

Asian Development Bank & Solomon Islands

FACT SHEET

Table 1. Solomon Islands: Development Indicators

Non-MDG	
Population in millions	0.52 (2008)
Annual population growth rate (%)	2.8 (2006–2008)
Adult literacy rate (%)	68 (1999)
Percent of population in urban areas	17.6 (2007)
MDG	
Percent of population living on less than \$1.25 a day	...
Percent of population living below the national poverty line	...
Under-5 mortality rate per 1,000 live births	70 (2007)
Percent of population using an improved drinking water source	70 (2006)

... = data not available, MDG = Millennium Development Goal.

Sources: ADB, 2009. *Basic Statistics 2009*. Manila.

SPC, 2009. Pacific Regional Information System.

World Bank, 2009. World Development Indicators Online.

Since the intervention of the Regional Assistance Mission to the Solomon Islands (RAMSI) in mid-2003, economic growth has averaged 7% and macroeconomic stability has been maintained. However, with one of the fastest-growing populations in the world, per capita income is the lowest in the region and economic activity continues to rely on the unsustainable exploitation of the country's forests and large donor assistance. The projected decline in logging from 2009 and any major reduction in aid flows will pose serious risks to medium-term macroeconomic and fiscal stability.

The country is ranked the second lowest among all Pacific island nations in the United Nations Human Development Index and is unlikely to meet the majority of the internationally agreed Millennium Development Goals by 2015. Poverty reduction challenges are greatly increased by post-conflict problems, relatively high indebtedness, social dislocation, and fragile political and administrative institutions.

The most pressing issues for the country include creating sustained economic growth, increased employment and income-generating opportunities, access to basic services, and improved human and institutional capacity. Addressing multiple root causes that led to the social unrest during 1999–2003 remains a top priority.

Relationship with ADB

Since joining the Asian Development Bank (ADB) in 1973, Solomon Islands has received 16 loans amounting to \$79.3 million, three Asian Development Fund (ADF) grants amounting to \$19.3 million, and 59 technical assistance (TA) projects amounting to \$18.2 million. Including the cofinanced amounts, ADB's ongoing program in Solomon Islands totals \$49.87 million. Solomon Islands is eligible for ADF grants available to countries that are very poor, heavily indebted, or recovering from conflict. Recently approved ADF grants targeted the improvement of rural roads (approved in 2006), maritime transport infrastructure (2008), and the rehabilitation of the infrastructure damage caused by the April 2007 earthquake and tsunami. Over the years, ADB's loan and TA projects have ranged from support for agriculture and fisheries, transportation, infrastructure rehabilitation, finance, power, water supply and sanitation, ports, the reform of state-owned enterprises, and institutional development of government ministries and public agencies.

ADB's medium-term country assistance strategy aims for rapid, pro-poor, private sector-led economic growth, and focuses on improving transportation infrastructure and services, and enabling a business environment. Capacity development and the promotion of good governance are priorities. In consideration of the risks of debt distress and related government policies, ADB assistance is provided entirely on a grant basis until public finances stabilize.

The Country Operations and Business Plan 2009–2011 can be found at www.adb.org/Documents/CPSs/SOL/2008/COBP-SOL-2009-2011.pdf.

Impact of Assistance

ADB is strengthening its aid coordination and effectiveness in the Pacific islands through closer interaction with member governments and other development partners. Partnerships are increasingly becoming central to planning, financing, and implementing ADB operations in Asia and the Pacific. ADB's engagement with Solomon Islands reflects this strategy, as all ADB's current projects in Solomon Islands are cofinanced initiatives. In the future, ADB will explore more opportunities in Solomon Islands to help bring development partners and the Solomon Islands Government together to work in a more harmonized, strategic way.

Transport infrastructure is a major focus of ADB's work in Solomon Islands. Transport development in Solomon Islands is guided by the National Transport Plan, developed with ADB assistance, which focuses on restoring infrastructure; improving maintenance; increasing safety, quality, and reliability; and promoting private sector participation. Key elements of the Plan are integrated planning, protection of environmental and social sustainability, and increased resiliency in the face of natural disasters.

The Domestic Maritime Support Project, approved in 2008, aims to create more frequent and reliable shipping services in Solomon Islands, and will reduce barriers to market access and promote the growth of rural production. Financed by ADB and the European Commission, the main beneficiaries of this project will be people in the most remote, poorest areas of Solomon Islands.

The completion of the Post-Conflict Emergency Rehabilitation Project (PCERP), which targeted the repair of roads and bridges damaged in the 1999–2001 conflict, has led to another major infrastructure project, the Solomon Islands Road Improvement Project (SIRIP), cofinanced by the Governments of Australia and New Zealand. SIRIP is rehabilitating about 100 kilometers of roads and bridges in Makira, Temotu, and Guadalcanal provinces and aims to link rural areas to urban centers for access to markets and social services.

Table 2. Solomon Islands: Economic Indicators, 2004–2008

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	600	630	690	730	...
GDP growth (% change per year)	8.0	5.0	6.1	10.3	6.4
CPI (% change per year)	6.9	7.3	8.4	7.6	16.5
Unemployment rate (%)
Fiscal balance (% of GDP)	4.1	0.6	0.7	-0.3	-5.6
Export growth (% change per year)	31.0	6.4	16.4	39.6	2.8
Import growth (% change per year)	3.1	67.5	54.3	22.8	...
Current account balance (% of GDP)	17.9	0.5	-4.1	-2.6	-4.9
External debt (% of GNI)	66.4	55.8	51.3	48.4	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila.
ADB staff estimates.
World Bank. 2009. World Development Indicators Online.

Table 3. Solomon Islands: 2008 Loan, TA, and Grant Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
–	–	1.6	19.7	21.3

– = nil.

Cumulative Lending (as of 31 Dec 2008) : \$79.3 million
Cumulative Disbursements (as of 31 Dec 2008) : \$65.8 million

ADB has been supporting the Solomon Islands in responding to the 2007 earthquake and tsunami disaster, which devastated parts of the Western Solomon Islands. ADB assisted the Government in coordinating the preparation of the rehabilitation and reconstruction program, as finalized in November 2007. Efforts have since focused on repairing roads and bridges and other post-tsunami rehabilitation work under the Emergency Assistance Program (EAP). The project is now under implementation, feasibility assessments and preliminary design are nearly complete, some civil works have already begun, and major civil works contracts are expected to be awarded before the end of the year.

ADB's private sector reform activities in Solomon Islands aim to improve the environment for doing business. An ADB-sponsored Secured Transactions Act, passed by Parliament in 2008, and an associated asset registry to be established in 2009, will make it simple for borrowers to pledge their movable assets—such as boats, cars, inventories, and equipment—to the banks as security. In the event of default, lenders can repossess and sell the assets to recover what is owed. This is expected to improve access to finance in the medium and long term, which means more investment, jobs, growth and, ultimately, prosperity.

ADB has also been supporting the Ministry of Commerce and Industries and Employment in preparing and implementing a new company legislation, which takes into account realities within the country. The new Companies Act, passed in March 2009, makes provision for the registration of “community companies”, a special type of company designed for use by kin groups. A community company enables the use of community assets in a way that benefits all members of the community—women's groups, farming and fishing cooperatives, among others—while at the same time removing the potential for abuse.

Table 4. Solomon Islands: Cumulative ADB Lending as of 31 December 2008

Sector	Loans (no.)	Amount (\$ million)	% ^a
Agriculture and Natural Resources	4	20.22	25.49
Energy	2	8.91	11.23
Finance	2	4.00	5.04
Law, Economic Management, and Public Policy	2	26.00	32.78
Multisector	2	10.50	13.24
Transport and Communications	3	8.03	10.12
Water Supply, Sanitation, and Waste Management	1	1.65	2.08
Total	16	79.31	100.00

^a Total may not add up because of rounding.

Table 5. Solomon Islands: Project Success Rates

By Sector	Percentage ^a	No. of Rated Projects/Programs
Agriculture and Natural Resources	0.0	2
Energy	50.0	2
Finance	0.0	2
Law, Economic Management, and Public Policy	0.0	1
Multisector	100.0	1
Transport and Communications	100.0	1
Water Supply, Sanitation, and Waste Management	0.0	1
Total	30.0	10
By Year of Approval		
1970s	25.0	4
1980s	0.0	3
1990s	66.7	3

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2008.

ADB has also supported the preparation of the Companies (Insolvency and Receiverships) Act, passed in March 2009, and a new Trustee Bill that is being finalized.

ADB supports programs under the Pacific Plan for Strengthening Regional Cooperation, which emphasizes regional public goods and services. ADB recognizes the potential of such regional initiatives, such as the collective management of increased aviation safety and security requirements through the ADB-financed Pacific Aviation Safety Office, and the prevention and treatment of HIV/AIDS through the Regional Technical Assistance for Socioeconomic Implications of HIV/AIDS in the Pacific.

Future Directions

Looking ahead, ADB's strategic assistance focus on transport infrastructure and business climate reform remains highly relevant in the context of development challenges, government priorities, division of labor among development partners, and ADB's comparative advantage.

Creating an enabling environment to support sustainable economic growth remains a challenge for Solomon Islands. ADB's support of transport infrastructure and related capacity building is widely acknowledged as vital for rehabilitating the economy and providing access to basic services. Future projects and TA will continue to support the Ministry of Infrastructure Development's ongoing restructuring as an asset management and contracting organization through the gradual introduction of integrated sector-based approaches to investment and maintenance of all transport infrastructure and services.

The private sector development agenda is large and complex. The challenge is to build and modernize effective and sustainable institutions that govern business, thereby promoting entrepreneurship, investment, productivity, and economic growth. While progress is being made with ADB's assistance in rationalizing the ownership and performance policies for state enterprises, continued focus will be required through the medium to long term. Improving the business law framework, as well as access to finance, will remain at the heart of ADB's private sector focus. ADB will also include Solomon Islands in a regional technical assistance program for renewable energy.

In 2009, in close coordination with the Solomon Islands Government and other development partners, ADB will begin preparation of a new Country Partnership Strategy covering 2010–2014. The new Country Partnership Strategy will be ADB's primary planning instrument and also serve to monitor and evaluate the country's development performance during the timeframe of the strategy.

Table 6. Solomon Islands: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008

	2007 (\$ million)	2008 (\$ million)
Number of Ongoing Loans (as of 31 Dec 2008)		–
Contract Awards/Commitments	0.1	0.02
Disbursements	3.7	0.1
Loans at Risk (%)	–	–

– = nil.

Table 7. Solomon Islands: Contractors/suppliers involved in ADB loan projects, 1 January 2004–31 December 2008

Contractor/Supplier	Sector	Contract Amount (\$ million)
Island Enterprise, Ltd.	Multisector	0.20
Tatalani Builders, Ltd.	Multisector	0.09
Groundtest Equipment	Multisector	0.02
Ulafu Construction	Multisector	0.02
PricewaterhouseCoopers	Multisector	0.02

Operational Challenges

ADB, along with other development partners, faces serious operational challenges, as would be expected in a post-conflict country environment. Major concerns affecting ADB's country operations include the weak absorptive capacity of the public sector to deliver much-needed reform projects and difficulties in political decision-making processes.

ADB is responding to the challenges with country operations governed by engagement and policy dialogue with key stakeholders, and special attention being given to effective capacity development. Careful risk assessment and mitigating strategies are being applied.

Partnership

In line with the ADB Pacific Strategy, ADB, as part of a regional technical assistance to enhance engagement with Pacific developing member countries, established in late 2008 an in-country Development Coordination Office in Honiara. The office plays a facilitative role in (i) ensuring effective Government engagement with ADB at all levels; (ii) supporting Government's implementation of its Medium-Term Development Strategy; and (iii) ADB's efforts to improve donor harmonization with other partners, aid coordination within Government and partnerships with wider stakeholders.

With this representation in Honiara, ADB will strengthen its close partnership with major stakeholders on the ground. ADB is working in close partnership with major stakeholders. In addition to the Ministry of Finance and Treasury, it has established a special partnership with the Ministry of Infrastructure and Development for transportation infrastructure, the Ministry of Commerce, Industry and Employment for private sector development, and the Ministry of National Development Planning and Aid Coordination for planning and coordination with the SIG's MTDS. Private sector consultations are regularly conducted, and relationships with civil society groups are being nurtured. ADB's country program is closely coordinated with the Regional Assistance Mission for Solomon Islands. Partnerships with other funding agencies, especially the Australian Agency for International Development (AusAID), New Zealand's International Aid and Development Agency (NZAID), and the European Commission, have been crucial, especially in the area of transportation infrastructure and services.

It is ADB policy to cooperate with nongovernment organizations to strengthen the effectiveness, quality, and sustainability of the services it provides. For example, local area consultative groups—comprising representatives from the provincial government, nongovernment organizations, churches, landowners, and community leaders—were established to discuss project activities under the PCERP and SIRIP. Likewise, private sector organizations have been instrumental in contributing to ongoing business law reform efforts.

Table 8. Solomon Islands: Top consulting firm involved in ADB loan project, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
PricewaterhouseCoopers	1	0.02

Table 9. Solomon Islands: Top individual consultants involved in ADB technical assistance projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Individual Consultants from Solomon Islands*	11	0.36

* Consultant may have one or more contracts within the period covered.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing of ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

As of year-end 2008, cumulative direct value-added cofinancing for Solomon Islands amounted to \$37.1 million for six investment projects and \$1.6 million for five TA projects. In 2008, the Domestic Maritime Support (Sector) Project was provided with a \$5.25 million grant cofinancing by the European Commission and the Road Improvement

(Sector) Project was provided with supplementary grant cofinancing of \$0.47 million by Australia.

A summary of projects with cofinancing from 1 January 2004 to 31 December 2008 is available at www.adb.org/Documents/Fact_Sheets/PapuaNewGuinea/cofinancing.asp.

As of 31 December 2008, 10,330 consultant contracts were awarded under ADB loan projects worth \$4.17 billion, of which 29 contracts were awarded to consultants from the Solomon Islands worth \$0.7 million.

From 1 January 1985 to 31 December 2008, 18,104 consultant contracts were awarded under ADB technical assistance projects worth \$2.33 billion, of which 26 contracts were awarded to consultants from the Solomon Islands worth \$1.1 million.

About Solomon Islands and ADB

Solomon Islands is the 35th largest shareholder among regional members and the 43rd largest overall. It shares both positions with Vanuatu.

ADB Membership

Joined	1973
Shares held	236 (0.01%)
Votes	13,468 (0.30%)

Phil Bowen is the Executive Director and **Dereck Rooken-Smith** is the Alternate Executive Director representing Solomon Islands on the ADB Board of Directors.

The Pacific Liaison and Coordination Office (PLCO) was opened in 2005 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. PLCO engages in policy dialogue and acts as a knowledge base on development issues in the Solomon Islands, Nauru, Vanuatu, and on private sector development region-wide.

Eugene Zhukov is the Regional Director of PLCO.

The Solomon Islands government agency handling ADB affairs is the Ministry of Finance and Treasury.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

Contacts

ADB Development Coordination Office

Mud Alley, Honiara
Solomon Islands
Tel + 677 21444
Fax +677 21448

Pacific Liaison and Coordination Office

Pacific Liaison Coordination Office
Level 18, 1 Margaret Street
(corner of Clarence and Margaret streets)
Sydney, NSW 2000, Australia
Tel +612 8270 9444
Fax +612 8270 9445
www.adb.org/PLCO

ADB Headquarters

6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444
information@adb.org

Ministry of Finance and Treasury

GPO Box 30 Honiara, Solomon Islands
Tel +677 24102/30154/28619
Fax +677 30613/28649

Useful ADB websites

Asian Development Bank
www.adb.org

Country website
www.adb.org/solomonislands

Asian Development Outlook
www.adb.org/Documents/Books/ADO/2009/SMALL-PAC.pdf

Annual Report
www.adb.org/Documents/reports/annual_report/2008/

Depository Libraries
www.adb.org/Publications/Depositories/sol.asp