

Social Policies in Solomon Islands and Vanuatu

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Commonwealth Secretariat



UNRISD
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RESEARCH INSTITUTE
FOR SOCIAL DEVELOPMENT

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Published by the Commonwealth Secretariat

Edited by Wayzgoose

Designed by The Charlesworth Group

Cover design by Tattersall Hammarling & Silk

Printed by Hobbs the Printers, Totton, Hampshire

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Copies of this publication may be obtained from

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House, Pall Mall, London SW1Y 5HX, United Kingdom

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Email: publications@commonwealth.int

Web: www.thecommonwealth.org/publications

A catalogue record for this publication is available from the British Library.

ISBN: 978-1-84929-083-8 (paperback)

ISBN: 978-1-84859-138-7 (downloadable e-book)

Foreword

During the 1960s and 1970s, increased interest was shown by international organisations such as the United Nations and the Commonwealth Secretariat in small states, and especially in small island developing states (SIDS), and the development challenges they faced during the decolonisation period. With over a third of Commonwealth member countries classified as small economies, the Secretariat is committed to the study of small states. The issue of their vulnerability, for example, was first given formal expression within the Commonwealth at the 1977 Finance Ministers Meeting in Barbados. Having noted the special characteristics of small states – in particular their reliance on trade, high dependence on capital inflows and, in some cases, lack of natural resources – ministers urged the international community to show a more flexible approach to their requirements and adopt special measures to assist them. In response, the Secretariat designed a programme to assist in overcoming ‘the disadvantages of small size, isolation and scarce resources, which severely limit the capacity of such countries to achieve their development objectives or to pursue their national interests in a wider international context’.

In 1983, with the political repercussions of the US invasion of Grenada still resonant, Commonwealth leaders meeting in New Delhi expressed their belief that the problems of small states ‘deserved consideration on a wider basis, including that of national security’. A Commonwealth consultative group was commissioned to carry out such an examination. Its report, *Vulnerability: Small States in the Global Society*, published in 1985, was the first to highlight the inherent vulnerability of small states to external interference. By reasserting their vulnerability and the threats they faced, and by outlining economic and foreign policy measures to mitigate these, the report raised the political profile of small states in international forums.

Following this publication, the Ministerial Group on Small States was set up to continue the discussion of issues of importance to small states. At the Group’s second meeting in 1995, ministers recognised that the international context had changed dramatically since the end of the cold war. This led to the creation of a Commonwealth advisory group of eminent persons whose report, *A Future for Small States: Overcoming Vulnerability*, was published in 1997.

In 1998 the Commonwealth Secretariat/World Bank Joint Task Force on Small States was formed. In 2000 it published its seminal report, *Small States: Meeting Challenges in the Global Economy*. The report concluded that addressing the challenges faced by small states required correct domestic policies, regional co-operation, assistance from multilateral and bilateral development institutions, and improvements in the external environment. It highlighted four areas of special relevance to successful development: tackling volatility, vulnerability and natural disasters; transitioning to the changing

global trade regime; strengthening capacity; and benefiting from the opportunities and coping with the challenges of globalisation. It recommended that an annual forum should be held during the IMF–World Bank meeting, at which international donors could report on their activities in small states. Small states have garnered additional support and attention from international donors as a result, but more remains to be done. A 2005/06 review of the task force report established that small states are still vulnerable and that they continue to face development challenges associated with their size.

In adopting Agenda 21, one of the key outcomes of the United Nations Conference on Environment and Development (the Rio Earth Summit) in 1992, the wider international community also recognised the special challenges that SIDS face in planning for sustainable development. As a result, the Global Conference on the Sustainable Development of Small Island Developing States took place in Barbados in 1994. The plan that emerged, the Barbados Programme of Action (BPOA), is the principal international framework for addressing the special challenges and constraints faced by SIDS in their pursuit of sustainable development. The BPOA addresses 14 major themes, ranging from climate change through coastal and marine resources to tourism and human resource development.

The ten-year comprehensive review of the BPOA led to the adoption in January 2005 of the Mauritius Strategy for the Further Implementation of the Barbados Programme of Action for the Sustainable Development of Small Island Developing States, which covers 19 thematic areas, including climate change and sea level rise, natural and environmental disasters, and energy resources. The Strategy notes that for its successful implementation SIDS require effective human, institutional and technical capacity development; effective monitoring and co-ordination, including through SIDS regional organisations; and support from the international community, particularly through financial and technical backing.

Finally, Millennium Development Goal (MDG) 8, on developing a global partnership for development, specifically mentions the special needs of landlocked countries and SIDS. Yet despite this attention to small states, there are still major gaps in our understanding of their unique development process and experience. Insufficient study has been devoted to the social and economic issues they face. In particular, there is virtually no comparative research on social policy issues or on how social policies affect economic development. This paper, together with others in this series, attempts to fill this gap by taking a distinctive approach to social policy, which it sees as encompassing concerns about redistribution, production, reproduction and protection. The papers show how some small states have succeeded in improving their social indicators through appropriate social policies, how others are moving in the right direction and how some are falling behind or failing. Despite their inherent vulnerability, some small states have been successful precisely because they have implemented complementary social and economic policies and strategies. By looking at these countries in comparative perspective, we can draw interesting lessons on policy.

The papers in this series are outputs of the research project 'Social Policies in Small States', led by the United Nations Research Institute for Social Development (UNRISD) in collaboration with the Commonwealth Secretariat from 2007 to 2009. Fourteen country studies were commissioned and their findings were discussed at regional workshops in the Caribbean and Pacific. Four thematic papers framed and complemented the country level research. We hope that the findings of this research will be useful to scholars and policy-makers concerned with the social and economic development issues facing small states.

The research project was designed and co-ordinated by Naren Prasad with assistance from Nicola Hypher and Megan Gerecke at UNRISD, and in collaboration with Constance Vigilance at the Commonwealth Secretariat.

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Introduction

The main objective of this paper is to trace the development of social policies in two underdeveloped South Pacific countries, Solomon Islands and Vanuatu. In addition, it describes the nature of these policies. The paper discusses the countries' development strategies and how these have been affected by external pressures and challenges. Chapter 1 provides a brief theoretical framework for social policy analysis. The subsequent discussion draws on this theoretical framework. Chapter 2 deals with the Solomon Islands and Chapter 3 discusses the situation in Vanuatu. Chapter 4 compares social development indicators in the two countries and briefly assesses their progress towards achieving the Millennium Development Goals. The last chapter provides some concluding comments. Finally, a postscript provides a brief review of more recent developments.

Solomon Islands and Vanuatu are among the larger countries of the South Pacific region. However, they are two of the poorest performing in terms of social indicators. Like many small developing states in the Pacific region, both countries had very poor development indicators at the time of independence. Their priorities were defined in national development plans; these included the development of social infrastructure such as schools, health facilities, roads, water supply and communications, as well as building capacity in the civil service and developing human resources. Economic strategy largely revolved around import substitution as a means of promoting growth and development.

A strategy grounded in Keynesian economic theory was promoted in many newly independent countries, and Solomon Islands and Vanuatu were no exception. The potential for developing the manufacturing and services sectors was limited and therefore both countries pursued an economic growth strategy that was based on developing the agriculture sectors. To some extent they were both successful in developing this sector. The Keynesian approach provided the justification for government-supported strategies for developing agriculture. However, despite these strategies, Solomon Islands and Vanuatu are low-growth countries, together with Papua New Guinea and Fiji. Their economic progress has not been commensurate with their relatively high population growth. In 1975 the population of Solomon Islands was 190,000. By 2008 it had grown to 490,000, more than doubling its size in 33 years. The annual average population increase between 1975 and 2008 was 2.9 per cent. In 1975 Vanuatu's population was 100,000 and this more than doubled to 220,000 in 2008, with an annual average population growth of 2.4 per cent.

The rapid population growth in both countries over the last 30 years was accompanied by rapid economic, social and political changes. However, the failure of economic growth to keep pace with the growth in population has put pressure on households

and individuals in their efforts to achieve decent living standards. The most vulnerable groups are women, children, the elderly and the disabled.

Political instability in Solomon Islands has seriously affected its growth rate in the last five years. This is also true of Vanuatu, although to a lesser extent. As a result, both countries have failed to achieve many of their social objectives, and in some respects they have gone backwards.

Chapter 1

The Political Economy of Social Policies

Any discussion of social policies involves a consideration of the economy and politics, following the tradition of Adam Smith and David Ricardo, who referred to the relationship between the two as political economy. Segura-Ubiergo (2007: 1) defined the welfare state ‘as a repertoire of state-led policies aimed at securing a minimum of welfare to its citizens – that is, protecting them against the risks of unemployment, sickness, maternity and old age and providing an adequate accumulation of human capital through public investments in health and education’. Segura-Ubiergo also provides an interesting review of the main theories that define a welfare state. These are also addressed in the various thematic papers relating to the overall study of social policy in small states published by UNRISD and by the UNRISD/Commonwealth Secretariat research project on social policies in small states.¹

There are at least three sets of theories that explain the development paths of welfare states in developed countries (Segura-Ubiergo, 2007). These include: (1) theories that explain economic policy paths such as industrialisation or import substitution; (2) theories that focus on outward-oriented economic policies emphasising trade openness and exports; and (3) theories that deal with democracy, political ideology and workers’ organisations, including more recently the role of non-governmental organisations (NGOs).

In the case of Solomon Islands and Vanuatu, their colonial history explains their political evolution and the development of welfare policies. Unlike developed countries, where democratic government has a long history, in Solomon Islands and Vanuatu democracy was an experiment that was more or less imposed at the time of independence.

In her thematic paper, Hintjens (2007) explores the idea of consensual and participatory democracy. In the Solomon Islands and Vanuatu, both these forms of democracy are important. In both countries democratic traditions and the practice of genuine democracy have always been difficult. Traditional social systems, kinship ties, the chiefly system and the system of communal ownership of land have blurred the full and efficient operation of a democratic system. Unlike in large and developed democracies, the form of citizen participation is dependent on the type of demands that are placed on governments. In addition, these demands determine how elected politicians react and enact legislation for the development of appropriate social policies. Politicians are often elected as a result of traditional ties, tribal relationships and chiefly links, and there is therefore no interest in involving citizens in building a consensus on social policies that might produce more optimal outcomes.

In developed countries, democracy is accepted as a precondition for the development of welfare states, as most developed countries which have welfare states take democracy for granted. However, many developing countries do not have a history of democracy, nor is there a guarantee that those that have a democratic system will continue to do so. In Latin America, Segura-Ubiergo (2007) found that 12 of the 14 countries that had democratic governments had better welfare states. Solomon Islands and Vanuatu have largely succeeded in maintaining democratic government, although there have been occasions where this has come under strain. Other factors, such as the level of economic development, have prevented them from developing better social and welfare policies.

In his thematic paper, Bertram (2007) points out the need for the state to intervene in the provision of welfare to its citizens; this has always been accepted in the developed and established democracies. Even when the overwhelming emphasis in developed economies has been on the creation of small government, they have been unable to move away from this responsibility. As Bertram points out, the state has to develop appropriate institutions to deliver social services. However, for many developing countries, the first step is to achieve a level of economic development that will allow them to develop institutions and deliver social services. High levels of sustainable economic growth will make it easier for them to develop social institutions.

In many small states, including Solomon Islands and Vanuatu, overall economic growth rates have been poor and have failed to keep up with high levels of population growth. Analyses of the development of welfare states suggest that as countries develop, there is a major social and economic transformation, population dislocation, and changes in economic organisation and production. When these changes take place, some people are left behind and it is the responsibility of the state to take care of them. In fact, applying Wagner's law of increasing state activity, one should expect that as countries develop, a growing amount of state activity will go towards developing social welfare.² In the case of both Solomon Islands and Vanuatu, the problem has been a lack of economic development, but dislocation and transformation of the social and economic organisation has still occurred. More people are underemployed, more are unemployed and more move to the urban centres, yet there has been little development of social policy or increase in welfare provision.

Another critical factor that relates to economic development is the issue of trade openness. This is a subject of debate in many small states. Organisations of small and vulnerable economies in World Trade Organization (WTO) negotiations have over the years pointed out the vulnerability of small states to greater trade openness and the erosion of preferential trade agreements. This is still an issue in many developed countries, where interest groups such as farmers, trade unions and NGOs still argue for what Garrett (2000a) calls a *compensation policy*; invariably this compensation takes the form of increased welfare benefits and support through the maintenance of subsidies and non-tariff protection.³ Small states are therefore legitimately asking for similar compensation policies from developed economies, and their own citizens, trade unions and NGOs are asking for domestic compensation from their governments.

Solomon Islands is a member of the WTO and Vanuatu is in the process of accession. More important for both these countries, as for all the Pacific island and Caribbean small states, are regional trade agreements and negotiations. The negotiations for an Economic Partnership Agreement (EPA) with the European Union (EU) have split the Pacific small states, with Fiji and Papua New Guinea signing interim EPAs. It is now possible that Solomon Islands and Vanuatu will also sign. However, more important than the EPA are the negotiations that will take place in the next two years on the Pacific Agreement on Closer Economic Relations (PACER), an agreement between the 14 Pacific Forum member countries and Australia and New Zealand. Australia and New Zealand are major trading partners of the Pacific island countries and two of the main aid donors to the region. Both are keen that the Pacific islands move towards a more advanced state of economic integration. They are expected to use the PACER Plus negotiations to ask for more open trade policies compatible with WTO agreements. The debate in the Pacific island countries, including in Solomon Islands and Vanuatu, is about the economic cost of adjustment to achieve more open trade agreements with Australia and New Zealand. The expectation of loss of revenue from tariff reductions, lower income taxes and higher indirect taxes, and the implications for the poor and vulnerable have received much attention. How Solomon Islands and Vanuatu deal with these issues is important, as this will determine whether negotiations are successful.

Baldacchino's (2007) discussion of the power of jurisdiction will be useful in determining the success of the impending trade negotiations with Australia and New Zealand. While the indicators that he uses to assess the power of jurisdiction are relevant for both Solomon Islands and Vanuatu, the effectiveness of those indicators are questionable. While both countries have democratic electoral systems, political parties, and control over their own resources and international trade, the institutions governing these are weak. They are often ineffectual in the face of traditional, chiefly and kinship ties which do not allow them to operate efficiently. In the case of Vanuatu, democratically elected governments have not lasted for more than a year or two because of factors such as chiefly and traditional obligations and frequent changes in political alliances. This instability has prevented Vanuatu from attracting sustainable levels of investment. This has affected its ability to develop more effective social systems and to negotiate better deals with donors and partners. In fact, weak and unstable governments have created the conditions for the exploitation of its natural resources, such as forestry, by unscrupulous international investors. This has also occurred in Solomon Islands.

To address weak national jurisdictional resources, the Pacific island states have embarked on more and better regional co-operation, so that where their national capacity and resources are small, these can be pooled at regional level to deliver better services and negotiate more effectively. There are several instances where this has been successful. The funding of the University of the South Pacific by regional governments is a very good example; higher education has been delivered to students in the region, although many of the small countries on their own would have been unable to run separate institutions. In the areas of health, communication and energy,

several initiatives have the potential to help deliver better services, as well provide a more efficient and co-ordinated approach to international initiatives.

There is, however, a threat to regional co-operation from events that have taken place in each of the countries. The ethnic crisis in Solomon Islands and the total breakdown of governance structures at one point almost paralysed the government machinery. It needed the assistance of the country's two major trading partners, in particular Australia, to manage its affairs. At present, while the Australian presence is still significant, a better functioning government appears to be in place. The 2006 coup in Fiji put further strain in the process of regional co-operation. Fiji has been isolated by Australia and New Zealand and many of the 13 other Pacific island states are supporting its exclusion from Pacific Forum activities and its suspension from the Commonwealth. Fiji's interim government, however, continues to move away from Australia and New Zealand and is forging closer ties with China and India, which have continued their assistance.

Jenson (2007) addresses an important issue of social cohesion or social capital and how this can be developed further to advance the welfare of communities. In many newly independent countries, and particularly in those with diverse ethnic communities, tribal differences and low levels of development, the merging of different interests is vital to developing social cohesion.⁴ However, while there is greater emphasis on the lack of social cohesion and how this may have affected the development of social and welfare policies, there is little discussion on social cohesion among communities in a particular country. In Solomon Islands and Vanuatu, communities and tribal groups are very cohesive. In fact, the cohesiveness of these different groups and their different interests may be one of the reasons for the poor development of social welfare policies. It could be argued that in many diverse and ethnically divided countries, the development of social policy has been hindered by the mere existence of different groups. In many of these countries, including Solomon Islands and Vanuatu, and in others such as Fiji and Papua New Guinea, social cohesion within different groups has hindered national cohesion. Political parties and their policies in government are driven by these interest groups, and budgetary allocations and social spending are determined by the influence of interest groups instead of by the national interest.

Further studies could be undertaken at a regional level to explore the reasons why social and welfare policies have developed or failed to develop in small states. The problem, however, is the lack of data needed to seriously evaluate, case by case, the extent of the development of social policies in these countries. The analysis of Latin American countries undertaken by Segura-Ubiergo (2007) could also be undertaken for the Pacific and Caribbean states. Segura-Ubiergo uses three methodologies to determine the development of social and welfare policies in Latin America. These are qualitative comparative analysis (QCA); analysis based on time series cross-section (TSCS) data; and in-depth case studies. QCA was used to analyse the reasons why more extensive systems of social protection were developed in Latin American countries between 1920 and 1973. However, for countries in the Pacific and the Caribbean the more immediate and relevant methodology could be the use of time series cross-section data. Segura-Ubiergo uses the 1973–2003 dataset to find the

relationship between globalisation, democracy and the balance of partisan power on social expenditures. The main structural equation is given by the following:

$$\Delta Y_{i,t} = \alpha + \Delta X_{i,t-1} \beta_k + \phi(Y_{i,t-1} - X_{i,t-1} \gamma) + \varepsilon_{i,t}$$

where $Y_{i,t}$ is social expenditures in country i during year t , Δ is the first differences operator, X is a vector of independent variables and $\varepsilon_{i,t}$ is a white noise error term. The analysis is based on pooled time series data, where the time series from a cross-section of countries are stacked on top of one another and analysed jointly within the same dataset.⁵

Chapter 2

Solomon Islands

2.1 Introduction

Solomon Islands comprises a scattered archipelago of mountainous islands that straddles Vanuatu and Papua New Guinea, and is 1,800 km north-east of Australia. It was ‘discovered’ by the Spanish explorer Álvaro de Mendaña in 1567. In 1893 it was declared a British protectorate and achieved independence in July 1978. Its population is predominantly Melanesian in origin with a small number of people of Polynesian, Micronesian, Chinese and European descent. As a society it is not homogeneous, with some 87 indigenous languages and 30 dialects spoken throughout the archipelago.

Both its physical characteristics – the islands are scattered across a vast ocean – and the non-homogeneous nature of its society present serious problems for the government in planning a development strategy. This poses problems in terms of communications, delivery of services, co-ordination of development programmes, prioritisation of development goals and the national identity of its citizens. Like many newly independent countries in the Pacific region, Solomon Islands faced serious development challenges. These challenges required the building of appropriate social infrastructure such as schools, health facilities, roads, water supply and communications, as well as building capacity in the civil service and developing the country’s human resources.

Solomon Islands has recovered from the recent ethnic conflict with international assistance, mainly from Australia and New Zealand. The country has made slow but steady recovery in all aspects, especially in relation to the economy. Despite its recovery, it still faces enormous challenges in addressing long-standing structural problems.

First and foremost is the need to sustain economic growth in the aftermath of ethnic tension. This may involve reviewing some policies to ensure that they are conducive to the involvement of the business community. It may also mean reviewing its priorities in terms of the sectors to which it directs resources and funding in an attempt to generate economic growth.

The second major issue facing the country is the lack of job opportunities for its burgeoning population. While the number of jobs created has been steadily increasing since the 1960s, it was still not sufficient to absorb the increasing population. While the population growth rate fell from 3.5 per cent in 1986 to 2.8 per cent in 1999, it is still high by international standards. At the time of the 1999 census, the country’s economically active population was 218,696, but according to 1998 data only 34,061 jobs were created in the formal sector between 1989 and 1999 (Government of

Solomon Islands, 1999). This has implications for economic growth and poses potential social problems. Countries in the Pacific region could address this issue collectively by negotiating with Australia and New Zealand for guest worker schemes; New Zealand has already implemented such a scheme, which hopefully will provide relief to countries such as Solomon Islands in the long term. Australia is also considering a guest worker scheme and will introduce some pilot schemes.

The third major problem is the unsustainable exploitation of the country's forests. Currently the government is turning a blind eye to this because forestry is one of the few sources from which it can earn revenue and generate foreign currency. Revenue earned from the forestry sector contributes significantly to government revenue and it is feared that in a few years time, if deforestation continues, government revenue could greatly decrease, which would have implications for the delivery of services and public goods and cause other undesirable social problems.

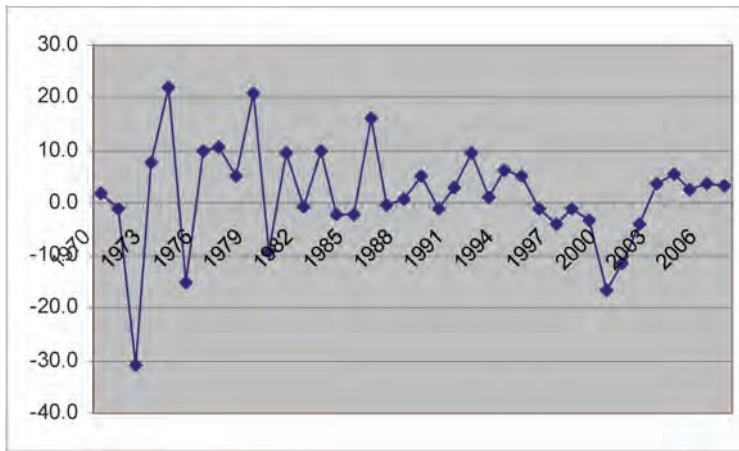
The fourth issue is the lack of political stability. At the present stage in the country's history, party politics at the national level is weak and voters tend to vote on the basis of candidates' personalities and tribal and kinship ties. In Parliament, members tend to move from one political grouping to another depending on how they perceive that their constituency, or they themselves as individuals, would gain from their political affiliation. Furthermore, the constitution itself has laid a platform for instability because of its recognition of independent members as a political group within Parliament. The constitution stipulates that the independent group should elect a leader, who is remunerated on a similar level to the leader of the opposition. On the eve of elections, therefore, candidates see no need to be aligned to any political party because they know that their views can be taken care of by the independent group in Parliament.

This chapter provides a general overview of the development and implementation of social policies in Solomon Islands from 1968, ten years before independence in 1978, to 2006. It traces key development strategies and how these have affected social policy and its outcomes.

2.2 Economic performance and general development strategies

Solomon Islands is a lower-middle-income country, with a per capita GDP of US\$731.5 in 2007. Per capita growth over the period under discussion has been fairly low at 1.5 per cent. As shown in Figure 2.1, growth has been highly erratic, particularly in the 1970s, with several years of dramatically negative growth. Apart from poor growth at the turn of the century, the growth rate has largely stabilised in recent years. Solomon Islands is one of the most indebted countries in the Pacific region. The public debt to GDP ratio in 1997 was 70 per cent, but this climbed to approximately 120 per cent in 2003 before falling back to 80 per cent in 2005 and 70 per cent in 2006 (Dodhia, 2008).

National development plans have been drawn up for Solomon Islands to establish priorities for development. They attempted to solve the problems of under-development and poorly developed basic social infrastructure such as roads, water supply, health and education. However, like many development plans, success depends on execution.

Figure 2.1 Growth of GDP per capita in Solomon Islands, 1970–2007

Source: World Bank (2009)

The late 1960s and the 1970s were a period when the economy was still in its infancy. The country's natural resources remained untapped, its agricultural sector was undeveloped and its human resources were still untrained. Therefore its export base was still very narrow, depending heavily on the export of copra. The country also depended to a great extent on external aid. In 1969, for instance, external aid financed 41 per cent of expenditure on monetary GDP and 80 per cent of post-secondary, high-level manpower was provided by expatriates (Government of the BSIP, 1974: 5). The country was still run by the British Government and colonial civil servants were responsible for formulating plans and strategies.

The period 1968–1970 was covered by the fifth national development plan (NDP), which aimed to generate economic growth in the domestic economy and therefore reduce reliance on external aid. In order to achieve its economic policy objectives, government strategy was to develop the country's natural and human resources as a means of strengthening the economy. In particular, the strategy focused on exploiting forests and minerals, and also trying to develop the agricultural sector. To achieve this, an allocation of around 67 per cent of the total budget was allocated for projects that would facilitate development in these areas (Government of the BSIP, 1967: 3). However, because of ineffective policies relating to the use of revenues from the exploitation of forests and other natural resources, the results were unpromising.

The 1970s heralded the dawn of a new era. This was the decade when the country and its people made serious preparations for political independence and set the tone for a major transformation of the economy of the former protectorate (Government of the BSIP, 1974: 4). This was also a period when citizens played a prominent role in formulating national policies, including those concerning the country's economic development.

The sixth national development plan, 1971–1973, focused on the primary and secondary sector, with the objective of raising domestically-generated growth through the exploitation of the country's agriculture, forest and mineral resources. In the

period up to the 1980s, emphasis was placed on agriculture, with the expansion of traditional crops, as well as the introduction of new ones. This plan had the support and approval of the colonial government, which still had a majority over elected members.

In line with the previous plan, another aspect of the development strategy was the enhancement of the country's labour force through training. The intention was to produce a labour force of sufficient size and skills in line with the government's plan to localise management of economic and social development policies and encourage private sector ownership. In order to achieve this, the government needed to invest more of its resources in education at primary, secondary and tertiary level.

The seventh development plan, 1975–1979, covered the period of transition from colonial rule to independence and was the first time the country had conducted planning on a five-year cycle. In this period the country began to lay the foundation for a strong political, cultural and economic basis for the newly independent nation. The main development strategy as outlined in the plan was to achieve self-government and independence on a sound political and economic foundation so that nationhood could be genuine and stable (Government of Solomon Islands, 1975: 1).

The 1980s saw little change in economic fortunes following independence, as the country was still heavily dependent on the primary sector as the engine of growth. Exports were dominated by round logs, fish and copra. The manufacturing sector was insignificant, accounting for less than 4 per cent of GDP (World Bank, 1993). However, the first five years of the 1980s was the first time the country was responsible for planning its own destiny.

The eighth development plan, 1980–1984, began two years after independence, when the government had had time to reflect on the direction in which the country was heading in terms of economic development. This was also the first opportunity for a Solomon Islands' elected government to shape the overall direction of the country's development. The government pursued a series of economic objectives as the basis for its economic policy during the first half of the 1980s. The basic objective was to promote effective rural development which would enable many Solomon Islanders to share in the benefits of the country's development. The economic objectives that the government pursued to promote development were diverse. First, it recognised the need to diversify the economy and increase the range of major exports. This would help to reduce the country's vulnerability to falls in the prices paid for its primary products and also increase its revenue base. Second, the government aimed to encourage investment from both domestic and external sources as a way of creating more jobs and incomes. Third, it aimed to promote a stable growth rate as a means of improving the lives of its people. Fourth, it encouraged geographical and social distribution of economic activity. Fifth, the government insisted that development aid should be used for development purposes in accordance with Solomon Island priorities, rather than being a disincentive to increasing self-reliance. Sixth, it aimed to increase export earnings in order to reduce dependence on foreign aid. Seventh, it committed itself to the introduction of fiscal and monetary policies geared to development needs. Lastly, opportunities for earning income from the production of cash crops and paid employment were to be increased.

The development strategy adopted by the post-independence government during this NDP period was to simultaneously build on an effective programme of rural development, which was expected to benefit the masses, and at the same time forge ahead with the development of the commercial sector. In rural areas, the programme targeted the agricultural sector in terms of providing trained manpower, effective research and dissemination of information.

The ninth development plan, 1985–1989, was the third five-year plan. Its overall objectives were to promote and safeguard the welfare of the people and the country as a means of building a nation. Through its actions, the government tried to achieve its development aspirations using various instruments of economic policy, including both direct and indirect measures. These were: (i) measures that would influence market forces in the efficient allocation of resources; and (ii) direct measures necessary for intervention in the market in order to provide public goods.

To achieve its overall objective, the government pursued a number of development strategies. First, it aimed to develop human and natural resources through investment in social and economic infrastructure. Second, it aimed to facilitate an environment conducive to private sector investment and the active involvement of the government in strategic areas of the economy. Third, people and communities were encouraged to participate directly in their own development.

Like many developing countries which pursued import substitution policies, the strategy relied on borrowing to finance infrastructure development and develop natural resources. As a result, the government became heavily indebted. National debt as a percentage of GDP increased from 18 per cent in 1980 to 60 per cent in 1987. The debt situation was indicative of the problems in the economy by the end of the 1980s, and therefore the 1990s saw an attempt to reform economic policies so that growth could be enhanced and a better fiscal strategy could be implemented.

Economic performance deteriorated in the 1990s. The country experienced major difficulties due to domestic policy and structural problems, as well as forces relating to the global economy. During the 1990s, the government's broad economic policy was to establish economic stability and foster growth and development. This culminated in the Policy and Structural Reform Programme initiated by the Solomon Islands Alliance for Change (SIAC) Government that came to power in 1997. Its development strategy was to formulate and implement a broad-based programme of policy and structural reform. It was anticipated that with the assistance of the country's development partners such an initiative would restore economic stability, important in fostering economic development. However, the implementation of the reform programme was halted by ethnic conflict.

The 1990s development strategies were designed to facilitate the achievement of government economic policies and their overall aim varied. On assuming power in 1989, the new People's Alliance Party Government noted the poor state of the economy and put in place a series of broad economic policies to address it. These were:

- A continued emphasis on the development of natural resources;
- Prioritisation of other sectors with growth potential;

- Economic diversification and the development of selected industries;
- Measures to increase savings for investment purposes and reduce imports;
- Encouragement of new investment;
- Rationalisation of public expenditure programmes;
- Encouragement of the growth of tourism.

The economic policies of the National Coalition Partnership, a loose coalition of six parties which took power in June 1993, provided economic stability, as well the impetus for economic development. First, the new government's fiscal policy ensured the reining in of public spending and government borrowing, which had become excessive. Second, monetary policy had as its targets low inflation, the lowering of interest rates and the maintenance of a stable and competitive exchange rate, as well as an adequate level of external reserves. Third, the government was committed to providing a climate conducive to attracting more foreign investment.

The focus on implementing policies and programmes for economic recovery, social restoration and development, together with security and stability, was restored with the arrival of the Regional Assistance Mission to Solomon Islands (RAMSI) in July 2003. The broad aim of economic policy during this period was to restore macroeconomic stability and income growth.

The overall goal highlighted under the National Economic Recovery, Reform and Development Plan, 2003–2006, was to enhance and improve the quality of life and living standards of all the people of Solomon Islands. Economic policy was geared to restoring economic stability and income growth and the re-establishment of foundations for sustainable growth and human development. The strategies put in place to achieve this were the restoration of fiscal and financial stability and the revitalisation of the productive sector and rebuilding of infrastructure, especially that destroyed during ethnic conflict.

Economic growth rates during the 1990s failed to keep pace with population growth. Between 1978 and 1985 there was only a small increase in per capita GDP. The same was true between 1986 and 1993. In the 1990s Solomon Islands had positive growth in the early years of the decade, but negative growth from 1998 to 2002, with a fall of 13.4 per cent during the civil unrest in 2000 (Table 2.1 and Figure 2.2).

During the 1990s inflation was generally high (Figure 2.3). Between 1990 and 2007 it fluctuated between 7 and 15 per cent. This is very high compared to many other Pacific island countries. While growth rates have improved in the last few years, inflation has remained high. This has serious implications for those on low incomes and their ability to remain above the poverty line.

During 2000–2002, in the aftermath of the ethnic tension, the overall objective was to continue to promote industries based on natural resources. The aim of economic policy was to achieve tangible growth in real per capita incomes and to generate more job opportunities and promote equitable distribution of the benefits of development.

Table 2.1 Solomon Islands: GDP and per capita GDP, 1978–2004 (constant 1995 US\$ million)

Year	GDP (US\$ million)	Per capita GDP (US\$)	Average annual growth of per capita GDP (%)
1978	106.7	498.5	5.23
1979	133.3	601.7	20.7
1980	125.2	546.8	–9.1
1981	142.1	599.4	9.6
1982	146.3	595.8	–0.6
1983	166.6	655.3	10.0
1984	168.6	641.1	–2.2
1985	170.1	625.2	–2.5
1986	203.7	724.7	15.9
1987	208.7	718.6	–0.8
1988	216.2	721.2	0.4
1989	233.8	755.7	4.8
1990	237.9	745.9	–1.3
1991	246.5	749.9	0.5
1992	269.5	796.7	6.2
1993	274.9	790.1	–0.8
1994	289.2	809.0	2.4
1995	309.5	843.2	4.2
1996	320.3	850.1	0.8
1997	312.8	808.4	–4.9
1998	316.4	796.4	–1.5
1999	312.2	765.3	–3.9
2000	277.9	663.1	–13.4
2001	252.8	578.0	–11.5
2002	248.8	561.1	–4.4
2003	258.3	566.8	1.0
2004	273.2	583.8	3.0

Source: 1978–2001: World Bank (2003); 2002–2004: IMF (2004b) and Asian Development Bank (2005)

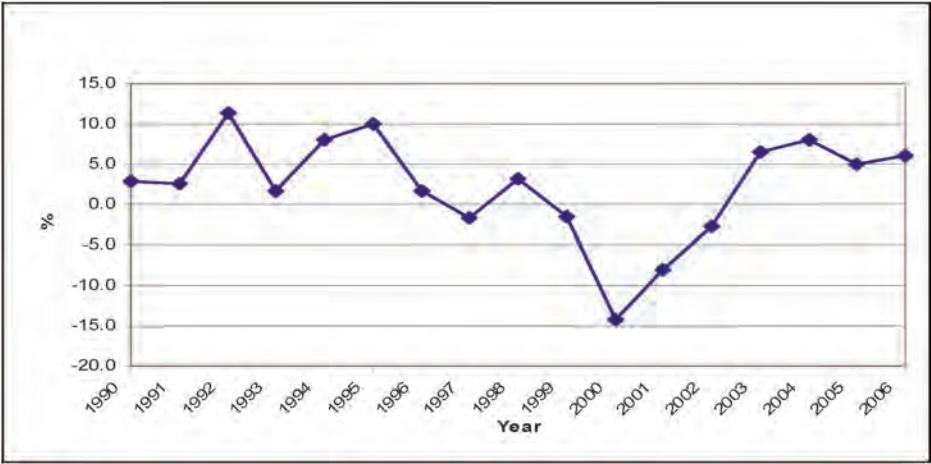
Solomon Islands has achieved good economic growth in the last two years with 7.1 and 7.5 percent in 2010 and 2011.

2.3 The traditional social system

In the traditional Solomon Islands Melanesian social system, a hierarchy of institutions give meaning to society. These institutions are based on a land tenure system which binds together all persons within the group. In this context, people's relationship to the land is an integral part of their relationship with each other.

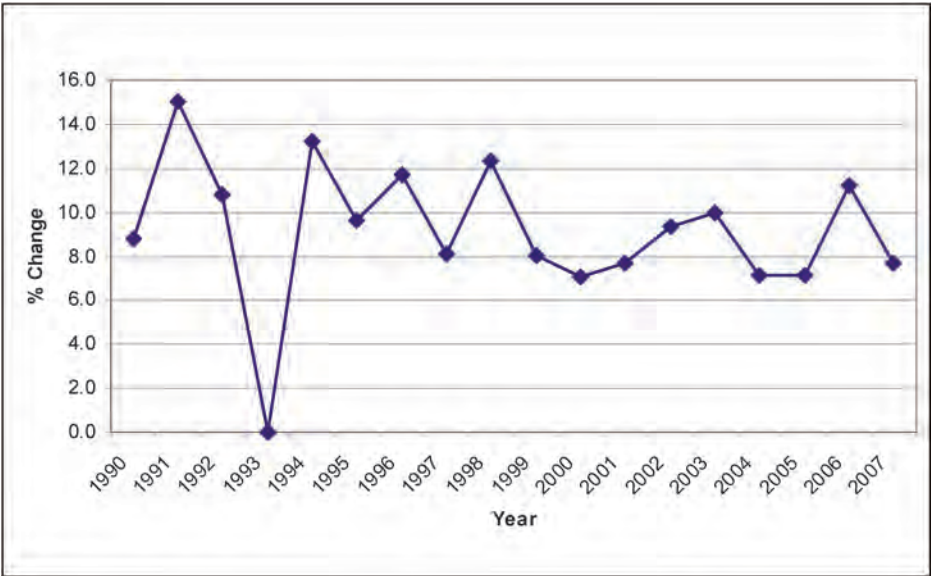
First and foremost is the tribe, which is a larger grouping bound together by descent from the first pioneer to have settled and populated an area of land. The descendants

Figure 2.2 Solomon Islands: Real GDP growth rates, 1990–2006



Source: Asian Development Bank, <http://www.adb.org/data/statistics>

Figure 2.3 Consumer Price Index, 1990–2007



Source: Asian Development Bank, <http://www.adb.org/data/statistics>

of this pioneer trace their relationship on this basis. Relationship to the first pioneer, and to the ancestral tribal land, is an important element in the traditional social system because it serves as a mechanism for assistance in times of need. It is a self-regulating and managed system for the provision of welfare assistance.

The second important grouping is the clan. The first pioneer who settled the ancestral land allocated it on the basis of the matrimonial system. Land was allocated to each son, whose descendants form the clan. Each son and his descendants have leadership and authority over the land that his father (the pioneer) allocated to them. The son and his descendants have authority over all living and non-living natural resources on that piece of land. Clan members are closely related to each other and ties to the clan land are far stronger than those to the ancestral land. The obligations that persons who are descendants of the clan have towards each other are far stronger in the traditional social system.

The third grouping is the extended family. This consists of brothers and sisters and their families, and uncles and aunts and their families, as well as grandfather and grandmother. The extended family is not restricted to close family relatives, but can include other relatives who might be quite distant in the Western concept of an extended family.

In Solomon Islands traditional society, the existence of the tribe, clan and extended family has huge implications for social protection and the social safety net. Belonging to a tribe or a clan creates a sense of obligation on the part of an individual or group within that tribe or clan to assist others who have fallen on hard times and are unable to provide for their families. Like the tribe, members of the clan expect support from each other in a wide range of social and political activities. These include death, marriage, warfare, and gardening and communal work.

The extended family continues to play a vital role and is the backbone of the country's social system. While there is no welfare or income support system, as in developed countries, the extended family performs a similar role in Solomon Islands' traditional social structure. In the event of the death of the head of a household, the dead person's family turns to the extended family to ease the burden of childcare. Some of the children may be allocated to be brought up by other family members. The extended family also assists the widow or widower with day-to-day provision for the remaining children. Old people are usually looked after by the eldest son and his family, but other relatives also provide assistance when needed. In this way, old people are not marginalised, and their self-esteem and dignity are maintained because they play a prominent role in providing advice to the immediate family, extended family, clan and when required to the tribe itself.

The fourth important grouping is the nuclear family. It is headed by the husband, who is responsible for the welfare of the family. He ensures that their needs are provided for and that they are protected from danger. As the head of the household he is responsible for day-to-day planning and organising, as well resolving disputes. The wife plays an important role, but in a supporting capacity to the husband. There are, however, issues with respect to gender equality and violence against women in these systems which may need more discussion. It is the responsibility of the husband and wife to ensure that the needs of their family, especially the children, are met, whether in their upbringing, education or marriage. The family in Solomon Islands society is not an isolated entity, but plays a supportive role to the extended family by providing assistance to less fortunate members. The family is usually the body that cares for the elderly, as noted above, and assistance may be provided by the extended family from time to time.

These traditional institutions, which continue to play a major role in social provisioning, go some way to explain why government involvement in the direct provision of social welfare support is not well developed. Social welfare support such as direct income support for the unemployed, sick and people in other forms of need, as provided in developed countries, does not exist in Solomon Islands. The government mainly operates at the macro level by providing social infrastructure at a national level, such as roads and the supply of water. The majority of the population are rural subsistence dwellers and community and family social networks provide a sustainable form of welfare. However, the pressures of modern economic imperatives, and in some instances the failure of the traditional system to deliver good outcomes, are leading to a breakdown of the traditional systems of welfare provision.

2.4 Government and politics

The colonisation of Solomon Islands in 1833 heralded the beginning of a new era for the country, especially in its political development. Before the British annexation, the islands were not unified, but were a fragmented society under different leaderships, confined to tribal areas. In spite of this, politics was not new in Solomon Islands' villages, as local leaders, the 'Bigmen', flourished in the community with their own type of politics (Moore, 2004: 34). The colonisation of the country by the British, however, was the first effort by any one ruler to unify the islands under one government. This was important as it was only in a peaceful and unified society that political development could flourish. Furthermore, colonisation was important because the colonial government transplanted a system of government to the colony which, while alien to the people, would in time nurture the development of the country's political system. The British introduced the Westminster system, which is founded on democratic principles. The colonial government, however, did not introduce these practices until the 1960s and 1970s in the run-up to independence.

2.4.1 Development in the pre-independence period

In order to understand post-independence political developments, it is necessary to briefly review developments in the pre-independence period.

The Maasina Ruru movement played a pivotal role in the development of Solomon Islands' politics. While it was initially misunderstood, it attempted to obtain more rights for Solomon Islanders from the colonial government. The movement called for the setting up of institutions that practised the principles espoused by the Westminster system, and through this the people experienced some aspects of the democratic process. In the end, the colonial government granted its demands with the formation of the Malaita Council. In time, 24 councils were set up throughout the protectorate and a local government act passed in 1963 made the 18 local regional councils and the Honiara Town Council elective (Moore, 2004: 36).

The first attempt at setting up representative political institutions took place in 1964, with the first elections for the legislative council. However, members were not directly elected, but chosen through an indirect system of election. The first true democratic election took place in 1967, when citizens of voting age elected their representatives

on the legislative council. This was the first occasion when voters had a real taste of what it is like to exercise their freedom in casting their vote for the person of their choice. There was no change in the powers of the legislative council until 1970 and there was much fluidity in the way members were organised (Alasia, 1985).

The 1970 Constitution brought changes, with the legislative council becoming the governing council and elections being held for 17 seats. In 1972, the governing council was renamed the legislative assembly and a ministerial system was introduced, with a chief minister overseeing a Cabinet of ministers. The first chief minister was Solomon Mamaloni, and he appointed a Cabinet to help run the colony's affairs. The Mamaloni Government was ousted prior to independence and an administration led by Peter Kenilorea led Solomon Islands to self-government in 1976 and independence on 7 July 1978.

Party politics in Solomon Islands emerged during the voting for the 1973–1976 Legislative Assembly. The parties contesting the 1973 elections were the People's Progressive Party and the United Solomon Islands Party. However, in the first general election after self-government the development of party politics experienced a setback when only one party, the Nationalist Party, later renamed the National Democratic Party, stood candidates. A year later, the Rural Alliance Party, later renamed the People's Alliance Party, was formed.

2.4.2 Post-independence political developments

Solomon Islands is a parliamentary democracy within the Commonwealth. The national government is made up of three branches, executive, legislative and judicial. The executive branch comprises the Head of State, the British monarch, and is represented by the Governor-General. The Governor-General is appointed by the monarch on the advice of Parliament for a period of five years. The Head of Government, or Prime Minister, is the other part of the executive branch and is elected from the party or coalition which has the largest number of members of the legislative assembly. The Cabinet is the third leg of the executive branch and is appointed by the Governor-General on the advice of the Prime Minister, from among members of the legislative assembly. The Westminster system of government has not worked well in many former British colonies; there are a number of reasons for this, which have given rise to an extensive literature. Solomon Islands is not a homogeneous society, as it is comprised of different tribes and ethnic groups. In this environment there are bound to be conflicts over how the government allocates resources.

The legislative branch comprises the Parliament, which is unicameral. It has 50 constituency members, elected for a period of four years. Candidates must meet certain criteria before they can stand in general elections. The third branch of government is the judicial branch. It comprises the court system, made up of local courts, magistrates courts, the High Court, the Court of Appeal and the Customary Land Appeal Court (CLAC). The CLAC is tasked to deal with appeal cases on land. The judicial branch is independent of the executive branch and its decisions are seen to be free from political influence.

Local government is based on a system of nine provinces, administered by elected provincial assemblies headed by a premier and provincial ministers. The other administrative unit is the Honiara City Council, made up of elected members and headed by a mayor. The mayor is supported by a group of ministers chosen from among the elected members.

The development of politics within Solomon Islands after independence could best be described as stagnant and unstable. While political parties were formed prior to independence, the system was not fully developed, and both voters and the candidates who contested elections under the banner of particular political parties did not understand their operations or policies. They were only interested in standing for a party because they perceived that this would help them get elected.

Since independence, the country has been governed by a series of coalition governments except on one occasion, when the People's Alliance Party won a majority and formed a government between 1989 and 1993. The new National Coalition of Partners which assumed power in 1993 came in with its own set of policies to provide the framework for managing the country's affairs. While it was claimed that there was a difference, in actual policy implementation the overall direction was the same.

The weakness of party politics has been one of the causes of political instability in the country since independence. Since voters are unfamiliar with parties and their policies, they tend to vote for an individual on the basis of their personality. Personality politics has thrived and there was no change in this pattern in the new century. As a consequence, intense lobbying usually takes place prior to the convening of Parliament, with the result that members who have been voted in under one party banner may end up in another camp by the time Parliament actually meets.

The country's constitution recognises the 'independent group' as a separate political grouping in Parliament. While the intention of the creators of the constitution may have been a noble one, this political grouping has been the cause of political instability because they are a fragmented group who come together out of political expediency. The Kenilorea Government, for instance, was brought down after the independent members resigned from the Cabinet (Larmour, 1983: 253), as was Sogovare's Grand Coalition for Change Government in 2007. The special status given to the leader of the independent group by the constitution also hindered the advance of political parties (Ulufa'alu, 1983: 105).

While the constitution also provides for votes of no confidence, the resignation of ministers from the Cabinet was often the cause of political downfalls in the 1980s (Larmour, 1983: 252). In recent years, governments have been brought down as ministers walked out of Parliament, with the fall of the Sogovare Government in 2008 a case in point. A number of ministers deserted the government before its fall was confirmed by the vote of no confidence that inevitably followed.

Two recent political developments will have a profound impact on the country's politics and affairs in years to come. The first is the proposed Political Parties Integrity Bill, which is aimed at making it more difficult for members to cross the floor

(Solomon Times, 5 September 2008). The intention was to produce more stable governments. Such a stable environment would not only be beneficial for the government of the day and ultimately the nation, but also assist in the development of the country's political parties.

The second development arose in the aftermath of the ethnic crisis that ravaged the country during 1998–2000. This crisis had its roots deep in the fabric of Solomon Islands society. During the post-independence years, some provinces expressed their desire to secede from the country, because of the perception that they were not getting maximum return from the exploitation of their resources. The more vocal provinces, such as Western Province, showed their displeasure and made their point by boycotting the official independence festivities in 1978 (Premdas et al., 1983: 164). These issues were not adequately resolved at that time and lay dormant for a number of years until they were revisited by provincial politicians who expressed the desire to have more power granted to the provinces through a federal or state government system. This view has since been expressed in documents such as the Townsville Peace Agreement and the Buala Premiers Conference Communiqué. If and when these proposals bear fruit, they will change the political landscape of Solomon Islands forever.

2.5 Financial institutions

Governments have recognised the importance of financial institutions to the country's development and have therefore facilitated their establishment through relevant legislation and amenities. Financial institutions play a crucial role in the country's economic development through management of the economy, making capital available and boosting the investment portfolio in the domestic economy.

The country's financial system has a four-tier structure. The Central Bank of Solomon Islands (CBSI) comprises the first tier and has responsibility for monetary policy. The second tier consists of the commercial banks. The non-bank entities of Solomon Islands National Provident Fund (SINPF), Development Bank of Solomon Islands (DBSI), Home Finance Corporation (HFC) and credit unions make up the third tier. The last tier comprises the Investment Corporation of Solomon Islands (ICSI), unions and insurance companies, a money transfer agency and a licensed currency exchange bureau.

2.5.1 Central Bank of Solomon Islands

The forerunner of the Central Bank of Solomon Islands was the Solomon Islands Monetary Bank, established in 1976. The CBSI was established under the Central Bank Act. The Act provides for the CBSI's independence from government and was responsible for the country's monetary and exchange rate policies with the aim of ensuring balanced growth and promoting financial stability.

While the CBSI's primary role was to manage the country's economy, it also acquired a supervisory role with the passing of the Financial Institutions Act in 1998. This enabled it to supervise licensed financial institutions and most non-bank entities. Its supervisory role over the non-bank sector was further strengthened with the issuance

of the necessary government orders in August 2002. This brought the SINPF and DBSI under its supervision.

2.5.2 Commercial banks

In the early years, the financial system consisted only of commercial banks. They were mainly branches of banks such as the Commonwealth Bank of Australia and the Hongkong and Shanghai Banking Company. The current establishment comprises the ANZ Bank, Westpac Bank and Bank of South Pacific. The latter was a take-over of the only locally incorporated bank, the National Bank of Solomon Islands. The commercial banks' main operations are in the capital, Honiara, but they have also set up branches in some provincial centres.

2.5.3 Development Bank of Solomon Islands

The DBSI has played an important role in the rural areas. It has been prominent in the agricultural sector, where it makes loans for development. It has also played an important role among Solomon Island farmers and businessmen and women who have no collateral with which to secure loans from the commercial banks.

In 1994, the CBSI took control of DBSI operations. It was found that the organisation was insolvent and could not pay its creditors due to bad management. The CBSI took control in order to ensure that the interests of depositors were safeguarded and to maintain the stability of the financial system. CBSI control over the DBSI ended in 2006, but was extended by the High Court to the end of June 2007. The formation of the Development Bank was primarily designed to provide subsidised loans for the development of the rural sector. This could be considered a typical government intervention to improve the welfare of the rural people. Solomon Islands politicians, like those in other newly independent countries, were keen advocates of this type of intervention.

2.5.4 Home Finance Corporation

The HFC was established in 1990 by the government to provide loans for low- to medium-cost housing. Additional funding was provided by SINPF and the Asian Development Bank, as well as by funds from the sale of newly acquired properties. The HFC's lending operations came to a standstill in 1999 due to lack of funding, and in 2007 the government agreed to sell it to the NPF. Housing is a major social welfare issue in many of the Pacific islands and this sort of lending institution is often the vehicle for providing low-cost housing. The lack of capacity of countries such as Solomon Islands to manage such institutions has been a cause of the institutions' decline.

2.5.5 Investment Corporation of Solomon Islands

The ICSI began as the Government Shareholding Agency, formed in 1977 as a vehicle to facilitate government investment in major commercial undertakings. It changed its name to the Investment Corporation of Solomon Islands in 1988, but has retained its primary role.

Through the ICSI, the government has a 100 per cent shareholding in enterprises such as Solomon Airlines and Sasape Marina Ltd; it also retains shares in Solomon Islands Plantations Ltd, National Shipping Services, Solomon Telekom, Kolombangara Forest Products Ltd and Soltai Fishing. Most of these companies are loss-making, but Solomon Telekom, Kolombangara Forest Products and more recently Soltai Fishing have improved their profitability. The ICSI's source of income comes from its deposits and shares sold by CBSI.

2.6 Social situation

The provision of social services at the macro-level in Solomon Islands has always been the responsibility of the government, as in most countries. However, in contrast to the situation in developed countries, at community and village level social welfare provision is still the preserve of the traditional social system. Since the British established control over the country and its inhabitants, the provision of the public goods of health and education has been the responsibility of successive governments, while the involvement of other stakeholders, especially the churches, has been complementary. Church involvement, while important, has been limited due to lack of capacity and funding. While in the 1960s and 1970s, the two public goods that dominated this sector were education and health, other areas also came into focus during the post-independence period.

In the 1960s and 1970s the provision of government services in the social sector was hampered by impediments such as the country's geographical setting, and lack of finance and skilled workers. The situation improved throughout the 1980s and 1990s into the twenty-first century, as the government placed more emphasis on making improvements in the social sector.

2.6.1 Education

Central government has always played a prominent role in the education sector in terms of provision of resources, both financial and human. Church organisations have also played a key part in the provision of education, at both primary and secondary level. In 1969, for instance, there were 393 registered primary schools in colony, of which 17 were run by the government and local authorities with the rest run by the churches (Government of the BSIP, 1970: 87).

While education projects have consumed a substantial amount of the allocated funds in the 1960s, the accessibility of schooling has been low, both at independence in 1978 and during much of the post-independence period. In recognition of this shortcoming, successful governments throughout the period have made the provision of basic education for as many of the country's children as possible their main priority. In recent years this has been qualified to include improved access to quality basic education for all children by 2015. This is in line with the aims of the Dakar Framework of Action on Education for All (EFA), which Solomon Islands is committed to achieving.

Since the country's educational achievements are tied up with international goals we take a brief look at one of these. Achievements in the education sector are closely linked

to both the commitments made by the international movement for Education for All and the education-related Millennium Development Goals. Under the EFA initiative countries, made a commitment to achieve comprehensive early childhood education, universal primary education, promote lifelong learning, increase adult literacy, eliminate gender inequalities and improve the quality of education. Similarly, the MDGs focused on achieving universal primary education and promoting gender equality.

The achievement of both sets of commitments is interrelated. Apart from the adoption of the education MDGs, achieving all the EFA goals was critical for achieving all the MDGs because of the direct impact of education on child and reproductive health and environmental sustainability. The education MDGs cannot be achieved on their own; they depend very much on the achievement of the other MDGs such as improved health and access to clean drinking water, reductions in poverty and environmental sustainability

The basic indicators to be considered when gauging the status of education in Solomon Islands are the proportion of adults who are literate and the percentage of school-age children who attend school.

Literacy

Prior to contact with Europeans and the introduction of colonial government, Solomon Islanders had no reason to read and write and were content to merely acquire knowledge from their forefathers which would sustain them and their families in their immediate environment. With the advent of Western civilisation and the introduction of a new style of administration and commerce by the colonial government, being able to read and write increased people's ability to access resources and interact with their physical, socio-cultural and economic environment in order to improve the quality of their lives.

No data on literacy rates are available for the 1960s, 1970s and 1980s, but anecdotal evidence suggests that Solomon Islands fared poorly in this area. In the 1970 census, in order to obtain a measure of the 'literacy' ratio, respondents were asked by enumerators whether they had attended Standard 7, the highest primary school level. A total of 7,581 Solomon Islanders, or roughly 4.7 per cent of the population, had attended Standard 7, although it is important to note that the census was restricted to Melanesians and Polynesians (Government of the BSIP, 1970: 87). While this is a crude measure of the country's literacy rate, it suggests a high level of illiteracy. The literacy rate was not computed during the 1976 census, but it can be deduced from the figures for school attendance. The attendance figure corresponds to 5.5 per cent, which can be taken as the literacy rate. The figures show that in the five years after the 1970 census, the improvement in the literacy rate was negligible.

The 1980s brought no major improvement in terms of the literacy rate in percentage terms, particularly as the population growth rate was very high. From the 1986 census, it has been computed that 9,627 people aged ten years and over attended Standard 6 up to university level. This corresponds to 3.4 per cent of the population who could read and write. While this figure does not give a totally accurate picture of the country's literacy rate, it does give a crude indication of literacy. On the basis of this figure, it appears that the situation had not improved substantially by this date, which

is understandable given that Cyclone *Namu* occurred during the census year and a large number of students dropped out due to lack of facilities or lack of finance to sustain them through the school year.

Literacy levels were only computed systematically from the 1990s. The sources of information on the country's literacy level in the 1990s are the 1991 Survey of Literacy and Language (Solomon Islands Literacy Committee, 1992) and the Pacific Human Development Report 1999 (UNDP, 1999). Another source of information from the 1999 census has been discounted, since the measure obtained was not based on sound methodologies, but reflected self-reported literacy, which may be biased, as those who are illiterate may be too embarrassed to admit that they cannot read or write. On the basis of the 1991 survey, 38 per cent of the total adult population was considered to be literate, a significant increase on the previous survey. According to the Pacific Human Development Report 1999, the literacy rate for Solomon Islands for 1998, using the same method as before, decreased to 30.3 per cent. These figures compare poorly with those for other Pacific island countries. In the Pacific Human Development Report 1999, Solomon Islands' literacy rate of 30.3 per cent was seen as poor, since it was only just above that of Papua New Guinea, which at 28.2 per cent has the lowest literary rate in the region. It was markedly lower than that achieved by the many Pacific island countries with literacy rates approaching 100 per cent, including Niue and Tonga, which had rates of 97 per cent and 99 per cent respectively (UNDP, 1999: 13). The literacy level for Solomon Islands improved to 43.8 per cent in 2004 (Government of Solomon Islands, 2005a: 30). This figure, however, should be treated with caution, given that it is based on pupils who have reached Standard 6 and not on the whole adult population.

One of the main reasons why the literacy rate has remained low is that the provision of education facilities and school places has not kept up with population growth and the increase in the number of school-age children. According to Narsey (2009), Solomon Islands, Vanuatu and Papua New Guinea will face 15, 13 and 12 per cent growth in potential demand for primary school places (see Table 2.2 below). Solomon Islands will need to provide places for an extra 21 per cent of secondary school age children. As a result, the country will need an extra 412 primary and 366 secondary school teachers if it is to provide school places for every school-age child. In addition to more teachers, the country will need an additional 41 primary and 23 secondary schools.

In the latest Solomon Islands Education Experience and Literacy Survey by the Asia South Pacific Bureau of Adult Education (ASPBAE) and Coalition on Education Solomon Islands (COESI), more light was shed on the latest situation regarding literacy. In a survey conducted using a sample of 2,301 persons at two different locations, it was found that only 17 per cent of the respondents were literate, 42.7 per cent were semi-literate and 40.2 per cent were non-literate (ASPBAE, 2007:10). This is a massive drop from the literacy rates indicated previously and should be a cause for alarm for both government and stakeholders. While the effort made in the survey is commendable, it would be of interest to see the result produced by a wider survey, and this should therefore be conducted in the near future.

Table 2.2 Expected growth of school-age population, 2009–2015 (percentage change)

Age group	Fiji	New Caledonia	Vanuatu	Solomon Islands	Papua New Guinea
Primary 6–13 years old	–2	–4	13	15	12
Secondary 14–17 years old	2	–4	1	21	11
Tertiary places 18–21 years old	10	3	8	13	12
Total population	4	9	16	16	14

Source: Narsey (2009)

School enrolment and attendance

A priority that Solomon Islands shares with most developing countries is the need to increase the proportion of children who attend school. Solomon Islands is committed to achieving universal primary education by 2015 under the EFA and Millennium Development Goals, but this was an elusive goal during the period under review. School attendance in the 1960s and 1970s was low, as a result of the lack of schools and qualified teachers.

The 1986 census reported that 34,837 students between the ages of 0 and 24 years attended primary school; the total number of children and young people in this age group was 208,425. The real figure might be slightly lower, since this includes 25–29 year olds, but it is not too far off. Only 16.7 per cent of this age group attended primary school, and 83.3 per cent did not attend.

The 1999 census provides more recent information on school attendance for 5–29 year olds, although it is more appropriate to focus on the 5–19 year old age group, from pre-school to the end of secondary school. Fifty-five per cent of this age group were reported as attending school, 43 per cent did not attend school and the remaining 2 per cent did not indicate school attendance. This was an improvement on the 1986 census and was due to the inclusion of pre-schools in the education system and to the increase in the number of primary and secondary schools. While pre-schools did not exist in 1986, in 1999 the total number of pre-school students stood at 11,041. The improvement in attendance can also be attributed to the coming on stream of community high schools (CHS). In 1986 there were no CHS but by 2003 there were 237 (Government of Solomon Islands, 2004a: 12). The general improvement in school attendance was also reflected in the narrowing of the gender gap in enrolment.

The new millennium heralded an expansion in the education system with an increase in the number of schools built at the early childhood education (ECE) level, as shown in Table 2.3.

The new millennium also saw a general growth in the enrolment of students at all levels. Enrolment at primary level increased from 21,086 in 1970 to 94,345 in 2005. Enrolment at secondary level also saw a general increase in student numbers from 1,701 in 1976 to 25,037 in 2005. After the introduction of pre-schools, enrolment rose marginally from 11,041 in 1999 to 11,225 in 2005. This represents around 28 per

Table 2.3 Number of schools in Solomon Islands by type, 2003–2005

School type	2003	2004	2005	% change 2004/ 2005
ECE	237	289	316	9.3
Primary schools	582	547	537	–1.8
CHS	102	105	111	5.7
Provincial secondary schools (PSS)	16	15	15	0.0
National secondary schools (NSS)	10	10	10	0.0
TOTAL	947	966	989	13.2

Source: Government of Solomon Islands (2005a)

cent of all 3–5 year olds, estimated at 40,639 for 2005 (Government of Solomon Islands, 2007). The enrolment represents just over a quarter of children in this age group and although significant should be treated with caution since it also includes over-age pupils.

The gross enrolment ratio (GER) measures the number of pupils enrolled in a given level of education, regardless of age, expressed as a percentage of the population in the relevant age group. The net enrolment ratio (NER) is a measure of the number of pupils enrolled in a given level of education expressed as a percentage of the total population in that age group. In 2004, the GER was 68 per cent for primary school pupils and 17 per cent for secondary school pupils. This indicates that some students who are not in the age group have enrolled in pre-schools, perhaps because they were unable to access places in primary school. It also shows that a large number of children in the appropriate age group do not attend pre-schools. This may also indicate that the number of spaces available at pre-school level is not sufficient for the population. In addition, those that do attend primary school are not able to carry on to secondary school.

At this stage, the country's aspiration to achieve the EFA goals and education-related MDGs of universal primary education and the improvement and expansion of pre-schools has yet to be realised. The NER showed a marked improvement from 39 to 56 per cent for the two census periods, and rose significantly to 80.7 per cent as reported in the *Digest of Education Statistics 2005* (Government of Solomon Islands, 2005a). Universal primary education is still elusive, but the enrolment statistics indicate that the country is making progress towards it.

Secondary school enrolment, measured by the GER, has been unsatisfactory. The GER fell from 31 to 30 per cent between 2003 and 2004. The NER also fell by 1 per cent from 20 to 19 per cent in the same period (Government of Solomon Islands, 2005a: 24). This implies that the majority of students in the secondary school age group do not attend secondary school because there are not enough places for those leaving Standard 6.

Table 2.4 Pre-school and primary school students growth projections in Solomon Islands, 2007–2010

Year	2007	2008	2009	2010
Projected pre-school population, ages 3–5 ^a	40,568	41,360	42,050	43,157
Projected primary school population, ages 6–12 Scenario 1 ^a	88,789	89,793	91,737	91,751
Enrolment projections Scenario 2 ^b	99,670	102,461	105,330	108,279

^aBased on 1999 census

^bBased on actual enrolment in 2005, calculated on a straight line increase of 2.8 per cent annual growth. Original data in source scenario 2 not used due to an error found in the calculation of enrolment figures for 2005.

Source: Government of Solomon Islands (2007)

Non-attendance

Despite the fact that it has received considerable attention in policy-making, Solomon Islands has not been able to provide universal education and this is reflected in indicators such as children's non-attendance at school. There are various reasons for children not attending school, but the key factors are financial and cultural constraints.

In the pre-independence period, the lack of funds to pay school fees and other related school expenses, together with the low value accorded to school attendance by cultural attitudes, partly explained why a relatively large number of Solomon Islanders did not attend school. In the post-independence period, there was little change. While parents realised the importance of education, as more people had access to employment opportunities in the public sector, many of them lacked the means to send their children to school.

Data obtained from the 1976, 1986 and 1999 censuses have been used because they provide a realistic snapshot of the periods in which they were conducted. Table 2.5 shows a big increase in the number of children and young people aged 10 years and over who were not attending school on census day – from 105,687 in 1976 to 221,968 in 1999. Most of these may have already completed their education, but some were temporarily out of school and hoped to resume their studies in the future.

In the two latest censuses, for 1986 and 1999, the largest group of non-attendees was made up of pupils who had had some years of primary education. The second largest group was those without any formal education. For the 1976 census, the opposite was true: the largest group of non-attendees was made up of those without any education and the second largest group was students who had some years of primary education. The other groups, such as students with some senior secondary, vocational or tertiary education, were smaller. Furthermore, the census results highlight a change in educational level in the inter-census period. According to the 1976 census, which is representative of the inter-census period 1966–1976, the majority (around 51%) of people aged 10 years and over did not attend an educational institution. The dominance of this group fell in the inter-census periods 1976–1986 and 1986–1999 to 40 per cent and 27 per cent respectively. This decrease was compensated for by an

Table 2.5 Solomon Islands: Distribution of population aged 10 years and older not attending any educational institution, by census year and by highest level of education obtained

Highest level of enrolment	Census year						Percentage	
	1976		1986		1999		Increase	
	Number	%	Number	%	Number	%	76–86	86–99
Total	105,687	100.0	157,888	100.0	221,968	100.0	49.4	40.6
No education ^a	53,640	50.8	62,761	39.8	60,330	27.2	17.0	–3.9
Standards 1–6	47,589	45.0	78,991	50.0	122,607	55.2	66.0	55.2
Forms 1–3 ^b	2,289	2.2	10,788	6.8	21,449	9.7	371.3	98.8
Forms 4–6 ^b	1,413	1.3	3,554	2.3	6,931	3.1	151.5	95.0
Vocational	268	0.3	599	0.4	2,127	1.0	123.5	255.1
Tertiary ^c	488	0.5	1,195	0.8	8,524	3.8	144.9	613.3

^aIncludes pre-school in 1999

^b1976 census forms 1–2 and 3–6, respectively

^cUniversity only included in 1976 and 1986

Source: Government of Solomon Islands (2002c), p. 70

increase in non-attendance at secondary and higher education institutions. The change in education level was to be expected, given the expansion of the education system over these two periods. The number of those who have no education can be expected to fall further as access to education improves in the future.

2.6.2 Health

The health of a nation is important because it provides the base for a productive society. For developing countries such as Solomon Islands, the health sector has been an Achilles heel, and health services have yet to be fully developed. This is attributable to lack of funding and lack of adequate trained human resources. The lack of funding has also translated into a shortage of health facilities throughout the country. This section will focus on health indicators such as infant mortality and life expectancy.

The government focus from the 1960s through to the 1970s was on developing preventive medicine, with an emphasis on eradicating communicable diseases such as malaria and tuberculosis. The government also concentrated on the provision of health services in the rural areas, given the fact that this was where the majority of the population lived. However, the delivery of health services throughout the country was hampered by poor communications, lack of trained medical personnel and the competition for resources from other sectors of the economy.

In the early 1970s, the number of doctors needed was estimated at 375, but only 211 were in post and the situation looked dire, with a ratio of doctors to population of 1:6,000 (Government of the BSIP, 1974: 166). In the 1971–1973 period, the priority in the development plans was on income-producing sectors of the economy, which precluded a major expansion of health services (Government of the BSIP, 1970: 159).

In the 1980s, government priorities changed and there was an attempt to improve the coverage of basic health services in the rural areas. The country's health sector comprises curative services, accessed by a hospital referral, provincial hospitals, a mental health hospital and specialist services offered in the urban areas, especially in Honiara. Primary health care is provided through health centres, clinics and aid posts in the rural areas. While medical facilities in the urban areas are staffed by nurses and doctors, rural medical facilities are staffed by nurses and nurse aides.

Mortality

As a health indicator, the focus on mortality will consider both infant and adult mortality. Data on mortality are an area of concern, since in most instances the death rate is understated. Data on health outcomes are unreliable. For example, in cases where patients have acute diseases such as cancer, and where the chance of survival is very small, patients usually discharge themselves to return to their homes in the provinces and their deaths are not reported to the hospital authorities, with the result that statistics are not updated.

Infant mortality

Infant mortality is ascertained from the responses of women aged between 15 and 50 years to questions about the number of children they have given birth to and how many have died before the age of one year. The result is shown in Table 2.6, where the proportion of dead children as reported in the four recent censuses is expressed as the number of deaths of infants per 1,000 live births. The table shows a decline in mortality in the last 30 years for babies born to women of all ages. The fall in mortality between 1970 and 1999 was almost 75 per cent. The data for the 20–24 age group show that the infant mortality rate (IMR) fell from 87 per 1,000 in 1970 to 40 in 1986 and 28 in 1999 (Government of Solomon Islands, 1999: 91).

The infant mortality rate for Solomon Islands for the period 2000–2005 was 21 deaths per 1,000 live births; this compares quite favourably with the figures of 24 and 55 for Oceania and the rest of the world, respectively (World Resources Institute). The data were compiled by the Population Division of the UN Secretariat. They showed that the IMR in Solomon Islands fell over the last 17 years from a high of 96 per 1,000 live births in 1989 to a low of 21 in 2005. This is a significant reduction and it may be due to the improved delivery of services and a focus on primary health care that affects the majority of Solomon Islanders, especially women of child-bearing age.

Life expectancy

Life expectancy has shown a slight improvement over the years. While the 1986 census reported an average life expectancy of 60.1 for the 1980–1984 period, this rose to 61.1 in 1999. Life expectancy for women was higher than that for men. In the 1980–1984 period, the rate was 59.9 for men and 61.4 for women. In 1999, life expectancy for women rose to 61.6 as against 60.6 for men. In general, life expectancy improved during the 1980s and 1990s.

Health infrastructure

Health facilities are provided at three different levels. They range from aid posts to the national hospital (Table 2.8). The aid posts are the first contact point for the health care system. They offer only basic medical services, which are delivered by paramedics.

Table 2.6 Solomon Islands: Number of deaths of infants per 1,000 live births, born to women in various age groups

Age group	1970 ^a	1976 ^b	1986	1999 ^c
15–19	69	57	33	22
20–24	87	62	40	28
25–29	115	80	44	31
30–34	145	109	52	35
35–39	173	142	65	42
40–44	213	167	90	46
45–49	241	221	124	56

^aMelanesians and Polynesians only

^bMelanesians, Polynesians, Kiribati and Chinese only

^cTotal population

Source: Government of Solomon Islands (1999)

As is the case in other Pacific island countries, the health facilities have a pyramidal structure, with the national hospital at the apex and aid posts at the bottom.

As indicated in Table 2.8, health facilities in the country have not expanded over the ten-year period from 1997 to 2007. The number of aid posts, clinics and hospitals remained unchanged. The only change occurred in 2008, when the number of hospitals increased by one with the building of Good Samaritan Hospital in Guadalcanal Province.

The National Referral Hospital provides more specialist services, as indicated by the type of beds on offer. The level of service offered is very high and is provided by specialists, general practitioners, nurses and paramedics. The two provincial hospitals of Gizo and Kilu'ufi are next in line in the services they offer, while Buala, Kirakira and Lata Hospitals offer less specialist services. The lack of data for the other two smaller government hospitals at Taro and Tulagi, and for the two church-run hospitals, means that the picture is incomplete.

Table 2.7 Infant mortality rate for Solomon Islands, 1999–2005

Year	Infant mortality rate
2005	21
2004	21
2003	21
2002	21
2001	21
2000	21
1999	66

Source: Government of Solomon Islands (2002c)

Table 2.8 Health facilities in Solomon Islands, 1997–2008

Year	Hospital	Clinics	Aid posts
2008	9	146	158
2007	8	146	158
2006	8	146	158
2005	8	146	158
2004	8	146	158
2003	8	146	158
2002	8	146	158
2001	8	146	158
2000	8	146	158
1999	8	146	158
1998	8	146	158
1997	8	146	158

Source: Government of Solomon Islands (2009)

While the provincial health facilities may not offer specialist services, they do provide the primary health care (PHC) service on which much of the rural population depends. It has been estimated that around 30 per cent of the country's population depends entirely on PHC services (Government of Solomon Islands, 1999: 22). This has implications for the country's priorities in terms of where it should focus future funding. In fact, the government has now acknowledged this, with 56 per cent of the health budget allocated to provincial health services, while the other 44 per cent is spent on maintaining and strengthening national health functions in support of the provincial services.

There is a need to expand health facilities in order to cater for the growing population. The population was projected to grow from the 1999 census total of 409,042, but there has been no expansion of health provision. The need for new health facilities has been further demonstrated by health indicators such as the fertility rate, and crude birth and death rates.

2.6.3 Poverty

Poverty in Solomon Islands is less visible than in many parts of the world, but this should not be allowed to conceal the fact that there are groups and individuals within the country who are disadvantaged compared to others. There is no recent adequate analysis of this.

Evidence from household income and expenditure surveys in the early 1990s shows that income was disproportionately shared among the population. This is more pronounced in the urban centres, where 1 per cent of households account for 50 per cent of total earnings (UNDP, 1999: 17). Table 2.9 shows that there was no marked improvement in income equality in the new millennium.

A broad measure of inequality is shown through the Gini coefficient, which measures the concentration of income and expenditure. The Gini coefficient equals 0 if income

Table 2.9 Solomon Islands: Gini coefficient for total annual expenditure, urban and rural areas

Solomon Islands	Urban	Rural
0.361	0.286	0.316

Source: Government of Solomon Islands (2006)

is distributed equally: if all the income accrues to one person and all the others have no income, the Gini coefficient equals 1. Table 2.9 shows that the Gini coefficient for Solomon Islands is 0.361, and that it is 0.286 and 0.316 in the urban and rural areas respectively. This indicates that there is wide income inequality and that inequality is higher in rural than in urban areas. Although household income surveys are intended to measure income inequality, this is difficult to do, given that most people do not earn much of their livelihood in cash, but derive it from semi-subsistence production, to which it is difficult to assign a monetary value. Consequently, the Human Poverty Index (HPI) was developed, which includes various other measures of deprivation.

According to the Pacific Human Development Report (UNDP, 1999), Solomon Islands' HPI rating indicates a poor performance compared to most Pacific island countries. Solomon Islands' HPI rating was 49.1, one of the lowest in the region, along with its two Melanesian neighbours, Vanuatu and Papua New Guinea, which have scores of 46.6 and 52.2 respectively (UNDP, 1999: 18). This was poor compared to Pacific island countries such as Niue, Tonga and Cook Islands, which have HPIs of

Table 2.10 HDI and HPI indicators for Pacific island countries

HDI Country	1980s	HPI			
		1998	Rank	1998	Rank
Palau	0.635	0.861	1	108	8
Cook Islands	–	0.822	2	6.1	3
Niue	–	0.774	3	4.8	1
Fiji	–	0.667	4	8.5	6
Nauru	–	0.663	5	12.1	9
Tonga	–	0.647	6	5.9	2
Samoa	–	0.590	7	8.6	7
Tuvalu	0.495	0.583	8	7.3	4
Federated States of Micronesia	–	0.569	9	26.7	12
Marshall Islands	–	0.563	10	19.5	11
Kiribati	0.279	0.515	11	12.6	10
Vanuatu	–	0.425	12	46.6	13
Solomon Islands	0.179	0.371	13	49.1	14
Papua New Guinea	0.224	0.314	14	52.2	15
Tokelau	n.a	n.a	n.a	7.6	5

Source: UNDP (1999)

4.8, 5.9 and 6.1 respectively (UNDP, 1999:18). The low scores for the latter indicate that they have low levels of poverty, whereas Solomon Islands' score indicates that poverty is widespread. In some quarters, poverty in the country is regarded as very serious, worse than in many Asian countries, including Bangladesh (Tisdell, 2000: 74)

Since Solomon Islands has made a commitment to achieve the MDGs, these provide targets against which its progress can be measured. The relevant MDG is the commitment to eradicate extreme poverty and hunger. The first target is to halve the proportion of people whose income is less than \$US1 a day between 1990 and 2015.

2.6.4 Crime

As shown in Table 2.11, the crime rate in Solomon Islands has been increasing, and trends in the 1990s show that crime is a serious social problem. The ethnic crisis has added to lawlessness, especially in the urban areas.

2.6.5 Labour force

The country's employment figures have been affected by the population growth rate. The population grew from 160,998 in 1970 to 409,042 in 1999, and the 1970–1986 and 1986–1999 inter-census growth rates were 3.5 per cent and 2.8 per cent respectively. The increase in population has also influenced the age structure of the population. The economically active population of those over 14 years of age is an important grouping for planners because this is the group from which the country's labour force is drawn.

In the 1960s, the economy was still in its infancy, with the primary sector as the centre of economic activity and the main source of jobs. As more investors put capital into the other sectors of the economy, prior to and post-independence, the overall number of job opportunities increased.

Table 2.11 Cases of crime recorded by the police, 1981–1992

Year	No. of cases
1981	2,918
1982	3,044
1983	2,804
1984	2,821
1985	3,286
1986	5,219
1987	5,995
1988	3,577
1989	3,604
1990	4,773
1991	4,571
1992	4,711

Source: Government of Solomon Islands (1995): 139

Formal employment as indicated in Table 2.12 represents jobs created in the monetised sector. Employment has grown every year since 1960, except in 1968, 1987, 1995 and 1997. Data are not available for the 1999–2006 period, but it is expected that due to the closure of major companies as a result of the crisis, employment figures for the three years from 1999 will show a reduction in the number of those employed.

The primary sector, comprising agriculture, forestry and fishing, has been the major employer of the country's workforce, as indicated in Tables 2.12 and 2.13. In 1960, more than half of all employment was created in the primary sector and despite subsequent decline this was still substantial relative to the other sectors, accounting for 21 per cent of employment in 1998. While the contribution of the public sector to total employment has been significant throughout the period, most employment was created in the private sector. Another point of interest is that some of the jobs in existence in the period 1960–1970 reflect the level of development. For example, domestic workers formed a significant proportion of the workforce during this period. This demonstrates that there were few employment opportunities in other sectors and also that the output of the education sector was still very low.

The total working age population in the 1976, 1986 and 1999 censuses was 100,891, 156,327 and 249,168 respectively. Of these 21,454 in 1976, 133,498 in 1986 and 218,695 in 1999 were economically active. However, only 13,690, 24,026 and 39,761 were formally employed in the three census years, so those employed in the formal sector represent only a small percentage of the economically active group. It also showed a far smaller representation of the total workforce with 14 per cent, 15 per cent and 16 per cent employed in the formal sector in the three years. This is worrying, as it shows that a large segment of the total workforce, who should be contributing to the country's economic growth, was not utilised. Figures released from the 1976, 1986 and 1999 censuses, as indicated in Table 2.14, show that a sizeable portion of the population was not in paid work. This is a reasonable proxy for unemployment in the period under review. Ironically, figures for the 1970 census indicate that only around 28 per cent were not in paid work; the 1999 census showed that around 40 per cent of the population were in paid work.

To address this, government should put in place measures to encourage investment in the private sector that would generate more employment opportunities for the increasing number of Solomon Islanders who leave the education system every year. There is a need to increase job opportunities in line with population growth; although this fell to 2.8 per cent in 1999, it was still high in comparison with that of other countries.

Economic stagnation during the late 1990s and 2000s led to serious under-employment and unemployment, accounting for more than 40 per cent of the male population. In 2007, for example, the working age population was 307,800. Of these, only 57,472 (17.6%) were in formal sector employment and about 250,328 (81.3%) were under-employed or unemployed. The National Youth Policy (NYP) estimated that the number of youth drop-outs was as high as 60,000 (15%). The high rate of unemployment among young people translates into serious social problems such as

Table 2.12 Employment in Solomon Islands, 1960–1987

Sector	1960	1967	1968	1969	1970	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Agriculture	3,047	2,281	2,406	2,325	2,245	3,657	3,848	4,270	4,350	4,136	4,697	4,961	5,229	5,176	3,879
Forestry	2,281	550	911	928	914	1,603	1,537	1,677	1,586	1,774	1,540	1,534	1,570	1,973	1,448
Fishing		3			23	575	648	886	878	831	824	1,118	1,240	1,262	1,281
Mining and explorations		78	121	65	214	1,121	1,984	2,082	1,807	1,832	1,798	1,753	77	101	87
Manufacturing		608	729	817	746								1,738	1,771	2,170
Electricity and water	485			99	95	211	220	254	244	301	386	323	315	328	307
Construction	312	670	906	1,056	754								1,466	1,385	1,084
Retail and wholesale													2,566	2,491	2,699
Transport and telecoms		754	890	610	720	1,477	1,450	1,439	1,753	1,418	1,933	1,882			
Finance						222	241	303	352	444	499	537	525	604	693
Public administration	2,167	3,809	3,859	4,288	4,102	2,622	2,545	4,027	2,219	4,273	2,207	2,224	2,353	2,345	3,556
Trade and commerce		623	698	628	580	1,863	1,911	1,863	2,139	2,178	2,115	2,285	2,149	1,888	1,251
Domestic servants	2,189	750	780	800	800										
Other services		1,964	1,236	1,461	2,497	3,079	3,202	3,222	3,522	3,772	4,110	4,192	4,768	4,702	5,338
Total	8,408	12,090	10,536	13,077	13,690	16,214	17,560	18,541	18,606	19,307	20,081	19,056	23,996	24,026	23,793

Table 2.13 Employment in Solomon Islands, 1988–1998

Sector	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Agriculture	4,105	4,220	3,928	3,877	4,097	3,330	3,523	4,157	4,093	3,809	3,356
Forestry	1,643	1,906	2,159	2,356	1,161	2,376	3,399	4,040	3,313	2,709	2,658
Fishing	1,218	1,405	1,449	1,471	1,097	2,400	2,623	2,623	2,844	2,579	1,412
Mining and explorations								32	38	62	1,412
Manufacturing	2,312	2,286	2,285	2,113	2,040	2,844	3,766	1,417	1,612	1,665	4,348
Electricity and water	297	296	294	341	386	245	307	631	703	650	387
Construction	1,240	1,355	1,384	1,071	1,109	977	907	1,474	1,925	1,638	1,187
Retail and wholesale	2,396	2,714	2,637	2,849	3,201	3,390	3,732	3,921	4,066	3,844	4,641
Transport and telecoms	1,477	1,450	1,348	1,580	1,418	1,723	1,852	1,427	1,972	1,777	1,878
Finance	699	755	866	781	1,195	1,144	1,131	1,291	1,422	1,602	1,183
Public administration	3,367	3,164	4,027	3,290	4,273	4,303	4,377	6,244	6,198	1,016	4,261
Other services	6,091	5,887	5,745	6,902	6,865	6,845	7,792	4,080	8,567	5,057	8,750
Total	24,845	25,438	26,122	26,631	26,842	29,577	33,409	31,536	36,846	26,408	34,061

Notes to Tables 2.12 and 2.13:

Transport and domestic service applicable in 1960–1970 and for the former, also in 1978–1984

Transport data include data for 'seamen' for 1960–1970

Other services data include data included under 'miscellaneous' for 1967–1970

Data for mining and manufacturing are combined for 1978–1984

Source for Tables 2.12 and 2.13: Government of Solomon Islands (1988); Government of BSIP (1970); 1994: Central Bank of Solomon Islands (1999); 1995–1998: Central Bank of Solomon Islands (2000)

Table 2.14 Solomon Islands: Non-working population, 14 years old and over

Category	1976		1986		1999	
	Total population	%	Total population	%	Total population	%
Not in paid work						
Male	34,898	17.7	51,916	18.2	68,650	16.8
Female	44,524	56.0	65,417	22.9	92,410	22.6
Not stated						
Male	7	0.004	264	0.09	163	0.04
Female	8	0.004	586	0.5	214	0.05
Total not active in paid work	79,437	27.9	118,183	41.4	161,437	39.5

Source: Government of Solomon Islands (2002c); Government of Solomon Islands (1989); Government of Solomon Islands (1976)

crime. In addition, the high rate of urbanisation as a result of declining rural opportunities has created new social problems in the urban areas.

2.7 Social policies

The development of the country's social policies cannot be isolated from other developments. The focus on economic development through trade, exploitation of natural resources and building human resources consumed much of the government's efforts during the period. This is not dissimilar from other small developing countries with a protracted colonial past. In terms of social policies Solomon Islands, like many other small developing states, has concentrated on education and health as major priorities, with some attention being given to the housing sector. In Solomon Islands, trade unions and NGOs were not prominent in promoting social service provision, and therefore demand-driven development of social services was largely absent.

The development of social services reflected the low level of economic development of the country at that point in time and the problems associated with population growth. The quantity and quality of the services provided in the 1960s and 1970s, for instance, was very different from those provided in the 1980s and the following period. In the 1980s, GDP growth rates, although they fluctuated, showed an upwards trend, and the country developed its natural resources, including timber and fisheries, for export. In the pre-independence period, the quality of services and their impact were hampered by lack of skilled manpower and infrastructure. While these impediments were still prevalent during the post-independence period, improvements were made and therefore the social services provided were of a higher quality and had far-reaching coverage.

The provision of social services has always been the responsibility of government. The churches have also played an important social role, but the extent of the services they have provided has been limited by financial constraints. This has enabled the government to shape the quality and breadth of social provision, although this has remained low. The government has played a pivotal role in shaping the country's

social sector through the policies it has developed and implemented over the years. These policies can be viewed from three points of view. First, in the early part of the period under review, government policy was designed to address shortcomings in the social sector. Second, government policy was in reaction to donor agencies. Third, government policy in the early years of the twenty-first century can be seen as the outcome of a major crisis.

In the Fifth Development Plan (1968–1970), the main focus of the government’s social policy was to develop the country’s natural and human resources with the objective of strengthening the economy in order to bring about a higher standard of living for all sections of the community. The Sixth Development Plan (1971–1973) had no overall policy as such, but its objective in the education sector was to develop a national integrated education system at both primary and secondary level in which all stakeholders participated. Its social and political objective was to achieve a significant reduction of income inequalities between social groups and between urban and rural areas.

The 1985–1989 NDP was based on the strategy of a balanced approach to development. It recognised that economic development is not an end in itself, but a means of improving the well-being of the people and the nation. The government’s social policy during the 1985–1989 period extended the focus of the previous plans on social services. In the 1990s, declining levels of economic growth put a further strain on the government’s budget for social services. However, the emphasis continued to be on basic needs for goods and services and on approaches that facilitated the equitable distribution of national wealth and national unity. The social policy framework aimed to ensure that food, nutrition and housing needs were met; to provide more education facilities and better health and other social services; to reduce the socio-economic gap between social groups and geographical areas; and to promote social harmony and unity.

In the 2000–2002 period, the government developed the Peace Plan 2000. This was a pragmatic plan to restore normalcy to the country. Policy objectives as outlined by the Sogavare Government were to promote equitable distribution of the benefits of development and improve the social conditions of families, especially in the rural areas. The National Economic Recovery, Reform and Development Plan 2003–2006 was also a pragmatic plan. Its focus was on rebuilding the economy and country after the destruction brought about during the period of ethnic unrest. Broad social policy was therefore to restore basic social services in health and education.

Solomon Islands has a progressive income tax structure, with those on the lower income levels paying a lower percentage. The four income brackets for taxation are:

SI\$1–15 000	11%
SI\$15,000–30,000	SI\$1,650 + 23% of excess
SI\$30,000–\$60,000	SI\$5,100 + 35% of excess
SI\$60,000 and over	SI\$15,600 + 40% of excess

Solomon Islands also has a goods tax, an element which tends to be more regressive. However, a higher sales tax (15%) applies to imported goods, which include most luxury goods, compared to local manufactured goods (10%) and an even lower tax (5%) on rice, which is a staple food of low-income earners and rural dwellers. This has a progressive effect since it has shifted the tax burden towards high-end consumption and decreased the tax burden on the low end. The government could make the goods tax more progressive by zero rating certain goods, regardless of whether they are imported or manufactured locally. In the Solomon Islands situation, the effect of the sales tax is far-reaching, given that 80 per cent of the population who live in the rural areas are subsistence farmers with no regular wage, but still have to pay the sales tax since it is charged on all goods and services.

2.7.1 Education

Education has been a priority area for successive governments and this is reflected in government expenditure as shown in Table 2.15. Data for government expenditure are based on the annual budget allocation. Government expenditure during the 1975–1981 and 1991–2001 periods averaged around SI\$2.6 and SI\$62.6 million respectively. This was 15.3 and 18 per cent of total government expenditure. Government expenditure on education was similar to that in other Pacific island countries. Table 2.15 shows that government spending on education saw a dramatic increase between the two periods from an average of SI\$2.3 million to a massive SI\$62.6 million. As a percentage of total government expenditure, however, it only increased by 15 per cent.

It increased markedly in 2005, where as a percentage of total government expenditure, expenditure on education rose to 25.97 per cent (Government of Solomon Islands, 2004a: 39). While government expenditure on education reflects a generous budget allocation, it has been pointed out that it has been skewed towards the upper and post-secondary school levels and therefore has not achieved the outcomes warranted by such expenditure (Asian Development Bank, 1997: 120). In 1999, 20 per cent of operating costs in the recurrent budget was allocated to primary education, compared to 20 per cent for secondary education and 70 per cent for tertiary education (Government of Solomon Islands, 2002: 54).

Table 2.16 shows drastic changes in the distribution of the total education budget for 2004. While in the previous decade more funds were allocated to the upper and post-secondary levels, the emphasis was more on basic education.

2.7.2 Health

The focus here is on public health expenditure and does not take into account expenditure on private health care. Public health in Solomon Islands has always been funded by the government, as is the case in all Pacific island countries, and this funding is supplemented by international aid.

Government allocation of financial resources to the health sector has always been generous, as indicated in Table 2.17. This is understandable given the importance of the sector to the well-being of its citizens and to the country's economy. However, it

Table 2.15 Government expenditure on education in Solomon Islands, 1975–2004

Year	Education budget (SI\$ million) ^a	Percentage of total expenditure	Percentage of GDP ^b
1975	1.081	11.6	1.8
1976	1.922	18.0	3.0
1977	2.393	17.0	3.7
1978	2.658	15.5	3.4
1979	3.205	14.4	3.1
1980	3.846	14.1	3.0
1981	3.053	14.3	2.4
1988	24.2	20.5	6.2
1989	22.8	16.8	4.9
1990	30.3	20.0	6.4
1991	34.2	15.1	6.6
1992	35.6	17.6	5.3
1994	46.9	18.3	4.8
1997	63.5	15.4	6.5
1998	64.3	17.2	4.5
1999	77.7	16.8	4.9
2000	70.0	23.3	4.8
2001	66.4	20.1	4.6
2002	55.6	22.2	3.6
2004	108.0		5.4

^aIncludes both recurrent and capital expenditure

^bBased on nominal GDP denominated in SI\$

Source: 1975–1978: Statistics Office (1980); 1988–1990: World Bank (1995b), p.12; 1991–2001: Government of Solomon Islands (2002), p. 88; Government of Solomon Islands (2005a)

Table 2.16 Solomon Islands: Expenditure by education sector (% of total education budget)

Sector/year	2004 (%)
Early childhood	2.8
Primary	48.0
Secondary	32.2
Tertiary	16.6
TVET	0.3
Other	0.2

Source: Government of Solomon Islands (2005a)

should be noted that the raw figures mask the allocation of resources between the centre and the provinces. A report by the Asian Development Bank (Asian Development Bank, 1998) noted that a disproportionate share of the health budget is

allocated to the central area of Honiara, mainly for hospital-based treatment, while a small proportion is allocated to the provinces, where the majority of the country's population lives. Health expenditure is similar to that in other Pacific island countries. The government has committed a fair proportion of its recurrent budget to health, although in certain years this has fallen. For example, Table 2.17 shows that health spending fell from a high of 17.3 per cent of total government expenditure in 1975 to 9.9 per cent in 2003.

2.7.3 Solomon Islands National Provident Fund

The Solomon Islands National Provident Fund (SINPF) was established in 1976 as a compulsory savings scheme for all waged and salaried workers. It imposes a compulsory levy of 12 per cent, shared between the employer and employee. While the SINPF's primary role was as a compulsory savings scheme for workers, it has now come to play a prominent role in the country's financial markets and in recent years has been a source of lending, mainly to the government and to quasi-government bodies. In June 1996, its total exposure, including loans guaranteed to provinces and direct loans to the government was SI\$149 million or 53 per cent of the fund's total assets (Asian Development Bank, 1997: 14). The social welfare emanating from such schemes only benefits a small section of the population, comprising mainly public sector employees and a small number of private sector workers. Unless the private sector grows significantly, the coverage of the SINPF will remain very small.

Table 2.17 Solomon Islands: Government expenditure on health, 1991–2001

Year	Health expenditure (SI\$ million)	Recurrent budget as percentage of total government expenditure
1975	1.607	17.3
1976	1.318	12.3
1977	1.608	11.5
1978	1.650	10.7
1979	1.941	9.5
1980	2.612	9.6
1981	3.053	8.8
1994	34.4	13.5
1997	48.8	11.8
1998	48.7	13.4
1999	53.2	11.5
2000	61.5	16.2
2001	66.9	14.9
2003	68.0	9.9

Source:

(a) 1975–1979 recurrent budget data based on Government of Solomon Islands (1980): 21

(b) 1991–1993 data based on Saad *et al.* (1996): 31

(c) 1994–2001 data based on Government of Solomon Islands (2002): 88

2.8 Other factors affecting social development

Solomon Islands is a widely dispersed country, which implies constraints to connectivity. Like many other Pacific island countries it is prone to natural disasters such as cyclones, earthquakes and tsunamis. Natural disasters have been a burden to the country in terms of costs for the repair of infrastructure, and the rehabilitation of people and cash crops. The costs associated with cyclones have been high in terms of the resources used for rehabilitation and have been a continual setback to the country's development.

2.8.1 Cyclone Namu

While a number of natural disasters have struck the country over the last 46 years, two stand out because of the devastating nature of the destruction they left behind. First, Cyclone Namu, which struck in 1986, was very costly in terms of its massive destruction of infrastructure and crops. Second, the tsunami of 2007 left a path of destruction in the country, with infrastructure and houses destroyed. It took place outside the period of this review, but its costs will run into millions when they have been fully calculated.

The Solomon Islands economy deteriorated during the 1990s due to fiscal indiscipline. The government budget deficit, for instance, rose from US\$27 million in 1990 to US\$55 million in 1991 and was estimated to be US\$71.2 million in 1997 (Government of Solomon Islands, 1998: 7). In recognition of the precarious financial situation, the government that assumed power in 1997, led by the Solomon Islands Alliance for Change, drew up a policy for economic reform. The intention of the reform programme was to restore macroeconomic stability. Unfortunately, the programme was not fully implemented because the SIAC Government was unseated after a few months in a vote of no confidence.

2.8.2 Ethnic tension

The twenty-first century also ushered in significant changes in the Pacific island countries. The pressure from development and globalisation added fuel to tensions that were already simmering beneath the surface of Solomon Islands society. Ethnic tensions exploded in 1999. This was a disaster of enormous proportions with an impact far greater than that of any of the natural disasters which had struck the country in the last 47 years. The government which assumed power during this period was another unstable coalition and its first response to the ethnic crisis was to draw up the Peace Plan.

The Peace Plan was viewed as a short-term measure to immediately address not only the ethnic and tribal crisis, but also to address the serious economic and social crisis that followed the ethnic tension. It was initiated during the ethnic crisis when stability had yet to be brought to the country and there was no semblance of normalcy. The Peace Plan has to be viewed in this context. The National Economic Recovery, Reform and Development Plan 2003–2006 was developed in response to the crisis. The situation has since returned to normalcy and the country may be on a path to

economic recovery. However, in terms of social indicators, its ranking is still one of the lowest of all the Pacific island countries.

The Australian-led Regional Assistance Mission to Solomon Islands (RAMSI) arrived in 2003 and is still in the country. The objective of this intervention was to help Solomon Islands build its economy and promote peace and stability among its diverse ethnic groups. However, despite RAMSI, the violence again erupted in the capital, Honiara, in 2006 and much of the capital was burnt down. Analysis of the role of RAMSI shows that many Solomon Islanders at local level are still suspicious of its activities and this is probably why it is creating friction between different groups in the country (Allen, 2006).

Chapter 3

Vanuatu

3.1 Introduction

The Republic of Vanuatu is an archipelago of some 80 islands roughly 2,300 km east of Australia. Prior to independence in 1980 it was colonised by France and Great Britain and administered as a condominium. It has a population of some 225,000, the majority of whom are Melanesians, and about 74 languages are spoken throughout the archipelago. The majority of the population resides in the rural areas and is mostly engaged in subsistence agriculture. Commercially, cattle, coffee, cocoa and copra are produced for the export market, which forms the mainstay of the economy, but in more recent years tourism has made great inroads as a major contributor to the country's GDP.

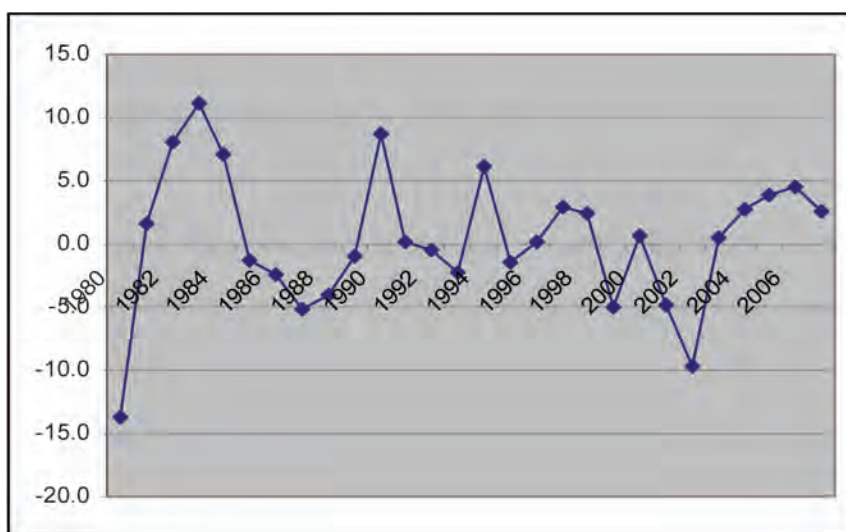
Vanuatu is classified as a lower-middle-income country, with a per capita GDP of \$1,275 (constant 2000 US\$). This is low for the Pacific region – only Kiribati, Solomon Islands and Timor-Leste have a lower GDP per capita. The data show that Vanuatu has not progressed much since 1983, when per capita GDP was \$1,240 (constant 2000 US\$), higher than that of Samoa and Tonga, which have since overtaken it. As will be discussed in more detail in later sections, according to the UNDP Human Development Report 2007/2008, Vanuatu is a medium human development country, ranked 120 out of 177 countries (UNDP, 2007).

3.2 Economic performance and general development strategies

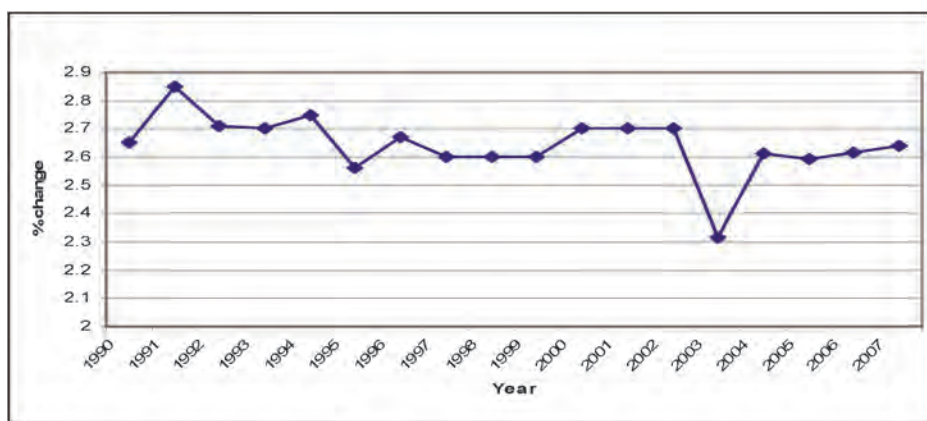
Economic growth in Vanuatu has been low and fluctuating, as shown in Figure 3.1. Average annual growth since independence has been 0.4 per cent; although this is disappointing, it is comparable to growth rates in the rest of the region. Immediately after independence, there was a marked decline in GDP per capita as a result of the civil disturbances that accompanied independence. There was a subsequent recovery, but in general each year of growth has been interspersed with a year or more of decline. The growth trajectory has been more favourable in recent years, with positive growth since 2003.

In addition to the somewhat modest economic growth, Vanuatu has experienced relatively high levels of population growth. As shown in Figure 3.2, the average population growth rate has been over 2.5 per cent, while in the same period per capita GDP has increased only modestly (Figure 3.1).

The economy of Vanuatu is predominantly rural, with around 75 per cent of the population living in rural areas, for the most part engaged in subsistence agriculture (World Bank, 2009; Asian Development Bank, 2002a). Traditionally, Vanuatu's

Figure 3.1 Growth rate of GDP per capita in Vanuatu, 1980–2006

Source: World Bank (2009)

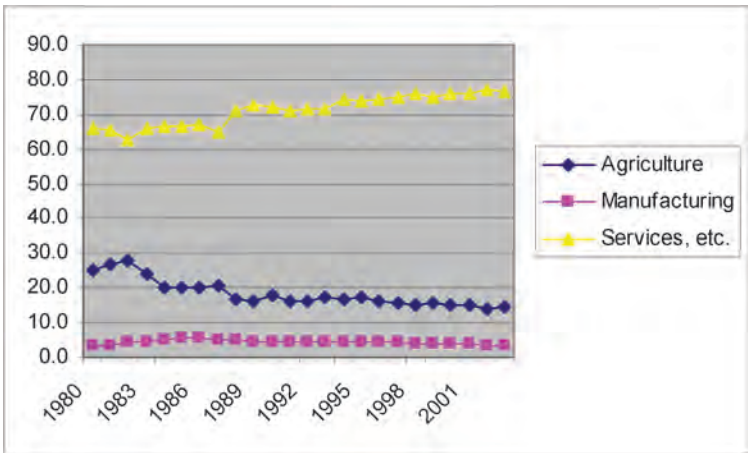
Figure 3.2 Vanuatu: Population growth rates

Source: Asian Development Bank, <http://www.adb.org/data/statistics>

economy was focused on the export of cash crops, particularly copra, as well as timber, beef and cocoa. However, tourism and the financial sector also play an important role, and this is growing in significance. Trends in the sectoral composition of Vanuatu's economy are shown in Figure 3.3. The Figure shows that the contribution of agriculture to GDP has declined, while services have become increasingly important.

Vanuatu has a very open economy measured in terms of trade as a percentage of GDP; since the early 1980s this has been above or around 100 per cent. Imports have been fairly consistently above exports, leading to a deficit on Vanuatu's current account. However, the deficit has been largely offset by official and private transfers,

Figure 3.3 Sectoral composition of Vanuatu’s economy

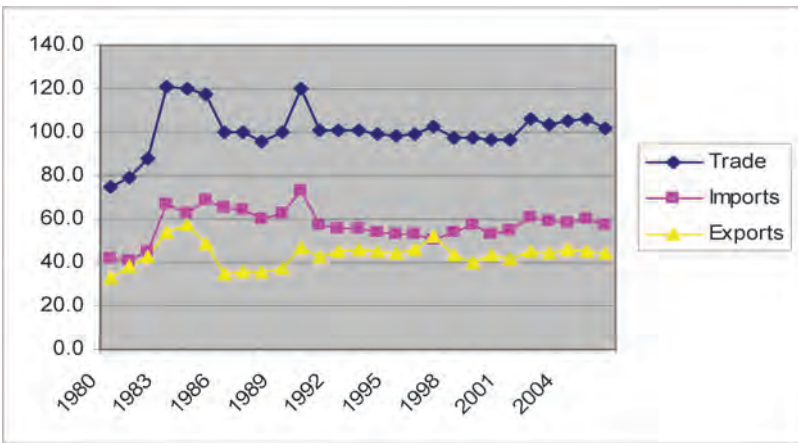


Source: World Bank (2009)

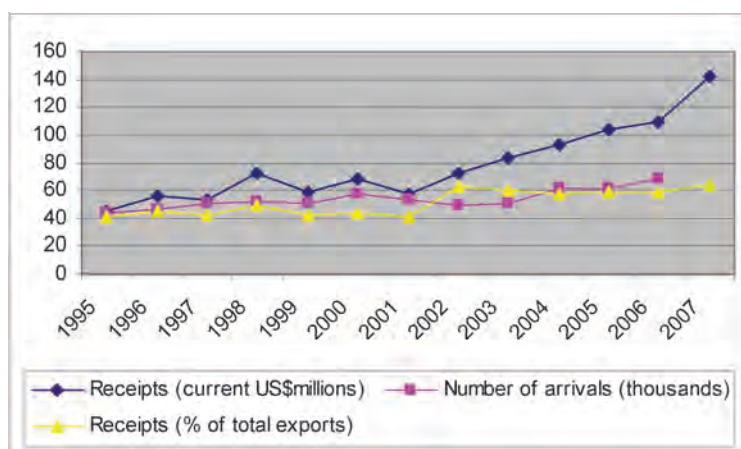
particularly the former. Aid has fallen considerably since independence: in the early 1980s, aid as a percentage of gross national income was around 40 per cent, whereas in the last few years it has been around 12 per cent. Remittances have been fairly low throughout the period (especially when compared to Samoa, where they have made up over 20 per cent of GDP in recent years) at around or less than 1 per cent. The large degree of openness and reliance on tourism and official transfers has meant that Vanuatu is highly vulnerable and dependent on external conditions.

Figure 3.5 shows trends in international tourism in Vanuatu; there has been an upwards trend in receipts, in terms of value and as a percentage of total exports, since 1995.

Figure 3.4 Vanuatu’s external economy



Source: World Bank (2009)

Figure 3.5 International tourism trends in Vanuatu

Source: World Bank (2009)

Vanuatu's colonial past is somewhat different from that of other Pacific island states in that it was governed by two countries, Great Britain and France. This meant that both colonial powers were responsible for their own administrative, judicial, health and education services, which resulted in much duplication and waste of resources. There also seemed to be a lack of interest in long-term development objectives, as each colonial power was preoccupied with short-term plans that were aimed at winning support from the local inhabitants against its rival. After independence, Vanuatu had to review the administrative structures and services developed and delivered by the two powers to avoid duplication and ensure a more efficient use of resources. Some of these issues, particularly those relating to education policy, remain and Vanuatu has to create a delicate balance, especially where language is concerned. The medium of instruction in schools is both English and French and sometimes it has not been easy for the country to adopt appropriate educational policy interventions.

The situation facing the country at independence in 1980 was grim, as the economy inherited by the new government was underdeveloped, impoverished and structurally unbalanced (Government of Vanuatu, 1981: 2). One of the major concerns was to rectify the structural problems that arose from the duplication of services, and the shortage of skilled labour, high illiteracy and poor infrastructure that resulted (Browne and Scott, 1989). The formal sector was restricted to the urban areas under foreign ownership and the non-formal smallholder subsistence sector was under-capitalised, with low productivity. Vanuatu was also heavily reliant on copra exports, which accounted for 80 per cent of its foreign exchange earnings; foreign trade made up 90 per cent of its GDP (Government of Vanuatu, 1981: 2).

The government that came to power at independence had the unenviable task of merging the two systems into a single structure. Its development strategy during the First National Development Plan (1982–1986) was to achieve economic self-reliance, to better utilise natural and human resources, and to diversify, strengthen and expand

the economic base. It pursued a policy of import substitution, in line with policy trends elsewhere in developing countries, and put heavy emphasis on developing the social infrastructure. In pursuit of its objective of self-reliance, the government aimed to earn most of its revenue from import taxes and exports. It also set out to meet a larger portion of recurrent expenditure from domestic revenue, contribute some revenue to the development budget and meet its manpower requirements from the domestic pool. Its diversification policy was implemented through the establishment of a number of resource-based projects and the expansion of the tourism infrastructure.

The country made some progress in meeting these objectives, but ultimately this led to other problems which hampered the achievement of self-reliance. First, there was an inadequate level of trained human resources in both the private and public sectors which was a hindrance in the implementation of government policies. Second, it was unable to achieve certain objectives due to the unavailability of resources, land disputes and uncertainties regarding financing. However, the country was able to achieve some major developments in the agriculture sector through initiatives such as a major cocoa and coffee project, a copra rehabilitation programme, which included support for replanting coconut trees and marketing the copra produced by the farmers, a village-based fisheries project and expansion of the tourism infrastructure (Government of Vanuatu, 1981: 3). There were positive trends in the primary sector, as revenues were boosted due to increases in prices for primary products. The country also made some progress towards fiscal independence through the replacement of budgetary aids with a comprehensive range of indirect taxes (Government of Vanuatu, 1981: 3).

During the Second National Development Plan (1987–1991), development strategy shifted to consolidating what the country had achieved under the First Plan. This was partly achieved through the development of human resources and an improvement in management, together with the development of various training institutions and implementing training programmes in both the private and public sectors. To support this strategy, the government continued to invest in the social and physical infrastructure to ensure it provided the best returns from public and private sector projects. Another of the government's broad economic policies during this period focused on investment; it encouraged investment in social and physical infrastructure.

The Third National Development Plan (1992–1996) proposed a series of initiatives in key policy areas to support the reorientation of the economy. The government formulated a national population policy that aimed to relieve pressure on land caused by population growth. In the area of primary commodities, extension services were developed to assist farmers produce crops for urban markets and for export. There was also a comprehensive review of the taxation system, with a limit on capital investment and export-oriented business concessions; exemptions of duties on raw material imports were to be phased out and the import duty rate was reduced to less than 40 per cent. In addition, a foreign investment code was adopted to promote foreign investment and a levy was imposed on a proportion of turnover for the training of ni-Vanuatu staff. Lastly, there was a review of the public services, through which public enterprises and joint ventures, particularly those in the transport sector, were to be managed on a commercial basis and privatised where appropriate. The government

discussed with development partners the possibility of using development funds for the maintenance of major infrastructure projects and considered loan finance for urban projects with cost recovery guaranteed. There was also a review of exchange rate policy.

In the 1990s, political instability and numerous changes of government delayed much-needed reform, as it was difficult to obtain consensus (Asian Development Bank, 2002a). In the early 1990s, prudent macroeconomic policies were followed, resulting in low inflation, healthy foreign reserves and low debt levels. However, in the late 1990s, severe macroeconomic problems became apparent, particularly regarding the balance of payments (Duncan and Nakagawa, 2006). In addition, many government institutions were performing badly (Gay, 2004). In general, Vanuatu's economic performance in the 1990s was unimpressive. It was plagued by low investment, and confidence was eroded by structural weakness and a history of political instability. The country had nine successive governments between 1995 and 2005. In recognition that these deep-seated issues were a hindrance to the country's progress, the government agreed that reform was necessary. The result was the Comprehensive Reform Program (CRP), which was aimed at arresting a perceived policy crisis and downturn in economic performance.

The CRP, initiated in 1997, was supported by the Asian Development Bank with US\$20 million for the reform programme (Gay, 2004: 28). It had five main objectives:

1. Renewing the institutions of governance;
2. Redefining the role of the public sector;
3. Improving public sector efficiency;
4. Encouraging the private sector to lead growth;
5. Improving social security.

These objectives were backed up by specific goals, as well as by the actions to be undertaken by the relevant ministry or department. In terms of its impact on the country, there were those who were apprehensive about its success (Chand, 2002) and those who felt the CRP was less successful but still contributed towards the reform (Gay, 2004).

Like other Pacific island countries, Vanuatu has a history of persistent trade deficits. How a country performs in international trade has implications for other economic indicators such as poverty, GDP per capita, human capital and social protection. The CRP, however, ignored Vanuatu's wider problems, for example its chronic trade deficit (Gay, 2004: 30). The deficit rose from 7 per cent of GDP in 1983 to 38 per cent in 1990 (Gay, 2004: 26). These figures reflected the country's high imports as against its exports. The trade deficit continued during the duration of the CRP programme.

The CRP could have addressed the trade deficit through measures aimed at economic volatility. Since the country is prone to natural disasters and its export base is narrow, it could have put in place measures to widen the economic base and to target other exports that were not price dependent. One of the potential improvement areas was

tourism, because of tourism's huge potential for boosting agriculture by creating a demand for food crops, but this was also ignored. Furthermore, its reform programmes, such as the sale of government assets, which was one of a number of initiatives aimed at reducing the size of government and encouraging exports, did not materialise because the necessary legislation to facilitate competition was not approved.

The CRP had no positive impact on GDP per capita and its impact on poverty, although not quantifiable, was also depressing. In addition, it had a negative impact on government revenue. Since GDP was stagnant and the country was saddled with rising population growth, GDP per capita declined. According to UNESCO, the Vanuatu government lost over Vt3.5 billion (about US\$35 million) in revenue due to the wrong sequencing of privatisation and corporatisation (Gay, 2004: 30). Therefore the fund flowing through to the rural areas for poor families was severely affected and this may have had repercussions on the alleviation of rural poverty.

One of the reasons for its apparent lack positive impact can be attributed to the way in which the CRP was originally devised. It was not carried through in a sequence which would have put in place a series of measures such as cutting start-up costs for the formation of advocacy groups aimed at facilitating an efficient implementation of the programme. This was because there was insufficient ownership by local policy-makers (Gay, 2004: 34). Furthermore, while Parliament accepted the programme, it was important that those who were to implement the policy should also accept it. The change of government in 1999 and 2000 meant that new civil servants and policy drivers were not familiar with the programme and had no ownership of it.

The CRP succeeded in addressing its first three objectives. It resulted in more transparency in decision-making and lessened the risk of abuse in the area of investment by removing ministers from the vetting process. The emphasis on good governance also bore fruit, with a public sector that became more accountable and adopted a more modern outlook. Nepotism was also tackled, with the introduction of a new public service code.

The CRP performed poorly in terms of its financial appraisal (Gay, 2004: 31). According to the CRP document, it envisaged redirecting resources to the delivery of social services (Government of Vanuatu, 1998: 2). While education was made a priority, other social sectors such as health were also included. The impact of the CRP, however, must be seen in the context of its financial performance. In our previous analysis it was shown the CRP led to a fall in revenue, stagnant GDP growth, a decline in GDP per capita, a slump in foreign investment and a persistent trade deficit during the period. The result was a decline in the revenue available to deliver quality services in the education and health sectors. It also meant the delivery of the same level of funding, but did not enable the country to forge ahead with the expansion of the education sector to achieve the target of universal education for every child and education for all ni-Vanuatu.

Several issues remain. In recent years Vanuatu's economy has experienced low and unstable growth, although there has been some recovery recently. Another major issue facing the country is the creation of more job opportunities for its growing population. The country's annual population growth of 2.7 per cent, according to the

1999 census, is still high by international standards. In terms of job creation, however, the economy was only able to create 14,102 jobs in the formal sector in 1999. This falls far below the increase in the economically active population and is a cause for concern given its implication for growth and social costs.

The other issue facing the country is the need to improve its infrastructure. Vanuatu needs to expand its road system and utilities in the outer islands. Since the country is fragmented, it needs a good internal transport and communication system between the provinces. If shipping is the best and most cost-effective mode of transport, then this should be strengthened by government policy and support. Vanuatu's domestic connectivity is poor and this affects the delivery of social services in many of the outer islands. This is why many young people have been forced to move to the capital, Port Vila, in recent years. The problem of urbanisation in Port Vila is likely to become a serious problem in the future.

3.3 The traditional social system

Vanuatu has a similar traditional social system to other Melanesian countries. Land is an important entity in the life of a ni-Vanuatu family and is the source of wealth, life and relationships.

Customary land titles are entrusted to the first-born male by the father who held the title of the land. If the first-born child is a female, the land ownership rights will be bestowed on the eldest male child in the family. If the family that holds the customary land title produces no male child, the title passes to the first-born female in the family. Furthermore, if the customary landowner is barren, the family will adopt a male child on whom the land ownership rights will be bestowed. A female landownership system does exist in Vanuatu, but only in limited areas; most of the country follows the male ownership system of customary land.

In the traditional social system, protection of the weak, orphans, the aged and those who have fallen on hard times is a communal responsibility. The important body in this context is the *nakamal*. This is a community of households who are related to each other and is headed by a chief. The chief is the customary land title holder for the *nakamal* and he is the leader of the community. A number of *nakamals* forms a tribe.

It is within the *nakamal* that the social safety net exists. If, for instance, a family loses its father or mother, the responsibility for rearing some of the children will fall on aunts or uncles who are living within the *nakamal*. Their new guardians will be responsible for these children from childhood until the children marry. In this way, the community ensures that the children's needs are taken care of, while lessening the burden on the widow or widower.

With regard to care for the aged, the first-born son who is living within the *nakamal* has direct responsibility for housing a father or mother who can no longer fend for themselves. The other brothers and sisters will not ignore their obligation to their parents, but provide assistance from time to time. Daughters who have married into

other *nakamals* do not abrogate all responsibility, but will also provide assistance for their parents through their eldest brother, who assumes direct responsibility.

The responsibility for providing assistance to those in a vulnerable position also falls on the *nakamal* through its members. Members of the *nakamal* will assist widows or widowers in the clearing, tilling and planting of new gardens. They will on occasion help them by providing wood for fuel and assist in chores that require more manpower or strength. Their assistance is unlike the Western concept, under which assistance is limited to a certain period; support is always available whenever it is needed. Such assistance is only withdrawn if a spouse marries or when children have grown and are better able to take care of their parents.

3.4 System of government

Vanuatu was a condominium, arising from an Anglo-French Convention signed in Vanuatu (formerly New Hebrides) in 1906. This declared that the colony would be jointly administered by the two powers (Sope, 1980: 17), and resulted in a complex system of parallel administrations in the new colony. With no integrated public expenditure programme, administration and finance were organised according to each power's responsibilities, resulting in separate education systems and different laws in each jurisdiction. In the pre-independence era there was no representation of the local population in the decision-making process: the colonial governments made all the decisions affecting people's livelihoods.

One of the contentious issues during this period which was to have an effect on future political developments was the ownership of land. Land was important to the Vanuatu people and was an integral part of their culture (Van Trease, 1987: 2). Land purchases occurred early in the country's history; the first recorded sale of land in Vanuatu was on the island of Tanna. Over time, more and more of the country's land was sold to planters, who settled in increasing numbers in the second half of the nineteenth century. These sales and subsequent transactions would later lead to protest movements such as the one instigated by Jimmy Stevens, described below.

Independence was not given to Vanuatu on a silver platter. It had to be fought for and the church played a part, albeit indirectly, in gaining independence. It was an Anglican-trained priest, Walter Lini, who together with some like-minded ni-Vanuatu nationals sowed the seeds of independence. Early in his career, Lini and his group organised themselves into the New Hebrides National Democratic Party, formed in 1974, which later became the Vanua'aku Pati. Lini was elected as the party's leader and carried the nation to independence in 1980. The party had great support from the people because not only did it wrest independence from the two colonial powers, but under its leadership a secessionist movement on the island of Santo, led by Jimmy Stevens, was successfully quelled.

Vanuatu is a parliamentary democracy, headed by a president under a republican constitution. The national government is made up of three branches, executive, legislative and judicial. The executive branch comprises the Head of State, Head of Government and Cabinet. The Head of State is the president, who is elected by an electoral college for a five-year term. The Head of Government is the Prime Minister,

who is the leader of the party with the majority of members or coalition of members in Parliament. The Cabinet is appointed by the Prime Minister and is responsible to Parliament.

The legislative branch comprises two bodies. The first is the Parliament, which is unicameral with 52 seats. Constituency members are elected for a period of four years. Members of the public who wish to contest general elections must satisfy certain criteria before they are nominated as candidates. The second body is the National Council of Chiefs or *Malvatumauri*. Its members are elected by their peers and provide advice to government on matters concerning custom and traditions. They also on occasion make recommendations for the preservation of Vanuatu's language and traditions.

The judicial branch comprises of the island court, magistrates court, Supreme Court and Court of Appeal. The Chief Justice of the Supreme Court is appointed by the President after consultation with the Prime Minister and leader of the opposition. Other Supreme Court judges are appointed by the President on the advice of the Judicial Services Commission. The Court of Appeal includes two judges from the Supreme Court and senior judges from other common law jurisdictions in the region.

Local government is based on a provincial system with six provinces and includes two municipal councils in Port Vila and Luganville. The provinces are administered by bodies made up of both elected and appointed members. Members are elected every two years. A president is elected from among the members of the provincial body.

However, by the first post-independence election in 1983, the seeming stability created by the *Vanua'aku Pati* prior to independence had broken down. The *Vanua'aku Pati* experienced disharmony as ministers resigned or were sacked for disagreeing with the party hierarchy. In spite of this, the *Vanua'aku Pati* won every election between 1979 and 1991, and Lini remained Prime Minister until 1991. During these years, while there was only one major player, there was little unity among the party's members and this had implications for the country's stability. The party split in 1991 and Walter Lini, among others, left.

The *Vanua'aku Pati* was a grouping held together by the aim of gaining independence. It was well organised, with party branches in the main centres, and had both local and international supporters. However, the instability experienced within the *Vanua'aku Pati* paved the way for the formation of other parties. The National United Party, for instance, was formed by Walter Lini himself after he left the *Vanua'aku Pati*. The Melanesian Progressive Party and other smaller parties no longer exist.

When the Union of Moderate Parties took over the government from the *Vanua'aku Pati* in 1991, it was the first time in nearly two decades that a party other than the founding party had come to power. The Union of Moderate Parties, however, is a coalition of opposition parties, formed after various groups agreed to unite under one banner. This change also saw a period of instability, as no one party was able to command a majority in Parliament and form a government. All governments since then have been coalitions. Since the era of relative stability experienced during the *Vanua'aku Pati*'s reign through the 1980s to 1991, there have been continual votes of

no confidence in the governments of the day and frequent changes of prime minister. Since Walter Lini left the premiership in 1991, seven prime ministers have been elected; three of these have been re-elected to office twice and one, Serge Vohor, three times. Their election or downfall were usually the result of no confidence motions.

While the development of party politics in Vanuatu was welcome, it has not resulted in the stability experienced in more established democracies such the UK or, closer to home, Australia. This may be because the parties are not well founded in terms of established policies and also, more importantly, because they are a new phenomenon. It may take many more years before the ordinary voter becomes educated about the functions and operations of such entities.

3.5 Financial institutions

Vanuatu has a dual financial system, with one section based on the domestic sector and the other catering for the offshore financial centre (OFC). The financial systems and institutions that operate within the country, with the responsibility for determining financial policies are the Reserve Bank of Vanuatu (RBV), the commercial banks, the Development Bank of Vanuatu (DBV) and the Vanuatu National Provident Fund (VNPF).

Under the Banking Act of 1970 the government provided institutions with incentives such as exemption from government oversight and tax free status. However, they were prohibited from doing business with Vanuatu residents (IMF, 2002: 16). In spite of the Banking Act's existence (albeit on paper) over a long period of the country's history, its contribution to the Vanuatu economy has been very limited (IMF, 2002:18).

3.5.1 Reserve Bank of Vanuatu

The Reserve Bank of Vanuatu previously operated as the Central Bank, but adopted its present name in 1989 under an amendment to the Central Bank Act of 1980. The RBV has authority and supervisory powers over the commercial banks and the DBV and VNPF, and its function is to ensure the continued stability of the financial sector. It exercised its power in 1989 when the Vanuatu Savings Bank was placed under its interim management.

The objectives of the RBV are set out in the Central Bank Act of 1980. They are to:

- (i) regulate the issue, supply and availability of money;
- (ii) supervise and regulate banking business;
- (iii) promote monetary stability;
- (iv) promote a sound financial structure;
- (v) foster financial conditions conducive to the orderly development of Vanuatu; and
- (vi) advise the government on banking and money matters.

In line with its regulatory role, the RBV is required to hold statutory reserve deposits on behalf of the commercial banks. It also has the power to set minimum and maximum interest rates on time deposits and loans, and a loan ceiling. The RBV has not exercised these powers to date.

3.5.2 Commercial banks

The four commercial banks operating in the financial sector are the Australian-owned ANZ and Westpac Banks, the Banque de France and the National Bank of Vanuatu. The National Bank is the only locally incorporated bank; the other three are branches of international banking conglomerates.

3.5.3 Development Bank of Vanuatu

The DBV was established by the government in 1982 through an Act of Parliament. Its purpose was to facilitate and promote the development of the nation's economic resources, with emphasis on agriculture, fisheries, manufacturing and tourism. The DBV was tasked with the responsibility of providing capital to those who wished to develop business enterprises in these sectors, but lacked the initial resources. Set-up funding was provided through an initial tranche of share capital from the government, but this has been augmented with borrowings from the latter and from international financial institutions such as the Asian Development Bank.

The DBV's operations were beset with problems during the 1990s due to non-performing loans. An enquiry launched by the Republic of Vanuatu Office of the Ombudsman (ROVO) found that because of political influence and mismanagement, the DBV had lost millions of dollars as a result of non-performing loans, as the management had ignored established policy and sound management practices. The DBV was eventually dissolved by authority of Parliament in September 1998.

The failure of the DBV explains why much of the rural sector, where families are engaged in agriculture and fisheries, has not done well and why rural dwellers have been unable to improve their living conditions.

3.5.4 Vanuatu National Provident Fund

The VNPF was established in 1986 under the Vanuatu National Provident Fund Act (Cap 189) and commenced operation in 1987. The VNPF is a compulsory savings scheme to which both employees and employers contribute for the benefit of the former, with the purpose of paying pensions and investing members' funds in order to obtain a good return. The VNPF is a self-supporting entity due to the various investments it has in the economy.

The VNPF was mired in controversy during the 1992–1995 period due to its problems with the housing loan scheme. Housing loans were extended to people, including politicians, who did not have the ability to make repayments and this almost led to a collapse of the institution. The Ombudsman's Office (ROVO) carried out an investigation into the scheme and found that it was not administered according to sound financial principles, as most of the loans were taken up by politicians and their

supporters, often without any proper assessment and safeguard. The failure of the scheme was attributed to political influence and bad management practices.

By 1997, the VNPF had grown into an organisation with some 35,000 members (ROVO, 1997: 7). It not only grew in membership, but also extended its services, which now include housing and education loans, and death benefits; the option of pension benefits has now been abolished.

While the VNPF is an important institution, its coverage is still very small as it only covers people in formal employment, both civil servants and those employed in the private sector. Vanuatu's current working age population is 114,000 (Hughes and Sodhi, 2008). Of these, only 23,801 (20%) are employed in the formal sector. About 90,199 (79%) are unemployed and underemployed. In addition, a large proportion of the total working age population (45,100 or 40%) are underemployed or unemployed males. About 4,899 people enter the labour force each year. Most people are not covered by any social protection policies. The response to this, however, is strong social networks and family and kinship ties which take care of those who are not covered by formal sector policies.

3.6 Social situation

In the pre-independence period, the provision of social services was mostly the responsibility of the colonial government. The British and French ran separate health and education systems. After independence, the new Vanuatu Government unified these two systems, providing one system for social service provision, as this duality of systems and high illiteracy were identified as major structural problems. The churches also played a role in the provision of health services and ran some schools, but not on the same scale as the colonial administrations. In the urban areas, the administrations provided water, sanitation and housing for workers. Piped water was also provided in the rural areas.

Social conditions in the Pacific island countries, including Vanuatu, improved in the 1990s, particularly in comparison with the 1980s. However, in spite of these positive trends there are still areas in which the country could improve, particularly in its education and health infrastructure. Since independence, the focus has been on education and health, and often the extent of poverty has not been considered carefully enough. In some cases, policy-makers even consider poverty to be non-existent purely on the basis that families receive daily food provisions. Social conditions in Vanuatu are best considered by looking at the provision of social services such as education and health services. Social protection policies under the Vanuatu National Provident Fund cover those employed in the formal sector. Housing conditions are also a problem, but are often not considered carefully in mainstream social policy development.

In 2006, Vanuatu ranked 123 out of 179 countries listed by the Human Development Index, and is classified as a medium human development country. Within the Pacific region, this puts Vanuatu behind Samoa, Tonga and Fiji, but above other Pacific island countries such as Solomon Islands and Kiribati. This level of human development is roughly what would be expected for its income level.

3.6.1 Education

Literacy

Vanuatu had one of the lowest literacy rates in the Pacific in 1978; the only countries with lower rates were its two Melanesian neighbours, Solomon Islands and Fiji. As Table 3.1 indicates, in 1998 Vanuatu's literacy rate was still very low, for both males and females, at less than 40 per cent. Only Solomon Islands and Papua New Guinea had a lower rate. The situation remains difficult as Vanuatu's population continues to increase. However, Vanuatu is now making progress and the literacy rate is improving. According to the UNDP 2008 Human Development Report, 77.3 per cent of people aged 15 and above are literate (based on 1999–2006 data) (UNDP, 2008). This figure compares poorly with Tonga and Samoa, both of which have close to 100 per cent literacy rates. The level in Vanuatu is similar to that in Solomon Islands.

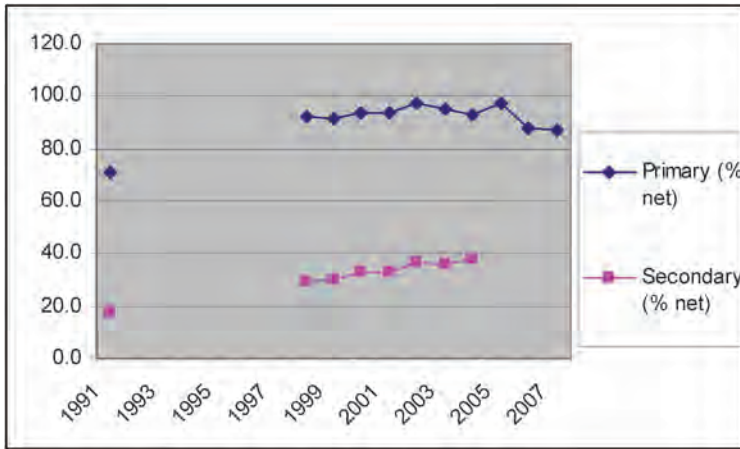
School enrolment and attendance

Although Vanuatu has been independent since 1980, there has been little improvement in access to education. As Table 3.1 shows, in 1998 only 72 per cent of 5 to 14 year olds were enrolled in primary school. Enrolments in secondary school also show a discouraging figure, with only 22 per cent of 15 to 19 year olds attending school. Figure 3.6 shows data on net school enrolments from the World Development Indicators database (World Bank, 2009). This shows a dramatic increase in school attendance between 1991 and 1998, particularly for net primary enrolments, which increased from 70.6 to 92 per cent. Net secondary enrolment rose from 17.3 to 29.6

Table 3.1 Gross primary and secondary school enrolments and adult literacy rates for selected Pacific island countries, 1998

Country	Enrolment rate		Illiteracy (%)
	Primary	Secondary	
Cook Islands	77	45	7
Fiji	–	36	7
Federated States of Micronesia	83	44	29
Kiribati	77	44	8
Marshall Islands	26	79	26
Nauru	96	34	5
Niue	96	53	3
Palau	90	67	9
Papua New Guinea	31	23	72
Samoa	94	70	4
Solomon Islands	39	24	70
Tokelau	96	61	9
Tonga	90	67	1
Tuvalu	88	34	5
Vanuatu	72	22	66

Source: Based on UNDP (1999), pp. 13, 110

Figure 3.6 Net primary and secondary school enrolment, 1991–2007

Source: World Bank (2009)

per cent over the same period. In the last few years, net primary enrolment has decreased slightly. Tertiary enrolment increased slightly in the period 1999–2004, from 4 to 4.8 per cent. As with other social indicators, this is lower than in Samoa, Tonga and Fiji, but higher than in Solomon Islands. In terms of tertiary enrolment, the level is similar to that of Tonga.

3.6.2 Health

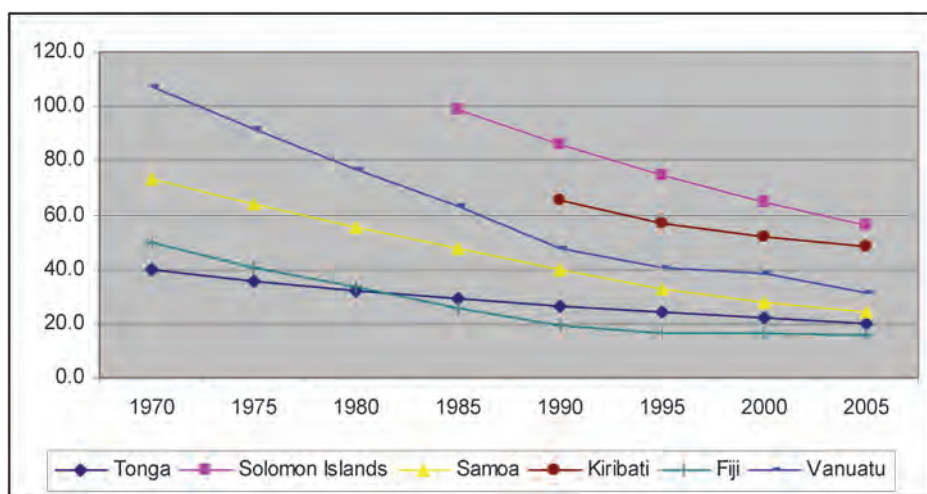
Mortality

Data on mortality for Vanuatu are only available for deaths in hospital, because of deficiencies in the registration system (Taylor, 1990: 6). Such data should also be treated with caution because data for deaths from chronic diseases such as cancer are under-represented, since such patients are usually sent home to die.

Communicable diseases are the main cause of death in Melanesian countries such as Vanuatu. The prevalence rate is high for Vanuatu, with 15,240 cases reported and a rate per 1,000 of 71.90 (ESCAP, 2007b: 14). The number of deaths may be masked by the inadequate reporting system of deaths that is currently in place. Malaria is less of a health problem now than in Solomon Islands and Papua New Guinea, but the number of reported cases and deaths may rise in the future as malaria becomes resistant to the traditional drugs.

Infant mortality

Infant mortality rates have improved markedly over the years, particularly between 1970 and 1990, as shown in Figure 3.7. While the 1967–1979 figures were an estimate, what is important is the general trend of improvement. The infant mortality rate improved from 94 in every 1,000 live births about 15 years ago to 45 in 1990. The most recent data show that it is down to 26 per 1,000 live births (Table 3.7). In comparison to Kiribati, Papua New Guinea and Solomon Islands, Vanuatu has done

Figure 3.7 Trends in infant mortality rates (deaths per 1,000 live births)

Source: World Bank (2009)

well. This reflects the improvement in medical services. The rate of 26 deaths per 1,000 births in 2005 is comparable with the regional average for East Asia and Pacific of 24.9 in the same year.

However, there is a significant difference in the infant mortality rate in urban and rural areas. This is understandable given the improvement in health services and the existence of referral hospitals in the urban areas.

Table 3.2 Social development indicators

	Solomon Islands	Papua New Guinea	Fiji	Vanuatu
Life expectancy (2001)	61 ^a	57	69	68
Adult illiteracy rate	–	35	7	–
Primary school enrolment rate (2000)	56	77.4	94.7	78.2
Under fives mortality rate (per 1,000 live births) ^b	73	88	22	33
Underweight children (% of <5 year olds, 2000) ^b	21.0	24.9	15.0 ^c	12.1
Fertility rate (2001)	5.3	4.4	2.7	4.4
Forecast population growth rate (2004–15) ^b	2.3	2.2	0.7	2.7
Incidence of malaria (per 100,000 population, 2002) ^b	16,170	1,430	–	6,930
Death rate from TB (per 100,000 population, 2002) ^b	14.8	56.0	0.4	16.3
Number of known HIV/AIDS cases	2 (2004)	7,320 (2002)	142 (2003)	2 (2003)

^aData from Government of Solomon Islands (2005d)

^bData from Secretariat of the Pacific Community (2004)

^cData for 1990

Source: World Bank (2003)

Life expectancy

Data for the period 1974–1978 obtained from the 1979 census give a life expectancy at birth of 56.2 years for males and 53.7 years for females, which is an overall life expectancy of 55 years. Life expectancy at age 15 was 50 years for males and 49.6 years for females (Taylor, 1990: 27). Later figures show that life expectancy at birth improved by 20 per cent, from 55 to 66 years, in 1998 and was comparable to that in most Pacific island countries, with the exception of Cook Islands and Niue, which exceeded this (UNDP, 1999: 16). Data for 2006 (World Bank, 2009) show that life expectancy rose to 69.8 years, which is higher than in most countries of the region, including Fiji, except for Samoa and Tonga.

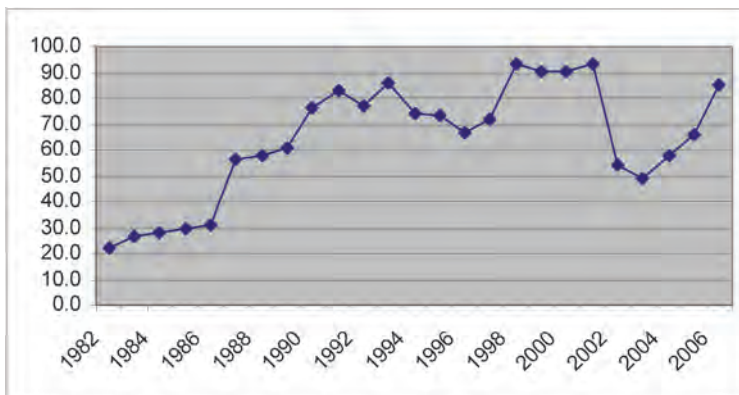
Access to health facilities

The number of births attended by skilled personnel is fairly high, at 88 per cent in 2006 (World Bank, 2009), although this does not compare well with the other countries in the region, as it is lower than in Fiji, Kiribati, Marshall Islands, Palau, Samoa and Tonga. The figure has remained more or less constant since 1994, when it was 87 per cent. In addition, the number of hospital beds per 1,000 people has shown a decline over the period 1970–2003 from 10.7 to 2 per 1,000. The level of DPT (diphtheria, pertussis and tetanus) immunisation increased dramatically after independence, especially initially. However there was a notable decline and then recovery in recent years.

3.6.3 Crime

Table 3.3 shows crime rates in Vanuatu. Compared to Fiji and Papua New Guinea, Vanuatu is considered a relatively crime-free society, but as the figures show, crime is increasing. As Vanuatu becomes more urbanised, especially with the concentration of people in Port Vila, the crime rate is likely to increase further. This also suggests that urbanisation is affecting social cohesion, community values and close community bonding, and that it is one of the factors that contributes to a higher crime rate. Vanuatu's population is projected to increase by 2.5 per cent between 2007 and 2015

Figure 3.8 Immunisation rate in Vanuatu



Source: World Bank (2009)

Table 3.3 Crimes committed in Vanuatu, 1996–2004

Crime category	1996	1997	1998	1999	2000	2001	2002	2003	2004
Against person	406	265	n.a	845	373	424	295	n.a	287
Against morality	37	26	n.a	56	78	60	105	n.a	64
Against property	730	709	n.a	730	744	1,031	611	n.a	457
Against the public	171	86	n.a	178	163	188	89	n.a	108
Total	1,344	1,086	n.a	1,889	1,358	1,703	1,100	n.a	916

Source: Government of Vanuatu (2002)

(Secretariat of the Pacific Community, 2011) and this is likely to cause further strain on the urban infrastructure and availability of employment. This could cause social friction and the crime rate in different communities could increase in future.

3.6.4 Labour force

There was a general decline in employment in the agriculture, fishing and forestry sectors in the period 1986–1992. Overall employment declined after 1996, but picked up in 2002. In recent years, the contribution made by services to GDP has risen and there has been an increase in the number of people employed in the wholesale and retail sectors and in hotels and restaurants. These sectors are generally driven by the tourism industry.

3.7 Social policies

The government did not set out any broad social policies in the First National Development Plan (1982–1986). Instead, it developed a series of specific objectives that it aimed to achieve in the health and education sectors; these areas were identified as having structural problems that needed to be resolved.

3.7.1 Health

At independence, Vanuatu inherited two health systems from the two colonial powers, which meant a duplication of resources and manpower, and were therefore unaffordable. In the period of the First Plan the government attempted to rationalise the facilities and services that became part of its unified health system. The Plan aimed to provide basic physical and national mental health services and social services, and to promote and maintain a high standard of health. This included ensuring that health services were accessible to all communities and in particular upgrading services in low-income areas. The Plan also aimed to achieve efficiency within the Ministry of Health and in its delivery of services and to unify the provision of health services, especially in the areas of teaching and training, and mission health units

In the health sector, the curative system includes the referral hospitals and specialist services offered in the urban areas, especially in Port Vila, and a primary health care system in the rural areas. Health centres and dispensaries form the backbone of the rural services. The government is still responsible for the provision of sanitation, water

Table 3.4 Employment in Vanuatu, 1996–2002

Sector	1996	1997	1998	1999	2000	2001	2002
Agriculture, fishing and forestry	998	954	730	706	748	836	905
Manufacturing	1,696	1,622	1,240	1,199	1,273	1,423	807
Electricity and water	208	200	162	147	156	174	107
Construction	1,118	1,068	828	790	838	937	1,497
Wholesale and retail	3,292	3,146	2,410	2,327	2,466	2,758	2,770
Trade, hotel/restaurants	2,177	2,082	1,591	1,539	1,631	1,824	1,300
Transport and communication	1,372	1,310	1,002	969	1,027	1,152	1,590
Financial and insurance	607	580	443	429	455	510	367
Other business services	710	678	518	502	532	790	312
Other services	895	855	632	633	671	750	637
Domestic service							1,909
Education							2,000
Government services	5,167	5,140	5,012	4,861	4,475	3,894	2,513
Total	18,240	17,635	14,568	14,102	14,272	15,048	17,385

Source: 1996–2001: Government of Vanuatu (2002); 2002: ILO (2006)

and housing for workers in the urban areas. It also provides some piped water to communities in the rural areas, but coverage remains poor.

Curative services are provided through four levels of health facilities: hospitals, health centres, dispensaries and aid posts. Aid posts are the most basic form of health facility, offering basic services in the villages. The dispensaries are a level up from the aid posts and offer additional health services, staffed by a nurse. The health centres operate at a much higher level and provide more specialised services; they are usually staffed by doctors and nurses. The hospitals offer the most specialised services in the country and include provincial hospitals and the two referral hospitals. It should be noted that the referral hospitals offer more specialised services than those located in the provinces.

The numbers of some types of health facility increased between 1982 and the period starting in 1991. The number of dispensaries and aid posts increased by just over 19 per cent and 57 per cent respectively, an indication of government's emphasis on primary health services at the expense of health centre facilities, which experienced a reduction of around 43 per cent between 1986 and 1991. Between 1991 and 2001, there has been no significant change in the number of health facilities.

The lack of an upward trend in health facilities in recent years suggests that funds for capital development in the health sector were reduced or remained stagnant after 1990, as the government focused on other priorities. Data for 2002–2008 are not available. It would be prudent for the government to review its health services to ensure that they keep pace with population growth and meet people's needs. It is projected that the population of Vanuatu will grow by 2.5 per cent between 2007 and 2015; therefore the government will need to make large investments in the health infrastructure if it is to achieve some of the MDG targets (see chapter 4).

Table 3.5 Health expenditure, 1981–2003

Year/	Government expenditure (Vt million)	Health expenditure (VT million)	Health expenditure as a percentage of government expenditure
1981	2,371	275	11.6
1982	2,486	353	14.2
1983	2,565	367	14.3
1984	2,825	406	14.4
1985	3,316	436	13.1
1986	3,651	441	12.1
1987	3,638	408	11.2
1988	3,960	456	11.5
1989	4,051	424	10.5
1990	4,943	457	9.2
1991	4,693	484	10.3
1992	5,112	517	10.1
1993	5,373	612	11.4
1994	5,451	490	9.0
1995	6,411	581	9.1
1996	6,800	655	9.6
1997	6,423	825	12.8
1998	7,118	819	11.5
1999	7,232	842	11.6
2000	7,259	878	12.1
2001	7,199	908	12.6
2002	7,230	926	12.8
2003	7,192	925	12.9

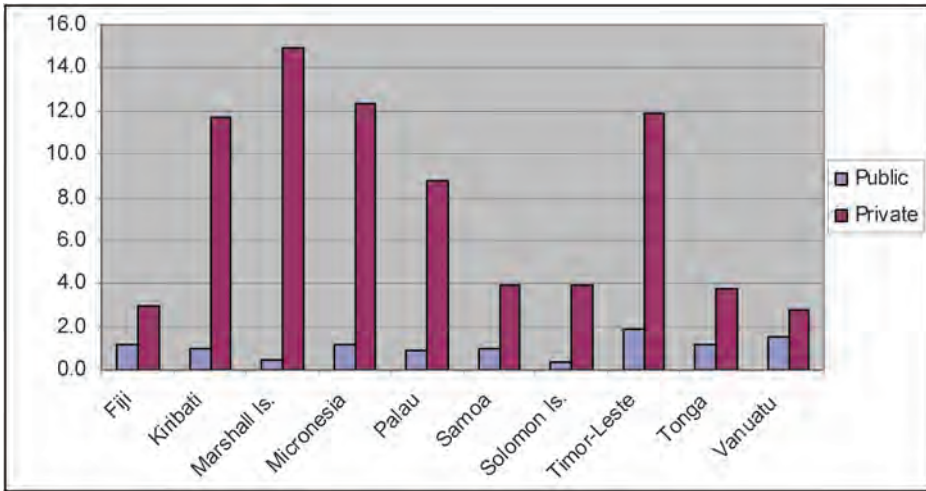
Source: 1981: Government of Vanuatu (1986); 1982–1989: Government of Vanuatu (1991); 1992–1996: Asian Development Bank (1997); 1997–2000: IMF (2002); 2001–2003: IMF (2005)

As shown in Table 3.5, health expenditure over the years has been around 10 per cent of GDP, almost half the proportion spent on education. On average it remained more or less constant between 1981 and 2003.

In 2005, public health expenditure as a percentage of GDP was 1.5 per cent, which was low compared with the global average of 6 per cent, but compared well with the rest of the region. Private health expenditure was also quite low, accounting for 2.8 per cent of GDP. Fifty per cent of this was made up of out-of-pocket payments, which represent a regressive form of health financing. Overall, health expenditure per capita was US\$67, low compared with the rest of the region.

Many challenges persist in the health sector. In particular, there is a lack of people who are skilled enough to undergo medical training and therefore a lack of skilled health professionals. In addition, there is an urban bias in health expenditure and distribution of personnel, with the two main hospitals being well staffed compared to provincial hospitals. Vanuatu's health services have suffered from underfunding (Connell, 2008).

Figure 3.9 Public and private health expenditure as a percentage of GDP, 2009



Source: World Bank (2009)

3.7.2 Education

In the education sector, the objectives of the First National Development Plan (1982–1986) were to ensure a full system of classes 1 to 6 for all children over six years of age and to increase the number of children in primary education by one-fifth, with a common curriculum in both English and French. The Plan also aimed to extend primary education to more children by providing practical classes 7 and 8 for more than half the pupils who were not selected for academic secondary education, again with a common curriculum in English and French. The Plan provided for teacher training for primary school teachers so that they were equipped to teach in English and French by means of a common teacher education programme, and for the training of instructors for the new practical classes 7 and 8. As part of the legacy of the dual system, it was necessary to review the curriculum and produce a common curriculum for the English and French languages.

The Second National Development Plan (1987–1991) also drew on these objectives as guidance for the development of the social sector. The government is responsible for the quality of the education provided by Vanuatu’s education system. The system comprises pre-school, six years of primary school, four years of junior secondary school, three or four years of secondary, technical or vocation education, and attendance at the University of the South Pacific or a university in a metropolitan country for the small minority of students who successfully complete Year 13 or Year 14 and are awarded scholarships.

Like the other countries in the region, Vanuatu has an obligation to meet two international commitments: Education for All (EFA) and the education MDGs. EFA aims to improve early childhood care and education, achieve universal primary education, ensure adequate access to training schemes, improve adult literacy, reduce gender inequalities and improve quality. The MDGs reinforce the commitment to

universal primary education and gender equality. The government has already prioritised four of the EFA goals for the next few years. It recognises that EFA and the education MDGs are interrelated. It also recognises that education can be used as a tool in the fight against poverty. Therefore the EFA Action Plan for Vanuatu is an important tool which will also enable the country to achieve the MDGs.

Table 3.6 shows that while expenditure on education as a percentage of total government expenditure increased in the late 1980s, it began to fall in the 1990s. It picked up, however, from the early 2000s.

Future trends suggest that like Solomon Islands and Papua New Guinea, Vanuatu will face increasing demands for more education infrastructure. Table 3.7 shows the expected growth in the school-age population. The primary school-age population is likely to increase by about 13 per cent between 2009 and 2015, requiring 146 extra teachers and about 15 new primary schools.

The government's overall objective in relation to women was to realise their potential as partners and beneficiaries of the development process in Vanuatu. This is an important area if the government wants women to make a more significant contribution to the country's development.

Table 3.6 Government expenditure on education, 1986–2003

Year	Government expenditure (Vt million)	Education expenditure (Vt million)	Education expenditure as a percentage of government expenditure
1986	3,651	946	25.9
1987	3,836	926	24.1
1988	3,960	997	25.2
1989	4,051	860	21.2
1990	4,523	888	19.6
1991	4,693	926	19.7
1992	5,112	1,079	21.1
1993	5,373	1,128	21.0
1994	5,451	1,233	22.6
1995	6,411	1,330	20.7
1996	6,800	1,269	18.7
1997	6,423	1,396	21.4
1998	7,118	1,582	22.2
1999	7,232	1,732	23.9
2000	7,259	1,843	25.4
2001	7,199	1,932	26.8
2002	7,230	2,065	28.6
2003	7,192	2,074	28.8

Source: 1986: World Bank (1992); 1987–1996: Asian Development Bank (1997); 1997–2000: IMF (2002); 2001–2003: IMF (2005)

Table 3.7 Expected growth of school-age population, 2009–2015 (% change)

Age group	Fiji	New Caledonia	Vanuatu	Solomon Islands	Papua New Guinea
Primary 6–13 years	–2	–4	13	15	12
Secondary 14–17 years	2	–4	1	21	11
Tertiary 18–21 years	10	3	8	13	12
Total population growth	4	9	16	16	14

Source: Secretariat of the South Pacific (2011)

3.8 Response to crisis

Vanuatu has been prone both to man-made and natural disasters and this has caused instability in its economy. The following section concentrates on the crisis brought about by the country's own citizens in 1998.

3.8.1 The 1998 crisis

As outlined above, the Vanuatu National Provident Fund is a savings scheme that was established to safeguard the welfare interests of workers, especially retirement pensions. A few years after it was established, the government directed through the responsible minister that it should operate a housing loan scheme that was mismanaged due to government influence. In administering the loan, VNPF management paid no regard to sound financial principles and as a result many of the loans were found to be non-performing so that there was little hope of recovering the sums disbursed or the interest accrued. In fact, the subsequent enquiry found that the total amount of the loans disbursed was equivalent to one-third of the VNPF's total assets (ROVO, 1997: 6). The VNPF was in a precarious position and its collapse would bring instability to the financial sector.

The Ombudsman's report disclosed that the funds VNPF members had put into the housing loan scheme had been misused due to political influence and mismanagement. This sparked rioting in January 1998, prompting the government to direct the VNPF Board to allow members to withdraw their funds. The unconditional withdrawal by members of their savings depleted VNPF resources and caused instability in the financial system due to increased liquidity. At the same time, due to the expected devaluation, there was an increase in capital outflows which led to a reduction in the country's international reserves from six months to less than three months by the end of 1998 (IMF, 2005:13).

The Reserve Bank's response was to develop new instruments that absorbed liquidity and tightened financial control. These were the prescribed reserve asset (PRA) requirement and open market operations. The use of the two instruments retained liquidity and restored financial stability and confidence in the country's currency. The instruments have gradually become the main tools for managing liquidity in Vanuatu. The Comprehensive Reform Programme, discussed above, was largely a response to this crisis.

Chapter 4

Social Development Indicators and the MDGs in Solomon Islands and Vanuatu

This chapter discusses social development indicators in Solomon Islands and Vanuatu compared to other small states in the Pacific region. With respect to poverty (see Table 4.1), Solomon Islands 2005/2006 Household Income and Expenditure Survey showed that 22.7 per cent of its population was living below the national poverty line (Government of Solomon Islands, 2006). In Vanuatu, 40 per cent of the population had incomes below the national poverty line (Asian Development Bank, 2004). It is noticeable that in both Solomon Islands and Vanuatu poverty levels are higher in urban areas. Millennium Development Goal 1 calls for the eradication of extreme poverty and hunger.

The prevalence of underweight under five year olds is higher in Solomon Islands than in Vanuatu (Table 4.2). The only country in the region which has a higher percentage is Papua New Guinea. In terms of MDG Target 1C, Table 4.2 shows that the prevalence of underweight children is high in Marshall Islands and Kiribati. Samoa, on the other hand, has shown remarkable improvement. Federated States of Micronesia, Papua New Guinea, Solomon Islands. No data are available for Palau, Tuvalu and

Table 4.1 Poverty headcount ratio (% of population below the national poverty line)

Country	MDG Target 1A: Halve the proportion of people living on less than US\$1 a day			
	Percentage of population living below the basic needs poverty line			Year and source
	National	Urban	Rural	
Cook Islands	12.0	—	—	1998 HIES
Fiji	25.5	27.6	24.3	1990/91 HIES
	34.4	31.8	38.1	2002/03 HIES
Kiribati	50.0	51.0	50.0	1996 HIES
Marshall Islands	20.0	—	—	1999 Census
Federated States of Micronesia	27.9	29.5	32.9	1998 HIES
Papua New Guinea	37.5	—	—	1998 HIES
Samoa	20.3	23.3	17.9	2002 HIES
Solomon Islands	22.7	32.2	18.8	2005/06 HIES
Tonga	22.3	23.6	22.8	2001 HIES
	29.3	23.7	23.4	1994 HIES
Tuvalu	25.9	29.8	24.7	2004/05 HIES
	40.0	—	—	1998 HIES
Vanuatu	40.0	—	—	1998 HIES

Source: Asian Development Bank (2004); Secretariat of the Pacific Community (2004)

Table 4.2 Prevalence of underweight children under five years of age

MDG Target 1C: Halve the proportion of people who suffer from hunger		
Prevalence of underweight children under five years of age (%)		
Country	1990	2000
Cook Islands	—	10.0
Fiji	15.0	
Kiribati	5.1	13.0
Marshall Islands	19.0	27.0
Federated States of Micronesia	13.3	15.0
Papua New Guinea	29.0	24.9
Samoa	6.0	1.9
Solomon Islands	23.0	21.0
Tonga	1.6	2.0
Vanuatu	—	12.1

Source: Secretariat of the Pacific Community (2004)

Nauru. In the case of Niue, its 2000 Household Income and Expenditure Survey records that there are no underweight children under five years of age.

Primary education across most of the Pacific region is compulsory and free. Education is a major component of the national budget in all Pacific island countries. Every country in the region ensures that all children have access to basic education.

Table 4.3 Net enrolment ratio in primary education

MDG Target 2A: All children can complete a full course of primary schooling		
Net enrolment ratio in primary school (%)		
Country	1990	2000
Cook Islands	—	92.3
Fiji	92.0	94.7
Federated States of Micronesia	93.7	92.3
Kiribati	76.2	93.5
Marshall Islands	89.7	84.1
Nauru	75.1	60.3
Niue	—	90.2
Palau	81.8	76.2
Papua New Guinea	66.3	77.4
Samoa	82.0	87.0
Solomon Islands	39.0	56.0
Tonga	91.6	89.4
Tuvalu	98.2	99.6
Vanuatu	74.5	78.2
Country average	79.8	83.4

Source: Secretariat of the Pacific Community (2004)

On MDG 2, Table 4.3 shows that net enrolment levels have increased in Vanuatu (5%), Kiribati (23%), Papua New Guinea (17%) and Solomon Islands (43%), whereas the net enrolment ratio in Marshall Islands and Nauru has fallen by 20 and 15 per cent respectively. Interestingly, the region's average rate rose by 4.5 per cent between 1990 and 2000. Figures also suggest that seven Pacific island countries have achieved an enrolment rate of around 90 per cent or above.

Another indicator on MDG 2, the proportion of pupils starting Grade 1 who reach Grade 5, based on the 2004 Asia-Pacific Regional MDG Report (Asian Development Bank, 2004), shows that for the eight PICs for which recent data are available, five show survival rates of approximately 90 per cent or higher. Other Pacific island countries show a fall since the 1990s, reflecting the difficulty some families have in affording education for their children. On average, survival rates have fallen by 4.1 per cent since 1990. Few data are available on literacy rates for young people of 15–24 years of age and no accurate recent data are available for several countries. Figures suggests that eight Pacific island countries achieved literacy rates of 90 per cent or higher between 1990 and the present. The average rate across these countries also increased by 13 per cent between 1990 and 2000. The data are somewhat sketchy, but both Solomon Islands and Vanuatu seem to making progress. However, it seems that both will fail to meet the MDG targets.

Table 4.4. Proportion of pupils starting Grade 1 who reach Grade 5, and literacy rates for 15–24 year olds

MDG Target 2A: All children can complete a full course of primary schooling				
Country	Proportion of pupils starting Grade 1 who reach Grade 5		Literacy rate of 15–24 year olds (%)	
	1990	2000	1990	2000
Cook Islands	100.0	98.2	–	93
Fiji	91.4	88.4	–	99
Federated States of Micronesia	–	66.9	71	–
Kiribati	98.0	–	92	–
Marshall Islands	88.0	86.1	74	–
Nauru	–	92.0	–	–
Niue	–	90.5	95	100
Palau	–	–	–	91
Papua New Guinea	58.1	56.8	61	62
Samoa	–	84.0	96	99
Solomon Islands	85.0	–	62	–
Tonga	84.0	–	–	99
Tuvalu	95.8	–	95	–
Vanuatu	90.2	91.2	34	–
Country average	87.8	83.7	76	89

Source: Secretariat of the Pacific Community (2004)

Table 4.5. ODA in small island states as a proportion of GNI, and debt service as a percentage of exports of goods and services

MDG Target 8D: Deal with the debt problems of developing countries through national and international measures to make debt sustainable in the long term				
Country	ODA received in SIDS as a proportion of GNI		Debt service as a % of exports of goods and services	
	1990	2000	1990	2000
Cook Islands	—	—	—	—
Fiji	3.8	1.78	12.0	2.1
Federated States of Micronesia	29.8	41.5	43.0	22.0
Kiribati	35.97	21.86	13.3	8.7
Marshall Islands	31.2	48.5	39.8	61.4
Nauru	—	—	—	—
Niue	—	—	—	—
Palau	—	27.7	—	—
Papua New Guinea	13.3	8.3	—	—
Samoa	29.0	11.7	5.8	10.8
Solomon Islands	22.1	23.9	11.9	6.9
Tokelau	—	—	—	—
Tonga	25.4	11.9	2.9	2.8
Tuvalu	—	—	—	—
Vanuatu	30.6	21.0	2.1	1.1
Country average	24.57	21.81		

Source: Secretariat of the Pacific Community (2004)

MDG 8 reflects on the ways developed countries can create partnerships with developing countries to help them achieve the seven other MDGs. Developed countries' efforts in providing additional development assistance, market access and debt relief will to a large extent determine whether or not some of the Pacific island countries achieve and sustain the MDG targets. Historically, the Pacific island countries received large amounts of official development assistance (ODA) in per capita terms because of the vulnerability of their economies. The Pacific region's share of global aid is declining, but aid in per capita terms remains high. Pacific island countries also face significant trade deficits due to the small size of their economies, remoteness, lack of infrastructure and low levels of foreign direct investment (FDI). Developed countries have committed themselves to increase ODA to 0.7 per cent of their gross national income. The trend is for ODA levels in the Pacific region to decline, and Pacific island countries therefore face a big challenge in securing external finance, since their ability to achieve the MDGs depends on receiving external aid. Both Solomon Islands and Vanuatu seem to be managing their budgets better. Debt service as a percentage of total exports has declined between 1990 and 2000. Vanuatu appears to be doing better than Solomon Islands in this respect.

Chapter 5

Conclusion

This paper has reviewed the social development policies of Solomon Islands and Vanuatu since independence, drawing on various development plans drawn up both before and after independence. The paper concludes that both Solomon Islands and Vanuatu have lagged behind other Pacific island countries in developing social policies and achieving progress in delivering appropriate welfare programmes to their communities.

The paper identifies several factors that have caused poor social policy development in the two countries. First, in both countries the levels of economic development at independence were very low. Much of the effort in the first decade of independence in both Solomon Islands and Vanuatu was geared towards building basic social infrastructure such as schools, health facilities, roads, water supply, electricity and communications. Despite this effort, the level of economic development remained poor in both countries. Economic growth rates were low and did not keep pace with the countries' rapidly increasing populations. One of the ways in which developing countries can develop more effective social policies is by achieving higher rates of general economic development. They then have resources, such as healthy government revenues, which they can use to undertake welfare programmes.

In both Solomon Islands and Vanuatu, one of the main constraints to increasing productivity levels in the traditional agricultural sector is uncertainty about land tenure. Increased agricultural productivity can contribute to higher overall economic growth. While customary land tenure may have served well enough for subsistence farming, it has not stimulated commercial farming. The establishment of long-term leasing arrangements would provide more certainty and hence lead to higher agricultural productivity. One of the issues relating to social policies in both countries is food security. Rice, for example, has become a major food staple, but hardly any rice is grown domestically. This puts both countries in a very precarious position, in light of the rise in global food prices. In Solomon Islands and Vanuatu, investment in rural agricultural infrastructure is essential to facilitate the growth of the agricultural sector. This should also include putting in place an appropriate marketing infrastructure.

Second, much of the development effort has been squandered due to mismanagement and the failure to develop appropriate institutions for the delivery of basic social services. In Solomon Islands, for example, the failure to distribute resources in an appropriate and balanced way led to large-scale ethnic conflict, which in recent times has affected economic growth and development in a significant manner. The merging of various interests in Solomon Islands has been a difficult process and distribution has been a problematic issue for subsequent governments. Social cohesion is vital for better and co-ordinated delivery of social services and in the case of Solomon Islands

this has been a problem. In the case of Vanuatu, the Vanuatu National Provident Fund was badly managed and almost collapsed. The VNPF was one of the key institutions dealing with pension funds for formal sector employees in Vanuatu. In addition, both countries have had a history of poor management of their natural resources, especially forestry.

The third reason why social policy development has been weak is the lack of demand from various interest groups. Today both Solomon Islands and Vanuatu have various NGOs that are active in calling for government action to improve social services; to a large extent they are successful. However, at the time of independence in both countries, trade unions were only just beginning to develop and were mainly concerned about public sector employees. The majority of the population in both countries lived in the rural areas and about 70 per cent still remain in rural communities today. They did not therefore have much capacity to influence public policies.

The fourth factor is continued political instability in both countries; this is directly linked to economic development. Vanuatu has changed governments almost annually in the last 15 years and this has affected good and consistent policy-making. Solomon Islands too has had its share of unstable governments and this has impacted on investment and growth.

However, despite some of the problems identified above, progress is being made in the areas of education and health, where some indicators such as life expectancy at birth and infant mortality have improved.

The policy implications emanating from this study are that both Solomon Islands and Vanuatu must move away from the belief that traditional social systems and kinship ties can look after all those in need of help from social services. Both countries need to invest more in education at all levels to ensure that all children of primary school age are in school and that adequate levels of human resources are provided through the provision of higher education. For example, between 2009 and 2015 the number of primary school age children will increase by 13 per cent in Solomon Islands and 15 per cent in Vanuatu. Both countries will need more teachers and more classrooms. Social infrastructure, although it has been a focus for government action in the post-independence period, still needs a significant boost.

Both countries must also ensure that they reduce the political instability which has caused poor economic performance in the past. Appropriate economic policies which are centred on key industries such as tourism and agriculture, and the efficient exploitation and development of natural resources must become policy priorities. Neither Solomon Islands nor Vanuatu has reached any threshold level of social development and so there is much more room for developing it further. In addition, neither of the countries have lost a significant amount of human resources through migration, and this is a positive factor. We predict that emigration from these two countries is likely to be very small, at least in the foreseeable future. There is therefore considerable capacity to use these resources not just for the development of social services, but for overall development as well.

Chapter 6

Postscript

6.1 Economic trends

Solomon Islands and Vanuatu, like many other small states, have been adversely affected by the global economic crisis. This has implications for the future prosperity of their peoples. Vanuatu's economic growth in the period 2005–2009 was very impressive compared to that of other Pacific island states (Table 6.1). Growth was driven by increased aid amounting to about 6–7 per cent of GDP (Asian Development Bank, 2009). Vanuatu also benefited from funding from the Millennium Challenge Corporation, which provided US\$66 million for infrastructure development. The country maintained relative political stability and this contributed to consistent and transparent economic policies that were beneficial to investors.

While Vanuatu is on the right path as far as its economic policies and growth are concerned, the same cannot be concluded for its social progress. Significant social issues remain a challenge for its policy-makers.

Solomon Islands held its last general election in August 2010 and this resulted in a new government. Perceived political instability due to various motions of no confidence in the government continue to affect investment and economic growth. However, the country can take credit for conducting a peaceful election.

The economic indicators are positive; government revenue for the period 2004–2009 shows a steady increase. This has allowed government to increase its expenditure and its budget allocations for health and education. Negative growth in 2009 was caused by weak external demand for the country's exports and lower commodity prices as a result of the global financial crisis. The inflation rate remained high until 2008

Table 6.1. Key economic indicators for Vanuatu, 2005–2009

	2005	2006	2007	2008	2009
Per capita GNI, Atlas method (US\$)	1,590	1,780	1,970	2,330	n.a
GDP growth (% change per year)	6.5	7.4	6.8	6.3	3.8
CPI (% change per year)	1.2	2.1	4.0	4.8	5.6
Fiscal balance (% of GDP)	3.2	0.4	0.3	2.3	0.7
Export growth (% change per year)	0.1	–1.1	–21.8	41.6	n.a
Import growth (% change per year)	16.4	7.4	23.7	39.3	n.a
Current account balance (% of GDP)	–9.2	–5.7	–7.4	–6.9	–3.7
External debt (% of GNI)	21.3	17.7	14.8	18.0	n.a

Source: Asian Development Bank (2009)

Table 6.2. Economic indicators for Solomon Islands, 2004–2009

Year	Total government revenue (\$)	Total government expenditure (\$)	Growth of output (% annual change)	Total exports (SI\$ '000)	Total imports (SI\$ '000)	CPI – average inflation (%)
2004	509.9	608.8	8.0	642,117	908,738	7.1
2005	621.1	806.5	5.0	789,815	139,3699	7.2
2006	849.9	1,054.7	5.1	917,309	1,396,393	11.2
2007	1,093.0	1,233.0	11.8	128,5650	1,836,275	7.6
2008	1,370.0	1,727.1	7.3	155,5605	2,028,526	17.3
2009	1,488.9	1,701.6	–2.2	126,5849	1,730,607	2.5

CPI = Consumer price index

Source: Adapted from the ADB website, <http://www.adb.org/data/statistics>

because of rising fuel prices. Total exports increased from 2004 to 2008, but fell in 2009 because Solomon Islands was affected by the global financial crisis.

6.2 Social indicators

6.2.1 Solomon Islands

Poverty

While Solomon Islands has made progress in terms of economic growth, the poverty analysis for 2008 (UNDP, 2008) showed that 8.7 per cent of the population were below the food poverty line (FPL) and 22.7 per cent were below the basic needs poverty line (BNPL). However, Narsey (2011) points out that the actual poverty level may be lower than the UNDP figures. The analysis also suggests that there are many households whose expenditure is just above the poverty line and who are therefore vulnerable to rising food prices and declining incomes. The government's poverty analysis concluded that breaking the cycle of poverty will require employment and income-earning opportunities to be increased in both urban and rural areas and basic education to be improved.

Education

Education is not compulsory in Solomon Islands. Because of the high fees, attendance at secondary and tertiary level (for 12–18 year olds) is limited. There is a positive trend in enrolment at the primary level because of the government's no fee policy. The literacy rate is low at around 77 per cent of the adult population. Thirty-three per cent of children of primary school age are not in school. The primary school net enrolment rate is 61 per cent for girls and 62 per cent for boys. The primary to secondary school transition rate is 70 per cent.

Health

In the World Health Organization's ranking of health services, Solomon Islands ranks 80 out of 190 countries. Hospitals and pharmacies are limited to highly populated areas and religious missions. Since 2005, the Australian and New Zealand governments have provided budgetary support for the health and education sectors. A UNICEF report has revealed that Solomon Islands is unlikely to meet MDG 4 on the reduction of child

mortality (UNICEF, 2008). In 2006, the country had the highest infant mortality rate in the Pacific region, at 55 deaths for every 1,000 live births, and an under fives mortality rate of 73 deaths to 1,000 live births. This mortality rate has not improved to date.

6.2.2 Vanuatu

Poverty

The Government of Vanuatu has placed a high priority on eradicating extreme poverty and hunger, and has made this its number one goal. The 2006 Household Income and Expenditure Survey (Government of Vanuatu, 2006) states that some of the country's people live – or survive – on Vt100 or Vt125 per day. Other indicators show that Vanuatu has a long way to go in addressing its social ills. For example, illiteracy was estimated at 66 per cent, about 23 per cent of children under five years of age are underweight and about 20 per cent of the population does not have access to adequate health services (Encyclopaedia of the Nations, 2011). However this figure has fallen in recent years due to the influence of education, and the literacy rate has increased, with a significant impact on poverty rates and general welfare. According to the Index Mundi (2008), the literacy rate for young people aged 15–24 years is 93.6 per cent; these young people can read and write short and simple statements in their everyday lives.

Education

The 2010 education report indicates that a large percentage of children in Port Vila do not go to school, either because of lack of space or because their parents cannot afford school fees (Vanuatu Daily Post, 27 January 2011). The adult literacy rate in Vanuatu is 74 per cent. Primary education in English and French is almost universal (94%), but only 39 per cent of children continue to secondary school. Improvements in secondary education are limited by shortages of trained teachers. About 5 per cent of the relevant age group is enrolled in tertiary education. Selected students go to Fiji, Australia and New Zealand, especially for medical and technical training. Some NGOs reported to the Vanuatu Daily Post (27 January 2011) that a high percentage of social problems in Port Vila stem from unemployment and hardships caused by a large proportion of families being unable to afford food because of low education levels. Some families find simple ways to make ends meet by selling food and engaging in similar trades to earn money to live and even to pay for school fees.

Health

Vanuatu has made good progress in reducing child mortality and is on track to achieve the MDG on mortality rates for under-fives (AusAID, 2009). However, most child deaths are caused by preventable conditions, such as pneumonia, diarrhoea, malaria and neonatal problems, implying that the mortality rate can be further improved. Health services in Vanuatu could be strengthened; a start could be made by improving primary and preventive care, including the provision of skilled birth attendants (AusAID, 2009). Government spending on health and health education has improved and it has been effective in encouraging preventive behaviours such as the use of mosquito nets and immunisation. Vanuatu's health system needs better trained medical personnel and assistance in building capacity. Access to basic social services, transport and communications across the many remote inlands of Vanuatu is a challenge, but the government is slowly gaining ground (Vanuatu Daily Post, 27 January 2011).

Notes

- 1 See the papers prepared by Baldacchino, Bertram, Hintjens and Jenson for the Methodology workshop: Social Policies in Small States, organised by UNRISD in Geneva, 1–2 October 2007. In addition, papers by Jenson (2010) and Bertram (2011), published as part of the UNRISD/Commonwealth Secretariat research project on social policies in small states, deal with thematic issues.
- 2 For a recent analysis of Wagner's law, see Boix (2001).
- 3 For further and more recent analysis, see Rodrik (1997, 1998) and Garrett (2000a, 2000b, 2001, 2004).
- 4 See Prasad (2003) for a discussion of the merging of interests in Fiji.
- 5 For further discussion of this methodology, see Segura-Ubiergo (2007), pp. 127–172.

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