



## State policy on the informal economy

### BRIEF OVERVIEW OF SOLOMON ISLANDS

- **Location** - an archipelago state in the south-west Pacific Ocean 2,000km to the north east of Australia. (refer to Pacific map)
- **Land mass** - 28,400 km<sup>2</sup>
- **Population** - 2009 census..515,870, 2015 proj..762,000, growth rate..2.3%  
- 80% of the popn live in the rural areas and they depend largely on subsistence activities for their livelihoods
- **Main Exports** – Logs (69%), Fish (12%), Palm Oil (8%), Copra & Cocoa(4%).
- **Gross Domestic Product(GDP) per capita -2013 estimate** ..... US\$ 1,790.
- **Annual Inflation** – Average over last 2 years ended April 2015 .....4.4%



## Location of Solomon Islands within the Pacific





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### SYSTEM OF GOVERNMENT

- The country was granted independence by Britain in July 1978 and had adopted the Westminster system of governance.
  - Queen is head of state represented by a Solomon Islander Governor General
  - Actual governing of the nation is done by an elected Prime Minister and his Cabinet.
- The Government – 23 established ministries that execute all government functions. Amongst these are:-
  - Ministry of Rural Development – Improving the informal economy and subsequently the livelihood of the rural populace.
  - Min. of Commerce, Industries Labour & Immigration– Labour affairs
  - Ministry of Finance & Treasury– comprises the National Stats Office.

3



## STATE POLICY ON THE INFORMAL ECONOMY AND ITS IMPLEMENTATION.

Policy Statement 4.1.5 (ii): *ECONOMIC DEVELOPMENT-‘The government shall facilitate an enabling environment for indigenous entrepreneurship’*

**Policy Objective:** Gradually transform the subsistence economy into the formal economy, thus improving the income generating capacity of rural households (80% of the popn)and subsequently their living standards.

Ministry of Rural Development implements this policy by way of funding the establishment of household enterprises.

- SI\$150 million (US\$ 50m) is spent annually on this recurrent project.

**Eligibility:** To be eligible to obtain funds under this recurrent project, households have to (i) register with the Registrar Generals Office as a business, and (ii) application must be endorsed by respective MP.

4



## STATE POLICY ON THE INFORMAL ECONOMY AND ITS IMPLEMENTATION (Continued)

- High project failure rate (60%) due to lack of:-
  - management skills and misuse of funds on the part of recipient households.
  - effective project evaluation and monitoring systems at the Ministry of Rural Development.
  
- No statistical data is being compiled regularly to measure the impact of this project on the living standards of the rural population, although there is much demand for it at the Ministry of Rural Development.

5



## State policy on the informal economy STATISTICAL CHALLENGES

How should we define the FORMAL and INFORMAL sectors?

- Formal Sector – be restricted to just registered entities?
- Informal Sector – All else including unregistered HH enterprises?

Budgetary Constraints:-

- Need extra financial and manpower resources which is not easy to get from the government.

6

**Thank you**

Questions ???