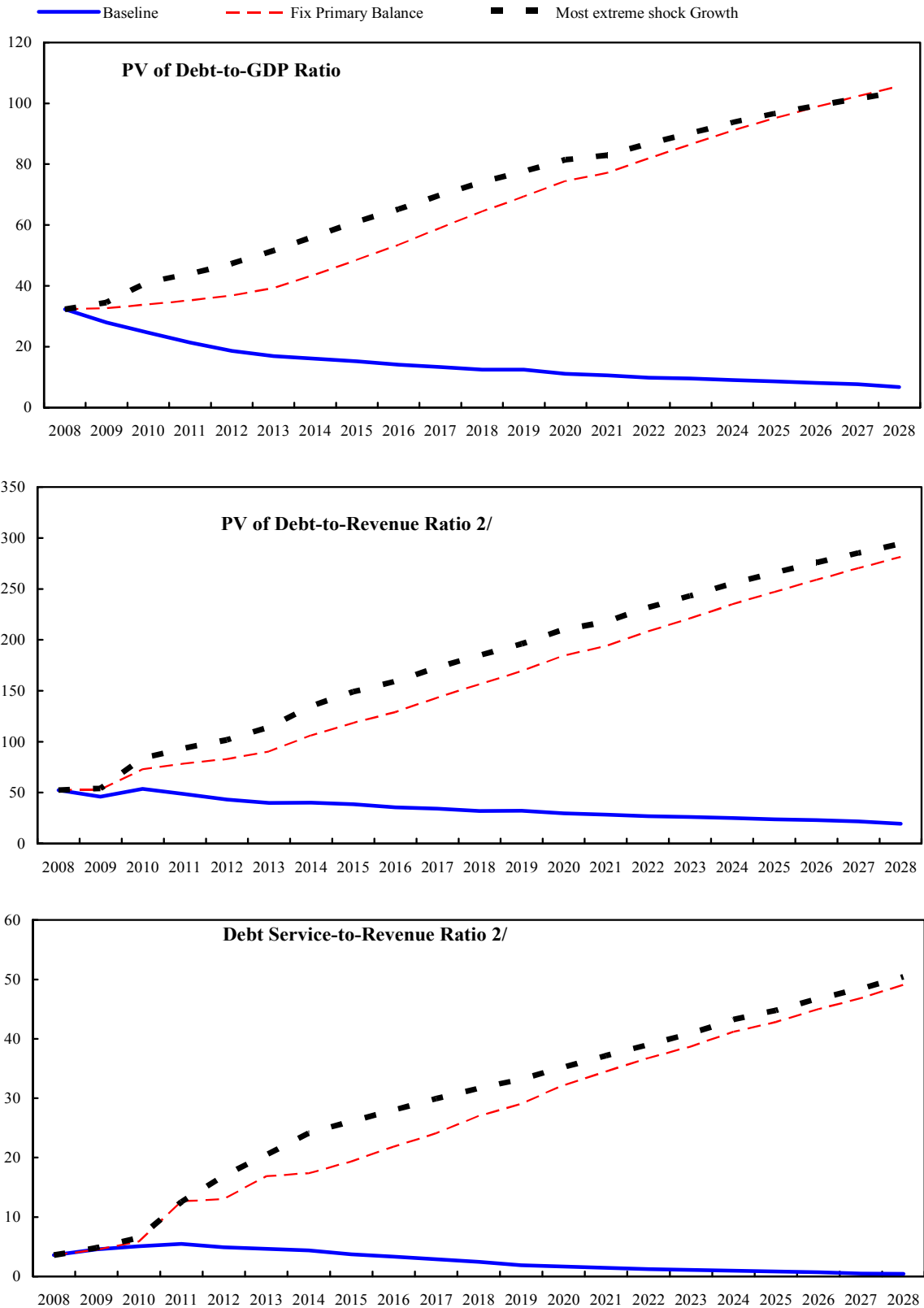


Figure 2. Solomon Islands: Indicators of Public Debt Under Alternative Scenarios, 2008-2028 1/



Sources: Country authorities; and Fund staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2018.

2/ Revenues are defined inclusive of grants.

INTERNATIONAL MONETARY FUND

SOLOMON ISLANDS

Staff Report for the 2008 Article IV Consultation—Informational Annex

Prepared by the Staff Representatives for the 2008 Consultation
with Solomon Islands

(In consultation with other departments)

September 10, 2008

	Contents	Page
I.	The Authorities' Response to Recent Fund Policy Advice	2
II.	Fund Relations	3
III.	Support from the Pacific Financial Technical Assistance Center.....	6
IV.	Relations with the World Bank Group.....	8
V.	Relations with the Asian Development Bank	11
VI.	Poverty and Human Development Indicators	13
VII.	Statistical Issues	17

**ANNEX I: SOLOMON ISLANDS—THE AUTHORITIES’ RESPONSE TO RECENT
FUND POLICY ADVICE**

Advice from the 2007 Article IV Consultation	Actions Taken
Formulate a medium-term national development strategy (NDS)	The Ministry of Finance is currently consulting with donors on a draft NDS.
Formulate a medium-term budget framework	Medium-term fiscal strategy prepared in February 2008.
Save revenue overperformance and limit expenditures to budgeted levels.	Revenue overperformance was spent to finance expenditures beyond budget levels.
Adjust the reference prices of logs and introduce an automatic price adjustment mechanism.	Reference prices were adjusted effective May 1, 2008. Planned additional increase in June 2008 postponed to October 2008. An automatic price adjustment mechanism has yet to be introduced.
Continue with preparations towards introducing a VAT.	The authorities have not yet decided on the exact shape of the tax reforms they wish to introduce.
Enhance expenditure control through tighter payroll controls and avoiding generalized civil service wage increases.	No tangible progress on recommendations from the Special Audit Report on the Treasury Payroll. The minimum wage was raised in April 2008, which would require an increase in wages for some civil servants.
Implementation of SIEA and SIWA management contracts	These were never implemented. The authorities’ strategy has changed. Current plans to strengthen SIEA management include the hiring of external managers with the assistance of WB.
Privatize Solomon Airlines	No progress.
Liquidate the DBSI	No progress. The Central Bank’s court-appointed mandate to oversee DBSI has been extended to 2009.
Pass the NPF Bill	No progress.
Continue to upgrade transport infrastructure	ADB-supported projects to rehabilitate roads and maritime services are on track and TA is being provided to improve capacity at the Ministry of Infrastructure and Development.
Tighten prudential measures	Basel I methodology for calculating risk weighted assets was adopted and the capital adequacy ratio increased in the fourth quarter 2007. The classification of banks’ loan portfolios and provisioning requirements were tightened in December 2007.
Improve statistical database	PFTAC has provided technical assistance on improving external and national income accounts statistics in 2008, but data quality and timeliness remain poor.

ANNEX II. SOLOMON ISLANDS—FUND RELATIONS
(As of July 31, 2008)

I. Membership Status: Joined September 22, 1978; Article VIII

II. General Resources Account:	SDR Million	Percent Quota
Quota	10.40	100.00
Fund holdings of currency	9.85	94.73
Reserve position in the Fund	0.55	5.29

III. SDR Department:	SDR Million	Percent Allocation
Net cumulative allocation	0.65	100.00
Holdings	0.01	0.98

IV. Outstanding Purchases and Loans: None

V. Latest Financial Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR Mission)	Amount Drawn (SDR Million)
Stand-by	6/22/1983	6/21/1984	2.40	0.96

VI. Projected Payments to Fund:

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2008	2009	2010	2011	2012
Charges/Interest	0.01	0.02	0.02	0.02	0.02
Total	0.01	0.02	0.02	0.02	0.02

VII. Implementation of HIPC Initiative: Not applicable.

VIII. Implementation of MDRI Assistance: Not applicable.

IX. Exchange Rate Arrangements:

Since November 2000, the exchange rate for the Solomon Islands (SI) dollar has been based on an undisclosed trade-weighted basket of the currencies of the Solomon Islands' major trading partners, with the U.S. dollar as the intervention currency. During 2002, as pressures on external reserves intensified, the Central Bank of Solomon Islands (CBSI) accelerated the rate of currency depreciation, leading to a gradual real depreciation of the SI dollar. Since December 2002, the CBSI has kept the exchange rate broadly stable against the U.S. dollar, although there is no public commitment to continue to do so. The Solomon Islands now

maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions.

X. Last Article IV Consultation:

The 2007 Article IV Consultation discussions were held in Honiara during May 11–22, 2007. The staff report was considered by the Executive Board and the consultation concluded on July 16, 2007.

XI. Technical Assistance:

Date	Department	Purpose	Duration
Short-term			
January 14, 1998	PFTAC	Statistics	2 weeks
February 3, 1998	PFTAC	Tax administration	1 week
May 4, 1998	PFTAC	Tax administration	4 weeks
June 7, 1998	PFTAC	Banking supervision	2 weeks
June 30, 1998	PFTAC	Balance of payments statistics	2 weeks
November 28, 1998	PFTAC	Public financial management	1 week
February 9, 1999	PFTAC	Banking supervision	1 week
September, 1999	MAE	Treasury bill auctions and monetary operations	8 weeks
October 3, 2000	MAE	Advisor to CBSI	2 weeks
May, 2001	PFTAC	Banking supervision	1 week
October 2002	PFTAC	Banking Supervision	10 days
January 2003	PFTAC	Statistics	1 week
February 2004	PFTAC	Statistics	2 weeks
May 2004	PFTAC	Tax and customs administration	2 weeks
September 2004	MFD	AML/CFT	1 week
January 2005	PFTAC	Financial reporting system	2 weeks
February 2005	PFTAC	Financial supervision of insurance	2 weeks
April 2005	PFTAC	Financial supervision	2 weeks
May 2005	MFD	Financial supervision of insurance	2 weeks
May 2005	PFTAC	Tax policy and administration	2 weeks
August 2005	MFD	Reserve management	2 weeks
August 2005	MFD	Financial supervision of insurance	4 weeks
August 2005	PFTAC	Statistics	2 weeks
September 2005	PFTAC	AML/CFT	2 weeks
October 2005	LEG	AML/CFT	4 days
October 2005	MFD	Financial supervision of insurance	4 weeks
November 2005	STA	Monetary and Financial Statistics	3 weeks
January 2006	PFTAC	Tax policy	2 weeks
January 2006	LEG	Tax policy	2 weeks
February 2006	PFTAC	AML/CFT	2 days
February 2006	MFD	Financial supervision of insurance	4 weeks
February 2006	PFTAC	Statistics	2 weeks
April 2006	PFTAC	Statistics	2 weeks
April 2006	MFD	Central Bank Accounting	3 weeks
May 2006	PFTAC	Public Financial Management	2 weeks

June 2006	MFD	Central Bank Accounting	2 weeks
August 2006	PFTAC	Public Accounting Procedures	4 days
August 2006	PFTAC	Public Expenditure Management	3 weeks
October 2006	MCM	TA program monitoring	2 weeks
October 2006	MCM	Financial sector supervision	3 weeks
October 2006	MCM	Reserve Management	3 weeks
October 2006	PFTAC	Budget and Public Expenditure Mgt	1 week
December 2006	PFTAC	Business Revenue Reform	1 ½ weeks
February 2007	PFTAC	Balance of Payments Statistics	3 weeks
February 2007	PFTAC	National Income Accounts	3 weeks
March 2007	MCM	Accounting	2 weeks
July 2007	STA	Monetary and Financial Statistics	2 weeks
November 2007	PFTAC	National Income Accounts	2 weeks
Feb-March 2008	PFTAC	Tax Policy	1 week
March-April 2008	MCM	Accounting	2 weeks
March 2008	FAD	Tax Policy	1 week
April 2008	PFTAC	Balance of Payments Statistics	2 weeks
May 2008	PFTAC	National Income Accounts	2 weeks
June 2008	LEG	Review of Central Bank Act	2 weeks
June 2008	MCM	Monetary Operations	2 weeks
July-August 2008	STA	Money and Banking Statistics	2 weeks
Long-term			
June 1995–June 1999;	MAE	Advisor to CBSI Governor	Five years extended in October 1999 through 2000.
Jan. 2001–March 2008	MFD	Peripatetic Advisor to CBSI Governor	Ten six-week missions
August 2006-Jan 2007	PFTAC	Public Financial Management	12 weeks in five months
February 2008-2009	STA	Import Price Index Statistics	[eight one-week missions]
April 2008-2009	MFD	Peripatetic Advisor to CBSI Governor	Three 4-6 week missions

XII. Resident Representative: None

ANNEX III: SOLOMON ISLANDS—SUPPORT FROM THE PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTER¹

(As of June 2008)

Tax Administration and Policy

A mission in May 2004 designed plans to modernize and enhance the efficiency of the Customs and Tax Divisions. A further mission in May 2005 reviewed the current system, outlined a detailed strategy for the implementation of tax reforms over the next few years, and assessed the required technical assistance to support this strategy. The authorities released a tax reform proposal in conformity with PFTAC's advice. A mission in February 2006 assisted the government further with a detailed implementation plan, including discussions on the policy and design issues in relation to the VAT, income tax and revenue administration. With assistance from LEG, draft legislation was prepared for the VAT and Revenue Administration Acts. In December 2006, a mission assisted the authorities in the preparation of a high-level design and project plan for the implementation of the Business Revenue Reform, and a follow-up visit took place in early May 2007. A joint FAD-PFTAC regional mission took place in February-March 2008 and recommended strategies for addressing future revenue needs, and a follow up visit took place in May 2008. However, the government's revenue policy remains to be finalized.

Public Financial Management

In May 2006, the PFTAC adviser undertook a review of the *Public Finance and Audit Act (PFAA; 1978)*, the *Financial Instructions (FI; 1978)* and the *Stores Instructions (1976; SIs)*. The mission agreed with the authorities that the more immediate need was for a process redesign of the key accounting operations, linked to a significant redraft of the FI. In August 2006, a mission recommended measures to improve accounting operations and installed two consultants to redraft the FI. A final report was sent to the authorities in January 2007. The government has indicated that their new AUSDAID/RAMSI advisor will review this in consultation with PFTAC.

¹ The Pacific Financial Technical Assistance Centre (PFTAC) in Suva, Fiji, is a regional technical assistance institution operated by the IMF with financial support of the Asian Development Bank, Australia, Japan, Korea, and New Zealand. The Center's aim is to build skills and institutional capacity for effective economic and financial management that can be sustained at the national level. Member countries are: Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, and Vanuatu.

Financial Sector Regulation and Supervision

In September 2004, an advisor visited the CBSI to advise on the implementation of an anti-money laundering regime. A peripatetic advisor visited in January 2005 to assist with improving the CBSI's bank supervision department's database. In April 2005, the PFTAC advisor worked with an MCM expert to provide assistance in dealing with a failed insurance company and developing a supervisory framework for insurance companies, provided advice on the oversight of the National Provident Fund, developed supervisory guidelines on AML/CFT activities in financial institutions, and prepared a project document for the establishment of the Financial Intelligence Unit (FIU). In September 2005, the PFTAC advisor assisted CBSI staff in conducting an AML/CFT on-site examination of a domestic bank. CBSI staff also attended a seminar on monetary policy in shallow markets arranged by PFTAC/MFD in March 2005. In February 2006, the advisor participated in an AML/CFT awareness training seminar conducted by the CBSI. In November 2006, the CBSI hosted the annual meeting of the Association of the Financial Supervisors of Pacific Countries. [A mission in May 2008 provided training to CBSI staff on implementing Basel I and the use of regulatory reporting forms.]

Economic and Financial Statistics

During 2003, the National Statistics Office (NSO) restarted activity, with the production of the Honiara CPI. A joint PFTAC/Secretariat of the Pacific Community mission in February 2004 devised a recovery plan, and AusAID and NZAID provided funding for equipment and a long-term advisor (a former PNG deputy statistician) to help build capacity and also to coordinate the Household Income and Expenditure Survey (HIES). The CBSI compiles balance of payments and GDP data and CBSI staff attended a regional training course on balance of payments statistics arranged by PFTAC in April 2005. Missions in August 2005 and February 2006 reviewed current methodologies for balance of payments and national accounts statistics and suggested some short-term improvements to their compilation. Assistance was also provided on a prototype government finance statistics system. In September 2006, the NSO released the findings of the 2005/06 HIES. In July 2007, a Monetary and Financial Statistics mission visited to assist the authorities in moving towards the MFSM 2000 reporting standards. Over the February 2007-May 2008 period, PFTAC experts assisted the authorities in improving the compilation of balance of payments statistics and revising the GDP data. Future follow up missions include a CPI rebase and import price index mission in August-September 2008 and a BOP and IIP statistics mission in early 2009.

Contact person: Susan Adams, Project Coordinator, sadams@imf.org.

ANNEX IV: SOLOMON ISLANDS—RELATIONS WITH THE WORLD BANK GROUP

(As of June 2008)

Since becoming a Bank member in June 1978, the Solomon Islands has received eight IDA credits totaling US\$50 million in the infrastructure, education, health, finance, and agriculture sectors. Following the repayment of all outstanding arrears in September 2003, the Solomon Islands came out of nonaccrual status, and country relations have normalized. The Solomon Islands is eligible for an IDA 14 allocation of SDR 7.3 million (indicative only) over FY 2006–08. The IDA allocation for FY 07 is SDR 5.2 million.

The Bank's assistance to the Solomon Islands is motivated by the need for re-engagement in a low capacity post-conflict country, while recognizing the abundance of donor funds. The assistance program is guided by the government's own development priorities articulated in the *National Economic Reform, Recovery, and Development Plan* (2003–06), and the Bank's broader *Pacific Regional Engagement Framework* (2005–2009) which has a focus on (i) strengthening government capabilities, and (ii) improving incentives for the private sector. The Bank's involvement in the Solomon Islands is in the following areas:

Strengthening Government Capabilities

- **Health Sector:** The government has initiated preparatory steps to move toward a sector-wide approach (SWAp) in the health sector, consistent with the direction that AusAID, as main donor to the sector, is also moving as indicated in the recent AusAID's White Paper on development aid. IDA approved the Health Sector Support Program Technical Assistance Project worth SDR 1.0 million (US\$1.5 million) in March 2008, which will focus on improving public expenditure management, monitoring performance, and building management capacity.
- **Education SWAp:** The Bank has co-financed a study to support the development of a National Skills Training Plan. The government has yet to decide on joining the Education for All Fast Track Initiative (FTI). The Bank is not planning any other major operations in the education sector at this stage.

Energy Supply: The Bank is supporting the government's decision to implement a structural reform program in the electricity sector in order to improve electricity supplies, reduce their dependence on diesel-fired electricity generation, and provide affordable rural electricity systems. The government has determined that the best way to improve the performance of the Solomon Islands Electricity Authority (SIEA) is to improve operational efficiency, system reliability and financial sustainability of SIEA through: improved financial and operational management, reduction of losses, improved generator and distribution system reliability and improved revenue collection. IDA and RAMSI will support the Government

by making available an IDA grant to finance the following project components:

Strengthening Management. Engagement of two expatriate line managers (an expatriate General Manager with a technical background and a Commercialization Manager) and an overseas Director to be appointed to the Board; **Financial Operations.** Implementation of a commercialization program for the Finance Department, including new financial management and billing systems and preparation and implementation of a new finance accounting manual with a staff training program, and **Technical Operations.**

Implementation of a loss reduction program, a planned maintenance program for generation facilities in Honiara, and a distribution reinforcement program to increase the availability of existing generation and improve system reliability. Technical project implementation support to SIEA will also be provided, with consultancy services, a technical training program for engineering staff, and establishment of a partnership with the Fiji Electricity Authority. The project is scheduled for World Bank Board approval by June 17, 2008. In preparation for the implementation of the project, the Government has approved a debt restructuring and cross liability adjustment scheme where the SIG will forgive SBD 196.0 million in on-lent loans and SBD 8.5 million in Pay-as-you-earn taxes (PAYE) and custom duties arrears in return for the SIEA to write off SBD 21 million in SOE and arrears of other government authorities, for a net total contribution of SBD 183.5 million (US\$25.8 million). In addition, the Government will provide a cash contribution to SIEA of SBD 5 million (US\$0.7 million) exemption of duties and taxes on goods and services financed through the project for a total of US\$1.65 million. Based on the debt restructuring and the proposed project, the Bank expects that by 2011, SIEA will be in a position to pay taxes and still be profitable. The GEF supported regional renewable energy and energy efficiency project has now started operations in Solomon Islands, two of the major commercial banks are now offering long term loans for SolarPV equipment, making these accessible to a majority of the population.

Water Sector: The Bank has prepared a Financial Restructuring Plan (FRP) for the Solomon Islands Water Authority (SIWA). The report provides the government and SIWA Board with an overview of SIWA's financial position and recommends that the management contract for the SIEA be extended to cover SIWA. JICA has started to implement a technical restructuring plan at a cost of US\$9 million to be completed in three years time.

- **Rural Growth:** The Bank has completed the Agriculture and Rural Development Strategy (ARDS) which has been disseminated within the country. The Bank launched the Solomon Islands Rural Development Program (RDP) in February 2008, co-financed by the EU and RAMSI, and implements the main recommendations of the ARDS. Implementation started for four provinces and is scheduled to start in 2010 for the remaining provinces.

Improving Incentives for the Private Sector

- **Telecommunications Sector:** The Bank is providing grant-funded technical assistance to the government to examine ways to improve the competitiveness of the sector to reduce telecommunication costs and improve service quality and coverage, in particular outside Honiara. Specifically, the Bank is advising the government on: (a) strategic options for reform, including market liberalization/introduction of competition; (b) preparation of a new telecommunication law; and (c) development of new sector regulations including for rural/universal access. The Bank is ready to assist the government to manage the transition from a monopoly to competition if the Cabinet chooses to renegotiate the current 15-year exclusive license of the incumbent, Our Telekom, on the occasion of the first period review in 2008; and if management of Our Telekom is willing to renegotiate the exclusive license. The Bank is also ready to consider a longer-term program of technical support—possibly through an IDA grant if the government wishes—for development of regulatory capacity and a rural access program.
- **Foreign and Domestic Investment:** The Foreign Investment Advisory Service (FIAS) has provided assistance to the government for the preparation of new foreign investment legislation and with a review of investment incentives and administrative barriers to business. Preliminary discussions with the Government on the participation of Solomon Islands in the WBG Pacific Regulatory Simplification and Investment Policy and Promotion Program are ongoing.

ANNEX V: SOLOMON ISLANDS—RELATIONS WITH THE ASIAN DEVELOPMENT BANK

(As of June 2008)

Since joining AsDB in 1973, Solomon Islands has received 16 loans amounting to \$79.3 million, and 58 technical assistance (TA) projects amounting to \$13.85 million. Solomon Islands is eligible for the Asian Development Fund (ADF) grants available to countries that are very poor, heavily indebted, or in a post-conflict situation. AsDB approved ADF grant in the amount of \$350,000 in 2006 and \$4.95 million in 2007. The 2005–06 and 2006–2008 ADF allocations for Solomon Islands succeeded in catalyzing substantial bilateral grant cofinancing for the improvement of rural roads and wharves (an additional \$16.5 million in cofinancing from Australia and New Zealand and an additional \$4 million in cofinancing from the European Commission).

AsDB's country assistance strategy seeks to achieve rapid, pro-poor, private sector-led economic growth, and focuses on improving transportation infrastructure and services and the enabling business environment.² Capacity development and the promotion of good governance are priorities. AsDB assistance is currently provided entirely on a grant basis and, in line with government policy, no new lending to the country will be provided until public finances stabilize.

AsDB has committed substantial support through an ADF grant funded Emergency Assistance Project to the country in response to a strong earthquake and consequent tsunami on April 2, 2007, which caused significant damage in Choiseul and Western Provinces. The project will include the repair of priority unsealed roads and watercourse crossings; replacement of bridges; reconstruction of wharves and jetties; and reconstruction of the Gizo town water supply and sanitation system.

AsDB currently has ongoing TA projects in the areas of institutional strengthening of the Ministry of Infrastructure and Development, inter-island transportation, private sector participation, business law reform, and secured transactions reform. AsDB's Post-conflict Emergency Rehabilitation Project, which helped rehabilitate about 140km of roads and 51 bridges on Guadalcanal and Malaita damaged during the civil conflict (1999–2002) was completed on 31 March 2008. The Solomon Islands Road Improvement Project, approved in 2006 as an ADF grant with significant bilateral grant cofinancing, helps to rehabilitate roads and bridges throughout the country to improve rural residents' access to markets and economic and social services, promote private sector-led development, foster market

² The Country Strategy and Program Update 2007–09 can be found at www.adb.org/Documents/CSPs/SOL/2006, and the Country Operations Business Plan 2008–2010 at <http://www.adb.org/Documents/CSPs/SOL/2007/COBP-SOL-2007.pdf>.

formation, and facilitate domestic and international trade and income and employment opportunities.

AsDB's Pacific Liaison and Coordination Office in Sydney is responsible for country programming, project implementation and administration, supported by the Pacific Operations Division in Manila.

Loans, Approvals, and Disbursements, 1999–2007

(In millions of U.S. dollars)

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Loan approvals	--	10.00	--	--	--	--	--	--	--
Loan disbursements	0.00	0.00	0.00	0.00	0.00	0.89	2.76	4.09	3.75
Cumulative loan amount approved (as of end-of-year)	69.31	79.31	79.31	79.31	79.31	79.31	79.31	79.31	79.31
Cumulative net effective loans (as of end-of-year)	64.65	54.30	64.05	64.83	65.87	66.31	79.31	79.31	79.31
Cumulative disbursements (as of end-of-year)	53.61	54.07	54.07	54.07	54.30	55.16	57.91	62.00	65.75

Contact person: Winfried Wicklein, Country Team Leader for Solomon Islands, AsDB Sydney (wwicklein@adb.org).

ANNEX VI: SOLOMON ISLANDS—POVERTY AND HUMAN DEVELOPMENT INDICATORS

Social indicators of poverty and human development remain low in the Solomon Islands. The country ranks 129 out of 177 countries in the 2007/08 United Nations Human Development Index, below all Pacific island countries, except Papua New Guinea. There are few recent poverty statistics, but anecdotal evidence suggests poverty remains high. However, the more extreme forms of poverty, such as malnourishment, have remained limited due to an abundant resource base, assured access to customary land tenure, and resilient social networks. This advantage is under pressure from a population growth rate that, at about 3 percent a year, is among the highest in the world.³

Results of the 2005–06 HIES indicate that majority of the population do not have access to basic services such as electricity and water. For example, 86 percent of the population uses open fire for cooking, 80 percent relies on kerosene lamps as primary source of energy, and 78 percent does not have water piped into their household.

Nonetheless, the Solomon Islands has achieved some progress in improving living conditions since independence despite falling per capita incomes. Prior to the civil conflict in 1999, sizable health and education expenditures (at 3–5 percent of GDP each) and high per capita aid inflows had helped underpin these improvements. Providing widespread and quality education to the very young population (45 percent under age 15) is a challenge. The primary education enrollment ratio is about 95 percent, although primary education is not compulsory. The enrollment ratio is only 30 percent in secondary education. Concerning health, malaria is rampant, with the highest rate of infection in the world outside of sub-Saharan Africa, and a third of the rural population lacks access to safe water.

The paucity of data makes an assessment of human development trends since 1999 difficult, but anecdotal evidence suggests that pro-poor services delivery is improving. The positive trend was likely either halted or reversed during the civil conflict. While the conflict sharply reduced agricultural production for market (due to the lack of security and transport services), this has recovered since mid-2003 and service delivery has been enhanced.

The aggregate social indicators mask large differences between urban and rural areas. The two main problems in the rural sector are the lack of essential public services such as health and education, and cash income due to difficulties in market access for rural products. While the urban areas have better social services and average incomes are higher, the urban poor face difficulties in securing employment and land for residence.

³ The 2005–06 HIES estimates the average population growth rate at 4.4 percent, but the authorities are disputing this.

The government has committed to monitor progress towards the Millennium Development Goals (MDGs). Achieving the MDGs by 2015 is still possible, but remains a major challenge. Progress in some areas, such as reducing malaria incidence, maternal mortality, and ensuring environmental sustainability, has so far been inadequate.

Table VI.1. Solomon Islands: Millennium Development Goals Progress

	1990	2000	Latest Data 2003–06	Target 2015
Goal 1: Eradicate Extreme Poverty and Hunger				
Prevalence of child malnutrition (percent of children under 5)	21	21	21	11
Goal 2: Achieve Universal Primary Education				
Net enrollment ratio in primary education	83	74	80	100
Goal 3: Promote Gender Equality				
Ratio of girls to boys in primary school (percent)	86	94	96	100
Ratio of girls to boys in secondary school (percent)	63	79	84	100
Proportion of seats held by women in national parliament (percent)	0	2	0	...
Goal 4: Reduce Child Mortality				
Under 5 mortality rate (per 1,000)	121	88	73	12
Infant mortality rate (per 1,000 live births)	86	65	55	25
Goal 5: Improve Maternal Health				
Maternal mortality ratio (per 100,000 live births)	...	130	220	...
Births attended by skilled health staff (percent of total)	...	85	...	...
Goal 6: Combat HIV/AIDS, Malaria and Other Diseases				
Incidence of tuberculosis (per 100,000 people)	292	181	135	...
Incidence of malaria (per 100,000 people)	45,000	15,172	19,600	less than 8000
Goal 7: Ensure Environmental Sustainability				
Forest area (percent of total land area)	99	91	78	...
Nationally protected areas (percent of total land area)	...	0	0.1	...
CO2 emissions (metric tons per capita)	0.5	0.4	0.4	...
Access to an improved water source (percent of population)	...	69	70	100
Access to improved sanitation (percent of population)	...	31	31	...
Goal 8: Develop a Global Partnership for Development				
Fixed line and mobile telephones (per 1,000 people)	15	21	28	...
Personal computers (per 1,000 people)	...	39	47	...

Sources: World Bank, World Development Indicators and World Bank Human Development Indicators.

Table VI.2. Solomon Islands: Social Indicators

	Latest Single Year					Same Region/Income Group	
	1970–75	1980–85	1990–95	1996–2005	2006-present	East Asia & Pacific	Low-Income
POPULATION							
Total population, mid-year (thousands)	193	272	362	472	484	1,898,889	2,419,656
Growth rate	3.6	3.2	2.8	2.5	2.4	0.8	1.8
Urban population (percent of population)	9.1	12.4	15.0	16.8	...	40.6	12.0
Total fertility rate (births per woman)	7.1	6.2	5.2	4.1	4.0	2.0	3.5
INCOME							
GNI per capita (US\$)	290	530	880	630	690	1,856	649
Consumer price index (2000=100)	8	20	63	148	159	138	145
Food price index (1995=100)	...	33	...	158	...	...	...
SOCIAL INDICATORS							
Public expenditure							
Health (percent of GDP)	...	...	...	4.0	...	1.8	1.2
Education (percent of GDP)	5.3	4.5	3.8	3.3	...	3.5	3.1
Social security and welfare (percent of GDP)	...	...	...	...	...	...	...
Net primary school enrollment rate							
(Percent of age group)							
Total	...	...	...	62	...	93	78
Male	...	...	...	62	...	93	81
Female	...	...	...	61	...	95	75
Access to an improved water source							
(Percent of population)							
Total	...	...	69	70	...	79	75
Urban	...	...	94	94	...	92	88
Rural	...	...	65	65	...	70	69
Immunization rate 1/							
(Percent 12-23 months)							
Measles	...	...	68	70	84	89	69
DPT	...	38	69	78	91	89	68
Child malnutrition (percent under 5 years)	21	...	16	...	...	13	35
Life expectancy at birth							
(Years)							
Total	56	57	60	63	63	71	60
Male	55	57	59	62	63	69	59
Female	56	58	60	64	64	73	62
Mortality							
Infant (per 1,000 live births)	71	43	75	56	55	24	74
Under 5 (per 1,000 live births)	99	56	103	75	73	29	112
Adult (15-59)	...	...	...	...	...	...	...
Male (per 1,000 population)	...	...	...	240	238	165	285
Female (per 1,000 population)	...	...	...	210	207	104	223
Maternal (modeled, per 100,000 live births)	...	...	...	220	...	150	650
Births attended by skilled health staff (percent)	...	...	85	85	...	87	43

Source: World Bank, 2006 World Development Indicators.

1/ Immunization refers to children aged 12-23 months who received vaccinations before one year of age.

ANNEX VII: SOLOMON ISLANDS—STATISTICAL ISSUES

Data provision has serious shortcomings that significantly hamper surveillance, particularly for the real, fiscal, and external sectors. Although the National Statistics Office (NSO) is being rebuilt, the Central Bank of Solomon Islands (CBSI) continues to publish highly summarized monetary and price data in its *Monthly Economic Bulletin* and data on all sectors in its *Quarterly Review* and *Annual Report*. There is a Solomon Islands page in *IFS*, but significant updating delays occur, particularly for the balance of payments (BOP), government finance, and national accounts statistics.

Real Sector Statistics

GDP estimates are currently prepared by the CBSI. Despite several TA missions by PFTAC, GDP estimates remain severely hampered by data availability and quality, and rely on limited sources (primarily commodity exports and employment estimates). A survey of business activities for 2003 covering 1,434 businesses was published by the NSO in August 2006, including employment and financial data for NSO-registered private and government business enterprises. A 2005–06 Household Income and Expenditure Survey (HIES) was completed in September 2006. Data on production of major export commodities are reported monthly. No breakdown of GDP by expenditure categories exists.

GDP was rebased to 2004 with the help of a PFTAC advisor in February 2007. More recently, the May 2008 PFTAC mission provided further assistance in finalizing the 2003 and 2004 National Account estimates, as well as developing preliminary estimates for 2005 and 2006.

The NSO produces the CPI, which currently covers only the capital Honiara. Using the HIES results, the weights of the Honiara price index were revised in 2007; and the authorities plan to compile a national CPI measure, which will initially cover major provinces in the near future. To this end, the NSO has already constructed a list of commodities to be covered by weight, but the collection of actual price data has yet to commence. Limited data on total employment can be obtained from the National Provident Fund. Wage data are not compiled. The Ministry of Tourism, in coordination with NSO, has launched a visitors' survey in early 2008 to measure tourism spending.

Monetary and Financial Statistics (MFS)

The CBSI publishes monthly MFS in summary form and provides more detailed data in its quarterly and annual reports. Reporting of monetary statistics to the Fund has improved recently, but still has a lag of about two months. A November 2005 expert mission, during a PFTAC monetary statistics workshop held in Fiji, reviewed the collection and compilation procedures and provided training and a work plan for the CBSI to comply with the

methodology of the *Monetary and Financial Statistics Manual* and to report data using the standardized report forms (SRFs). A July 2007 mission found that limited progress had been made in implementing the 2005 mission's recommendations due to the high turnover rate of the CBSI's monetary statistics team. The mission introduced the SRF for the central bank, and initiated the development of an integrated monetary database that will meet the data needs of the CBSI and the Fund. A follow-up mission is scheduled for early 2009 to introduce the SRF for the other depository corporations based on a soon to be introduced call report form to collect balance-sheet data from reporting corporations.

Government Finance Statistics (GFS)

The Ministry of Finance (MOF) started monthly press releases on budget outturns in August 2003. However, its expenditure and financing data are not consistent with the *GFSM 2001* methodology, and historical data seem unreliable given the breakdown of accounting mechanisms and large expenditure arrears. The NSO has developed a prototype GFS system, but problems exist in the coverage of the general government. In particular, data for provincial governments are unavailable and ongoing audits of state enterprises have yet to be completed. The authorities started collecting disbursement information on donors' grants in 2006. The introduction of the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) database in the CBSI and MOF in March 2005 has improved the quality of official debt data, but coordination problems remain. The MOF does not report annual or subannual GFSM 2001-based data for the *Government Finance Statistics Yearbook (GFSY)* and the *International Financial Statistics (IFS)*, respectively.

External Sector Statistics

The CBSI estimates partial quarterly BOP statistics based on cash foreign exchange transactions, reported through the banking system, which are available with a three-month lag. These data are deficient in detail and coverage, and classification problems remain. An April 2008 PFTAC-TA mission found the Customs trade data lacking in accuracy, helped the CBSI carry out surveys, and introduced appropriate changes in methodology. As a result, the BOP data have been revised quite significantly.

Remedial Measures

The NSO is gradually resuming data collection and publication responsibilities, but its effectiveness continues to be hampered by weak technological skills among its staff and low survey response rates. The authorities have agreed on an action plan with the recent PFTAC-TA mission to implement measures to effectively move the responsibility for national accounts statistics back to the NSO in 2009.

Looking forward, the authorities need to focus on a number of statistical issues identified by various PFTAC-TA missions, including: (i) ensuring that compilation methodologies are applied consistently for GDP and BOP data; and (ii) collecting prices for additional items in the CPI, particularly on diesel fuel and telecommunications products. In the area of the BOP, there is a need to: (i) increase the response rate to enterprise surveys to reduce reliance on FET records; (ii) investigate alternative data to supplement FET data, including the use of official transfers data from the government's financial accounts; and (iii) review the Customs merchandise trade data.