

## THE BUILDING BLOCKS OF THE ECONOMY

Reliable infrastructure is one of the main challenges faced by the Solomon Islands economy. *Business Advantage* surveys the current situation and charts the progress that is being made

**I**t is hard to imagine a country anywhere in the world that is more challenging in terms of infrastructure provision than the Solomon Islands. The population of just over 500,000 is scattered over 300 hot and humid islands, which are prone to very high rainfall and even earthquakes. The difficult geography means there is a stark contrast between the quality of infrastructure in urban centres and that in rural areas, where many services are lacking altogether.

### WORK TO BE DONE

In recent times, rising fuel costs have exacerbated the problems faced by local utility companies, which also struggle with non-paying customers. In addition, the rights of customary landowners have created access problems, which have frustrated attempts to exploit the country's huge hydropower potential.

On the positive side, donor agencies have identified infrastructure as a priority and new technologies are starting to provide solutions to old problems. The current Administration has committed to deregulation in telecommunications and has put infrastructure development at the forefront of its economic policy.

There is no denying that tangible progress is being made in infrastructure development but a tremendous amount of work is needed to provide the economy with a solid foundation.

### TELECOMMUNICATIONS

Like most South Pacific countries, the high cost of telecommunications is a fact of life for companies operating in the Solomons. Honiara is the only commercially viable location for Our Telekom (formerly Solomon Telekom). As a result, subscribers in Honiara (most notably businesses) effectively subsidise the services the carrier is obliged to provide to rural areas.

The Sikua Government has resolved to end Our Telekom's monopoly. One business eager to enter the market is Caribbean-based mobile phone company Digicel, which has recently established itself in both Samoa and PNG. It already has an

experimental licence but its aspirations in the Solomons have been the subject of a legal challenge by Our Telekom. It may be only a matter of time before Digicel commences operations in the country though, with reports that commercial discussions have already taken place between the two parties.

Meanwhile, mobile phone service reportedly remains erratic and prices high. Roaming has been introduced for foreign visitors to the country but *Business Advantage* only had limited success with this during our recent visit. Broadband internet has also now been introduced.

### POWER (ELECTRICITY/GAS)

Power poses a problem, with some estimates suggesting only 20% of the Solomon Islands population has access to electricity. Honiara has also suffered endemic power cuts in recent years.

The Solomon Islands Electricity Authority (SIEA) is responsible for the national grid, although major commercial enterprises, such as Guadalcanal Plains Palm Oil, generate their own power.

However, things are improving quite quickly due to assistance from the aid agencies of the Australian and Japanese Governments, as SIEA's General Manager Andrew Daka explains:

'We have experienced a significant improvement in generating capacity—up to a reasonably high level—thanks to assistance from AusAID and JICA [the Japan International Cooperation Agency].'

The recently inaugurated Honiara Power Supply Improvement Project, funded by JICA, will hopefully make Honiara power cuts a thing of the past.

SIEA will have its work cut out for some time yet. It needs to keep pace with increasing demand—which has actually risen by 11% over the past year, a symptom of a rebounding economy—and much of its legacy infrastructure needs replacing. It is talking to the World Bank about a project that will update key internal systems and sharpen its commercial focus.

Note that electricity costs in the Solomons are indexed to the price of oil—unlike in some Pacific nations—so the price has risen quite sharply over the past two years.



## Solomon Islands Water Authority

Our goal is to provide a reliable, safe and sustainable water service to all urban areas of the Solomon Islands

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# INFRASTRUCTURE & TRANSPORT

## WATER

Unlike electricity, water has not yet benefited from significant donor funding. In four major urban areas services are provided by the Solomon Islands Water Authority (SIWA).

'The biggest challenge for us is that we have inherited a very old infrastructure and new investment has been inadequate,' says SIWA General Manager John Waki.

'We need heavy investment in this network to upgrade pipes, tanks, underground plants, install new treatment facilities and pipelines. We also need to provide adequate metering and make the water source more reliable.'

An Asian Development Bank loan to the Solomon Islands Government has helped upgrade infrastructure in rapidly growing Auki, the capital of Malaita Province. The Government is currently talking to JICA about further improvements in Auki as well as Honiara.

SIWA has also expanded its head office in Honiara with a view to growing its management capacity. However, suitably qualified candidates are proving hard to find. John Waki says he would like to see a more coordinated approach to vocational training, corresponding to the actual requirements of the economy.

## SHIPPING & PORTS

The Solomon Islands is on five major shipping routes, most serviced by Swire Shipping. Recent fuel surcharges have inevitably inflated the cost of freight.

The real problem is with inter-island shipping, which is vital for social and economic development. This area has been deregulated but many domestic routes are simply not commercially viable. Thus service is poor, making life tough for rural-based industries.

The principal ports are in Honiara and Noro (Western Province), but existing infrastructure is inadequate to meet rising demand. The Solomon Ports Authority is involved in a reclamation project at Noro and is building a new jetty in Honiara. It has also submitted a proposal to the Japanese Government to expand Honiara's wharves.

## ROADS

There are less than 2000 km of roads in the whole country, many of which need urgent maintenance. However, things are clearly improving, particularly in and around Honiara. The new Sikua Government has also committed to constructing 100 km of new roads per year (see the article on page 20). ■

## CASE STUDY: REGIONAL IT SERVICES PROVIDER SETS UP IN THE SOLOMONS



The South Pacific's fastest-growing IT services company, PNG-based Daltron, has given a vote of confidence to the Solomons' economy by making the country a central part of its regional expansion program.

According to CEO Bruce Mead: 'In order to continue to provide quality support for our growing client base, with [their] remote offices throughout the Pacific Islands, and our strategic alliance with Hewlett Packard, expansion beyond PNG is essential.'

Thus, in the past year Daltron has significantly increased its presence in Fiji and entered the Solomon Islands' market with the aim of improving both technology and service. Its gleaming showroom certainly stands out among the rather faded buildings of central Honiara, but how does it propose to offer increased value to its retail, enterprise and government clients?

First, by leveraging the significant resources of its parent company, the market leader in PNG:

'The Solomon Islands office will also have access to all technical resources from Daltron PNG. This is particularly

important, not only because the Solomon Islands staff can stay up-to-date with the latest technologies by utilising the training available in PNG, but they can also access Daltron's PNG resources to assist with large projects,' says Jordan Quinn-Chambers, Daltron's Regional Manager.

Quinn-Chambers adds that the local operation intends to carry a high level of inventory to prevent delays to customers and is also committed to making technology as affordable as possible in the Solomons. (Daltron actually assembles its own 'Niulogic' brand of PCs in PNG.)

Quinn-Chambers, who has IT experience in three continents, says she has been impressed by the calibre of the local market: 'Due to the impact of donor funding, this is certainly not a low-end market.'

Daltron has already secured a deal with local telco Our Telekom to provide technical support to their high-end internet customers (mainly corporate and government entities).

This underlines the fact that Daltron's entry into the Solomons not only creates new jobs but should facilitate greater efficiency in the whole economy. Its presence also helps clear the way for other potential foreign investors.

## KOLOMBANGARA FOREST PRODUCTS LIMITED

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**To maintain a sustainable and viable forestry operation whilst protecting the environment is our goal.**



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*Improvements to transport infrastructure and services are vital for the realisation of national development objectives.*

## INFRASTRUCTURE & TRANSPORT

# ROADS TO DEVELOPMENT

A POLICE PATROL BOAT LOADS AT A NEW WHARF.

Robert Guild of the Asian Development Bank gives the ADB's perspective only the challenge of developing infrastructure in the Solomon Islands.

**G**eography poses a significant challenge for development in the Solomon Islands. Development relies largely on moving people and goods around a country with a land area of about 28,000 sq. km across six large islands, dozens of smaller islands, and hundreds of islets and atolls. By working in partnership with the Asian Development Bank (ADB) and other development partners, the Solomon Islands Government is making steady progress in the transport infrastructure area.

### LIMITED NETWORK

Although the Solomon Islands has a road network of almost 2000 km spread over 30 islands, only about one-fifth of the national population has access to land transport, mostly on Guadalcanal and the island of Malaita. Nationwide, 23% of villages are accessible by road, 32% by sea, 40% by walking tracks, and 5% by river.

Transport services are provided by small-scale private companies and informally by owner-operators using market trucks, tractors, small vans, and open boats, with larger inter-island ships plying major routes.

Transport development in the Solomon Islands is guided by the National Transport Plan, developed with ADB assistance, which focuses on restoring infrastructure, improving maintenance, increasing safety, quality, and reliability, and promoting private sector participation. Key elements of the plan are integrated planning, protection of environmental and social sustainability, and increased resiliency in the face of natural disasters.

### LONG EXPERIENCE

In recognition of ADB's long experience in implementing projects and technical assistance throughout Asia and the Pacific, the Solomon Islands Government and other donors have agreed that ADB takes the lead in coordinating aid to the transport sector. ADB's country program complements assistance from other donors by creating an integrated transportation system to link rural areas to urban centres for access to markets and social services, through a number of projects.

### ROADS & BRIDGES

In land transport, ADB recently concluded implementation of the Post-Conflict Emergency Rehabilitation Project, which rehabilitated about 102 km of sealed roads, 65 km of gravel roads and 51 bridges on Guadalcanal and Malaita. ADB has also

begun the Solomon Islands Road Improvement Project, which will rehabilitate about 100 km of roads and bridges in Makira, Temotu, and Guadalcanal provinces. Both projects have been co-financed by the Australian Agency for International Development (AusAID) and the New Zealand Government's international aid and development agency (NZAID).

### EMERGENCY ASSISTANCE

Following an earthquake and subsequent tsunami that devastated parts of the western Solomon Islands in April 2007, ADB has begun work on an Emergency Assistance Project covering both land and sea transport. This project will rehabilitate about 35 km of roads and bridges and about 10 wharves in Choiseul and Western provinces. The project will also facilitate the repair of the Gizo town water supply and sanitation system. The Solomon Islands Emergency Assistance Project is co-financed by the European Commission.

### MARITIME INFRASTRUCTURE

In the maritime sector, ADB is currently preparing a new Domestic Maritime Support Project, which will rehabilitate about a dozen rural wharves and establish a franchise tendering scheme to support shipping services to remote outer islands. The project will also strengthen the Government's Marine Division, update safety regulations, and prepare for the gradual establishment of a maritime authority. This project will also be co-financed by the European Commission.

### INNOVATION

Innovation and local participation are important aspects of current work in the road sector. ADB is helping the Government to establish a new approach to maintenance using labour-based methods. Community participation will increase ownership of local infrastructure, generate employment, and increase sustainability.

Improvements to transport infrastructure and services are vital for the realisation of national development objectives. In partnership with the Solomon Islands Government and other development partners, ADB will continue working to keep the country moving. ■

*Robert Guild is the Asian Development Bank Pacific Department's Senior Transport Specialist.*