



GOVERNMENT OF SOLOMON ISLANDS

THE 2023 BUDGET SPEECH

Iumi Together, Moving Solomon Islands Forward.



Delivered by

**Honourable Harry Kuma, MP
Minister for Finance & Treasury**

Honiara

24th November 2022.

Table of Contents

1.0	Introduction.....	3
2.0	Living with COVID-19.....	3
3.0	Economic Update and Achievements.....	4
4.0	2023 Budget Theme.....	8
5.0	2023 Budget and Fiscal Outlook.....	12
6.0	Resumption of Major Development projects.....	20
7.0	Short-Medium Term Development Measures.....	21
8.0	Debt Outlook.....	21
9.0	2023 Budget Risks.....	22
10.0	2023 Appropriation Bill.....	24
11.0	Budget Monitoring and Implementation.....	24
12.0	Acknowledgements.....	24
13.0	Closing Remarks.....	25
14.0	Annexes.....	27

1.0 Introduction

Honourable Speaker,

I rise to beg that the 2023 Appropriation Bill 2022, be now be put to the second reading.

Mr Speaker, this is the fourth budget of the Democratic Coalition Government for Advancement (DCGA) that I have had the honour of presenting to this Honourable House in accordance with Section 102 of the National Constitution of Solomon Islands. It is indeed an honour for me, and my people of North West Choiseul Constituency, and as Minister for Finance and Treasury to present the 2023 Appropriation Bill 2022 on behalf of the DCGA government and the people of Solomon Islands.

2.0 Living with COVID-19.

Mr. Speaker, Solomon Islands continues to face serious challenges, with the macroeconomic environment being significantly disrupted not only by the aftermath of the global pandemic and November 2021 civil unrest ad riots, but also the adverse global impacts of the Russian-Ukraine war.

Mr. Speaker, it is now more than two years since COVID-19 upended our lives in early 2020.

Sir, during this period, we mounted multiple public health responses that pushed us to new limits. We faced a major economic challenge and fought to save lives and jobs. If I had to summarise the impacts of COVID-19 in two words, it would be "LOSS" and "RESTRICTIONS".

Sir, what we have experienced was;

- Loss of lives;
- Loss of jobs;
- Loss of confidence;
- Loss of business growth;
- Restriction between families, and Restriction of movement.

Mr. Speaker, as you all know and have experienced, the last two years have shown that there is nothing predictable about the coronavirus. But as the global pandemic enters its third year, we will have to adjust to the new normal. We cannot let it change our hopes, our aspirations, and our values.

Sir, our experience so far have shown that we are now much stronger compared to when the virus first emerged in 2020. With the help of our friends abroad, we have improved our public health defenses and strengthened our collective resilience.

Mr. Speaker, the journey ahead will not be easy. But as we navigate the COVID-Wave and other externally induced stresses, I am confident that we can overcome whatever lies ahead, and make further progress in our journey to live with COVID-19.

3.0 Economic Update and Achievements.

3.1 Global Economy.

Mr. Speaker, as I have outlined in April this year, the global economy has been very unfriendly since Covid-19 first struck in 2020. What has happened was that the world economy was faced with multiple crisis. The first was the global pandemic, which turned our lives and the global economy upside down. The spread of the virus is not yet over and could give rise to even more contagious or worse, more lethal variants, prompting further disruptions in economic activities and further divergence between the rich and poor countries.

The second global crisis is the Russian invasion of Ukraine, which already has sent shockwaves globally. The economic consequences from the war had spread fast and far, hitting struggling the majority with lower incomes and higher energy and food prices. For the first time in many years, inflation is now a global concern as this could result in massive setback for the global recovery.

Mr. Speaker, the effects of both crisis is that in economic terms, global growth is now down and inflation is up. These double crises, and the global ability to deal with them, are further complicated by another growing risk: the fragmentation of the world economy into geopolitical blocs with different trade and technology standards, payment systems, and reserve currencies. Such a tectonic shift would incur painful adjustment costs, especially for many developing countries, including Solomon Islands.

3.2 Solomon Islands Economic Performance.

Economic Growth.

Mr. Speaker, the combined effects of Covid-19, community transmission, November 2021 riots, and Russian-Ukraine conflict would see Solomon Islands economy contract further by 4.5% in 2022.

Sir, although the re-opening of our borders in July has boosted tourist arrivals and the construction sector, this would not be enough to offset weaker demand for our exports and decline in manufacturing, mining, retail and wholesale sectors due to higher fuel prices.

Employment and Inflation.

Mr. Speaker, despite economic contractions since 2020, preliminary data on employment from the National Provident Fund (NPF) showed the number of people engaged in formal employment have surpassed 80,000 at the end of June 2022. The figures showed that the public sector accounts for the highest growth during the period.

Mr. Speaker, the inflation rate for 2022 is expected to rise to around 4.0 per cent from 2.7 per cent in 2021. High global fuel prices arising from the Russian-Ukraine war is the key contributing factor.

Production.

Mr. Speaker, following the onslaught of COVID-19 in 2020, the government introduced an Economic Stimulus Package (ESP) to keep the economy afloat.

Sir, the selection of ESP project recipients and funding was guided by three overarching principles.

- Rapid economic return;
- Impact the rural and national economy by encouraging employment and income-generating activities; and
- Enable long-term economic recovery in post Covid-19.

Sir, based on an independent report on the ESP conducted in late 2021 and early 2022, I am pleased to report that the ESP funding has achieved its core objectives.

First, the ESP grants had a positive impact on state-owned enterprises (SOEs), including the Solomon Airlines, which had to completely suspend both international and domestic flights and adapt its business model upon border closing in March 2020. The ESP grants have also strengthened and expanded the operational functions of the Commodity Marketing Authority (CEMA). The revival of the Development Bank of Solomon Island was another outcome of the ESP policy.

Second, in the agriculture sector, which attracted the highest number of applications (1,231) and received the highest ESP funding (SBD35.3 Million), the outcomes were very encouraging. For example, copra production fell 59 percent following the arrival of COVID-19 in early 2020. However, as a result of the ESP funding assistance to both farmers and traders, copra production rose significantly in both 2020 and 2021. The production of coconut oil has also improved over the same period.

Total fish catch also rose sharply in 2021. Although cocoa production marginally fell 2.4 percent last year, it remains almost the same level as in 2018, while timber exports also rose significantly in 2021, compared to the levels seen prior to the emergence of COVID-19 in 2020. Other major commodities, however, marginally fell in 2021, owing to COVID-19 related disruptions.

Balance of Payments.

Mr. Speaker, latest data from the Central Bank of Solomon Islands (CBSI) suggest that the global slowdown has markedly affected the Solomon Islands international trade, resulting in sharp declines in commodity exports, particularly logs and oil palm.

Mr. Speaker, latest trade data up to June 2022 from the Central Bank showed a deterioration in the trade balance since the fourth quarter of 2020.

Sir, as I have said last year, running trade deficits is not necessarily a bad thing if we spend money on capital items for productive investment purposes.

Mr. Speaker, as all Honourable Members will note, one of the key objectives of the 2023 Budget is to put more resources in the productive sector and construct road access to new land areas with the potential for more agriculture investments. In the

long term, this should increase the production of more agriculture products for exports and thereby help to reduce our trade deficit in the years ahead.

Sir, due to subdued demand for exports and rising import costs, the level of external reserves fell to \$5,479 million at the end of June 2022, from \$5,617 million at the end of December 2021. Despite the fall, the country's level of foreign reserves, are forecast to remain above 13 months of imports of goods and services cover, well above the 3-months minimum import cover benchmark.

Although the reopening of the border in July 2022 has eased travel restrictions, Solomon Islands current account deficit is forecast to increase to 13 per cent of GDP in 2022 and 17 percent of GDP in 2023.

Exchange Rates.

Sir, the Solomon Islands average exchange rate against the United States dollar has weakened throughout 2021 and first six months of 2022. The Solomon Islands Dollar, on the other hand, strengthened against other major trading currencies during the year, particularly the Australian dollar, New Zealand Dollar, and Japanese Yen.

Monetary Sector

Mr. Speaker, available data on private sector credit from the Central Bank paint a picture of a sluggish economy throughout 2021, although there were signs of improvements in the first six months of 2022.

Average lending interest rates have also marginally declined for all banks in 2021 and the first half of 2022. This is good news as these will further boost the economic recovery process.

3.3 Major Economic Reforms.

Mr. Speaker, government had worked extra hard over the last two years and dealt with issues affecting our business environment.

Need for Tax Reforms.

Mr. Speaker, the government is committed to progressing fiscal reforms that will create an enabling environment for businesses to thrive. At the same time, it is also important to enhance Solomon Islands growth potential and process by reviewing the tax system and create a fair, simple, and broad-based tax system, that ensures everyone pays the correct tax amount. Reducing the tax burden is economically and morally correct.

Sir, as part of this policy, government had already passed the Tax Administration Act 2022 (TAA) in September 2022, and will be effected on 1st January 2023.

Mr. Speaker, government also proposes to introduce a Value Added Tax (VAT) in 2023. This is purposely to **remove** distortions and **raise revenue** more efficiently. The proposed VAT system will replace the existing consumption taxes (Goods Tax, Sales

Tax, Stamp Duty Accommodation Levy and Import Duty - except for alcohol, tobacco, fuels, and motor vehicles).

Mr. Speaker, in addition to the tax reforms, Parliament also passed the National Payment System legislation and also endorsed the Policy Paper to makes changes to the Financial Institutions Act (FIA). The FIA review is important to reflect current international standards and modernise Solomon Islands' financial sector.

Mr. Speaker Sir, our State Owned Enterprises (SOEs) play a vital role in the delivery of services in the country. It is crucial therefore that the SOE Act is reviewed so that these SOE can function more efficiently as desired. It is in this regard that Cabinet had approved a policy paper to review the SOE Act and Regulations recently.

Mr. Speaker, the proposed amendment is aimed primarily to strengthen State Owned Enterprises' performances to support the country's socio-economic development and growth.

3.4 Completed and Progressed Infrastructure Projects.

Mr. Speaker, despite the challenges we have faced since the onslaught of Covid-19 in 2020, government managed to complete several major projects over the last two years, including the followings:

- Aola Area Health Centre;
- Avuavu Area Health Centre; and
- Afio Area Health Centre.

Sir, on the national level, the government also successfully completed and opened a new National Referral Hospital CT Scan building and installed the new CT scan machine that is currently operational. Manuopo Area Health Centre is now fully completed and currently waiting for final finishing works before opening in early 2023.

Mr. Speaker, other important health infrastructure projects currently in progress include;

- Construction of three Area Health Centres in Wagina, Konide, and at Tukutaunga. These Area Health Centre projects are expected to be completed by end of 2023.

Mr. Speaker, the following major infrastructure projects, funded by development partners are progressing well and will be completed in 2023.

- Ministry of Ministry of Fisheries to Henderson road construction;
- Honiara International Airport upgrade project;
- West Honiara and Henderson Airport to Barande Bridge Road rehabilitation project;

Sir, on Provincial infrastructure projects, I am pleased to report that mobilization work is currently under way to upgrade three bridges on Malaita, namely Koa bridge and two other bridges on the Auki to Dala section of the North road. The contracting agreement for Malaita North Road is also ready for signing, while the contracting for the East road is now under the evaluation stage.

Mr. Speaker, still on Malaita, I am pleased to report that the consulting company identified to design the FIU bridge is already mobilising to carry out site investigation

and data collection. Other completed projects in Malaita province include the Maluu wharf and copra buying centre. Work on other infrastructure projects earmarked for Malaita will start in 2023.

Mr. Speaker, other infrastructure projects that government has started in 2022 include the Munda airport terminal construction, Sege and Taro airport upgrades, and road connectivity for the relocation of the Taro township to the mainland. Furthermore, construction of Tulagi wharf and ramp were also completed during the year. Work on Lomlom Ring road in Reef Islands, Temotu Province is progressing well for completion in early 2023.

Mr. Speaker, with this brief background information on the economy, let me now detail the fundamentals of the 2023 Budget and fiscal outlook for which you will hold me accountable.

4.0 2023 Budget Theme

Mr. Speaker Sir, the 2023 budget process began with the launching of the 2023 Budget Strategy Framework in September 2022 with the theme ***"Iumi Together, Moving Solomon Islands Forward"***. The theme calls for empowering our people and investing in transformational investments to support government's priority policy intentions to boost the recovery process.

Mr. Speaker, the theme is not framed in a vacuum, but is built on the spirit of ***strengthening our recovery process***, by enhancing the country's financial and economic capacity to grow the economy after three successive years of recession as a result of adverse impacts of the COVID-19 global pandemic experienced since 2020, Civil Unrest in November 2021, community transmission in early 2022, and global impacts arising from the Russian-Ukraine war.

4.1 2023 Budget Framework.

Sir, never in the history of Solomon Islands have we recorded massive economic contraction as witnessed since 2020. The rebuilding of Solomon Islands economy demand massive effort from all of us. It requires better partnerships, collaboration and cooperation by all government ministries and stakeholders to effectively implement the 2023 Budget in order to realize the expected positive economic outcomes for our country.

Mr. Speaker, the call for corporation also require our collective efforts, talents, skills and expertise to rally together towards developing Solomon Islands, in a way that will provide more business opportunities and therefore create more employment for our people.

As such, our economic base must be strengthened by putting adequate resources to key-targeted areas of our economy to further support and strengthen the economic recovery process in 2023.

This is why the 2023 Budget is a Recovery Budget, because it requires refocussing of resources to strengthen the economy, by empowering our people, and promoting

more transformational investments in key important infrastructures to drive economic activities and support government's recovery efforts in the short to medium terms.

2023 Budget Pillars.

Mr. Speaker, the 2023 budget was developed to address two important policy pillars that are critical in government's efforts to sustaining the economic recovery. These are;

- Transformational investments to boost our economic recovery and build our resilience to achieve sustainable economic growth; and
- Empowering our people, and promoting National Unity and Prosperity.

Mr. Speaker Sir, as I have said earlier, the theme of the 2023 Budget is **"Iumi Together, Moving Solomon Islands Forward"**. The theme is built on the spirit of "building strong and better" capacity by government to adapt and withstand ongoing adverse impacts of the COVID-19 pandemic and other domestic and external shocks in the future.

(A) Need for more Transformational Investments.

Mr. Speaker Sir, when framing the 2023 Budget, the government fully recognizes that Solomon Islands has both the natural and human resources capable to support its economic recovery initiatives in the years ahead.

Mr. Speaker, the government believes that by enhancing and driving transformational investments will boost our economic recovery and build our resilience to achieve sustainable economic growth in the years ahead.

For this reason, the 2023 Budget aims to;

- consolidate the foundations for growth as established and strengthened over the past years;
- upgrades or modernises our guiding policies, systems, and infrastructure; and
- transforms our investments into high-impact, resilient, sustainable, economically viable, environmentally friendly, revenue generating initiatives, and opening of new economic opportunities in our provinces and rural areas.

Mr. Speaker, the government believes more investments should be targeted to consolidate the foundations for growth in our larger productive industries such as KFPL, GPPOL, Gold Ridge, RIPEL, Eagon, Telecommunications sector, Petroleum and fuel sector, Energy and Renewable sector, and Ports facilities.

Mr. Speaker, the Government had also adopted a set of fiscal and economic guiding principles to underpin the restoration of budget stability and building a strong resilient economy. These principles are as follows;

- (a) Strengthen our economy through more transformational Investments.
- (b) Invest to empower people and promote national unity.
- (c) Streamline government operations by addressing cross-cutting needs through cost sharing arrangements to effectively deliver government spending priorities.
- (d) Responsible financial management of government resources.

Mr. Speaker Sir, to achieve the above objectives, all investments will be targeted and prioritised with realistic budget resources to avoid wastage and unnecessary spending. This means investments financing will be accorded to areas that will contribute towards immediate economic recovery.

Need for a level playing field and increased transparency.

Mr. Speaker, the government acknowledges that it cannot do everything alone. It needs the support of everyone; NGO's, donor community and private sector to rebuild and regrow Solomon Islands economy. The Government envisages creating a level playing field for all businesses so that they can equally compete on their merits so that consumers also get relatively better outcomes in the end.

(B) Empowering our people for National Unity and prosperity.

Mr. Speaker, how we have addressed the 'crisis after crisis' since 2020, strongly suggest that Solomon Islands need a **"great reset"**, of our economic and social foundations if we are to grow and remain as "one people, and one nation".

Mr. Speaker, the government agree that human capital development presupposes investments, activities, and processes that facilitate the generation of technical and expert knowledge; skills, health and values that are embodied in people. This implies maintaining an appropriate balance and key massive human resource base and providing an encouraging environment for all individuals to be fully engaged and contribute to all organizational and national goals.

Human Capital Investment.

Mr. Speaker, investing in our people and empowering them is the key tenet of the 2023 Budget. To achieve this goal, we must first understand our current and future population dynamics.

Sir, as we all know, Solomon Islands has a very young population. At present, about 40% of our total population is below 15 years of age. And about 60 percent of our total population is below 25 years of age, and about 5.5% of our population is above 60 years of age. Only 35% of our population are in the 25 years to 59 years age group which is the most economically active age group. However, of this 35%, only 8.4% of the total population (or less than 60,000) are gainfully employed.

Mr. Speaker, based on age alone, about 65% of our total population are dependent on the economically active age group for their sustenance. As a responsible government, we cannot remain complacent about this picture.

Sir, in our bid to promote economic growth, we must also try as much as possible to develop our labor, in terms of improving both our educational and health conditions. Thus, our human capital investment will be the means through which the labor force or the population that is willing and able to work acquires skills and knowledge that is required for the transformation of the country and bringing about economic development.

2023 Pacific Games Investments.

Mr. Speaker, as we all know, Solomon Islands will host the 2023 Pacific Games in November next year. This is the single largest unifying undertaking by any government since independence in 1978. It is also the single largest driver of the country's economic recovery. The government will execute a 'whole-of-government' strategy under the 2023 Budget to support the successful implementation of the 2023 Pacific Games. Each government ministry has created a budget head called '2023 PG Support' under which all the activities to be undertaken by the ministry for the 2023 Pacific Games will be executed. The funding that goes through the National Hosting Authority will support the actual delivery of the games through the Games Organising Committee.

Education investment priorities.

Mr. Speaker, government will continue to invest in the education sector in 2023. The key goal in 2023 is expand access, decrease the dropout rate, and improve facilities and better equipped our schools. Our goals for education is to expand access and improve quality of education especially in the provinces and rural areas. In 2023, the government will continue with ongoing initiatives to improve access to technology (computers and internet connectivity) in schools.

Sir, government will continue to support schools through grant assistance to help them meet the cost of school operations and the provision of quality teaching and learning resources. Government assistance will be all encompassing from early childhood to secondary and to tertiary level. Government is looking at improving commitment to Early Childhood Education. To address the issue of school drop outs and access to education, the government will continue its support towards existing initiatives in upgrading school infrastructure such as new classrooms, science labs, dormitories and ablution blocks. Our assistance to SINU through budgetary and infrastructure development will continue. Education is crucial for Solomon Islands and whether you live in the islands or in remote rural areas, we must have access to quality educational and vocational training opportunities. The government believes that quality education and training will help us become competitive with our regional peers and the outside world.

Health investment priorities.

Mr. Speaker, while we strive to provide our citizens with better education, we must also ensure our people have access to quality health services throughout the country. Employing preventative health measures and adequate treatment is the foundation of a happy, productive life and healthy life.

Solomon Islands experiences a 'double disease burden'. We have high prevalence of communicable diseases such malaria, respiratory infections and COVID-19. At the same time non-communicable diseases has reached epidemic levels and is now responsible for about seven deaths from every ten deaths in the country. In addition, our health system is weak, and must be strengthened to provide effective and efficient health services to our population.

Mr. Speaker, the 2023 health budget will focus on three primary objectives;

- Continue to invest in the control and hopefully elimination of COVID-19 and other highly transmissible diseases. Our funded COVID-19 strategy will continue to be determined by the COVID-19 situation globally and in the region;
- Invest to tackle non-communicable diseases, the single largest killer of Solomon Islands people; and
- Transform and strengthen our health system including modernisation of health policies, strategies, financial and information systems, transform distribution systems for medicines and drugs to all health facilities so that we no longer experience stockouts, and improve human resources throughout the health system.

5.0 2023 Budget and Fiscal Outlook.

Mr. Speaker, as I said earlier, there are considerable economic uncertainties facing Solomon Islands when the government framed the 2023 Budget besides the natural features of our economy. The source of fiscal stresses that we are currently facing are mostly driven by external forces, except the civil unrest and senseless riots that we have inflicted on ourselves in November 2021.

5.1 Fiscal Outlook.

Mr. Speaker, let me now outline the fundamentals of the 2023 Budget.

Sir, the Government is conscious that, as a small developing country, Solomon Islands is a price taker, and the external shocks I have highlighted earlier will continue to impact the economy in 2023. At the same time, Government is also aware that we also have a very young population with increasing demand for quality education and health services, and more infrastructure development to boost growth in order to provide more employment opportunities.

Mr. Speaker, the Government has planned for an overall 2023 budget deficit of \$1,504 million with total consolidated revenues estimated at \$3,380 million and total expenditures estimated at \$4,884 million. Of the total consolidated revenue estimates, total domestic SIG revenue is projected at \$3,203 million.

Mr. Speaker, of the forecasted \$1,504 million budget deficit, government has already secured \$320.2 million from its normal multilateral and bilateral partners. The government is confident that the remaining balance of \$1,184 million will be funded from both external and domestic sources.

5.2 Revenue Estimates.

Mr Speaker, the total consolidated revenue estimates for 2023 is \$3,380 million. This comprises of \$3,203 million in domestic government revenues, and \$177.4 million in Budget Support revenue from our donor partners.

Sir, in terms of funding sources, the total tax revenues from both the Inland Revenue Division (IRD) and Customs and Excise Division are projected at approximately \$2,778 million for 2023; 8.3% higher than the 2022 revised estimates.

Sir, total IRD revenues for 2023 is estimated at \$1,784 million, or 3.2 percent above the 2022 original revenue estimates of \$1,728 million. Total revenue under Customs for 2023 is estimated at \$993 million; also higher than the revised estimates of \$837 million for 2022.

Sir, total non-tax revenues for 2023 is estimated at \$426 million, less compared to the revised estimates in the 2022 Budget.

Additional Revenue Measures in 2023.

Mr. Speaker, government will strengthen all major revenue collection agencies, namely the Customs and Excise Division and the Inland Revenue Division, to secure additional resources for the implementation of the budget.

Sir, Customs and Excise Division will take the following policy measures in 2023.

- Continue building the strength of the Customs workforce with the implementation of the Graduate Recruitment Program targeting special skills requirements for use in revenue audit, trader accounting, legal reform, and investigations and prosecutions units,
- Continue the intensive advanced Tariff and Valuation internal training for auditors and invoice examiners,
- Strengthen the Intelligence and Investigation teams to detect and investigate revenue leakage and fraud,
- Strengthen the IT capability by implementing a major upgrade to ASYCUDA processing system which will make Customs paperless, introduce electronic payment, and automate cargo control,
- Strengthen revenue collection efforts through our task force program of High Value export and excise sectors, notably in Logging, Tobacco and Beer.
- Develop and implement a Compliance training program to build trader and community awareness and expertise in correctly classifying and rating goods for duty and goods tax assessment purpose.

Mr. Speaker, the government acknowledges that the effects of the November 2021 riots will continue to have an impact on the revenue collections in 2023 at the Inland Revenue Division (IRD). However, IRD is optimistic that its revenue collection will improve further in 2023. IRD will focus on the following areas in 2023.

- Increase of compliance activities on business sector(s). These are normal activities such as calling taxpayers, and sending normal tax notices to business houses that aims to increase lodgement of tax returns on time. IRD expects to increase revenue by 1% from this activity in 2023;
- Increase more visibility in provincial centres. IRD will increase the number of provincial visits to provincial centres to provide taxpayer services and education to improve tax compliance;

- IRD will continue to work with third parties to recover tax debts. We will collaborate with third parties such as commercial banks, and Ministry of Finance to recover tax debts. IRD expects to collect more than \$250 million in debt collections from this exercise in 2023;
- Increase compliance efforts to bring more than 200 taxpayers into tax net. We will increase compliance efforts to bring in more than 200 taxpayers who have chosen not to come forward within the tax laws. These are mostly Small and Medium Businesses. This effort will bring in around \$10 million of expected revenues in 2023.
- IRD will work in collaboration with CBSI, Customs, and Banks to get timely data that will help in its efforts to minimize the revenue gap in respect of overseas remittances. This will include issuing of tax clearances on Withholding Tax payments on certain types of payments remitted to overseas. This will bring in expected revenue to around \$15 million on withholding tax and thus improve the compliance in withholding tax collections;
- Strengthening the IRD Intelligent and Risk Management Unit to be able to identify risks for targeted audits. Audit activities are expected to increase in 2023 with specific targeted audits where fraud and tax underpayments are detected. When these are ascertained the result of tax payment may be allowed to go through payment instalment arrangement depending on the seriousness of the audit determination. IRD expects to collect \$75 million in additional revenues in 2023. This would include the work of special investigator recruited in June this year.
- International shipping income tax/Withholding Tax. We will continue to focus on international shipping agents to improve compliance. This will provide extra money around \$15 million in tax revenue for 2023;
- Recruitment of 32 new graduates under the MOFT graduate program, and filling up vacant positions. IRD plans to recruit new graduates and fill up vacant positions by December 2022. The new recruits will provide capacity to improve compliance work in 2023;
- Implementation of the new structure; Inland Revenue is expected to operate in a new functional structure by 2023. This will provide more effective and efficient work of the division which will improve compliance and revenue collections.
- Along with the short-term measures, the government also intends to fast track the tax reform measures to mitigate the long-term impact caused by the pandemic.

Other Revenue Measures.

Mr Speaker Sir, apart from planned policy measures at both IRD and Customs Divisions, I wish to report that government had also approved several other revenue measures to bolster additional revenues in 2023. These include the followings:

First, there is overwhelming medical evidence that showed increased tobacco consumption has direct adverse impacts on the health of our people, especially the

young population. The government has completed a review of Tobacco Excise regime and decided to raise the **Tobacco Excise** from 1st January 2023. The government also intends to further strengthen the monitoring and tax compliance in this area. The approved Excise Rate is set at 5.0% for cigarettes, and 10.0% for roll-on products. Government expects to earn \$65.0 million in additional revenues from this measure.

Second, on **Plastic Tax**, I am pleased to report that as part of DCGA policy on pollution and clean environment, a \$0.50 cents environmental levy will also be introduced for plastics that are identified as major contributors to environment pollution. Single use and harmful plastics are going to attract this levy. The increase will generate a minimal revenue of around \$1.16 million annually. This will discourage the importation of plastics and encourage using of environmental friendly products other than plastics.

Sir, the duty on plastics and introduction of pollution fees are aimed at reducing pollution which the government will embark on as part of promoting a 2023 Pacific Green Game. Revenues for this source will be allocated to support the Ministry of Environment's programs in reducing pollution in the country.

Third, the government also envisages setting up Revenue Taskforces with major non-tax revenue ministries to further strengthen revenue collections during the year.

5.3 2022 Recurrent Expenditures.

Mr. Speaker, let me now turn to the 2023 Recurrent Budget.

Sir, government's total Budget expenditures for 2023 is \$4,884 million, of which total recurrent budget is estimated at \$3,461 million. The recurrent estimates consist of payroll budget of \$1,487 million, \$1,954 million for Other Charges, budget support of \$252 million and \$20 million in Contingency Warrants.

Mr. Speaker, as usual, the 2023 budget will be a very tight budget. This means all government ministries need to realistically plan and prioritise their activities in order to achieve tangible outcomes within the 2023 financial year and avoid any commitments that will further derail government's fiscal situation.

Sir, in light of the above, government will consider taking the following broad policy measures in 2023.

- (a) Vehicle purchases will be centralised at MID
- (b) International and domestic travel would be limited to government work related purposes by small delegations.
- (c) Training and skills development by ministries must be carried out in a transparent manner with respect to its timing, amount of resources, needed skills and staff to be trained.
- (d) Freezing of vacancies will still be imposed in 2023 unless ministries provide sufficient evidence that they are ready to fill their vacancies.
- (e) Early Retirement Program will be implemented over the course of the next three years to help reduce the size and cost of the public service.
- (f) Deployment of Officers to 2023 Pacific Games and National General Election will commence in the second half of 2023 and in 2024 respectively to cut costs.

Mr. Speaker, government also anticipates slow business activities across the Public Service after the deployment Public Officers to assist in the 2023 Pacific Games. The deployment of Public Officers will commence in the second quarter of 2023, and will last the duration of the games. Besides, the Ministry of Public Service also anticipates priorities of the Government to shift towards the preparation for the National General Election after the Pacific Games next year.

5.4 2023 Development Expenditures.

Mr. Speaker, the 2023 development budget will continue to fund governments key policies and development programmes and projects that are currently in progress and have commenced implementation in 2022. The need for government to strategize and refocus its resources is appropriate in response to economic shocks.

Mr. Speaker, the government is committed to fully support the construction of transformative infrastructure projects including the successful delivery of the 2023 Pacific Games. In terms of funding sources, the government will continue to rely on its domestic revenue projections for 2023 and budget support from development partners. Hence, the 2023 development budget will focus on funding sectors that will strengthen the economy, expand our investment opportunities, and further enhance resilience.

Mr. Speaker, as I have already alluded to earlier, the Government's two overarching policy objectives for 2023 are to:

- (a) Increase transformational investments as basis to boost economic recovery and build our resilience to achieve sustainable economic growth, and
- (b) Empower our people, and promote National Unity and Prosperity.

The Government is committed to allocate resources towards the Productive and Resource Sectors to support government's economic recovery initiatives that will stimulate growth and create investment opportunities for all Solomon Islanders.

Productive sector budget allocations.

Mr Speaker, the productive sector is very important for the country's growth and recovery process. This explains why a total of \$241.1 million is allocated to the productive sector, including the followings:

- \$30.0 million for Agriculture Investments.
- \$33.6 million for Commerce and trade investments.
- \$30.3 million for Communication and Aviation investments.
- \$15.0 million for the Fisheries sector.
- \$10.0 million for Land development.
- \$10.0 million for Tourism related development activities, and.
- \$112.2 million for Infrastructure investment.

Mr. Speaker Sir, quality infrastructure development is important for faster economic growth and alleviation of poverty in the country. Adequate infrastructure in the form

of quality roads, transport system, ports, power, airports and their efficient working is needed for the integration of the economy with other economies of the world.

Resource Sector budget allocations.

Mr. Speaker, despite the constraints imposed by the country's smallness, dispersed mass, and remoteness, Solomon Islands has the economic potential to grow given its relatively large natural resource endowment. Generating growth with equity requires the political will and stability, strong ethical leadership and sound resource and economic management.

Sir, in this regard, and consistent with the DCGA Redirection Policy, budget allocations towards the resource sectors has been increased in 2023 under the following sectors:

- \$10.6 million for Forestry investments
- \$9.8 million for Environment investments, and
- \$48.0 million for Mining investments.

Importance of Rural Sector Development.

Mr. Speaker, as this Honourable House would fully agree, Solomon Islands cannot improve the lives of its people and realise its growth potential if the 86 percentage of the population who live in villages with poor access to transport, communication technologies, and other much needed infrastructure services are left out.

Sir, we must acknowledge that increased rural development is central to the overall development and growth of this nation. Ensuring quality infrastructure is important not only for faster economic growth, but also to ensure inclusive growth. By inclusive growth, we mean that the majority of our people, especially those in the rural communities must also share the benefits of growth. The government strongly believes that inclusive growth will lead to the alleviation of poverty and reduction in income inequality in the country.

Mr. Speaker, based on this conviction, and to further support the rural populace, government had decided to allocate \$261.0 million, to support rural development and growth initiatives through the constituency development program to establish small business, construct infrastructures, and create employment opportunities in the rural areas.

Social Sector budget allocations.

Mr. Speaker, no nation can realize its full development and growth potential without a healthy and educated population.

Furthermore, Government will also prioritize and make commitment to ensure our own Solomon Islands National University (SINU) and Provincial Government PCDF program are adequately supported in 2023.

Mr. Speaker, based on this conviction, the Government has allocated the following Budget allocations for 2023.

- (i) \$66.9 million for investments in education and human resources development.

- (ii) \$44.5 million for investments in the health sector.

5.5 Fiscal and economic response policies.

Short Term Measures.

Mr. Speaker, as part of the Government's short term fiscal strategy, the following measures will be implemented in 2023;

- The Government will review the domestic short term market operation including the Treasury Bill issuance with the intention of increasing the limit.
- The Annual Borrowing limit will also be reviewed to align with planned commitments in the 2023 Development budget.
- Introduce new revenue measures, including imposing an export duty on minerals.
- The Government will also strengthen compliance and introduce new operations within Customs/Excise and in the Inland Revenue Division.
- Secure urgent budget support from development partners.

Economic recovery incentives.

Mr. Speaker Sir, the key priority for government is to continue its recovery efforts in building the nation's economic resilience by focussing on policies that will promote economic recovery and growth.

Mr. Speaker, the Government will strengthen its recovery efforts and take the following short to medium term measures.

- (i) Promote domestic and international trade in cash crops (including copra and cocoa) and timber through subsidizing domestic shipping services to facilitate trade between rural areas and exporters;
- (ii) Provide, where needed, capital injections to large State-owned Enterprises (SOEs) that are critical to the economy, as well as large private sector firms that contribute substantially to employment creation and domestic value-added.
- (iii) Support the domestic agricultural sector through:
 - leveraging on diplomatic relationships with South-East Asian countries to expand international market access for local exporters;
 - Gain accreditation to ISO standards for local commodity exports to promote international competitiveness;
 - Promote investments in biosecurity technologies to comply with standards applied in potential export markets;
 - Facilitate access to finance through the Development Bank of Solomon Islands (DBSI) and CBSI Lending Guarantee and Export facilities to assist domestic producers and exporters, and
 - Invest in the rehabilitation of both coconut and cocoa plantations.

Mr. Speaker, in the long term, Governments overall policy objective is to promote more private sector investment in value-added products for both domestic consumption and export in key sectors such as the agriculture, forestry, fisheries, and minerals.

Tax relief measures.

Mr. Speaker, IRD is faced with the greater challenge of balancing revenue collection with mitigating the impact of the civil unrest and pandemic on businesses and households.

Sir, Government is aware that there is also need to allow for a degree of flexibility to allow businesses to recover and grow, and to provide breathing space to ease pressures on cash flow shortages and help businesses to retain employment levels.

However, it must be recognized that with revenues projected to decline against baseline projections, any tax administration measures introduced to assist taxpayers must not pose a further challenge for IRD to meet its revenue targets, and pose a significant risk to public service delivery, should revenue shortfalls be larger than anticipated. Despite these concerns, the Government is prepared to offer the following tax reliefs to help businesses in their recovery efforts if needed.

- (i) Extension of deadlines to lodge tax returns.
- (ii) Deferral of tax payments where it is appropriate based on a case-by-case basis.
- (iii) Temporary suspension of penalties and interests for late filling of to reduce case flow pressures on businesses.
- (iv) Fast track the process of tax refunds to support cash flows, or allow refunds to be offset against tax debts.
- (v) Provide specific tax holidays for the tourism sector.
- (vi) Consider goods tax exemptions on personal protective equipment (PPE).

Progress on Fundamental Reforms.

Mr. Speaker, Government acknowledges that the country also faces many development and growth constraints. These range from lack of access to financial services, lack of competition in key areas, shortage of needed skills, access to land, lack of quality infrastructure, weak institutions, poor governance, and lack of employment opportunities.

Sir, the government aims to address the ongoing development constraints through embarking on both structural and institutional reforms across the government including tax reforms, improving good governance reforms and developing robust legislations and policies to drive investment and growth.

Mr. Speaker, to achieve these objectives, Government encourages strong collaboration and coordination amongst all ministries in terms of planning and implementation of the 2023 budget, ensure key sectors establish working relationships to address cross-cutting needs through cost sharing arrangements to fast-track implementation of key government priorities.

Mr. Speaker, in advancing the better partnership and fruitful relation we continue to enjoy, Government will also work closely with our development partners during the course of implementing the development investment priorities in 2023 and onward.

Monetary Policy Measures.

Mr. Speaker Sir, since the pandemic took hold two years ago, the Government's macroeconomic policies (including monetary policy) has been expansionary, to cushion the economy against the covid-induced economic recession.

On the monetary front, the Central Bank of Solomon Islands (CBSI) will continue to resort to both conventional and unconventional monetary policy measures to support economic recovery while at the same time safeguarding its key mandate of price stability. The Central Bank has always ensured monetary policy operates in tandem with fiscal policy.

Mr. Speaker Sir, I am pleased to inform this Honourable House that the Central Bank has responded appropriately to the pandemic-induced economic fallout by undertaking a quantitative easing program in 2020. In doing so, the Central Bank purchased Government bonds through the secondary market. Government will continue to work CBSI on this front.

Mr. Speaker Sir, as you would agree, our economy is small with a very narrow economic base, hence limiting the pace for faster economic recovery. However, with the limited resources we have, we must encourage our small and medium entrepreneurs and innovators to participate and thrive in business so that they can also benefit from the gains of international trade. Besides, the Central Bank continued to administer the Government's Small Business Finance Guarantee Scheme. Again, this scheme is the Government's effort to support our SMEs. I would like to encourage our local SMEs to make maximum use of this scheme to finance your economic activities and help boost our recovery process.

6.0 Resumption of Major Development projects.

Mr. Speaker, in 2021, the Government has started several major infrastructure development projects as part of its economic recovery efforts. Unfortunately, these projects have stalled as a result of the COVID-19 transmission.

The government is committed and will continue with the following development projects in 2023 as part of the economic recovery plan.

- (a) Tina River Hydro Development Project,
- (b) Munda airport upgrading under the World Bank Project
- (c) Seghe and Taro Airport Upgrade project under a funding partnership between Australia, New Zealand and Solomon Islands Government
- (d) Ministry of Fisheries to Henderson Road Project, under the support from the Government and people of Japan
- (e) Henderson International Airport Upgrade Project, under the support from the Government and people of Japan
- (f) Malaita Infrastructure Projects, including road and bridge rehabilitation under the World Bank Project

- (g) Central market to White River Road Project, under the Asia Development Project
- (h) Henderson to Mbarande Road Rehabilitation Project, under the Asia Development Bank Project.
- (i) 2023 South Pacific Games Infrastructure Projects, and
- (j) The Solomon Islands National Broadband Infrastructure Project (SINBIP).

7.0 Short-Medium Term Development Measures.

Mr. Speaker, Solomon Islands, is at the crossroads in terms of socioeconomic developments. The Government had addressed the effects of both the global COVID-19 health crisis and recent civil disorder in November 2021. But we cannot just focus on these two pressing issues. We must also look beyond both issues and map a long term path for the development and growth of our country.

Sir, there is no need to reinvent the wheels again. We already have the National Development Strategy (NDS), 2016-2035, to guide our actions to **“Improve the Social and Economic Livelihoods of all Solomon Islanders”**. The development strategy provides the framework and lays the foundations for the nations long-term economic recovery and reform.

8.0 Debt Outlook.

Mr. Speaker, let me now turn to the country’s debt outlook for 2023.

Sir, I wish to confirm that the Debt Management Framework or (DMF) is the guideline for Solomon Islands new borrowings. The DMF comprises of a Debt Management Strategy, State Owned Enterprise (SOE) Borrowing Policy, On-lending Policy and Guarantee Policy. Under Section 66 of the Public Financial Management (PFM) Act, with reference to the DMS, only the Minister for Finance and Treasury has the sole authority to authorise new Government borrowing; including both Provincial Government and State Owned Enterprises (SOEs).

Mr. Speaker, at the end of 2021, the level of outstanding official debt stood at \$1,466.1 million. This consists of \$774.9 million in external debts, and \$691.2 million in domestic debts.

At the end of December 2022, the country’s Debt Stock is projected at \$1,765.2 million, with domestic debts accounting for \$849.8 million, and external debts \$915.4 million. These equate to approximately 14.1% of GDP. This is a sustainable level. However, at this level of debt, the Solomon Islands has limited capacity to borrow to fund its needed development projects. To ensure that debt levels remains at a sustainable and affordable level, it is crucial that new debts are only incurred incrementally, and for projects with high economic and social returns.

Twin Clouds on the Horizon.

Mr. Speaker, like other neighbouring Pacific Island countries, Solomon Islands natural environment is under threat from climate change, regular tropical cyclones, sea level rise, storm surges, coral bleaching, and changing rainfall patterns. As global

temperatures rise, the impacts of increased heat stress and ocean warming are likely to lead to even more impacts on Solomon Islands.

Mr. Speaker, leaving aside the long standing and weak nature of our economy for a moment, let me remind this Honourable House that the fiscal stress that we have experienced since 2020 emanated mainly from external sources; first the global pandemic, followed by Covid community transmission, and now the global meltdown, triggered by the Russian invasion of Ukraine. With rising domestic demand for more education and health services, and declining economic activities, it is clear that if we are not strategic and visionary in the way we do things, we could face a looming debt burden, with existing debt challenges exacerbated by the COVID-19 pandemic and Russian-Ukraine war.

Sir, although the recent IMF-World Bank debt sustainability analyses showed that Solomon Islands has a moderate risk of debt distress, we must also note that, as a small economy, any major climate disaster or cyclone could easily lead us into debt crisis. But climate change triggered disasters are traceably linked to high gas emitters in industrialized countries.

Mr. Speaker, I must therefore make a strong call for action and significant increase in climate finance to support the country's climate adaptation needs, mitigate the economic threat posed by climate-change induced disasters, and address ongoing losses and damages. This financing should be provided as grants rather than loans from the developed countries and institutions that they established.

Sir, it is for this reason that the government fully supports the resolution passed at the recent United Nations Climate Change Conference to provide a "loss and damage" funding for vulnerable countries hit hard by climate disasters.

Mr. Speaker, an equally important question is how to ensure finance gets to where it is needed most in the country. The current climate finance architecture is complex, and involves multiple layers of oversight, accountability and approvals to get financing from the contributor to the climate adaptation project they are funding. Domestically, there are also challenges in bringing climate finance to the most vulnerable communities affected by climate change.

Sir, it is in this regard that I call on all donor partners to take the risk and invest in both climate actions and invest more in strengthening local civil institutions engaged in climate change. Only when donors directly fund the local civil society, including community based organizations, women's groups, youth groups, would they see the multiplier effect of their investment and thus ensuring the effectiveness of aid in the country.

9.0 2023 Budget Risks.

Mr. Speaker, budgetary risks experienced in 2022 will continue to threaten the implementation of government's development plans in 2023. Some of the potential risk areas that have been identified and need corrective mitigative measures include the followings:

- Manage and contain the outbreak of health related diseases or new Variants. Let me remind everyone that the impact of COVID-19 on the domestic economy is not yet over. Therefore, all necessary actions must be taken to minimise its impacts which ranges from cash flow issues, and digression from the nations focus towards achieving the long term NDS objectives by year 2035.
- Already the new COVID-19 variants are causing devastating economic and health chaos worldwide. According to World Health Organisation (WHO), the Delta Variant is mutating and very devastating compared to the current variant. It is therefore important that adequate resources are secured to further strengthen Governments vaccination rollout efforts to ensure the majority of people are protected.
- Funding of development projects spread over all sectors may result in some projects not successfully completed due to limited cash flow, especially key projects that have high growth impacts. Should Government face cash flows constraints, implementation would focus more on projects that would contribute to economic growth and protect the livelihood of all Solomon Islanders during the Covid-19 pandemic.
- Non-adherence to policy priorities and operational rules would severely undermine the implementation of Governments fiscal plans under the 2023 Budget. This calls for regular monitoring of project implementation throughout the year to ensure the successful completion of projects.
- Requests for additional financial resources through supplementary budgets will pose additional pressure on the 2023 Budget if additional revenue is not anticipated. Requests for resources through budget supplementation would only be made on grounds that it is very urgent and unforeseen, based on section 51 of the PFM Act. If government revenue is severely impacted, a budget review would be done across all ministries to allow for the reprioritisation and reallocation of resources.
- The 2023 Pacific Games is a huge project undertaking for the country. Although the Peoples Republic of China (PRC) and other development partners have shown great commitment, Government is also required to contribute handsomely to ensure the successful completion of the project. This commitment comes with budgetary implications in terms of both constructing and maintaining the sporting facilities.
- Uncontrolled teachers recruitment and unbudgeted reinstatement and backdating of salaries also poses serious risks to the payroll budget. The country does need both qualified and dedicated teachers. However, all recruitments must be well coordinated by relevant authorities to ensure newly established posts are approved and budgeted.
- Monitoring of development project implementation would be further enhanced through regular and timely reporting. This is to avoid the funding of programs or projects that do not contribute to Governments overarching policy objectives

for 2023. This also applies to projects in both the productive and resource sectors.

Mr. Speaker, the government is aware of these risks and will take necessary actions to ensure the smooth implementation of programs and development projects in 2023.

10.0 2023 Appropriation Bill.

Mr. Speaker, the 2023 Appropriation Bill 2022, calls for \$4,616 million to be applied to the service of the 2023 financial year, including \$3,268 million in recurrent budget, \$177 million in budget support and \$1,171 million in total development expenditure. The appropriation excludes \$173 million for the statutory expenditures including \$141 million for national debt servicing.

Sir, the borrowing limit that government can borrow or agree to borrow is \$865 million, specifically for priority infrastructures and development initiatives from multilateral, bilateral development partners and domestic financial institutions.

The total sum that can be issued through Advance Warrant at any one time by the Minister is \$150 million.

The Contingency Warrant provision of \$20 million has been allocated to cover for both unforeseen and urgent spending. This is covered within the 2023 revenue estimates.

11.0 Budget Monitoring and Implementation.

Mr Speaker Sir, like other previous budgets, the execution of the 2023 Budget will not be easy. This calls for the need for all ministries to perform their mandatory roles properly and ensure the smooth implementation of the Budget. This means all ministries and agencies will be required to put together comprehensive procurement plans and documentations as soon as possible, so that implementation of the 2023 budget, especially the development spending is not delayed.

Sir, a Financial circular will be circulated after the passing of this Appropriation Bill to guide ministries in their budget execution and ensure public resources are used prudently and as planned.

Sir, my ministry and with the support of the Policy Implementation, Monitoring and Evaluation Unit (PIMEU) from the Office of the Prime Minister and Cabinet will continue to monitor the implementation of the 2023 budget and ensure budget is executed as planned. Further review of the 2023 budget will be conducted during the 2023 Mid-Year Budget Review.

12.0 Acknowledgements

Mr. Speaker, as we are fully aware, the last three years were very challenging times for the government, private sector businesses, faith-based organizations, our bilateral and multilateral partners and everyone in the country.

Mr. Speaker Sir, on behalf of the political government, I wish to acknowledge all the efforts and contributions from all of you and everyone who have contributed in one way or the other in lessening the pains of COVID-19 since 2020, to date.

Mr. Speaker, everyone's contribution have exemplified the resilience and indomitable spirit of our people and country, Solomon Islands. I hope we can all maintain this spirit in 2023 and years ahead.

Mr. Speaker, we have been tested both as individuals and, as a nation throughout 2022. The fact that we are still alive today is testimony of all our hardworking people in the country; police officers, and frontline officers who have worked tirelessly, day and night, twenty four seven, in our fight to contain the transmission of COVID-19. The Government, and people of this nation salute you.

13.0 Closing Remarks.

Mr Speaker, in closing, let me again remind this Honourable House that our nation has been sorely tested since COVID-19 had entered our doors. Never has our nation suffered like this.

Mr. Speaker Sir, no one in his or her right mind should underestimate the combined costs of these challenges. The Covid-19 pandemic resulted in a severe contraction of economic activities. Its community transmission in early 2022 only made the situation much worse, and resulted in further loss of employment for many people, and significant fall in government revenues.

Sir, before the riots, Government had expected the economic recovery process to continue and result in real GDP growth in 2021. Unfortunately, some of us decided otherwise. Consequently, the economy contracted in 2021, and is forecasted to contract further in 2022.

Mr. Speaker, despite these challenges and the adverse global impacts of the Russian-Ukraine war, government remain firm and will continue to do the right thing by focussing on rebuilding the economy by taking very painful but corrective fiscal measures to ensure vital services continue.

Mr. Speaker, the very fact that we have survived the combined forces of COVID-19 and the politically driven riots was not a mistake, but the result of Gods mercy and loving interventions through the prayers of our people. I ask everone to continue praying for the Government, for each other and against the evil forces that only come to kill and destroy.

Mr. Speaker, as Minister of Finance and Treasury, and for the sake of our nation's future, I appeal to all citizens of our beloved country, Chiefs, Church and Community leaders, NGOs and Civil Society organizations, Premiers and Members of Provincial Assemblies, Public Servants and the general populace of Solomon Islands to support and work in partnership with the government to lay the foundations for recovery, growth and prosperity in our country.

Finally, I wish all Members of this Honourable House, your families, hardworking Public Servants, private businesses, NGOs, Chiefs, church leaders, women and youths of this country a happy Christmas Greetings and celebrations. Let us all join hands and acknowledge that without God's mercy, protective hands, and unwavering love and guidance, Solomon Islands would not have come this far, despite the many odds we have faced over the last three years.

For this reason, let us all give thanks to God because in him, through him, and with him alone can we remain **"Iumi Together, Moving Solomon Islands Forward"** from shore to shore.

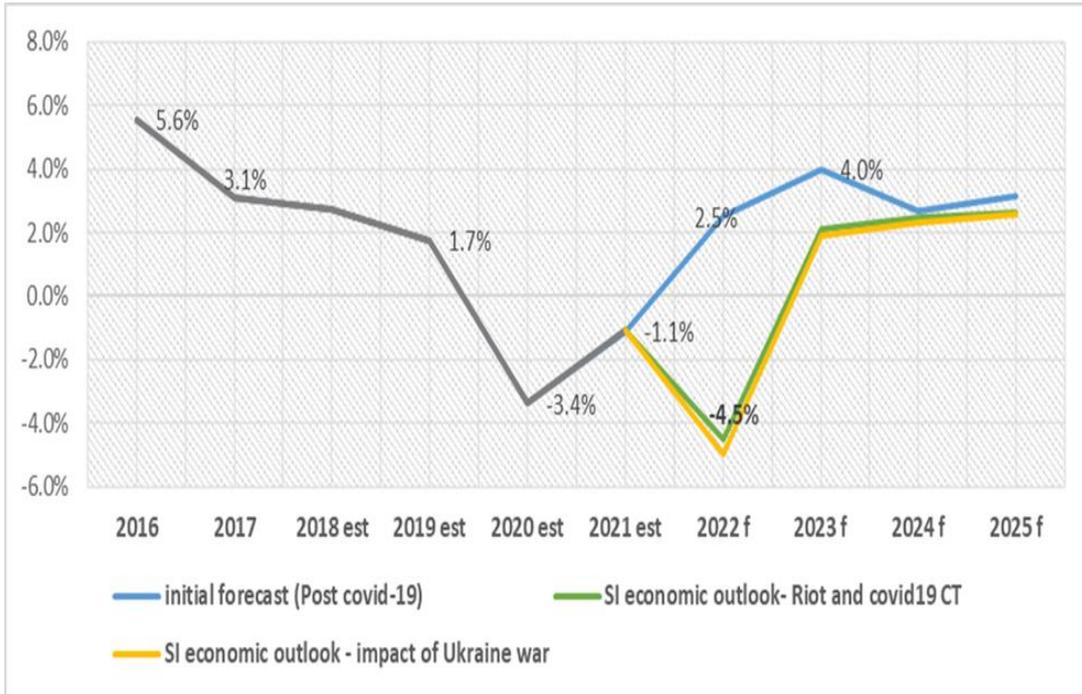
Mr. Speaker, with these few remarks, I commend this Bill to the Honourable House and I beg to move.

14.0 Annexes

Table 1. Summary of Development Budget (Productive & Resource Sectors) - 2023

1.0	Agriculture Development Projects	30,000,000
1.1	Food Security and Livestock Industry Program	5,000,000
1.2	Commercial Agriculture Development Program	3,150,000
1.3	Export Crop Program	2,064,411
1.4	National Biosecurity Strengthening Program	3,758,950
1.5	2023 Pacific Games Support	16,026,639
2.0	Commerce Development Projects	33,663,770
2.1	Trade and Export Program	5,050,000
2.2	Private Sector and MSME Development Program	9,620,000
2.3	Value Adding and Downstream Development Program	6,000,000
2.4	MCILI Reform, Coordination and Monitoring Program	3,943,770
2.5	ICED, SEZ and Economic Growth Centre Development Program	9,050,000
3.0	Communication and Aviation Development Projects	30,357,000
3.1	Communication Program	3,000,000
3.2	International Airports Program	17,664,000
3.3	Provincial Airports Program	9,693,000
4.0	Fishery Development Projects	14,000,000
4.1	Community Fisheries Livelihood Program	4,500,000
4.2	Fish Export Infrastructure and Fisheries Centres Program	2,750,000
4.3	Tuna On-Shore Development and Food Processing Program	6,750,000
4.4	2023 Pacific Games Support	1,000,000
5.0	Land and Housing Development Project	10,000,000
5.1	Lands and Titles Act Reform and Constitutional Amendment Program	600,000
5.2	Solomon Islands Urban Management Program	5,500,000
5.3	Institutional and Capacity Building Strengthening Program	600,000
5.4	2023 Pacific Games Support	3,300,000
6.0	Tourism Development Projects	
6.1	Tourism Development and Institutional Development program	2,500,000
6.2	2023 Pacific Games Support	7,500,000
7.0	Infrastructure Development Projects	112,200,000
7.1	SIG Obligation to Transport Donor Funded Projects	12,000,000
7.2	Social Services Infrastructure Development Program	5,000,000
7.3	National Transport Fund Program	36,000,000
7.4	Sea Infrastructure and Transport Services Program	14,200,000
7.5	Economic Infrastructure Program	33,000,000
7.6	National Transportation Initiative Program	12,000,000
	Total Productive Sector Projects	232,720,770
8.0	Forestry & Research Development Projects	10,636,000
8.1	Downstream Processing Program	3,000,000
8.2	Sustainable Logging Development Program	4,736,000
8.3	2023 Pacific Games Support	2,900,000
9.0	Environmental Related Development Projects	9,820,000
9.1	Low Carbon Emmission Development program	1,960,000
9.2	Environmental Conservation Program	1,500,000
9.3	Solomon Islands National Climate Change & Disaster Risk Resilience program	4,160,000
9.4	SIMS Early Warning System Program	1,500,000
9.5	MECDM New Office Building	700,000
10.0	Rural Development Growth Projects.	261,000,000
11.0	Mining Sector Development Projects.	8,060,000
11.1	Renewable Energy Development Program	3,500,000
11.2	SI Water Sector Development Program	1,200,000
11.3	Geological Mapping and Mineral Development Program	1,460,000
11.4	Mines Sector Institutional Strengthening Program	1,500,000
11.5	Petroleum Refining Institutional Strengthening Program	400,000
	Total Resource Sector Development Projects	289,516,000

Graph 1 – GDP Growth



Graph 2.
External Reserves/Import Cover

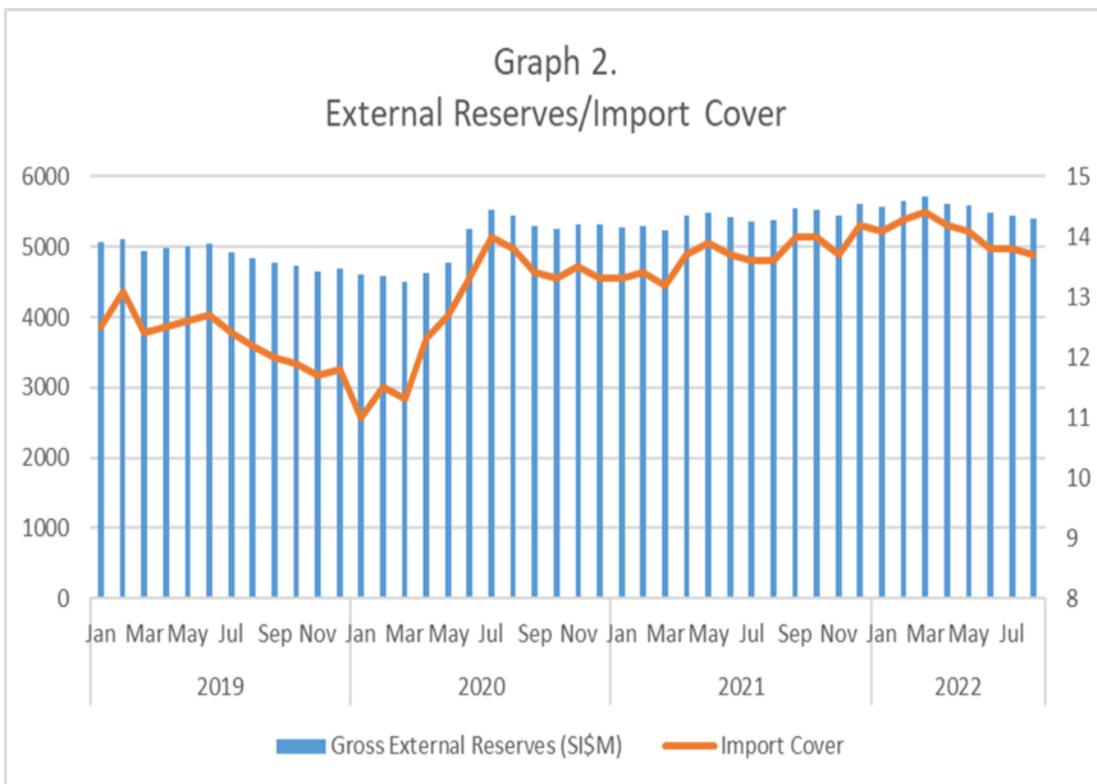


Table 2. Production by Major Commodities

Period	Coconut Oil		Cocoa	Palm Oil	Palm Kernel	Fish Catch	Logs & Timber
	Copra (m.t)	(m.t)	(m.t)	(m.t)	(m.t)	(m.t)	('000M3)
2011	35,280	470	6,495	31,592	3,537	28,195	1,937
2012	26,610	189	4,826	31,846	3,387	29,377	1,948
2013	13,922	196	4,519	32,261	3,201	24,876	1,945
2014	19,101	238	4,758	33,752	3,347	32,796	2,191
2015	17,408	1,163	4,521	32,579	3,614	28,917	2,366
2016	18,480	1,113	4,503	36,407	3,616	26,914	2,961
2017	25,157	2,965	3,982	35,089	3,548	30,646	2,684
2018	19,660	5,556	4,247	38,032	3,896	38,656	2,744
2019	8,055	4,414	4,335	37,536	3,743	40,859	2,678
2020	11,768	5,250	4,042	36,662	3,703	24,361	2,344
2021	16,336	5,696	3,896	32,679	3,350	28,420	2,020

Source: Central Bank of Solomon Islands.

Table 3. International Commodity Prices

Periods	Coconut Oil (US\$/mt)	Cocoa (US\$/mt)	Palm Oil (US\$/mt)	Fish (US\$/mt)	Logs (US\$/M3)	Gold (US\$/OZ)
2011	1730	2980	1193	1763	391	1569
2012	1111	2392	1043	2,170	361	1670
2013	939	2439	871	1,923	305	1411
2014	1281	3062	837	1,427	282	1266
2015	1104	3135	663	1,390	246	1161
2016	1482	2891	736	1,679	274	1249
2017	1651	2029	751	1952	265	1258
2018	997	2294	639	1488	270	1269
2019	736	2341	601	1343	273	1392
2020	1010	2370	752	1486	279	1770
2021	1636	2427	1131	1380	271	1800

Source: Central Bank of Solomon Islands.

Table 4. SI International Trade Values (SI\$'000)

Major Exports	2018	2019	2020	2021
Copra & Coconut Oil	59,701	48,464	59,589	83,821
Fish	294,969	405,093	356,636	475,486
Logs & Sawn Timber	27,174	2,705,802	2,144,272	1,770,731
Palm Oil & Kernels	2,195	74,995	103,393	26,099
Cocoa	16,040	63,450	28,310	76,099
Minerals	3,268,052	85,372	163,047	32,051
All Others	41,204	65,923	21,949	74,838
Total	3,709,335	3,449,099	2,877,196	2,539,125
Major Imports	2018	2019	2020	2021
Oil Products	580,721	803,970	456,466	653,830
Food Imports	770,163	736,473	659,519	687,668
Beverages & Tobacco	57,257	67,279	53,893	60,822
Plants, Vehicle & Transport Equipt	437,702	370,408	316,109	307,057
Building & Construction Materials	245,129	208,727	142,203	266,188
Chemical Products	100,127	68,434	66,542	80,607
Other Imports	639,997	555,201	405,595	687,468
Total	2,831,096	2,810,492	2,100,327	2,743,640

Table 5. Outstanding Government Debts (SI\$Millions)

No. Nature of Debts	2018	2019	2020	2021	2022/f
1.0 Domestic Debts	245.2	272.8	391.6	747.8	849.8
1.1 Domestic Developmet Bonds	180.0	180.0	300.0	650.0	644.9
1.2 Treasury Bills	60.2	87.9	86.7	92.9	200
1.3 Amortised/Restructured Bonds	-	-	-	-	-
1.4 Special Securities	4.9	4.9	4.9	4.9	4.9
2.0 External Debts	767.1	768.7	1,030.6	1,163.2	915.3
2.1 Multilateral Creditors	697.8	708.2	980.3	945.8	776.3
2.2 Bilateral Creditors	69.3	60.5	50.3	217.4	139
2.3 Other Creditors	-	-	-	-	-
Grand Total	1,012.2	1,041.6	1,422.1	1,911.0	1,765.1

Source: Ministry of Finance & Teasury. f/Forecast for end of 2022.

Table 6. Outstanding Private Sector Debts (SI\$Millions)

Major Sectors	2018	2019	2020	2021
Personal	620,052	695,298	676,661	910,586
Construction	443,833	494,273	493,661	272,187
Distribution	495,993	558,481	585,751	599,612
Communications	133,041	83,000	80,255	86,544
Tourism	179,168	157,544	149,982	124,395
Prof & Other Services	124,606	108,272	123,460	106,389
Transport	149,214	183,992	176,896	158,527
Manufacturing	149,418	119,023	104,986	126,015
Forestry	60,379	75,854	103,673	95,690
Agriculture	13,056	15,410	16,046	10,957
Entert & Catering.	2,730	3,125	1,988	1,211
Mining	239	41	-	-
Fisheries	6,752	11,346	6,646	6,617
Statutory Corporations	44,892	40,391	20,582	19,804
Non-Resident	-	-	-	-
Private Financial Institutions	1,104	11,087	370	141
Central Government	2	5	23	1
Provincial Assemblies & Prov G	258	254	-	6
Total	2,424,737	2,557,396	2,540,980	2,518,682

Source: Central Bank of Solomon Islands.