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SOLOMON ISLANDS Country Monograph Regional Planning Conceptions and Instruments



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Following monograph in its first chapter gives a brief description of Solomon Islands' socio-economic disparities, in chapter 2 and 3 outlines instruments and policies of national and sub-national planning, and finally in chapter 4 investigates the impact of planning on sub-national development.

<u>Table of Contents</u>	<u>Page</u>
CHAPTER 1: COUNTRY PROFILE	3
1.1 Physical Background	3
1.2 Population.....	3
1.3 Economic Activities.....	5
1.4 Social Indicators and Extension Services	7
1.5 Trade and Communication.....	8
1.6 Finance and Administration	9
1.7 Conclusions.....	10
CHAPTER 2: ADMINISTRATIVE MACHINERY FOR PLANNING AT THE NATIONAL AND SUB-NATIONAL LEVEL	11
2.1 The administration of development planning	11
2.2 The planning procedures	13
2.3 Institutional aspects of planning at the national and sub-national level.....	14
2.4 Current staffing situation in regard to planning capacity.....	16
CHAPTER 3: SUB-NATIONAL DEVELOPMENT POLICIES	18
3.1 The process of defining sub-national development policies.....	18
3.2 Review of past and present sub—national development policies and policy instruments used	19
3.3 Evaluation of the impacts of sub-national development policy and planning	20
CHAPTER 4: IMPACT OF NATIONAL POLICIES ON SUB-NATIONAL DEVELOPMENT	24
4.1 Introducing Remarks on the Solomon Islands economy	24
4.2 Fiscal and Monetary Policy.....	25
4.3 Import Substitution.....	27
4.4 Pricing Policies	28
4.5 Export Promotion	29
4.6 Investment Incentives	30
4.7 Allocation of Public Investment.....	31
4.8 Conclusion.....	32

CHAPTER 1

COUNTRY PROFILE

Since its independence in 1978, the Solomon Islands (Solomon Islands) joint the other South Pacific nations in their problems of administering and planning for a widely dispersed and inhomogeneous territory.

1.1 *Physical Background*

The Solomon Islands (Solomon Islands) consist of six major islands, fifteen medium and about 400 minor ones, totaling a size of 28,370 km². A general description of Solomon Islands could distinguish between the two lines of inner major and medium volcanic islands paralleling the 'Slot', and the outer medium and minor islands of both volcanic and coral origin.

Considering position, topography, climate, soil, vegetation and coastal exposure, the twenty-one larger islands show great variations both within and among each other: Topography is generally rough with steep-sided ridges on the larger volcanic islands, thus limiting inland communication and agricultural production. While these islands have good volcanic soils, though with high erosive potential, the smaller islands consist of carbonic or podsollic soils. Indigenous vegetation is a three-layer rainforest with misty forests at altitudes above 800m, or below in regions of high rainfall exposure.

Unsheltered coastal exposure poses a constraint to rural fishing activities mainly at the south coasts of the southern Slot islands (i.e. Guadalcanal and Makira), and at conic volcanic islands such as Savo or Kolombangara. Lack of adequate anchorage also affects interregional communication, accentuated by the vast distances to the outer islands, i.e. Shortlands, Bellona, Rennell, Temotu islands, Sikayana and Ontong Java.

1.2 *Population*

With an annual population growth rate of 3.5% (CBR 47 - CDR 12), population density between the previous census of 1976 and the recent 1986 census increased from 6.9 to 10.1 persons per km², meaning a doubling of Solomon Islands population within 18 years to the present number of 286,000. Assuming the same growth rate in the near future, Solomon Islands population will almost double until the year 2000.

Reasons for this high growth rate, beside higher life expectancy (average 54 years) and lower infant mortality (52+ per 1000), are traditional perceptions about big family size and a non-acceptance of family planning due to cultural, political and religious reasons and reduced use of (contraceptive) breast-feeding, etc., all of which contribute to the high nationwide population growth, including in the urban centers.

The Solomon Islands capital of Honiara with just over 30,000 inhabitants has the role of a primate city, encompassing more than 10% of the total population and doubling every 10 years. The population difference to Gizo, Solomon Islands next largest town, is almost 90%. Space for settlement within the Honiara Town Council area will run out within 5 years.

Also some provincial centers, their origin dating back to the beginning of British colonial rule with different settlement backgrounds, suffer from serious limitations: Tulagi and Gizo for instance are both situated on small islands with periodical breakdowns of water supply and limited food production. The Solomon Islands Government therefore attempts to decentralize the population growth away from Honiara by building Noro Port as new growth pole in Western Province.

Overall population distribution among the regions is very unbalanced with present trends further enforcing this polarization. Due to lacking agricultural opportunities and missing communication, migration trends from inland to coast for the last hundred years effected in a virtual discharge of most inner parts of the larger islands. Only exception of the major islands is Malaita, where population pressure and traditional lifestyles furthered inland settlements, and Russell islands as representative of the medium islands, where plantation agriculture pushed smallholder farming inland and onto the surrounding islands. However, while Russell islanders still find wage employment at the local copra plantations, over the past 60 years disputes over distribution and allocation of customary land forced a high proportion of Malaitans into other provinces.

The population map shows that this migration takes place mainly from the denser populated regions of North Malaita (in contrast South Malaita between 1978 and 1986 gained more than 700 people through migration) into Honiara, North Guadalcanal and Russell Islands.

Over the last eight years almost 6,000 people left this area mainly for the cash economies of Honiara's commercial sector and North Guadalcanal's palm oil plantations, or to replace Rennellese and Bellonan laborers on Russell's copra plantations.

All medium and minor islands within the Slot are densely (i.e. above average) populated, similar to the outer islands, where out-migration in contrast to the former functions as valve against population pressure on poor lands. Presently, for instance, more Sikayana people live in Honiara than back on their tiny atoll. A high number of emigrants from Temotu's outer islands found wage employment much closer on St. Cruz.

Population age structure corresponds with this migration pattern: Economic passive regions such as Malaita, Isabel, Makira, Choiseul and Temotu's outer islands show a deficit of male population aged between 15 and 35 years, while active regions such as Guadalcanal including Honiara, Russells and the Roviana Lagoon have an surplus of male population. Other outer islands such as Rennell / Bellona, Ontong Java and Shortlands, and some Western Province islands have an average age distribution due to recent labor re-immigration, or will be in this position very soon such as the Reef Islands.

These migrant communities economically are often more successful than their indigenous neighbors. The main reason might be the inhibiting effect of the 'Wantok System', basically a redistribution loyalty within the clan or village community. This wantok system weakens almost proportionally to the increase of distance to or inaccessibility of the home village.

Often one wage earner in Honiara or the provincial centers has to support ten heads and more by lodging and feeding them. Especially Honiara has the important role of a cash supplier to rural communities.

Furthermore employment turnover is high, since many employees go back to their village after reaching their planned amount of savings or handing their job over to one of their wantoks. Adverse effects on labor productivity are the natural consequence.

Finally migrants are rarely entitled to customary land, consequently forced to make their living within the economy.

The role of religion is an ambivalent one: Basically an initiator and organizer of daily rural and urban life, competition between some of the five major churches for increase of their parishes created tensions within villages and even families.

The large variety of languages spoken in Solomon Islands, more than 80 without counting local dialects, poses problems only in remote areas, which have not yet been penetrated by the lingua franca 'Pijin Inglis'. This holds true mainly for the outer

islands and the inner parts of the larger central islands, while English as commercial and administrative language spreads more and more from Honiara via the provincial centers also into rural areas.

1.3 Economic Activities

While in 1986 the subsistence sector was estimated to contribute only 22% to GDP (SB\$ 201 million), exports in 1986 amounted to more than SB\$ 110 million:

Table 1: Main Exports 1986 by Area of Ports (SB\$ '000)

Resource	Honiara	Central	Eastern	Western	Malaita	Total
Fish	4,849	20,948		27,130		52,927
Rice	9	-				9
Cocoa	4,772	1,700				6,472
Copra	2,223	2,084		1,644		5,951
Palm	6,023					6,023
Timber	11,244		975	22,685	823	35,727
	1,122			93		1,215
Gold	2,219					2,219
Total	32,461	24,732	975	51,552	823	110,543

Note: Honiara incl. Guadalcanal, Eastern incl. Makira, Temotu
 Source: Provincial Statistics, Bulletin No.15/87, MOF, Honiara

Fishing, logging and agriculture with a total of SB\$ 107 million contribute more than 95% to export earnings, with mineral mining stagnant until 1986, but expected to increase pace through gold mining after 1988.

Western Province in 1986 provided almost 50% of total export commodities with heavy bias on unprocessed primary products, i.e. 55% of all timber and 52% of all frozen fish. This province caters for a large proportion of Solomon Islands territorial waters (12 nautical miles from archipelagic baselines drawn along prominent landmarks to facilitate orientation for both rural fishermen and commercial fishing vessels). In contrast provincial fishing boundaries were established at 3 nautical miles distance from the low-water mark of the island, or of the adjacent lagoon islands or reefs if these are situated closer than 3 nautical miles. These boundaries were included in the Provincial Government Act in order to enable local communities to protect their fishing grounds or to earn royalties from commercial fishing operations.

Provincial fisheries centers and sub-centers have been equipped with ice-making machinery, which enables them to trade fish and to provide local fishermen with freezer boxes and ice. However, usually 50% and more of the ice-making facilities lay idle due to lack of spare parts or customers.

Most baitfish areas for pole and line tuna fishing are situated at Roviana and Marovo Lagoon, and a fish freezing plant exists at Noro Port on New Georgia.

Other baitfish areas at present exist only at South Ngela (Florida Is.) and South Isabel, the former having the advantage of ship repair facilities and a tuna cannery. However, bait fishing at South Ngela over the past decade started to deplete this feed source for provincial/rural reef fish. Consequently Solomon Taiyo, a government joint-venture commercial fishing company, identified Noro Port as alternative cannery site. But both Solomon Taiyo and NFD, the wholly government-owned pendant, will either have to also look for alternative baitfish grounds, which exist in remote reef areas although not as economically situated, or to switch over entirely to capital-intensive purse seining, which does not require baitfish.

Fish Aggregating Devices (bamboo platforms anchored at 1,000-1,800m depth) were

started to be established in 1980. These FADs constitute a major tuna fishing ground for purse-seiners, most of them anchored within the territorial waters and legally accessible only to Solomon Islands operated purse-seiners.

The natural rainforest over the years has suffered qualitative diminution from natural disasters such as cyclones, floods and forest fires, and quantitative diminution from household gardening (slash and burn shifting cultivation) and commercial logging. All these impacts diminished growing timber volume below its reproduction rate to such an extent, that estimates anticipated eradication of Solomon Islands' accessible rainforests within ten years at the logging rate of end 1986 (about 10,000 ha per annum).

Recent cyclone damage, such as in West Makira, in Isabel 15 years ago or even on Rennell in 1912 reduced certain tree species and left an ecologically delicate environment. Although no forest inventory was conducted since 1960, and timber volume figures on the forestry map are consequently inaccurate (i.e. for Isabel), over-logging and extinction of certain species before the year 2000 could be predicted for Western, Temotu (Kauri forests), Malaita and Guadalcanal Province, at the logging rate of 1986. Consequently, the Solomon Islands Government in the first half of 1987 imposed a halt on granting any new logging concessions.

Reforestation efforts (about 3,000 ha per annum) never reached a level to ensure ecological survival. Recent major plantation projects exist in Western Province, such as on the Shortlands, Gizo, Kolombangara and New Georgia. However, the existing logging quotas and the number of negotiated logging concessions are high and, although LPT ceased operations in Western Province at end 1986, might even increase with Rennell in consideration. Logging particularly has adverse effects, since the provinces have neither means nor staff to control logging quota and timber export.

In contrast to Western Province, Guadalcanal caters for more than 70% of total agricultural export values (see agriculture map). Western Province disposes of almost 50% of total Agricultural Opportunity Areas (according to a 1976 land resource report, AOAs constitute large blocks of little used land with above average soils and convenient topography). However, their distance both to processing facilities and to major export harbors results in a lower total production of copra compared to Russell's specialized copra plantations (with only 1.5% of total AOA) or of cattle and cocoa compared to Guadalcanal.

Settlement patterns follow the location of AOAs only to a limited extent, especially local agricultural projects try to open up other smaller blocks of fertile land: Rural Services Project, Land Use Division and Livestock Development Agency attempt to reach also remote AOAs. RSP intends to establish at least one Rural Development Center in each province and builds the necessary infrastructure such as feeder roads and wharves. LUD helps farmer communities to organize farming on former plantations, which were handed back as registered customary land. Although most agricultural projects so far concentrated on AOAs, extension services are also planned for other areas. In Western Province, they concentrate on Kolombangara, where the former logging station Ringi Cove, was taken over by the Solomon Islands Government to put into use the fertile farming land.

Mineral mining is slowly developing: Petrol exploration in Solomon Islands in 1979 was handed over from private companies to CCOP/SOPAK, which is an intergovernmental organization since 1984. Although much of Solomon Islands territory is issued as mining tenements and much more is applied for prospecting, most of the customary land on Malaita remains non-prospected, while large bauxite reserves on Rennell are closed to prospecting. Choiseul, Isabel and Guadalcanal are islands situated along a crust overlap zone, where rich mineral deposits had been explored, i.e. magnetite, copper, nickel,

manganese, bauxite and gold. However, presently only one tenement is leased, i.e. downstream Gold Ridge on Guadalcanal, to two foreign mining companies, which had to establish local compensation agreements with all local landowners.

Negotiation partners for such land compensation agreements are very difficult to identify, whether for mining, logging or infrastructural construction, since hardly any customary land is registered. In 1986 customary land constituted 86.7% of Solomon Islands total area, of which a bare 21 km² were registered. Of the rest area, 4.4% was perpetual estate owned by Solomon Islands nationals, predominantly in Isabel, and 8.9% owned by the Solomon Islands Government, apart from the provincial centers and substations concentrated on Kolombangara and South New Georgia. The main problem is to record boundaries of clans in order to legalize customary land tenure systems without monetarizing them, and to give negotiating powers to local chiefs. However, customary land registration, although proposed in the Land Recording Act, is not compulsory, e.g. in AOA's. Compensation claims, together with the slow negotiation process, are the biggest constraint to cash economy development in Solomon Islands rural areas, prevent the sellout to private companies, but also deter private enterprise and public infrastructure establishment.

Commerce and tourism are both marginal contributors to Solomon Islands's GDP: Serving entirely national markets, distribution is also heavily biased towards Honiara. A 1987 Business Survey revealed that out of SB\$ 30 million capital expenditure in 1986, the commercial sector concentrated SB\$ 12 million in Honiara, another SB\$ 9 million in Guadalcanal (Guadalcanal Plains and Gold Ridge), almost SB\$ 5 million in Central (Tulagi) and SB\$ 3 million in Western Province (mainly in Gizo and Noro Port). All other provinces had to share the rest SB\$ 0.5 million investment, according to a 1987 MOF business survey.

Tourism also centers in Honiara, the only port for cruise ships, and in hotels or resorts in Gizo, Munda, Auki, Uipi, Anuha and Tambea.

1.4 Social Indicators and Extension Services

In 1986, the primary school participation rate of 6—14 year aged children ranked between 45% in Malaita and 70% in Temotu, with a Solomon Islands average of 55%. Additionally, Malaita also has the worst pupil-teacher ratio (56) compared to Honiara (32) and the national average of 42.

Government primary schools (404 in 1986) for third-world standards are quite numerous and well distributed. Additionally, SDA runs 52 primary schools, which cater almost exclusively for Western, Guadalcanal and Malaita Provinces. Except for Temotu, Makira and Central Provinces, two provincial secondary schools in each province house more than 200 students each. Most national secondary schools are former mission schools and consequently concentrated in Guadalcanal (4), Western (2), Makira and Malaita. In contrast, tertiary education in Solomon Islands is still insufficient: Beside SICHE (nursing, etc.) and Teachers College, both in Honiara, 15 vocational training centers, although well distributed over the seven provinces, offer training opportunities to a total of less than 800 people.

The same applies basically to health facilities: Here exists a hierarchical, i.e. referral system from village health workers, aid posts, clinics, area health centers in the provincial centers up to hospitals in Honiara, Gizo, Goldie (both Western Province) and Atoifi (Malaita).

Indicators, such as the number of malaria cases (in 1986 almost 50% of total in Guadalcanal including Honiara, 10% each in Western and Central Province) or of tuberculosis cases (40% of total in Malaita, 30% in Guadalcanal inclusive Honiara) are not very accurate because of the referral system and of climatic/biological preconditions. For a survey on primary health care and disease prevention, diet patterns and values of total food

consumption (SB\$/person/month) might give a better image, although slightly outdated (1982): Honiara (low income group) 20 SB\$, Western 15.5 SB\$, Central 15 SB\$, Guadalcanal 13 SB\$, Malaita 13 SB\$, Temotu 8.5 SB\$ and Makira 7 SB\$.

The rather low amounts of food consumption values of the latter two provinces might be seen in the fact that inhabitants of the former six provinces spend high cash amounts on alcoholic beverages, dairy products, sugar and rice, most of which have a doubtful nutritional impact.

Here community extension services of the following groups, besides for social and cultural activities, might also play an important role: Solomon Islands National Sports Council, National Youth Congress, Solomon Islands Cultural Organization, Solomon Islands National Council of Women.

Planning and implementation of rural water supply is devolved to the provinces, however assisted by the central government, which only assumes responsibility for the water supply of urban areas, such as Honiara, Munda and Gizo. In practice, government also renders services and advice to the other provincial centers. Of the more than 23,000 people connected to safe drinking water during 1986 (mostly through gravity fed pipelines or rainwater catchment tanks), 7500 alone lived in Guadalcanal.

Location and type of water supply systems also depend on the climatic environment: Catchment tanks for instance are the only water source on small islands without perennial rivers.

Finally, permanent housing is provided for government workers by the Solomon Islands Government in the administrative centers and substations (regional centers), while most private households find enough local material to build the traditional leave houses.

Social service distance indicators are agreed upon in the national ministries: Objectives until the year 2000 are a maximum walking time of 60 minutes to any primary school, 120 minutes to a clinic and 5 minutes (100 m) to safe drinking water. Considering the problems of both population increase and transport communication prevailing in the Solomon Islands, this objective will be hard to achieve.

1.5 Trade and Communication

The most integrating link between the different islands is the radio, which serves to disseminate news and to exchange service messages. During ten hours per working day a short frequency transmitter in Honiara serves the whole of Solomon Islands (except Ontong Java and temporarily the Guadalcanal weather coast) via relay stations in Gizo and Lata. Additionally, medium frequency transmissions from these three stations offer the same program as emitted from Honiara to all areas except the Guadalcanal weather coast, North Choiseul, North Isabel, East Malaita, East Makira and the outer islands.

Another important way of communication, besides mailing, is by telephone trunk lines from Honiara to Auki, Tulagi and Gizo and via radio transmitter extension to Kirakira, Buala and Lata. This communication extension is complemented by a rather tight network of private, mission, police and government services wireless stations.

No statistics are available on internal trade patterns, but can be assumed to follow public and private transport linkages: Major shipping traffic with Honiara as central port connects to Auki, Tulagi, Russell and further to Gizo, with minor connections to Kirakira, Lata, Buala, Choiseul Bay and the outer islands. The transportation map excludes private shipping, which is important for cargo transport, again mainly between Gizo, Russell, Honiara Tulagi and Auki, but without any shipping schedules.

In mid-1987, all devolved B-class ships (with the exception of Makira) were recentralized to facilitate shipping maintenance and scheduling, however, each province retained one W-class boat for internal connections. Unattractive shipping routes to the outer islands are subsidized to the private shipping companies, in order to use the small government fleet most effectively and to avoid overlapping with the commercial sector. The only exception of this policy is Ontong Java, where copra freight prices are decontrolled, which makes this transport link also attractive for government shipping. On all other islands copra buying centers offer standardized purchasing prices, thereby substituting for the old system of pricing zones according to distance to copra shipping port.

The main shipping axis is further complemented by the integrating link of air transport: Almost 90% of all Solomon Islands internal passengers travel between Auki, Honiara and Gizo. A hierarchy of airports ensures that at least all major and most medium islands can be reached by plane, flight connections to Western and Malaita Province by two small SDA aircrafts serve the important role of a private sector competitor to the government-owned Solomon Island Airlines.

On contrast to sea and air transportation, land transport plays a bare complementary role: Road connections are required in denser populated areas, to open up economic activity for potential areas, or where exposed and rough coasts without wharves or anchorage points do not allow canoes to operate.

Most Solomon Islands roads though were built for specific purposes other than those: Virtually all roads on Guadalcanal and some on New Georgia were built during WWII, logging roads end abruptly somewhere in the interior of Isabel, Kolombangara or St. Cruz, a single mining road runs through the inner regions of Rennell.

This poses questions of maintenance (normal maintenance plus high bridging costs of WWII roads, which are either too close to the coast or on steep coasts) and of cost-benefit proportion (low number of cars in relation to road length in Malaita and Makira). Construction and maintenance of roads other than the ones in Guadalcanal respectively Malaita is devolved to the provinces. Financing of planned roads as indicated on the transportation map therefore would have to be done through donor projects rather than on provincial capital accounts.

1.6 Finance and Administration

Financial flows into the provinces follow two ways: Financing of private capital and recurrent expenditure (SB\$ 4.6 million in 1986) is done by the government-owned Development Bank of Solomon Islands. While in 1986 55% of DBSI loans went to Guadalcanal including Honiara and 35% to Malaita, the remaining 10% were shared by Western, Isabel, Makira and Central Province in decreasing order.

77.3% of total provincial government recurrent expenses and 93.3% of all capital expenses were met by central government in 1986. Western Province (SB\$ 2.46 million) and Malaita (SB\$ 1.73 million) got the biggest shares in the 1986 total grants of SB\$ 8.05 million (7% of 1986 primary commodity export value). Most of these grants are to compensate for services rendered by the provinces and for resources harvested in the provinces. Most of all provincial revenues including internally generated ones from rates, licenses, fees, etc. are required to pay for salaries and wages of provincial and seconded staff, while area councils are left with the income from basic head taxes, and village communities share revenues from fishing and logging royalties paid by private enterprises.

Consequently most of the central government grants go to the administrative headquarters of the seven provinces, where most of the funds are spent on staffing of devolved

government functions. Each provincial centre holds a police district commander station (with the exception of Buala and Tulagi) with its own magistrate and prison. Here the Provincial Assembly members (with one elective from each ward) come together twice a year to direct or amend policies by simple majority vote.

Area Council members are elected out of (usually 5 to 9) sub-wards and are responsible for coordination of village activities, i.e. village health workers, primary schools, etc. There exist no direct political links between the Area Council and the Provincial Assembly: Area Councils politically have a mere advising function to the Assembly, while administratively the provinces hand down any technical matters to their Area Councils via an Area Administrative Officer (AAO).

Office commander stations exist in most regional centers of Malaita, Western and Guadalcanal Province. Additionally some area centers cater for the same services. Consequently, administrative staff is accommodated only in provincial and regional centers, officers in planning capacity only in the provincial centers.

1.7 Conclusions

Socio-economic disparities prevail both within the main islands as well as among each others:

While a certain hierarchy of central places ensures the dispersion of the cash economy into the provinces, the provincial centers also draw heavily on the human and capital resources of their provinces. Besides the provincial centers, there are only a few areas which offer wage employment to and consequently attract a large number of Solomon Islands males: Honiara and the Guadalcanal Plains, Russell Islands, Gizo-Munda-Noro area in Western and Auki in Malaita Province are the present or future growth points of the Solomon Islands. Compared with each other, Western and Guadalcanal Province distinctively offer the most natural resources, Honiara Town Council is the centers of the business sector, and Malaita Province provides almost unlimited though untrained manpower to the two provinces.

The other provinces, namely Temotu, Makira and Isabel, are situated on the economic fringe of a national development plan, which struggles to disperse at least some of its capital and recurrent development benefits.

CHAPTER 2

ADMINISTRATIVE MACHINERY FOR PLANNING AT THE NATIONAL AND SUB-NATIONAL LEVEL

2.1 The administration of development planning

The present structure of the development planning administration in Solomon Islands is illustrated in Chart A. Each decision making body is briefly discussed below.

National Planning and Development Council (NPDC)

The NPDC is the country's supreme decision making body on development policies. It consists of all cabinet members. The NPDC has the following functions:

1. Guide, direct and review the drafting of the National Development Plan (NDP).
2. Decide on and review national development strategies, issues and priorities.
3. Decide on the annual development budget and annual plan of action.
4. Monitor the implementation of the NDP.

The Permanent Secretary of the Ministry of Economic Planning is the secretary to the NPDC. The NPDC is convened on a regular basis as the (deputy-) chairman deems necessary.

The MEP assures the secretariat to the NPDC. It is the main coordinating body within the country's development planning system. Its task consists of:

1. Formulation and publication of NDP and related documents, by (1) preparing the macro-economic framework and forecasts for the plan; (2) coordinating and integrating sector and regional inputs to the plan, and (3) advising the NPDC.
2. Implementing and monitoring the plan, by preparing jointly with the Ministry of Finance (MOF) and the sector ministries the annual estimates of the Annual Plan of Action and the annual Development Budget; by preparing Annual Reviews of the plan and by monitoring quarterly the projects progress.
3. Identifying, preparing and appraising projects, by assisting the sector ministries and provincial governments; by appraising submitted project proposals and by reporting to the NPDC for the approval of suggested funding.
4. Management of aid, by advising NPDC on foreign aid; determining needed assistance; by negotiating suitable aid and by coordinating external aid including visiting missions, aid requests and compliance with donor criteria for funding.

Sector Ministries

The main functions of the sector ministries in the planning process are to formulate their own sector plans and to implement them once approved.

Ministry of Finance

The MOF is the responsible authority on all borrowing of money, including loans from IBRD, ADB, EEC (including Stabex, which is not a loan), etc. In the negotiation with the money lenders, MOF has an important say on how the loans will be spent.

Provincial Development Unit (MHAPG)

The Provincial Development Unit (PDU) administers five funds, available for small-scale provincial projects. Its role is to appraise project submissions coming from the provinces or

local communities and arrange funding by one of the contributing donors, whose criteria should be met by the project. The criteria vary from one donor to the other, but basically require projects to meet a provincial or community need in the infrastructural or income-generating sector up to SB\$100,000, provided a significant local contribution is guaranteed. Presently the PDU administers funds from New Zealand, Australia, Canada, USA and the EEC.

Physical Planning Division (MAL)

The Physical Planning Division (PPD) advises on town and country planning issues both on the national sector and the provincial planning level. It gives technical support to the Town and Country Planning Boards (TCPB), established in all provinces and Honiara Town Council (HTC). This support regards all building applications and the preparation of Local Planning Schemes. The legal framework therefore is the Town and Country Planning Act 1978/82. In the context of the Local Planning Schemes, the PPD is also dealing with regional socio-economic studies. The PPD prepared physical structure plans under assistance of a UN/Habitat project (during early 80's). These are presently being used as an input for the preparation of Provincial Development Plans (PDP). In a more general way, but this is not clearly formalized, the PPD advises on land use and infrastructural issues on all national and regional projects being implemented. This advice is requested after a project has been appraised and financed. This sometimes causes delays in the implementation phase if land problems have not been solved.

Provincial governments

The main functions of provincial governments and HTC in the development planning process are to formulate their own development plans and to implement these and some of the national projects located in the province. The formulation of the PDP is a devolved responsibility of the province. Technical assistance from the central government is coordinated by MEP. The provinces have some experience in formulating annual 'rolling plans' and 'shopping lists' in which per sector (or divisions as they are called in the province) objectives, strategies, programs and projects are listed. The present UNTCD assistance emphasizes (1) the integration of socio-economic analysis (see 2.1.6.) and (2) improved plan formulation through more precisely formulated objectives (quantification), prioritized programs and projects and cost estimates. The provinces face however a number of problems:

1. No budget for capital investment.
2. Lack of qualified planners (all provinces, except for Western and Malaita Province, rely on PCVs or UNVs).
3. Frustration because of past experience when central government did not react on provincial proposals and requests.

Apart from the plan formulation, the provinces are involved in project planning (identification, preparation and submission). These projects, as explained in 2.2.1 and 2.2.2, can be submitted to either PDU or MEP/sector ministry. Above mentioned problems apply also this task.

All provinces and HTC have a Town and Country Planning Board, whose responsibility it is to implement the Town and Country Planning Act. This implies to control land use and deal with building applications for registered/alienated land. In most provinces this comprises only about 10% of all provincial land, mainly headquarters, substations and some former plantations. Technically the TCPBs are assisted by the PPD, since most provinces have no qualified staff.

2.2 The planning procedures

In the Solomon Islands, planning for development is basically project planning within a framework of an indicative National Development Plan. The present one is mainly a list of indicative programs and projects. The planning procedures, as described in "Development Planning Procedures in Solomon Islands" explain the mechanisms of project planning.

Two types of projects are distinguished: the national sector projects and the provincial (small) projects. For provinces this means that all "big" projects, which cannot be submitted to PDU have to be submitted to MEP and copied to the respective sector ministries. Approval and funding will only materialize if (1) the project has been thoroughly studied and if (2) it fits in the overall national sector policy.

National projects

Project identification can be done at provincial or national sector level. The next step is to prepare a project profile according to a MEP format (see annexes). Profiles are prepared by the sector ministries or by a province. Under supervision of MEP's sector planners, consultations are held with:

- MOF regarding loan donors and recurrent budget implications.
- Ministry of Public Service (MPS) regarding implications for government staffing*
- Ministry of Works, Transport and Utilities (MWTU) regarding needed engineering support.
- MAL regarding land-use issues.

The project profile is then submitted to MEP under signature of the permanent or provincial secretary. Projects submitted before end of March may be included in the following year's Development Budget. Projects submitted before end September may be included in the following year's Annual Plan of Action.

The MEP has set up a list of preliminary selection criteria. Submitted projects have to reach a certain level on the MEP mark scale, before being submitted to the NPDC for final approval. This system is however very recently introduced and not operational yet.

A detailed project checklist (see annexes) according to MEP format is then prepared. Once the project is appraised and approved for funding, the aid management section of MEP will submit the project to a relevant donor. Sector ministries can suggest possible funding agencies. Projects requiring loans or Solomon Islands Government (SIG) funding are channeled through to MOF.

Once funds are allocated, the sector ministries (not the provinces) are responsible for implementation.

The monitoring of the projects is coordinated by MEP's monitoring and review unit. The sector ministries (project managers) submit quarterly and yearly physical and financial progress reports on formats designed by MEP (see annexes).

MEP reports to the NPDC on a quarterly basis. Evaluation ex-post of projects is recently proposed. Some individual donors carry out evaluation for their own purpose, copies of which are forwarded to SIG.

Provincial projects

Project identification can be initiated by any of the following parties:

- Provincial assembly committee or member;
- Provincial executive member;

- Provincial staff;
- Area council member;
- Villagers through area council/assembly; and
- Other rural institution (coops).

Identified projects should follow from the priority programs in the provincial development plan and/or annual estimates, if a project comes from outside sources (village communities) it should fit in or at least not be in contradiction with the provincial program.

Two types of projects exist:

1. Projects over SB\$100,000 follow the procedures for national sector projects (see above);
2. Small-scale projects under SB\$150,000 may be submitted by the province to the PDU.

Projects submitted to PDU should be formulated by the province following the checklist format of PDU (see annexes). The checklist is then appraised by PDU. The project should have in all cases provincial support by signature of its provincial secretary or planner. The appraisal by PDU involves consultation with respective sector ministries on costing, design and compliance with sector policies. Also the project will have to meet the specific criteria of one of the five administered funds. Appraised projects are then approved by the PDU Committee of Management in which the MEP is represented by the Chief Planning Officer. Once approved the project is forwarded to the donor agency for financial commitment, generally a formality. Approved and funded projects are registered as PDU project. The provincial governments are responsible for the implementation of the project. Liaison officer for PDU is the provincial planner. PDU monitors the implementation by requesting quarterly progress reports from its liaison officer on PDU formats (see annexes). A provincial development fund manual gives all detailed guidelines. So far PDU has faced absorption problems both within PDU (lack of staff) as at the provincial level (lack of trained personnel and absorption capacity). Although an indicative allocation of all available funds over the provinces, according to population size has been used, projects are dealt with on a first come, first serve basis. The PDU does not presently advise on, or identify small projects on behalf of the provinces.

2.3 Institutional aspects of planning at the national and sub-national level

This part will briefly describe a number of institutional aspects, related to the development planning process. Some problems and recent efforts to overcome them will be highlighted.

There are no regular consultations on the content of planning at the inter-ministerial level. Permanent Secretaries' meetings deal more with administrative matters than policy matters. Because of this tendency the Permanent Secretary of MEP recently (November 1987) initiated Permanent Secretaries Meetings in the name of "Project Review Committee", to develop this meeting as policy coordinating body. Except for a few ad hoc occasions, not many interdepartmental planning commissions have been created. The MEP plays a rather passive role in providing sector financial allocations for each year. This may involve possible under-programming in key sectors, and probable over-programming in less important sectors. Recently NPDC instructed MEP to introduce a sector indicative financial allocation system as from next year. Another issue that has been emerging recently – in the planning exercise is the relation between the capital expenditures and implications for the recurrent budget on the medium and long term. This lack of any coordinated approach between MEP and MOF has been brought up, and more close consultation is being promoted between the two ministries. In fact, MOF has strengthened its financial planning and policy unit. There

are three ministries involved in provincial planning, i.e. MEP, PDU/MHAPG and PPD/MAL. In order to coordinate the different roles of the three ministries a Provincial Planning Taskforce team was set up and meets twice a month since September 1987. Its main task is to assist the provinces in the preparation of the Provincial Development Plans 1988-1992.

National - provincial relations

The prime responsibility for provincial planning and preparation of provincial development plans and implementation is a devolved task of the provinces. MEP only advises and provides technical assistance to the provinces upon request. The provinces depend entirely on the central government in regards to financing and implementation of the plan, with exception of the marginal PDU type of projects, provided well documented and within donor criteria. Until recently the provincial plans consisted mainly of a 'shopping list' of projects, with no plan framework, costing, programming or prioritizing. Single projects, except when sent to PDU, received little or no attention unless accompanied with heavy lobbying. Reasons for this are firstly a generally bad documentation of submissions; secondly the fact that the technical ministries are not prepared to provide scarce manpower to do feasibility studies for not yet approved projects. No surprise that provinces in general are very suspicious about the existing planning process and very reluctant, even if competent staff is available to spend much time in preparing comprehensive provincial plans. More so, since there is no clear guarantee that the central government will seriously consider these provincial plans. It is expected that after completion of all PDPs, more active interaction between national and provincial planning levels will be envisaged during the next NDP cycle.

Provincial level

Even more than at the national level continuously job-swapping public servants, including provincial secretaries, cause discontinuity in approach and policy-making. One of the reasons for this moving of staff is due to a political setting: administrative staff should not become too committed to provincial causes. Nation building is the priority. The national public service commission is responsible, so provincial government has little grip on its administrative staff. Consequently disagreements between policy-makers and administrative staff on planning matters occur frequently. At a lower level, area councils, separately elected bodies, play a role in local planning. However, in the competition of getting projects funded, the area council members often lose from the provincial assembly members, who have a better access to technical support from provincial staff to get project ideas translated into acceptable proposals for funding. All too often one hears about projects, even well prepared by Peace Corps Volunteers, from area councils are often delayed at the provincial level for political reasons. Examples of this were mentioned during workshops held in Guadalcanal and Makira.

Recent developments

The development planning capacity of Solomon Islands is presently being strengthened with support of the UN/DTCD project SOI/85/003 "Strengthening Development Planning Capacity". This project started in February 1986 with the arrival of the present CTA. To date, the project consists furthermore of an expert planning-trainer, three associate-experts on regional planning (2 in MEP and 1 in PDU) and one UNV provincial planner based in Isabel Province. The main objective of the project is institution building and training at all development planning levels. On the national level, the CTA, a macro-economist is assisting the strengthening of MEP's National Development Division. The recently arrived planning trainer initiated training of sector planners at the national level. He has been

requested by MPS and MHAPG to extend the training program to the local provincial planners in 1988.

On sub-national planning the following activities have been initiated by the associate experts under guidance of the CTA:

- Guidelines for submission of prioritized provincial project profiles;
- Set-up of a provincial projects database;
- Preparation of a manual/reference on provincial planning (planning procedures, provincial planning process and project planning);
- Workshops in all provinces on provincial planning;
- Preparation of format/guidelines for provincial development plans;
- Meeting of provincial secretaries and planners to start off the provincial plan preparation and discuss sector policies with national sector ministries representatives;
- Creation of an interdepartmental provincial planning taskforce, coordinating technical assistance to the provinces by MEP, PPD and PDU;
- Undertaking of an inter-provincial socio-economic study on regional disparities, which will result in a National Regional Policy Report (NRPR) (forthcoming); and
- Re-enforcement of PDU's management and project appraisal capacity.

These activities should lead to an improved development planning process in which the provinces, and at a later stage area councils are fully involved. The PDPs will be finalized in the first quarter of 1988 and submitted to the Provincial Assemblies for approval. They will then be studied at the national level by MEP, PDU and the sector ministries and serve as input for the preparation of the NDP (1990-1994). The NRPR will be another instrument to improve the provincial/spatial distributional aspects of the next NDP.

2.4 Current staffing situation in regard to planning capacity

National level

Depending on how one defines the task of a planner, more or less people in the Solomon Islands administration could be called a planner. The inventory below is limited to those staff with a clearly defined development planning task. There is more staff involved in planning, if one sees administration and implementation of single projects also as development planning. Even in the list below, those staff members indicated with an asterisk are mainly involved in administrating and implementing single projects. Those staff members indicated with (exp) are expatriate staff in either line or advisor positions.

The Ministry of Economic Planning

- Chief Planning Officer
- Sector Planner /Infrastructure *
- Sector Planner /Natural Resources *
- Sector Planner /Natural Resources (exp)
- Sector Planner /Social Sector *
- Senior Manpower Planner
- Manpower Planner *
- Aid Management Planner
- Project Monitoring Officer
- CTA UNDTCD (exp)
- Assex UNDTCD Regional Planning (PDP) (exp)

- Assex UNDTCD Regional Planning (NRPR) (exp)

Physical Planning Division (MAL)

- Chief Physical Planner
- Physical Planning Advisor/Trainer (exp)
- Physical Planner
- Trainees (12) *

Provincial Development Unit

- Senior Planner
- Planner/Accountant *
- Assex UNDTCD Regional Planning (exp)

Sector Ministries

- Principal Education Planner (exp) *
- Principal Health Planner (exp)
- Environment Planners (2) one (exp)
- Energy Planners (2)(exp)
- Industry Advisor (exp)
- Transport Planners (2) one (exp) *
- Water Resources Planner (exp)

Provincial and area-council levels

Table 2: Planning staff at provincial level (1987)

Province	Planning Officer ¹		Planning Advisor		Area Council Advisor	
Western	1	Prov. paid	-		-	
	1	Prov. paid	-		-	
Isabel	-		1	UNV	2	PCV
Central	-		1	PCV	-	
Guadalcanal	1	Technician	1	PCV	4	PCV
Malaita	1	Prov. paid	1	PCV	-	
	1	Technician			-	
Makira	-		1	PCV	-	
Temotu	-		1	PCV	-	
Honiara TC	1	Planner	2	PCV	-	

Note: ¹ Nine local planners should be recruited in 1988; PCV = Peace Corps Volunteer; UNV = United Nations Volunteer
Source: own investigation

As a conclusion one can say that the planning exercise is still a very young practice in Solomon Islands. The professional planners are still overwhelmingly expatriates. Within the PPD, town and country planners are being formed on a very basic level and the best of them are send overseas (QIT/Australia) for more advanced studies, presently three staff. It remains to be seen how this cadre will be utilized when fully trained, since PPD plays a fairly marginal role in the overall development planning process. The economists of MEP have limited experience in integrated development planning, due to the fact that most of their time has to be spent on project planning and administration and receiving overseas consultants. Present MEP staff goes regularly overseas for short term courses. Three of them will follow master degree courses. A shortage of planners will remain for the years to come at the national level and certainly at the provincial level.

CHAPTER 3

SUB-NATIONAL DEVELOPMENT POLICIES

3.1 The process of defining sub-national development policies

The Solomon Islands are a small country, when one looks at its total population of about 300,000 inhabitants. Even though the population is scattered over many relatively isolated island groups, contact between various policy levels and political factions seem to be frequent.

The definition of sub-national development policies is done at various political and governmental levels. Members of Parliament lobby for their home constituency, ministers do the same. Provincial politicians and high level administrators visit Honiara often to pursue certain provincial interests and to get project proposals approved.

The "Wantok" system described in chapter 1.2 is a very influential and powerful system, all too often overruling the established administrative planning procedures.

This has to be borne in mind when reading the subsequent paragraphs on the official procedures.

Basically the process of defining sub-national development policies consists of two complementary approaches.

On the one hand the 'TOP-DOWN' policy-making at the national level which is coordinated by MEP, and prepared within the sector ministries. On the other hand, the 'BOTTOM-UP' policy-making which in its most simple form is done at village level, ward level and area council level (see chapter 1), but in essence is done at the provincial level. Here, division heads under coordination of a provincial planning unit prepare sector reports/plans, which are then submitted to the Executive Committee and finally to the Provincial Assembly for approval.

At the national level, sub-national policy-making is being prepared by the sector ministries. More often than not this policy is implicitly incorporated in the sector policy. When looking at the individual sector ministries, one sees that only Education, Health, Agriculture and Fisheries have a certain explicit spatial/provincial approach in their policy papers.

At present, only the Ministry of Health prepared a National Health Plan 1986-89, including chapters on sub-national development aspects. The Fisheries Department of the Ministry of Natural Resources prepared a Fisheries Sector Development Program 1985-90. No other ministry has a framework national development policy, let alone on the sub-national level. Of course comprehensive project plans exist for the major projects being implemented, but these documents are only distributed in very limited numbers and are hardly used for the more comprehensive development policy formulation.

So one must conclude that the approach at the national level is a fairly ad-hoc one and not based on any complete NATIONAL view on national or sub-national development. Consequently, the policy-making mainly depends on outside interests in specific areas; regional agencies and programs interests and negotiated agreements with bilateral and multilateral donors, again allocating their funds to areas of their interest.

More specifically on sub-national development policy formulation, the UNDTCD project SOI/85/007 "Strengthening Development Planning" puts a major emphasis on training and assisting provincial staff in the formulation of provincial development plans.

The development planning capacity at the sub-national level is still rather weak. This is not a surprise if one knows how limited the capacity at the national level is. The provinces did have policies before this project started. Experience varies from one province to the other. The

quality of output (five-year plans, rolling plans, strategies for development, programs of action, etc.) seems to be correlated with the availability of technical assistance (mainly through Peace Corps, UNVs or other volunteers). In part, the provincial plans were prepared by a small team, consisting of the planning adviser (volunteer) and the Provincial Secretary. The Executive Committee hardly gives the administrative level any guidelines for plan formulation. At most, a "shopping list" of vaguely formulated project ideas is drawn up (these may also come from the Provincial Assembly). It has to be borne in mind that generally speaking the administrative staff has a much higher level of education than the political level. It therefore happens that administrators can refrain from pushing "unrealistic" projects identified by politicians and get other projects funded by Central Government (including PDU funding).

3.2 Review of past and present sub—national development policies and policy instruments used

For the purpose of this paper, the review of the past will start at independence of Solomon Islands in 1978.

In 1978, the National Development Plan 1975-79 was still ongoing, covering the period of transition from colonial to independent status. The main objectives contain only implicit statements on sub-national development policies: distribution, of available wealth and a fair sharing of opportunity and welfare, creating a sense of national identity and solidarity. Related to the above, the government is guided by the following principles:

1. decentralization of human and capital resources and responsibilities to local councils (the future provinces) and area committees (the future area councils); the production of local plans; incentives to invest outside Honiara.
2. distribution of development by reviewing the transport policy, countrywide coverage of government services, improving the status of women, more widespread education, decentralization of industry and services, reviewing the taxation system.
3. local participation, requiring slanting of development into accessible operations for the majority of the population, idem for credit facilities, adapt commercial law to local capacity.

The first **National Development Plan 1980-1984** after independence coincided with the decision to establish seven provincial governments. The opportunity was taken to prepare indicative provincial plans within the framework of the overall national plan (Volume III). In this context provincial-resource studies which identified development opportunities were published. Provincial assemblies were requested to put forward plan proposals and consultations with the Central Planning Office were held. Provincial plans within the NDP context were written. Priorities and constraints for development were highlighted. In spite of good intentions and because of lack of adequate provincial staff, these plans were prepared top-down in the CPO. Programs and activities are stated in a very general way. Priorities are not clear and no financial plan or programming has been attached.

There was no national development plan as such for the period of 1984-1985, due to a change of government. This new **Mamalon Government** issued a **Program of Action 1981-1984**. Five ministries for provincial affairs were created. Priority was given to the devolution of administration and decision-making and equitable distribution of development by implementing the Provincial Government Act 1981 and devolution of finance, services and staff. A review of the constitution was suggested to move towards a quasi federal system. In practice, the central government continued to prefer to muddle and placate provincial governments rather than make substantial concessions to them (see p. 102 in

“Decentralisation in the South Pacific”).

After a renewed change of government in 1984, the present second **National Development Plan 1985-1989** was prepared. Its objectives state the promotion of equitable distribution of the **benefits of** development and consolidation of devolution and intergovernmental relations. The strategy proposed regional and rural development by province through national action to remediate the increasing disparities created by past strategies. Decentralization and distribution are the key words used. The policy focuses on an initial assessment of the present socio-economic situation in the provinces. Subsequently, a strategy for development should be formulated. Consultation with provincial and local governments is seen as necessary. The main objective of regional development is rural development combined with identifying growth/service centers. Within the plan period, provincial development plans should be prepared. On the administration side, participation should be ensured by strengthening the planning capacity at the provincial level, emphasizing project planning, and by readjusting the national sector planning approach. Also, the Provincial Development Unit should be reinforced and changed into a regional planning unit. Coordination and consultation between the national and the provincial governments should be reinforced through the Premier’s conferences and Permanent/Provincial Secretaries meetings. The NDP 1985-89 scheduled as follows:

1985: introduction of coordination and consultation mechanisms.

1986: consolidation of regional planning and survey of socio-economic situation in the provinces.

1988: technical document on development plan preparation.

The provinces were requested to submit their proposals. Eventually shopping lists" were submitted, but were never seriously considered by lack of documentation. Therefore the present NDP follows a sector approach in defining programs and projects. There is no reference to provincial aspects in the plan itself.

3.3 Evaluation of the impacts of sub-national development policy and planning

Impact on reduction of sub-national 'disparities'

As becomes clear from the above, there have been a lot of intentions to come to a more comprehensive sub-national planning system. However, throughout the years since independence the proposed policies have rarely been translated into concrete action. The Ministry of Economic Planning, created in 1984, is mainly a project administration unit and has recently not been able to carry out any substantive socio-economic study/analysis of the past and present situation of the country as a whole or the provinces. The provincial resource studies prepared by the central planning office date from 1979. Neither MEP nor PPD have so far been able to do any inter-provincial analysis on 'disparities'.

Impact on development of sub-national capabilities for sustained development

The government policy so far has had very little impact on the development of sub-national capabilities for sustained development. The main constraints are always lack of trained staff and financial means.

Training of provincial staff on planning issues has been provided by various ministries. But one of the problems is the lack of continuity. Staff is being shifted around by Public Service at very short intervals. The lack of planners is tremendous. Most positions in the provinces, but also at the national level, have been held by expatriates

(see 2.4.). Their average contract duration of 2 years has as consequence that approaches change every 2 years, again hindering any continuity.

In terms of financial capability, central government grants are barely covering recurrent budget expenditures. Due to the lack of competent staff, money is badly managed, politicians without any formal training have misused funds, and the tax collection rate is at a very low level. With a few exceptions, staff at the provincial level limits itself to the administrative matters of implementation of central government activities. Sub-national capability for sustained development therefore, in our opinion, very limited.

Impact on devolution of decision-making from the center to the sub-national level

The provinces have their own governments, elected in a similar way as the national government. Theoretically the provinces can decide on many issues and make legislation. Depending on the quality of their staff some provinces do so. However, most decisions on development planning remain "paper tigers" since the provinces do not have any capital budget to implement their plans. Implementation of adopted programs is therefore dismally low, control and allocation of investment are in the hand of the central government.

Even concerning devolved functions like primary education, primary health care, or rural water supply, the provinces still depend heavily on the approval and financial/technical assistance from the central government.

Presently, a commission for the revision of the provincial government act is at work. Its final report has not been published yet. It seems, however, that there is a strong lean towards giving the area councils a much more important role and reducing the powers of the provinces. What the implications will be financially and what staffing is concerned, is totally unknown.

Impact on the satisfaction of 'basic needs'

The question is what one considers as the basic needs in the Solomon Islands. Compared to other regions in the world, like the Sahel in Africa, it seems that basic needs are met by nature. The 'affluent' subsistence economy provided the whole population with all the basics like shelter, food, health and traditional education. The external influence of the white man has changed things considerably. The introduction of levying taxes, cash economy, western health care and education have caused an initially slow, but now quicker, change in (1) the needs for cash for tax, school fees, licenses, consumer products, some production inputs; (2) the population growth (improved health, churches, education); (3) migration patterns (need for cash incomes, job opportunities, lack of land and exhaustion of soil fertility) (see also chapter 4),

The concept of "basic needs" is still fairly new to Solomon Islands. A clear comprehensive national policy has still to be formulated. The fact that nutrition programs do not get much political support may serve as an illustration.

There are, however, clear "basic needs" that emerge and require government intervention. One of the more important one being adequate shelter and provision of basic infrastructure (rural roads, water and sewerage, electricity, garbage collection) for the influx of rural immigrants into Honiara. The PPD has done a thorough analysis of these "Temporary Housing Areas" (now called Traditional Housing Areas, to emphasize their permanent character) and made recommendations. So far, no national program or allocation of funds to meet these basic needs has been adopted. It is clearly not seen as a problem yet.

Basic needs in rural areas in health, education and water supply are being dealt with by the

respective divisions. Intra-provincial priorities are decided upon by the provincial governments. Examples of large-scale projects meeting these basic needs are:

- World Bank Primary Education Project,
- Rural Water Supply and Sanitation Project,
- UNDP Primary Health Care Project.

But there is no overall comprehensive policy on these issues. Nor will one find quantified objectives or studies on inter-provincial disparities in the NDP or related documents.

Impact on the mobilization and utilization of sub-national resources

The question here is what do we understand by sub-national resources? Are all national resources, or may be not all sub-national resources, national resources? Let us distinguish 3 different types of resources: natural resources, human resources and capital resources.

1. To start with the last one, the capital resources, we can be very brief. The provinces basically do not have any capital resources. Their revenues outside national government grants cover only a fraction (average 20%) of their recurrent expenditures. The sole mobilization of cash resources would be the use of savings of the provincial population put into the few existing bank branches and contributions by employees to the National Provident Fund of which the central government borrows large amounts of money (SB\$ 20 million/year) to be able to pay its public servants' salaries.
2. The mobilization of human resources is of course an important aim of the national development policy. It is certainly at the moment the most important resource available in the country. Various national policies can be seen as an attempt to optimize the use of this resource - be it for national, regional or local purposes. The following programs can be cited as examples of mobilization of the human resources:
 - Education program: improving primary education and its accessibility for the whole population. National and provincial secondary schools to provide for the badly needed higher educated manpower.
 - Health program: to improve the general health condition of the national workforce.
 - Productive programs, like the Rural Services Project to improve productive skills, or the CEMA activities improving the commercialization of rural produce.
3. The natural resources finally comprise mining, fishing and logging operations:
 - Logging operations are mainly a private sector affair. Logging companies either log leased land or negotiate directly with landowners. An export tax is paid to the central government and then partially redistributed to the provinces via grants, but control on volumes exported is poor.
 - Royalties paid to landowners amount to several millions of SB\$ per year. The impression is that most of this money is not reinvested into any productive activity, but spend on consumer goods and traveling overseas.
 - Industrial fishing is done by two partly nationally owned companies; a direct link exists with sub-national level. Artisanal fishing is poorly organized and limited to a few centers of which 50% do not or hardly operate, with marketing and maintenance of services being the mayor problem.
 - The-mining resources have so far hardly been tapped. Again this is mainly seen as a national resource. However, actual mining is hampered by serious problems with landowners who claim ownership of all resources on, under or above their land. A

main mining opportunity for gold exists on Guadalcanal. A mine is scheduled to be opened by early 1988, probably increasing the national product by 200%. Other mineral deposits of gold, bauxite and nickel have been proved in other areas of the country. However, low world-market prices, land-ownership problems and reluctant national policy on disrupting rural areas have refrained the government to undertake any concrete action.

Impact on migration patterns (internal migration and rural-urban drift)

The volume and direction of various types of migration are illustrated in chapter 1. The policy impact on these patterns seems to be fairly limited and certainly not very explicit. The rural-urban migration, which clearly exists, has never been stated as a mayor problem. No policies exist on this issue. The male migration to plantations on Russells and Guadalcanal, to fish industry centers in Tulagi and Noro, and to logging areas in Western Province are of course a consequence of the location choice of those activities by the government. But these location choices are not related to a certain population distribution policy. There are no policies to remediate overpopulation problems, which clearly exist in areas like North Malaita and Simbo Island. Limited resettlement programs were carried out in the past when Great Britain decided to bring Kiribati people to certain islands in the Solomon Islands with low density of population. Similarly population from the southern "weather coast" of Guadalcanal were resettled to the northern parts of the island for security reasons related to natural disasters (earthquakes, flooding).

CHAPTER 4

IMPACT OF NATIONAL POLICIES ON SUB-NATIONAL DEVELOPMENT

4.1 Introducing Remarks on the Solomon Islands economy

In order to find answers to the question as to what extent national policies have an impact on sub-national development in Solomon Islands, it firstly has to be understood how cash and traditional economy or capitalist and pre-capitalist modes of production respectively are linked.

Foreign penetration since the days of Mendana has formed Solomon Islands' society and economy. Solomon Islands is still in a transformation period going from a pure subsistence economy to a structural heterogeneous dependent export-oriented economy. The so-called cash economy is nowadays spread all over the country, although only firmly established locally in Honiara and some smaller provincial centers and plantations. Sectorally, the cash economy comprises plantations, forestry and commercial fishing, which are all highly export-oriented, as well as trade and public service. About three quarter of the population still live in isolated and dispersed rural settlements. They live almost entirely on subsistence agriculture, but earn also cash by producing copra and cocoa. Other monetary incomes come from royalties for logging operations on their tribal lands or from employment in the so-called modern sector, for instance as plantation workers, laborers of logging companies or temporarily employment somewhere in Honiara. According to the 1986 estimation of total number of wage earners, 24080 persons that are around 19 percent of the economically active (15 - 54 age group) population were formally employed. The primary sector provided about 34 percent of total employment, manufacturing, construction and transport 22 percent, trading and financial services about 12 percent and social and personal services about 33 percent.

Many of the workers in the cash economy are Malaitans who are pushing on the labor market since they are presently the first together with some outer islanders like from Sikaiana who can feel the population pressure, which more and more limits the continuance of the traditional way of life. They make up currently the labor reserve for the growing urban and export-oriented economy.

Social change takes place in a comparatively slow pace in the rural areas. But as soon as people settle down in Honiara customary life is fading away. Attracted by the fascinations of the 'big' city and forced by shortage of land, the youth migrate to Honiara, where most of them cannot find a job. The sudden loss of social values kept within the kinship groups in the villages make them break more and more with the modern social order.

Generally, people who found a job in Honiara act as a catalyst for introducing new consumptions pattern and a more individualist way of life. Since they are still tied up in the wantok-system (see chapter 1), they have to provide boarding and lodging for relatives which come regularly to Honiara for a while. Every return of such a trip will increase the demand for new consumer goods. To meet this demand cash is required. People who in former times never had the chance to achieve the status of a big-man are realizing for the first time that money can open them various opportunities to achieve high status. These are more or less factors that make people in rural Solomon Islands participate in the cash economy apart from their obligation to pay a small basic rate tax. Participation in the cash

economy also means progressing class differentiation in the future. With growing importance of the cash economy some people get richer than others. This will be more visible in Honiara where people accumulate property, mainly in the form of real estate and shops. More in-depth information on this important topic has to be provided by respective research in the future.

There is not a real need of cash income in the sense of pure survival like in many other countries in Africa, Asia or Latin America. At present, the average rural villager of Solomon Islands could still make an easy living almost without involvement in the cash economy. An adequate example for this is the high response of smallholder to reductions of copra prices. For many farmers copra is the only cash crop. Therefore, a decline in copra productions means also less cash income. Obviously cash is not needed for survival. However, it will gain more and more importance with the change of traditional consumption patterns.

4.2 Fiscal and Monetary Policy

The general aim of the Government's fiscal policy has been to keep its recurrent budget in balance whilst simultaneously foreign grants and loans are earmarked for an expansion of development expenditures. This objective is far from being achieved. The reality looks different. In the last three years expenditures have exceeded considerably the amount of domestic revenues in spite of a 20 percent increase per annum over the last ten years. As a consequence Solomon Islands closed the previous fiscal years always with deficits. The Central Bank of Solomon Islands Annual Report 1986 summarizes the main problems which have led every year to high deficits (CBSI Annual Review, page 36):

- rising demand for government services from a population growing rapidly in numbers aspirations;
- falling real income from its taxes on commodity-exporting enterprises;
- a powerful public service lobby resistant to adjustments that could reduce its costs of operations;
- severe difficulties in organizing and executing its massive annual development budget;
- mounting debt services costs both domestically and, slowly but surely, overseas.

Finding ways to solve this combination of problems has been rendered more difficult by implementing ambitious programs of devolution of power to provincial governments and of course also the natural disaster of Cyclone Namu in May 1986.

This combination of problems has increased the recurrent expenditures so that the government budget deficit had swollen from 0.7 percent of GDP in 1980 to 14.7 percent of GDP in 1986.

The deficits have been financed by domestic borrowing, which has led to high interest rates and has entailed the risk of crowding out private sector borrowing for productive investments. These problems have been aggravated by strong demands for credit, coming from sectors which were unlikely to contribute to future economic growth, such as the distribution of consumer imports (CBSI, page 38). The strong demand for credit by government and non-productive sectors pushed the interest rates up in order to slow down the demand for credit. High interest rates up to 20 percent are definitely no incentive to new investments in productive sectors, where usually the rate of return is lower.

Obviously, non-productive sectors like transport, distribution, other services and personal loans have been interested in borrowing money despite the high interest rate. These borrowers have used credits entirely for purchasing imported goods. Rising imports and simultaneously deteriorating terms of trade have worsened the balance of payment

considerably over the last four years. The Central Bank's main objective is presently to restore a sustainable balance of payments equilibrium by keeping down imports. Simultaneously domestic liquidity is controlled in order to avoid its faster rise before improvements of the balance of payments take place.

The deteriorating terms of trade gave also rise to depreciating Solomon Islands currency continuously to safeguard the smallholder's income from copra and cocoa. Depreciation of the Solomon Islands Dollar, sharp increases of import duties and increases in wages and salaries has caused a rise of the inflation rate by 12 - 15 percent during 1986 and 1987. This inflation rate is too high for the country for several reasons: (i) it will be difficult to remain commercially competitive, (ii) more pressure will be put on the exchange rate and, thus no earned surplus will be left for investing in future development.

One crucial aspect of fiscal policy is taxation. This was not mentioned yet. Details are not important in this context. However, it seems important to explain the relationship between central taxation and provincial budgets.

Around 80 percent of the provincial budgets are provided by central government grants. The remaining 20 percent are collected by the provinces through basic rates (a head tax for all adult male (16-60 years) and employed female varying according to income), licenses, property rates, investment income, sales, services and fees. In some provinces basic rates remain, or are returned to, in the area council. The central grants are the main contribution, determining the financial room the provincial government. Central grants are composed of various sub-grants, which are each subject to certain criteria. These grants are as follows:

1. Fixed Service Grant - a fixed amount given to the provinces to enable them to carry out some of the government services which were devolved to them. This grant is based on 1976 calculations.
2. Revenue Sharing Grant - 10 percent fish income per population.
3. Productive Resource Grant - 10 percent of the province's share in export duty according to population.
4. Cattle Development Grant - per head of cattle.
5. Road Maintenance Grant - per vehicles on road.
6. Special Supplementary Grant - added in 1979 to update Fixed Service Grant.
7. Primary Education Operating Grant - \$ 4 per enrolled pupil and \$ 50 per teacher.
8. Secondary education Operating Grant - \$ 73 per pupil.
9. Town and Country Planning Board members' allowances.
10. Medical Supply Grant - calculation is based on population.

The calculation of the grants took place in 1979. It has never been revised since then. Only increases of 20 percent in 1981, 10 percent in 1982, 20 percent in 1983 and 10 percent in 1984. Since 1985 the grants have been froze because of lack of revenue.

Taking into consideration the figures of the accounting section of the Ministry of Home Affairs and Provincial Government grants per head as well as provincial grant allocation and population differ in percentage of the total as shown on the next page.

The figures below show that the less populated provinces get more grants per head than the larger ones. One exception is Western Province which exceeds considerably the average amount through a high productive resources grant. Honiara has the smallest allocation. The main reason is the lack of the medical supplies grant. Since Honiara is the capital a lot of facilities are centralized in the town for the whole nation. Nevertheless, Honiara's inhabitants are the first ones who benefit from them.

Malaita's allocation of grants is also below average. The reasons why the allocation scheme for central grants was not revised as yet might be of political nature. Western Province still feels that they are entitled to much more grants since they contribute more to the economy. The fear that the old idea of secession of Western Province could revive holds central government's politicians and administrators back to revise the whole system towards a more equitable allocation scheme. It is also not sure if provinces like Isabel and Makira wish to change the grant allocation modus, since they have to fear to lose grants if a pure population formula would be applied.

Table 3: Grants per head per province, provincial share of population and grants total

Province	Grants/head (SB\$)	% total Population	% of Grants	% Difference
Western	340	19.4	24.4	+5.0
Isabel	422	5.1	7.9	+2.8
Central	279	6.5	7.2	+0.7
Guadalcanal	233	17.6	15.2	-2.4
Honiara	169	10.7	6.7	-3.0
Malaita	219	28.1	22.7	-5.4
Makira	357	7.6	10.0	+2.4
Temotu	316	5.1	6.0	+0.9
Average	272	100.0	100.0	

Source: CSO Central Statistics Office, Honiara 1987

The aspects and problems of fiscal and monetary policies described above have an immediate impact on the cash economy, and in as much as the rural areas of the province are involved directly or indirectly in the cash economy, it affects them as well. However, as long as the population pressure on land is not too strong, people will rely on subsistence horticulture. Their traditional mode of production, compared to other developing countries, is not so strongly tied to the cash economy. Therefore, they feel the impact of national economic problems mainly in spheres which belong to a lesser extent to their traditional economic and social environment than to the expanding cash economy. That are, for example, lack of provision of social services (clinics, schools etc.), increase of consumer prices for basic products (sugar, tea, tobacco, kerosene, etc.) or loss of real income for those who work in the cash economy.

4.3 Import Substitution

At present, Solomon Islands possibilities in substituting imports are rather limited. Most of the imported goods cannot be produced anyhow on grounds of an undeveloped industrial and manufacturing base. Yet, the government endeavors to promote domestic production of goods that were previously imported. It refers currently only to products that do not require high-cost technology or high qualified skills. Such products are soap, detergents, paper, nails, roofing iron, biscuits, chickens and some more. Even this production is mainly based on pre-produced imported materials.

There is no particular import substitution policy. Certain measures are decided on an ad hoc basis. That means import duties have been raised in order to protect the domestically produced products from cheaper imports after producers have complained about facing problems to sell their products. Import substitution is only to a very limited extent possible in a small country like Solomon Islands, mainly because of its small market. It is also intimately related to the development of economically viable manufacturing and support industries. Solomon Islands is still at the very beginning of her endeavor to strive for this goal. There are lots of needs which have to be met in order to achieve this aim:

1. Training of a skilled workforce;

2. Establishment of industrial estates;
3. Setting of standards for materials, buildings, equipment and workmanship that meet the Solomon Islands requirements;
4. Proper development of the country's resources;
5. Provision of an efficient extension service.

Each of these points will be relevant for the industrial development in the future.

As far as the industrial development in the provinces is concerned, it does not seem that currently the production of manufactured goods is economically viable because of too small markets and high transport costs. Especially the transport costs are the main reason why Honiara is presently the only acceptable location for the overall national market as well as for export. In the future Noro in Western Province could develop similar favorable location advantages as currently Honiara. Accordingly, import-substituting industries are presently almost entirely located in Honiara. They are concentrated in Ranadi industrial estate set up 8 years ago. Additional sites are reserved near Henderson Airport. Boat-building takes place in Gizo and Auki, provincial centers of Western and Malaita Province. A fish cannery which also supplies the domestic market is situated in Tulagi/Central Province and another one is planned in Noro Port.

An attempt to produce rice for import substitution and export failed. The pure production costs per unit rice were much higher than the price of that unit offered at the world market.

Some of the imported vegetables, which are mainly consumed by the expatriate community (about 3,000) in Honiara is being produced domestically in the outskirts of Honiara.

4.4 Pricing Policies

Most prices on Solomon Islands' markets are determined competitively. There are, however, a range of products, which fall under the control of the Prices Advisory Committee. Currently, price ceilings are set for such items as milk, certain types of meat, fish, sugar, flour, soap, rice, cooking oil, bread and petroleum products. These commodities have controlled mark-ups on the landed cost or ex-factory prices. This consumer price control system works only properly in Honiara. It is hardly possible to control prices in rural areas because of manpower shortage. Yet there is no evidence that prices are much higher than the added transport cost.

This price control system serves to keep down the prices of basic consumption goods. Most of them are imported. Consequently, such kind of price control increases imports which affects the balance of trade negatively. A negative effect for the rural area has especially the rising consumption of rice. Only a very small import tax is imposed on rice. Therefore, rice is comparatively very cheap nowadays. Consumers are very responsive on such low prices if they have been become used to the product. The food aid after cyclone Name consisted mainly of rice. For various reasons such as easy preparation or status more and more rice is consumed in the villages and gardens are being neglected increasingly. Nutritionists fear that it is likely that the nutritional status of the rural population will deteriorate in the coming decade.

As far as export crops are concerned, prices for agricultural produce are determined by world markets and transport costs. The only exception is presently copra, which falls under the Commodity Export Marketing Authority's (CEMA) price stabilization scheme. All produced copra is purchased by CEMA for export. Plantations usually sell directly to the board, while smallholders sell to commercial traders, to

cooperatives or to CEMA's buying centers. There is no regulation on prices paid by traders, but producers are informed about the CEMA price every week by radio. CEMA's price stabilization scheme rests on a fixation of a buying price for a three month period using a formula on a seven year moving average of the f.o.b. (World Bank 1906, p.28). If the world price is above or below this benchmark, half of the difference is passed on to the producers subject to a price support limit of SB\$ 100 per ton.

The following table shows the increase of imported and domestically produced rice in tons between 1966 and 1985.

Table 4: Imported rice figures (tons)

Year	Domestic	Import	Total production
1966	-	2,190	2,190
1975	687	2,015	2,702
1980	5,292	2,550	7,842
1981	5,990	1,530	7,520
1982	5,758	3,107	8,865
1983	5,823	2,012	7,844
1984	8,904	5,106	14,010
1985	n.a.	7,769	n.a.
1986	(closed down)	n.a.	n.a.

Source: World Bank 1986, Annex 1, table 8

Copra is still the main source of rural cash income, therefore this price stabilization scheme is so important. CEMA purchase copra at its seven buying centers or at the Levers plantation in Central Province since Solomon Levers is an official agent of CEMA. Regardless of the big differences of distance of the various centers to the next export ports, CEMA pays the same price. Buying centers which are closer to export ports subsidize more or less the distant ones. From a regional point of view CEMA acts as an instrument which mitigates spatial disadvantages on grounds of distant locations. Spatial disadvantages for copra producers exists especially within the provinces. Producers who live close to the buying centers have much lower transport costs. Some producers receive only half of the CEMA price because they have to sell it to traders who deduct transport costs and profits from the CEMA price. CEMA is planning to establish several more buying centers in the future. This will be a major contribution for the regional development of Solomon Islands especially if CEMA extends the range of purchased products and supplied input.

4.5 Export Promotion

As a small island economy Solomon Islands is very dependent on exports. Therefore, all governments have been anxious to increase the volume and quality of existing exports and to diversify the range of products and markets.

At present the range of export products is not very wide and the volume not high, though it is diversified compared to other Pacific countries. Fish, wood logs, cocoa, copra and palm products are the main export products and account for 95 percent approximately of Solomon Islands exports. Only little processing has been done at present.

The main instrument of export promotion is the participation in several programs, which have been designed to facilitate the export trade of developing countries. The three most important programs are as follows (SPEC 1985):

1. GSP Scheme - The generalized system of preferences is a program whereby preferential

treatment by way of reduced or duty free tariff rate is granted by developed economies to eligible products from developing countries.

2. SPARTECA - The South Pacific Regional Trade and Economic Cooperation Agreement acts as an extension of the GSP Scheme insofar as Australia and New Zealand is concerned. Under the agreement both countries offer duty free and unrestricted or conditional access for specified products originating from developing island nations of the South Pacific Forum.
3. Lomé Convention •- All African, Caribbean and Pacific (ACP) countries which signed the LOME Convention can take advantage of certain duty and tariff preferences.

The government's endeavor to promote export production in the provinces is mainly covered by the general development programs in the agricultural, forestry, fisheries and to a certain extent mining sector. All sectors try to increase volume and to improve quality as well as efficiency. The set up of processing industries for these products is generally accepted as an objective which is worthwhile to be pursued. However, except a planned new fish cannery in Noro, no other investment project of that kind is presently close to implementation. One fish cannery exists already in Tulagi/Central Province and palm oil is processed on Guadalcanal.

Similarly small-scale export production in the manufacturing sector virtually does not exist. Some yachts, built in Auki, have been sold to Australia. Baskets and other handicrafts produced in villages find also markets overseas.

At present, the chance to achieve further diversification of exports is very limited. Manufactured products in Solomon Islands can not compete on the world market, even if Solomon Islands take advantage of all preferences. Countries like South Korea, Taiwan and Hongkong have very qualified and hard working workforces, which work for relatively little money. In Solomon Islands neither the workforce is qualified nor is the wage level so favorable.

4.6 Investment Incentives

The investment policy of Solomon Islands does not provide a clear and general applicable scheme of investment incentives. Generally, there are two types of tax exemptions for which investors can apply. In both cases the Minister of Finance decides whether or not the tax exemption will be granted. The first type relates to so-called "pioneer companies". These are all companies, resident and nonresident alike, that intend to start business in Solomon Islands and who, in the opinion of the Minister of Finance, will generate appropriate economic and social benefits to the country. Such tax exemption comprises the total income for a period of five years. Usually this type of tax holidays is reserved for companies involved in manufacturing, mining, research, large-scale fishing and processing and timber milling. It appears to be rather questionable why particularly mining and large-scale fishing companies have apparently a good chance to be exempted from tax.

The second type is applicable to companies incorporated in Solomon Islands whose registered office and place of business is situated in Solomon Islands and 60 percent of whose equity is owned beneficially by Solomon Islanders. The Minister of Finance may grant tax holidays to these companies if he is convinced that it would assist them to become successfully established. The tax exemption is limited to SB\$ 25,000 of profits. However, it can be raised up to SB\$ 50,000 under certain circumstances. The tax holiday is usually granted for five years and can be exceptionally extended up to ten years.

A further incentive might be the possibility for investors to apply to the Minister of Finance

for import and export duty concessions. Incentives of that kind aim at improving the climate for private investment in Solomon Islands in order to compete with other developing countries in their endeavor to attract foreign investors.

These investment incentives are neither used as an instrument of regional policy nor do they have any other positive impact on the provinces. Since the Solomon Islands have to compete for foreign investment at the international level, the scope to attract investors to provincial locations by means of the currently offered incentives is negligible. Logging and mining companies have to go to provincial locations anyhow. Other firms will remain in areas where the infrastructure is reasonably developed, where transport costs are as low as possible or where sufficiently large market exists.

The only incentive for future investment in the provinces will be a systematic development of infrastructure and industrial estates. The latter will require a lot of patience in sorting out the numerous land tenure problems (see chapter 1) all over Solomon Islands.

4.7 Allocation of Public Investment

Public investment is financed by the central government development budget, the small provincial budget for capital expenditures and partly through provision of subsidized loans from DBSI to private investors.

The central development budget has earmarked money for projects almost entirely on a sector basis. Regional considerations have had only a subordinate importance as yet, although one of the development plan objectives is the promotion of equitable distribution of the benefits of development. The sector composition of the public sector program was according to the Development Budget 1987 as follows:

Table 5: Distribution of public sector investments (%)

Sector	1986	1987
Human Resources & Community Development	23.5	18.0
Development of Natural Resources	26.7	36.2
Development of Commerce, Industry and Financial Services	4.2	9.6
Physical Infrastructure Development	34.7	28.2
Government and Security	10.8	8.1
Total	100.0	100.0

Source: CSO Central Statistics Office, Honiara 1987

A quarter of the budget has sectors (education, health, administrative infrastructure) been absorbed by the social culture and welfare and in the previous years. The other three quarter have been invested in the productive sectors (natural resources, commerce and industry and economic infrastructure). The 1987 development budget provides even a higher amount for the productive sector. An estimate of the provincial benefits of the 1987 Development budget (see Witulski 1986) reveals - although the confidence intervals have to be assumed very high - that the economically stronger provinces were able to attract more benefits in relation to their population. The following table shows the difference between provincial population and benefits of the 1987 development budgets, both figures are the percentage of the total, and the benefits per head:

The three most developed provinces in Solomon Islands are Honiara, Western Province and Guadalcanal. These three provinces benefited more than the average from the allocation of the development budget. Central Province had an exceptional high positive rate because of the allocation of a high amount for two purse seine vessels. Without this extra allocation Central Province would be below the average. Malaita, which has the

highest population, was the most neglected province according to the population estimate.

Table 6: Provincial shares in the 1987 capital budget (%)

Province	Population (1986)	Benefits	Difference	Benefits/head
Western	19.4	21.5	+2.1	302
Isabel	5.1	2.3	-2.8	121
Central	6.5	17.0	+11.5	713
Guadalcanal	17.6	22.2	+4.6	343
Honiara	10.7	20.3	+9.6	519
Malaita	28.1	10.2	-17.9	99
Makira	7.6	3.0	-4.6	104
Temotu	5.1	3.7	1.4	194
Total	100.0	100.0	average:	273

Source: CSO Central Statistics Office, Honiara 1987

If such an allocation of development projects and programs will be the rule, already existing disparities in social services, infrastructure and income will dramatically widen. Honiara, which acts already as a magnet, will attract more and more migrants from the most neglected provinces. On the other hand, investment in already more developed regions promises faster growth. It needs to be decided on the political level which path is desirable either growth or equity. Whether a balanced approach is possible has to be proven. It is certainly the most attractive approach, which will be demanded in political rhetoric. Provincial capital expenditure is almost negligible. Since the data are so unreliable no statistically significant analysis is possible. However, it appears that Malaita spends comparatively more than other provinces. As regards DBSI loans, Honiara Town Council is leading in the borrowed amount over the last four years followed by Malaita, Guadalcanal and Western Province. These four provinces are also leading in size and number of loans. Again, the three most developed provinces absorb most of the loans. The reason why many loans went to Malaita is the fact that the population is large and because generally Malaitans have the reputation of being interested in starting businesses.

4.8 Conclusion

To summarize the political economy of Solomon Islands in brief: Solomon Islands is still in the process where the cash economy is on the way of becoming the dominant mode of production* There is are lot of indications that Solomon Islands will be becoming more economically dependent upon foreign aid and investment for financial viability in the future than currently or even during the colonial rule. Agriculture, fishery, logging and mining will probably remain exclusively the major source of export income and the main economic activity beside subsistence farming. Multinational companies will invest and extract the main share of the resources. Existing inequalities will increase as well as the process of cultural disruption will progress. During this socio-economic transformation process the impact of national policies on sub-national development will be becoming stronger and stronger. Nevertheless, national policies have presently still a smaller impact on sub-national development than usually assumed.

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LIST OF ANNEXES

1. Chart 1: Development Planning Structure
2. MEP Project Profile
3. MEP Project Checklist
4. MEP Project Progress Report Form
5. PDU Project Checklist
6. PDU Project Progress Report Form
7. Provincial Powers