

# Solomon Islands begins implementing IMF demand for severe job cuts

Peter Byrne

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At the insistence of the International Monetary Fund (IMF), the Solomon Islands government is pressing ahead with plans to retrench 1,300 employees or about 30 percent of the public sector workforce. The first group of sackings was due to take place last week.

The retrenchments, along with other IMF austerity measures, will compound the country's already severe economic and social crisis. Fighting between competing militia groups in 1999 and 2000 led to the closure of the Gold Ridge gold mine, the Solomon Taiyo tuna cannery and palm oil plantations, leaving the public sector as the only major employer.

The number of government employees had already been halved from 8,473 to 4,337 between 1993 and 1999. Another 800 were stood down in October 2000 in the midst of militia fighting but were later reinstated. Now with the economy and public finances in a state of collapse, the government has been forced to further slash the number of employees.

Such is its financial position that the government is completely reliant on foreign assistance to fund the retrenchment packages to sack its workers. The New Zealand government provided \$US900,000 as the first installment of the \$7 million retrenchment payout.

Prime Minister Allen Kemakeza was backed into a corner at a key meeting of representatives of the IMF, World Bank, Asian Development Bank and major donor countries in the capital Honiara on June 19. At the gathering, the first of its kind since early 2001, the government presented its National Economic Recovery Plan and called for a large injection of funds to resolve the deepening financial crisis. The donors, however, led by Canberra, refused to provide any funds unless Kemakeza moved to reduce government spending and jobs.

The government effectively ceded control of its

finances with the appointment the same month of an Australian, Lloyd Powell, to the post of Permanent Secretary of Finance. Powell is the executive director of the New Zealand-based company Solomon Leonard, which has a proven track record in overseeing austerity programs in the South Pacific. The company has worked in the Cook Islands, Vanuatu and Tonga, as well as Jamaica.

The IMF agenda has provoked sharp opposition. In early August, Kemakeza faced a revolt in his shaky administration and was forced to reshuffle his ministry in a bid to regain control over key portfolios. He threatened to dump his major coalition partner—an association of independent MPs. The prime minister faced a similar rebellion in March when he attempted to introduce a budget that included a 25 percent devaluation of the currency. At that point he was compelled to sack the finance minister and reverse the devaluation.

Effectively acting on behalf of the IMF, Powell has intervened to insist that the cutbacks proceed. Addressing a meeting of business groups in Honiara in early September, he revealed that the government had overspent its payroll budget by 40 percent, or \$US4.1 million, for the year up to July. According to Powell, “the only answer to this is for the government to reduce its payroll and stop compensation payments”.

The compensation payments, made to people affected by the past four years of civil unrest, were part of the Australian-sponsored Townsville Peace Agreement, signed in 2000 as a means of ending the island-based militias and disarming the combatants. While Australia and New Zealand pushed for the deal, neither country provided the finance necessary to fund the ambitious redevelopment plans that were aimed at overcoming the deepening social crisis at the root of the fighting. The

agreement expired in mid-October.

Kemakeza responded to Powell's pressure by announcing a radical restructure of his administration on October 3, cutting the number of ministries from 20 to 10. The following week, National Unity, Reconciliation and Peace Minister Nathaniel Waena officially halted all compensation payouts.

The impact of the IMF's austerity measures will be severe. Basic services are already in a state of disarray. Schools and hospitals are either closed or providing only minimal services. There are frequent power blackouts in Honiara because the government cannot afford to pay the fuel bill to run the electricity generators. Even those government employees who still have a job, experience lengthy delays in the payment of wages.

At Honiara's main teaching hospital, the National Referral Hospital, only 11 of the 40 medical positions are filled. While 35 percent of the admissions are children, the only qualified paediatrician left the country at the end of September. A number of children have reportedly died due to a lack of appropriate drugs and treatment. Outside the capital, medical services are either non-existent or extremely rudimentary.

Unemployment, especially among young people, is rampant. The only major remaining export industry is logging, which accounts for 85 percent of foreign earnings. The logging operations are devastating large areas of forest and are simply unsustainable. Around 80 percent of the population of 450,000 lives on subsistence agriculture with no regular wage earners.

The appalling social conditions have exacerbated the tensions that led to the fighting in 1999 and 2000, when militia groups based on the main island of Guadalcanal drove out thousands of residents who had come from the neighbouring island of Malaita to work in Honiara. While the rival militias were meant to disarm under the terms of the Townsville agreement, Australian High Commissioner Robert Davis noted last month: "There are in fact now more weapons in the community than there were at the beginning of the period."

Lacking education and without employment prospects, a number of young people have drifted towards the militia groups. A UN report in May noted that members of one militia, the Malaitan Eagle Force, were typically aged between 14 and 25, had a low level of formal education, were unemployed and relied on

their families to support them.

The impotence of the police force, which has close ties to Malaitan Eagle Force, was highlighted in August when Youth, Sport and Women's Affairs Minister Augustine Geve was brutally murdered by a Guadalcanal-based militia headed by Harold Keke. Keke, who demands that all Malaitan settlers leave Guadalcanal, refused to be a party to the Townsville agreement and has, to date, resisted all police attempts to flush out his group.

As unemployment and poverty continue to rise as a result of the IMF measures, the already tense situation is likely to erupt in further social unrest.



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