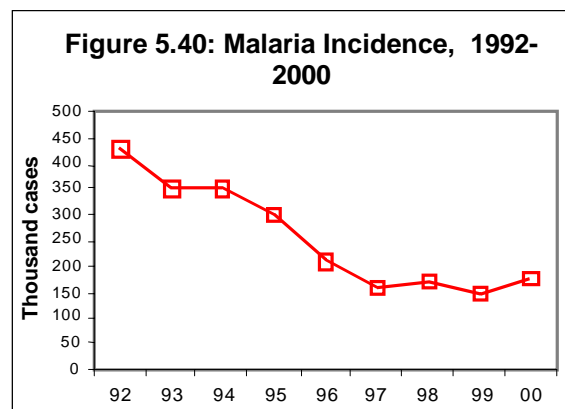
Acute respiratory infections (ARI), malaria and fever are the major causes of illness among the population (Figure 5.39). **Malaria remains the major health problem in Solomon Islands.** Malaria control and prevention programmes carried out by the Ministry of Health resulted in the reduction in malaria cases since the early 1990s. However, since 1997 malaria cases have increased (Figure 5.40). This resulted largely from an increase in plasmodium falciparum. Increase in chloroquine resistance by this species may be part of the cause of the increase in plasmodium falciparum cases. Reducing the incidence of malaria and other major diseases is one of the MDGs.

³¹ An estimate of maternal mortality rate reported in the Solomon Islands Human Development Report 2002 provided a figure of 200 for 1997.

Sexually transmitted diseases, particularly among young adults, are becoming more prevalent. This indicates a high degree of vulnerability and risk behaviour for the more fatal HIV/AIDS. Presently, no data is available on HIV/AIDS prevalence in Solomon Islands.



Source MoH, HIS Annual Report 2002



Source MoH, Report on Current Health Care..., 2002

Survey data on **child nutrition** is dated. The latest national nutrition survey was carried out in 1989. The survey data showed that the prevalence of severe malnutrition was very low. However, there was high prevalence of mild malnutrition among children. There were considerable variations in the nutritional status of children among the provinces. Nutrition surveillance data from the Health Ministry showed that of the children examined in 2001, 13 percent of children under 2 years and 16 percent of children 2-4 years were malnourished. Nutrition data is important for monitoring the health of children. A new national nutritional survey is needed to determine any changes over the period so that appropriate policies and strategies can be formulated and implemented.

According to the 1999 census about 2.7 percent of the population have some form of **disability**. These forms of disability include problems with seeing, hearing, talking, moving, gripping and any mental health problem.

Conflict and Service Delivery

In the last four years the ethnic conflict and its aftermath have had a severe impact on health delivery of health services. Until August 2003 the security situation in Guadalcanal made it difficult for effective health service delivery in the province. In Malaita the sudden influx of people displaced from Guadalcanal placed a major strain on the health service delivery in the province. The presence of illegal guns and harassment of health staff in some areas also affected health service delivery. However, with the surrender of most of the illegal weapons and reduction in the level of tension, the delivery of health services has improved gradually on Malaita.

The difficulties caused by poor government finances have affected the delivery of health services in all provinces. Assistance from development partners in meeting provincial staff costs and provision of medical supplies has prevented the collapse in the health service delivery throughout the country.

The main area requiring attention in the immediate term for the recovery and restoration of health services is the restoration of basic health services. This is particularly the case where these have been disrupted by the ethnic conflict in Guadalcanal, especially in south Guadalcanal, and also in Malaita as result of the influx of internally displaced people. In addition there needs to be increased focus on primary health care and improving the delivery of and access to health services in the provinces and rural areas whilst at the same time providing adequate curative services, and increasing the overall quality of health services.

5.4.2. Education

Considerable progress has been made with education in the country during the 1990s. Literacy levels have increased and an increased number of school-age children are attending school. The female enrolment and school attendance have also increased during the 1990s. However, there are considerable structural, institutional and management problems facing the provision of education and training in Solomon Islands.

Literacy

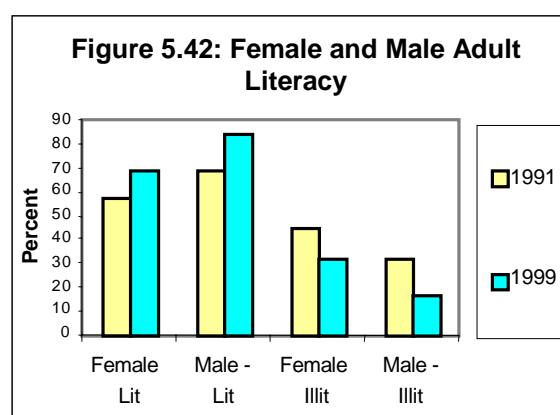
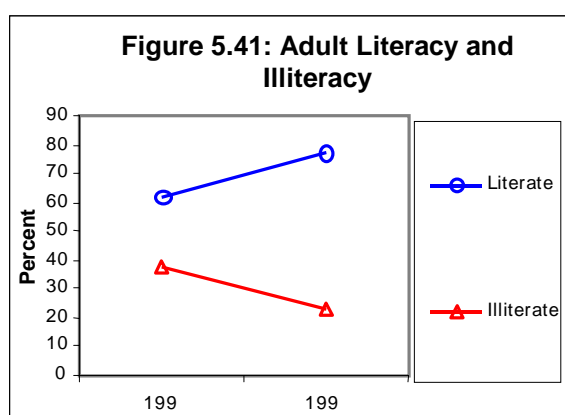
The self-reporting of literacy in the 1999 census showed that 23 percent of the adult population (15 yrs and over) were illiterate and 77 percent were literate (Figure 5.41). The national literacy survey in 1991 found that 38 percent of the adult population were illiterate and 62 percent were literate (including those reported as semi-literate).

Because of the different methods of measurement, these results cannot be strictly compared to determine the actual magnitude of improvement. However, they indicate there has been a reduction in illiteracy and increase in the literacy levels during the 1990s.

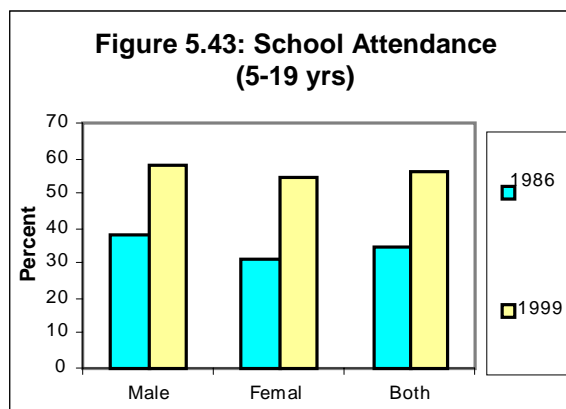
The improvements in literacy have occurred among both males and females (Figure 5.42). However, there is still a wide gap between the literacy levels of males and females. In 1999 the gender gap in literacy was 15 percent and gender literacy equality index of 82 percent. In 1991 the gender gap was 13 percent and the index of gender equality in literacy of 81 percent. Because of the different methods of measurement it is not possible to determine whether gender inequality in literacy has actually declined during the 1990s.

School Enrolment and Attendance

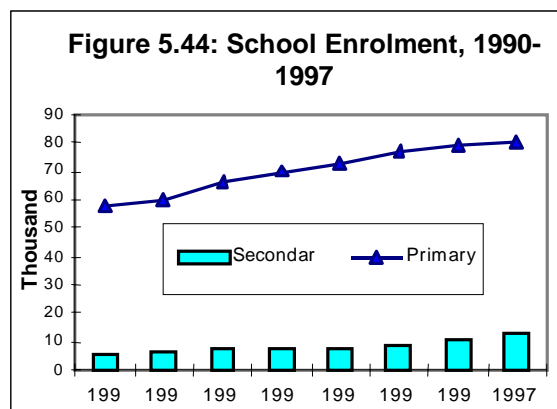
Data from 1986 and 1999 census reports showed that attendance in primary and secondary schools has increased between 1986 and 1999 (Figure 5.43). School attendance by girls increased by two percentage points more than that for boys. Although school attendance by girls increased faster than boys, girls made up a smaller share of total school attendance.



Source 1991 Literacy survey report and 1999 census report



Source 1986 census report and 1999 census report



* 1997 figure for secondary is provisional
 Statistics Office & Education
 Ministry Statistics reports

There has been an increase in the enrolment in the primary and secondary education in the 1990s (Figure 5.44). Education statistics from the Education Ministry showed that primary school enrolment increased at an average annual rate of four (4) percent and secondary school enrolment increased by an average of 21 percent annually. The substantial increase in secondary school enrolment was the result of the establishment of the community high schools since the mid 1990s.

The enrolment of girls increased by an annual average of five (5) percent and boys just less than four (4) percent. In secondary schools the enrolment of girls increased at an average annual rate of 23 percent and that for boys of 20 percent annually. Although the enrolment of girls increased faster than boys in both primary and secondary schools, the proportion of girls enrolled was still low and changed only marginally in primary schools during the 1990s.

There is still a considerable way to go before attaining the Government's policy objectives of universal primary education and universal access to nine years of basic education (primary and 3 years of secondary education). There is still considerable gender disparity in primary and secondary education. Universal primary education and gender equality (in primary and secondary education) are two of the goals of the MDGs.

Technical and vocational education and training (TVET) is provided by the network of 20 rural training centres (RTCs), the SICHE and a few private establishments. The RTCs cater for only 10 percent of the so called 'push outs' who do not complete their primary and secondary education. The churches run the rural training centre network and most of the other vocational training facilities in the country. A review of the technical and vocational education sector is currently being undertaken and a revised policy framework being developed. It is likely that the Ministry of Education and Human Resources Development will be the responsible body for TVET in the future.

Tertiary education is available locally at the Solomon Islands College of Higher Education (SICHE) and University of the South Pacific Centre in Honiara. Tertiary education is also available in overseas tertiary institutions, particularly in Fiji and Papua New Guinea as well as in Australia and New Zealand, mainly for postgraduate studies. Tertiary education is an expensive undertaking, especially at overseas institutions (unit cost of this is on average around 800 times the unit cost of a primary school place). Government and foreign scholarships are provided for overseas tertiary education.

The analysis of progress in education and training in the country is hampered by the lack of up-to-date education statistics and a fully functioning planning and educational management information system. The education data available is also not robust – the 2002 annual school survey only had an 81 percent return rate. Reporting of school enrolment is incomplete in its coverage of schools and it does not provide information on school attendance as only data on enrolment at the beginning of the year is collected. It is important that the Department of Education improve its collection and reporting on education statistics to provide up-to-date and robust data for monitoring of progress as well as planning for education and training in the country.

Access and Quality

There are still insufficient primary school places to absorb the growing number of school-age children and this also applies to secondary schools. It is estimated that to keep up with the increasing demand for school places resulting from current population growth pressures alone, a new classroom (for 30 children) and a trained teacher has to be provided every day.

The situation for secondary schools is more severe at the senior secondary level (Forms 5-7). There is high level of “push-outs” at the end of primary school and again at the end of junior secondary school and in the senior secondary school years.

The quality of education is affected by the high proportion of untrained teachers in the school system, about 35 percent of untrained teachers in primary and junior secondary schools in 2001. The quality of education is also affected by the lack of adequate and appropriate instructional materials as well as the conditions of school facilities, particularly in primary and junior secondary schools. Lack of resources for transport has meant that the School Inspectorate teams have been unable to carry out their work effectively for the last three years. There is little doubt that the backlog in teacher pay and lack of pay rises for 10 years have had a impact on the motivation and morale of the teaching force which in turn has impacted on the quality of educational provision.

Conflict and Service Delivery

The problems in the education sector were exacerbated by the ethnic conflict and its aftermath. The impact of the ethnic conflict on education is similar to that of the health services discussed earlier. Schooling in Guadalcanal, primary, secondary and vocational, was disrupted during the two years of ethnic conflict. In Malaita the school children, particularly at secondary level, displaced from Guadalcanal, put a severe strain on education in Malaita. Many of the children were not able to immediately continue their education.

The combined impact of the conflict and financial constraints on the 504 primary (basic education) schools has meant there has been very limited in-service teacher training, a restricted supply of curriculum materials, cessation in the last three years of school operational grants and dysfunctional provincial education offices unable to service and support their schools. Secondary schools (126) have benefited in the last two years from a grants programme funded by development partners.

The financial problems of the government continue to impact on the quality of educational provision in all provinces, as the government finds it difficult to provide education grants to the provinces. In addition the disruption of education caused by teachers’ strikes in demand for payment of salary arrears continued into the first term in 2003. However, the salary arrears for teachers have been fully paid and teachers have gone back to teaching in schools. Hopefully this will be maintained for the rest of 2003 and thereafter so that children’s education can continue without further disruption.

SICHE programmes have also been disrupted and scaled down due to the government financial difficulties. So was tertiary education for SIG-sponsored students in overseas institutions. Funding by development partners has enabled the students to continue their tertiary education overseas in 2003.

The main area in education requiring attention in the immediate term is the restoration of basic services in education particularly where these have been disrupted by the ethnic conflict in Guadalcanal especially in south Guadalcanal, and also Malaita as result of the influx of internally displaced people. In addition there is a need to increase access to and improve the quality of primary and secondary education, as well as increasing the access for girls. There is also need to increase opportunities for technical and vocational education and training and to improve local capacity to provide tertiary education in the country, in addition to the opportunities for available from external tertiary education institutions.

5.4.3. Women and Gender Equality

Some of the key issues for women and gender equality with regard to employment, health and education have been highlighted in the previous sections. These will be further discussed in the next section in the context of the provinces. There are other issues for women and gender equality that are being dealt with under the National Women's Policy approved by government. The government approval of the National Women's Policy was an achievement in itself. A major achievement has been Solomon Islands acceding to the Convention for the Elimination of All Forms of Discrimination Against Women (CEDAW). The accession to CEDAW in itself indicates a major step forward in addressing the issues concerning women and gender issues.

Another important area to be highlighted is the participation of women in policy and decision-making levels in government, the private sector and other institutions. Presently there is no female Member of Parliament (MP). There was one female MP in the previous Parliament who also held a ministerial post in the previous government. There is one female Permanent Secretary among 21 Permanent Secretaries in national government administration. Previously three of the Permanent Secretaries were female. There are only two female Under Secretaries (one on Acting appointment) in all 20 departments of the national government. There is no female chief executive officer (general manager or managing director) in the statutory bodies and other state-owned enterprises, or in the commercial banks and the major companies in the private sector.

5.4.4. Children and Youth

Some of the main issues for children and youth in regard to health, education and youth participation in the economy have been highlighted previously. Urbanisation and the loss of traditional good practices for children and youth can easily jeopardise the welfare children and youth. There are now 'street children' in Honiara. The concentration of unemployed and disaffected youth in urban areas is a potent force that can be easily exploited to the disadvantage of the youth themselves and society as a whole.

With regard to children, Solomon Islands is a signatory to the Convention on the Rights of the Child (CRC). Solomon Islands Government, with support of United Nations Children's Fund, has produced two major reports that highlighted the situation of children and women in Solomon Islands. It has also presented its report on the implementation of the Convention of the Rights of the Child to the United Nations. The conclusions and recommendations of the UN in responding to the report needs to be adopted. There is still much to do for the welfare and well-being of children and youth in Solomon Islands.

Youth in Honiara and the provinces of Guadalcanal and Malaita, and to a lesser extent the other provinces, face a particular set of problems as young people directly and indirectly affected by the country's violent period of ethnic tension. Conflict affected youth can be broken down into three major groups ex-combatants, displaced youth and youth at risk. They include youth traumatised by conflict-related violence and extortion, as well as those affected by the loss of public services or the pressures placed on public facilities (schools, health clinics, etc.) caused by the influx of people into the communities. Often psychologically affected by the atrocities and destruction witnessed during the period of ethnic tension, they are more vulnerable to the risks associated with drug abuse, domestic violence, teen-age pregnancies, and other health issues (STDs, HIV/AIDS, etc.).

5.4.5. Millennium Development Goals

The Millennium Development Goals (MDGs) were agreed upon at the Millennium Summit in September 2000. Solomon Islands is among the countries that agreed to these goals. The MDGs are an ambitious agenda for reducing poverty and improving the lives of people. There are eight goals. They cover poverty and hunger, universal primary education, gender equality and empowerment of women, child mortality, maternal health, diseases particularly HIV/AIDS and malaria, environmental sustainability and global partnership. For each of these goals one or more targets have been set, mostly for 2015, using 1990 as benchmark (Appendix F).

The eighth goal deals with global partnership to achieve the other seven goals. The relevant aspects of this partnership for Solomon Islands are developing a fair trading and financial system (including commitment to good governance, development and poverty reduction), addressing the special needs of the least developed countries and small island developing countries, dealing with debt problems, developing and implementing strategies for decent and productive work for youth, and access to affordable medicines and the transfer of technology. The donor countries have entered into a compact to work closely with developing country partners to achieve the MDGs.

Various indicators are identified for each goal to measure progress and achievement of the goals. The foregoing review and analysis discussed the progress in the areas covered by the MDGs. In general Solomon Islands has lagged behind in its progress towards meeting the Millennium Development Goals (Box 5.6). It is anticipated that a more detailed country report will be produced on the MDGs in Solomon Islands. It should be noted that the lack of reliable statistical data is a major limitation for the assessment of Solomon Islands. Many of the developing countries are localising indicators to suit their situation and make the process relevant and useful.

Box 5.6 Millennium Development Goals: Progress Status in Solomon Islands

Goal 1: Eradicate extreme poverty and hunger

- No data available on prevalence of poverty, poverty depth or inequality measures.
- Available economic and social data suggest the poverty situation to be increasing.
- New vulnerable groups are emerging e.g. those displaced by the ethnic conflict, the unemployed and the youth.
- Significant inequalities existed between urban (4 times higher) and rural income.

Goal 2: Achieve universal primary education

- 1999 census data indicate gross enrolment in 1999 of 77 percent for primary schools and 29 percent for secondary enrolment. Enrolment rates vary significantly between provinces.
- Government education expenditure biased towards tertiary education and many families experience difficulties paying for school fees.
- According to the 1999 census, the adult literacy rate (based on self-reporting) was 77 percent in 1999.

Goal 3: Promote gender equality & empower women

- The gender gap remains noticeable in education and literacy rates but has decreased. The gender gap in primary enrolment ratios in 1999 was 3 percent, in secondary enrolment 9 percent. The gender gap in adult literacy rates was 15 percent; index of gender equality in literacy of 82 percent in 1999.
- In 1999 the share of women in total employment was just 23 percent and women's participation in the work force is generally limited to menial tasks and the traditional service sectors; few women penetrate to the upper ranks of civil service and the major private enterprises.

Goal 4: Reduce child mortality

- No recent data on child (under - five) mortality rates but infant mortality has declined from 96 in 1986 to 66 in 1999.
- The general immunisation coverage was estimated at 75 percent in 2001.

**Box 5.6 Millennium Development Goals: Progress Status in Solomon Islands
(cont'd)**

Goal 5: Improve maternal health

- Various estimates of maternal mortality rate indicate a reduction during the 1990s. In 2001 there were 25 maternal deaths. The proportion of births attended by skilled health personal in clinic was 76% in 2001.

Goal 6: Combat HIV/AIDS, malaria and other diseases

- No data available on HIV/AIDS prevalence rates.
- The incidence of malaria has been reduced about threefold from 440 per 100,000 in 1992 to 131 in 2001.
- A dual disease pattern is emerging. Infectious communicable diseases remain the main cause of morbidity, but life - style diseases are on the increase.

Goal 7: Ensure environmental sustainability

- Severe impact of logging on the natural environment, and the loss of biodiversity
- From the 1999 census data, access to safe water was 61 percent but there are significant disparities between urban and rural areas.
- Disparities between rural and urban areas in access to sanitation are even higher.

Goal 8: Develop a global partnership for development

- Partnership between Solomon Islands and development partners needs strengthening.
- Development partners need to pay special attention and provide special assistance to Solomon Islands as a least developed country as well as a small island developing country.
- Solomon Islands need technical support and financial assistance from development partners to comprehensively deal with its current debt problems.

Source: Department of National Reform and Planning, Honiara.

5.5. Provincial Development and Equity

This brief review of the state of development of the provinces focuses only on three areas of economic and social development employment and income, health and education. It also incorporates gender analysis of equality and inequality between men and women in the provinces and Honiara.

5.5.1. Employment and Income

The majority of people in the provinces and rural areas derive their income (non-cash and cash) from employment either informal and self-employment or formal employment. Income in this context includes subsistence production, which is non-cash income, and cash income received from market production and paid employment. People in provinces, as resource-owners, also receive income in the form of resource rents from the use by others of their natural resources. A few people get income from investment in businesses and deposits with the banking system. However, for most people the main source of income is from self-employment and paid employment. Income from resource rents can be substantial for the resource owners if their interests are better safeguarded in the negotiations with resource users and if the land tenure system can be reformed so that resources can be more easily available for use by others and ensure a fair return in resource rents to the resource owners.

Informal and Self-Employment

As discussed earlier the majority of people who live in the provinces and rural areas engage in self-employment in subsistence production. Many of them also engage in market production and in paid employment. These households generate their income (non-cash and cash) from these self-employment activities. For many people in the provinces the main source of cash income are the marketed products sold in the local urban markets and the export crops.

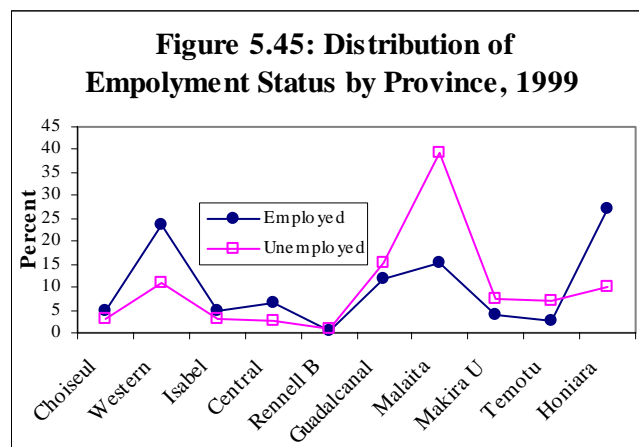
Formal Employment and Unemployment

With regards to formal employment i.e. paid work, for Solomon Islands as a whole, as discussed earlier, 23 percent of the adult population were doing paid work and 11 percent were looking for paid employment in 1999. The distribution of the people in paid employment and those unemployed i.e. seeking paid work in 1999 in each province is shown in Figure 5.45. It should be noted that the ethnic conflict affected employment status in Guadalcanal, Malaita and Honiara in 1999.

The distribution of males and females in paid employment reflects the distribution of total employment among the provinces. There is a substantial gender gap in formal employment in all provinces and Honiara. With regard to the location of the unemployed (those seeking paid work) Malaita has by far the highest number with Rennell Bellona being the lowest.

Non-Cash and Cash Incomes

The sources of cash and non-cash income for people and households in the provinces and rural areas were discussed above. There is no available data on income levels and distribution for each province. The Statistics Office produced a report on HIES carried out in the rural areas and provincial centres in 1992/93. The results were consolidated and not reported separately for each provincial centre and rural areas of each province. The HIES reported on cash incomes only. It showed that the large majority of people in the rural areas have very low cash incomes. The HIES showed that there was wide income disparity between rural households and urban households, in particular with Honiara households.



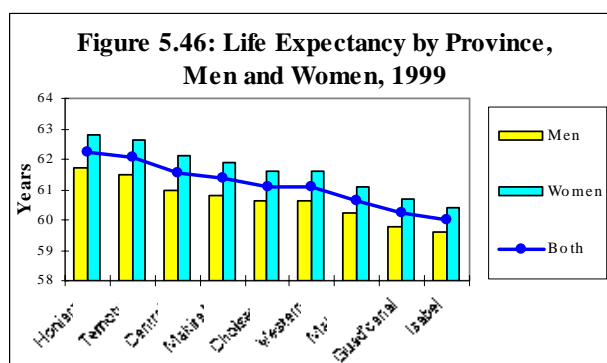
Source 1999 census report

The HIES data is quite dated. It is important that a new HIES is carried out to determine the current state of income distribution, whether or not income inequality has been reduced or widened, so that appropriate strategies and policies can be put in place and implemented to improve income distribution and equity.

5.5.2. Health

Life Expectancy

For Solomon Islands as a whole, the main health indicators showed a general improvement in the health status of the people. However, there are variations among the provinces. With regard to life expectancy, people who live in Honiara are expected to live longer than those living in the provinces. Among the provinces, people in Temotu are expected to live longer than those living in other provinces. Isabel is at the bottom of the provincial league table on life expectancy (Figure 5.46).

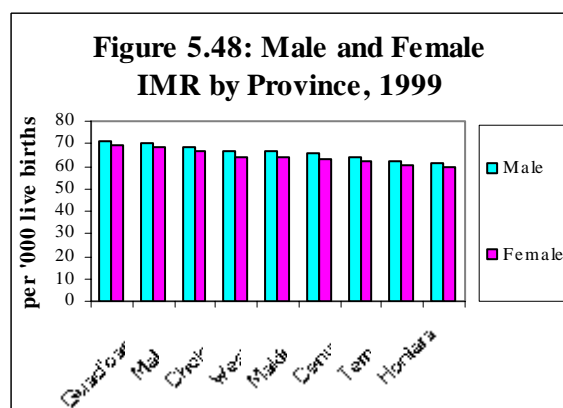
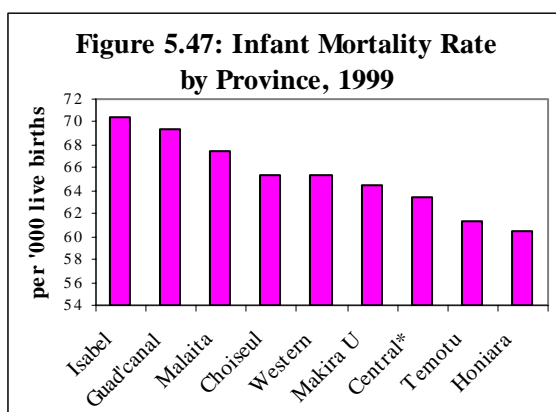


Source 1999 Census report

The overall life expectancy in the provinces is reflected by the life expectancy for females and males. Both males and females who live in Honiara are expected to live longer than their fellow men and women who live in the provinces. Isabel has the lowest life expectancy both for men and women in the Solomon Islands. In all provinces females live longer than males. Malaita and Guadalcanal and Isabel have life expectancy below the national average, including those for men and women.

Infant, Child and Maternal Mortality

The infant mortality rate in each province is the reverse mirror image of the life expectancy, as can be expected. Isabel has the highest infant mortality rate (70 infant deaths per 1000 live births) and Honiara with the lowest IMR, with 10 less infant deaths per 1000 live births than Isabel (Figure 5.47). Isabel, Guadalcanal and Malaita have IMRs higher than national average IMR of 66. In all provinces and Honiara, IMR for boys is higher than that for girls (Figure 5.48). Again Isabel has the highest IMR for boys and girls and Honiara has the lowest IMR for boys and girls.



Source 1999 Census report.

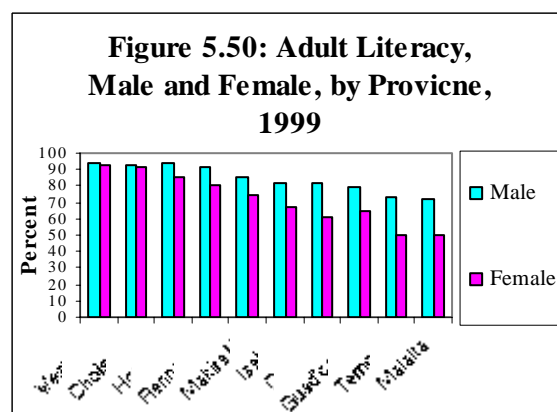
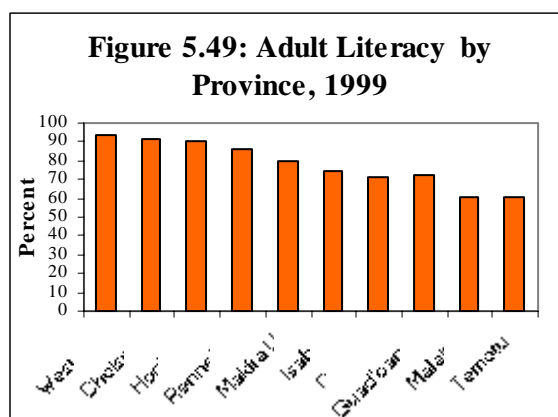
There is no data on child or maternal mortality rates for the provinces and Honiara. However, HIS data on maternal deaths showed that in 2001 of the total 25 maternal deaths, Guadalcanal had the highest number of nine (9) maternal deaths followed by Malaita with seven (7), Choiseul and Makira with two (2) maternal death each. There were no maternal deaths in Rennell Bellona. The rest of the provinces and Honiara each had one (1) maternal death. In Guadalcanal 6 of the 9 maternal deaths occurred at home and in Malaita 6 of the 7 maternal deaths occurred in the clinic.

5.5.3. Education

Literacy

Data on self-reporting of literacy in the 1999 census showed that Western has the highest literacy rates among provinces and Honiara. Temotu with Malaita are at bottom of provincial literacy league table (Figure 5.49)

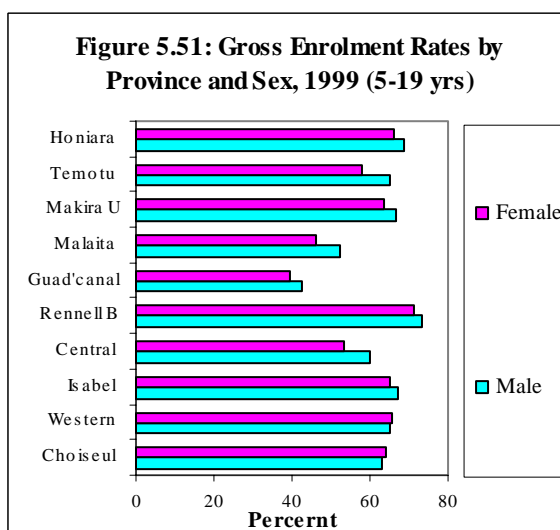
With regard to gender equality, Western and Choiseul have nearly 100% equality between males and females, a gender gap of only two percent (Figure 5.50). Temotu has the highest gender inequality in literacy, a gender gap of 24 percent, compared with the national average of 15 percent. Malaita and Central also have substantial gender inequality, with gender gaps of 21 percent and 20 percent respectively. Isabel has gender gap equal to the national average whilst the remaining provinces are below the national average. Particular focus is needed in most provinces, in particular Temotu and Malaita and Central, on education and adult literacy programmes, and in particular for women.



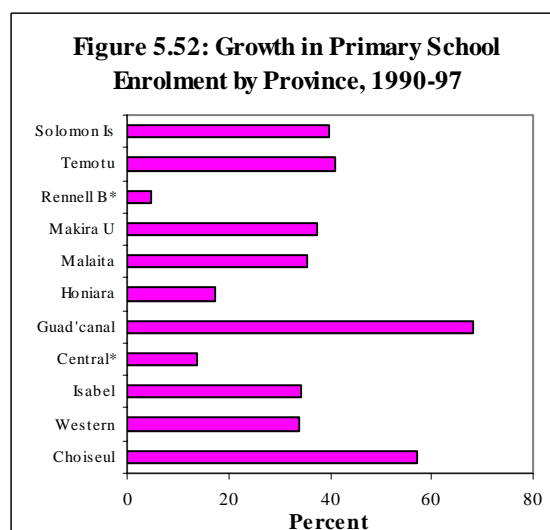
Source 1999 Census report.

School Enrolment

The 1999 census report provided data on gross enrolment rates in primary and secondary schools in the provinces. Rennell Bellona has the highest gross enrolment rates of 72 percent (5-19 years), followed by Honiara, Isabel, Makira Ulawa and Western (Figure 5.51). Guadalcanal is at the bottom with 41 percent followed by Malaita with 49 percent. All other provinces have gross enrolment rates over 50 percent.



Source 1999 census report



*Rennell Bellona data prior to 1993 was included in Central.
Source Education statistics reports (various)

Enrolment in primary school has been increasing in all provinces during the 1990s (Figure 5.52). Guadalcanal registered by far the highest increase in primary school enrolment (68 percent) during 1990-97, an average annual rate of just under 10 percent, followed by Choiseul (57 percent), an average rate of 8 percent. Honiara and Central registered the lowest increase. Rennell Bellona data is from 1993. Prior to that, Rennell Bellona data were included in the Central province.

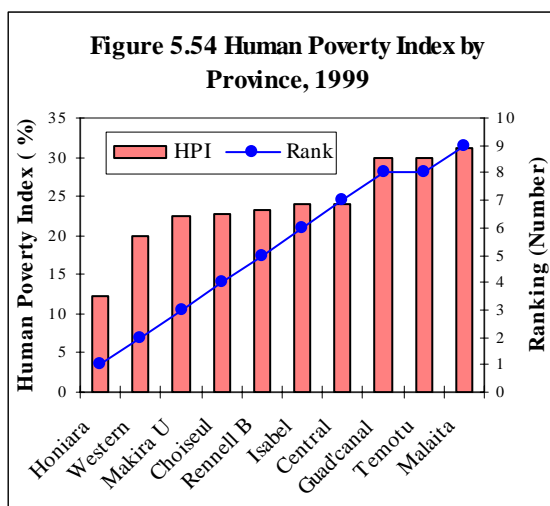
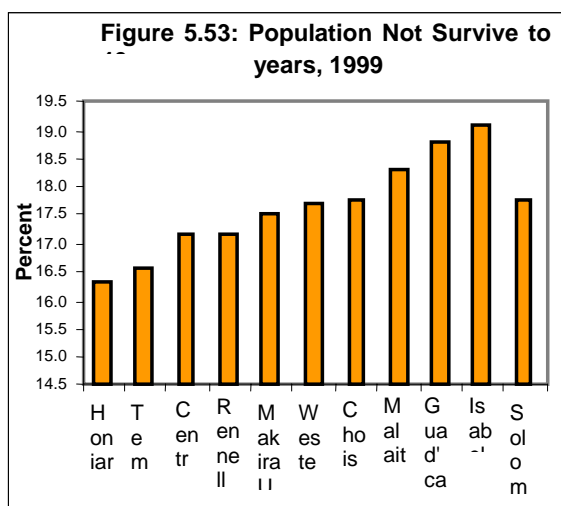
With regards to the enrolment of girls and boys, in all provinces the gross enrolment rate for boys are higher than girls except in Choiseul and Western where the gross enrolment for girls is higher than for boys (Figure 5.52). The provinces with substantial gender gap in school enrolment are Temotu, Central and Malaita. These provinces, not only need to

increase enrolment in primary and secondary education for their children, but also to improve the opportunities for the girls.

5.5.4. Access to Services and Human Poverty Index

The 1999 census provided data on access to economic and social services by people in the provinces. Data on the proportion of people without access to safe water, health services as well as illiteracy rates, child mortality and proportion of people not expected to live to 40 years are combined to determine an index of human deprivation, called the Human Poverty Index (HPI). The higher the HPI the higher is the level of human deprivation.

With regard to mortality before the age of 40 years, for Solomon Islands as whole 17.8 percent of the population are expected to die before they reach the age of 40 years (Figure 5.53). Isabel, Guadalcanal and Malaita have higher percentage than the national average, with Isabel having the highest percentage (19.1%) of people not expected to live to 40 years. Honiara has the lowest percentage followed by Temotu.



Source SIHDR 2002

Human Poverty Indices calculated for Honiara and the provinces show that Honiara has the lowest HPI and Malaita has the highest HPI in Solomon Islands (Figure 5.54). This means that Malaita has the highest level of human deprivation and Honiara the lowest among the provinces.

The HPI indicates a cluster of provinces in terms of human deprivation. Both Honiara and Western have HPI less than 20 percent are in one cluster. Makira Ulawa, Choiseul, Rennell Bellona, Isabel, Central are in the second cluster. At the bottom, with the highest level of human deprivation are Malaita, Temotu and Guadalcanal. The Human Poverty Index provides an overall summary of the state of social development in the provinces and indicates the priority areas where social development strategies and policies should be focused.

It should be noted that HPI does not capture the whole social system that underpins life for most citizens life in the provinces is overwhelmingly shaped by extended family and *wantok* networks. Family and community ensure that the basic needs of individuals are met. This is one of the great strengths of Solomon Islands society. Despite the deprivation levels indicated by the HPI, provincial and rural citizens are not destitute. Their communities remain cohesive, proud, and fully supported and guided by their traditional communities and the churches.

Chapter 6. Key Strategic Areas of NERRDP 2003-2006

6.1. Key Strategic Areas

To address the peace and security and development issues facing Solomon Islands, as highlighted in the foregoing analysis, so as to meet the immediate objectives and national development goal of the Plan as outlined in Chapter 2, this National Economic Recovery, Reform and Development Plan (NERRDP) 2003-2006 focuses on five key strategic areas. These are

- KSA.1 Normalising law and order and security situation
- KSA.2 Strengthening democracy, human rights and good governance
- KSA.3 Restoring fiscal and financial stability and reforming the public sector
- KSA.4 Revitalising the productive sector and rebuilding supporting infrastructure
- KSA.5 Restoring basic social services and fostering social development

The focus of the key strategic areas is briefly outlined here. The objectives, expected outcomes and actions to be taken in each of the key strategic areas are summarised in the following section.

6.1.1. KSA 1 Normalising Law and Order and Security Situation

This focuses on

I. Law enforcement, security and peace

Enhancing the capacity and capabilities of the police force to quickly and effectively deal with militancy and retrieval of illegal weapons, investigating crimes and apprehending criminals, deeply reforming and “cleansing” the police and prison service and increasing and improving policing throughout the country.

II. Strengthening the legal and justice system

Enhancing the capacity of the offices of the Attorney General's Chambers, Public Prosecutor and Public Solicitor and the judiciary, prosecuting all offenders without regard to status or position, ensuring access to legal representation and fair trial and safeguarding the independence of the judiciary.

III. National reconciliation, unity and peace

Continuing the peace building and reconciliation process between provinces and communities within provinces, demobilising special constables and reintegrating them and other ex-combatants into the community, reintegrating and rehabilitating conflict-affected youth and addressing the needs of conflict-affected women, assessing and putting in place measures to build confidence and trust between provinces and communities and implementing a national rehabilitation programme.

6.1.2. KSA 2 Strengthening democracy, human rights and good governance

This focuses on

I. Strengthening democratic governance system.

Completing the process for Constitutional reform and decentralised democratic governance, establishing a federal system of government and redirecting the administration of government accordingly.

II. Protecting human rights and improving good governance.

Protection and maintenance of human rights and improving performance with regards to the principles of good governance (a) inclusive, decentralised development, (b) maintenance of the rule of law, (c) transparency in decision-making, (d) accountability by public officials and other decision-makers, and (e) the efficient allocation and management of public resources.

6.1.3. KSA 3 Restoring fiscal and financial stability and reforming the public sector

This focuses on

I. Restoration of fiscal and financial stability in government.

Increasing government revenues, reducing and controlling recurrent expenditure at the level that is sustainable by domestic revenue, managing and controlling government debt (formal and informal), and improving the management of public finances.

II Restoration of financial stability in the financial system.

Negotiating and settling government debt arrears with the commercial banks and financial institutions and the paying of the outstanding required contributions to the National Provident Fund and relevant credit unions in respect of government employees.

III. Monetary and exchange rate management and financial development.

Maintaining monetary and exchange rate management policies responsive to the prevailing economic situation, promoting the development of the financial sector to increase access to financial services and credit, particularly in rural areas and ensuring the integrity and security of the financial system.

IV. Strategic national and regional planning and aid management.

Improving strategic planning and plan implementation at the national and provincial levels and improving the management and coordination of external assistance to enhance aid effectiveness.

V. Reforming the public service.

Downsizing and rightsizing the public service and improving public service performance at the national and provincial levels.

VI. Reforming state-owned enterprises (SOEs).

Improving the efficiency of state-owned enterprises including statutory authorities, and developing a privatisation strategy and privatising relevant enterprises.

6.1.4. KSA 4 Revitalising the productive sector and rebuilding supporting infrastructure

This focuses on:

I. Revitalisation of the productive sector.

Providing an enabling environment for the private sector to flourish and grow, Providing technical support services and information for sustainable development of natural resources in agriculture and livestock, forestry, fisheries and minerals and in the manufacturing and service industries, with particular attention to smallholders in rural areas and small and medium scale industries and ensuring fair returns to resource-owners for the use of their resources by others.

II Rebuilding of supporting infrastructure.

Rebuilding and improving physical and non-physical infrastructure in support of the productive sector and delivery of social services. These include land, sea, air and road transport infrastructure, communications energy, water resources, environment, trade and marketing, regulatory framework and financial services.

6.1.5. KSA 5 Restoring basic social services and fostering social development

This focuses on:

I. Health.

Restoring basic health services fully in areas where they have been made inadequate by the ethnic conflict, ensuring adequate medical supplies in all hospitals, area health centres and clinics, strengthening primary health care network and curative health services.

II. Education

Restoring basic education services fully in areas where they have been made inadequate by the ethnic conflict, improving access to and quality of primary and secondary education, increasing technical and vocational education and training, increasing local capacity in tertiary education and the access to overseas tertiary education institutions.

III. Women and gender equality.

Promoting gender equality in social and economic participation at all levels, empowering women and increasing their participation at policy and decision-making levels, and mainstreaming the analysis and addressing of gender issues.

IV. Children and youth.

Promoting and safeguarding the rights of children and youth, their education, health and welfare and addressing issues facing conflict-affected youth.

V. Sports development.

Developing sports as recreational, competitive and social networking, participating in and hosting of regional and international sports events.

VI. Community development.

Supporting and encouraging community initiatives, facilitating direct support and financing of programmes and projects at the community level, and strengthening the partnership between government and non-government organisations in implementing programmes at the community level.

6.2. Objectives, Expected Outcomes and Actions

The objectives, expected outcomes and actions to be taken during the plan period under each key strategic area are outline below. These are based on the submissions received and discussions at the provincial and national consultative workshops and the consultation workshop with national Parliamentarians and Provincial Premiers on national economic recovery, reform and development³².

³² These submissions are compiled into a document, which is available from DNRP as well as the reports of the provincial and national consultative workshops.

A.1 Normalising Law and Order and Security Situation

Considerable progress and achievements have been made during the last three months in regard to the law and order and security situation with the deployment of the Regional Assistance Mission to Solomon Islands (RAMSI) since late July 2003.

The primary objective and expected outcome in this key strategic area of NERRDP is the restoration and normalisation of the law and order and security situation. This will be achieved through

I. Law enforcement, security and peace

- (a) Retrieval of all illegal weapons and disarming of the militants on the Weathercoast of Guadalcanal, destruction of the surrendered weapons and the absolute security and integrity of all police armouries.
- (b) Restructuring, reforming and 'cleansing' the police force and prison service.
- (c) Increasing the number of female police officers and their participation and promotion to policy-making levels within the police hierarchy.
- (d) Improving capacities and capabilities of the disciplined forces (police, prison and NSRF) as well as supporting infrastructure i.e. housing and facilities, including specialised facilities in the prison for female and juvenile prisoners.
- (e) Establishing a special unit within the police force specifically to handle gender violence including all forms of sexual violence against women and children and to offer counselling for victims, establishing a system for reporting domestic violence and linking with other stakeholders working in the area of gender violence and child abuse.
- (f) Increasing community policing and police posts in strategic locations throughout the country.
- (g) Rebuilding trust and confidence of the general public in the police force, thereby increasing community support and cooperation with the police.
- (h) Investigating and apprehending all who break the law regardless of position or status, family and other connections (including members of the police force) or when the crimes have been committed.
- (i) Dealing effectively and swiftly with police officers who act beyond their authority and jeopardise the rights of individuals, including disciplining, suspension, expulsion and prosecution,
- (j) Providing human rights training for all officers in the disciplined forces and promoting human rights practices at all levels in the disciplined forces.
- (k) Controlling and managing the claims by police and special constables for allowances for special operations.
- (l) Demobilising special constables who were ex-militants from the police force and rehabilitation and reintegration of demobilised special constables and other ex-combatants into their communities.

Primary Responsibility Department of Police and National Security

II. Strengthening the legal and justice system

- (a) Enhancing the capacity of the Attorney General's chambers and office of the Public Prosecutor, including training of local lawyers in the drafting of legislation.
- (b) Prosecuting all offenders regardless of status or position.
- (c) Enhancing the capacity of the office of the Public Solicitor.
- (d) Ensuring all who are brought before the courts have access to legal representation.

- (e) Providing human rights training for the judiciary, lawyers and other law enforcement, especially in the application of the UN human rights conventions that the government has ratified, especially the CRC and CEDAW.
- (f) Enhancing the capacity and safeguarding the independence of the judiciary.

Primary Responsibility Department of Justice and Legal Affairs

III. National reconciliation, unity and peace

- (a) Continuing the peace process campaigns by NPC and reconciliation ceremonies where appropriate.
- (b) Certification by the NPC of the programmed target number of villages as well as Honiara and all provincial centres as free of illegal weapons.
- (c) Implementing a community reconciliation and reintegration programme.
- (d) Designing and implementing a national programme to reintegrate and rehabilitate conflict-affected youth, including at-risk youth, ex-combatants and displaced youth.
- (e) Designing and implementing programmes addressing the needs of conflict affected women.
- (f) Establishing three counselling centres, one each in Malaita (Auki), Guadalcanal and Honiara.
- (g) Designing and implementing a media, education and conflict-affected youth project to spread positive messages, reconciliation, and the rights and responsibilities of young people.
- (h) Undertaking a comprehensive conflict prevention country assessment and proposing new trust and confidence-building measures involving local, national, regional and global actors.
- (i) Utilising current human rights community paralegal trainers to provide human rights training and restorative justice training within communities.
- (j) Encouraging and supporting women's participation in peace building and other reconciliation initiatives.
- (k) Appraising and implementing a national rehabilitation programme.

Primary Responsibility Department of National Unity, Reconciliation and Peace

A.2 Strengthening Democracy, Human Rights and Good Governance

The primary objective and expected outcome in this key strategic area of NERRDP is the improvement in the governance system and good governance.

I. Strengthening democratic governance system. This will be achieved through

1. Constitutional reform and decentralised democratic governance

- (a) Reforming the National Constitution to establish a federal system of government.
- (b) Carrying out constitutional reform through an extensive public consultation process to ascertain a federal government system most suitable to Solomon Islands, and ensuring women's involvement in planning stages leading to the adoption of a federal system.
- (c) edirecting the public service in line with constitutional reform {see also A.3 V below}.
- (d) Concentrating technical and financial resources toward improving the performance of provincial-level political representatives and civil servants, as well as traditional, church, women and youth leaders working at the village level.
- (e) Building capacity in Parliament to serve as the central democratic institution in the governance of Solomon Islands.
- (f) Promoting and facilitating increased women's political participation and representation.

Primary Responsibility Department of Provincial Government & Prime Minister's Office

II. Protecting human rights and improving good governance.

This section focuses on the rule of law, transparency and accountability. The other good governance principles of inclusive development, the efficient allocation and management of public resources and also maintenance of the rule of law are dealt with in the key strategic areas A.4 and A.5, A.3 and A.1 respectively.

1. Maintenance of human rights and the rule of law

Aspects are dealt with under A.1 above. These are highlighted here.

- (a) Investigating and apprehending all who break the law regardless of position or status, family and other connections, including members of the police force, nor when the crimes have been committed.
- (b) Prosecuting all offenders regardless of status or position.
- (c) Dealing effectively and swiftly with police officers, including disciplining, suspension, expulsion and prosecution, who act beyond their authority and putting at risk and jeopardising the rights of individuals and human rights.
- (d) Ensuring the independence of the judiciary and facilitating court and justice process.
- (e) Considering establishing a Human Rights Commission to educate the public on the Bill of Rights and to make recommendations to government about matters affecting human rights compliance.
- (f) Introducing human rights legislation incorporating UN Human Rights Conventions that Solomon Islands has ratified into local legislation, especially the Convention on the Elimination on All forms of Discrimination Against Women (CEDAW) and the Convention on the Rights of the Child (CRC).

Primary Responsibility Departments with portfolio responsibility

2. Transparency and accountability

- (a) Using public tender board process for acquiring goods and services and disposing of government assets.
- (b) Completing 1999, 2000, 2001 and 2002 annual accounts of government and submit for audit.
- (c) Completing audit of 1997, 1998, 1999, 2000, 2001 and 2002 annual accounts of government.
- (d) Completing all outstanding annual accounts of statutory bodies and other SOEs and audit.
- (e) Completing 2003 annual accounts of government and submit for audit on schedule and also 2004 annual accounts and thereafter.
- (f) Completing audit of 2003 annual accounts of government on schedule and also 2004 annual accounts and thereafter.
- (g) Publishing SIG accounts monthly and distribute to all departments.
- (h) Publishing report of Auditor General and Public Accounts Committee and making them available to public library and media.
- (i) Holding meetings of National Parliament at least twice a year.
- (j) Strengthening the role and responsibilities of the National Parliament and the linkage between the Executive and Parliament and between the Parliament and the community.
- (k) Facilitating increased awareness on the roles and responsibilities of Government and Parliament and other institutions of accountability through the expanded use of information communication technology (ICT).
- (l) Publishing reports on progress of NERRDP implementation and making them available to the media.
- (m) Improving and strengthening the capacity of Auditor General's Office.
- (n) Improving and strengthening the capacity of Statistics Office to provide up-to-date and robust statistical information for economic and social monitoring.
- (o) Strengthening the capacity of the offices of the Ombudsman, Public Service Commission and the Leadership Code Commission, including review of legislations, raising public awareness of respective roles and facilities.
- (p) Ensuring appointments to the boards of statutory bodies and other SOEs are based on merit and having female representation on all these boards.

Primary Responsibility Departments with portfolio responsibility

3. Inclusive, decentralised development and 4. Efficient allocation and management of public resources.

These principles of good governance - inclusive, decentralised development, and the efficient allocation and management of public resources - are dealt with in the key strategic areas A.4 and A.5, and A.3 respectively.

Primary Responsibility Departments with portfolio responsibility

A.3 Restoring Fiscal and Financial Stability and Reforming the Public Sector

The primary objective and expected outcome in this key strategic area of NERRDP is the restoration of fiscal and financial stability and substantial progress with reforming the public service and state-owned enterprises.

I. Restoration of fiscal and financial stability in government. This will be achieved through

1. Increasing government revenues

- (a) Improving the revenue collection capacities of Inland Revenue Division, Customs and Excise Division and government departments. Revenue collection will also increase as a result of improvement in the economy.
- (b) Reviewing and closing of all departmental accounts that have been opened to transact public revenues without the authority of the Department of Finance.
- (c) Improving log export inspection and monitoring as well as enhancing coordination between the Forestry Division, Customs and Excise Division and Central Bank of Solomon Islands.
- (d) Improving fish export inspection and monitoring as well as enhancing coordination between the Fisheries Division, Customs and Excise Division and Central Bank of Solomon Islands.
- (e) Eliminating transfer pricing practices in the natural resources and other sectors
- (f) Implementing import duty charges on agreed products under MSG Agreement.
- (g) Reviewing and increasing charges (non-tax sources) for services provided by government departments.
- (h) Reviewing tax rates to simplify administration and enhance revenue.
- (i) Reforming and building the capacities of the Customs & Excise Division and Inland Revenue Division.

Primary Responsibility Department of Finance

2. Reducing and controlling recurrent expenditure at the level that is sustainable by domestic revenue

- (a) Enforcing compliance with the Public Finance and Audit Act and the Financial Instructions.
- (b) Reviewing and 'cleansing' payroll of 'ghost' payments. This includes Public Service staff and Teaching Service staff {see A.5 (2) below}.
- (c) Reviewing and reducing staff allowances and other benefits.
- (d) Controlling claims made for payments from within as well as outside the government. Police reform and progress in normalisation of the security situation will contribute to this.
- (e) Determining the appropriate level of staff redundancy taking into account (a), (b) and (c) above and carrying out the required staff separation from the public service, taking into account gender impact and minimising adverse impacts on basic social services. This includes Teaching Service staff {see A.5 (2) below}.
- (f) Freezing new recruitment to the public service including political appointments.
- (g) Reviewing and devising a payment mechanism for scrutinising and screening payments.
- (h) Reforming and building capacity of the Treasury Division.

Primary Responsibility Department of Finance

3. Managing and controlling government debt

- (a) No new borrowing from domestic financial system.
- (b) Strictly adhering to legal limit on government borrowing from the CBSI.
- (c) Formulating and implementing a comprehensive debt compromise strategy.

- (d) Negotiating with holders of government debt for the scheduling of debt that enables government to meet its debt obligations without incurring further debt arrears.
- (e) As highest priority the paying off debt arrears of the Asian Development Bank and World Bank and staying current with debt service payments to enable access to technical assistance and concessional finance required for economic recovery and reform.
- (f) External borrowing only for expenditures absolutely necessary for economic recovery and reform and such borrowing to be restricted to loans on concessional terms only.

Primary Responsibility Department of Finance

4. Public financial management

- (a) Providing sound fiscal policy advice and budget management strategies.
- (b) Completing all outstanding annual government accounts 1999, 2000, 2001 and 2002 and submitting for audit.
- (c) Completing all outstanding annual accounts of statutory bodies and other SOEs and audit.
- (d) Completing 2003 annual accounts of government and submit for audit on schedule and also 2004 annual accounts and thereafter.
- (e) Managing and controlling budget expenditure in accordance with Parliamentary appropriations.
- (f) Producing monthly expenditure statements and circulating to all ministries and departments.
- (g) Improving accounting capacity of departments and rebuilding Solomon Islands Government accounting Service (SIGAS), particular attention to capacity building for female accounting officers.
- (h) Reforming and building capacity of the Treasury Division.

Primary Responsibility Department of Finance

II. Restoration of financial stability in the financial system. This will be achieved through

1. Debt and arrears management and settlement

- (a) Managing and controlling debt as in A.3 I 3(a) – 3(d) above, with the banks and domestic financial institutions.
- (b) Government paying all outstanding contributions in respect of its workers to the National Provident Fund.
- (c) Government paying all outstanding contributions of its workers to relevant credit unions.

Primary Responsibility Department of Finance

III. Monetary and exchange rate management and financial development. This will be achieved through

1. Monetary and exchange rate management

- (a) Maintaining current monetary policy stance, but keeping under review and easing the monetary policy stance as external position stabilises at comfortable levels.
- (b) Maintaining current exchange rate policy.
- (c) Strengthening exchange controls, keeping under review and relaxing exchange controls when external reserves position permits.

Primary Responsibility Central Bank of Solomon Islands

2. Financial development

{See also A.3 VI 1. Financial institutions (NPF, DBSI and HFC) and A.4 II 9. Banking and financial services, below}.

- (a) Applying the Financial Institutions Act to protect the integrity of the banking system from pyramid schemes, money laundering and other illicit financial activities and strengthening legislations to combat pyramid schemes and money laundering.
- (b) Finalising and enacting amendments in the legislations for institutional strengthening – amendments in the Credit Union Act, the NPF Act and Financial Institutions Act.
- (c) Relinquishing CBSI ownership in DBSI and CBSI membership of DBSI Board.
- (d) Continuing to support the Treasury Bills market.
- (e) Carrying out on-site examination of DBSI and NPF books and dealing with DBSI debt situation – to transfer its bad debts into an asset management account.
- (f) Pursuing the potential for provision of rural financial services through the postal services network and other mechanisms, and developing a development finance facility for small and medium enterprises.
- (g) Ensuring government continues to service its debts to the financial sector.

Primary Responsibility Central Bank of Solomon Islands

IV. Strategic national and provincial planning and aid management

1. Strategic national and provincial planning

- (a) Providing strategic planning advice in economic, social and crosscutting areas, particularly on equitable development in provinces and gender equality.
- (b) Mainstreaming gender equity into the normal strategic planning, monitoring, reporting and review processes and building capacity in gender analysis.
- (c) Assessing programmes and projects and ensuring they are in line with the Key Strategic Areas of NERRDP.
- (d) Mapping of development data and indicators, to be gender-disaggregated where possible, and their geographical distribution by province using GIS software to highlight the development needs in each province and the provincial priority areas in implementing the Key Strategic Areas of NERRDP.
- (e) Assessing and reporting on policy and programme impacts on regional-provincial and rural development.
- (f) Consulting and coordinating with provincial governments the implementation of development programmes in the provinces.
- (g) Supporting the provincial development planning and plans and building planning capacity at the provincial level.
- (h) Providing realistic development budget estimates, monitoring and reporting on implementation of the development budget.
- (i) Coordinating, monitoring and reporting on the progress of implementing NERRDP, with particular attention to provincial and gender equity impact.
- (j) Managing the NERRDP implementation, monitoring and coordination mechanisms within government, between national and provincial governments, and between government, the private sector, civil society and non-government organisations.
- (k) Reforming and capacity building of Department of National Reform and Planning and strengthening provincial planning units.

2. Aid management and coordination

- (a) Formulating and implementing a national strategy on development assistance and utilisation of external resources for national development priorities.
- (b) Coordinating and managing development assistance in line with the key strategic areas of NERRDP.
- (c) Advising on aid policies and providing information on aid policies and programmes within government and to the public and ensuring access to such information by women and women's groups.
- (d) Facilitating mobilisation of resources for plan implementing.
- (e) Providing annual report on development assistance to Solomon Islands.
- (f) Managing the NERRDP implementation, coordination and monitoring mechanisms between SIG and development partners, including the annual SIG/Development Partners Consultative Meeting.

Primary Responsibility Department of National Reform and Planning

V. Substantial progress with reforming the public service. This will be achieved through

1. Public service at national and provincial levels

- (a) Downsizing and rightsizing the public service as in A3 I. 2(a)-2(e) above, having regard to gender impact to gender and maintaining adequate basic social services.
- (b) Ensuring that, in the process of downsizing the public service as required by {A.3 I (2)} above, the most competent staff are retained in the public service.
- (c) Enforcing compliance with all public service regulations and General Orders.
- (d) Reviewing regulations, procedures and systems and make necessary changes to facilitate performance efficiency and effectiveness.
- (e) Allocating the retained staff in accordance with the priorities areas for economic recovery and social restoration.
- (f) Reviewing organisational and management structures and processes of departments and making changes as necessary.
- (g) Formulating and implementing a public service-wide human resources development and capacity building programme.
- (h) Redirecting the public service in line with constitutional reform.
- (i) Reforming and building capacity of Public Service Division as well as all departments at the national and provincial levels.

Primary Responsibility Prime Minister's Office

VI. Substantial progress with reforming state-owned enterprises (SOEs). This will be achieved through

1. Financial institutions (NPF, DBSI and HFC)

- (See also A.3 III 2. Financial development, above).
- (a) Reviewing operations of NPF, DBSI and HFC with a view to reducing operational costs including payroll and carry out staff redundancies as necessary, taking into account gender impact.
 - (b) Formulating and implementing corporate plans to increase operational efficiency and improve returns on investments.
 - (c) Implementing CBSI supervisory oversight over NPF and DBSI and both institutions meeting Liquid Asset and Minimum Capital requirements.
 - (d) Terminating CBSI shareholding in DBSI and membership of DBSI Board.
 - (e) NPF, DBSI and HFC accelerating loan recovery.

- (f) Settling government debt with NPF and arrears in contributions (see also A.3 II).
- (g) Government approving amendments of the three qualification criteria for member withdrawal of funds from NPF and enacting amendments to NPF Act.
- (h) Reviewing and overhauling NPF investment portfolio.
- (i) Reviewing relationship between NPF and Solomons Mutual Insurance (SMI) with a view to removing any ownership undertakings/agreements between the two entities.
- (j) Keeping open the offer of partial privatisation of HFC. (Given the financial performance and situation of HFC it is unlikely to quickly attract equity investment).

Primary Responsibility Department of Finance

2. Public utilities (SIEA and SIWA)

- (a) Reviewing operations of Solomon Islands Electricity Authority (SIEA) and Solomon Islands Water Authority (SIWA) with a view to reducing operational costs including payroll and carry out staff retrenchment as necessary.
- (b) Formulating and implementing corporate plans to increase operational efficiency and restoring financial viability.
- (c) Paying by government of its arrears with SIEA and SIWA.

Primary Responsibility Department of Mines and Energy

3. Other state-owned enterprises

- (a) Supporting actions by respective boards of directors to improve operational efficiency of these SOEs.
- (b) Pursuing re-development of Solomon Islands Plantations Limited.
- (c) Developing a privatisation strategy and private appropriate SOEs – Sasape Marina Ltd and Government Printers.

Primary Responsibility Departments with portfolio responsibility

The priority focus of reforming SOEs during the NERRDP period will be on the financial institutions and public utilities, as above.

A.4	Revitalising the Productive Sector and Rebuilding Supporting Infrastructure
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The primary objective and expected outcome in this key strategic area of NERRDP is the revitalisation of the productive sector and rebuilding of supporting infrastructure.

I. Revitalisation of the productive sector. This will be achieved through

Broad strategies, policy actions and outcomes

- (a) Restoration and normalisation of the law and order and security situation (see A.1).
- (b) Restoration of fiscal and financial stability in government especially to enable prompt payment for services provided by the private sector {see A.3 (I)}.
- (c) Reforming and improving the efficiency of the public service, in particular those departments that interface directly with the private sector {see A.3 (V)}.
- (d) Restoration of financial stability in financial system to enable increased domestic credit to the private sector and rural credit {see A.3 (II)}.
- (e) Reforming and improving the operational efficiency of state-owned financial institutions especially DBSI and the public utilities {A.3 (VI)}.
- (f) Rebuilding of supporting infrastructure (see A.4 (II) below).

Primary Responsibility Departments as specified

Sector-specific strategies, policy actions and outcomes

1. Agriculture and livestock

- (a) Pursuing re-development of Solomon Islands Plantations Limited.
- (b) Facilitating RIPEL to re-start copra and cocoa production on its plantations on Guadalcanal.
- (c) Supporting smallholder and small-to-medium scale production of copra and coconut oil, cocoa and other agricultural crops such as rice, honey and small livestock production (poultry and piggery).
- (d) Strengthening agricultural extension service for women and facilitate access and training to enhance knowledge and skills in crop production and management.
- (e) Reforming and building capacity of the Department of Agriculture and Livestock.

Primary Responsibility Department of Agriculture and Livestock

2. Forestry

- (a) Continuing to monitor, audit and inspect logging operations and shipments and improving coordination and information sharing with Customs and CBSI.
- (b) Enforcing Code of Logging Practices.
- (c) Drafting, enacting and implementing a new Forests Legislation and new Forest Policy.
- (d) Placing a moratorium on issuing of new logging licenses.
- (e) Supporting family-based reforestation initiatives.
- (f) Encouraging community portable and small-scale saw milling and eco-timber production.
- (g) Reforming and building capacity of Forestry Department.

Primary Responsibility Department of Forestry, Environment and Conservation

3. Fisheries

- (a) Facilitate the rational management and conservation of coastal fisheries and aquatic living resources through their sustainable utilisation.
- (b) Rehabilitate and promote the privatisation and commercialisation of rural fisheries centres.
- (c) Promote aquaculture development of aquatic organisms such as seaweed, pearl culture, prawns etc.
- (d) Promote tuna fisheries development through foreign and local investment.
- (e) Increase revenue through licensing of more tuna fishing vessels under access agreements and domestic licensing arrangements.
- (f) Improve the monitoring of fish catches, their exports and value and to share such information with Customs, CBSI and related agencies.
- (g) Review existing and formulate new fisheries legislation and management plans.
- (h) Reforming and building capacity of the Department of Fisheries & Marine Resources.

Primary Responsibility Department of Fisheries and Marine Resources

4. Geology, Minerals and Mining

- (a) Vigorously continue efforts to re-open Gold Ridge Mine.
- (b) Ensuring final prospecting activities on San Jorge and Takata lateritic nickel deposits completed as soon as possible.
- (c) Reviewing country-wide exploration tenement status and ensuring revival and facilitation of prospecting work on all licensed areas.
- (d) Supporting and pursuing international promotional work on geological, mineral and hydrocarbon resources potential of Solomon Islands.
- (e) Completing the geological and geochemical surveys of San Cristobal Island.
- (f) Establishing a Solomon Islands Mineral Resources Information System.
- (g) Reviewing Solomon Islands seismological and volcanological surveillance and monitoring network and programs.
- (h) Reforming, capacity building and institutional strengthening of the Geology and Mines Divisions.

Primary Responsibility Department of Mines and Energy

5. Tourism

- (a) Facilitating the establishment of eco-tourism projects in the provinces.
- (b) Reviewing and formulating a long-term tourism marketing plan and national tourism sector plan.
- (c) Facilitating to accord World Heritage status for Marovo Lagoon and East Rennell Lake and fostering eco-tourism.
- (d) Formulating and implementing comprehensive training programme for the tourism industry, with particular attention to the role of women.
- (e) Facilitating the establishment of attractive tourist sites at different locations in the country.

Primary Responsibility Department of Culture and Tourism

II. Rebuilding of supporting infrastructure. This will be achieved through

Sector-specific strategies, policy actions and outcomes

1. Land

- (a) Preparing and activating the pilot project for the recording and registration of the tribal lands, recognising women's rights to land and in liaison with Justice department, for the application of the land tribunal's provisions.
- (b) Reviewing and amending the Land and Titles Act and tabling in Parliament for enactment.
- (c) Evaluating the pilot project currently in the Western Province (Gizo) for possible replication nationally.
- (d) Developing a systematic approach to converting Temporary Occupation Licences (TOL) areas to Fixed Term ownership.
- (e) Reviewing and amending associated Acts (Valuers Bill, Survey Act, Town and Country Act, etc.) and enacting by Parliament.
- (f) Reforming and building capacity of Department of Lands and Surveys. (The Department has already started improving the efficiency of its internal operations).

Primary Responsibility Department of Lands and Survey

2. Energy

- (a) Improving reliability of electricity supplies in urban areas (Honiara and provincial centres) and the capacity of SIEA to deliver {see A.2 IV (2)}.
- (b) Increasing rural electrification with hydropower – survey work on Sovare Falls in Choiseul Bay and Rori in North Malaita and build hydro schemes.
- (c) Increasing rural electrification with solar power home systems – survey 10 identified villages recommended in Master Power Development Plan and establish solar home systems in the villages.
- (d) Reforming and building capacity of Energy Division and SIEA

Primary Responsibility Department of Mines and Energy

3. Water Resources and Water Supplies

- (a) Completing the new Water Legislation to replace the River Waters Ordinance of 1969 for Parliament's enactment.
- (b) Continuing maintenance of hydrological sites and improve national hydrological network to include rivers recommended in the Power Master Development Plan.
- (c) Improving urban water supply and sewerage disposal systems and the capacity of SIWA to deliver (see A.2 IV (2))
- (d) Assisting in the development and enhancement of rural water supplies and sanitation.
- (e) Reforming and capacity building of the Water Resources Division and SIWA.

Primary Responsibility Department of Mines and Energy

4. Environment

- (a) Completing national process for gazettal and enforcement of Environment Act 1998 and the Wildlife Management and Protection Act 1998, preparing regulations and enforcing the Acts.
- (b) Selecting a pilot site for International Waters programme focussing on coastal fisheries and developing the pilot site.

- (c) Developing and implementing a National Biodiversity Strategy and Action Plan, National Framework for Biological Safety and national programme for national capacity self-assessment for biodiversity, climate change and land degradation.
- (d) Developing and implementing National Implementation Plan for Stockholm Convention of Persistent Organic Pollutants, and national action plan for mitigating land degradation and drought.
- (e) Review the national environment management strategy (NEMS).
- (f) Drafting legislation for Access benefit sharing of genetic resources.
- (g) Completing National Pollution Prevention Plan.
- (h) Reforming and building capacity of Environment and Conservation Division.

Primary Responsibility Department of Forestry, Environment and Conservation

5. Transport Infrastructure

- (a) Adopting and implementing the National Transport Strategy.
- (b) Continuing implementation of Inter-Island Shipping Project.
- (c) Continuing implementation of Marine Infrastructure Project.
- (d) Completion of Gizo physical infrastructure upgrading and improvement for MSG Summit.
- (e) Finalising details of 1998 Shipping Act and Revised Road Act and National Transport Fund.
- (f) Continuing to implement national maintenance regime and routine work programme.
- (g) Providing appraisals of project profiles for Provincial Shipping Services Assistance Fund.
- (h) Formulating medium-term infrastructure development programmes.
- (i) Reforming and building the capacity of the Department of Infrastructure and Development.

Primary Responsibility Department of Infrastructure and Development

6. Communication, Aviation and Meteorology

- (a) Developing and implementing a national Information and Communication Technology (ICT) strategy in all sectors and in rural and urban areas, particularly in the following sectors and areas - health, education, agriculture, women, youth and children, land, commerce, trade and marketing and banking and financial services.
- (b) Supporting the provision of affordable rural access to ICT, including the continued development of rural communications through the expansion of the People First Network (PFNet).
- (c) Considering adopting the Solomon Islands ICT Working Group as government's advisory body on ICT matters.
- (d) Assessing the feasibility of establishing a Telecommunications Authority and the concept of a national television service.
- (e) Reviewing policy options for the liberalisation of the telecommunications sector.
- (f) Continuing the ongoing effort to improve security and safety of Air Services Operators and the travelling public in all airports in the country.
- (g) Ensuring proper security at the Henderson International and Domestic Airports areas.
- (h) Facilitating the implementation of the Restoration and Development of the Henderson Airport Project to upgrade the airport runways and lighting.
- (i) Facilitating the payment of urgent and outstanding financial commitments of the Government on Civil Aviation.

- (j) Facilitating the setting up of a Spectrum Development Fund to monitor and manage the proper and effective implementation of the new Telecommunications License.
- (k) Completing the corporatisation of Solomon Islands Postal Services and ensuring the transfer of the required assets to the new entity and the provision of needed initial financial capital.
- (l) Reforming and building the capacity of the Department of Communications, Aviation and Meteorology.

Primary Responsibility Department of Communications, Aviation and Meteorology

7. Commerce, Trade and Marketing

- (a) Coordinating Commodity Export Marketing Authority institutional strengthening as regulatory body to facilitate new products for export.
- (b) Establishing SME promotion support and advisory services.
- (c) Providing information on markets, products and investment from Internet linkages to the public, and ensuring women have access to such information.
- (d) Reviving Small Business Association and productive Cooperative Societies.
- (e) Reopening discussions on development projects in for example, boat building industry, community fishing and provincial industrial estates infrastructure.
- (f) Enforcing minimum wage regulations.
- (g) Enforcing and improving the effective management of the price control system on basic household goods and supporting consumers' association.
- (h) Ensuring that Solomon Islands benefits from Pacific regional and international trade liberalisation mechanisms.
- (i) Reforming and building capacity of Department of Commerce, Industries and Employment.

Primary Responsibility Department of Commerce, Industries and Employment

8. Investment regulatory environment

- (a) Reviewing foreign investment process with a view to removing impediments to direct foreign investment.
- (b) Reviewing of labour, immigration and customs and investment laws with a view to effective facilitation of foreign investment, trade and industrial development.
- (c) Drafting of new Investment Promotion Bill and enacting by Parliament.
- (d) Establishing Investment Promotion Agency.
- (e) Disseminating information to potential investors.
- (f) Reforming and building capacity of Investment Division.

Primary Responsibility Department Commerce, Industries and Employment

9. Banking and financial services

- (a) Restoring financial stability in the financial system (see A.3. II above).
- (b) Fostering financial development (see A.3 III 2 above)
- (c) Reforming state-owned financial institutions (NPF, DBSI and HFC) (see A.3 V 1 above).
- (d) Encouraging commercial banks' lending activities to increase private sector borrowing.
- (e) Reviewing rural credit and improving access to credit by rural people, with particular attention to women, by facilitating mechanisms for provision of rural credit.
- (f) Strengthening SICUL to effectively assist and support member credit unions especially in rural areas.

- (g) Facilitating the establishment of micro-finance schemes supported by international aid agencies.
- (h) Safeguarding the public from financial scams and prosecuting those who promote such scams and fraudulently benefit from them.

Primary Responsibility Department of Finance and Central Bank of Solomon Islands

A.5 Restoring Basic Social Services and Fostering Social Development

The primary objective and expected outcome in this key strategic area of NERRDP is the restoration of basic social services and fostering of social development. This will be achieved through

I. Health

- (a) Restoring health services fully in areas where these are presently inadequately covered particularly in southern Guadalcanal.
- (b) Providing provincial hospitals and rural health clinics with essential drugs and supplies.
- (c) Strengthening the existing primary health care network and increasing community participation and outreach services, and strengthening the role of female health workers in service delivery.
- (d) Establishing hospital financial management system, hospital information management system, hospital quality management system and reviewing the referral system.
- (e) Strengthening the national health information and management system including establishing a hospital information management system.
- (f) Rehabilitating health infrastructure including communication, building and transport.
- (g) Carrying out a national health review and formulating a health strategic plan for the medium term.
- (h) Reforming and building capacity of the Department of Health at the national and provincial levels.

Primary Responsibility Department of Health and Medical Services

II. Education

- (a) Restoring basic education services (primary and secondary) fully in areas where these are presently inadequately covered particularly in parts of Guadalcanal.
- (b) Reviewing and reforming the payroll including identifying the actual number of teachers under the different education authorities being paid by the government.
- (c) Reallocating education expenditure towards primary and secondary education.
- (d) Providing adequate educational material to primary and secondary schools focussing on locally produced texts.
- (e) Establishing a cost-effective, comprehensive and efficient education management information system (EMIS).
- (f) Formulating national and provincial reform action plans to implement the Education Strategic Plan, ensuring gender balance in the enrolment of students and identifying and dealing with factors influencing female participation in the formal education system.
- (g) Reviewing and developing basic education curriculum focussing on practical and vocational training programmes in the secondary school system.
- (h) Continuing emergency support programme to provide education grants.
- (i) Implementing SICHE's restructuring plan and consolidating the restructured SICHE; and providing bursary/scholarship schemes for students' training in-country at SICHE.
- (j) Improving the quality of education through in-service training for primary and secondary teachers, both male and female.

- (k) Improving school management through provision of management training for school principals and head teachers.
- (l) Reviewing and developing school-based assessment instruments with a view of doing away with the Standard Six examinations.
- (m) Supporting rural training centres to provide vocational and skills training.
- (n) Increasing training scholarships both in-country and overseas, giving particular attention to gender balance, and payment of outstanding SIG contributions and arrears to regional and international organisations and institutions.
- (o) Reforming and building capacity of the Department of Education at the national and provincial levels.

Primary Responsibility Department of Education and Human Resources Development

III. Women and gender equality

- (a) Reviewing and formulating a National Plan of Action to implement the Solomon Islands National Women's Policy.
- (b) Establishing mechanisms formulating a Plan of Action to implement CEDAW.
- (c) Promoting understanding and implementing the Pacific Platform of Action for Sustainable Development in relation to the National Women's Policy.
- (d) Facilitating advocacy and raising awareness on women's rights through trained community paralegals.
- (e) Implementing the Women, Peace and Security Project to strengthen national approaches to women in conflict situations.
- (f) Seeking assistance to implement the Rural Women's Skills Development Project to increase capacities and empower rural women through skills training.
- (g) Implementing the Women in Development Initiative Fund to enhance women's role in peace building initiatives and post-conflict reconstruction.
- (h) Developing effective mechanisms for networking and partnership building in the national women's network.
- (i) Formulating and implementing a National Policy on Violence Against Women.
- (j) Formulating and implementing a gender mainstreaming programme, and strengthening the Women in Development Division to promote effective gender mainstreaming.
- (k) Facilitating direct support and financing of women's community development projects assisted by development partners and through government recurrent grants.
- (l) Researching, collecting and collating data on status and situation of women in Solomon Islands.
- (m) Pursuing the possibility of establishing a National Women's Resource Centre with relevant authorities.
- (n) Advocating appointment of women to policy levels (board level and management levels) of state-owned financial institutions, the commercial banks, and the Departments of Finance and Planning and on the boards of public and other SOEs.
- (o) Facilitating a gender-sensitive budget analysis of the national budget (recurrent and development) to ensure adoption of budgetary policies that allocate resources for gender issues at both national and provincial levels.
- (p) Providing training on gender-sensitive budget analysis to government officials in Finance and Planning Departments to enhance their understanding of the impacts of macro-economic policies on women and other vulnerable groups.
- (q) Facilitate appropriate training processes to ensure that all policy makers and those with supervisory duties within the government and NGOs have an understanding of gender equality principles.

- (r) Institutional strengthening of the Women in Development Division.

Primary Responsibility Department of Home Affairs

IV. Children and Youth

1. Children

- (a) Pursuing adoption of the National Children's Policy and the National Plan of Action for Children.
- (b) Addressing the principal concerns and recommendations by the UN Committee on the Convention on the Rights of the Child (CRC) in response to the SIG Initial Report on CRC.
- (c) Pursuing the enactment of the Protection of the Child Rights Bill (draft 2000) and preparation of the Child Protection Bill.
- (d) Advocating and sensitising government, civil society organisations, communities and other stakeholders on the CRC, the Child Rights Programme and other issues facing children in Solomon Islands.
- (e) Establishing a child protection system to link all authorities and partners involved in supporting children, to coordinate, support and address gaps in the services for children.
- (f) Providing awareness and skills training for parents, the community and caregivers to raise awareness and enhance skills to avert and stop child abuse.
- (g) Pursuing in collaboration with the Department of Education, the integration of the CRC into the school curriculum.
- (h) Researching, collecting and collating relevant data on situation of children in Solomon Islands.
- (i) Establishing of a Resource Centre for Children within the National Advisory Committee on Children's (NACC) Secretariat.
- (j) Facilitating direct support and financing of community development projects for children assisted by development partners and through government recurrent grants.
- (k) Institutional strengthening of the Children's Development Division and the NACC Secretariat and pursuing the urgent need for an established children's desk post within the Department of Home Affairs.

Primary Responsibility Department of Home Affairs

2. Youth

- (a) Pursuing the adoption of a National Youth Plan of Action of the National Youth Policy and increasing capacity of government to coordinate youth initiatives.
- (b) Reviewing the national youth development network and improve coordination of youth initiatives and activities.
- (c) Facilitating the development of provincial and church youth policies to reflect the National Youth Policy.
- (d) Advocating and raising awareness on youth rights and youth issues at the national, provincial and community levels.
- (e) Pursuing, in conjunction with the relevant departments, increasing the access to quality education at all levels and provision of health services especially those that specifically affect youth, such as maternal and childcare and reproductive health covering the issues of family planning, STIs and HIV/AIDS.
- (f) Providing youth with opportunities to voice their concerns and opinions on critical national and youth issues and involving youth at all levels of planning, implementation, monitoring and evaluation of youth programmes and activities.

- (g) Formulating programmes to address issues facing the youth as a result of the ethnic conflict as well as issues facing youth in situation of conflict.
- (h) Improving opportunities for youth participation in the economic sectors through piloting community-based income generating projects for young people and increasing their participation in work experience schemes.
- (i) Facilitating direct support and financing of youth community development projects assisted by development partners and through government recurrent grants.
- (j) Providing support to youth related programmes and activities through membership in the Commonwealth and in other international and regional organisations.
- (k) Settling of pledge arrears with the Commonwealth Youth Programme of the South Pacific, the Secretariat to the Pacific Community Youth Bureau and to other international or regional organisations that Solomon Islands is obligated to pay through its youth membership.
- (l) Establishing youth centres for employment, training and micro-credit promotion in Malaita (Auki), Western (Gizo), Guadalcanal and Honiara.
- (m) Strengthening the capacity of the youth division of the Department of Home Affairs.

Primary Responsibility Department of Home Affairs

V. Sports development

- (a) Reviewing of the National Sports Policy.
- (b) Preparing a plan for bidding in 2005 to host 2011 South Pacific Games.
- (c) Implementing the National Sports Council (NSC) Implementation Strategies 2002 – 2005, including strengthening of NSC and Sports Federations.
- (d) Seeking support for building a National Sports Stadium and upgrade and build sports facilities both in Honiara and throughout the provinces.
- (e) Developing and implementing a sports development programme for national coaches in all sports.

Primary Responsibility Department of Home Affairs

VI. Community development

- (a) Continuing to provide direct support and assistance to community projects, including those under registered constituency authorities, through such mechanisms as the Micro-projects Programme, Community Peace Rehabilitation Fund and Grassroots Projects Programme, including through registered Constituency authorities.
- (b) Supporting community initiatives in natural resources development and utilisation.
- (c) Finalising the draft Memorandum of Understanding between Government and NGOs.
- (d) Formulating and implementing a strategy for partnership between government and NGOs, including women's organisations, for effective networking between government and NGOs and implementing national programmes.
- (e) Facilitating direct support and financing of community projects assisted by international and local NGOs.

Primary Responsibility Department of Home Affairs

6.3. Provincial Focus of the Key Strategic Areas

The earlier analysis of the development situation in the provinces and Honiara with regard to employment and income, health and education showed the extent of disparity and inequity between the two. Bringing about a balanced development between provinces and the rural and urban areas is essential. Although the Plan, by necessity, must focus on the immediate need to restore law and order and security and bring about fiscal and financial stability, it also gives priority focus on bringing about equitable distribution of development between the provinces and the rural and urban areas. Thus whilst immediate priority focus is on restoring law and order and security for people and property and bringing about fiscal stability, concurrent policy actions are also taken to re-start and redirect focus on development that is equitable and sustainable for people and the provinces.

6.3.1. Expected Impact and Outcomes

The expected impact and outcomes of implementing the key strategic areas of the Plan with respect to the provinces are briefly highlighted and summarised here. Monitoring and reporting on the progress of implementing the Plan will pay particular attention to the actual impacts and outcomes at the provincial level. Monitoring and reporting will enable progress to be assessed and necessary changes to policies and strategies can taken to meet provincial development objectives.

KSA 1 Normalising Law and Order and the Security situation

Restoring law and order and ensuring security and safety for people and property impacts on the country as a whole i.e. the provinces and Honiara. However, the problems of law and order and security situation have not been the same for all the provinces or between different parts of the same province. These were particularly acute in Guadalcanal especially on the Weathercoast, Honiara and Malaita. Therefore, the immediate impact are felt more strongly in these places. Reforming the police and prison service and increasing community policing in the country impacts on both the provinces and Honiara. The immediate impact on the government finances of restoring law and order and stopping the diversion of public funds enables the national government to provide services grants to the provinces and therefore enables the provincial governments and Honiara City Council to provide services to the people.

KSA 2 Strengthening democracy, human rights and good governance

Improving democratic governance system. Constitutional reform and enhancing decentralised democratic governance through the formation of federal system of government has an immediate impact on all provinces, as they become states and state governments in the new federal system.

Protecting human rights and improving good governance. The impact of this is nation-wide - in all provinces and Honiara. However with regard to human rights and maintenance of the rule of law, the major abuses occurred during the ethnic conflict in Guadalcanal and continued on parts of Guadalcanal, Honiara and Malaita where illegal weapons were held in the community. The actions taken to normalise the law and order and security situation have immediate and direct impacts on protecting and maintaining human rights and the rule of law. Human rights include political, economic, social and cultural rights. Safeguarding and maintaining these rights has nation-wide impact. Improvement in the other principles of good governance i.e. transparency and accountability at national and provincial level, efficient allocation and management of public resources at the national level and provincial levels,

and inclusive, decentralised development will provide more equitable development for people and the provinces.

KSA 3 Restoring fiscal and financial stability and reforming the public sector

Restoration of fiscal and financial stability in government. The immediate effects of stabilising the government budget and especially controlling unbudgeted expenditures and unjustified claims on government, enable the national government to provide provincial grants to the provinces. This also enables the national government through its sectoral departments to provide and improve services in the provinces and in rural areas.

Public financial management. Improving management of public finances at the national and provincial level will enable public funds to be allocated and used for the purpose approved by the national government at the national and provincial assemblies at the provincial levels. This will ensure that allocations in the national government budget are provided to the provinces and also provincial government budget allocations to services and development in the province are spent as budgeted and approved.

Restoration of financial stability in the financial system and financial development. Reducing high indebtedness of the government to the financial institutions and especially the debt arrears will enable the financial resources from the banks and financial institutions to be available to the private sector in Honiara and in the provinces. The development of the financial sector particularly focuses on enabling financial services and credit to be available especially in the rural areas.

Strategic national and provincial planning and aid management. Improving the coordination and consultations between the national planning and provincial planning offices and systematic planning at the provincial level enables the needs of the provinces to be addressed more appropriately. Improving aid management and coordination, coupled with improved national-provincial coordination and consultations, will facilitate addressing provincial needs and projects particularly at the community level in donor programmes.

Reforming the public service. Downsizing the public service will have the impact of reducing the number of public servants at national level working in Honiara and those seconded to the provinces. However, this does not necessarily have a negative impact on the delivery of services when non-performing staff are made redundant. Improving the efficiency of the public service will lead to improving the delivery of services in the provinces.

Reforming state-owned enterprises (SOEs). Most state-owned enterprises including statutory bodies are located in Honiara. However, many of them provide services in the provinces. Improving the efficiency of these bodies and enterprises that provide services to the provinces will improve those services in the provinces. The main ones are public utilities (SIEA and SIWA) providing electricity and water in Honiara and provincial urban centres and Solomon Airlines providing domestic air services to the provinces. An important financial institution in providing rural credit to the people in the provinces is the Development Bank of Solomon Islands, which needs urgent actions.

KSA 4 Revitalising of productive sectors and rebuilding supporting infrastructure

Revitalising of productive sectors. The nation's most productive sectors are located in the provinces, including tourism, forestry, fishing, minerals and agricultural industries (including production for household consumption and cash sale). Revitalisation of production in these sectors will impact directly in the provinces. The extent to which provinces and people benefit depends on their participation and sharing arrangement put in place if the resources

are utilised and developed by third parties. However, support to smallholder production of cocoa, copra, timber and other crops and other small and medium-sized activities will accrue directly to the people. This is a priority focus of the Plan.

Rebuilding supporting infrastructure. Physical infrastructure such as roads, wharves and airfields are located in the provinces. Rebuilding such infrastructure in the provinces will directly support production in the provinces as well as the delivery of social and other services. Improvement in non-physical infrastructure such as financial services, investment regulatory environment and marketing will also stimulate the productive sectors in the provinces. Access to these services is a key factor for the provinces.

KSA 5 Restoring basic social services and fostering social development

Given the provincial rural and urban location of most of the nation's population, restoration of basic social services and fostering social development in the provinces is a priority. The restoration of the basic services in the immediate term will give priority to those communities that experienced severe disruption of their health and education systems during the conflict, namely, the communities in Guadalcanal and Malaita. However, increasing access to education and health services is necessary in all provinces as well as reducing the disparities between the provinces and between the provinces and Honiara. Addressing the issues concerning women, children and youth in the provinces is also important. Particular attention is given to conflict-affected youth. In urban areas these issues are more concentrated and exacerbated and therefore particular attention is in Honiara.

6.3.2. Provincial monitoring and reporting of key results

Reporting on the implementation of the NERRDP will focus on the progress made on a province-by-province basis and in terms of rural and urban areas. The annual planning and development consultations between the national government, through the Department of National Reform and Planning, with the provincial planning authorities (see 6.4 below) will facilitate joint review of the progress of development in the provinces and the areas for priority support.

6.4. Key Performance and Development Monitoring Indicators

6.4.1. Monitoring Indicators and Availability of Statistical Data

Key monitoring indicators will be used in assessing and monitoring the progress of implementing the Plan. These indicators are of two types (1) the indicators that verify performance, i.e. actions have been taken, in carrying the various tasks to implement the Plan, and (2) development outcome indicators. These indicators include economic, financial, social, human development and other indicators. They are among those used for monitoring the progress towards achieving the Millennium Development Goals. These indicators will also be analysed on a province-by-province basis and in terms of rural-urban dimensions.

The major problem with the development monitoring indicators is the lack of up-to-date statistical data. It is therefore necessary to improve the capacity of the statistical data collecting agencies so that the required data are available for analysis. Furthermore, the impacts of policy actions on some of the development indicators, especially in social development, are over a longer term than the Plan period. In these areas, therefore, intermediate or proxy indicators will be used in monitoring the progress and impact of implementing the Plan.

6.4.2. Selected Key Indicators and Targets

As can be seen in section 6.2 above, the consultations inevitably generated a relatively long list of objectives and actions required for recovery, reform and development, not surprisingly given the under-investment and neglect over four years of conflict and disruption. The Department of National Planning and Reform (DNRP), in consultation with the departments, selected the most urgent and strategically important actions. Each Government Department with Primary Responsibility for a sector was asked to produce time-bound quantifiable targets for each of the actions it proposed. Each department was also asked to identify out of these the most important targets. These became the Key Targets and, with their associated indicators formed the core of the NERRDP. These are set out below under the five Key Strategic Areas of the NERRDP. The importance of these Key Targets is that, given the resources, the government believes they are achievable by the end of 2006. Furthermore, given this compendium of targets and indicators each government department has an outline work plan and a framework against which it can be monitored.

Key Strategic Area 1 Normalising Law and Order and Security Situation

<p>Law & Order</p> <ul style="list-style-type: none"> • Security climate normalised throughout Solomon Islands including Honiara, Malaita and Guadalcanal.
<p>RSIPF</p> <ul style="list-style-type: none"> • Police Services to be re-established in all Provinces in 2004. • Reform programme of RSIPF and Prison Service completed in 2004 and continue capacity building. • Public confidence in police services built and regained.
<p>Legal Affairs</p> <ul style="list-style-type: none"> • All outstanding cases in 2003 cleared by end 2004. • Magistrates' Court in Auki, Gizo refurbished and operational by end 2004.
<p>DNRUP</p> <ul style="list-style-type: none"> • 3 Counselling Centres established, staff trained and operational by mid 2004.

Key Strategic Area 2 Strengthening Democracy, Human Rights and Good Governance

<p>Democracy, Human Rights and Good Governance</p> <ul style="list-style-type: none"> • New Federal Constitution with strengthened Bill of Rights launched on Independence Day, 7 July 2004. • Public Service General Orders and Financial Instructions republished, distributed to officers and training programme designed and started by end 2004 and implemented by end 2005. • National Parliamentary timetable adhered to with two Sessions in 2004 and two Sessions in 2005 and capacity building programme commenced by end 2004. • Review enforcement agencies of good governance - Public Service, Police, Judiciary and Leadership Code Commissions and the Ombudsman – conducted to improve structure and efficiency by end 2005.

Key Strategic Area 3 Restoring Fiscal and Financial Stability and Reforming the Public Sector

Macro Economic Management

- Achieve a **positive growth in per capita GDP** by end 2005.
- Achieve **inflation rate below 5%** by 2005 and thereafter maintain below 5%.
- Achieve **external reserves level** equivalent to 3 months of import cover by end 2004 and increase to 5 months import cover by end 2006.
- Initiate **household income and expenditure survey** in 2004 and produce survey report.

Fiscal and Financial Management

- **Increase government revenue collection** and achieve budgeted levels for 2004, 2005 and 2006.
- **Control recurrent expenditure** within budget commencing 1 October 2003.
- Put a **stop to payment of illegal claims** by end September 2003.
- **Stop and eliminate all “ghost” workers** from public sector payroll (police, teachers, medical and public service) by mid 2004.
- **Debt Servicing of both domestic and international debts** planned and agreed and operational by end 2003.
- **Agree with all creditors** (domestic and external) to a rescheduling of all debts by April 2004; new debt servicing level to be kept current thereafter.
- **2004 Budget** (both Recurrent and Development) completed and presented to Cabinet by early November 2003.
- **Government Accounts** for 1999-2003 audited by June 2004, all outstanding **accounts for government & statutory bodies** audited and submitted for Parliamentary review by end 2004.

Strategic National and Provincial Planning and Aid Coordination

- **NERRDP** completed and accepted by SIG and Development Partners as credible and realistic.
- **Produce annual reports on NERRDP** implementation with particular focus on impacts and outcomes at the province level.
- Obtain agreement to the **release in suspension of the STABEX funds** by end 2003.
- DNRP enhanced role as **SIG Aid Coordination unit** and national planner defined, resourced and operational by mid 2004.

Reform of Public Sector

- **Down-sizing of Public Service** – Phase 1 completed by June 2004; Phase 2 by end 2004 (number of redundancies to be determined after payroll cleansing).
- **Review and Reform Plan for Public Service** completed, costed and agreed by third quarter 2004 for inclusion in 2005 Budget.

Financial Institutions and Development

- **New SME development finance facility** identified, developed and operational by mid 2005.
- Review and prepare strategy for **state-owned financial institutions** including development of NPF, reform of HFC and decision on future of DBSI by June 2004.
- Develop and launch **SOE privatisation programme** with disposal of SML and Government Printers by March 2004.

Key Strategic Area 4 Revitalising the Productive Sector and Rebuilding Supporting Infrastructure

Employment, Production and Resource Management

- Generate 500 new jobs in private sector by end 2004, rising to 1000 new jobs by end 2005.
- Resume annual employment survey to monitor employment trends and produce 2003 report in 2004.
- Increase **copra production by smallholders** from 11,000 mt (est. 2003) to 24,000 /17,000 mt by end 2005; increase **cocoa production** from 3,500 mt (est. 2003) to 5,000 mt by end 2005.
- Comprehensive **private sector copra and cocoa buying and support programme** including RIPEL and other operators designed and funding secured by June 2004 and operational by end 2004 in at least four provinces.
- New **Forest Act** passed by Parliament by end 2003.
- Continue monitoring all licensed logging sites for compliance with **Code of Logging Practices** at least four times per year **and inspecting 50%** of all log shipments.
- **At Gold Ridge Mine** Facilitation of transparent Landowner Council elections and reasonable landowner agreement by third quarter 2004; new mine owner finalised by mid 2005.
- **Fishing Rights Based Management System** in place and **Tuna Management Plan** (Access Agreements) reviewed by December 2004.

Supporting Infrastructure

- **National Transport Strategy** with infrastructure operating and investment plan completed by end 2004 specifically addressing **inter-island shipping**, air services, marine and roads.
- Seven **new wharves** completed by 2005.
- Rehabilitate and upgrade **roads and bridges** and other physical infrastructure on North Guadalcanal, Malaita and other locations of major economic activity - 2003-2006.
- Rehabilitate and upgrade **airfields** around the country, and increase flights especially in economic routes – 2004/2005.
- Commence **tribal lands pilot project** in 2004.
- **SME Promotion Support and Advisory Services** incorporating private companies and NGOs investigated, designed and operational by mid 2005.
- **New Investment Promotion Act** passed and **Foreign Investment Board** membership overhauled and procedures streamlined by end 2004.
- Encourage **commercial banks' lending** activities – private sector borrowing to grow by 10% in 2004.

Key Strategic Area 5 Restoring Basic Social Services and Fostering Social Development

Education

- Achieve **universal access to nine years of basic education** from standard 1 to Form 3 by 2015, established target enrolment rates for 2006.
- 95% of all primary and Forms 1 to 3 schools to have **text books and a basic set of learning materials for all pupils on 1:1 basis** by end 2004
- **Teaching service payroll validation completed** by end 2004 and full personnel records by 2005.
- 1100 primary teachers to have received **training in curriculum materials** by 2004 and all primary teachers by 2008.
- Establish a comprehensive **education management information system (EMIS)** by end of 2004.

Health

- **Reduce malaria** cases from 160/100,000 population (2001) to less than 80 per 100,000 by end 2005.
- **Reduce infant mortalities** from 66 per 1000 live births (1999) to less than 50/1000 by end 2005.
- **Reduce maternal mortality rate** from 129 in 1999 to less than 80 by end 2005.
- Achieve **90% coverage of immunisation** of children (tuberculosis, diphtheria, OPV, measles and hepatitis) by end 2004.
- Determine the **child mortality rate** for Solomon Islands as whole as well as for each province by 2004.

Women and gender equality

- Achieve 100% **equality in enrolment** of boys and girls in primary education by 2006 (1999 gender gap of 3%); and reduce gender gap in secondary education to 5 percent (1999 gender gap of 9%); total elimination of gender disparity in basic education by 2015.
- Appoint at least one female to each of **the boards of directors** of public authorities and other state-owned enterprises when board vacancies arise and achieve female representation in all the boards by 2006.
- Formulate a national policy on **violence against women** in 2004 and implement.
- Convene 6 consultative workshops (total 180 women participants) on **rural skills training and economic empowerment** of women by end 2004.
- 24 women graduate as community paralegals in 2004 to advocate for human rights.
- Complete CEDAW initial report on Solomon Islands by mid 2004 for submission to UN Committee.

Children and Youth

- Protection of Child Rights Bill enacted by Parliament in 2004 and Child Protection Bill in 2005.
- Establish a **child protection system in 2004** to link all authorities and partners involved in supporting children.

- Adopt UN CRC recommendations and conclusions under the National Children's Policy and Plan of Action by first quarter 2004.
- Formulate and implement a national programme for reintegration and rehabilitation of **conflict-affected youth** in 2004 and implement.
- Establish youth centres for **employment, training and micro-credit promotion** in Malaita (Auki), Guadalcanal and Honiara by 2005.
- 24 youth graduate as community paralegals in 2004 to advocate for human rights.

Sports development

- Host and/or participate in at least one regional or international sports event each year during 2004-2006.
- Successfully bid in 2005 for hosting of 2011 South Pacific Games.
- Initiate actions to have **internationally recognised national stadium and facilities** completed by 2010.

Community development

- Increased **community projects** supported by mechanisms such Micro-projects Programme, Community Peace Restoration Fund and Grassroots Projects Programme (2003 projects as base).
- Agreed **Memorandum of Understanding** between Government and NGOs in place in 2004.
- Programme for **funding for non-state actors** under the EU/ACP Cotonou Convention agreed and begin implementation by end 2004.

Millennium Development Goals (MDGs)

- Produce Solomon Islands country report on progress with the Millennium Development Goals in 2004.

Provincial Focus of Key Strategic Areas

Development Outcomes at Provincial Level

- Produce a comprehensive baseline data on development indicators on province-by-province by end 2004.
- Reporting on Plan outcomes at the provincial levels as part of annual reporting on NERRDP implementation, beginning with 2003 report.

Chapter 7. Financing and Resource Mobilisation

7.1. Plans, Resources, Budgets and “Wish Lists”

The national planning processes in the Solomon Islands have become disjointed and fallen into disarray in recent years as politics, effects of ethnic tension and the breakdown in the administration of public resources have all had their influence.

National plans have been drafted and priority programmes and projects specified which have proved in practice to bear little relation to resources available. The credibility of such plans has been further undermined by incomplete implementation caused by falling revenues, delays in the release of funds, disruption due to unforeseen events or by misappropriation. Donors have become increasingly critical of the budgeting process.

In preparing the NERRDP, SIG has recognised the need to adopt the due process and re-introduce the disciplines of planning and financial management, which have been applied in the Solomon Islands in earlier years.

7.2. Financing Sources

Financing for the NERRDP 2003-2005 will come from both domestic and external resources. Domestic resources will meet some of the recurrent operations in implementing the Plan at both national and provincial levels to ensure that services are maintained and improved. External resources comprise development assistance including concessional finance and foreign direct investment. The provision and improvement in the enabling environment (including the restoration of law and order) to the productive sector will facilitate the flow of foreign direct investment resources to the private sector.

7.3. Domestic Resources and Allocation

Domestic revenue is expected to increase during the plan period, but it will not be enough to meet recurrent expenditure including debt service payments, which include substantial debt arrears. Therefore, it will not be possible to make allocation from domestic revenues to development expenditure. Domestic borrowing will not be possible given the high indebtedness of the government to the commercial banks and the National Provident Fund. Therefore, external development assistance will be required not only for development programmes but also for funding of some recurrent operations in the Key Strategic Areas of the Plan. The important policy stance with regard to domestic resources is to allocate domestic revenues to current expenditure i.e. staffing and other costs, in accordance with the policy priority areas of NERRDP.

The **Recurrent Budget**, covering “ongoing” Government expenditures, has for many years become separated from the **Development Budget** and indeed responsibility for their preparation has been allocated to separate Ministries within SIG. The rationale being that the Government’s recurrent expenditure would be covered by Government revenues and development initiatives would be funded out of any surplus of Government revenues after recurrent expenditure requirements. However, in reality almost all funding of the Development Budget has been from external donors.

This distinction has been blurred in recent years by the allocation to Parliamentarians and Provincial Governments of substantial discretionary development funds, out of Government revenues, the use of which may or may not have been for items identified in the Development Budget.

Three consequences of this increasingly ad hoc approval to development budgeting have been

- (a) Developments occur, such as the construction of a school or health clinic, village water supply or road, for which there is **no adequate provision for recurrent expenditures** of operation and repair;
- (b) "Planning" has become synonymous with the assembly of funding requests – a "wish list"; and
- (c) In the absence of an overall plan, development has become **donor-driven**, responding to the funding priorities of the Development Partners.

In this regard SIG is grateful for the very substantial contribution of the international community to many aspects of development, and in many ways have found donor priorities to be close to those of the Government. However, SIG recognises the need as a sovereign state that Solomon Islands needs to regain control of its own development and to engage in a more strategic manner with the donors.

7.4. NERRDP Approach

The NERRDP

- Takes cognisance of the situation outlined above.
- Sets out SIG key targets it wishes to achieve before end 2006.
- Whilst identifying specific areas of need, it does not specify projects, considering that the Development Budget is where these should be presented.

This approach has been adopted because, in consultation with the Department of Finance as it prepares the 2004 Recurrent Budget, it is clear that there will be no SIG funds from projected revenues surplus to recurrent expenditure needs.³³ Thus, given project lead times, in reality there will be few major initiatives actually incurring expenditure in 2004 that have not been already identified, designed and approved.

The importance of adopting this approach is that it forces the planning and project prioritisation process to immediately focus on actual resources available in the Development Budget which in turn will increasingly be linked to the Recurrent Budget.³⁴

Both the Recurrent and Development Budgets for 2004 are being finalised as the NERRDP document is completed (October 2003) and will be presented to Parliament in early November 2003. The presentation of these Budgets with the NERRDP is a conscious decision as they are seen to be integral to the credibility of both. A plan without resources is as meaningless as a budget without a plan.

7.5. Government Budgets

7.5.1. The Recurrent Budget 2004

The Recurrent Budget is currently being prepared based on the following assumptions (October 2003)

³³ Indeed there are instances – such as in the Education Sector where donors NZAID will be paying teachers salaries for a year or more.

³⁴ In the medium term the Department of Finance has indicated its intention to combine the Development and Recurrent Budgets. Moreover it would be desirable to move to a multi annual budgeting framework as envisaged in the MTDS 1999-2001 some five years ago.

- (a) The domestic revenues assume a 6 percent growth on 2003 levels due to
 - (i) Increased economic activity
 - (ii) Greater compliance in both payment and collection of revenues
 - (iii) Restoration of law and order underpinning the above.
- (b) External direct budgetary support to the budget, including contributions indicated from Australia and New Zealand.
- (c) **Allocations to Ministries and Departments** made on the basis of past budget relativities and intense consultations by the Department of Finance and individual ministries and departments and applying the priorities developed in the NERRDP.
- (d) The Budget also assumes strict financial control will be exercised throughout the year, a recruitment freeze, no overtime or payment of higher acting allowances and a number of other requirements to ensure the effective use of scarce government funds.

7.5.2. The Development Budget Process for 2004

Development Budgets for 2002 and 2003 were prepared under very difficult circumstances and unrealistic expectations of donor funding. Uncertainty across the public sector following the coup in 2000 had a severe impact on the budget preparation process. In particular, Ministries were unable to provide accurate data on donor-funded projects due to the breakdown of information systems. The Development Estimates 2003, for example, became a 'wish list' that had little planning content (projects were not prioritised; feasibility studies and appraisals were not undertaken for many of the projects) and therefore it had little credibility.

The Development Budget 2004 represents a clean break with this pattern. **Its main purpose is to estimate allocated funding for development assistance projects agreed by SIG and approved by donors.** As such, it is an essential element of the NERRDP 2003-2006, which has been developed to steer the nation through this period of public sector reform and post-conflict recovery. An accurate Development Budget will enable provincial and national planners to better estimate which provinces and which sectors will receive donor-funded assistance in 2004, and to use that as a basis for plans for future years.

It is important to note that the process by which development projects receive endorsement from the SIG remains confused. As of October 2003, there are two approval channels

1. National Ministries select and endorse projects, and then forward their lists to the DNRP; and
2. Provincial governments select and endorse projects, forward their lists to the Department of National Unity, Reconciliation and Peace for compilation into a national rehabilitation programme, which then forwards it to the DNRP.

The overwhelming majority of projects that are proposed under the two processes have not been subject to a feasibility study or consultation with donors. The result is that the DNRP receives conflicting messages from various levels and institutions of government regarding the priority of different projects.

In accordance with the NERRDP's Key Strategy Areas 2 (Strengthening Democracy, Human Rights and Good Governance) and 3) (Restoring Fiscal and Financial Stability and Reforming the Public Sector), the budget development process for future years must be reorganised, via consultations with all stakeholders, with a view to improving transparency

and efficiency, and wider consultation. A target date will be the introduction of this in time for the compilation of the 2005 Budget. The reorganised process should have as its key target **a single approval process** that includes

- Clear written instructions, published and distributed to all authorities, for each step; and
- A mechanism that ensures provincial input into, and responsibility for, planning for the nation.

The Development Budget should also eventually be linked to the Recurrent Budget, so that SIG contributions to the recurrent costs of development projects can be tracked in both budgets.

7.6. External Resources

7.6.1. Official Development Assistance

External resources for implementation of the Plan are expected to come from bilateral³⁵ and multilateral agencies³⁶, including international financial institutions, regional organisations³⁷ and international non-governmental organisations³⁸. Development assistance is provided in the form of grants and soft loans, as aid-in-kind and cash, and as capital and technical assistance and budget support. However, concessional loans from international financial institutions, ADB and World Bank, have not been possible until very recently when the Government of Australia cleared the debt arrears with these institutions. Australia has also made provision for servicing these two debts at least until June 2004. This is expected to enable both the World Bank and the Asian Development Bank to re-open a dialogue with SIG.

As noted earlier, external funding is required for both budget support to meet specific recurrent expenditure items as well as for development expenditure. These specific recurrent expenditure items include staff redundancy payments, payments of debt arrears as well as essential expenditure to maintain basic social services. These include medical supplies, provincial health staff costs, education grants and teacher costs, education instructional materials as well as contributions and student fees for tertiary education. An exit strategy for donors will be developed so that within a specified time period, these costs will be phased back into the government's recurrent budget financed by domestic revenues. To safeguard the integrity of these payments, trust accounts/funds will be established and these items will be projectised, for the payments. Payments will be made directly to service providers from the trust accounts/funds of the projectised items.

Apart from the traditional donors, other reputable sources of funding will be explored. Some of these new donors have already offered assistance and SIG has accepted these offers. A resource mobilisation team, coordinated by DNRP, will facilitate discussion with new and potential development partners and explore other avenues of funding the Plan from reputable sources.

The Solomon Islands has been fortunate to be supported by its friends and neighbouring states in the region throughout the period of tension. Appendix Table A.4 summarises SIG

³⁵ Bilateral donors: Australia, New Zealand, Japan, United Kingdom, Republic of China and USA.

³⁶ Multilateral agencies: European Union, UN agencies – UNDP, UNICEF, UNFPA, UNIFEM, UNESCO, FAO, ESCAP, WHO and ILO, and multilateral financial institutions – ADB, World Bank and IMF.

³⁷ Regional organizations: Forum Secretariat, Pacific Community, SPREP, South Pacific Geo-Science Commission, FFA and USP.

³⁸ Including but not only Save the Children Fund Australia, Save the Children Fund New Zealand, World Vision, World Wildlife Fund, International Red Cross and church-based funding organizations.

understanding of the support in committed funding from its bilateral and multilateral development partners for the 2004 Development Budget. This information was compiled during the consultations on the preparation of the Development Budget 2004.

7.6.2. Non-Government Assistance

It is important that funding is made available directly to the communities under such mechanisms as the AusAID Community Peace Restoration Fund, EU-funded Micro-Projects Programme and Japanese Grassroots Projects Programme. It is necessary that these programmes are resourced to support community projects and initiatives.

It will also be necessary to facilitate assistance from international NGOs to support programmes of national NGOs or establish funding directly to support community initiatives.

7.7. Programmes and Projects

The implementation of the Plan requires implementing programmes and projects and, equally importantly, those actions that are not in the form of projects but are required for policy change and redirection. These actions for policy change and redirection are fundamental to bringing about security, law and order, economic recovery and re-establishing the foundations for development.

Strategically, the Plan addresses security, law and order, economic recovery, social restoration, reform and development. The most important and urgent actions and projects are those that are required to address and foster security, law and order, economic recovery and social restoration in the immediate term. These have the highest priority in implementing the Plan. However, this does not exclude programmes and projects in other sectors. These programmes and projects will also be implemented. As discussed earlier, the Development Budget is the vehicle by which the programmes and projects are implemented.

Chapter 8. Implementation, Monitoring and Progress Reporting

8.1. Requirements of Plan Implementations

8.1.1. *The Will to Act*

The first condition for the successful implementation of the NERRDP is the commitment and political will and determination for the Plan components to be realised. SIG has expressed that will and commitment³⁹. The process of economic recovery involves lot of tough decisions and equally importantly, tough action. There are vested interests that benefit from the current operational environment and will set up “roadblocks” along the road of economic recovery, social restoration, reform and development in order to maintain their current position, which disadvantages the majority of people in Solomon Islands. However, these vested interest groups must be dealt with effectively otherwise economic recovery, social restoration, reform and development that will benefit the majority of people in Solomon Islands will not eventuate.

8.1.2. *Partnership of Stakeholders*

The successful implementation of the Plan requires strong cooperation and mutual support between the stakeholders i.e. the government, civil society and non-government organisations, the private sector and the overseas development partners. It requires a whole of government approach involving all government ministries, departments at the national and provincial levels as well as statutory bodies and state-owned enterprises. Although the Plan lays out the strategies and policy actions to be taken by the government, including those to engage the other stakeholders, the government needs the cooperation and active participation of the civil society and non-government organisations, private sector and external development partners in implementing the Plan. They have important roles in contributing to improving people’s lives. Moving the country forward requires a strong partnership between all stakeholders and continuing dialogue on policy issues and the courses of action to be taken and cooperation in taking the required actions.

Civil society and non-government organisations including community-based organisations have been active particularly in the areas of social development. These organisations range from the churches and church-based organisations, special interest groups (not church-based) and those that have broad-based development focus. These organisations include both national and branches of overseas NGOs that operate in Solomon Islands.

The churches have been very active particularly in education and training, in primary and secondary education as well as in vocational training. They are also involved in provision of medical and health services, as well as dealing with youth and children and women issues with their networks of church-based youth and women’s organisations. During the ethnic conflict and its aftermath the churches and related organisations have been actively involved in restoration of peace and in reconciliation between ethnic and community groups. Their continued involvement in these areas of reconciliation will particularly contribute to strengthening unity and harmony amongst communities.

Women’s organisations have actively engaged in addressing gender issues as well as contributing to bringing to the end the ethnic conflict as well as in restoration of harmony in the communities. Women’s organisations need to continue advocating for women and gender issues and their continued involvement in bringing harmony and peace in the communities as well as between ethnic groups will accelerate the peace building and social

³⁹ SIG Response to MDEGM report Feb 2003 dated April 2003.

restoration process. Youth organisations, mostly church-based, have been dealing with the youth issues and needs. There are also other specific interest NGOs' such those dealing with family violence, family planning, environment and those that deal with humanitarian matters as well as broad-based development at the community level.

The important contribution of civil society and non-government organisations is that they are active directly at the community level and with the target groups and that they advocate for the needs of the people. They provide the channel for the voice of the people to bring to the attention of the government, the private sector and overseas development partners the impacts, positive or negative, of policies and activities on communities and, in particular, how policies and programmes can be focused to better address the needs of the people.

The private sector enterprises are involved in the production of goods and services for the market. The private sector is the "engine of growth". The private sector has continued to undertake their role, sometimes in spite of the government, government policies and programmes. Providing and enabling environment as well as a level playing field will stimulate production of goods and services as well as spread the benefits of private sector development. The private sector enterprises need to play by the rules and be good corporate citizens contributing to achieving the common good.

Successful implementation of Plan also requires a strong partnership between Solomon Islands Government and the development partners whose resources are needed to supplement domestic resources for implementing the Plan. The development partners have the key role of providing assistance to supplement and augment domestic resources, financial and technical to enable a much higher level of development activities and services to take place. Not only that financial resources are provided to carry out development programmes but also to develop local capacity as well as bringing information on experiences and lessons learned from experiences of other countries. The development partners need to work closely with government to overcome obstacles and deal with constraints to economic recovery, social restoration and reform and development. Whilst benchmarks are set for provision of development assistance, these benchmarks can be achieved with assistance of development partners.

8.1.3. Capacity Building

The successful implementation of the Plan depends on the capacity of government and public sector as well as private sector to carry out the planned actions. Presently, the capacity of government is weak and therefore needs to be strengthened. In the short term this means augmentation by external technical and managerial resources. However, it is important that local capacity is developed so that dependence on external technical assistance can be minimised and eventually eliminated. In this connection it is necessary to have specific capacity building programmes and that other projects have a capacity building component and also that technical assistance advisory projects give priority to building capacity in the areas where the projects are providing support.

8.2. Monitoring Arrangements

The Department of National Reform and Planning is responsible for monitoring and reviewing the progress of implementing the Plan. Monitoring of the Plan implementation will be based on the key indicators and targets listed in Chapter 6 above. In addition other performance indicators and established benchmarks will also be used in the monitoring process. The performance benchmarks required by the development partners will be discussed and agreed between the government and the donors. Monitoring as well as reporting will be done jointly by the DNRP and the development partners that provide

assistance to implement the Plan. This joint monitoring will be done at the sectoral level as well as for the Plan as whole.

The reports that are produced by the monitoring process will be submitted for review and discussion at the monitoring and coordination mechanisms described in section 8.3 below. They will also be submitted to Cabinet for review. The half-yearly and annual reports on the progress of Plan implementation will also be submitted to the Parliament. These reports will also be provided to civil society and non-government organisations and be also available to the public. This enables the progress of the Plan be available and reviewed, not only at the officials' level of the government and the development partners, but also at the political level as well as by the public at large.

8.3. Monitoring and Coordination Mechanisms

The implementation of the plan requires continued consultation and coordination, monitoring as well as regular reporting on the progress of plan implementation. Effective consultation, coordination, monitoring and reporting are essential so that timely corrective actions can be taken to deal with bottlenecks that arise during plan implementation. The monitoring and coordination mechanisms are outlined hereunder and reporting process is discussed in **Error! Reference source not found.** below.

8.3.1. Within Solomon Islands Government and Civil Society

At the national government level, the Cabinet has the overall responsibility for monitoring the progress of plan implementation, and beyond the Cabinet is the National Parliament. At the officials level monitoring and coordination mechanisms include inter-departmental, inter-governmental i.e. national and provincial governments and government with the civil society organisations. These mechanisms flow on from the consultation process carried out during the preparation of NERRDP.

Inter-departmental Coordination

At the inter-departmental level there two coordination mechanisms. One is the NERRDP steering group consisting of the central government departments i.e. DNRP, Department of Finance and Prime Minister's Office Policy Evaluation Unit as well as the CBSI. The inner core of this mechanism is DNRP senior staff. This mechanism constitutes the resource mobilisation team for the NERRDP and project prioritisation for implementation.

The other inter-departmental coordination and monitoring mechanism comprises of all government departments. This mechanism evolves from the Reference Group for the NERRDP preparation that consisted of all Permanent Secretaries. This inter-departmental mechanism, to be known as the National Planning and Development Consultative Committee, will meet on a quarterly basis to monitor and review progress of the implementation of NERRDP and the actions to be taken.

Inter-governmental Consultation and Coordination

The inter-governmental coordination mechanism involves the DNRP and provincial government planning units. This enables consultations on NERRDP implementation in respect of the provinces. It institutionalises the process of consultation with provincial governments that began with the NERRDP provincial consultative workshop held in May 2003. The consultations between DNRP and provincial government planning units, to be known as National/Provincial Planning Consultations, will be held annually either in Honiara or in provincial centres.

Consultations Between SIG and Civil Society Organisations

Having a mechanism between SIG and civil society/non-government organisations will facilitate consultations between SIG and civil society/non-government organisations on the progress of implementing the NERRDP. This will reinforce the consultations that the government had initiated with civil society/non-government organisations on the preparation of NERRDP. There is a Think Tank Taskforce (TTT) of the Prime Minister's Office that includes representatives of civil society/non-government organisations. This mechanism will be utilised for consultations on the NERRDP between SIG and civil society/non-government organisations. In addition, arrangements will also be made by DNRP in conjunction with the Department of Home Affairs for consultation meetings involving all the civil society/non-government organisations.

8.3.2. Between Solomon Islands Government and Development Partners

Consultations and coordination mechanisms between SIG and development partners are of two types. One is the SIG/Development Partners Consultative Meeting for policy dialogue. This policy dialogue meeting, which started in 1998, will continue to be held annually during the Plan period. If necessary this high-level consultation meeting can be held on a six-monthly basis.

In addition, there is, now established, a joint SIG/Donor Coordination Meeting⁴⁰ that enables joint coordination and monitoring as well as responsibility for the progress of implementing of NERRDP. There is also a meeting between the resident donors and members of the Monthly Monetary Monitoring Meeting (4Ms), which provides an opportunity for donors to get information on matters discussed by the 4Ms. The functions of the joint SIG/Donors Coordination Meeting are to review progress of implementing the NERRDP, discuss policy issues, the progress of actions taken by SIG and those taken by the donors. Thus it functions also as a joint aid coordination mechanism. The SIG/Donor Coordination Meeting will be held on a quarterly basis.

Apart from these mechanisms for multi-donor consultations with SIG, there are also annual and periodic consultations between SIG and individual development partners to discuss and review individual donor programmes of assistance to Solomon Islands. These consultations also involve policy dialogue on the programmes of assistance.

8.3.3. At Sectoral Level

Monitoring and coordination mechanisms will also be established for the key sectors and areas. The relevant sectors are law and order and security, economic recovery and reform, education and health. Other sectors may be identified during Plan implementation where sectoral coordination is also needed. The departments having portfolio responsibility for the sectors will spearhead the sectoral coordination mechanisms. These coordination mechanisms will include donors providing assistance to the sectors and relevant ministries/departments and civil society organisations.

8.4. Reporting of Progress of Plan Implementation

It is essential regular reporting of the progress of plan implementation be done. These reports will be provided to the various monitoring and coordination committees. The reports to the SIG internal coordination mechanisms and SIG/Donors Coordination Meeting and SIG/Development Partners Consultative Meeting will be the responsibility of the DNRP.

⁴⁰ The first of the SIG/Donor Coordination Meeting was held on 25 July 2003. Such a mechanism was recommended in the MDEGM report.

Reports to sectoral committees are the responsibility of the sectoral ministry/department. A half-yearly and an overall annual report of progress with Plan implementation and on development assistance will be prepared by the DNRP. These annual reports will be among the main documents for the annual SIG/Development Partners Consultative Meeting. The annual report will be distributed widely within SIG as well as to civil society organisations.

Other independent reporting of the performance of the economy as well as overall economic and social progress in Solomon Islands is made by the various agencies. CBSI's annual report and quarterly review reports are essential for monitoring of economic performance and progress and outcomes of implementing the Plan. In addition, the Asian Development Bank (ADB) provides periodic independent assessments of the economy of Solomon Islands. The last report by the ADB on Solomon Islands economy was produced in 1997. Another independent report by the ADB on the economy of Solomon Islands during the Plan implementation will be invaluable.

Appendix A – Statistical Tables

Table A.1	Summary of Macroeconomic Aggregates
Table A.2	Estimated Real GDP (\$million, 1985 prices)
Table A.3	Foreign Exchange Receipts for Major Exports (\$million)
Table A.4	SIG Development Budget 2004 (Draft) Committed Funding (SI\$)

Table A.1 Summary of Macroeconomic Aggregates										
Variables	Units	1995	1996	1997	1998	1999	2000	2001	2002	2003/1
Population	('000)	0.366	0.376	0.386	0.397	0.409	0.420	0.432	0.444	0.457
GDP - Real	SI\$ Mil	333.6	339.8	336.7	341.0	339.1	291.3	265.9	260.6	270.5
- Nominal	SI\$ Mil	1114.5	1293.1	1390.8	1448.7	1585.2	1453.4	1435.9	1527.6	1588.3
Primary -Industry Index	(1985=100)	113.8	108.0	111.9	103.6	95.5	68.7	61.6	65.6	81.5
	% of GDP	34.1	31.8	33.2	30.4	28.2	23.6	23.2	25.2	30.2
Non- Monetary Output	SI\$ Mil	52.9	54.3	55.7	57.2	58.6	60.2	62.1	63.7	65.5
	% of GDP	15.9	16.0	16.5	16.8	17.3	20.7	23.4	24.5	24.2
Wage employment	('000)	33.1	34.1	33.3	34.1	na	na	na	na	na
Balance of Payments / 2										
Trade Balance	SI\$ Mil	46.9	39.1	-104.1	-153.4	192.3	-167.7	-183.3	-46.3	19.9
Exports	SI\$ Mil	573.2	576.0	581.8	568.8	607.4	331.3	248.7	390.0	315.2
Imports	SI\$ Mil	526.3	536.9	685.9	722.2	415.1	499.0	431.9	436.3	295.3
Current Account	SI\$ Mil				53.4	120.0	-223.8	-172.3	-41.0	41.7
External Debts	SI\$ Mil									
SIG Debts	SI\$ Mil					986.0	978.7	1153.6	1557.0	1588.3
External debts	SI\$ Mil					596.9	593.7	719.3	1087.3	1096.5
Domestic	SI\$ Mil					389.1	385.0	434.3	469.7	491.8
Private sector	SI\$ Mil									
External Reserves	SI\$ Mil	52.5	116.6	150.4	233.4	255.9	159.8	103.0	129.9	215.3
Gross Debt/GDP										

Table A.1 Summary of Macroeconomic Aggregates (cont'd)										
Variables	Units	1995	1996	1997	1998	1999	2000	2001	2002	2003/1
Government Finances /3										
Total Revenue	SI\$ Million					393.1	277.5	219.9	263.3	188.9
Grants	SI\$ Million					103.1	110.7	32.5	108.7	82.4
Grants	%									
Total Expenditures	SI\$ Million					482.1	599.1	315.5	493.9	199.4
Capital	SI\$ Million					124.1	196.0	3.5	57.2	na
Capital	%									
Govt Deficits	SI\$ Million					14.1	-210.9	-63.3	-121.9	-10.6
Foreign Loans	SI\$ Million									
Banking /4										
Money Supply	SI\$ Million	340.1	393.5	418.3	438.5	458.3	460.0	399.0	414.9	475.1
Money Supply	%	9.9	15.7	6.3	4.8	4.5	0.4	-13.3	4.0	14.5
Interest Rates										
Average deposits	%	7.4	6.3	2.8	3.2	3.2	3.0	1.6	0.6	1.0
Average lending	%	16.9	16.7	15.7	14.1	14.1	15.1	15.7	15.6	15.6
Saving/GDP	%									
Inflation (Honiara)	%	9.6	11.8	8.1	12.4	8.0	6.9	7.6	9.4	8.3
Exchange rates	(SI\$/US\$)	3.41	3.55	3.73	4.82	4.93	5.09	5.30	6.78	7.52

Source Central Bank

1/ Provisional estimates

2/ Up to August

3/ Data up to July. Revenues exclude grants

4/ Data up to September, including exchange rate data.

Table A.2 Estimated Real GDP (\$million, 1985 price)							
Industry	1996	1997	1998	1999	2000	2001	2002
Agriculture	51.1	56.4	54.3	42.3	33.9	29.0	31.6
Forestry	32.3	30.1	20.8	23.6	20.4	20.3	21.5
Fishing	24.5	25.4	28.6	27.7	13.8	11.7	12.4
Mining & Exportation	-1.1	-1.9	6.8	19.2	9.3	-0.6	0.1
Manufacturing	16.6	16.8	17.4	17.4	13.9	11.2	10.6
Electricity & Water	5.0	5.4	5.7	6.0	5.0	4.5	4.6
Construction	17.3	11.3	6.2	4.5	2.4	1.3	1.1
Retail and Wholesale Trade	30.4	30.3	33.1	31.0	27.7	24.8	27.2
Transport and Communications	14.0	13.0	14.6	15.3	12.3	10.0	11.2
Finance	20.1	18.7	16.2	16.4	15.9	15.4	15.2
Other Services	75.5	75.7	80.6	77.8	76.4	76.2	61.2
GDP at 1985 Price (Monetary)	285.6	282.0	283.9	281.6	231.6	205.8	196.9
Index (1985 = 100)	171.8	169.6	170.7	169.4	139.3	123.8	118.4
Annual % movement	1.4	-1.3	0.7	-0.8	-17.8	-11.2	-4.3
Omitting mining Expro.	286.7	283.8	277.0	262.5	222.3	205.7	196.8
Index (1985 = 100)	170.9	169.2	165.1	156.4	132.5	122.6	117.3
Annual % movement	1.5	-1.0	-2.4	-5.3	-15.3	-7.5	-4.3
Primary Prodn (monetary) - 1985 Price	108.0	111.9	103.6	95.5	68.7	61.6	65.6
Annual % movement	-5.1	3.7	-7.4	-7.8	-28.0	-10.4	6.5
Non-Monetary Food	50.0	51.3	52.7	54.1	55.5	57.2	58.7
Non-Monetary Construction	4.3	4.4	4.5	4.6	4.7	4.9	5.0
GDP at 1985 Price (all Prodn in SI\$)	339.8	336.7	341.0	339.1	291.3	265.9	260.6
Annual % movement (Real)	1.6	-0.9	1.3	-0.6	-14.1	-8.7	-2.4
GDP per capita US\$	968.6	965.6	757.3	785.5	679.2	626.7	506.7

Source Central Bank.

1 / Provisional estimates

Table A.3: Foreign Exchange Receipts (in million SBD) for Major Exports

Commodities	1998	1999	2000	2001	2002	2003/1
Copra	39.0	39.0	35.0	0.4	2.0	4.0
Fish	194.0	159.0	41.0	37.0	71.0	58.0
Logs	196.0	251.0	224.0	190.0	254.0	252.0
Palm oil & kernel	98.0	65.0	7.0	0.2	0.0	0.0
Cocoa	30.0	24.0	9.0	5.0	28.0	40.0
All others	50.0	69.0	15.0	16.0	35.0	17.0

/1: Figures up to August

Source: CBSI

Table A.4 SIG Development Budget 2004 (Draft) Committed Funding (SBD)

(Note: excludes funds through Recurrent Budget)

	Approved total project cost	Estimate 2004				
Key Strategic Areas	1,127,749,324	448,880,330	100%			
Key Strategic Area 1 Law and Order and Security	209,254,500	86,315,700	19%			
Key Strategic Area 2 Governance and Good Governance	71,547,483	45,480,730	10%			
Key Strategic Area 3 Fiscal stability/Public sector reform	31,446,250	27,182,250	6%			
Key Strategic Area 4 Productive Sector/Support Infrastructure	204,922,301	51,756,007	12%			
Key Strategic Area 5 Basic social services/comm devt.	610,578,790	238,145,643	53%			
Key Strategic Areas by Donor	AusAID	EU	Japan	NZAID	ROC	Other*
Key Strategic Area 1 Law and Order and Security	82,565,700	1,750,000	0	0	2,000,000	0
Key Strategic Area 2 Governance and Good Governance	28,905,000	8,480,000	0	1,892,500	1,900,000	4,303,230
Key Strategic Area 3 Fiscal stability/Public sector reform	23,432,250	3,750,000	0	0	0	0
Key Strategic Area 4 Productive Sector/Support Infrastructure	19,694,392	18,300,000	7,682,000	700,000	3,574,000	1,805,615
Key Strategic Area 5 Basic social services/comm devt.	100,629,150	60,958,800	9,629,600	8,147,000	30,115,038	28,669,055
Total	255,226,492	93,238,800	17,308,600	10,739,500	37,589,038	34,777,900
Sector Summary by Donor	AusAID	EU	Japan	NZAID	ROC	Other*
Sector A Development of Natural Resources	6,977,392	300,000	0	400,000	334,000	1,805,615
Sector B Development of Commerce and Industry	0	0	0	300,000	200,000	0
Sector C Development of Physical Infrastructure	12,717,000	18,000,000	7,680,000	0	3,040,000	0
Sector D Human Resources & Community Devt.	65,351,250	55,958,800	7,426,600	8,147,000	30,115,038	28,185,855
Sector E Government and Security	170,180,850	18,980,000	2,200,000	1,892,500	3,900,000	4,786,430
Total	255,226,492	93,238,800	17,308,600	10,739,500	37,589,038	34,777,900

*Other' includes UNDP, GEF, SIG, GF, ADB, World Bank, UNFPA, UNICEF and WHO

Appendix B – Overcoming Constraints to Production and Revitalisation Strategies

1. Law, Order and Fiscal and Financial Control

Consulting with the productive sector produced a long list of issues and actions (see under Objectives, Actions below) that need to be addressed to “revitalise” the economy. Many of the constraints identified pre-date the period of ethnic tension and SIG is faced with real challenges in knowing what to do first.

The **restoration of law and order** and the stabilisation of **fiscal and financial control and management** of Government monies are bedrock requirements for the recovery of the economy. The negative effects on private sector activities of the flouting of Government procedures, the lack of transparency, the absence of a “level playing field” for businesses, of the failure of Government to pay its debts and the presence of several inefficient state owned enterprises crowding out potential private investors have all been mentioned earlier in this document as have the recent changes and some positive progress that has been achieved under KSA 1 and KSA 2 . Furthermore the initiatives identified in improving good governance under KSA 3 – though longer term will be essential in underpinning private sector confidence.

Table 1: Foreign Exchange Receipts (in millionSBD) for Major Exports

Commodities	1998	1999	2000	2001	2002	2003/1
Copra	39.0	39.0	35.0	0.4	2.0	4.0
Fish	194.0	159.0	41.0	37.0	71.0	58.0
Logs	196.0	251.0	224.0	190.0	254.0	252.0
Palm oil & Kernel	98.0	65.0	7.0	0.2	0.0	0.0
Cocoa	30.0	24.0	9.0	5.0	28.0	40.0
All others	50.0	69.0	15.0	16.0	35.0	17.0

1: Figures up to August
Source; CBSI

2. Size and Role of Public Sector

The collapse of commodity exports, of revenue collections and misallocation of public funds are forcing Government to face issues relating to the **size and scope of the public sector** – the need to downsize the Public Service and to privatise several state owned enterprises and to reconsider its relationship with the productive sector.

But these are not easy subjects for Solomon Island officials to tackle. Since Independence the majority of those in paid employment have been in Government Service, most of the balance being in large scale plantation, forestry, fishing enterprises and latterly mining companies, usually with some expatriate senior management.

The private sector in Solomon Islands has therefore been in the hands of a relatively small number of people – including expatriates who have eventually left the country with their expertise.

The private sector has not grown in size or scope nor has a cadre of entrepreneurial Solomon Islanders emerged, as most educated persons have first sought positions in Government Service.

This dominance of the public sector, including a range of un-privatised SOEs managed in the main by those with a background in the public service, has led to a **bureaucratic and**

over regulatory approach to the private sector, which combined with poor governance and a non transparent administration has restricted the growth and development of businesses and hindered – rather than facilitated business start-ups and has not encouraged widespread foreign direct investment.

3. SME Business Advisory Services

The future social cohesion and longer-term economic stability of the Solomon Islands will depend to a significant extent on the development of a prosperous indigenous entrepreneurial class. The SME sector, particularly indigenous owned businesses, have suffered badly over the last few years and there needs to be an effective programme to assist these businesses to participate effectively in the future economic growth.

The business advisory services available to this sector are very limited. The New Zealand Government funded Small Business Enterprise Centre has been obliged to curtail its operations and the services available from the private sector are either inadequate or beyond the reach of locally owned small business operators and potential entrepreneurs.

The establishment of a **“one stop shop” approach for business** licensing, regulation, support and advice to replace the complex list of Ministry and Departmental regulations and requirements has long been mooted but never been fully actioned and an early investigation is now urgently required.

Likewise, the streamlining of the **Foreign Investment Board**⁴¹ procedures combined with Investor friendly support and guidance is similarly needed.

4. Access to Finance

Access to appropriate finance will be crucial to the revitalisation of all segments of the private sector. The Commercial Banks' position carrying substantial and un-serviced Government bonds has been highlighted earlier in this document, negatively impacting on interest rates and risk profiles for potential borrowers. The Commercial banks will only lend to clients with a three-year trading history and typically require 100 percent collateral for lending. Thus there is no finance for new business start-ups. At present the financial services available to small and medium sized enterprises are either unattainable or unsustainably expensive. Financial support to micro enterprises is almost non-existent and the collapse of the credit unions has resulted in weak savings and small loan facilities around the country. The failure of the Development Bank of the Solomon Islands (DBSI) has left a void in the market at a time when a development finance facility is badly needed.

Donor funded programmes such as the EU Micro Projects, CPRF (AusAid) the Grassroots Projects Programme (Japan) have focused on **grants** and micro lending and gone some way to meeting needs but on the whole, these have favoured community social needs, schools, clinics and water supplies etc. with only a limited focus on income generating activities.

The purchase and transport of copra and cocoa offer an immediate opportunity to improve household incomes across the country but are constrained by a lack of credit for the buyers and transporters. **In the absence of a rural finance mechanism in the immediate term – the use of these donor funded programmes, which have established dispersal procedures, such as mentioned in the previous paragraph, needs to be investigated.**

⁴¹ Highlighted as a priority in the MDEGM report Feb 2003.

5. Reliable Infrastructure

Geography and topography pose particular challenges to the economy of the Solomon Islands. The current inefficient, unreliable and costly inter-island sea and airfreight and passenger services are inhibiting the revitalisation of the agriculture, aquaculture, commerce and tourism sectors. There will be limited progress achieved in reviving the important copra industry, the tourism industry will continue to be constrained by unreliable air services and the provinces will not achieve economic growth until there are reliable and competitive transport services within the country. **Inter-island shipping services** are skeletal with many islands being visited by ferries or cargo carriers perhaps only every six months or more **Without regular reliable shipping it is impossible for sustainable economic activities to be planned.** There have been little or no **road maintenance and repairs** undertaken in recent years in many locations and road conditions are generally very poor. **Wharf and jetty development** are rudimentary, in need of repair and limited in coverage.

Most of the sea freight and passenger service providers are **constrained by inadequate working capital and their increasingly expensive vessels require either replacement or substantial upgrading.** These problems are compounded by both rising fuel costs and the price sensitivity of the market. A further problem is the poor returns from several of the less popular routes and the high freight charges reflect this factor.

Tourism operators report that the most significant impediment to the industry is the unreliable air services to the various destinations. Solomon Airlines has been reduced to two aircraft and neither the overseas tourism wholesalers nor the local operators are prepared to risk the likely disruption to their customers stemming from cancelled flights.

Accordingly, a comprehensive plan for the restructuring of the inter-island transport services is a key priority. Work has been started on compiling a **National Transport Strategy** but it is not complete. There is an urgent need for investment in transport infrastructure and clearly this will require substantial external assistance.

6. Availability and Access to Land

A further constraint on private sector economic development continues to be the differing and seemingly incompatible approaches to the exploitation of natural resources of i) the would-be investors and ii) the natural resource owners. Underlying production is the availability and access to land for agriculture and forest products, both subsistence and cash cropping, as well as for the location of industries including fishing enterprises. Most of the land is customarily owned where owners and land boundaries are not formally recorded and therefore imprecise. Furthermore the ineffective system of resolving disputes leads to uncertainty and deters investors. Indigenous entrepreneurs also face difficulties in securing bank finance without clear and enforceable title to their land.

These are the underlying causes for conflict on the use of land and land-based resources, which impacts on production. The issues of communal land ownership and exploitation, which are not confined to the S.I., require fresh approaches and access to successful initiatives from other countries – particularly those in the Pacific.

7. Strategies for a Revitalised Economy

Many of the developments achieved in the Solomon Islands since Independence have been achieved through projects. The term “Priority Project” is much used within the Solomon Islands Public Service, national and provincial Governments and National Parliament. With years of under-funding and minimal investment, the list of priority projects and programmes

have lengthened as needs have increased and the concept of priority has become diluted. The National Rehabilitation Plan compiled by the Department of Rehabilitation, Unity and Peace in consultation with the nine provincial Government lists over 338 no. 1 priority projects at a total cost of SB \$2.9 bn for 2004. Clearly within this list there would need to be a further prioritisation.

The NERRDP process has been to consult, receive submissions and select a number of target goals, which SIG considers with its Development Partners it should aim to achieve in the next two years.

8. Key Strategies and Targets for 2003 to 2005

8.1 Re-Opening Major Companies

The closure of **Gold Ridge mine and the SIPL palm oil operations** and the downturn in **RIPEL** impacted adversely on the economy and on employment. The reopening of these companies has been allocated priority by the SIG but progress has been slow because of the ongoing security situation and the poor investment climate in the country. The Industries Rehabilitation and Retention Task Force (IRRTF) has endeavoured to recommence these projects; while some progress has been achieved there remain a number of fundamental impediments.

It is **now doubtful whether SIPL will reopen**. The investment required and the inherited landowner problems do not make this an attractive project for the required overseas investor. Nonetheless every effort should be made to rehabilitate this important export industry and the IRRTF will continue to pursue the options. In the meantime, other palm oil projects in the country will be investigated and priority needs to be given to development of an effective nucleus estate approach to such projects.

RIPEL is now privatised and is operating, albeit at less than full capacity as it too suffered vandalism and closure during the period of tension (see Box below). RIPEL's size and facilities coupled with the willingness of its management to provide support and assistance (driers etc) and to purchase copra and cocoa from stallholders and to participate in promoting the recovery and expansion of the national industry makes it a central and important player in the nation's economic recovery.

The **Gold Ridge** mine will be sold by the current owners and the potential problem with the landowners needs to be resolved before this project is tendered. Government will consider early support to the transparent formation and election of a new Landowners Council. The reopening of Gold Ridge would provide a positive signal to the local and international business communities and it would also stimulate mineral and petroleum exploration in the country.

Issues for consideration include:

- An extension of the role of the IRRTF for a further 12 months to facilitate and monitor the reopening of these projects.
- Ongoing discussions with the SIPL landowners in an attempt to resolve the impediments to a new investor in the project. At the same time, encouragement of investors in other palm oil projects in the provinces, to be developed under a nucleus estate approach, including RIPEL (see next section).
- Facilitation of transparent Landowner Council elections at the Gold Ridge area and development of a reasonable landowner requirement for an agreement with a new owner. Second half 2004. New mine owner finalised by mid 2005.

8.2 Agricultural Sector

The agriculture sector will remain the backbone of the economy for some time and equitable economic growth will rely on a vibrant and export orientated commodities sector in the medium term.

Improvements in the inter-island freight services (see below) are crucial to this sector but there also needs to be pragmatic assistance to both small-scale suppliers and exporters if the agriculture commodities industry is to achieve its potential. In this regard the following needs to be implemented

- Development of a comprehensive Backwards Linkages programme to restore the copra and cocoa industries to their important economic position. This programme would need to include the **RIPEL** operation and the provision of assistance to copra suppliers to this business (in the form of both equipment and technical support). The programme may also incorporate other buying operations within the country. **Programme should be commenced as mid-2004.**
- Provision of associated infrastructure (port/loading, storage, access roads) through a carefully coordinated programme in coordination with current and future donor assisted infrastructure development projects. **Coordinated programme agreed by mid-2004.**
- Institutional strengthening of the Department of Agriculture to improve support to suppliers and to institute programmes for crop diversification. **End 2004**

Russell Island Plantation Estate Ltd. (RIPEL) Current Status - October 2003

Historically, RIPEL has been, and still remains the largest producer of copra/coconut oil and cocoa in the Solomon Islands and is also the largest private enterprise employer. With the right cooperation and support RIPEL can provide a market for smallholder copra and cocoa and facilitate economic recovery for many rural households as well as the country as a whole.

The Company was privatized in Oct 2002 with a Scheme of Arrangement with the following **shareholdings** Russell Islanders/Landowners 24.9 percent, Provincial Government 20.0 percent, Workers and Staff Schemes 20 percent, Solomon Island Government 20 percent, Investors (ICSL or nominee), 15.1 percent.

Status within SI Economy:

RIPEL plays a major role in the agricultural industry and the SI economy as a whole:

- ✓ The **single largest producer of copra and cocoa** in the Solomon Islands with around half of the total annual production
- ✓ Is the **single largest employer** in the SI economy with a present workforce of around 852 salaried and waged staff?
- ✓ Remains an **important buyer of smallholder copra and cocoa**, in particular on RI and Central Province.
- ✓ **Owns and maintains large storage facilities** on RI for copra and cocoa which facilitate the purchase of smallholder production and achieving regular, efficient and viable export¹ loads.
- ✓ **Potential beneficiation of copra** through recommencing production of coconut oil could absorb an additional 9000 - 10 000 Mts. per annum of copra from increased production from its own plantations and buying from smallholders.

Current and projected production 2003 –2005 Russell Island:

Metric tonnes	2003 Jan- Sept	2004 Projected
Plantation	2637	9600 ^a
Smallholder	629	960
Exported	3,266	10,560
Value of Export \$SB	\$BD 4,350,312	\$SB 14,065,920

^a NB This is for Russell Island only – any tonnage from Guadalcanal would be additional.

**Russell Island Plantation Estate Ltd. (RIPEL)
Current Status - October 2003**

(cont'd)

Copra:

- A new Workers Collective Agreement for the RIPEL workforce was initiated in 16 September 2003 and has shown positive initial results with improved production for the month of October of around 10 percent.
- It is assumed that the production of copra will increase with management budgeted targets set at around 800 Mts. Per month by January 2004.
- However, copra dryers are in a high state of disrepair. Furthermore, drying policies and procedures need to be evaluated in terms of sustainable management in the use of drying fuel and higher productivity.
- Objective is to increase production to 9600 Mts. of copra for the period ending October 2004 and maintaining this level for period ending 2005.

Cocoa:

- RI is presently a major producer of cocoa in SI.
- Improved estate maintenance and an intensive pruning program for the cocoa could yield a potential crop of 400 Mts. of cocoa for year ending December 2004
- Objective is to produce 500 Mts. of cocoa for the period ending October 2005

Coconut Oil:

- Production of coconut oil was shut down in late 2000
- Productive Infrastructure is in a state of high disrepair due to long period of inactivity and substantial vandalism. A full review of start-up and maintenance requirements and a related budget needs to be implemented.
- Present assumptions are that with budgetary assistance, the production of coconut oil could however be re-activated within the short-term.
- Potential annual production of coconut oil for the initial year after reactivation is assumed to be around 6000 Mts. This equates to the value-adding of around 10 000 Mts. of copra
- The sale of 6000Mts of crude coconut oil would increase by SID 5 328 000 in relation to revenue from the equivalent copra sales.

Guadalcanal: RIPEL has plantations, which are currently not operating

Copra and Cocoa

- At this stage no review of the requirements for rehabilitation of the GC estates has been undertaken.
- On the assumptions that Law & Order is maintained and access can be secured, intensive rehabilitation would have to commence in January 2004 for effective returns to be achieved in the 2005 season. Although copra and fresh coconut for export could be possible be produced earlier, intensive commercial operations would commence in February/April 2005 for cocoa crops.
- Estimated yields for 2005 are estimated to be 2000 Mts. of copra and 600 Mts. of cocoa.

The company is a commercial, privately owned enterprise. However, the new *inclusive* Scheme of Arrangement, a progressive management style and a good relationship with the local landowners and other stakeholders in fostering mutual economic development has set the foundation for a constructive working relationship among all participants. RIPEL is committed to expansion of its buying of smallholder copra and cocoa and the building of partnerships where for example it could promote local industry and income generation through support to the design, manufacture and supply improved copra driers (in a knock down form for transportation to site) for smallholders. RIPEL is acutely aware of the constraints on inter island shipping and the need for a solution to this for it to provide the market outlet for village communities.

8.3 Logging industry

The key actions required for the control of the logging industry are

- i) Ensure the new Forest Act is tabled and passed through Parliament in November 2003
- ii) The Forest Department recurrent budget for 2004 adequately resources the costs of COLP monitoring and compliance and inspection of logging shipments.

8.4 Reform of Private Sector Regulatory Environment

Considerable preparatory work on a draft **Investment Promotion Act** has been undertaken which will address the current concerns on foreign investment legislation. This needs to be finalised with a programme of support to the Dept of Commerce, Employment and Trade. In parallel with this support, work needs to be undertaken to streamline the domestic business regulatory environment.

8.5 SME Advisory Support Services

The priority programmes in this area would include

- Strengthening of the small business training and advisory services available within the country through the introduction of a Start and Improve Your Business programme. This programme would require initial donor support but it would also incorporate a strategy for financial self-sustainability within an agreed timeframe, through partnerships with NGOs and the private sector.
- Development of a strategy to upgrade the small business advisory services provided by local companies, individuals and NGOs. This would involve initial support from donors and it would entail “on the job training” to improve services and to eventually allow the providers to operate on a commercially self-sustainable basis. (this programme would be linked to the programme under the Financial Services programme).

8.6 Access to Appropriate Finance

The priorities in this area are

- A **continuing programme to restore macro-economic stability** to the country and to finalise agreement with the commercial banks in relation to the outstanding repayment of government bond debts – this will reduce the banks “sovereign risk” assessment and inject more capital in the financial system for lending.
- Implementation of a strategy, in conjunction with donors and multilateral agencies such as the IFC, to **rejuvenate the credit unions** around the country, the effective operation of savings clubs and the supervision of these bodies through the Solomon Islands Credit Union League.
- **Development of business advisory and funding proposal service provider capabilities** within the country to assist local companies to present “bankable proposals” to financial institutions. Development of a part guarantee scheme, in conjunction with an agency such as the IFC, for appropriate debt financing of SMEs. (This relates to the development of advisory and support services to SMEs mentioned above).
- Development of a strategy to replace the operations of the Development Bank of the Solomon Islands with a similar service outside of government. **This development finance facility** may be provided through a commercial bank under a contract

arrangement with the government to ensure that the required discipline is maintained.

- **Restructuring of the National Provident Fund** of the Solomon Islands to enhance this organisation's **potential to adopt an equity investment position** in larger scale projects in the country - including as a partner with overseas investors.

8.7 Restoring Supporting Infrastructure

The priorities for 2004 include

The completion of the **National Transport Plan**. This will require further external technical assistance and should inter alia address as a matter of urgency

- The opening up of the sea freight and passenger services on the commercially viable routes to the private sector, including foreign companies.
- The introduction of government supported sea freight and passenger services to other locations (private operators under government contracts).
- An "open skies" policy to be introduced for internal air services, including overseas operators.
- Proposed marine and road infrastructure developments
- Mechanisms and modalities for sustainable transport infrastructure repair and maintenance.

Ongoing support for the donor funded and investigation of the desirability of expanding the **Marine Infrastructure and Inter Island Shipping Programmes**.

8.8 Privatisation of SOEs

The privatisation of SOEs will have a positive impact on the productive sector in a number of areas and the SIG needs to progress with its policy in this area. The priorities include

- Sale of the **Government Printers** and **Sasape Marina Limited** to both improve the services available to the private sector and to demonstrate the government's commitment to privatisation. **March 2004**.
- Sale of the government's shares in **Soltai Fishing and Processing** to a capable overseas operator in order to inject capital into this important project. **End 2004**.

8.9 Land issues

The action required in this area includes

- An accelerated land title registration process, which takes into account customary ownership research to ensure incontestable registration. **Ongoing from early 2004**.
- Establish a **Land Disputes Tribunal** to replace the existing cumbersome procedures and which will determine a resolution in custom. **Late 2004**.

Appendix C – Forest Management and Logging in the Solomon Islands 2003⁴²

Public and international perceptions of the logging industry in the Solomon Islands are generally negative with images of unscrupulous Asian Companies extracting unsustainable quantities, damaging the environment, evading taxes and avoiding payments to landowners and using unfair transfer pricing mechanisms to the disadvantage of the S.I. economy.

Whilst there is evidence in the past that all these events have occurred, recent AusAid funded work with the Forestry Department confirms a much more positive and robust position.

Revenues to Government (25 percent of f.o.b. value) amounting to approx \$80m in 2003 and to Landowners (approx 15 percent f.o.b) have been and are of very great importance. Logging revenues have literally sustained Government as others from copra, cocoa, fish, palm oil and gold disappeared.

Forests are not owned by the State but by Landowners and as such the owners have every right to exploit these assets and have been encouraged by Government to do so. Assessments of sustainable rates of virgin forest extraction made in 1995 indicated 320,000 m³ against an estimated actual extraction of 645,000 m³/y average since 1994.

This “sustainable rate” was an under-estimate as it assumed some 320,000 ha of land would be designated as conservation areas and not logged. None of this land has been so designated and some has in fact been logged. The reworked sustainable cut is now estimated at 398,000 m³/yr to 2050. Given the over extraction in recent years, the annual cut would need to be capped at 263,000 m³/yr from 2004 to 2049.

Assuming this rate of extraction continues the virgin forests will be exhausted by 2015.

Capping annual cut rates would mean revoking nearly half of the valid landowners logging licenses currently held, involving difficult choices, legal considerations and legitimate claims for compensation.

The alternative is to accept the exhaustion of the virgin forest by 2015 but adopt a number of strategies, which will ensure environmentally sound practises and a growth in village incomes from forestry over time. This is what the SIG has done

- a) Introduce a **Code of Logging Practises** (COLP) which with the passage of the new **Forest Act** (to be tabled in Parliament in November 2003) will become mandatory⁴³.
- b) Continue monitoring all logging sites at least 2 times per year against COLP and suspend those achieving less than 55 percent compliance.
- c) **Physically inspecting manifests and cargoes** on at least 50 percent of all log shipments. (Forest department staff have been trained and resourced with canoes and outboards etc. – and will be funded from the recurrent budget from 2004).
- d) **Commercial industrial plantations** are reaching maturity and will lift output from 120,000m³ currently to 200,000 m³ by 2020.

⁴² Drawn from draft Report :- Solomon Islands Forestry Management Project, National Forest Resource Assessment, September 2003 (Aus Aid).

⁴³ These aim to minimise environmental damage – particularly by roading whilst harvesting. The COLP uses pictures and graphics as well as text to convey the practises. Most logging sites have been visited and loggers familiarised with COPL – and licenses suspended if compliance is less than a 55 percent threshold (this will be raised over time).

- e) **Village plantations or family forests** – often less than 1 ha are developing rapidly with annual plantings running at over 2000ha in 2002 and projected to continue at 1000ha pa.

Projections show that future woodflows from village plantations, industrial plantations and regrowth forests will each contribute about a third of the national log harvest. Village plantations could however generate 80 percent of the value as they are for the most part planted to the higher value teak and mahogany.

Appendix D - Western Provincial Education Division – A Case Study

There are 4 education authorities operating in the Province with 130 schools, 400 teachers (420 established posts) and c. 15000 students. This provincial education office (with two sub-offices) is typical of one of the larger provincial offices and is seriously dysfunctional for a variety of reasons:

- Lack of finance for even the most basic of core operational activities. To date the Division has not received any of the 2003/04 estimated budget of \$2,086,360
- No functioning transport at Gizo or sub-offices or funds for transport
- Poor state of offices and staff quarters
- No telephone, functioning office equipment or computers
- No register of teachers is kept at the provincial office and no teacher absentee forms are received from schools nor payslips received from the MEHRD/Finance for teachers.

The overall effect of these conditions is poorly functioning service delivery and low staff morale. The local economic and employment situation means that the schools struggle to collect fees with typically more than 50 percent of those in Forms 1-5 defaulting and 65 percent of Standard 1-6 students. No primary level learning materials have been received by schools for 2 academic years. Staff motivation and training are raised as key issues by school principals. Ironically the Secondary School Grants Programme (EU) means that the beneficiary schools' offices are better equipped than the Provincial Education Office. Several schools in the province would have closed without these grants, which are having a noticeable impact on the ability of schools to function effectively and deliver the curriculum. Other critical issues hampering the delivery of quality provincial education services include:

- Shortage of trained teachers (at least 30 percent of workforce untrained);
- Very limited professional development for teachers for more than 3 years;
- Frozen School Infrastructure Development programme.
- Non supply to schools of basic curriculum materials and equipment
- Teacher's salaries (irregularity of payments and no increases for the last 10 years).
- Impact of industrial action by SINTA

Building Provincial Office Capacity and Improving Service Delivery

If the provincial education offices are to become the key to improved decentralised service delivery and are to have the capacity to effectively manage and monitor several new large scale project /programme initiatives that are likely to be funded by donors then there has to be an immediate injection of resources and HR development. The success of these projects (e.g. operational grants for primary schools, teacher in-service training, infrastructure developments, learning resource material delivery, building planning capacity etc) to improve basic education standards, will in many cases hinge on their effective management at provincial and sub-office level. With the current situation, the provincial offices are not adequately resourced to manage the new donor funded programmes at the same time as trying to improve their core service delivery (assuming that they will receive a viable operating grant from SIG in the next financial year).

Appendix E - Provincial Planning in Santa Isabel - A Case Study

The Santa Isabel Provincial Government is engaged in an innovative pilot project: the *Santa Isabel Provincial Development Project* (2003-2004), funded by UNDP, which will produce a development plan for 2003-2007. The plan addresses development in social, economic and physical terms. It relates directly to the responsibilities of the Province government but it also recognises the role of other stakeholders in development. In particular it refers to the Province's traditional leaders, to its churches and, most importantly, to the landowner groups without whose co-operation development cannot proceed.

The pilot project is a model of good governance. The group that discussed and provided the information for the plan was comprised of the Province's Planning Officers, all of its Heads of Division, a planner to represent the churches, a planner to represent the Isabel Council of Chiefs and the short-term support of a Planning Adviser provided by UNDP. Within this larger group a small 'core planning team' was responsible for drawing together the various inputs. There has also been widespread consultation. Informal Divisional meetings and submissions preceded Heads of Division planning meetings and a two day workshop involving the Provincial administration planning team and representatives of chiefs, churches, business and women. A team of planners then travelled round the island to explain the planning process and to obtain feedback from rural communities.

As most of the Province's natural resources are held and managed under customary tenure. The development role of the groups that collectively own these resources is crucial. These owner-manager units need to be engaged in a 'partnership' approach to development, and this is a major theme of the Plan.

Some facts about Santa Isabel province

- Average household: 5.7 persons
- Life expectancy at birth: 59.6 (male); 60.4 (female).
- Major industries: logging, copra
- Status of resources:
 - Forests (depleted)
 - Tuna baitfish (sustainable)
 - In-shore fisheries (sustainable but easily over-harvested)
 - Minerals (undeveloped).
- Households with a working radio: 39 percent
- Population aged 14 years and over doing paid work: 22 percent
- Children completing Standard 6 primary school: 67 percent
- Children who do not enter school: 25 percent
- Population with water supply system: 87 percent
- Population with improved toilets: 16 percent
- Disabled population: 2.3 percent
- Population living in traditional houses: 65 percent

Appendix F - The Goals and Targets for the Millennium Development Goals (MDGs)

Goal 7 Ensure environmental sustainability

Target 9: Integrate the principles of sustainable development into country policies and program and reverse the loss of environmental resources.

Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.

Target 11: Have achieved, by 2020, a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 Develop a global partnerships for development

Target 12: Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction- both nationality and internationality)

Target 13: Address the special needs of the least developed countries (includes tariff- and quota- free access for exports enhanced program of debt relief for HIPC and cancellation of official bilateral debt, and more generous ODA for countries committed to poverty reduction).

Target 14: Address the special needs of landlocked countries and small island developing states (through the Program of Action for the Sustainable development of Small Island Developing States and 22nd General Assembly provisions)

Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term

Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.

Target 17: In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries.

Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.