

SOLOMON ISLANDS

COUNTRY REPORT

Prepared for the

**Regional Course on Statistics on Informality:
Informal economy, work and employment.**

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by

JOACHIM GAIAFUNA

Solomon Islands National Statistics Office
Ministry of Finance and Treasury
PO Box G6,
Honiara, Solomon Islands
Telephone: (677) 21427/22154/25451

INTRODUCTION AND OVERVIEW OF SOLOMON ISLANDS.

The Solomon Islands is an archipelago state located in the south west Pacific ocean about 2,000 kilometers to the north east of Australia. It is comprised of five main islands; Malaita, Guadalcanal, Makira, Isabel and Choiseul and thousands of small islands which are mostly uninhabited. The capital, Honiara, is located on Guadalcanal.

The Solomon Islands is a multi ethnic society but is predominantly, about 95% of the population, Melanesian. Other groups are Polynesians, Micronesians, Chinese and Europeans. The projected 2015 population based on the 2009 census is 762,412 with about 80% living in the rural areas. The rural population depends largely on subsistence farming and fishing for their livelihood as there is very little formal economic activity taking place in the rural areas.

The main exports are logs and sawn timber (69%), Fish (12%) and Palm oil (8%). Copra and Cocoa, which are produced entirely in the informal economy, account for 4% of total exports. GDP per capita in 2013 was around US\$1,790 whilst the average annual inflation rate over the last two years to April 2015 was 4.4%.

SYSTEM OF GOVERNMENT

Solomon Islands used to be a British Protectorate until it was granted independence on 7th July 1978. The nation, on independence, chose to adopt the Westminster system of governance. It is a constitutional monarchy and has a parliamentary system of government. Queen Elizabeth II is the Monarch and the Head of State; she is represented by the Governor General of the Solomon Islands who is chosen by the Parliament for a five-year term.

Parliament also elects a Prime Minister who chooses his cabinet Ministers that actually govern the nation. Each Minister heads a ministry tasked with executing certain functions of government. There are 38 ministries in all and amongst them are the ministries of Finance & Treasury, where the National Statistics Office is a division of; the Ministry of Rural Development, which is charged with improving the informal economy where most rural people are in; and the Ministry of Commerce, Industries, Labour and Immigration which administers labour affairs.

THE NATIONAL STATISTICS OFFICE MANPOWER AND OUTPUTS

The National Statistics Office is headed by the Government Statistician who reports to the Under Secretary of the Ministry of Finance. The office has 20 staff and is comprised of three main units; the Economics, Social and Census & Sample Survey units. The Economics unit, which is responsible for compiling economic statistics including labour force statistics, currently has 8 permanent staff who compile the Consumer Price Index, International Merchandise Trade, Employment Statistics and Gross Domestic Product. The unit also conducts annual Business Surveys as well as maintains a Business Register. With the current staff level, the unit cannot

take on additional responsibilities. This can however, be resolved if the ministries of Rural Development and Commerce, Industries, Labour and Immigration, the two key stakeholders, can support the National Statistics Office in its bid to recruit at least two more staff. There is a plan to do just that in 2016.

STATUS OF LABOUR FORCE DATA AND STATISTICS.

The National Statistics Office currently compiles very limited data on the labour market. Although there is much need for informal employment statistics by the Ministry of Rural Development, the Office is unable to meet that demand due to budgetary constraints and lack of capacity within the agency. The only statistic pertaining to the labour force, which the NSO used to produce, was the Employment Survey. The survey records numbers of people employed by industry only within the formal sector. This was discontinued in 1999 but was again re-introduced in 2014 primarily to meet National Accounts needs. Data processing and analysis for the 2014 Employment Survey is still in progress and the final results will be released by the end of August 2015. The Employment Survey questionnaire is given in annex 1.

Employment data was also captured in the 2005/6 and 2012/13 Household Income and Expenditure Surveys. Parts of the 2005/6 and 2012/13 Household Income and Expenditure survey questionnaires used to record employment data can be viewed by visiting website: <https://www.spc.int/prism/solomon>

As stated above, the National Statistics Office does not currently compile employment statistics on a regular basis, let alone Labour Force statistics. We therefore do not have time series data on Labour Force statistics.

COUNTRY POLICY ON THE INFORMAL ECONOMY AND ITS STATUS.

A new government was elected to parliament in November 2014 and they have continued on with past governments' policy of improving the standard of living for about 80% of the population who live in rural areas, and who can't find formal employment [*policy statement 4.1.5 (ii): ECONOMIC DEVELOPMENT-'The government shall facilitate an enabling environment for indigenous entrepreneurship'*]. This policy is aimed at increasing self employment and output within the informal sector and is being implemented by the Ministry of Rural Development through various ongoing projects funded from the Rural Constituency Development Fund, Millennium Development Goals Fund, and the Eco-tourism fund.

Households would submit their business proposals to their respective Members of Parliament under these projects, and if approved, would get the required funds to establish their small

household enterprises. Although these are well intended recurrent projects, the monitoring and evaluation process for funded projects are weak, thus resulting in a high failure rate. It is estimated by the Ministry of Rural Development that about 70% of such funded projects do not get off the ground due to lack of management skills, misuse of funds and other factors. Although a lot of money (\$50m per annum) was invested in these projects over the years, the impact of these projects on the informal economy cannot be accurately measured in the absence of reliable, timely data.

STATUS OF STATISCS ON INFORMAL EMPLOYMENT AND CONTRIBUTION OF THE INFORMAL SECTOR TO THE ECONOMY.

As stated earlier, the National Statistics Office is currently conducting the 2014 Employment Survey. This is an enterprise survey, where numbers of people employed, by gender and nationality (Solomon Islander/Non Solomon Islander), are sourced from enterprise payrolls and thus the survey only captures employment in the formal sector. Data on informal sector employment is currently unavailable although it is needed by the ministries of Commerce, Industries, Labour and Immigration and Rural Development. This is due to budgetary constraints faced by the National Statistics Office compounded by lack of technical capacity within the office to conduct such surveys.

Although informal sector employment data is currently unavailable, the NSO have been attempting to indirectly measure the contribution of the informal sector to GDP by industry. In the Agriculture industry for example, export values of copra, cocoa and other primary commodities produced exclusively for exports within the informal sector were adjusted for trade and transport margins and then taken as Gross Output. Intermediate consumption is then estimated based on local knowledge and Gross Value Added was derived as the difference between the two aggregates. A similar approach was used for estimating Gross Value Added for informal Gold Panning, Fishing, Transport Services and Street Vendors. According to our latest GDP estimates (2013), the informal sector contributed to about 25% of GDP (Refer to table 1, annex 2).

In summary informal sector employment statistics has never been compiled on a regular basis for the Solomon Islands since the country gained independence from the United Kingdom in 1976, although there is now much need for it at the Ministry of Rural Development. This was largely due to lack of technical capacity within the National Statistics Office. It is hoped that after this workshop the National Statistics Office will acquire the necessary skills to conduct

informal sector employment surveys annually to better assess the impact of government economic policies on the informal economy.

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DECLARATION

I certify that information in this form is true and correct to the best of my knowledge.

Name:..... Position:..... Signature:..... Date:...../...../.....

Phone:..... Mobile..... Fax:

Email Address:.....

Annex 2.

Table 1: 2013 GDP AT 2004 CONSTANT PRICES BY INDUSTRY AND SECTOR (SBD million)			
INDUSTRY	2013 GDP at 2004 Constant Prices		COMMENT
	All Sectors	Informal Sector	
Agriculture	736.5	638.7	Includes subsistence agriculture of \$465m
Forestry & Logging	387.1	15.1	Firewood collection
Fishing	235.3	165.3	Includes subsistence fishing - \$101m
Mining & Quarrying	192.8	0.0	
Manufacturing	254.3	19.4	Handicrafts
Electricity & Water	80.9	0.0	
Construction	88.2	34.1	Includes construction of semi permanent traditional houses
Wholesale & Retail Trade	293.5	32.6	
Hotel & Restaurants	101.7	0.0	
Transport & Storage	254.0	17.5	
Communication	130.4	0.0	
Financial Intermediation	196.9	0.0	
Insurance Services	63.2	0.0	
Real Estate & Renting	319.2	0.0	
Owner Occupied Dwellings	143.2	143.2	
Business Services	31.6	0.0	
Public Admin & Defense	330.7	0.0	
Education	188.4	0.0	
Health	66.1	0.0	
Other Services	148.6	0.0	
Taxes on Products less Subsidie:	131.5	0.0	
Less Imputed Bank Service Char	-115.3	0.0	
TOTAL	4,258.99	1,065.85	25%

Note: Visit website: <https://www.spc.int/prism/solomon> to view all statistical bulletins published by the Solomon Islands National Statistics Office.