

ASIAN DEVELOPMENT BANK

**COUNTRY ASSISTANCE PLAN
(2000-2002)**

SOLOMON ISLANDS

December 1999

CURRENCY EQUIVALENTS

(as of 30 November 1999)

Currency Unit	—	dollars (SI\$)
SI\$1.00	=	US\$0.19760
US\$1.00	=	SI\$5.06073

ABBREVIATIONS

ADB	-	Asian Development Bank
ADTA	-	Advisory Technical Assistance
AusAID	-	Australian Agency for International Development
CBSI	-	Central Bank of Solomon Islands
EU	-	European Union
GDP	-	Gross Domestic Product
HDI	-	Human Development Index
IMF	-	International Monetary Fund
NGO	-	Non-Government Organization
POHQ	-	Pacific Operations Division
PPTA	-	Project Preparatory Technical Assistance
RETA	-	Regional Technical Assistance
TA	-	Technical Assistance
UNDP	-	United Nations Development Programme

NOTES

- (i) In this Report, "\$" refers to US dollars.
- (ii) The fiscal year (FY) of the Government ends on 30 June.

FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank for Solomon Islands covering the three-year period 2000-2002. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and June 1999, in close consultation with the Government of Solomon Islands, and other stakeholders. The CAP was discussed with the Board of Directors in October 1999 and has been revised by the ADB to incorporate recent developments. The assistance plan described in the CAP is only indicative and may be revised to reflect future developments.

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SOLOMON ISLANDS

I. Country Performance Assessment

A. Economic Performance Assessment

1. The Solomon Islands was in economic crisis in 1998. After dropping 0.5 percent in 1997, real gross domestic product (GDP) fell an estimated 10 percent as the adjustments forced by years of economic mismanagement were compounded by the collapse of log export markets in Asia (Appendix 1, page 1). Government finances and the balance of payments position were weak, the financial system remained stressed, inflation was double-digit, and unsustainable harvesting of the forest resource continued. Business confidence remained very low.

2. The 1998 budget projected a current surplus of SI\$15.8m, and a near-zero overall balance. A reduction in domestic and external arrears was planned on the assumption that necessary funds could be raised through privatization, some borrowing from the National Provident Fund, and external borrowing. In the event, domestic revenue fell well short of budget expectations and day-to-day cash availability dictated expenditure levels. Given that efforts at public service downsizing were delayed and that the wage bill increased by 6 percent on the 1997 level, and given the priority assigned to debt servicing, the enforced cuts largely fell on departmental operations expenditure. This exacerbated the acknowledged problems of the poor quality of public services and deteriorating infrastructure. Debt and non-debt arrears were reduced by a total of SI\$87.1 million, primarily through external concessional borrowing from the Asian Development Bank (ADB) and securitization of arrears to the National Provident Fund. As a result, the overall public debt level increased slightly from SI\$941.8 million at the end of 1997 to SI\$943.1 million at the end of 1998. Domestic debt totaled SI\$401.7 million, external debt SI\$509.6 million, and trade creditor and other arrears SI\$31.8 million. The 1999 budget aims at a current surplus of SI\$17.9 million, and an overall deficit of SI\$26.7 million to be financed from external borrowing. Additional public sector reform program (PSRP) expenditure on arrears settlements totals SI\$92.2 million, funded by asset sales of SI\$29.2 million and further external concessional borrowing of SI\$63 million.

3. The performance of the Solomon Islands economy in 1999 will depend on the international economic environment, and on the extent to which government can successfully tackle the inherited fiscal crisis and implement its program of economic reform. The outlook for commodity prices in general, and fish and log prices in particular, is not encouraging. Moreover, the ethnic tensions on Guadalcanal have negatively affected the tourism industry and the operations of the country's major export earner, Solomon Islands Plantations, Ltd. A few businesses in Honiara have closed down to avoid the threats of looting. On the positive side, the Gold Ridge gold mine will be in full production in 1999, and the Asian crisis has led to lower prices on intermediate inputs. Government has made progress in restoring macroeconomic stability by servicing its domestic debt and paying arrears, which it plans to clear entirely by the end of 1999.

4. Though there have been delays in the process of public service reform, the retrenchment/restructuring exercise is now underway, appointments of new departmental secretaries have occurred on the basis of merit, a performance orientation is to be introduced, and provincial government is to be reformed. Progress on privatization needs to be accelerated, however, and government has identified impediments to private sector development in need of attention, including difficulties in accessing land, poor infrastructure, burdensome investment

approval processes, and a lack of professional skills. Most fundamentally, the policy framework and management regime essential to ensuring the sustainable and equitable development of the natural forest are yet to be put in place. In all ministries, priority needs to be given to establishing effective financial management and information systems to enable proper resource allocation and fiscal control.

B. Assessment of Socio-Environmental Performance

1. Poverty Issues

5. The Human Poverty Index for the Solomon Islands is 49.1 which places the country among the poorest in the Pacific, and at par with some of the poorer African countries (Appendix 1, page 2). Most (nearly 80 per cent) of the population live a subsistence lifestyle in remote rural areas, without access to basic social services such as clean water, health services and education. Over twenty percent of children are malnourished, and seventy percent of adults are illiterate. Addressing these needs is one of the Government's medium term priorities. However, there are fundamental issues that the Government has to deal with before it can begin to address poverty-related concerns in earnest. These include placing the Government's financial affairs in order, settling arrears, establishing performance standards in different Government departments, and restoring private sector confidence in Government. In addition, management and administrative capacities need to be strengthened at all levels. Without proper management systems and controls in place, any development assistance to remote, rural areas is unlikely to reach intended beneficiaries.

6. There are a number of donor and non-government organisation (NGO) poverty-alleviation initiatives which may have potential for replication at a later stage with ADB assistance. A UNDP-financed participatory planning project had developed an approach for identifying poor households in rural communities and for formulating potential development assistance. An AusAID community-based water supply project has been effective in extending water and sanitation facilities in rural areas. The Solomon Islands is also considered to have among the most established and progressive NGOs operating in the Pacific. Moreover, the Government's experience with community schools has demonstrated that local people are able to contribute their limited resources for services which they consider to be of great importance. This indicates that, in coming years, there may be scope in the ADB's program to work in close partnership with Government, local communities, and NGOs on poverty alleviation programs. In preparation, the ADB proposes to conduct a poverty assessment of the Solomon Islands in 2000.

2. Gender Issues

7. In rural areas, where 80 percent of the population resides, the lives of women center around growing and preparing food, collecting water and firewood, supervising livestock, and caring for children and the elderly. In urban areas, while males continue to dominate in money-earning activities, women's role in formal wage employment has increased, largely as a result of expansion in employment in teaching and medical services, and in low-wage clothing and fish-canning activities. Women are also active in the self-employed sector.

8. In 1992, about 81 per cent of primary school age girls were enrolled in primary school. However, women continue to be disadvantaged in both educational attainment and access. While there are usually the same proportion of girls and boys at the lower primary school levels,

proportionately fewer girls complete Grade 6, fewer girls move on to secondary education, and even fewer complete the secondary cycle. In 1992, only 12 percent of the population of secondary school age girls were enrolled in secondary school. Girls accounted for only 38 percent of all secondary school students, and made up only 31 percent of Grade 12 students. It should be emphasized, however, that there has been a steady improvement in the enrolment of girls in recent years, particularly at the primary level. The real problem of female access comes at the secondary level, and may be related to traditional attitudes of parents who may want to avoid the possible loss of the economic services of a daughter who goes off to a secondary school far away from the home village.

9. The crucial feature of women's health in the Solomon Islands is that the underfunding of rural and preventive health programs bears more severely on women than men. The relatively greater impact on females comes from their role in growing and preparing food, collecting water, and caring for children and elderly. This means that they have front-line responsibility, in a way that males do not, for coping with the lack of clean water or proper sanitation, and lack of access to facilities for medical care for their family members. For this reason, a reallocation of the health dollar to give greater emphasis on primary and preventive health will have a major payoff in women's health and subsequently in the better health of all members of society.

3. Human Development

10. Solomon Islands ranks second to last on the Human Development Index for Pacific Island nations and 164th on a global basis. (HDI = 0.314 in 1998). The nation has enduring problems of health, education and population growth. The country's archipelagic geography and cultural traditions have made progress on these problems difficult. The estimated adult literacy rate is about 30 percent and female literacy is well below the developing country average; primary school enrollment is about 39 percent, and the average student gets only three years of schooling; malaria is endemic with an annual incidence of 21 percent; life expectancy is 65 years; infant mortality is 38 per 1,000 births and 21 percent of under fives are underweight; and, underlying many of these problems, population growth is a high 3.3 percent a year (Appendix 1, page 2). The latter is causing substantial urban drift and associated youth unemployment.

4. Environment

11. Uncontrolled, destructive logging has been a long-standing and serious problem, with irreparable damage being done to both the ecology and the future economy. Both legislation and its enforcement have been weak. Even with the recent collapse of log prices, log exports continue to exceed sustainable harvest levels. The new Government, however, is committed to establishing proper controls to ensure sustainable harvest levels, to maximize the capture of resource rents, and to reinvest the resultant cash flows prudently. Along these lines, the Government is working to reestablish the Timber Control Unit in the Department of Forests, to implement the Code of Practice for Timber Harvesting, to maintain the moratorium on the issuance of logging licenses, and to end all tax exemptions and remissions provided to loggers. The World Bank and AusAID have been assisting the Government in the formulation and implementation of a sound forestry sector strategy and policy framework.

12. Urban population growth is placing the towns, particularly Honiara, under increasing strain. Water supply in urban areas is limited and unreliable. Sewage disposal facilities are aged and inadequate to meet the growing demand. These are issues which the Government will need to address in the medium to long term.

C. Governance: Sound Development Management

13. The past two years have seen a dramatic shift in culture and practice within the public service. In mid-1997, when the newly elected Government assumed office, Government finances were in a shambles, public confidence was at its lowest point, and the donors were reluctant to provide any further assistance to the country. On the fiscal side, years of profligate spending and capricious grants of tariff exemptions and remissions had resulted in a Government without the funds to pay its bills or even to service its debts to official and private creditors. While large arrears piled up (including to the ADB), audits and controls were abandoned on Government expenditures. The public service was demoralized, and hardly any office of Government could be regarded as functioning in a satisfactory manner. The new Government was faced then with the daunting task of rebuilding its resources and reputation from a very low base.

14. In late 1997, the new Government began the painful process of placing its affairs in order. A reform program was planned, and several task forces organized to handle priority issues such as Government finances and public service reform. Advice and funding were sought from donors such as the ADB, the World Bank, NZODA and AusAID. In the initial period, donors were hesitant to come forward with ready assistance, given their fresh memories of economic mismanagement and anti-donor sentiments under the previous government. The ADB, however, began to work closely with the new Government to shape a reform agenda and to design a program loan that would address its immediate financial requirements. The program loan provided the catalytic effect of bringing bilateral donors to the party and enabling the Government to develop a track record of reform that would be sufficient to justify new lending from other multilaterals such as the World Bank and the European Union.

15. The Government remains fully committed to the reform program agreed with the ADB and with other donors. Exemptions and remissions, except those which are legally binding, have been cancelled. The proceeds from the program loan have been used to settle arrears. Fiscal restraints have been maintained and only recurrent income has been applied to pay for recurrent expenditures. Payroll costs have been reduced by trimming the size of the public service, while protecting front-line staff providing essential services in health and education. Proper accounts and audits of public finances are in the process of being established with external assistance. Several state-owned enterprises are being readied for sale or liquidation, as appropriate, and proceeds from such sales are likewise earmarked for clearing remaining arrears or settling high cost liabilities.

16. However, one of the most promising initiatives of the Government has been the shift toward a performance orientation in the public service. As a first step, secretaries of Government departments were placed on performance contracts. All performance agreements were to specify, in measurable or verifiable terms, the "deliverables" of the department concerned. Similar agreements are envisioned for other senior staff in the public service. The Government is in the process of considering other supporting mechanisms – such as a performance bonus scheme which would reward top performers and a mechanism for independent audit of actual performance. These and other related measures, which are being installed with ADB technical assistance, will help to promote accountability and transparency.

D. Implementation Assessment

17. Since becoming a member of the ADB in 1973, the Solomon Islands has received a total of 15 loans, of which only two were active at the end of 1998 (Appendix 2). The *Public Sector Reform Program Loan* was approved by the ADB on 27 August 1998 for \$25 million in support of macroeconomic, fiscal, privatization, public service and governance reforms. The first tranche of \$15.7 million, disbursed in November 1998, financed the separation payments of redundant civil servants and clearance of long-standing arrears to external and domestic creditors. A related loan for \$1 million approved at the same time, financed technical assistance for the privatization of state-owned enterprises. The contract award ratio for 1998 was 57.7 percent, while the disbursement ratio was 60.3 percent. There are no substantial issues with respect to project implementation.

II. Country Operational Strategy

18. The ADB's interim strategy in the Solomon Islands is to continue to assist the country in achieving macroeconomic stabilization and fiscal balance and in addressing core governance and economic management issues in close coordination with key donors. *The Public Sector Reform Program Loan's* policy matrix provides a road map for tackling these issues. Accordingly, the ADB will continue to assist the Government in implementing its policy reform agenda. Although the ADB's focus in the near term will be on public sector management at national and local government levels, the ADB will gradually extend its assistance to cover fisheries, rural development, and the delivery of essential services to outer island populations. A major objective of the ADB in the medium term is to assist the Government in improving the quality and quantity of basic social services especially in the poorer rural areas. A key constraint to be addressed is the weak management and institutional capacities at local government levels.

III. Sector Strategies

A. Agriculture and Natural Resources

19. **Fisheries.** Fisheries is a priority area for ADB assistance given its importance to the economy, as well as for food security. A 1999 ADB-financed *Fisheries Sector Study* has identified key policy and institutional issues, as well as potential investments. Of immediate concern is the need to optimize revenue generation from the fisheries sector and to rationalize the licensing scheme under the Tuna Management Plan and the 1998 Fisheries Act. In the medium term, a priority would be to build the capacity of the Fisheries Division to formulate and implement sound policies and programs in the sector. A loan for a *Fisheries Management and Development Project* of US\$6.0 million is proposed for 2000. If a sound policy framework and effective institutional capacities can be established under the *proposed Fisheries Management and Development Project*, a project preparatory technical assistance grant (PPTA) of US\$800,000 could be processed in 2002 to design a *Fisheries Infrastructure Project* (to finance fisheries infrastructure and facilities under a subsequent ADB loan).

B. Social Infrastructure

20. **Health.** Although there are numerous donors involved in the social sectors, particularly health, ADB assistance can help to fill major gaps in external assistance and complement the

efforts of the Government and other donors. An ADB-financed Public Expenditure Review of the Health Sector in 1999 is expected to guide the preparation of the 2000 budget. Of particular concern in the sector is the high population growth rate and poor reproductive health indicators which underscore the need for increased attention to effective family planning services. A loan of US\$2.0 million for a *Population Policy and Services Project* is proposed for 2000. Women, in particular, would benefit from the proposed project.

21. **Skills Development.** Formal sector employment is not expected to grow sufficiently to absorb new entrants to the labor force. At the same time, current training opportunities are inadequate to cater for the demand and ill suited to meet requirements for formal sector employment. A flexible, responsive approach to skills training is required. NGOs, churches, community groups and private training institutions have the potential for an expanded role in such provision. A loan of \$3.0 million for a *Skills Development Project* in 2001 is proposed in order to increase the availability of quality short-term employment oriented skills training (including entrepreneurship) and the possibilities for applying these skills to promote self-employment and wage employment. To prepare and design this project, the ADB proposes to finance a PPTA of US\$250,000 in 2000.

C. Provincial Government Capacity-Building

22. Provincial governments are an important link to grassroots communities. If provincial governments are weak, services fail, facilities are poorly maintained, and local people are cut off from external development initiatives. In 1999, the ADB is helping to finance a Review of Provincial Government. The Review is expected to recommend specific reforms in the provincial government structure and measures for making provincial governments more responsive to local needs. To carry this initiative forward, the ADB proposes to provide in 2000 a PPTA of US\$200,000 to design a *Provincial Government Capacity Building Project*. If the proposed project is found to be feasible, a project loan of US\$8.0 million could be considered by the ADB in 2001.

D. Rural Infrastructure and Services

23. If public sector management and implementation capacities can be enhanced in the next few years at national and provincial levels, the ADB would be prepared to consider a US\$15.0 million loan for a *Rural Infrastructure and Services Project* in 2002.

E. Governance Dimensions of Asian Development Bank Operations

24. In 2000, an advisory technical assistance (ADTA) in the amount of US\$550,000 will finance the second phase of the ongoing technical assistance for Strengthening Public Sector Management (TA 3061-SOL). The TA will focus on capacity building of central agencies and on preparation of supportive legislation. To support continuing policy reform initiatives in later years, the ADB proposes to earmark US\$200,000 each year in technical assistance grants as a "flexible fund" to be used in small amounts, as and when needed, in response to priority requirements. In addition, an ADTA of US\$800,000 is proposed in 2001 for Performance-Oriented Management in the Public Sector. This TA project is intended to provide follow-up support to the ongoing initiatives to strengthen public sector management. ADB economic and sector work will continue to review public expenditure management and provide recommendations for improvements in processes, systems and resource allocation.

F. Gender Dimensions of Asian Development Bank Operations

25. The 1999 ADB-financed public expenditure review, which focuses the health sector, will help to correct the underfunding of rural and preventive health programs which at the moment bears more severely on women than men. Women in particular will benefit from the proposed 2000 project for *Population Policy and Services*.

G. Private Sector Operations

26. The ADB's support for the Government's reform program is the most direct means of enhancing private sector confidence in the country. In addition, the ADB is providing assistance to the Government for the privatization of its state-owned enterprises, as well as the establishment of appropriate regulatory frameworks in sectors which may have private sector monopoly service providers. Clearance of Government arrears using the counterpart funds from the 1998 Public Sector Reform Program Loan and privatization proceeds will help to restore financial sector health.

IV. Regional Economic Cooperation

27. The following are the priorities of the country for economic regional cooperation: (i) building trading relationships within and with blocks outside the region; (ii) cooperative arrangements in aviation and shipping; and (iii) coordinated policies and approaches to the management of fisheries. To these ends, the ADB is actively involved with the Forum Secretariat and other regional agencies in a variety of regional initiatives.

28. The ADB currently provides regional technical assistance (RETA) to support the negotiation of a regional tuna management plan, and for fiscal and tax policy advice provided through the Pacific Financial Technical Centre. In the coming three years, the ADB plans to provide RETAs for: (i) analysis of financial sector issues and strategies for selected PDMCs, (ii) judicial training, and (iii) sustainable coastal fisheries management.

V. Donor Activities and Aid Coordination

29. The major bilateral aid donors to the Solomon Islands are Australia, Japan, Kuwait, New Zealand, Papua New Guinea, Taipei, China and the United Kingdom. (Appendix 3). The major multilateral aid donors are the ADB, the World Bank, the UN agencies, and the European Union. In addition, smaller regional organizations (such as the Pacific Community, Forum Secretariat, and Forum Fisheries Agency) have also provided assistance to the Solomon Islands.

30. From 1994-98, the annual level of development assistance in the form of both grants and loans was about \$46 million. This is expected to increase to about \$61 million in 1999. Human resource development (education and health) and infrastructure development have been the focus of external assistance in recent years. Among the major donors, the EU has earmarked about US\$6 million annually for projects in the Solomon Islands, including STABEX payments.¹ EU projects focus on rural infrastructure, HRD, education and health sectors. Japan's grants and TAs for the last five years have amounted to about US\$16 million a year in areas of infrastructure, fisheries development, rural development and HRD. Australia's program of about

¹ In 2000, the Solomon Islands is expected to receive a STABEX grant of about 42 million euros to compensate for the large drop in export earnings from logging. About half of this amount is proposed to be invested in a trust fund.

US\$8-9 million annually includes rural water supply, health and population and HRD activities. New Zealand's annual aid program is at the level of US\$3 million, half of which is for scholarship awards and vocational training activities, with the rest covering small rural development projects. Aid from Taipei, China is currently financing the upgrading of the Honiara Central Hospital, a vegetable demonstration farm, and a rural rice plantation project. The World Bank (IDA) has an ongoing project of about US\$14 million for the Third Education and Training Project. Loans from OPEC Fund and Kuwait Fund are financing the Honiara Main Road Upgrading Project.

31. Donors are in the process of reviewing their portfolios in order to align their future assistance with the priority needs of the country. This adjustment is important given that most of the donors had stayed away from policy-related issues in the past few years. However, the immediate requirements for technical assistance are largely in the domain of policy analysis and formulation. AusAID is providing TA to strengthen revenue collection at customs, re-establish the operations of the Timber Control Unit, and improve management at the Accountant-General and Auditor-General's Offices. A TA from UNDP is helping the Government to monitor the impacts of the reform program on vulnerable groups. New Zealand aid is strengthening inland revenue operations.

32. The ADB has been in close coordination with the IMF and the World Bank regarding the respective assistance operations of the three institutions. The IMF has been monitoring macroeconomic policy developments on a regular basis. The World Bank has provided a \$12 million Structural Adjustment Credit in 1999, co-financed with the EU, in support of a broad range of macroeconomic and sectoral reforms.

VI. Cofinancing and Catalyzing External Resources

33. The ADB is exploring possible cofinanciers for the 2000 loan projects. The OPEC Fund has indicated interest in financing \$1.0-1.5 million of the hardware components of the *Fisheries Management and Development Project*. NZODA may be interested in collaborating with the ADB on the *Population Policy and Services Project*.

VII. Asian Development Bank's Operational Program

34. The proposed loan and technical assistance pipeline for the period 2000-2002 is summarized in Table 1 and in Appendix 4. Lending by type and sector is presented in Appendix 5. The project profiles for the firm 2000 loans are in Appendix 6.

Table1: Lending and Technical Assistance Program, 2000-2002**A. Public Sector Lending Program**

	1998 Actual		1999		2000		2001		2002	
	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)
Lending Program ^a	2	26.0	-	-	2	8.0	-	-	-	-
ADF	2	26.0	-	-	2	8.0	-	-	-	-
OCR	-	-	-	-	-	-	-	-	-	-
Lending Pipeline ^b	-	-	-	-	-	-	2	11.0	1	15.0
ADF	-	-	-	-	-	-	2	11.0	1	15.0
OCR	-	-	-	-	-	-	-	-	-	-

B. Technical Assistance Program

	1998 Actual		1999		2000		2001		2002	
	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)
TA Program ^a	3	900.0	7	1,140	3	1,000.0	-	-	-	-
TA Pipeline ^b	-	-	-	-	-	-	2	1,000.0	2	1,000.0

^aThe Program is comprised of the firm projects.

^bThe Pipeline consists of the Program (firm projects) and standby projects. In 2001 and 2002, there is no distinction between firm and standby.

VIII. Economic and Sector Work Program

35. In late 2000, the ADB proposes to begin work on an update of the 1997 Pacific Island Economic Report. Collaboration with other donors, possibly AusAID, will be sought. The report will be ready for discussion with the Government and circulation in 2001.

IX. Local Cost Financing

36. Local cost financing will be provided, where justifiable, on a case-to-case basis, in future lending to the Solomon Islands.

SOLOMON ISLANDS
COUNTRY PERFORMANCE INDICATORS

Item	1994	1995	1996	1997	1998	1999 ^a
A. Income and Growth						
1. GDP per Capita (dollars, current)	845.1	835.0	889.0	885.0	643.0	
2. GDP Growth (% in constant prices)	5.3	6.8	0.6	-0.5	-10.0	
Agriculture						
Industry						
Services						
B. Saving and Investment (current market prices) (percent of GDP)						
1. Gross Domestic Investment						
2. Gross Domestic Saving						
C. Money and Inflation (annual percent change)						
1. Consumer Prices (annual average)	13.3	9.6	11.8	8.1	12.3	
2. Broad Money (M2)	24.1	9.9	15.7	6.3	4.8	
D. Government Finance (percent of GDP)						
1. Total Revenue	139.1	128.3	148.6	125.4	115.8	
2. Total Expenditure and Net Lending	155.3	145.8	168.4	144.6	116.0	
3. Overall Surplus/Deficit (-)	-16.2	-17.5	-19.8	-19.2	-0.2	
E. Balance of Payments						
1. Merchandise Trade Balance (% of GDP)	-0.7	3.0	1.4	-6.9	-	
2. Current Account Balance (% of GDP)	-2.2	9.3	4.9	-24.4	-	
3. Export (\$) growth (annual percent change)	143.7	168.3	162.4	162.7	126.3	
4. Import (\$) growth (annual percent change)	142.2	154.5	151.5	187.6	127.8	
F. External Payments Indicators						
1. International Reserves (billion dollars, end of period)	17.4	15.9	32.7	40.5	48.5	
- months of imports	1.0	1.2	2.6	2.6	4.6	
2. External Debt Service (% of exports of goods & services)	10.1	11.4	9.7	10.1	-	
3. External Debt (% of GDP)	58.8	55.0	50.6	48.5	40.1	
Memorandum Items:						
GDP (current prices, million US\$)	309.9	308.1	340.4	351.2	263.7	
GNP (current prices, million S/\$)						
Exchange Rate (S/\$ per US\$, annual average)	3.3	3.4	3.6	3.7	4.8	

^a Estimates

Source: Government and staff estimates.

SOLOMON ISLANDS
COUNTRY PERFORMANCE INDICATORS

	1985	1990	1998	
POPULATION INDICATORS				
Total Population (thousands)	273.0	355.0	417.8	
Annual Population Growth Rate (% change)	3.4	3.5	3.3	(1990-98)
SOCIAL INDICATORS				
Total Fertility Rate (births per woman)	6.4	5.3	5.5	
Maternal Mortality Rate (per hundred thousand live births)			550.0	
Infant Mortality Rate (below 1 year; per '000 live births)	47.0	26.0	38.0	
Life Expectancy at Birth (years)				
Female	66.0	67.0	65.0	
Male	64.0	63.0	66.0	
Adult Literacy (%)	23.0	...	64.0	
Primary School Enrollment (% of school age population)			39.0	
Female	65.0	81.0	36.0	
Secondary School Enrollment (% of school age population)			24.0	
Female	9.0	12.0	18.0	
Child Malnutrition (% of under age 5 underweight)	...	...	21.0	
Population Below Poverty Line (%)	...	...	...
Income Ratio of Highest 20% to Lowest 20%	...	...	...
Population with Access to Safe Water (%)	68.0	70.0	64.0	
Population with Access to Sanitation (%)	...	...	16.0	
Public Education Expenditure as % of GNP	...	6.0	5.3	
Public Health Expenditure as % of GDP	...	3.7	3.9	
Human Development Index	...	...	0.371	
Human Development Global Ranking	...	...	147.0	
Human Poverty Index	...	...	49.1	
ENVIRONMENTAL INDICATORS				
Forestry				
Deforestation				
Total Area (% of total land area)	...	...
Annual deforestation	...	78		
Biodiversity				
Nationally protected area				
Area	...	...
Number	...	...
As % of land area	...	...
Biosphere reserves				
Area	...	...
Number	...	...
World Heritage sites (number)				
Wetlands of international importance				
Area	...	...
Number	...	...
Land Use				
Cropland; permanent pasture (ha.)	...	0.16	(1993)	
Air Pollution (Ambient concentrations)	...	...
Particulates	...	...
SO ₂	...	...
Water Pollution (concentration of pollutants in water bodies)	...	...
Biochemical Oxygen Demand (BOD)	...	...
Chemical Oxygen Demand (COD)	...	...
Global Environmental Problems	...	...
CO ₂ emissions (total and per capita) (metric tons)	...	0.48	(1996)	

Source: Solomon Islands Government Statistics, Pacific Human Development Report 1999

SOLOMON ISLANDS
PORTFOLIO PERFORMANCE

Table 1 : Implementation, Disbursement Performance and Postevaluation Results
Public Sector Projects only
(as of 31 December 1998)

A. Project Portfolio ^b	Net Loan Amount \$ million %		Rating (No.) ^a										
			Total No. %		Implementation Progress				Development Objectives				
					HS	S	PS	U	HS	S	PS	U	
Agriculture and Natural Resources	-	-	-	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Industry	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport and Communications	-	-	-	-	-	-	-	-	-	-	-	-	-
Others/Multisector	27.33	100.0	2	100.0	-	2	-	-	-	-	2	-	-
Total	27.33	100.0	2	100.0	0	2	0	0	0	0	2	0	0

B. Disbursements ^c	OCR	ADF	Total
(1) Total funds available for withdrawal (\$ mn, active loans only)	-	27.33	27.33
(2) Disbursed amount (\$ mn, cumulative, active loans only)	-	15.67	15.67
(3) Percentage disbursed [(2)/(1)] (%)	-	57.34	57.34
(4) Disbursements (\$mn, active loans only, latest year)	-	15.67	15.67
(5) Disbursement ratio (%) ^d	-	60.28	60.28

C. Net Transfer of Resources ^e (\$ million)	OCR	ADF	Total
Net transfer in 1995	-	-0.38	-0.38
Net transfer in 1996	-	-0.34	-0.34
Net transfer in 1997	-	-0.02	-0.02
Net transfer in 1998	-	13.11	13.11

D. Post-Evaluated Projects	1968 - 1977		1978 - 1987		1988 - 1998		1968 - 1998			
	No.	%	No.	%	No.	%	No.	%		
1. Postevaluation Rating (as of 31 December 1998)										
Rated Generally Successful (GS)	-	-	1	20.0	-	-	1	14.3		
Rated Partly Successful (PS)	-	-	1	20.0	2	100.0	3	42.9		
Rated Unsuccessful (US)	-	-	3	60.0	-	-	3	42.9		
No Rating	-	-	-	-	-	-	-	-		
Total	0	0.0	5	100.0	2	100.0	7	100.0		
2. Postevaluation Rating by Sector 1968-88 (as of 31 December 1998)	GS		PS		US		NR		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	-	-	-	-	2	66.7	-	-	2	28.6
Energy	-	-	1	33.3	-	-	-	-	1	14.3
Finance and Industry	-	-	1	33.3	1	33.3	-	-	2	28.6
Social Infrastructure	-	-	1	33.3	-	-	-	-	1	14.3
Transport and Communications	1	100.0	-	-	-	-	-	-	1	14.3
Others/Multisector	-	-	-	-	-	-	-	-	-	-
Total	1	100.0	3	100.0	3	100.0	0	0.0	7	100.0

^a HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory

^b Excludes loans closed during the year.

^c Excludes loans closed during the year without disbursement.

^d Disbursement Ratio is defined as the ratio of the total disbursement in a given year over the net loan amount available at the beginning of the year plus the loan amounts of newly approved loans which have become effective. "Net loan amount at the beginning of the year" includes all effective loans at the beginning of the year. "Loan amounts of newly approved loans which have become effective" includes loans approved before and after the beginning of the year that have become effective after the beginning of the year.

^e Includes private sector projects for countries with private sector operations.

**SOLOMON ISLANDS
PORTFOLIO PERFORMANCE**

**Table 2: Status of Project Implementation
Public Sector Projects Only
(As of 31 December 1998)**

Sector ^a	Project Title	Net Loan Amount		Approval Date (mm/yy)	Effectivity Date (mm/yy)	Closing Date		Physical Progress (% complete)	Cum Contract Awards (\$ million)	Cummulative Disbursement (\$ million)	Project Performance Rating ^b	
		OCR (\$ million)	ADF			Original (mm/yy)	Revised (mm/yy)				Implementation Progress	Development Objective
OTH	Loan No. 1627-SOL Public Sector Reform Program	-	26.27	Aug-98	Nov-98	May-00	-	-	15.67	15.67	S	S
OTH	Loan No. 1628-SOL Privatization of SOEs	-	1.06	Aug-98	Nov-98	Dec-00	-	-	0.00	0.00	S	S
Total		0.00	27.33						15.67	15.67		

^a Sector:
 AGR: Agriculture & Natural Resources
 ENE: Energy
 SOC: Social Infrastructure
 I&F: Industry and Finance
 T&C: Transport and Communications
 OTH: Multisector/Others

^b HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory
 Note: Excludes loan(s) closed during the year.

SOLOMON ISLANDS
OVERALL EXTERNAL ASSISTANCE

External Source (\$ million)	Past 3-5 Years (annual average)		1999 (Estimates) Program	
	Loan/Credit	TA	Loan/Credit	TA
A. Multilateral Assistance				
Bank	5.0	-	-	1.0
World Bank	3.0	-	12.0	-
European Union/EIB	-	0.8	-	6.0
UNDP/WHO	-	2.5	-	1.5
Subtotal	8.0	3.3	12.0	8.5
B. Bilateral Assistance				
Japan	-	16.0	-	14.0
Australia	-	8.0	-	9.0
New Zealand	-	3.0	-	3.0
Taipei, China	-	3.0	-	6.0
United Kingdom	-	2.0	-	1.5
Kuwait	3.0	-	1.4	-
Papua New Guinea	-	1.0	-	3.0
Canada	-	0.2	-	0.2
Others	-	1.0	-	2.0
Subtotal	3.0	34.2	1.4	38.7
Total	11.0	37.5	13.4	47.2
Memo Items:				
External Assistance as % of Current Expenditures				
External Assistance as % of Capital Expenditures				

Sources: Government and Bank staff estimates.

SOLOMON ISLANDS
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002
(Amounts in \$ million)

Sector/Project Name	Strategic		Responsible Division	Year of PPTA	PROJECT COST					
	Dev't Objectives ^a				TOTAL	Bank			Gov't	Cofinancing (Others)
	Primary	Secondary				OCR	ADF	Total		
2000 FIRM LOANS										
Agriculture										
1. Fisheries Management and Development	ECO	POV	POHQ		9.5	0.0	6.0	6.0	2.0	1.5
Subtotal					9.5	0.0	6.0	6.0	2.0	1.5
Social Infrastructure										
1. Population Policy and Services Project	HD		POHQ		3.2	0.0	2.0	2.0	0.7	0.5
Subtotal					3.2	0.0	2.0	2.0	0.7	0.5
Total					12.7	0.0	8.0	8.0	2.7	2.0
2001 LOAN PIPELINE										
Others										
1. Provincial Government Capacity Bldg	ECO		POHQ		8.0	0.0	8.0	8.0	0.0	0.0
Subtotal					8.0	0.0	8.0	8.0	0.0	0.0
Social Infrastructure										
1. Skills Development	HD		POHQ		3.0	0.0	3.0	3.0	0.0	0.0
Subtotal					3.0	0.0	3.0	3.0	0.0	0.0
Total					11.0	0.0	11.0	11.0	0.0	0.0
2002 LOAN PIPELINE										
Social Infrastructure										
1. Rural Infrastructure and Services	POV		POHQ		15.0	0.0	15.0	15.0	0.0	0.0
Subtotal					15.0	0.0	15.0	15.0	0.0	0.0
Total					15.0	0.0	15.0	15.0	0.0	0.0

^a ECO = Economic Growth; HD = Human Development; POV = Poverty Reduction; WID = Women in Development; and ENV = Environmental Protection.

SOLOMON ISLANDS
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)	
			Bank	Others
2000 TECHNICAL ASSISTANCE PROGRAM				
Others				
1 . Provincial Government Capacity Building	POHQ	PP	200.0	200.0
2 . Strengthening of Public Sector Management (Phase 2)	POHQ	AD	550.0	550.0
	Subtotal		<u>750.0</u>	<u>750.0</u>
Social Infrastructure				
1 . Skills Development	POHQ	PP	250.0	250.0
	Subtotal		<u>250.0</u>	<u>250.0</u>
Total			<u>1,000.0</u>	<u>1,000.0</u>
2001 TECHNICAL ASSISTANCE PROGRAM				
Others				
1 . Support for Reform Program I	POHQ	AD	200.0	200.0
2 . Performance Oriented Management in the Public Sector	POHQ	AD	800.0	800.0
	Subtotal		<u>1,000.0</u>	<u>1,000.0</u>
Total			<u>1,000.0</u>	<u>1,000.0</u>
2002 TECHNICAL ASSISTANCE PROGRAM				
Agriculture and Natural Resources				
1 . Fisheries Infrastructure Project	POHQ	PP	800.0	800.0
	Subtotal		<u>800.0</u>	<u>800.0</u>
Others				
1 . Support for Reform Program II	POHQ	AD	200.0	200.0
	Subtotal		<u>200.0</u>	<u>200.0</u>
Total			<u>1,000.0</u>	<u>1,000.0</u>

SOLOMON ISLANDS
LENDING PROGRAM BY TYPE AND SECTOR, 2000-2002

Classification	2000 (Firm)		2001-2002	
	No.	%	No.	%
By Type				
A. Economic Growth		0.0	1	33.3
B. Projects Directly Aimed at Social Concerns	1	50.0	2	66.7
C. Projects Directly Aimed at Environmental Concerns		0.0		0.0
D. Economic Growth-oriented Projects with Social and/or Environmental Concerns	1	50.0		0.0
Total	2	100.0	3	100.0
By Sector				
A. Agriculture and Natural Resources	1	50.0		0.0
B. Energy		0.0		0.0
C. Finance		0.0		0.0
D. Transport and Communications		0.0		0.0
E. Social Infrastructure	1	50.0	2	66.7
F. Others/Multisector		0.0	1	33.3
Total	2	100.0	3	100.0

^a rounded off.

SOLOMON ISLANDS

PROJECT PROFILE				
1. Project Name: Population Policy and Services Project			2. Sector/Subsector: Social Infrastructure/Health and Population	
3. Dev. Objective: Primary: HD Secondary:			5. Beneficiary Participation in Formulation: The design of the project will require consultation of stakeholders and beneficiaries, particularly with respect to mechanisms to reach isolated communities with improved family planning and reproductive health services.	
4. Rationale: The Solomon Islands' population is one of the fastest growing in the Pacific, with a growth rate of 3.3 percent per annum. The objectives of the project are (a) to enhance National Department of Planning and key ministries management, planning and policy formulation capacity in the population sector; (b) to improve coordination between the ministries, public national and provincial institutions and Non-Government Organizations; and (c) to raise the level of overall awareness among the general public as well as politicians on population-related issues and enhance the technical skills of national staff.				
6. Objectives and Scope: The project will likely finance (a) multi-sectoral coordination and planning; (b) population and development initiatives in the key sectors; and (c) a community-based information, education and communication (IEC) program in coordination with the churches and NGOs.				
7. Estimated Cost & Financing Plan (\$):				Remarks
Loan Project Cost (\$m)				
Financing (Source)	FC	LC	Total	
Bank	2.0	0.0	2.0	
Cofinancing	0.5	0.0	0.5	
Borrower	0.0	0.7	0.7	
Total	2.5	0.7	3.2	
8. Estimated Benefits and Beneficiary Groups: The major beneficiaries would be low income and rural-based families in the Solomon Islands who lack access to family planning and reproductive health services. In the medium term, the project is expected to result in improved health indicators for rural populations; in the longer term, the project aims to reduce the annual population growth rate.				
9. Executing Agency: Ministry of National Planning and Development			10. Project Implementation Period: Start: 2000 End: TBD	
11. Environment Category: C			12. Processing Year: 2000	

SOLOMON ISLANDS

PROJECT PROFILE				
1. Project Name: Fisheries Management and Development			2. Sector/Subsector: Agriculture and Natural Resources/Fisheries	
3. Dev. Objective: Primary: ECO Secondary: POV			5. Beneficiary Participation in Formulation: The design of the project will require consultation with stakeholders and beneficiaries, particularly with respect to the management and exploitation of coastal and marine resources.	
4. Rationale: The objective of the project is to exploit the untapped economic potential in the fisheries and marine sector in a sustainable manner that provides maximum employment and income for local communities.				
6. Objectives and Scope: The project will likely finance (a) institutional strengthening of the Department of Fisheries; (b) pilot projects to test and demonstrate the economic potential of various marine aquaculture enterprises; (c) infrastructure to support expanded private sector involvement in various fisheries and aquaculture enterprises; (d) marine biodiversity conservation; and (e) capacity building at provincial government levels.				
7. Estimated Cost & Financing Plan (\$):				Remarks
Loan Project Cost (\$m)				
Financing (Source)	FC	LC	Total	
Bank	6.0	0.0	6.0	
Cofinancing	1.5	0.0	1.5	
Borrower	0.0	2.0	2.0	
Total	7.5	2.0	9.5	
8. Estimated Benefits and Beneficiary Groups: The major beneficiaries would be coastal communities in the Solomon Islands who would gain from expanded income and employment opportunities in the fisheries and marine resources sector.				
9. Executing Agency: Ministry of Agriculture and Fisheries			10. Project Implementation Period: Start: 2000 End: TBD	
11. Environment Category: B			12. Processing Year: 2000	