Solomon Islands and Vanuatu - A survey

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The good news and the bad news

• **The good news**: By 2006-8 real GDP per person is about the level that existed before the troubles in both countries. Efforts of locals and outside groups have restored much else to the pre-crisis levels.

• **The bad news**: It is unlikely that there will be further improvement in incomes, governance or behaviour of politicians.
Why is this forecast believable?

• In 1980, Vietnam had 1/3 of SI real GDP per person and 1/5 of Vanuatu.
• By 2013, Vietnam is predicted to have 2 times SI real GDP per person and equal to Vanuatu.
• Even worse, SI real GDP per person is expected to start falling and Vanuatu to stop growing soon after 2013, while Vietnam’s real GDP keeps increasing.

• **Question 1:** Why are these outcomes so very different?
Governance

• The efforts of the people of the Solomon Islands and Vanuatu- with the help of various outside agencies- have restored the public sector to the level that existed before the crisis.

• But despite a lot of hard work, we do not see much further improvement.
Governance in the Solomon Islands

- Solomons Government Effectiveness
- Solomons Regulatory Quality
- Solomons Rule of Law
- Solomons Control of Corruption
Governance in Vanuatu

- Vanuatu Government Effectiveness
- Vanuatu Regulatory Quality
- Vanuatu Rule of Law
- Vanuatu Control of Corruption

Why has reform stalled?

• There does not appear to be any improvement in recent years once the pre-crisis levels are reached.

• So despite continuing efforts, little progress is now being made. Is this level of governance the level that certain groups desire?

• **Question 2:** Do Solomon islands and Vanuatu get the politics and politicians they deserve?
The end of timber in SI?

• In SI timber is being extracted at a rate far in excess of any estimates of “sustainable levels”.
• If we subtract the growth in timber away from the GDP numbers, the rest of SI GDP is not growing.
• But the timber boom will end, and soon. The ADB warns of a decline in production in 2009, while CBSI predicts declining production after 2010.
Figure 9.1: Projected log production in Solomon Islands to 2050

Note: The original version of this figure (from the data source below) is based on a projection of annual natural forest logging of 644,800 m³ (the average output for the years 1994–2003). In 2005 the volume cut was 1,118,000 m³. This much higher number has been used to rework the projections for natural forest logging. Other projections are as per the original version.

Data sources: AusAID Solomon Islands Forestry Management Project (2003); own calculations.
The end of timber?

• If the timber boom will end- and end suddenly-SI needs to plan for it.

• During the dispute in 2008 between timber exporters and the SI government, the halt in timber exports saw government tax revenues fall (temporarily) by 15%.

• But if the timber boom ends, the SI government will see permanent drop in revenues.

• **Question 3:** Why is there no planning for the end of timber?
Where is the money going?

- Planned foreign aid into SI and Vanuatu is ramping up.
- In per capita terms, the planned foreign aid for SI for 2008-09 is over A$380 per person living in SI.
- Where is this money going? Is it being spent well?
- One of the root causes of the recent crisis is the disparity in development between Guadalcanal and the other islands.
Where is the money going?

• Too much of the aid money is going to Honiara and Guadalcanal—repeating the mistakes of the past. Do many residents of the outer islands in SI receive A$380 in government services each year?

• The Millennium Challenge Account in Vanuatu is likewise upgrading the roads in Efate—the capital—and Santo.

• **Question 4:** Are the residents of the outer islands getting their fair share of the aid money? If not, why not?
What can be done?

• Transport is a pre-condition of growth. If a farmer can’t get goods to market, why bother with agricultural extension or commodity boards?

• SI and Vanuatu are nations of islands, yet inter-island transport does not even seem to be a minor priority for the governments.

• Communications are another priority. Is a country even a country if the inhabitants can not easily communicate, trade or meet with each other?
Mobile phones

• Mobile telecommunications reform is one of the most positive stories to come out of the Pacific in decades.

• Vanuatu has recently opened up its mobile telecommunications sector to Digicel.

• In PNG, the opening up of the mobile phone market has seen mobile phone ownership jump to 17 per 100 people- and prices have halved.
Mobile phones

• In Vanuatu, it is too early to tell. But indications are that prices have fallen dramatically, and mobile phones are everywhere on the big islands.

• This is a technology that could benefit all of the country- not just in Honiara or Port Vila but in the furthest islands.