



SOLOMON ISLANDS*

FRANCIS JOHN ZAMA, Governor

It is an honour and privilege to make this statement on the occasion of the 37th annual meeting of the Board of Governors of the Asian Development Bank (ADB). I join other Governors in welcoming both Luxemburg and Palau as new members of ADB.

It has been quite sometime since Solomon Islands participated and made a statement at these meetings. We value our relationship with ADB but for various reasons our continuous participation in the meetings had been hindered. These meetings provide an opportune time not only to meet fellow Governors, but also the senior management of ADB. It is also a time when we share experiences on our respective economies have been performing.

Governors, in the case of Solomon Islands, it is very pleasing to note that after four consecutive years of economic decline—which came as a result of 2 years of ethnic conflict—the economy has recorded strong economic growth in 2003. This has been possible, thanks to the Government's persistent efforts and resolve, to address the law and order situation. As you may be aware, the situation has improved immensely, particularly in the last eight months since the intervention by the Regional Assistance Mission to Solomon Islands (RAMSI) in July 2003.

The progress from RAMSI's work, is a shining example of what can be achieved when we all cooperate and genuinely want to support each other in times of need. Solomon Islands has returned to normal life and the economy is back on the recovery path. In 2003, real gross domestic product (GDP) rose by 5.8%. The outcome reflected four key inter-related factors: improved law and order situation leading to the pickup in economic activity; favourable external conditions, which greatly assisted our export sector; persistent donor inflows, which sustained our external balances; and private sector resilience, particularly in the productive sector, which has demonstrated exceptional agility to withstand the difficulties in recent years.

In the short to medium term, our reform strategy entails a three-pronged action plan with three main objectives: first, to restore law and order; second to stabilise public finances; and thirdly, to re-establish an effective and efficient government machinery. Within eight months, we have achieved the first two objectives. On the law and order front, Solomon Islands is now as safe as it can be, where social interaction and life generally have been fully normalized. A very important step towards this was the arrest of the ex-militant leaders and other criminals. In recognition of the weakness in the

* Statement circulated but not delivered.

police force and other law enforcement agencies, capacity and institutional building strategies have also been activated.

In terms of government finances, there had been significant improvements since the arrival of RAMSI. Parliament has passed a balanced budget for 2004, based on revenue performance in the last quarter of 2003 but with the objective of resuming with basic government services, which have been ignored for several years. In implementing this budget, the Government took a number of initiatives in the form of a wide range of revenue enhancing measures: tax amnesty, streamlining of revenue collection points, closing of unauthorized bank accounts, audit of Customs collection procedures, and so on. These measures so far have resulted in significant un-budgeted revenue collections. Meanwhile on the expenditure side, vigorous steps have been taken to contain spending, including payroll cleansing, ceasing of compensation demands and extortions of funds, and ceasing of unauthorized allowances. A close monitor on spending by line ministries is maintained. Consequently, the level of budget surplus has been increasing in recent months, which is reflected by, the Government's increasing deposits with banking system. All government commitments are now being serviced when they fall due. We therefore, plan to use these surpluses to begin repaying some of the government's outstanding debt arrears and creditors. In keeping with our transparency and good governance principles, government accounts are published monthly. In short, I am confident that government finances are now under firm and sound management.

The Government and people of Solomon Islands are very grateful to the Governments of regional countries for their support through RAMSI. In particular, we are grateful to Australia and New Zealand in providing budget support, and especially in repaying our debt arrears to ADB and the World Bank. As you are aware, while the Government may be able to meet its commitments from here on, there is a large backlog of debt arrears after years of non-servicing. The Government is already addressing the debt arrears problem in a comprehensive debt management strategy, which is due to be concluded soon.

Fellow Governors, work towards the third objective entails public service reforms. This exercise—which is to ensure effective and efficient government machinery—has also started. As it would be appreciated, this is a more complex activity, which includes capacity building, institutional strengthening, and restructuring of internal procedures and controls. The challenge facing the Government is to right size the public service. This means employing rigorous recruitment procedures, to ensure the right people with the right training man these functions. This process may take a long time and would need assistance from our development partners.

Having spoken of the excellent progress thus far, we are mindful that many underlying impediments still remain. The challenge facing the Government is the sustainability of the economic recovery and positive progress so far achieved. The reform agenda is still to be fully implemented. Institutional building and capacity building programs will need to be enhanced. To that end, the Government is determined to continue with initiatives that it has taken so far, and to pursue its reform and rehabilitation programs. This is an area where we will need assistance from our

development partners. I believe ADB has a very important role to play, not only as a source of concessionary loan financing but also in more grant technical assistance. I would like to emphasise the latter as it is very crucial not only in our on-going policy formulation but also in our capacity building endeavours. In this regard, we are pleased with how the new ADF replenishment has been apportioned. In so doing, we would urge that ADB provide support and assistance in our economic reforms efforts, particularly in state-owned enterprises, privatization, and coordination of the reform programs. Besides, given ADB's wide experience in this area, ADB should take a leading role in our physical infrastructure development programs. This would ensure we achieve a very important objective of our reforms, which is to provide an enabling environment for private sector development.

On the subject of reforms, we are encouraged to know that ADB is also pursuing reforms within itself. In this connection, let me congratulate ADB in successfully concluding the Asian Development Fund (ADF) 9 negotiations. This outcome is reflective of the confidence in ADB's management, especially under the able leadership of President Tadao Chino in taking tangible steps towards reforming ADB. Solomon Islands would urge ADB to pursue the new initiatives to enhance its responsiveness to emergency needs, and to improve broad-based consultations with member countries. Moreover, we urge ADB to continue with reforms to strengthen its management and to ensure that it is effective in its overarching role in poverty reduction.

Indeed the outcome of the ADF 9 negotiations is welcome news to many of us who have and are going through extraordinary circumstances. These special situations will need special treatment and attention. I am also grateful for the newly enhanced technical assistance programs, which ADB has recently announced. As you know, we in the Pacific do rely very much on ADB's guidance in policy advice and in many other technical areas.

Dialogue is a very important principle in any partnership. To that end, our meetings and discussions in the last several days have assisted not only re-engaging us, but have enhanced this relationship. However, it is important that we keep it on an on-going basis. In this regard, we are very pleased that ADB has increased its presence in the Pacific region. This gives us greater assurance of ADB's commitment to the Pacific developing member countries.

Finally, I join my fellow governors and delegates in thanking ADB for the excellent arrangements to the 37th annual meetings. Also I wish to register our sincere gratitude to the Government and people of the Republic of Korea, and especially to the people of Jeju Province, for their kind welcome and warm hospitality, and in allowing us to experience a little of their very beautiful and wonderful natural surroundings. We have thoroughly enjoyed our stay.