

ASIAN DEVELOPMENT BANK

COUNTRY STRATEGY AND PROGRAM UPDATE (2005-2006)

SOLOMON ISLANDS

August 2004

CURRENCY EQUIVALENTS

(as of 31 July 2004)

Currency Unit	–	Solomon Islands dollar (SI\$)
SI\$1.00	=	\$0.1339
US\$1.00	=	SI\$7.463

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AusAID	–	Australian Agency for International Development
EU	–	European Union
ERU	–	Economic Reform Unit
GDP	–	gross domestic product
GEF	–	Global Environment Facility
JICA	–	Japan International Cooperation Agency
MDG	–	Millennium Development Goal
MID	–	Ministry of Infrastructure Development
MFNRP	–	Ministry of Finance, National Reform, and Planning
NGO	–	non-government organization
NERRDP	–	National Economic Recovery, Reform, and Development Plan
NTP	–	National Transport Plan
NZAID	–	New Zealand Agency for International Development
PCERP	–	Post Conflict Emergency Rehabilitation Project
PDMC	–	Pacific developing member country
PRS	–	poverty reduction strategy
RAMSI	–	Regional Assistance Mission to Solomon Islands
RETA	–	regional technical assistance
SOE	–	state-owned enterprise
TA	–	Technical Assistance
TDTF	–	Transport Development Trust Fund

NOTE

- (i) The fiscal year (FY) of the Government ends on 31 December.

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I. COUNTRY STRATEGY

1. The strategy of the Asian Development Bank (ADB) in Solomon Islands directly supports the Government's National Economic Recovery, Reform, and Development Plan, 2003-2006 (NERRDP); contributes to ADB's overarching goal of poverty reduction; and is consistent with ADB's Poverty Reduction Strategy, as well as ADB's Pacific Strategy for the New Millennium.¹ The goal of the strategy is rapid, pro-poor and private sector-led economic growth. ADB will support the Government in (i) providing transportation infrastructure and services, and (ii) strengthening the enabling environment for the private sector. To address these objectives, ADB will focus on capacity building and promotion of good governance. The country strategy is summarized in Appendix 1.

II. CURRENT DEVELOPMENT TRENDS AND ISSUES

A. Recent Political and Social Developments

2. Solomon Islands is emerging from several years of ethnic tension that resulted in the overthrow of the elected government in June 2000 and a subsequent armed conflict. The political and security situation has improved significantly since the arrival in July 2003 of the Regional Assistance Mission to Solomon Islands (RAMSI), which enjoys strong public support. However, the process of building sustainable peace and security and resuscitating the economy will take time and depend on continued Government efforts, supported by RAMSI and the aid community. Rehabilitation will also depend on progress in tackling important governance issues, public sector reforms, and economic reforms, including state-owned enterprise (SOE) reform.

3. Solomon Islands is one of the least developed among ADB's Pacific developing member countries (PDMCs). Measured by the most recent United Nations Human Development Index (HDI) and Human Poverty Index (HPI), Solomon Islands ranks below all but one PDMC. The country is unlikely to meet the Millennium Development Goals (MDGs) by 2015. Poverty has worsened with the near-collapse of the economy, primary school enrollments are very low, gender disparities remain high, and environmental indicators are generally poor. Progress on infant and child health indicators has been slight but maternal health indicators have worsened.

4. Although data are insufficient to update either the HDI or the MDG indicators, social conditions have almost certainly worsened over the period of ethnic tension and conflict, and disparities between Honiara and the provinces are wide. Successive governments have not succeeded in providing adequate social infrastructure and services, especially in rural areas; nor in facilitating income-generating opportunities. Job opportunities are in short supply, with little formal employment outside Honiara. The situation is exacerbated by conflict, displacement, law and order problems, an ongoing financial crisis and a contracting economy, rising unemployment, and high population growth. Funding for essential social services has substantially diminished and the Government is often unable to pay teachers, health workers, and public servants, causing a standstill in the provision of social services. The population growth rate of 2.8% is among the highest in the world, which combined with slow economic growth exacerbates poverty and greatly increases the challenge of meeting development goals.

5. Heavily supported by external assistance, the Government is now seeking to redress these significant problems. Reliable access to domestic and international markets for rural produce will be a key strategy to restart rural economies, reduce the demand for migration to

¹ ADB. 2000. *A Pacific Strategy for the New Millennium*. Manila.

the capital in search of employment, reduce conflict between groups competing for limited opportunities, and address the challenge of restoring basic social services in rural areas.

B. Economic Assessment and Outlook

1. Recent Performance and Outlook

6. After 4 years of contraction, real GDP increased (from a very low base) by an estimated 3.8% in 2003 and 5.8% in 2004, and is forecast to grow by 4-5% in 2005 in expectation of continued law and order, further progress in public financial management, and a gradual return of investor confidence. Forestry (which has reached an unsustainable level), fisheries, cocoa and copra production are all growing rapidly and will be the main drivers of growth. Gold mining and oil palm operations remain suspended, and are not expected to resume exports in the near term, given the uncertainty over the long-term policy environment in these sectors. Growth prospects would improve considerably if constraints were eased in the areas of secure land tenure, employers' rights to employ labor of their choice, and interisland transport.

7. Several years of fiscal mismanagement were turned around with the arrival in August 2003 of the RAMSI budget stabilization team, which imposed tight expenditure control, initiated a payroll audit, increased revenue growth, improved tax compliance, and formulated a medium-term debt management strategy. The 2004 budget now provides for a balanced cash position. Budget support from Australia and New Zealand represents a major fiscal stimulus at almost one-quarter of total revenue, and permits total recurrent expenditure to rise by 41.5% from the 2003 level. The 2004 development budget is huge in the context of recent fiscal history, almost matching the planned level of recurrent expenditure (SI\$480 million). Public expenditure has been reallocated to the key service areas of health and education, financial administration, provincial affairs, and law and justice. Care will be needed to ensure that external supplements support a transition to fiscal sustainability and do not create dependence on aid agencies for recurrent and development funding.

8. The current and capital accounts have been in surplus as a result of a rise in official inflows, so foreign reserves (exclusive of external debt arrears) continue to improve. Inflation fell from 15.4% in 2002 to 10% in 2003, and is projected to be in the 4-6% range in 2004-2005. Imports will increase as economic growth accelerates, but export growth and increased official transfers are expected to more than offset them, possibly allowing some easing of foreign exchange rationing as foreign reserves are rebuilt. The Solomon Islands dollar was stable against the United States dollar in 2003, but depreciated 18.4% against the Australian dollar, the currency of the country supplying about 56% of Solomon Islands' imports.

9. Reducing the public debt burden will be a long and arduous task. The Government's total debt is around SI\$2.2 billion or about 139% of GDP. An external debt of SI\$1.211 billion accounts for 72% of the formal debt, with 30% owed to ADB. However, the allocation of 22% of total revenue to debt servicing is insufficient to fully service all debts and the budget makes no allocation for the payment of past arrears. A comprehensive government financial restructuring initiative that is under way involves negotiations over debt forgiveness, debt rescheduling, and lower interest rates. Given the unsustainability of the debt situation, the Government has decided not to consider additional external loans in the short to medium term.

2. Policy and Governance Developments

10. **National Economic Recovery, Reform, and Development Plan 2003-2006.** NERRDP was finalized in November 2003 through a consultative process and represents an important attempt to introduce order to policy, planning, and public expenditure. It sets out a program in five strategic areas: (i) normalizing law and order and security; (ii) strengthening democracy, human rights and good governance; (iii) restoring fiscal stability and reforming the public sector; (iv) revitalizing the productive sector and rebuilding supporting infrastructure; and (v) restoring basic social services and fostering social development. NERRDP is ambitious in scope and will be difficult to implement fully within its medium-term timeframe. A key test of effectiveness will be the extent to which it drives the annual externally funded development budget. The Government is yet to prepare an action plan for its implementation.

11. **Governance.** During consultations for the formulation of NERRDP, respondents frequently expressed concern over corruption, misuse of public funds, discretionary tax and duty exemptions, non-adherence to existing rules and procedures, and political appointments to the civil service. Corruption is widely acknowledged to be pervasive and ingrained. Its removal will require top-level political commitment and a long-term process of strengthening key governance institutions, reforming the public service, and educating the public. Freedom of the media is guaranteed by the Solomon Islands constitution, and has generally been exercised. However, a recent review of the Ombudsman's Office, the Leadership Code Commission, and the Auditor General's Office concluded that those offices were under resourced and ineffective. Governance institutions will receive increased funding in 2004 to improve accountability throughout the government, but institutional strengthening is also required.

12. A new constitution and federal system of government is being considered for introduction in 2004. The desire for decentralization appears to be a response to the perceptions that the national Government has failed in effectively fulfilling its core functions, and that resources have not been equitably shared by the capital and the rest of the country. However, the benefits, costs, and implementation challenges of decentralization need to be assessed carefully. The country faces major challenges in restoring public administration due to limited managerial capacity and substantial differences in the capacity of the nine provinces to take on new state government functions of policy development, planning, financial and operational management, regulation, and supervision under a federal system. The creation of state governments may simply increase the financial burden of government without improving in public service delivery and accountability.

13. **Public Sector Reform and Capacity Building.** The public sector has not delivered adequate services because both national and sub-national levels have failed to effectively fulfill the core government functions of revenue administration, public expenditure management, public administration, and regulation of SOEs. Improving the performance of central and provincial administrations and public utilities will be fundamental to higher living standards, especially in rural areas. A key issue for the durable rebuilding of public finances is the size of the public service, which claims 52% of estimated domestic revenue in 2004. Considerable reform and capacity building are needed for national and provincial governments to fulfill their functions effectively. These efforts should not be confined to human resource development, but should include development of systems for effective planning and management, including action plans, coordination mechanisms, and rational links to the recurrent and development budgets. To restore administrative capacity, public service reform must be planned carefully, and not be a simple downsizing exercise. While in some cases it might be appropriate to create new

functions, in other areas outsourcing may be the best solution. Funding is needed to implement a redundancy and retirement program, combined with more comprehensive reforms.

14. **Economic Reforms.** NERRDP acknowledges that the private sector environment must be enhanced by improving the institutional infrastructure and revising outdated and incomplete legal and regulatory frameworks. To ensure sustainable peace and ethnic harmony, it will also be crucial to address the inequitable distribution of resources, create opportunities for income generation, and provide basic infrastructure and services. Adequate solutions to the fundamental issue of customary land ownership should be driven by the Government, but may require external resources in support. An Economic Reform Unit (ERU) will be established in the Ministry of Finance, National Reform, and Planning (MFNRP) to oversee, coordinate, and implement private sector regulatory reforms; infrastructure service provision policy and regulation; SOE reform; financial sector reforms; provincial economic development; statistical collection service reforms; and specific sectoral policy reforms to promote new investments in potential growth areas. ADB will actively support ERU operations in cooperation with other external sources, especially in the areas of infrastructure policy and regulation, legal and regulatory business environment, and SOE reforms.

15. **State-Owned Enterprises.** Solomon Islands has 17 SOEs covering statutory authorities; air transport services; telecommunications; resource-based enterprises in forestry, fishing, and agricultural production; and service providers in ship repair, printing, tourism promotion, and export marketing. While these SOEs have provided much-needed services, they have also created numerous problems for the economy, because of (i) crowding out of the private sector, (ii) higher cost of inputs to private enterprises, (iii) inconsistent and unreliable service delivery and quality, (iv) ineffective politically appointed boards, and (v) inappropriate mixing of regulatory and commercial functions causing mismanagement and poor governance. Reform of the SOEs will need to consider various options for improving performance, including better management, corporatization, and privatization within an appropriate regulatory framework. The privatization process envisaged under the 1998 Public Sector Reform needs to be revived; however, care needs to be taken that privatization does not lead to a simple replacement of public sector monopolies with unregulated private sector monopolies.

C. Implications for the Country Strategy and Program

16. At the request of the Government, ADB will not give new loans to Solomon Islands until public finances stabilize. Progress will be assessed based on the Government's ability to service all existing obligations and on the stability of the recurrent budget.

17. Reflecting a post-crisis focus, external funds are heavily weighted toward law and order, peace building, and restoration of basic social and administrative services. Transport, energy, and communications infrastructure receive less than 10% of external funding in the development budget, yet are essential inputs to create access to social services and markets for rural economic production. Support for the business environment receives only 0.1%, but must be increased if the private sector is to generate economic growth.

18. Pro-poor economic growth is an element common to several of the key strategic areas of NERRDP. An enabling physical and institutional environment for private businesses, comprising effective institutions, sound infrastructure, and service delivery, is critical. Reform and private sector participation in the SOE sector are high priority areas, in which ADB has a history of support to Solomon Islands, as well as comparative strengths to implement.

19. Since reform of land tenure issues is being addressed by two external agencies, ADB will monitor emerging needs for potential TA in future planning cycles but will not propose assistance during this planning period. Similarly with the significant development agenda in the social sectors, other aid agencies are implementing substantial programs with significant external resources allocated to education and to health, nutrition, and social protection, and there are no apparent gaps. ADB will therefore not propose direct assistance in the social sectors, but will support improved access.

20. The combination of a high level of external support, weak government capacity, and ADB's relatively limited resources in the absence of a lending program suggests that a highly focused ADB technical assistance program will be appropriate. It should aim for long-term capacity building while at the same time delivering rapid impact and reform outcomes. To address the Government's priorities, and to complement the extensive activities of development partners in other sectors (as shown in Table A2.6), ADB will focus on transportation infrastructure and services and strengthening the enabling environment for the private sector. By supporting rural economic growth and access to health and education, ADB's program will make a positive contribution to moving Solomon Islands closer to the MDG on poverty.

III. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM

A. Progress in Poverty Reduction

21. Solomon Islands and ADB signed a poverty partnership agreement in November 2003 to develop a poverty reduction strategy (PRS). The Government's goals for the PRS are to ensure that NERDDP and other development strategies effectively address poverty reduction, and that ADB's country assistance strategy fully supports the process. The Government's vision for the PRS is rapid economic growth and provision of education, health, and other services through better governance of policies, institutions, and markets. ADB will support the Government's efforts to analyze poverty in the country, prepare the PRS, and integrate it into NERDDP.

22. To implement a PRS and resume progress toward achieving the MDGs, the Government will need to continue progress in fiscal and monetary policies, provision of basic social services, public sector reforms, and development of the private sector. Much remains to be done to address growing disparities and pockets of hardship. While the achievement of law and order, economic stability, and sustained economic growth remain the Government's primary strategic objectives, greater efforts are needed to address the widening imbalances between the income levels of people in urban and rural areas to reduce the root causes of conflict.

B. Progress in the Country Strategy and Program Focus Areas

1. Transportation Infrastructure and Services

23. Pro-poor economic growth depends on increased productivity in rural areas, primarily from agricultural commodities. Improved transportation infrastructure and services are essential to connect producers to domestic and export markets, deliver social services to rural areas, and enable labor mobility. Outside Honiara however, Solomon Islands has always had a very limited infrastructure stock and the dismal state of road transport, unreliable interisland shipping, and the perennial problems of Solomon Airlines pose considerable barriers to market access and impede the growth of rural production. These factors have also had pervasive negative social effects by limiting rural-urban linkages, labor mobility, and inter-provincial trade. ADB's sector

strategy has two strategic focus areas: (i) support the rehabilitation and maintenance of physical infrastructure, and (ii) facilitate the improvement of interisland transportation.

24. Supporting the Rehabilitation and Maintenance of Physical Infrastructure. Several years of conflict and economic and fiscal crises have severely damaged the country's infrastructure, deferred its maintenance, and weakened the capacity of the Ministry of Infrastructure Development (MID) to plan and coordinate a response. However, the severe constraints that prevented development and maintenance in recent years are lessening as aid resources are becoming available for rehabilitation, capital investment, and maintenance. To leverage scarce public-sector resources, greater reliance on the private sector for provision of works will yield significant positive benefits to the Government and the economy, allowing the Government to concentrate on policy development, regulation, asset management and contract administration. However, there is currently no strategic framework and government capacity for planning and management is weak. ADB will therefore provide TA to strengthen the capacity of MID. The TA will support the preparation of a national transport plan to guide development, create a Transport Policy and Planning Unit to ensure implementation, establish a Transport Development Trust Fund (TDTF) to provide the necessary finance, increase MID's capacity in project management and contract administration, and promote private sector involvement in infrastructure development. These measures will play a central role in aid coordination and facilitate effective expenditure of European Union Stabex funds.

25. Interisland Shipping and Aviation. Interisland transportation is a key input to connect producers to domestic and international markets as well as enable labor mobility and access to social services, but its availability has deteriorated dramatically. Most provinces operate ships, but services have been plagued by mismanagement, are essentially insolvent, and many have ceased operating. Although a few routes are serviced by the private sector, most are uneconomic and unreliable. In aviation, the financial troubles of the national airline have led to reduced schedules and unreliability, as revenues are insufficient to maintain and operate the domestic aircraft fleet. ADB is therefore proposing assistance in two phases to develop and implement reform agendas for interisland transport. In shipping, TA will be provided to work closely with a European Union initiative to ensure a minimum level of service on uneconomic routes and ensure its sustainability through the TDTF. In aviation, TA will be provided to determine the current operational and financial situation of the airline, assess models for private sector participation, identify constraints to reform, recommend institutional mechanisms for implementation, and prepare an action plan for eventual restructuring.

26. Other Assistance. ADB has reactivated the Post-Conflict Emergency Rehabilitation Project to restore essential services, basic infrastructure, and facilities for communities affected or damaged during the civil strife.² This project will rebuild damaged roads and bridges in economically important areas, as well as key water supply facilities and school buildings. A project management unit was established in March 2004 and activities are under way to implement the TA and begin procurement. Solomon Islands also participates in two ADB-funded regional TAs: in Civil Aviation Safety and Security³ that will determine the feasibility of a regional organization to provide regulatory and oversight functions, and in Pacific Regional Transport Analysis⁴ that will develop options to improve inter-regional shipping and aviation later in 2004.

² ADB. 2000. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Solomon Islands for the Post-Conflict Emergency Rehabilitation Project*. Manila.

³ ADB. 2003. *Technical Assistance for Civil Aviation Safety and Security*. Manila.

⁴ ADB. 2003. *Technical Assistance for Pacific Regional Transport Analysis*. Manila.

2. Enabling Business Environment

27. The Government has recognized the vital role the private sector must play as the engine of growth in rehabilitating the economy. The RAMSI-led process has been providing a window of opportunity for the private sector, as well as for reforms to improve the enabling environment for businesses. Key strategies for overcoming the constraints on the business environment include regulatory reforms, development of transport infrastructure and utilities, SOE reform, financial sector reforms, provision of policy and governance advice to provincial governments, development of statistics to inform policy formulation, monitoring and evaluation, and formulation of sectoral policies to promote investment and growth. To assist in formulating and implementing economic reforms, the ERU has been proposed within the MFNRP.

28. **Legal and Regulatory Business Environment.** ADB will support the Government, in cooperation with the proposed ERU, in improving the legal and regulatory frameworks governing private business activity. Legal institutions are often ineffective, outdated, flawed in design, and applied improperly, resulting in high transaction costs for businesses that exacerbate the impediments of an unfriendly business environment. Improvements are required in the areas of business laws and regulations, the foreign investment regime, the tax and duty regime, work permits and migration procedures to reduce risk, uncertainty, and transaction costs; improve corporate and public governance; and increase productivity and investment. ADB has committed, as part of a regional TA (RETA),⁵ to help the Government formulate (and partly implement) a related reform agenda. The Foreign Investment Advisory Services (FIAS/World Bank) is also considering assistance to reform the foreign investment regime. Additional ADB TA will be provided to implement the reform agenda once this is established.

29. ADB will also support the development of a comprehensive secured transactions framework to promote the effective use of collateral as security for loans. Banking institutions provide few services, seldom reach beyond urban areas, and have high collateral requirements. In particular, the inadequate framework for collateralizing debt denies access to credit to many, largely due to land tenure issues and the apparent lack of a functioning secured-transactions framework. A sound legal framework for secured transactions would permit farmers, consumers, and businesses to use movable property as collateral for loans. This would broaden opportunities and increase the rate of investment by businesses and individuals. This TA will build on a RETA programmed for 2004 that will develop options for reforms.

30. **State-Owned Enterprise Reforms.** ADB will support the Government, again in cooperation with the proposed ERU, in building on progress made during the 1998 Public Sector Reform Program and in strengthening government capacity to implement SOE reforms. It is important to base SOE-specific decisions on a sound policy on SOE ownership, performance and divestment, as well as on effective regulatory frameworks.

31. The focus of SOE reform should be on improved efficiency, productivity, and service delivery at reasonable prices. These goals can best be attained through enhanced private sector participation in areas traditionally serviced by SOEs. Appropriate mechanisms include corporatization, commercialization, licenses, concessions, and sale of shares to private investors—preferably strategic partners that will bring advanced technology and management skill, access to new market channels, and industry knowledge in addition to capital. It should be noted, however, that the loss of assets and overall financial setback experienced by SOEs as a result of the civil unrest could mean that full privatization may be premature in many cases. To

⁵ ADB. 2003. *Technical Assistance for Improving the Legal Business Environment in the Pacific Region*. Manila.

strengthen the operations of SOEs that will remain in the public sector, a new SOE reporting and monitoring regime needs to be developed and implemented, and appropriate reform strategies and action plans formulated and delivered.

C. Highlights in Coordination of External Funding and Partnership Arrangements

32. Recognizing the opportunity for Solomon Islands to recover from the socioeconomic hardships imposed by the civil conflict and develop mechanisms that will prevent such a crisis from re-occurring, external sources have pledged funds on the order of US\$100 million for 2004 alone. The international community, led by RAMSI, is assisting the Government in implementing the first phase of support (addressing law and order, budget stabilization, and restoration of essential government services). Three key challenges for the Government and the aid community are (i) to shift the focus from the short-term stabilization process toward a medium and long-term program for equitable growth and development; (ii) to deliver programs and visible results in a timely and effective manner, despite extreme capacity weakness; and (iii) at the same time, to rebuild the key institutions of government.

33. The Government and aid agencies have agreed that systematic and strategic aid coordination and management will be critical. NERRDP provides the framework; NERRDP action plans (still to be completed) provide sectoral action plans, and the annual development budget provides the detailed basis for coordination. The Department of National Reform and Planning is establishing measures to enhance communication and donor coordination.

34. Upon the Government's request and based on agreements with key aid agencies, ADB will provide sectoral leadership in transport infrastructure and services to leverage the delivery of other resources, especially European Union Stabex funds. Proposed ADB TA will be supplemented with inputs provided by the European Union for counterpart positions, establishment of a TDTF, and financial support for necessary but uneconomic interisland air and sea routes. ADB assistance will include coordination with, and support to, the proposed ERU in the areas of SOE reforms, privatization, public-private partnerships, and infrastructure policy and regulation.

IV. PORTFOLIO MANAGEMENT ISSUES

A. Ongoing Portfolio Performance

35. Following the payment of arrears by Australia in late 2003, one ADB-financed loan project is being implemented. ADB has reactivated the Post-Conflict Emergency Rehabilitation Project (footnote 2) to restore essential services, basic infrastructure, and facilities for communities affected or damaged during the civil strife between 1999 and mid-2000. Implementation restarted with the fielding of the project manager in March 2004. First tasks to be undertaken include revalidating the subproject selection list, recruiting counterpart staff, and establishing processes for design and build contracts. Implementation is on schedule.

36. While long completed in terms of project implementation, a TA loan⁶ to privatize SOEs has not been financially closed, as requirements for loan closing have not been met. Recognizing that resolution would greatly facilitate ADB's engagement in Solomon Islands, the Government is addressing this issue in the process of the ongoing financial stabilization efforts.

⁶ ADB. 1998. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Solomon Islands for Privatization of State-Owned Enterprises*. Manila

B. Performance Monitoring and Evaluation

37. MFNRP is responsible for preparing the Government's development programs and for monitoring and evaluating externally assisted development projects. Limited capacity in all branches of government, combined with the extensive range of externally supported interventions, could lead to problems with project implementation. Assigning responsibility for project execution from MFNRP to the sector agency concerned would make project management more efficient and allow MFNRP to focus on strategic issues. ADB capacity-building TA (for example, the institutional strengthening project in MID) will support the transition for line ministries to undertake this role.

V. COUNTRY PERFORMANCE AND ASSISTANCE LEVELS

A. Lending Level Proposed

38. In view of the Government's debt situation, and considering the current inflow of substantial amounts of external grant funding, ADB supports the Government's decision not to borrow further until finances stabilize. Subject to the resolution of the debt crisis, future loan assistance may be considered in accordance with ADB's country strategy in the medium to long term. The Government's debt and absorptive capacity, as well as the need for loan finance, will be monitored closely and, if necessary, the country program will be adjusted accordingly.

B. Nonlending Program

39. Nonlending assistance for 2004-2006 focuses on the two strategic pillars of ADB's strategy: providing transportation infrastructure and services, and strengthening the enabling environment for the private sector. In 2004, to support the reactivation of ADB programs in Solomon Islands, TA will focus on institutional strengthening and diagnosis of required reforms in each key area. In 2005-2006, TA will assist the Government in undertaking comprehensive reforms, increasing private sector participation, improving the legal and regulatory environment, and implementing the economic reform agenda. ADB will also prepare for the Government an economic report with in-depth analysis of, and policy options for, critical issues on the development agenda. The nonlending assistance program is summarized in Appendix 2 and specific concept papers are in Appendix 3.

40. Flexibility will be required in the proposed assistance program over the duration of the planning period, to reflect the progress made in the country's overall rehabilitation and development process and to adjust to other aid agencies' strategies and programs. Standby TA has been programmed to allow for additional resources that may be required to privatize selected SOEs, subject to availability of TA resources (and possible cofinancing).

C. Summary of Changes to Lending and Nonlending Program

41. As this is the first country strategy and program update prepared for Solomon Islands since 1999, there are no changes to report.

42. For reference, the 2004 Assistance Program for Nonlending Products and Services is provided in Table A4.1.

Table A1: Summary of the Asian Development Bank's Strategy

ITEM	OBJECTIVE: Provide Transportation Infrastructure and Services	OBJECTIVE: Create an Enabling Business Environment
Strategic Focus / Key Result Areas	<ul style="list-style-type: none"> To rehabilitate and maintain physical infrastructure in locations of major economic activity, ADB will assist the Solomon Islands Government to sustainably develop, fund, and manage a national transport plan (NTP). To facilitate improved availability and efficiency of interisland transport services, ADB will assist the Government to implement a franchise scheme for uneconomic routes. 	<ul style="list-style-type: none"> To improve the policy and institutional framework for business development, ADB will assist the Government to strengthen the legal and regulatory environment for business investment. To enhance the efficiency and effectiveness of state-owned enterprises (SOEs) and encourage public-private partnerships, ADB will support the conduct of SOE reform exercises
Ongoing / Proposed Loans	<ul style="list-style-type: none"> Loan 1823-SOL: Post-Conflict Emergency Rehabilitation Project (approved in 2000 for US\$10 million) 	None proposed in this period
Ongoing / Proposed Technical Assistance	<ul style="list-style-type: none"> Institutional Strengthening for the Ministry of Infrastructure Development (MID) (2004) Diagnostic Study of Interisland Transport (2004) Implementation of Interisland Transport Reforms (2005) MID reform program (2006) 	<ul style="list-style-type: none"> SOE Reforms and Private Sector Participation (2004) Business Environment Reforms (2005) Economic Development Report (2005) Supporting Transformation of SOEs (2005, standby) Private Sector Participation Program (2006) Secured Transaction Reforms (2006)
Other Assistance	<ul style="list-style-type: none"> Regional TA for Civil Aviation Safety and Security (2003) Regional TA for Pacific Regional Transport Analysis (2003) Economic Report (PIER) for the Solomon Islands (2005 - jointly planned with the World Bank) 	<ul style="list-style-type: none"> Regional TA for Improving the Legal Business Environment in the Pacific (2003) Regional TA for the Development of Secured Transactions Framework (2004) Economic Report (PIER) for the Solomon Islands (2005, jointly planned with the World Bank)
Target Outcomes	<ul style="list-style-type: none"> Current infrastructure stock (roads, wharves, airstrips) operates to design standards (to be specified in the NTP) Air and sea transport service frequencies to all provinces meet an agreed upon minimum standard (to be specified in the NTP) 	<ul style="list-style-type: none"> Increased private sector investment, production, and employment Reduced fiscal allocations to and contingent liabilities from SOEs Enhanced corporate governance and improved financial and service delivery performance of retained SOEs
Performance Indicators	<ul style="list-style-type: none"> NTP approved by end- 2004 and updated every 2 years NTP funding channels and mechanisms, including Transport Development Trust Fund, operating efficiently by end- 2005 MID contract management systems in place by end- 2005 Transport agreement(s) for uneconomic routes signed between the Government and operators, in accordance with due process 	<ul style="list-style-type: none"> Legal and regulatory reform action plan approved by end-2004 and implemented by June 2007 Increased number of new businesses registered Increased credit provision to private businesses Agreed-upon list of SOEs privatized or otherwise transformed by 2007 Remaining SOE portfolio restructured as appropriate, and meeting accounting and reporting requirements

COUNTRY AND PORTFOLIO INDICATORS, AND ASSISTANCE PIPELINE

Table A2.1: Progress Toward the Millennium Development Goals and Targets

Goals and Targets	1990	1995	Latest Year
Goal 1. Eradicate Extreme Poverty and Hunger			
Target 1: Reduce incidence of extreme poverty by half from 1990 to 2015			
1. Proportion of population below US\$1 per day (PPP-values) (%)	—	—	—
2. Poverty gap ratio	—	—	—
3. Share of poorest quintile in national consumption (%)	—	—	—
Target 2: Reduce the proportion of people who suffer from hunger by half from 1990 to 2015			
4. Prevalence of child malnutrition (% of children under 5)	23.0 (1989)	12.6	11.0 (2000)
5. Proportion of population below minimum level of dietary energy consumption (%)	—	—	—
Goal 2. Achieve Universal Primary Education			
Target 3: Attain 100 percent primary school enrolment by 2015			
6. Net enrolment ratio in primary education (%)	83.3 ^a	93.0 ^b (1994)	66.0 (2001)
7. Proportion of pupils starting Grade 1 who reach Grade 5	84.9 ^a	81.0 ^c (1996)	—
8. Literacy rate of 15-24 year olds (%)	—	—	—
Goal 3. Promote Gender Equality and Empower Women			
Target 4: Eliminate gender disparities in primary and secondary education by 2005 and to all levels of education no later than 2015			
9. Ratio of girls to boys in (%)			
Primary education	80.0 ^a	81.0 ^e (1994)	88.0 ^c (1998)
Secondary education	58.0 ^d	60.0 ^e (1994)	60.0 ^c (1998)
10. Ratio of young literate females to males (% of age group 15-24)	—	—	—
11. Share of women in wage employment in the non agriculture sector	33.3 ^a	—	—
12. Proportion of seats held by women in national parliament	0.0 ^f (1991)	2.0 ^f	0.0 ^f (2003)
Goal 4. Reduce Child Mortality			
Target 5: Reduce infant and child mortality by two-thirds from 1990 to 2015			
13. Under-5 mortality rate (per '000 live births)	36.0 ^a	30.0 ^a	24.0 ^a (2002)
14. Infant mortality rate (per '000 live births)	29.0 ^a	25.0 ^a	20.0 ^a (2002)
15. Proportion of 1-year-old children immunized against measles	70.0 ^g (1989-1990)	68.0 ^c	78.0 ^a (2002)

Goals and Targets	1990	1995	Latest Year
Goal 5. Improve Maternal Health			
Target 6: Reduce maternal mortality rate by three quarters between 1990 and 2015			
16. Maternal mortality ratio (per 100,000 live births)	550.0 (1992)	209.0 (1997)	130.0 ^a (2000)
17. Births attended by skilled health staff (% of live births)	85.0 ^g (1990-1991)	87.0 ^b (1995-1997)	85.0 ^a (1995-2002)
Goal 6. Combat HIV/AIDS, Malaria, and Other Diseases			
Target 7: Have halted by 2015, and begun to reverse the spread of HIV/AIDS			
18. HIV prevalence rate among pregnant women 15-24 years old pregnant women	Nil	Nil	Nil
19. Contraceptive prevalence rate (% of women aged 15-49)	—	5.8	7.0 (1999)
20. Number of children orphaned by HIV/AIDS	—	—	—
Target 8: Have halted by 2015, and begun to reverse the incidence of malaria and other major diseases			
21. Malaria:			
Prevalence rate (per 100,000 people)	44,000 ^h (1992)	—	15,172 ^{a,b} (2000)
Death rate (per 100,000 people)	—	—	8.0 ^{a,b} (2000)
22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures ⁱ	—	—	53.0 (1999)
23. Tuberculosis (TB):			
Prevalence rate (per 100,000 people)	—	57.0 ^a (2000)	52.0 ^b (2001)
Death rate (per 100,000 people)	—	8.0 ^a (2000)	12.0 ^b (2001)
24. Proportion of TB cases:			
DOTS detection rate (%)	—	57.0 ^a (1996)	67.0 ^{a,b} (2001)
DOTS treatment success (%)	—	65.0 ^a	81.0 ^{a,b} (2000)
Goal 7. Ensure Environmental Sustainability			
Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources			
25. Forest area (% of total land area)	90.3 ^{a,b}	—	88.8 ^{a,b} (2000)
26. Nationally protected areas (% of total land area)	—	0.3 ^a (1997)	0.1 ^j (2003)
27. GDP per unit of energy use (PPP\$ per kg oil equivalent)	—	—	—
28. Carbon dioxide emissions (per capita metric tons)	0.506 ^a	0.431 ^a	0.389 ^a (1999)

Goals and Targets	1990	1995	Latest Year
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water			
29. Access to an improved water source (% of population)			
Total	—	64.0 ^b (1995-1997)	71.0 ^{a,i} (2000)
Urban	82.0 ^k	—	94.0 ^{a,i}
Rural	58.0 ^k	—	65.0 ^{a,i}
Target 11: By 2010, to have achieved a significant improvement in the lives of at least 100 million slum dwellers			
30. Access to improved sanitation (% of population)			
Total	—	16.0 ^b (1995-1997)	34.0 ^{a,i} (2000)
Urban	73.0 ^k	—	98.0 ^{a,i}
Rural	2.0 ^k	—	18.0 ^{a,i}
31. Access to secure tenure (% of population)			
	—	—	—

— no data available.

DOTS = directly observed treatment, short course; GDP = gross domestic product; HIV/AIDS = Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome; kg = kilogram; PPP = purchasing power parity.

^a United Nations Statistics Division (UNSD), Millennium Indicator Database (2003) (<http://millenniumindicators.un.org>)

^b UNDP Human Development Report 2003; UNDP Pacific Human Development Report 1999.

^c Asian Development Bank Key Indicators 2003.

^d United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)/UNDP2003 Promoting the Millennium Development Goals in Asia and the Pacific: Meeting the Challenges of Poverty Reduction .

^e United Nations Educational, Scientific and Cultural Organization (UNESCO), Institute for Statistics. (<http://www.uis.unesco.org>)

^f Inter-Parliamentary Union (IPU), Information on National Parliaments (<http://www.ipu.org>)

^g UNESCAP, Economic and Social Survey of Asia and the Pacific 2002

^h ADB, Discussion Paper on Poverty Assessment (2001), under regional technical assistance (RETA) 5907: Poverty Assessment in Pacific Developing Member Countries.

ⁱ Figure refers to proportion of population using bed nets.

^j World Resources Institute, Earth Trends 2003. (<http://earthtrends.wri.org>)

^k World Health Organization (WHO)/United Nations Children's Fund (UNICEF), Joint Monitoring Programme for Water Supply and Sanitation, Coverage Estimates 1980-2000 (<http://www.unicef.org/programme/wes>)

^l WHO/UNICEF/Water Supply and Sanitation Collaborative Council, Global Water Supply and Sanitation Assessment 2000 Report.

Sources: Unless otherwise specified, data are from the (i) Government of Solomon Islands/United Nations Development Program (UNDP), Solomon Islands Human Development Report 2002: Building a Nation, and the (ii) United Nations, Common Country Assessment Solomon Islands (Final Draft, 23 March 2002).

Table A2.2: Country Economic Indicators

Item	Fiscal Year				
	1999	2000	2001	2002	2003
A. Income and Growth					
1. GDP per Capita (US\$, current)	755	692	646	503	470
2. GDP Growth (% , in constant prices)	(0.9)	(13.3)	(10.1)	(4.0)	3.8
a. Agriculture	(4.0)	(43.0)	(12.6)		
b. Industry	22.2	(49.2)	(33.2)		
c. Services	(8.0)	(26.0)	(4.6)		
B. Savings and Investment (current market prices)					
C. Money and Inflation					
D. Government Finance					
E. Balance of Payments					
F. External Payments Indicators					
G. Memorandum Items:					

— not available

GDP = gross domestic product.

^a period average

Sources: Department of National Reform and Planning, National Economic Recovery, Reform, and Development Plan 2003-2006, October 2003; Central Bank of Solomon Islands; International Monetary Fund; ADB staff estimates.

Table A2.3: Poverty Indicators

Item	1990	1995	Latest Year
1. Development Progress Indices			
Human Development Index (HDI)			
Pacific HDI		0.191 ^a (1994)	0.371 ^a (1998)
PDMC Rank (out of 12 PDMCs)		9	11
Global HDI			0.632 ^b (2001)
Global Rank (out of 175 countries)			123
Human Poverty Index (HPI)	—	49.1 ^a (1998)	23.2 (1999)
PDMC Rank (out of 12 PDMCs)	—	11	—
Composite Vulnerability Index	—	—	8.398 ^c (1998)
PDMC Rank (out of 7 PDMCs)	—	—	4
Gender-Related Development Index	—	—	0.596 (1999)
Global Rank	—	—	—
2. Poverty Indicators			
Head Count Index (% poor of total households)	—	—	—
Poverty Severity Index (%)	—	—	—
3. Inequality Indicators			
Gini Coefficient	—	—	—
Household Income (% of total)			
National ^d			
Rural ^e			
Honiara ^f			
Income Ratio (H20/L20)	—	—	—

— = no data available; H20/L20 = ratio of share in total income of the highest income quintile group to the lowest income quintile group; PDMC = Pacific developing member country.

^a UNDP *Pacific Human Development Report 1994, 1999.*

^b UNDP *Human Development Report 2003.*

^c Asian Development Bank, Discussion Paper on Poverty Assessment (2001), under regional technical assistance (RETA) 5907: *Poverty Assessment in PDMCs*

^d Rural Areas Household Income and Expenditure Survey (HIES) in 1993 and the Honiara Income Distribution Survey in 1995 showed that the bottom 93% of households received 22% of total incomes, while the top 1% of households received 52% of total incomes.

^e The 1993 Rural Areas HIES reported that the bottom 84% of rural households accounted for just one half of 1% of total household incomes in rural areas.

^f In the 1991 Honiara HIES, the top 10% of Honiara households were reported to have received over 50% of total income in Honiara.

Sources: Unless otherwise specified, data are from the Government of Solomon Islands/United Nations Development Program (UNDP), *Solomon Islands Human Development Report 2002: Building a Nation.*

Table A2.4: Social Indicators

Item	1990	1995	Latest Year
1. Demographic Indicators			
Total Population ('000)	315.0 ^a	366.0 ^a	457.0 ^a (2003 est.)
Annual Population Growth Rate (% change)	3.0	3.2	2.9
Dependency Ratio (% of dependents to working age)	102.4 (1986)	81.6 (1999)	85.2 ^b (2001 est.)
Total Fertility Rate (births per woman)	6.1 (1986)	5.4 ^c (1995) 4.8 (1999)	4.4 ^b (2000-05 projection)
Ave. Household Size	6.5 (1986)	—	6.3 (1999)
2. Health			
Life Expectancy at Birth (years)	54.6 (1986)	61.1 (1999)	65.4 ^d (2002)
Male	54.3 (1986)	60.6 (1999)	63.6 ^d (2002)
Female	55.0 (1986)	61.6 (1999)	67.4 ^d (2002)
Population with Access to Health Services (%)	—	38.2 ^e	74.7 (1999 est.)
Urban	—	—	100.0 (1999)
Rural	—	—	70.0 (1999)
Population per Doctor	—	6,355 ^{c,f}	9,513 (1999)
Government Expenditure on Health			
As % of Total Government Spending	12.6 (1991)	13.5 (1994)	14.9 (2001)
As % of GDP	3.7 (1991)	3.8 (1994)	5.9 (2001)
3. Education			
Adult Literacy Rate (%) ^g	22.0 ^f (1991)	30.0 ^f (1994)	76.6 (1999)
Male	27.0 ^f (1991)	—	83.7 (1999)
Female	17.0 ^f (1991)	—	69.0 (1999)
Combined Gross School Enrollment Ratio (% of aged 5-19 years)	34.8 (1986)	—	56.3 (1999)
Male	38.0 ^b (1986)	—	58.1 (1999)
Female	31.0 ^b (1986)	—	54.3 (1999)
Gross Primary Enrollment (% of aged 5-14 years)	39.0 ^b (1986)	75.0 ^c (1996)	76.5 (1999)
Male	41.0 ^b (1986)	78.0 ^c (1996)	78.2 (1999)
Female	36.0 ^b (1986)	70.0 ^c (1996)	74.6 (1999)

Table A2.5: Environment Indicators

Item	1990	Latest Year
1. Energy Efficiency of Emissions		
Traditional Fuel Use (% of total energy use)	—	50.0 (1996)
2. Water Pollution		
Water Bodies Exceeding Contact Recreation Standards		
Biological Oxygen Demand (BOD)	—	—
Chemical Oxygen Demand (COD)	—	—
3. Air Pollution		
Carbon Dioxide (CO ₂) Emissions		
Total ('000 metric tons)	161.3	165.0 (1999)
Per unit of GDP (kg/PPP\$ GDP)	—	—
Sulfur Dioxide (SO ₂) Emissions		
Total ('000 metric tons)	—	1.0 (1995)
4. Land Use and Deforestation		
Total Land Area (km ²)	28,370	28,370 (2003)
Average Annual Deforestation		
Area (remaining km ²)	—	24,860 (2000)
% change	0.2 (1990-95)	0.2 (1990-2000)
Arable Land (% of total land)	1.0 (1993)	} 4.0 (2001)
Cropland, Permanent (% of total land)	1.0 (1993)	
Pastures, Permanent (% of total land)	1.0 (1993)	
Population Density, Rural (people per km ²)	787 (1998)	911 (2002)
5. Biodiversity and Protected Areas		
Nationally Protected Area(s)		
Area (km ²)	—	20 (2003)
Number	—	7 (2003)
Mammals (number of threatened species)	20 (1998)	20 (2002)
Birds (number of threatened species)	18 (1998)	23 (2002)
Higher Plants (number of threatened species)	—	16 (2002)
Reptiles (number of threatened species)	—	4 (2002)
Amphibians (number of threatened species)	—	—
6. Urban Areas		
Urban Population		
% of total population	13.0 (1986)	20.8 (2002)
Per Capita Water Use (liters/day)	—	—
Wastewater Treated (%)	—	—
Solid Waste Generated per Capita (kg/day)	—	—

— = no data available GDP = gross domestic product kg = kilogram km² = square kilometer PPP = purchasing power parity

Sources: Central Intelligence Agency (CIA), *The World Factbook* (2001-2003). (<http://www.cia.gov>); Secretariat of the Pacific Community (SPC), Demography/Population Programme *Oceania Population 2000 & 2003*. (<http://www.spc.int/demog>); United Nations Development Programme (UNDP), *Human Development Report* (2000-2003); United Nations Statistics Division (UNSD), Millennium Indicator Database 2003 (<http://millenniumindicators.un.org>); World Bank, *The Little Green Data Book* (2000-2004); World Resources Institute, *Earth Trends 2003* (<http://earthtrends.wri.org>)

Table A2.6: Development Coordination Matrix

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
A. Law, Economic Management, and Public Policy	<ul style="list-style-type: none"> • State-Owned Enterprise Reforms and Private Sector Participation (2004) • Economic Development Report (2005) • Standby: Supporting Transformation of State-Owned Enterprises (2005) 	<ul style="list-style-type: none"> • Community Peace and Restoration Fund (AusAID) • Governance and Reform Assistance (AusAID) • Capacity Building and Institutional Strengthening for Customs and Excise (AusAID) • Provincial Grants Facility (AusAID) • Land Administration and Management - Institutional Strengthening Project (AusAID) • National Disaster Management Office (AusAID) • Law and Justice Institutional Strengthening Programme (AusAID) • Department of National Planning Capacity and Institutional Strengthening (EU) • National Authorising Officer Programme Management Unit Phase II (EU) • Police Commissioner Office Support (EU) • TA for Department of Provincial Government (EU) • Demobilisation of Special Constables (EU) • Capacity Building Project (NZAID) • National Peace Council (NZAID) • Provincial Offices Reconstruction (Taipei,China) • Visit Solomons Campaign (Taipei,China) • Police Housing (Taipei,China) • Isabel Provincial Government Office (UNDP)
B. Industry and Trade	<ul style="list-style-type: none"> • Business Environment Reforms (2005) • Private Sector Participation Program (2006) 	<ul style="list-style-type: none"> • Small Business Programme (NZAID) • Ecotourism Development (NZAID) • Rural Tourism Development (Taipei,China)
C. Finance	<ul style="list-style-type: none"> • Secured Transactions Reforms (2006) 	<ul style="list-style-type: none"> • Ministry of Finance Strengthening Programme (AusAID) • Support to Central Bank of SI (WB)
D. Education	<ul style="list-style-type: none"> • No programmed activity in this sector 	<ul style="list-style-type: none"> • Australian Training and Education Awards (AusAID) • Australian Development Scholarships (AusAID) • Preparatory Studies, Restructuring, and Support for Ministry of Education (EU) • Educational Materials (EU) • Assistance to SICHE (EU) • School Infrastructure Rehabilitation (EU) • European Union Tertiary Scholarships (EU) • Emergency Support for Secondary Education (EU) • Rural Training Centers Phase IV (EU) • School Rehabilitation and Construction Project (JICA) • Scholarships for Studying in Japan (JICA)

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<ul style="list-style-type: none"> • Education Sector Investment and Reform Programme (NZAID and EU) • Tertiary Training and Education Awards (NZAID) • SI Training and Education Awards Scheme (NZAID) • Regional and In-Country Scholarships (Taipei,China) • Basic School Supplies Project (Taipei,China) • Post graduate Scholarships (UK)
E. Health, Nutrition, & Social Protection	<ul style="list-style-type: none"> • No programmed activity in this sector 	<ul style="list-style-type: none"> • Institutional Strengthening Project (AusAID) • Health Sector Support Trust Fund (AusAID) • Global Fund Against TB, AIDS, Malaria County Program • Extended Immunization Program (JICA) • Clinic Renovations (JICA) • Provincial Hospital Upgrades (JICA) • Support for SICHE Nursing School (JICA) • Red Cross Capacity Building (NZAID) • Upgrading of National Referral Hospital (Taipei,China) • Strengthening of Primary Health Care (Taipei,China) • HIV/AIDS Programme (SPC) • Reproductive Health and Family Planning (UNFPA) • Integrated Management of Childhood Illnesses (UNICEF) • Health Sector Development Projects (WB) • WHO Solomon Islands (WHO) • Support for a Peaceful Civil Society Fund (AusAID) • Funds for Save the Children (AusAID) • Support for Kastom Garden (AusAID) • Human Rights Small Grants for Women (AusAID) • Micro Projects Scheme Phase II (EU) • Assistance to Non state Actors (EU) • Community-Based Grass Roots Projects (JICA) • Civil Society Leadership Development (NZAID) • Rural Constituency Development Fund (Taipei,China) • Small Grants Scheme (UK) • Youth Development Program (UK) • Women, Peace, and Security (UNIFEM)
F. Transport and Communication	<ul style="list-style-type: none"> • Post-Conflict Emergency Rehabilitation Project (2000) • Institutional Strengthening for Ministry of Infrastructure Development (2004) • Diagnostic Study of Interisland Transport (2004) • Implementation of Inter island Transport Reforms (2005) 	<ul style="list-style-type: none"> • Inter island Shipping Facility (EU) • Marine Infrastructure Program (EU) • Honiara International Airport Development (JICA) • Wharves Repair Project (JICA) • Rural Communication Improvement Project (JICA)

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
	<ul style="list-style-type: none"> Ministry of Infrastructure Development Reform Program (2006) 	<ul style="list-style-type: none"> Completion of Gizo Road (Taipei,China) Provincial Airfields Development (Taipei,China) Provincial Shipping (Taipei,China) Munda – Noro Road (Taipei,China) Port Handling Equipment Replacement (Taipei,China)
G. Energy	<ul style="list-style-type: none"> No programmed activity in this sector 	<ul style="list-style-type: none"> Assistance to Solomon Islands Electricity Authority (AusAID) Generator parts to Lunga power station (JICA) Rural Electrification (Taipei,China)
H. Water Supply, Sanitation, and Waste Management	<ul style="list-style-type: none"> No programmed activity in this sector 	<ul style="list-style-type: none"> Support for Solomon Islands Water Authority (JICA) Rural Urban Water Supply Rehabilitation (JICA) Micro Water Projects (JICA) Renbel Micro Water Supply (JICA) Reducing Vulnerability in Solomon Islands (SOPAC)
I. Agriculture and Natural Resources	<ul style="list-style-type: none"> No programmed activity in this sector 	<ul style="list-style-type: none"> Regional Initiatives on Genetic Resources (AusAID) National Biodiversity Strategy and Action Plan (GEF) National Bio-Safety Framework (GEF) International Waters Programme (GEF) National Capacity Self Assessment Project (GEF) National Action Plan on Land Degradation (GEF) Forest Management Program (AusAID) Rural Fisheries Enterprises Phase III (EU) Land and Marine Tenure Strategy (EU) Rehabilitation of Copra and Cocoa Industry (EU) Agriculture Sector Survey (EU) Charcoal Burner Support to Organic Farming (JICA) Honeybee Industry Development Support (NZAID) Rice Production and Marketing (Taipei,China)

AusAID = Australian Agency for International Development; EIB = European Investment Bank; EU = European Union, GEF = Global Environment Facility; HIV/AIDS=Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome; JICA = Japan International Cooperation Agency; NZAID = New Zealand Agency for International Development, REG = regional; RETA = regional technical assistance, SICHE = Solomon Islands College of Higher Education; SIG = Solomon Islands Government; SOE = state-owned enterprises; SOPAC = South Pacific Applied Geoscience Commission; SPC = Secretariat of the Pacific Community; UK = United Kingdom; UNDP = United Nations Development Programme; UNFPA = United Nations Population Fund; UNICEF = United Nations Children's Fund; UNIFEM = United Nations Women's Fund, WB = World Bank, WHO = World Health Organization.

Table A2.7: Portfolio Indicators - Portfolio Amounts and Ratings
(public sector loans, as of 31 December 2003)

Sector	Net Loan Amount		Total		Rating ^a								Potential Problem ^b		At Risk ^c		
	\$ million	%	no.	%	Highly Satisfactory		Satisfactory		Partly Satisfactory		Unsatisfactory		no.	%	no.	%	
					no.	%	no.	%	no.	%	no.	%					
Agriculture and Natural Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Industry and Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multisector	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	12.6	100.0	2	100.0	-	-	-	-	-	-	2	100.0	-	-	2	100.0	
Transport and Communication	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	12.6	100.0	2	100.0	-	-	-	-	-	-	2	100.0	-	-	2	100.0	

^a One rating for implementation progress and development objectives, based on the lower rating of either.

^b Potential problem loans are satisfactory loans, but have four or more risk factors associated with partly satisfactory or unsatisfactory performance.

^c A loan is "at risk" if it is rated as partly satisfactory, as unsatisfactory, or as a potential problem.

Table A2.8: Portfolio Indicators - Disbursements and Net Transfers of Resources
(public sector loans, as of 31 December 2003)

Disbursements and Transfers	OCR	ADF	Total
Disbursements			
Total Funds Available for Withdrawal (\$ mn)	-	12.6	12.6
Disbursed Amount (\$/mn, cumulative)	-	1.0	1.0
Percentage Disbursed (disbursed amount/total available)	-	8.0	8.0
Disbursements (\$/mn, latest year)	-	0.2	0.2
Disbursement Ratio (%) ^a	-	2.1	2.1
Net Transfer of Resources (\$ mn)			
1999	-	(1.0)	(1.0)
2000	-	(0.5)	(0.5)
2001	-	(0.8)	(0.8)
2002	-	-	-
2003	-	(3.0)	(3.0)

ADF = Asian Development Fund, OCR = ordinary capital resources.

^a Ratio of disbursements during the year over the undisbursed net loan balance at the beginning of the year less cancellations during the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

Table A2.9: Portfolio Indicators - Evaluation Rating by Sector
(as of 31 January 2004)

Sector	GS/HS/S		PS		US		Total	
	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	0	0.0	0	0.0	2	100.0	2	100.0
Energy	0	0.0	1	100.0	0	0.0	1	100.0
Industry and Trade	0	-	0	-	0	-	0	-
Transport and Communications	1	100.0	0	0.0	0	0.0	1	100.0
Water Supply, Sanitation and Work Management	0	0.0	1	100.0	0	0.0	1	100.0
Finance	0	0.0	1	50.0	1	50.0	2	100.0
Multisector	0	-	0	-	0	-	0	-
Others	0	-	0	-	0	-	0	-
Total	1	14.3	3	42.9	3	42.9	7	100.0

GS=generally successful HS=highly successful, PS=partly successful, S=successful, US=unsuccessful.

Source: Operations Evaluation Department / Post Evaluation Information System.

Table A2.10: Portfolio Implementation Status
(public sector loans, as of 31 December 2003)

Sector	Loan No.	Loan Seg	Title	Net Loan Amount			Effectivity Date	Closing Date		Progress (%complete)	Cumulative Contracts /Commitments (\$ millions)	Cumulative Disbursements (\$ million)	Rating		Potential Problem ^b	At Risk ^a
				OCR (\$mn)	ADF (\$mn)	Approval Date		Original	Revised				IP	DO		
MS	1628	(SF)	Privatization of State-Owned Enterprises		1.0	27 Aug 98	24 Nov 28	31 Dec 2000	31 Jan 2002	80%	0.9	1.0	U	U	Yes	Yes
MS	1823	(SF)	Post-Conflict Emergency Rehabilitation Project ^c		11.5	21 Dec 2000	19 Mar 01	30 Jun 2004	-	4%	1.0	0.0	U	U	No	Yes
Total					12.6						1.9	1.0				

ADF=Asian Development Fund, DO=development objective, IP=implementation progress, OCR=ordinary capital resources, OTH=others, Seg=segment (pertaining to loans with more than one withdrawal authority), U=unsatisfactory

^a "Yes" for loans with four or more risk factors associated with partly satisfactory or unsatisfactory performance.

^b A loan is considered "at risk" if it is rated as "PS" or "U" in either implementation progress or development objectives, or if it is a potential problem loan.

^c Suspended as of 31 December 2003.

Table A2.11: Assistance Pipeline for Nonlending Products and Services, 2005–2006

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2005							
Transport and Communications							
1. Implementation of Interisland Transport Reforms	PAHQ	ETSW	JSF	500.00	TBD	300.00	800.00
Law, Economic Management, and Public Policy							
2. Business Environment Reforms	PAHQ	ETSW	TASF	400.00	TBD	200.00	600.00
3. Economic Development Report	PAHQ	ETSW	TASF	300.00	TBD	300.00	600.00
Total				1,200.00		800.00	2,000.00
Standby: Supporting Transformation of State-owned Enterprises	PAHQ	ETSW	TBD	300.00		0	300.00
2006							
Transport and Communication							
1. Ministry of Infrastructure Development Reform Program	PAHQ	LD	TASF	400.00	TBD	200.00	600.00
Law, Economic Management, and Public Policy							
2. Private Sector Participation Program	PAHQ	ETSW	TASF	400.00	TBD	300.00	700.00
3. Secured Transactions Reforms	PAHQ	ETSW	TASF	700.00	TBD	0.00	700.00
Total				1,500.00		500.00	2,000.00
Total				2,700.00		1,300.00	4,000.00

AO = advisory and operational, ADB = Asian Development Bank, AUS = Australian Grant, PAHQ = Pacific Operations Division, TASF = Technical Assistance Special Fund.

Source: Asian Development Bank staff estimates.

CONCEPT PAPERS FOR NONLENDING PRODUCTS AND SERVICES

This appendix contains the concept papers for the following nonlending products:

- (i) Table A3.1: Implementation of Interisland Transport Reforms
- (ii) Table A3.2: Business Environment Reforms
- (iii) Table A3.3: Economic Development Report
- (iv) Table A3.4: Supporting Transformation of SOEs (standby)
- (v) Table A3.5: Ministry of Infrastructure Development Reform Program
- (vi) Table A3.6: Private Sector Participation Program
- (vii) Table A3.7: Secured Transactions Reforms

Table A3.1: Implementation of Interisland Transport Reforms

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>								
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector(s): Transportation and Communication Subsector(s): Civil Aviation; Ports, waterways and shipping</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p><input type="checkbox"/> Other</p> <p>c. Key thematic area(s)</p> <table> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p>4. Responsible division/department: PAHQ, Pacific Department</p>								
<p>5. Responsible ADB officer(s): Robert Guild, Transport Specialist</p>								
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy:</p> <p>Interisland water transport in Solomon Islands is provided mostly through quasi-public provincial shipping services, supplemented by a few private operators on a minority of routes. Air transport is provided solely by the government-owned airline. There is little real competition in service provision anywhere. Due to a dispersed and very poor population, interisland services mostly run at a loss. The few private shipping operators are supported by erratic public subsidies, while the domestic air routes are cross-subsidized by international operations. As a result, the shipping fleet is poorly maintained and unsafe; the domestic aviation fleet is down to two very old aircraft; and both water and air transport are chronically unreliable. Rural people therefore cannot regularly access markets for their produce or access social services, with consequent negative impacts on growth and poverty.</p> <p>Related activities by ADB and other development partners commenced in 2004, including development of a National Transport Plan, creation of a Transport Development Fund, and diagnostic assessment of inter island transport that is expected to develop options for sector reform.</p>								

The ADB Solomon Islands CSPU 2005—2006 supports the National Economic Recovery, Reform and Development Plan, 2003—2006 (NERRDP) by aiming to achieve rapid, pro-poor, private sector-led economic growth through support to the Government in (i) providing transportation infrastructure and services, and (ii) strengthening the enabling environment for private sector development. The proposed TA will directly support the first objective, and is consistent with ADB's Private Sector Strategy and Pacific Strategy for the New Millennium.

b. Goal and purpose:

The goal of the TA is to assist in developing more efficient and effective interisland shipping and air services. The purpose is to assist the Ministry of Infrastructure Development (MID) in carrying out reforms of its Marine and Civil Aviation Departments to implement the recommendations expected from the diagnostic study of interisland transport in 2004, including support for reform of service providers in both sub-sectors.

c. Components and outputs:

The components and outputs of the proposed TA will depend on the output of the previous year's diagnostic assessment of the sector, which will produce a reform road map. The TA will then help implement the road map, as appropriate.

d. Expected results and deliverables:

In response to the earlier diagnostic assessment, it is likely that the TA will include activities for facilitating the development of private sector shipping operators, support for development of concession agreements for domestic aviation, design of a transparent and contestable franchise scheme for uneconomic air and sea routes, and capacity building for the Marine and Civil Aviation Departments.

e. Social or environmental issues or concerns:

Reform of interisland transport is expected to have significant social benefits through increased access to markets for rural produce and increased access to social services including health and education, both contributing significantly to poverty reduction.

f. Plans for disseminating results/deliverables:

A related TA for institutional strengthening of MID that is programmed for 2004 will use extensive stakeholder involvement and participatory methods to facilitate a "whole of government" approach in support of institutional reform and national transportation planning, including creation of a Transportation Policy and Planning Unit. It is expected that implementation of this TA would be incorporated in those mechanisms.

7. Proposed executing/implementing agency: Ministry of Infrastructure Development

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

During the 2004 Country Programming Mission and during fact-finding for related TAs the proposed TA was discussed with stakeholders in the Government and key development partners involved in the transport sector, all of which agreed on a high priority on reforming domestic transport. Reform of interisland transport was identified as a priority in a National Transportation Strategy Workshop held in February 2004.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP Update: 2004
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory): 2005
- c. Period and duration of assistance:
 - Lending:
 - Nonlending: 2005—2006

10. Financing Plan

- a. For lending
 Ordinary capital resources:
 Asian Development Fund:
 Other:

If cofinancing is required, indicate amount and sources sought: \$____, from _____.
 If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	
Source:	

- b. For nonlending
 No resources required, other than ADB staff
 ADB's administrative budget:
 Grant TA funds: \$500,000
 Other: \$300,000

If cofinancing is required, indicate amount and sources sought: \$300,000 from bilateral trust funds
 If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	
Source:	

ADB = Asian Development Bank; CSP = country strategy and program; PAHQ = Pacific Operations Division; PARD = Pacific Department; PPTA = project preparatory technical assistance, TA = technical assistance

Table A3.2: Business Environment Reforms

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector(s): Law, Economic Management, and Public Policy Subsector(s): Economic Management, National government administration</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input type="checkbox"/> Poverty intervention</p> <p> <input type="checkbox"/> Other</p> <p>c. Key thematic area(s)</p> <p> <input checked="" type="checkbox"/> Sustainable economic growth</p> <p> <input type="checkbox"/> Inclusive social development</p> <p> <input type="checkbox"/> Governance</p> <p> <input type="checkbox"/> Gender and development</p> <p> <input type="checkbox"/> Environmental sustainability</p> <p> <input type="checkbox"/> Regional cooperation</p> <p> <input checked="" type="checkbox"/> Private sector development</p>
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>
<p>4. Responsible division/department: PAHQ, Pacific Department</p>
<p>5. Responsible ADB officer(s): W. Wicklein, PSD Specialist</p>
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy:</p> <p>In Solomon Islands, business laws and regulations and supporting legal institutions are often ineffective, because they tend to be outdated, flawed in design, not fitting to the country's setting and business environment, or often simply not applied properly. As a result, related transaction costs for businesses are high, exacerbating the impediments caused by the country's historically unfriendly business environment, and adding to the high cost environment for the private sector.</p> <p>The Government has recognized the vital role the private sector must play in rehabilitating the economy. The RAMSI-led process has been providing a window of opportunity for the private sector, as well as for reforms to improve the enabling environment for businesses. The Government is in the process of establishing an Economic Reform Unit to oversee, coordinate, and implement private sector regulatory reforms; infrastructure policy and regulation; state-owned enterprise reform and privatization; financial sector reforms; provincial economic development; statistical collection service reforms; and specific sectoral policy reforms to promote new investments in potential growth areas.</p>

This unit will have a major role in implementing the outcomes of this proposed TA.

The ADB Solomon Islands CSPU 2005-2006 supports the National Economic Recovery, Reform and Development Plan, 2003-2006 (NERRDP) by aiming to achieve rapid, pro-poor, private sector-led economic growth through support to the Government in (i) providing transportation infrastructure and services, and (ii) strengthening the enabling environment for private sector development. The proposed TA will directly support the second objective, and is consistent with ADB's Private Sector Strategy and Pacific Strategy for the New Millennium.

b. Goal and purpose:

The proposed TA will support the Government in improving the legal and regulatory frameworks governing private business activity. The efficiency of the country's legal and regulatory business environment will be improved with a view to reducing risk, uncertainty, and transaction costs for private businesses, improving corporate and public governance, and increasing productivity and investment. This will include reforms of commercial laws, regulations, and supporting legal institutions.

As part of regional TA 6162-REG: Improving the Legal Business Environment in the Pacific, ADB is assisting the Government to help formulate a relevant reform agenda. This proposed country-specific TA will complement these efforts by helping implement the reform agenda once established by the regional TA.

c. Components and outputs:

Components and outputs of this proposed TA will depend on the output of TA6162-REG, which will produce a detailed reform road map for the improvement of the legal business environment. The proposed TA will then help implement the road map, as appropriate.

d. Expected results and deliverables:

The results and deliverables will largely depend on the output of TA 6162-REG, which is likely to include new or amended business laws and regulations, as appropriate.

e. Social or environmental issues or concerns:

None.

f. Plans for disseminating results/deliverables:

Due to the linkage of the TA to a regional exercise (TA 6162), the results are to be widely distributed not only country wide (through the Chamber of Commerce), but also regionally through mechanisms associated with the Forum Secretariat (especially the annual Forum Economic Ministers Meetings).

7. Proposed executing/implementing agencies: Ministry of Finance, National Reform, and Planning (Economic Reform Unit) and Ministry of Commerce, Industries and Employment.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

The private sector, through the Chamber of Commerce and similar private sector organizations, will be involved in the process of the diagnostic study (TA 6162), and hence will have a direct and significant input in the design of the proposed TA.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP update: 2004
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory): 2005
 - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance

Lending:
Nonlending: 2005—2006

10. Financing Plan

- a. For lending
 Ordinary capital resources:
 Asian Development Fund:
 Other:

If cofinancing is required, indicate amount and sources sought: \$____, from _____.
 If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source:

- b. For nonlending
 No resources required, other than ADB staff
 ADB's administrative budget:
 Grant TA funds: \$400,000
 Other: \$200,000

If cofinancing is required, indicate amount and sources sought: \$200,000 from bilateral trust funds

If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source:

ADB = Asian Development Bank CSP = country strategy and program; PAHQ = Pacific Operations Division; PARD = Pacific Department; RAMSI = Regional Assistance Mission to Solomon Islands, TA = technical assistance

Table A3.3: Economic Development Report

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector(s): Law, Economic Management, and Public Policy Subsector(s): Economic Management, National government administration</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p><input type="checkbox"/> Other</p> <p>c. Key thematic area(s)</p> <p><input checked="" type="checkbox"/> Sustainable economic growth</p> <p><input type="checkbox"/> Inclusive social development</p> <p><input checked="" type="checkbox"/> Governance</p> <p><input type="checkbox"/> Gender and development</p> <p><input type="checkbox"/> Environmental sustainability</p> <p><input type="checkbox"/> Regional cooperation</p> <p><input checked="" type="checkbox"/> Private sector development</p>
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>
<p>4. Responsible division/department: PAHQ, Pacific Department</p>
<p>5. Responsible ADB officer(s): Robert Guild, Transport Specialist</p>
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy:</p> <p>ADB programming for Pacific developing member countries is founded on a subregional cooperation strategy and program (SCSP), the Pacific Strategy for the New Millennium 2000, in combination with national Country Strategy and Program Updates (CSPUs). In-depth analytical work is often accomplished through the Pacific Islands Economic Report (PIER) series of ADB, but a report has not been prepared for Solomon Islands. The proposed TA will prepare a new economic report to allow comprehensive assessment of conditions and priorities for development.</p> <p>The Solomon Islands economy faces deep and long-standing problems, including historically weak employment growth and, more recently, employment contraction, low levels of private investment, poorly performing public investments and enterprises, and an inflexible land tenure system. These challenges have been exacerbated by the ethnic tension and conflict that led to destruction of the country's few export-oriented industries and the near-collapse of the economy. All have contributed to widespread poverty that may be worsening.</p> <p>Economic reform and recovery will be possible provided appropriate actions are taken along with prudent policies.</p>

There is a need to explore new productive opportunities as well as revive and reform traditional productive activities and services. Copra and cocoa appear to have the potential for higher income earnings, and crop diversification should be pursued. Reviving the palm oil, mining, and fishing industries is a longer-term prospect. Fiscal and macroeconomic stability, and reform of the business environment, are required. Meanwhile, the poor performance of state-owned enterprises including electricity, water, air and sea transport, and others are creating constraints to increased productivity and market access.

The report will assess these opportunities and constraints in the national economy and contribute to the formulation of development strategies and policies. It will strengthen linkages between the Government's National Economic Recovery, Reform and Development Plan 2003-2006 (NERRDP) and ADB's proposed country strategy, which aims to promote rapid, pro-poor, and private sector-led economic growth. The proposed TA will provide fundamental information to support strategic activities in (i) providing transportation infrastructure and services; and (ii) strengthening the enabling environment for the private sector, including SOE reform, and will lay the foundation for future programming.

b. Goal and purpose:

The goal of the economic development report is to contribute to the sustainable economic development of Solomon Islands. The TA will study the economy's past development, current issues, and future prospects to identify development opportunities, constraints, and policy options.

c. Components and outputs:

The study will cover macroeconomic, sectoral, and thematic areas to help shape the policy dialogue between Solomon Islands and its development partners including ADB. The report will review and analyze the macroeconomic performance of the economy in the recent past with a view to capturing underlying trends and future prospects. It will also review and analyze major productive sectors of the economy with a view to identifying development opportunities, constraints, and policy options. Special attention will be paid to long-term problems, new challenges, and sectors offering new opportunities.

The report will focus on policies and practices in need of reform, particularly of state-owned enterprises (SOEs), to identify opportunities to relieve capacity constraints and increase the efficiency of basic infrastructure and services. An area of special concern is the existing legislative and regulatory environment governing SOEs, and the public sector's capacity to exercise the necessary oversight. Other development partners, including the World Bank, AusAID, and the European Union, have indicated particular interest in contributing to the analysis in these areas.

d. Expected results and deliverables:

The report will publish information on key constraints and opportunities for the Solomon Islands economy and make it available to all stakeholders in the development of the country, particularly the Government and ADB. The report will result in improved awareness by government officials, development partners, the private sector, and civil society of current economic issues and prospects. All aspects of the report will inform future preparation of the country strategy and program update (CSPU).

e. Social or environmental issues or concerns: None

f. Plans for disseminating results/deliverables:

The report will be published and widely distributed under the Pacific Studies Series of ADB. Its main audience will be government officials and staff of funding and aid agencies. The business community, academics, students, and others interested in the development of Solomon Islands will also use the report. The report will support economic growth, public sector reform, private sector development, and poverty reduction, in line with the regional and country strategy. The report will be developed through workshops and seminars, which will help disseminate information within the country while the report is being prepared.

7. Proposed executing/implementing agency: Ministry of Finance, National Reform, and Planning

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

The proposed TA was discussed during the 2004 Country Programming Mission, and during fact-finding for other programmed TAs, with stakeholders in the Government and key development partners. A PIER is typically prepared through a participatory process involving widespread consultations, workshops and seminars involving the Government, the private sector, and civil society. It concludes with the publication, distribution, and dissemination of the report as widely as possible.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP Update: 2004
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory):2005
- c. Period and duration of assistance
 - Lending:
 - Nonlending: 2005

10. Financing Plan

- a. For lending
 - Ordinary capital resources:
 - Asian Development Fund:
 - Other:

If cofinancing is required, indicate amount and sources sought: \$____, from _____.
 If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source:

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget
 - Grant TA funds: \$300,000
 - Other: \$300,000

If cofinancing is required, indicate amount and sources sought: \$300,000 from partner agencies contributing to the report

If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source:

ADB = Asian Development Bank, AusAID = Australian Agency for International Development, CSP = country strategy and program, CSPU = country strategy and program update, PAHQ = Pacific Operations Division, PIER = Pacific Islands Economic Report, SCSP = subregional cooperation strategy and program, TA = technical assistance

Table A3.4: Supporting Transformation of SOEs (standby)

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector(s): Law, Economic Management, and Public Policy Subsector(s): Economic Management, National government administration</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p><input type="checkbox"/> Other</p> <p>c. Key thematic area(s)</p> <p><input checked="" type="checkbox"/> Sustainable economic growth</p> <p><input type="checkbox"/> Inclusive social development</p> <p><input type="checkbox"/> Governance</p> <p><input type="checkbox"/> Gender and development</p> <p><input type="checkbox"/> Environmental sustainability</p> <p><input type="checkbox"/> Regional cooperation</p> <p><input checked="" type="checkbox"/> Private sector development</p>
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>
<p>4. Responsible division/department: PAHQ, Pacific Department</p>
<p>5. Responsible ADB officer(s): W. Wicklein, PSD Specialist</p>
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy:</p> <p>Solomon Islands has of 17 SOEs including statutory authorities; air transport services; telecoms; resource-based enterprises in forestry, fishing, and agricultural production; and service providers in ship repair, printing, tourism, and export marketing. ADB supported a public sector reform project begun in 1998 (now closed) and expects to carry out additional TA for SOE reform and private sector participation in 2004. The proposed TA will assist the Government in implementing the recommendations developed through these activities.</p> <p>The experience of Solomon Islands shows that government and inadequately regulated monopolies produce services usually of low quality and unnecessarily high costs. These SOEs have created numerous problems for the economy, due to (i) partial crowding out of the private sector through unfair competition; (ii) higher cost of inputs to private enterprises; (iii) inconsistent and unreliable service delivery and quality; (iv) appointment of board members as political favors, resulting in governance problems; and (v) the mixing of regulatory and commercial functions, resulting in SOE mismanagement and poor governance.</p>

The focus of SOE-related reform efforts should be on increased efficiency and productivity, and improved service delivery at reasonable prices. Appropriate strategies and options need to be assessed on a case-by-case basis and may include corporatization, commercialization, licenses, concessions, and sale of shares to private investors and strategic partners that bring advanced technology and management skill, access to new market channels, and industry knowledge. Special consideration needs to be given to transport infrastructure, as the very poor state of road transport, unreliable interisland shipping services, and the perennial problems of Solomon Airlines pose considerable barriers to market access. The privatization process as envisaged under the public sector reform project requires continued commitment, considering the significant challenges in this area.

The ADB Solomon Islands CSPU 2005-2006 supports the National Economic Recovery, Reform and Development Plan, 2003-2006 (NERRDP) by aiming to achieve rapid, pro-poor, private sector-led economic growth through support to the Government in (i) providing transportation infrastructure and services, and (ii) strengthening the enabling environment for private sector development. The proposed TA will directly support the second objective, and is consistent with ADB's Private Sector Strategy and Pacific Strategy for the New Millennium.

b. Goal and purpose:

The goal of the TA is improved efficiency and effectiveness and increased private sector participation in areas of existing monopoly service provision. The purpose is to continue assisting the Ministry of Finance, National Reform, and Planning in carrying out reforms begun in 1998 and the recommendations expected from a related TA in 2004.

c. Components and outputs:

The components and outputs of this TA will depend on the output of the previous year's assessment of SOE reform options, which will produce a reform road map. The proposed TA will then help implement the road map.

d. Expected results and deliverables:

In response to the 2004 assessment, it is likely that the TA will include activities for transforming SOEs, facilitating the development of private sector service providers, updating the relevant regulatory and legislative environments, and capacity building for the various agencies of government expected to supervise the providers.

e. Social or environmental issues or concerns:

Because reform of SOEs could affect the prices paid for basic services, recommendations should include measures for mitigating any negative impacts on poor people.

f. Plans for disseminating results / deliverables:

Related national and regional TAs are planned in several areas of economic reform that involve consultations with the private sector and civil society. This TA will be included in these consultations. Since private sector participation is an emerging issue in the Pacific development agenda, dissemination of the results, both nationally and regionally, will be accorded high priority.

7. Proposed executing/implementing agency or agencies: Ministry of Finance, National Reform, and Planning

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

The proposed TA was discussed during the 2004 Country Programming Mission with stakeholders in the Government and key development partners. As the main TA counterpart, the Economic Reform Unit of the Ministry of Finance, National Reform, and Planning will be closely involved in TA design.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP Update: 2004
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory):

c. Period and duration of assistance

Lending:
Nonlending: 2005-2006

10. Financing Plan

a. For lending

- Ordinary capital resources:
- Asian Development Fund:
- Other:

If cofinancing is required, indicate amount and sources sought: \$____, from _____.

If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source:

b. For nonlending

- No resources required, other than ADB staff
- ADB's administrative budget
- Grant TA funds: \$300,000
- Other:

If cofinancing is required, indicate amount and sources sought:

If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source:

ADB = Asian Development Bank; CSP = country strategy and program, PAHQ = Pacific Operations Division, SCSP = subregional cooperation strategy and program; SOE = State-Owned Enterprise, TA = technical assistance

Table A3.5: Ministry of Infrastructure Development Reform Program

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input checked="" type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transportation and Communication Subsector: Multi-modal transport and sector development</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input type="checkbox"/> Poverty intervention</p> <p> <input type="checkbox"/> Other</p> <p>c. Key thematic area(s)</p> <p> <input checked="" type="checkbox"/> Sustainable economic growth</p> <p> <input type="checkbox"/> Inclusive social development</p> <p> <input type="checkbox"/> Governance</p> <p> <input type="checkbox"/> Gender and development</p> <p> <input type="checkbox"/> Environmental sustainability</p> <p> <input type="checkbox"/> Regional cooperation</p> <p> <input checked="" type="checkbox"/> Private sector development</p>
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>
<p>4. Responsible division/department: PAHQ, Pacific Department</p>
<p>5. Responsible ADB officer(s): Robert Guild, Transport Specialist</p>
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy:</p> <p>Solomon Islands recently emerged from several years of conflict and is facing a long period of recovery and rehabilitation of essential infrastructure and services that have been destroyed or become derelict through lack of maintenance. Significant external resources are becoming available to implement major capital works and fund comprehensive maintenance programs. However, the Ministry of Infrastructure Development (MID) has limited capacity to plan and manage the necessary activities. The proposed TA will help MID restructure and implement the necessary reforms to assert and maintain control of the planning and development process.</p> <p>Related activities by ADB and other development partners commenced in 2004, including development of a National Transport Plan, creation of a Transport Development Fund, and creation of a Transport Policy and Planning Unit. Additional activities include promotion of a private sector contracting industry and development of tender procedures. It will be necessary to institutionalize these processes and integrate them with the Government's wider processes for development and recurrent budgets, regulation, and policy analysis, facilitated by the expected creation of an</p>

Economic Reform Unit that will drive reforms in these areas.

The ADB Solomon Islands CSPU 2005-2006 supports the National Economic Recovery, Reform and Development Plan, 2003-2006 (NERRDP) by aiming to achieve rapid, pro-poor, private sector-led economic growth through support to the Government in (i) providing transportation infrastructure and services, and (ii) strengthening the enabling environment for private sector development. The proposed TA will directly support the second objective, and is consistent with ADB's Private Sector Strategy and Pacific Strategy for the New Millennium.

b. Goal and purpose:

The TA will consolidate MID's capacity to plan and coordinate infrastructure development through policy, regulation, finance, and asset management as well as promote private sector involvement in infrastructure development. The purpose is to assist MID in implementing the recommendations expected from TAs that will begin in 2004.

c. Components and outputs:

The components and outputs of this TA will depend on the output of the previous year's diagnostic assessment of the sector, which will produce a reform road map. The proposed TA will then help implement the road map, as appropriate. It is expected that a "twinning" arrangement begun in 2004, in which a more developed infrastructure agency from the region will act as an institutional mentor to MID, will be reassessed and adjusted.

d. Expected results and deliverables:

The TA will result in updated and completed procedural and regulatory systems that will allow MID to change from provider to manager of the nation's infrastructure, and continue supporting its provision through the private sector.

e. Social or environmental issues or concerns:

Improved provision of infrastructure is expected to have significant social benefits through increased access to markets for rural produce and increased access to social services including health and education, both contributing significantly to poverty reduction.

f. Plans for disseminating results/deliverables:

The process used by the TA will require extensive stakeholder involvement and participatory methods to facilitate a "whole of government" approach to support of institutional reform in MID.

7. Proposed executing/implementing agency: Ministry of Infrastructure Development

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

As the main counterparts, the Ministry of Finance National Reform, and Planning and the Ministry of Infrastructure Development have corresponded regularly on this TA through a series of missions in late 2003 and early 2004. Key development partners were consulted during country programming in 2004.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP update: 2004
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory): 2006
 - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
 - Lending:
 - Nonlending: 2006-2007

10. Financing Plan

- a. For lending
 Ordinary capital resources:
 Asian Development Fund:
 Other:

If cofinancing is required, indicate amount and sources sought: \$ _____, from _____.
 If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source:

- b. For nonlending
 No resources required, other than ADB staff
 ADB's administrative budget
 Grant TA funds: \$400,000
 Other: 200,000

If cofinancing is required, indicate amount and sources sought: \$200,000 from bilateral trust funds

If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source:

ADB = Asian Development Bank CSP = country strategy and program, PAHQ = Pacific Operations Division; TA = technical assistance

Table A3.6: Private Sector Participation Program

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector(s): Law, Economic Management, and Public Policy Subsector(s): Economic Management</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p><input type="checkbox"/> Other</p> <p>c. Key thematic area(s)</p> <p><input checked="" type="checkbox"/> Sustainable economic growth</p> <p><input type="checkbox"/> Inclusive social development</p> <p><input type="checkbox"/> Governance</p> <p><input type="checkbox"/> Gender and development</p> <p><input type="checkbox"/> Environmental sustainability</p> <p><input type="checkbox"/> Regional cooperation</p> <p><input checked="" type="checkbox"/> Private sector development</p>
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>
<p>4. Responsible division/department: PAHQ, Pacific Department</p>
<p>5. Responsible ADB officer(s): W. Wicklein, PSD Specialist</p>
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy:</p> <p>Extensive government involvement in the economy, combined with weak and heavily politicized regulatory regimes for providing services, pose a heavy burden on public finances, businesses, and consumers alike. While it is recognized that the per unit cost of producing public goods on a relatively small scale is high, the experience of Solomon Islands as well as that of most nations, strongly suggests that governments and inadequately regulated monopolies produce services of low quality and unnecessarily high costs.</p> <p>Reform of Solomon Islands extensive SOEs is overdue and is being carried out under related TAs. These SOEs have created numerous problems for the private sector due to (i) partial crowding out through unfair competition (ii) higher cost of inputs due to lack of competition (iii) and inconsistent and unreliable service delivery and quality, among others.</p>

The focus of SOE-related reform efforts is on increased efficiency and productivity, and improved service delivery at reasonable prices. These goals can best be attained through private sector participation in the SOE sector. Related TA will assess appropriate strategies and options including corporatization, commercialization, licenses, concessions, and sale of shares to private investors and strategic partners that will bring advanced technology and management skill, access to new market channels, and industry knowledge in addition to capital.

ADB's country strategy for Solomon Islands directly supports the Government's National Economic Recovery, Reform and Development Plan, 2003-2006 (NERRDP). The goal of the strategy is rapid, pro-poor and private sector-led economic growth through (i) providing transportation infrastructure and services, and (ii) strengthening the enabling environment for the private sector. The proposed TA directly supports the strategy's second objective and indirectly the former.

b. Goal and purpose:

The proposed TA will help increase efficiency and productivity, and improve service delivery at reasonable prices by assisting the Government in promoting private sector participation in the SOE sector. The TA will identify and help implement appropriate strategies toward this end, including corporatization, commercialization, licenses, concessions, and disposal of state assets to the private sector.

d. Components and outputs:

The proposed TA will complement the outputs of the related 2004 TA in this area. Hence, specifics as to the components and outputs of the proposed TA will be determined at a later stage.

d. Expected results and deliverables:

Results and specific deliverables will be determined during fact finding.

e. Social or environmental issues or concerns:

None anticipated.

f. Plans for disseminating results/deliverables:

Since private sector participation is an emerging issue in the Pacific development agenda, due consideration will be given to the dissemination of the results, both nationally and regionally.

7. Proposed executing/implementing agency: Ministry of Finance, National Reform, and Planning

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

The private sector will be involved in the project design to ensure that there is interest in increased private sector participation. As the main TA counterpart, the Economic Reform Unit, Ministry of Finance, will be closely involved in the TA design.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP update: 2004
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory): 2006
 - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
 - Lending:
 - Nonlending: 2006-2007

10. Financing Plan

- a. For lending

- Ordinary capital resources:
- Asian Development Fund:
- Other:

If cofinancing is required, indicate amount and sources sought: \$____, from _____.
 If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source:

- b. For nonlending
- No resources required, other than ADB staff
 - ADB's administrative budget
 - Grant TA funds: \$400,000
 - Other: \$300,000

If cofinancing is required, indicate amount and sources sought: \$300,000, from bilateral trust funds

If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	

Source:

ADB = Asian Development Bank; CSP = country strategy and program; PAHQ = Pacific Operations Division; SOE = State-Owned Enterprise, TA = technical assistance.

Table A3.7: Secured Transactions Reforms

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector(s): Law, Economic Management, and Public Policy Subsector(s): Economic Management, National government administration</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p><input type="checkbox"/> Other</p> <p>c. Key thematic area(s)</p> <p><input checked="" type="checkbox"/> Sustainable economic growth</p> <p><input type="checkbox"/> Inclusive social development</p> <p><input type="checkbox"/> Governance</p> <p><input type="checkbox"/> Gender and development</p> <p><input type="checkbox"/> Environmental sustainability</p> <p><input type="checkbox"/> Regional cooperation</p> <p><input checked="" type="checkbox"/> Private sector development</p>
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>
<p>4. Responsible division/department: PAHQ, Pacific Department</p>
<p>5. Responsible ADB officer(s): W. Wicklein, PSD Specialist</p>
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy:</p> <p>The Government has recognized the vital role the private sector must play in rehabilitating the economy. The RAMSI-led process has opened a window of opportunity for the private sector, as well as for reforms to improve the enabling environment for businesses. The Government is in the process of establishing an Economic Reform Unit to oversee, coordinate, and implement private sector regulatory reforms, policy on and regulation of infrastructure service provision, state-owned enterprise reform and privatization, financial sector reforms, provincial economic development, statistical collection service reform, and specific sectoral policy reforms to promote new investments in potential growth areas. This unit will have a major role in driving the implementation of the proposed TA.</p> <p>In the National Economic Recovery, Reform and Development Plan (NERRDP) strategic area of revitalizing the productive sector and rebuilding supporting infrastructure, it is acknowledged that the enabling private sector environment must be enhanced by improving both physical and institutional infrastructure, including the legal and regulatory framework.</p>

Banking institutions provide few services, seldom reach beyond urban areas, and have high collateral requirements. In particular, the inadequate framework for collateralizing debt denies access to credit to many, largely because of land tenure issues and the apparent lack of a functioning secured-transactions framework. While it is possible currently to use some forms of collateral, the process is costly, inefficient, and risky to lenders. A sound legal framework for secured transactions would permit farmers, consumers, and businesses to use movable property as collateral for loans. The proposed TA will support the Government in improving the secured transactions framework.

ADB's proposed country strategy to Solomon Islands will directly support NERRDP. The strategy aims to achieve rapid, pro-poor, and private sector-led economic growth through support in (i) providing transportation infrastructure and services, and (ii) strengthening the enabling environment for the private sector. The proposed TA will directly support the second objective, and is consistent with ADB's Private Sector Strategy and the ADB strategy for the Pacific.

As part of a regional TA for Secured Transactions Reforms in the Pacific, proposed for 2004, ADB is assisting the Government of Solomon Islands in formulating a relevant reform agenda. The proposed country-specific TA will complement these efforts by helping to implement the reform agenda as established under the regional TA.

b. Goal and purpose:

The goal of the proposed TA is to increase and broaden access to credit in Solomon Islands and thus the rate of investment by businesses and individuals, to improve economic growth prospects for the country. The purpose is to assist the Government in establishing a well-functioning secured transactions framework. Toward this end, the TA will improve the legal, regulatory, and technical framework for secured transactions.

e. Components and outputs:

The TA will be based on the in-depth analytical study of the legal framework for secured transactions to be produced under the proposed RETA for Secured Transactions Reforms in the Pacific (proposed for 2004). Based on the RETA findings, the TA outputs will include a legal and regulatory framework for secured lending; an Internet-based notice filing archive, supplied on a turnkey basis; technical and administrative regulations governing the Internet-based notice filing archive for security interests; and a supplemental program for capacity building, public awareness building, and monitoring support.

d. Expected results and deliverables:

Deliverables include consultant reports delivered on time; draft laws delivered and passed by Parliament; filing archive established; legal practitioners, lenders, and filing archive operators trained; and initial operation of filing archive supported.

e. Social or environmental issues or concerns:

None.

f. Plans for disseminating results/deliverables:

Due to the linkage of the TA to a regional exercise (RETA), it is expected that the results will be widely distributed not only nationally, but also regionally.

7. Proposed executing/implementing agencies: Ministry of Finance, National Reform, and Planning (Economic Reforms Unit); Attorney General's Office.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

The private sector, through the Chamber of Commerce, financial sector institutions, and legal practitioners will be closely involved at the project design stage, as will the Ministry of Finance, National Reform, and Planning and the Attorney General's Office.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP update: 2004

b. Expected date of submission for approval
 Lending:
 Nonlending (project preparatory):
 Nonlending (other than project preparatory): 2006

c. Period and duration of assistance
 Lending:
 Nonlending: 2006-2007

10. Financing Plan

- a. For lending
 Ordinary capital resources:
 Asian Development Fund:
 Other:

If cofinancing is required, indicate amount and sources sought: \$____, from _____.
 If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	
Source:	

- b. For nonlending
 No resources required, other than ADB staff
 ADB's administrative budget
 Grant TA funds: \$700,000
 Other:

If cofinancing is required, indicate amount and sources sought:
 If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
Total Cost	
Source:	

ADB = Asian Development Bank, CSP = country strategy and program; PAHQ = Pacific Operations Division; RAMSI = Regional Assistance Mission to Solomon Islands, RETA = regional technical assistance, TA = technical assistance.

Assistance Program for 2004
Table A4.1: Assistance Program for Nonlending Products and Services, 2004

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
Transport and Communications							
1. Diagnostic Assessment of Interisland Transport	PAHQ	AO	TASF	150.00	AUS	150.00	300.00
2. Institutional Strengthening for the Ministry of Infrastructure and Development	PAHQ	AO	TASF	700.00			700.00
Law, Economic Management, and Public Policy							
3. State-owned Enterprise Reforms and Private Sector Participation	PAHQ	AO	TASF	300.00	AUS	500.00	800.00
Total				1,150.00		650.00	1,800.00

AO = advisory and operational, ADB = Asian Development Bank, AUS = Australian Grant, PAHQ = Pacific Operations Division, TASF = Technical Assistance Special Fund.

Source: Asian Development Bank staff estimates.