



# Regional Workshop on MDG-based Planning, Pro-poor Policy & Budgeting Framework

2- 6 October 2006, Tanoa International Convention Centre, Nadi,  
Fiji

*Topic: "How the Quality of Governance has Impacted on Development  
in the Solomon Islands"*

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Governor of the Central Bank of Solomon Islands



# Introduction

## *The Vicious Circle*

# DEVELOPMENT



Weak Parliament

Weak/Bad Laws

Weak Institutions

Poor/Weak Population

Poor Public Infrastructure

Weak Private Sector

Poor Service Delivery

Unhealthy Investment Climate

# Impact from Weak Governance on the Economic Development

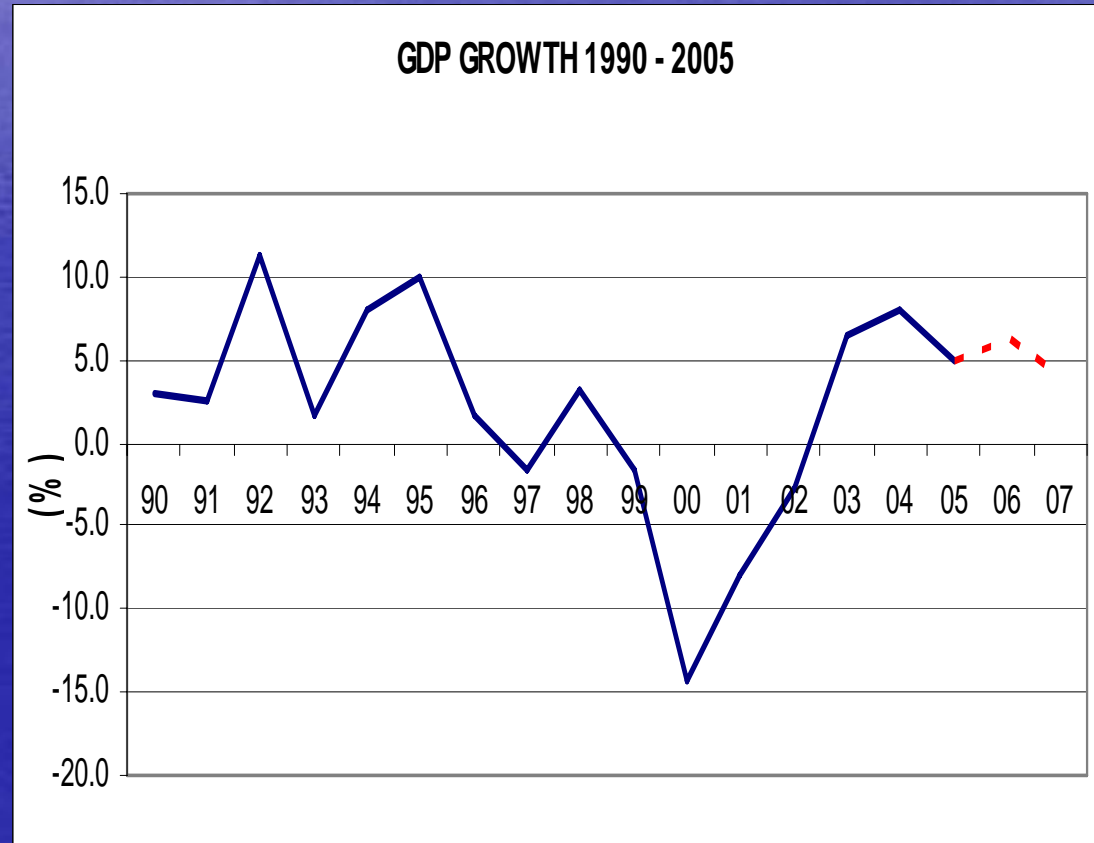
## Sluggish Economic Progress since independence

- Period 1978 – 1987: Agriculture & Fish-based Growth
  - Immature & Ever-changing political landscape
- Period 1988 – 1997: Forestry-based Growth with High Inflation
  - Unpredictable political situation
  - Governance systematically undermined
  - Uneven [investment] playing field
- Period 1998 – 2003: Recession
  - Reform-oriented govt. taken over
  - Maintenance of law and order with militants
  - No Governance
  - Peace road map was signed with open cheque
- Period 2004 – NOW: Fragile Recovery
  - Governance being restored
  - Recovery hangs on RAMSI

# Economic Growth – Real GDP

## Growth slowed down after Mid 1990s

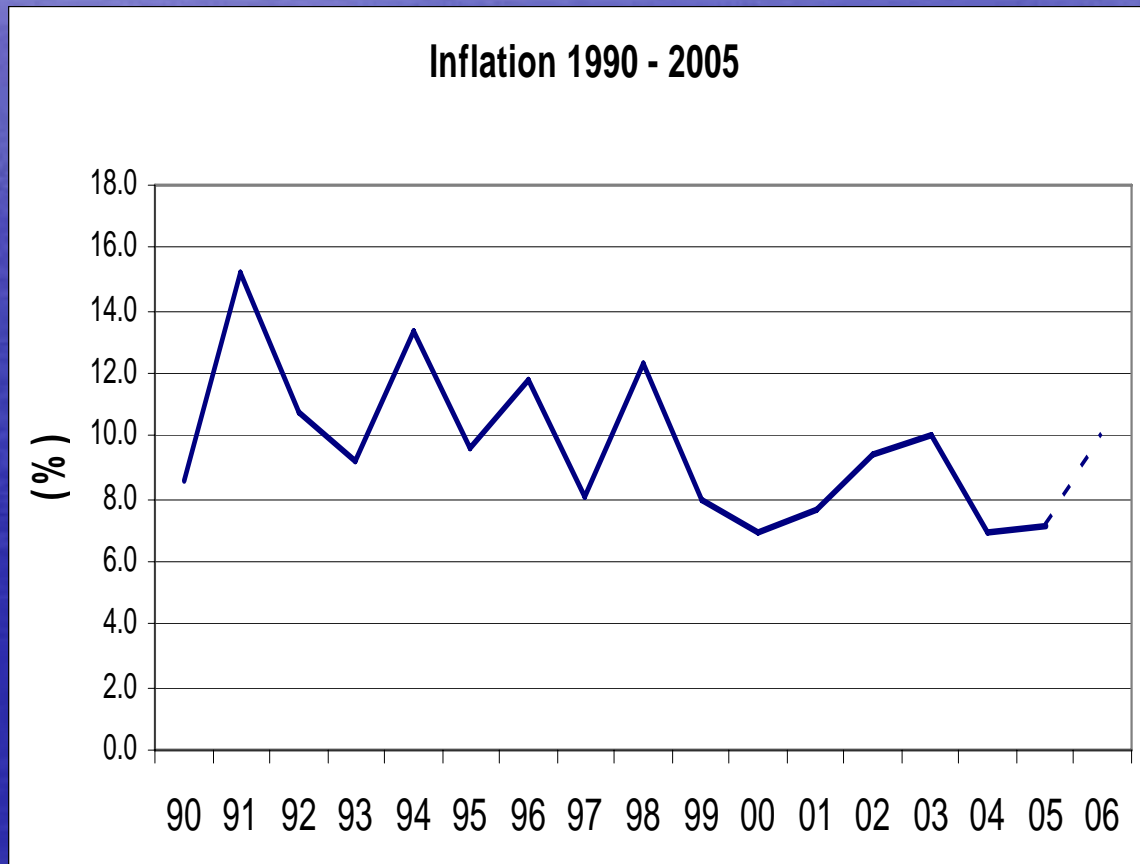
- Lowest point - 14.2% - in 2000
- Positive growth since 2003: 2005 – 5.0%.
- Economy is still below pre-tension levels
- Projection for 2006 is 6.2%.



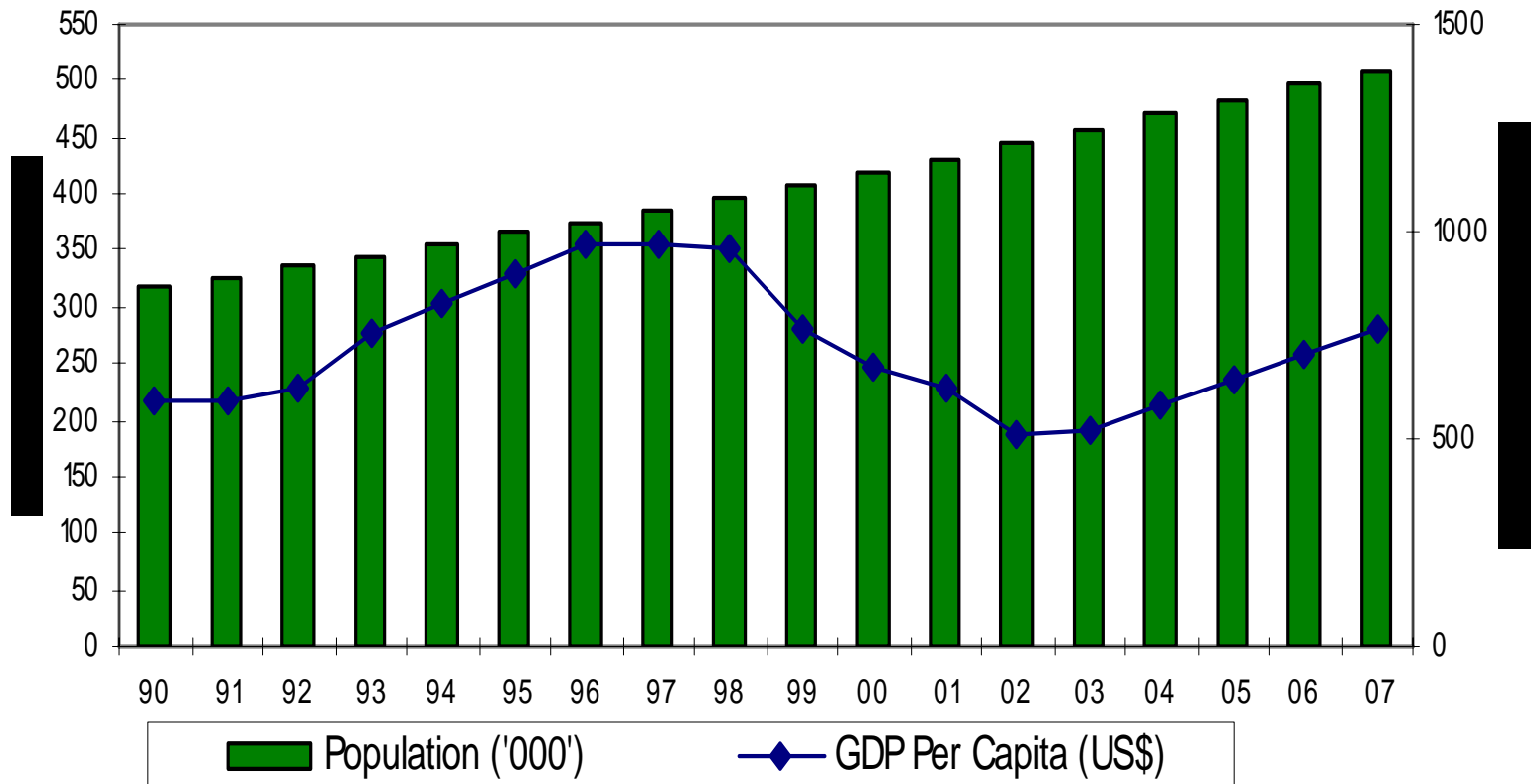
# Inflation

## Inflation trending Downwards

- Fluctuated above 10%
- 2005 was 7.2%
- Projected to rise in 2006
  - Rising Oil prices
  - "Middleman" activities
  - Excess liquidity
  - Economy picking up

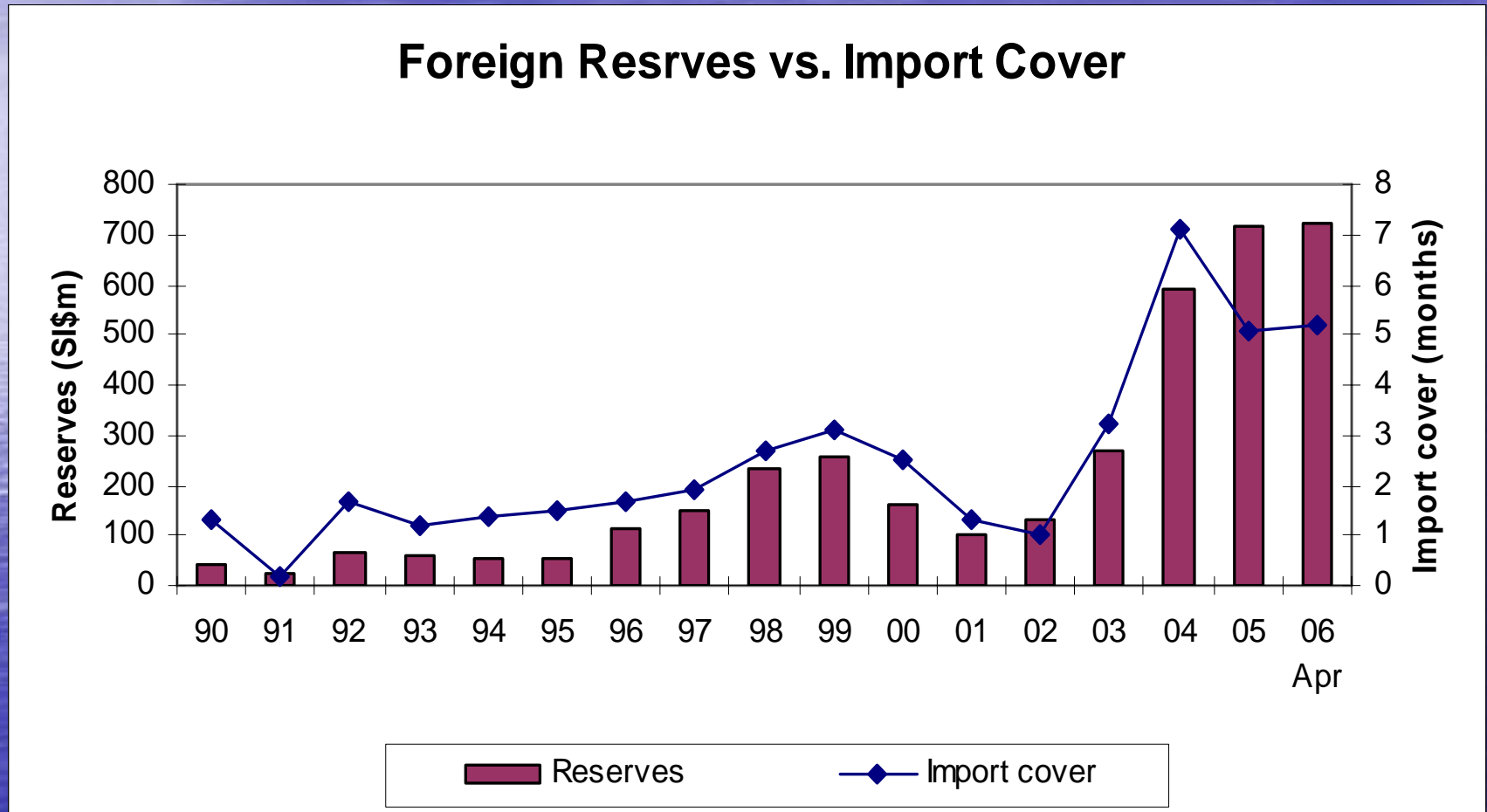


## Population vs. GDP Per Capita US\$



# External Sector

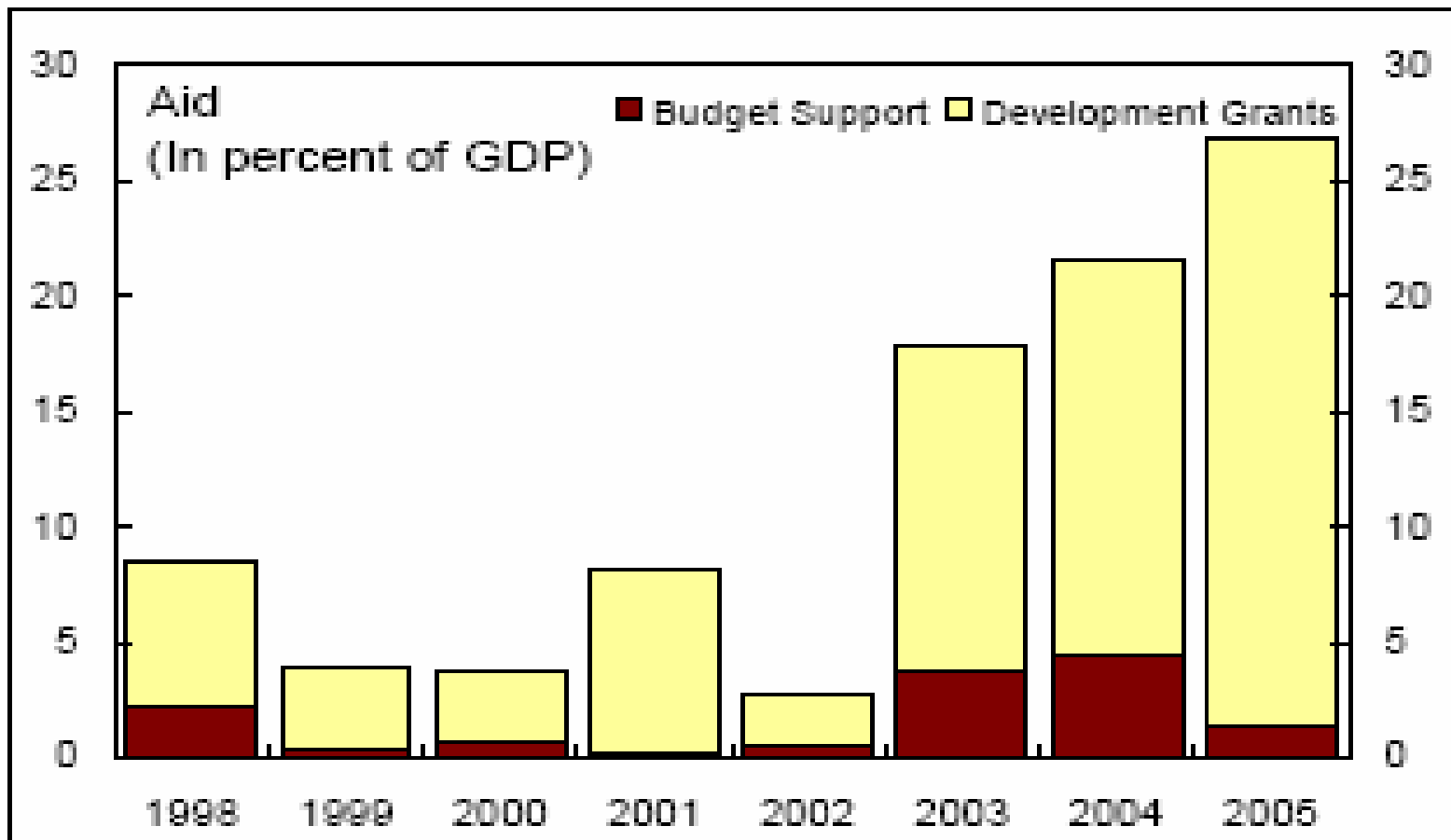
- International Reserves



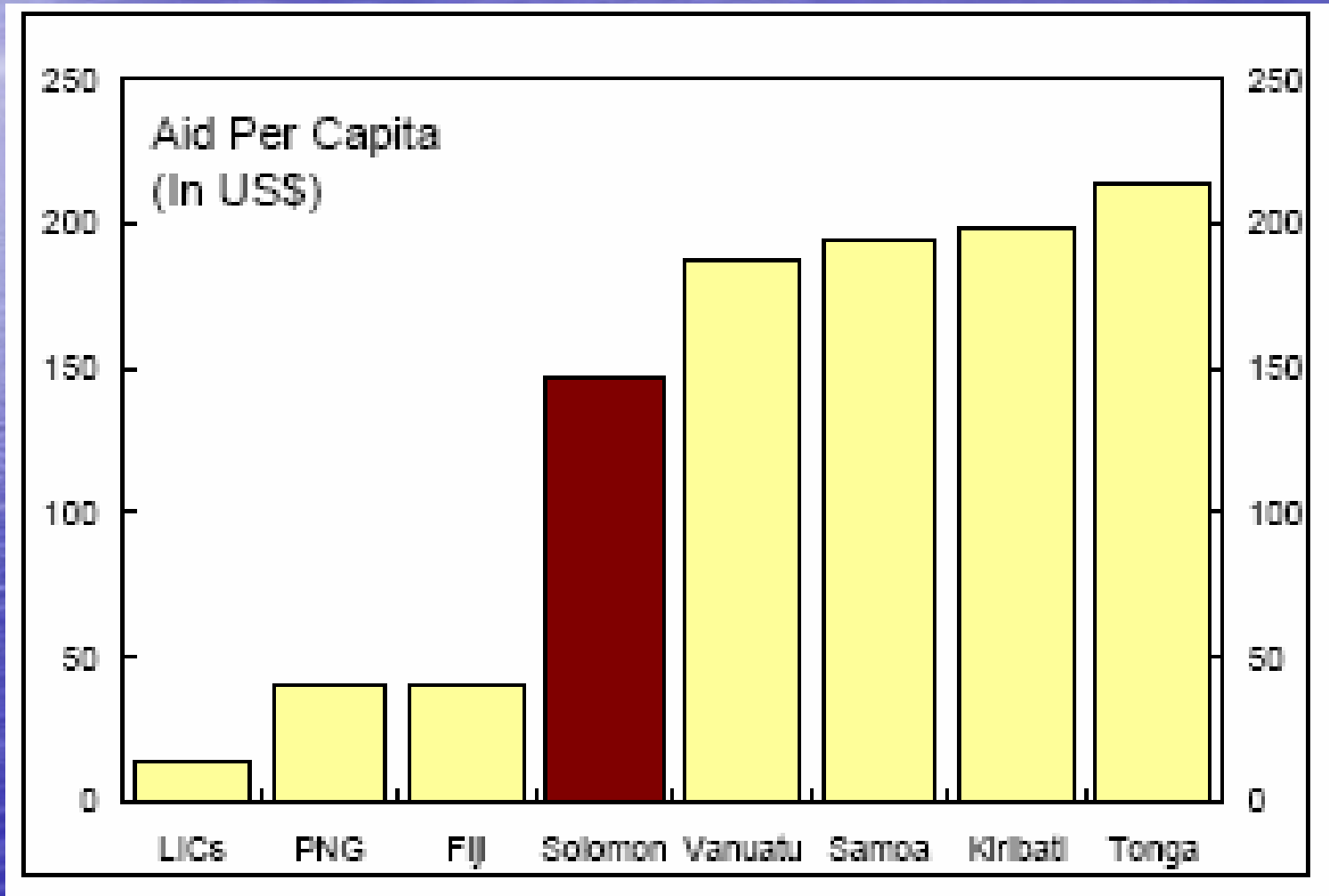
# Impact on Human Development

## *Aid Flows*

- Budget Support & Development Grants

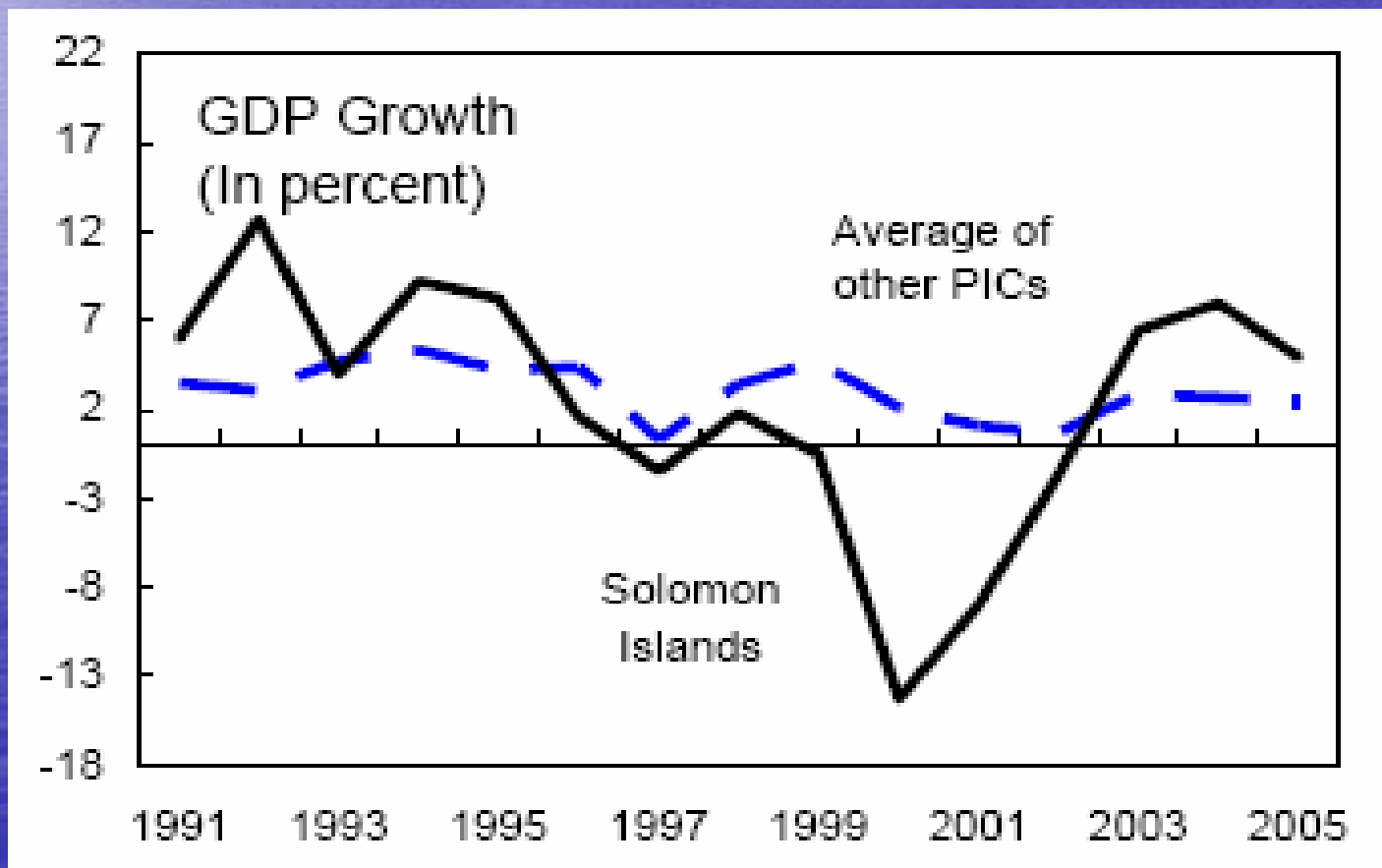


- Aid Per Capita

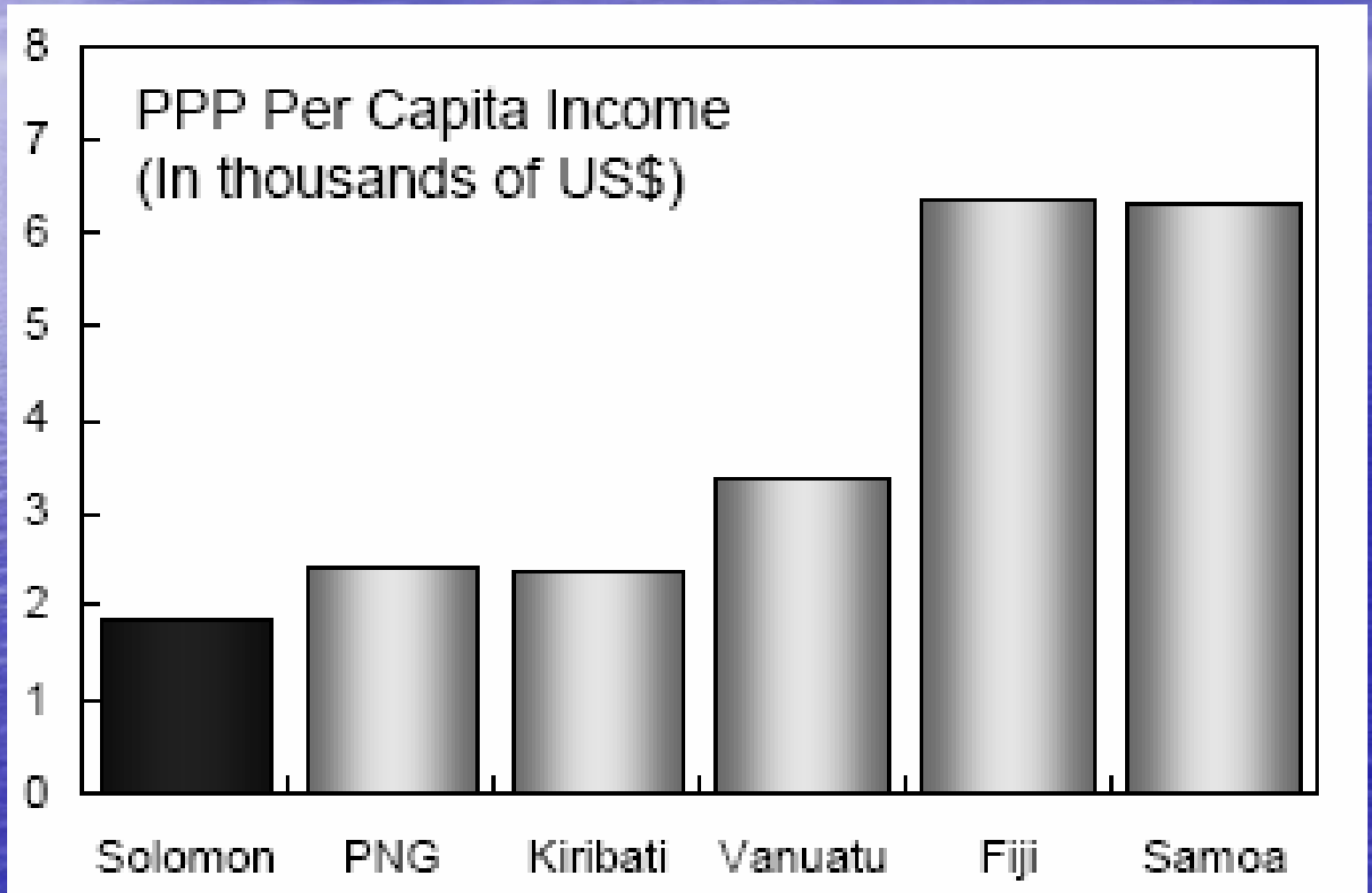


# Cross Country Comparisons on Economic Development, Institutions & Investment Climate

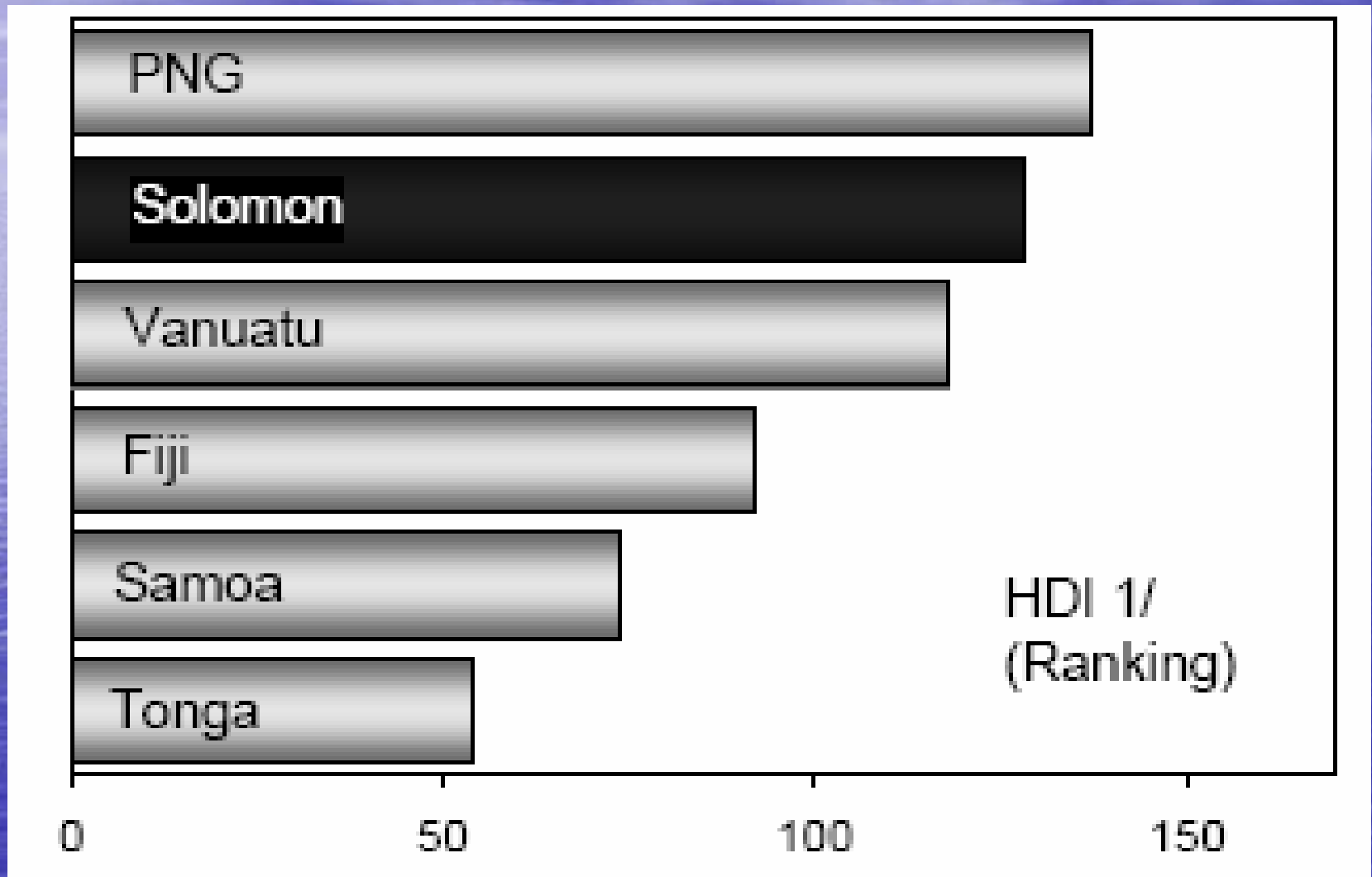
- GDP Growth



- PPP Per Capita Income

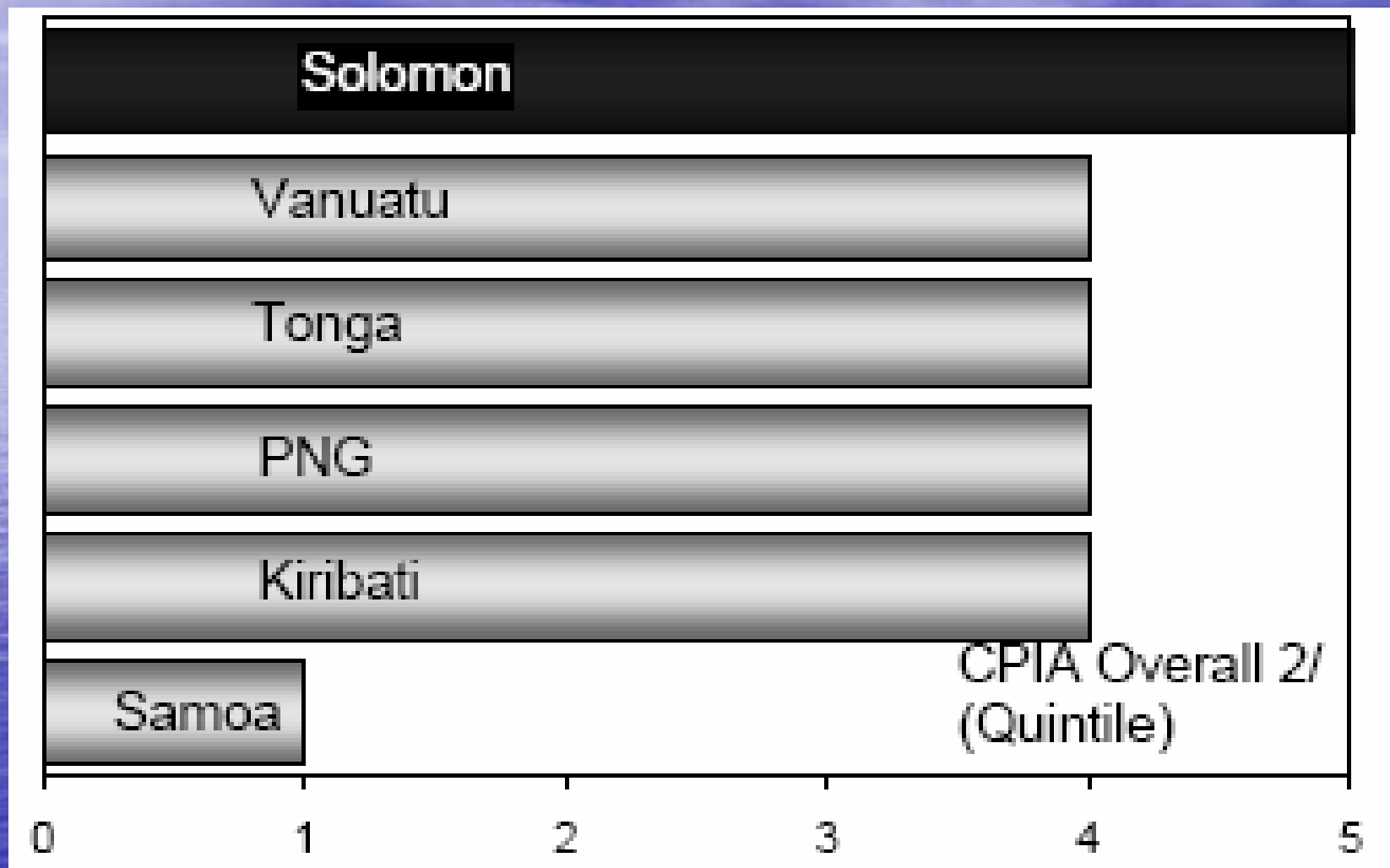


- HDI Ranking



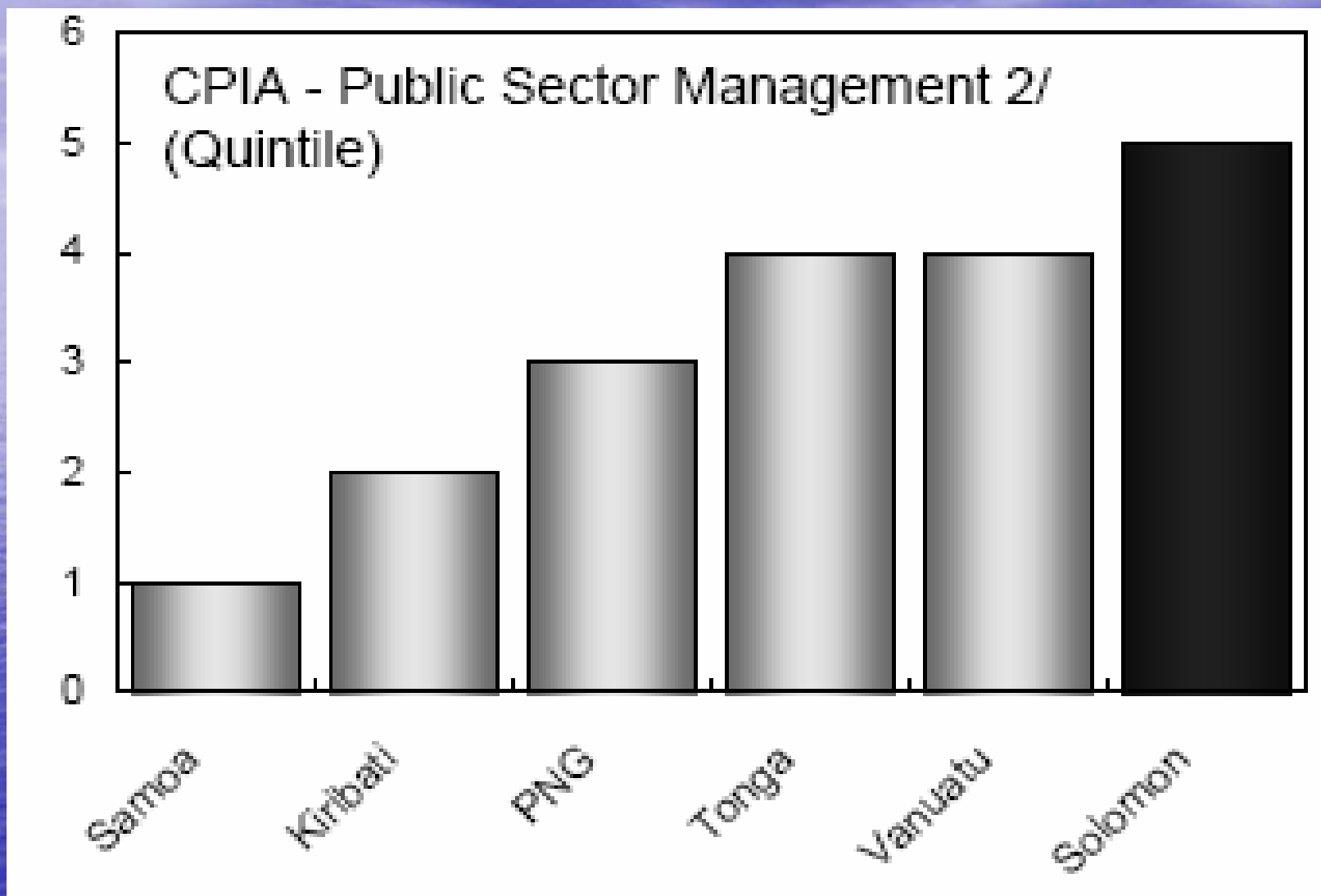
1/ Higher ranking denotes a lower level of development.

## Quality of Institutions (CPIA Score) Ranking



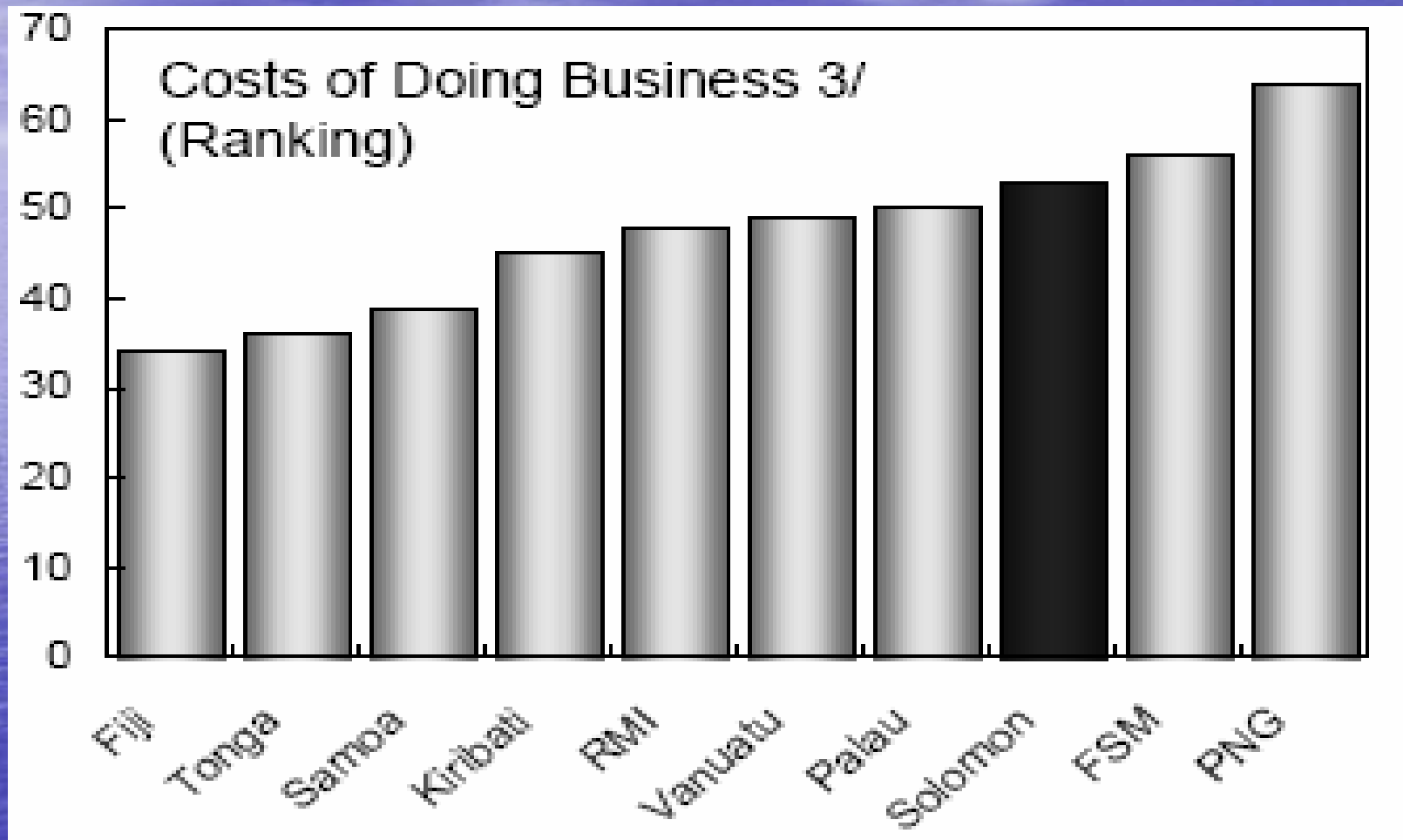
2/Lower quintile indicates a better Country Policy and Institutional Assessment (CPIA) score.

# Quality of Public Sector Management



2/Lower quintile indicates a better Country Policy and Institutional Assessment (CPIA) score.

# Costs of Doing Business – Ranking



3/ Higher ranking denotes higher costs of doing business.

# Conclusions

## Strong Co-relation between SI Socio-economic performance & its performance on Governance

- Period since independence [20 years] to 1998: growth opportunities missed resulting in economic fatigue
- Due to unstable political situation, bad Policy Environment and bad Governance: the *Vicious Circle*
- Period 1998 – 2003: Economic downhill slide – law and order, corruption, and governance were at their worst
- Period 2003 – 2006: significant improvements due to enhanced good governance aspirations
- Political stability and Governance are pre-requisites for socio-economic progress

End

*Thank You*