Solomon Islands has been a leading reformer in the Pacific region, actively seeking and implementing reform initiatives with significant support from PSDI. At $4.6 million, it has received the largest share of PSDI funds.

Business law reform activities accounted for 46% of PSDI’s spending in Solomon Islands since 2007, and an equivalent proportion of the $880,000 allocated in 2014-2015. This initiative funded custom and company law reform, including an online companies registry. Initiatives supporting state-owned enterprises (SOE) reform account for 24% of overall spending and have led to the installation of a community service obligation framework, the development of shared accounting services, and the successful privatization of three SOEs. Financing growth initiatives, which also account for 24% of overall spending, have underpinned secured transactions reform and a review of the regulatory framework for microfinance and mobile banking. In 2014-2015 financing growth accounted for 21% of spending, which was used to help develop a credit union policy and the National Provident Fund Bill. Crosscutting and analytical work accounted for 5% of 2014-2015 spending, mostly towards the production of a private sector assessment that will be published in early 2016.

In September 2013, PSDI appointed a Honiara-based Coordinator to support implementation and advocacy of PSDI projects in Solomon Islands. Based in the Solomon Islands ADB Development Coordination Office, the Coordinator works closely with the Ministry of Commerce, the Ministry of Finance and Treasury, the Central Bank of Solomon Islands, and the Attorney General’s Chambers to progress legal reforms.

PSDI’s most extensive business law reform activity has been in Solomon Islands. PSDI assistance and extended advocacy saw the Companies Act passed in 2010 and an online company registry, Company Haus, launched. As a result of the registry:

- it is cheaper and faster for new businesses to incorporate;
- ministerial approval of company names is no longer required;
- company seals are no longer required, and;
- there is no need to travel to the capital, Honiara.

The average time to form a company has been reduced from nearly 3 months to less than 36 hours. On average, 292 new companies have incorporated annually between 2010 and mid-2015, more than double the pre-reform average. The new company laws also allow single shareholder companies, giving entrepreneurs maximum flexibility to start and manage a business without external ownership influences and allowing women to start a business without a male co-director.

The community company structure, also introduced under the new company laws, offers a more transparent and accountable alternative to communities operating businesses informally or through trusts or cooperatives. It has great potential for managing resources royalties and customary land lease payments. By 2016, 33 community companies had been incorporated in Solomon Islands.

PSDI also identified a complementary reform to the company law reform: simplifying the business names registration system. Business names are a form of license used extensively by small and medium enterprises across Solomon Islands. The successful implementation of the reform to business names will:

- significantly reduce the time taken in processing the 1,300 new license requests per year;
- save small business owners significant time and money;
- enable small business owners to register online, removing the need to travel large distances, and;
- streamline license processing, operating costs, and payment procedures through an interface with the existing Company Haus.

PSDI’s ongoing policy guidance and support in drafting the Business Names Act 2014 saw it pass through Parliament and into law in August 2014. PSDI will support the Act’s implementation through ongoing policy advice and advocacy. PSDI also undertook a diagnostic on building an online foreign investment registry. This resulted in a project to build a common online platform encompassing foreign investment registrations, company registrations, and business name registrations, thereby creating an integrated, streamlined investment start-up process. PSDI has finalized the procurement of the new online registry, design, testing, and launch of which is planned for 2016.

PSDI is also assisting the Government to create a modernized customs and Excise regime. The reform promotes faster clearing procedures, improves revenue collections, reduces process informality, improves border protection, and facilitates trade. Extensive technical consultations on the bill were completed in 2015 and it is now waiting for Cabinet approval, which will be followed by vetting at the Attorney General’s Chambers.
SOLOMON ISLANDS

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS

Solomon Islands’ SOE portfolio has undergone a remarkable turnaround over the past six years. Rates of return on both assets and equity, which were negative from 2002-2009, are now positive, demonstrating what can be achieved with strong government commitment to SOE reform.

PSDI continues to provide assistance toward the implementation of the SOE Act and supporting regulations and the development of individual SOE restructuring strategies. The current government, elected in 2014, has yet to endorse a program of SOE reform, but will develop an SOE capitalization policy. PSDI is expecting to provide input to this policy, which could formalize the government’s views on SOE performance, restructuring and privatization, including through PPPs.

CURRENT AND FUTURE PROJECTS

ECONOMIC EMPOWERMENT OF WOMEN

In 2014, PSDI analyzed constraints to women’s economic empowerment in Solomon Islands and initiated the following pilot projects to help devise responses to them:

Boosting Women’s Technical Skills – PSDI worked with the West Are’Are Rokotanikeni Association, the Ministry of Mines, Energy and Rural Electrification, community organizations, and government agencies to train women on solar panel maintenance. The pilot project has empowered rural women by teaching technical and income-generating skills that have enabled them to open bank accounts, create formal businesses and earn income. Following requests from community leaders the project was replicated in Choiseul Province. It has also attracted significant interest from other organizations, and its strategy of training rural women in infrastructure management is being replicated within the ADB’s forthcoming $15.8 million Solar Power Development Project. In 2016 onsite training will continue in West Are’Are along with ongoing monitoring and evaluation.

Improving Inclusive Governance – In collaboration with the Solomon Islands Chamber of Commerce and Industry (SICCI), PSDI designed a gender-sensitive training project on corporate governance. The women-targeted program aimed to create ‘promotion-ready’ employees equipped with the skills for senior management positions, including specific preparation for roles on SOE boards. The training was held over three, two-day sessions in July and October 2014 and February 2015, with 70% women participants. Two local trainers were taught how to deliver the training in August 2015 and delivered the course in two sessions in November 2015. In 2016, PSDI will undertake an evaluation of this project, assist SICCI to develop a ‘Corporate Governance Manual’, and support the creation of a database of graduates.

Collaborating with Large Businesses to Encourage Women’s Entrepreneurship – In 2015 PSDI collaborated with Guadalcanals Plains Palm Oil company to assist a small group of women dependents of the company’s male employees to develop a small, sustainable, formal business. The women created a successful clothing and uniform manufacturing business, which is now turning a profit. The aim of the pilot project was to demonstrate an approach for creating small businesses on the margins of big ones, and for the inclusion of women dependents in the formal economy.

In partnership with UN Women, PSDI undertook a review of how business law reforms have affected women, and of the effectiveness of women’s business associations in Solomon Islands. PSDI is also working with the Solomon Islands company registry to create women-friendly business support materials, as well as partnering with NGOs to raise awareness among women of the benefits and ease of formalizing their businesses and using personal assets to apply for business loans.

PSDI also proposed amendments to Solomon Islands National Provident Fund legislation and Business Names legislation that remove discriminatory provisions, and called for a gender inclusive approach to the redrafting of the Credit Union Policy.

COMPETITION AND CONSUMER PROTECTION

At the request of the Government of Solomon Islands, PSDI has commenced a review of the country’s competition policy and law requirements. The review will consider a multi-year phased implementation of any reforms and substantial capacity building to provide the necessary skills base for administration of consumer and competition safeguards.

ANALYTICAL WORK

Solomon Islands features as a case study in PSDI’s 2014 publication Unlocking Finance for Growth: Secured Transactions Reform in Pacific Island Economies. Two other PSDI case studies on Solomon Islands—one also on secured transactions reform and one on business law and registration reforms—were included in Enhancing SME Access to Finance: Case Studies, a book published by the Global Partnership for Financial Inclusion in June 2015.


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PSDI works with ADB’s 14 Pacific developing member countries to improve the enabling environment for business and address constraints to private sector development in support of sustainable and inclusive economic growth.