



GOVERNMENT OF SOLOMON ISLANDS

2026 Mid-Year Budget Review

August 2026

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MINISTER'S FORWARD

The **2026 Mid-Year Budget Review Report** has been prepared in accordance with **Section 52(1)(a)** of the **Public Financial Management Act 2013 (PFM Act 2013)**. It provides an assessment of the implementation of the 2026 Budget during the first half of the fiscal year, including revenue performance, expenditure execution, the overall fiscal outcome, grants received from development partners, and budget adjustments approved through virement applications submitted by line ministries.

The report begins with an overview of recent economic developments, including GDP growth, the Balance of Payments, and inflation trends, providing the macroeconomic context for assessing fiscal performance. It then examines revenue collections, expenditure execution across major spending categories, and the overall budget outcome for the review period. The report concludes by outlining measures to strengthen budget implementation and fiscal management over the remainder of 2026, with the objective of supporting sustainable public finances and the Government's development priorities.

The key assessments of the report are summarised as follows:

Economic Outlook: The Solomon Islands economy is projected to grow by **3.5 percent** in 2026, supported by stronger domestic demand, increased investment, and improved performance across key productive sectors. While logging export revenues continue to decline, expanding gold production and broader mining activity are expected to remain the principal drivers of growth over the medium term.

SIG Revenue Performance¹: Total domestic revenue collected as at June 2026 amounted to **\$2,146.9 million**, exceeding the budget target of **\$2,090.9 million** by **\$56.0 million**. The stronger-than-expected outcome was primarily driven by higher mining-related revenues, which offset weaker collections from customs, excise, and non-tax revenues. Revenue buoyancy is expected to continue in line with positive growth sentiments.

Donor Support Revenue²: Donor support revenues accumulated to **\$263.4 million** in the first six months, accounting for **27.2 percent** of total donor assistance expected for the year. The remaining balance is scheduled for release in the latter half of the year, subject to the fulfilment of agreed financing conditions.

¹ Tax and Non-Tax Revenues

² Includes (1) Sector Budget Support, (2) Budget Support Development and (3) General Budget Support Grants.

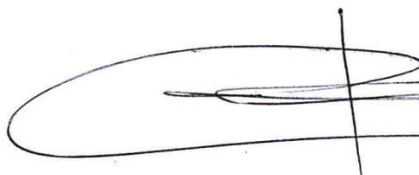
SIG Expenditure Performance³: Total expenditure for the first half of 2026 amounted to **\$2,289.8 million**, which was **\$488.9 million**, or **17.6 percent**, below the pro-rata budget allocation of **\$2,778.7 million**. Under-expenditure was recorded across all major spending categories, including payroll, other charges, debt servicing, and development expenditure. Consistent with previous years, expenditure is expected to accelerate in the second half of the year as ministries advance the implementation of planned activities.

Donor Support Expenditure⁴: Donor-funded expenditure totalled **\$129.4 million** during the review period, representing **16.8 percent** of the annual allocation.

Budget Balance: The Government recorded an overall fiscal deficit of **\$8.8 million** for the six months ending **30 June 2026**, significantly lower than the budgeted deficit of **\$589.3 million**. While this represents a stronger-than-anticipated fiscal outcome, the Government remains committed to improving service delivery and accelerating the implementation of priority programmes, particularly development projects that experienced slower execution during the first half of the year.

Looking ahead, the Government will continue to strengthen budget execution and advance its policy priorities over the remainder of 2026. Particular emphasis will be placed on improving the delivery of public services, accelerating development investments, and maintaining prudent fiscal management to support sustainable economic growth and improved living standards, while recognising existing resource and implementation capacity constraints.

I therefore commend this Report to the National Parliament of Solomon Islands for its consideration and debate.


Hon. Gordon Darcy Lilo
Minister for Finance and Treasury



³ Includes SIG Recurrent Expenditure and SIG Development Expenditure, but excludes Donor Support Expenditure.

⁴ Includes (1) Sector Budget Support and (2) Budget Support Development.

1.0 INTRODUCTION

- 1.1 This report reviews the performance of the 2026 Budget during the first half of the financial year, covering revenue, expenditure, donor financing options and debt-servicing obligations. Prepared in accordance with the **Public Financial Management Act 2013**, it broadly follows the structure of the annual budget and evaluates fiscal outcomes against approved estimates.
- 1.2 In addition, the report highlights macroeconomic and fiscal developments that have emerged since the Budget's approval in November last year, particularly the impact of global fuel-price shocks arising from the US–Iran conflict, and the economic and fiscal consequences of Cyclone Maila across several provinces of Solomon Islands.

Data and Methodology

- 1.3 The figures presented in this report are in nominal terms, reflecting prevailing price dynamics during the first half of the year. These are provisional figures and will be subject to reconciliation at the end of the financial year to confirm the final outturn.
- 1.4 Year-to-date (YTD)⁵ expenditure figures represent payments for services processed through the Government's D365 Financial Management Information System. Correspondingly, YTD revenue figures⁶ capture proceeds recorded by revenue-generating and collection agencies, including the Inland Revenue Division (IRD), the Customs and Excise Division (CED), and relevant line ministries.

2.0 SUMMARY

- 2.1 The following are the principal assessments outlined in the 2026 Mid-Year Budget Review:

Economic Update

- **Economic Outlook** – Real GDP growth for 2026 has been revised upward to **3.5 percent**, supported by strong domestic demand, increased investment, and improved performance in

⁵ Actual expenditure outturn

⁶ Actual revenue outturn

mining, agriculture, tourism, and fisheries. Logging continues to decline, reinforcing the need for diversification.

Fiscal Update

Revenue Performance

- **SIG Revenue Performance⁷** – Total domestic revenue collections reached **\$2,146.9 million** by June 2026, exceeding the pro-rata budget target by **\$56.0 million**. Mining sector receipts were the main driver, offsetting weaker customs and excise collections and lower receipts from non-tax revenue streams.
- **Donor Support Revenue⁸** – Total donor support revenues accumulated to **\$263.4 million** in the first six months, accounting for **27.2 percent** of total donor assistance expected for the year. The remaining balance is expected to be disbursed progressively in the next six months, contingent upon the Government's continued compliance with established withdrawal procedures and fulfillment of donor conditionalities.

Expenditure Performance

- **Total SIG Expenditure⁹** – Actual expenditure amounted to **\$2,289.8 million** in the first six months, falling short of the half-year pro-rata budget of **\$2,778.7 million**. This reflected underspending across all major categories, including payroll, other charges, debt servicing, and development expenditure.
- **SIG Recurrent Spending** – Recurrent expenditure totalled **\$2,070.8 million** in first two quarters of the fiscal year, trailing below the pro-rata budget of **\$2,198.2 million** by **\$127.3 million**. Lower spending was recorded across all categories including payroll, other charges and debt servicing.
- **SIG Development Spending** – Development expenditure remained subdued during the review period, totalling **\$218.9 million**, or just **37.7 percent** of the six-monthly budget. This outcome highlighted persistent implementation challenges and reinforced the need for stronger coordination with line ministries to accelerate project delivery.

⁷ Includes Tax and Non-Tax Revenues

⁸ Includes (1) Sector Budget Support, (2) Budget Support Development and (3) General Budget Support Grants.

⁹ Includes SIG recurrent expenditure and SIG development expenditure.

- **Donor Support Expenditure**¹⁰ – Donor contributions totalled **\$129.4 million** in the first six months, representing **16.8 percent** of the annual budget allocation.

Budget Balance

- **Budget Balance** – The consolidated fiscal position recorded at the end June 2026 was a deficit of **\$8.8 million**, significantly lower than projected deficit of **\$589.3 million**. The deficit is attributed to slow revenue performance compared to expenditures; particularly the delayed disbursement of donor funding.
- **Risks and Challenges** – External shocks from global fuel prices, the US-Iran conflict, and Cyclone Maila, together with domestic political transitions and structural reliance on commodity exports, continue to pose risks to fiscal stability and growth. These trends will be closely monitored in the months ahead to ensure the government is well-placed to respond promptly and effectively as conditions evolve.

3.0 ECONOMIC PERFORMANCE – MID YEAR REVIEW

Global Economic Developments

- 3.1 The IMF's World Economic Outlook projects global growth of 3.0 percent in 2026 and 3.4 percent in 2027, down from the 3.5 percent average of 2024–25. Inflation is expected to rise from 4.1 percent in 2025 to 4.7 percent in 2026 before easing to 3.9 percent in 2027, a sign that the disinflation seen since early 2024 has paused. World trade growth is set to slow from 5.0 percent in 2025 to 3.5 percent in 2026, before picking up again in 2027.
- 3.2 Two opposing forces are driving this outlook. The first is the conflict in the Middle East, which has disrupted oil flows through the Strait of Hormuz. So far, the world economy has absorbed this shock better than expected, mainly because countries have drawn down oil inventories, though those buffers are shrinking. Oil prices remain about 25 percent above pre-conflict levels. The second force is a boom in AI-driven technology investments, which is lifting growth in countries tied into the tech supply chain.
- 3.3 By region, US growth is projected at 2.3 percent in 2026 and 2.2 percent in 2027, barely changing from earlier forecasts. This growth is underpinned by strong tech investment. The

¹⁰ Includes (1) Sector Budget Support and (2) Budget Support Development.

euro area is expected to grow just 0.9 percent in 2026, held back by weak momentum and high energy costs. China's growth is projected to slow to 4.6 percent as oil prices and structural problems weighs in on the economy. Japan is expected to slow to 0.6 percent, while Korea's forecast rose to 2.6 percent thanks to strong semiconductor and AI-hardware exports. The Middle East and Central Asia face a sharp slowdown to 0.7 percent growth in 2026, followed by a rebound to 6.5 percent in 2027 as the Strait of Hormuz is anticipated to reopen around mid-year. Sub-Saharan Africa is expected to hold steady near 4.3 percent, though this conceals big differences between oil-importing countries under strain and those benefiting from past reforms.

- 3.4 Small island developing states are expected to see slower growth because of higher energy costs along with weaker tourism and remittance income. Small, energy-importing economies with little role in the technology boom tend to lose out from the current mix of shocks, even as some of their larger neighbours benefit from AI-driven growth.
- 3.5 Risks remain tilted to the downside. A renewed escalation in the Middle East conflict could push commodity prices higher and worsen inflation, especially if oil inventories run low. Trade tensions and new tariffs could also hurt growth. On the technology side, risks cut both ways: continued strong AI investment could boost growth further, but a pullback in AI expectations could trigger a sharp correction in stock valuations, with knock-on effects on spending and financial conditions. Weak fiscal buffers in many countries could make any of these shocks worse. On the upside, a smoother resolution to the conflict, stronger tech investment, or new trade cooperation could push growth higher than expected.

Table 1: World Economic Outlook Update - July 2026

	Year over Year								
	Projections				Difference from April 2026		Q4 over Q4 2/		
	2024	2025	2026	2027	WEO Projections 1/		Projections		
					2026	2027	2025	2026	2027
World Output	3.5	3.5	3.0	3.4	-0.1	0.2	3.4	2.9	3.4
Advanced Economies	1.9	1.9	1.7	1.8	-0.1	0.1	1.9	1.6	1.9
United States	2.8	2.1	2.3	2.2	0.0	0.1	2.0	2.3	2.1
Euro Area 3/	1.0	1.4	0.9	1.2	-0.2	0.0	1.2	1.0	1.5
Germany	-0.5	0.2	0.7	1.0	-0.1	-0.2	0.4	0.5	1.2
France	1.4	0.9	0.6	0.9	-0.3	0.0	1.1	0.4	1.0
Italy	0.8	0.5	0.5	0.5	0.0	0.0	0.9	0.1	1.0
Spain	3.5	2.8	2.1	1.8	0.0	0.0	2.6	1.5	2.2
Japan	-0.2	1.1	0.6	0.7	-0.1	0.1	0.4	1.1	0.8
United Kingdom	1.0	1.4	1.0	1.3	0.2	0.0	1.0	0.9	2.1
Canada	2.0	1.9	1.1	1.7	-0.4	-0.2	0.7	2.1	1.0
Other Advanced Economies 4/	2.5	3.0	2.8	2.3	0.2	0.1	4.1	1.6	2.7
Emerging Market and Developing Economies	4.5	4.5	3.8	4.5	-0.1	0.3	4.5	3.9	4.5
Emerging and Developing Asia	5.5	5.6	5.0	4.8	0.1	0.0	5.5	4.5	5.4
China	5.0	5.0	4.6	4.1	0.2	0.1	4.6	4.0	4.9
India 5/	7.1	7.7	6.4	6.7	-0.1	0.2	7.8	5.8	6.8
Emerging and Developing Europe	3.8	2.0	1.9	2.1	-0.1	0.0	1.8	2.3	1.9
Russia	4.9	1.0	1.1	1.1	0.0	0.0	0.7	1.9	0.1
Latin America and the Caribbean	2.4	2.4	2.4	2.7	0.1	0.0	2.1	3.0	2.2
Brazil	3.4	2.3	2.4	2.2	0.5	0.2	2.0	2.9	2.1
Mexico	1.5	0.5	1.2	1.9	-0.4	-0.3	1.6	1.5	1.7
Middle East and Central Asia	3.1	3.7	0.7	6.5	-1.2	1.9	...	...	...
Saudi Arabia	2.6	4.6	1.7	5.5	-1.4	1.0	5.2	1.8	5.6
Sub-Saharan Africa	4.2	4.5	4.3	4.5	0.0	0.1	...	...	...
Nigeria	4.1	4.0	4.1	4.3	0.0	0.0	3.9	3.8	4.5
South Africa	0.5	1.1	1.1	1.3	0.1	0.0	1.5	0.5	2.0
<i>Memorandum</i>									
World Growth Based on Market Exchange Rates	2.9	2.9	2.4	2.8	-0.2	0.2	2.7	2.5	2.7
European Union	1.2	1.6	1.2	1.4	-0.1	0.0	1.4	1.2	1.6
ASEAN-5 6/	4.8	4.5	4.1	4.3	0.0	-0.1	4.8	3.5	4.9
Middle East and North Africa	2.7	3.3	-0.5	7.3	-1.6	2.5	...	...	...
Emerging Market and Middle-Income Economies	4.5	4.4	3.7	4.4	-0.1	0.3	4.5	3.9	4.5
Low-Income Developing Countries	4.3	4.8	4.8	4.9	0.0	0.0	...	...	...
World Trade Volume (goods and services) 7/	3.7	5.0	3.5	4.3	0.7	0.5	...	...	...
Advanced Economies	2.3	4.2	3.4	3.3	0.9	0.4	...	...	...
Emerging Market and Developing Economies	6.1	6.4	3.6	5.8	0.5	0.6	...	...	...
Commodity Prices									
Oil 8/	-1.8	-14.4	31.8	-11.8	10.4	-4.2	-15.1	38.5	-11.2
Nonfuel (average based on world commodity import)	3.7	9.9	18.6	1.3	-3.1	-0.6	14.4	10.8	1.3
World Consumer Prices 9/	5.8	4.1	4.7	3.9	0.3	0.2	3.5	4.3	2.9
Advanced Economies 10/	2.6	2.5	3.0	2.4	0.2	0.2	2.5	3.3	2.0
Emerging Market and Developing Economies 9/	8.0	5.2	5.8	4.8	0.3	0.2	4.2	5.1	3.6

Source: July 2026 World Economic Outlook Update ([Link](#)). Domestic Economic Developments**Domestic Economic Overview (Macro-Fiscal Model)**

- 3.6 GDP at constant prices is projected to grow by 3.5 per cent in 2026, increasing from \$15.8 billion in 2025 to \$17.4 billion in 2026. Growth is expected to be supported by strong domestic demand, increased investment, and improved performance in key productive sectors. Mining, particularly gold production, is expected to remain the main driver of growth, supported by continued investment and strong export earnings. Fisheries, agriculture, construction, transport, and retail trade are also expected to contribute to economic activity. While logging continues to generate export revenue, its contribution to growth has gradually declined as forest resources

become more constrained, resulting in a greater shift towards mining and other productive sectors.

A. Expenditure Components of GDP

Household Consumption

- 3.7 Household consumption is projected to increase by 10.6 per cent, from \$9.0 billion in 2025 to \$9.9 billion in 2026, remaining the largest component of aggregate demand. Growth is supported by rising household incomes, improved employment opportunities, higher wages and salaries, government spending, and remittance inflows.
- 3.8 Consumption is estimated to account for approximately 57 per cent of GDP and contribute 5.7 percentage points to overall economic growth in 2026. Increased spending on food, transport, communication, education, health services, and retail trade highlights the continued importance of household demand as the main driver of economic activity.

Government Expenditure

- 3.9 Government consumption is projected to increase by 6.4 per cent, from \$4.4 billion in 2025 to \$4.9 billion in 2026, reflecting higher expenditure on public administration, education, health, law and order, and other essential services.
- 3.10 Compensation of employees is projected to increase from \$1.7 billion to \$1.9 billion, while expenditure on goods and services is expected to rise from \$1.5 billion to \$2.6 billion. Total recurrent expenditure is projected to increase from \$5.0 billion in 2025 to \$5.7 billion in 2026, supporting service delivery and government operations. Increased government spending is expected to stimulate domestic economic activity through higher demand for goods and services.

B. Investment (Gross Capital Formation)

- 3.11 Gross capital formation is projected to increase by 12.4 per cent, from \$2.8 billion in 2025 to \$3.1 billion in 2026, reflecting continued investment across the private sector, Government, and SOEs.
- Private investment is projected to increase from \$1.52 billion to \$1.64 billion, supported by expansion in mining, fisheries, tourism, agriculture, and other productive sectors.
 - Government investment is expected to rise from \$524.5 million to \$682.9 million, driven by infrastructure projects including roads, wharves, schools, health facilities, and rural development initiatives.
 - SOE investment is projected to increase from \$493.2 million to \$762.2 million, reflecting capital expenditure by utilities, telecommunications, airports, and port service providers.
- 3.12 The increase in investment is expected to strengthen productive capacity, improve infrastructure, and support employment and economic growth.

C. External Sector

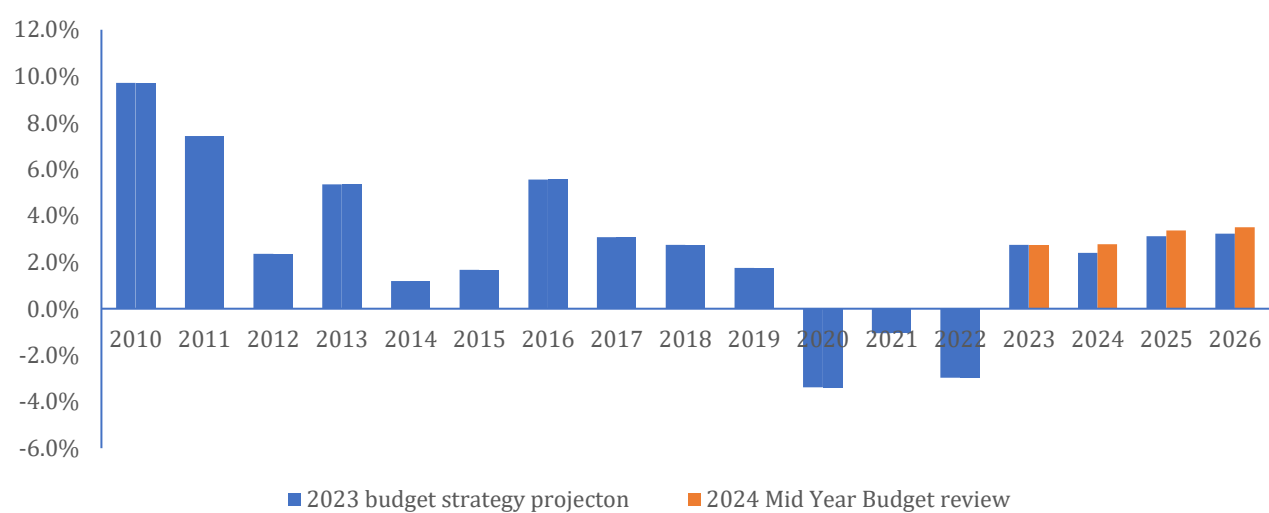
Exports

- 3.13 Exports are projected to increase from \$4.4 billion in 2025 to \$4.5 billion in 2026, driven mainly by stronger performance in mining, fisheries, and agriculture. Gold exports are expected to rise from \$3.2 billion to \$3.4 billion, reinforcing the mining sector's position as the country's largest source of export earnings and foreign exchange. Fisheries and agricultural exports are projected to increase from \$1.2 billion to \$1.4 billion, reflecting higher production and growing external demand.
- 3.14 Log exports are projected to increase from \$1.19 billion to \$1.32 billion in 2026. However, this increase is likely to reflect short-term factors, including improved prices and the continued extraction of available resources, rather than a recovery of the forestry sector. The longer-term outlook for logging remains constrained by declining natural forest resources and sustainable harvesting limits. As a result, mining is expected to continue replacing logging as the main driver of export growth.

Imports

3.15 Imports are projected to increase by 12.4 per cent, from \$10.5 billion in 2025 to \$11.7 billion in 2026, reflecting stronger domestic demand and higher investment activity. Growth in imports is expected to be driven by increased purchases of machinery, fuel, construction materials, transport equipment, and other capital goods required for mining operations, infrastructure development, and business expansion. While higher imports indicate increased economic activity, they also highlight the economy's continued reliance on imported goods and production inputs, making export growth important for maintaining foreign exchange earnings and external stability.

Chart 1: Solomon Islands Real GDP growth



Commodity Production Update

3.16 Commodity production provides an indication of activity in the productive sectors and supports the assessment of economic performance during the first half of 2026. Production trends during the first half of 2026 present a mixed performance across the major export commodities.

3.17 Logging production continued to decline, reflecting the ongoing depletion of natural forest resources and reduced harvesting activity. Quarterly log export volumes have fallen significantly, from over 700,000 m³ in 2020 to around 250,000 m³ by the second quarter of 2026. Although international log prices have remained relatively stable at around USD 190-220

per cubic metre, lower production volumes continue to constrain export earnings and government revenue from the forestry sector. The sustained decline poses growing challenges for fiscal planning, given the sector's importance to government income and foreign exchange earnings. The downturn is attributed to declining forest resources, reduced logging operations, stricter regulations, and environmental concerns. If these trends persist, the sector's contraction will continue to weigh on economic growth and rural livelihoods.

Chart 2: Log Volume and Prices

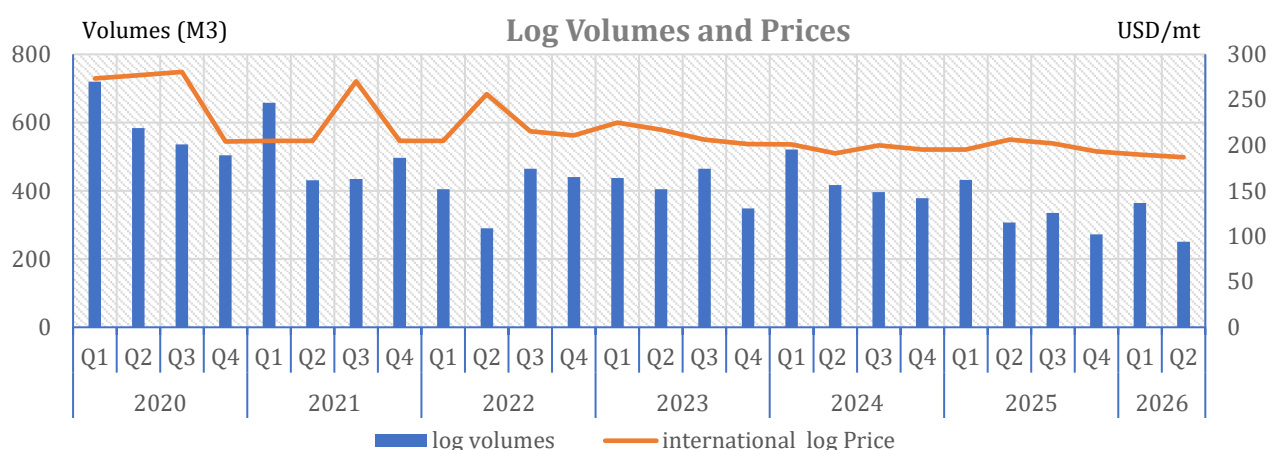
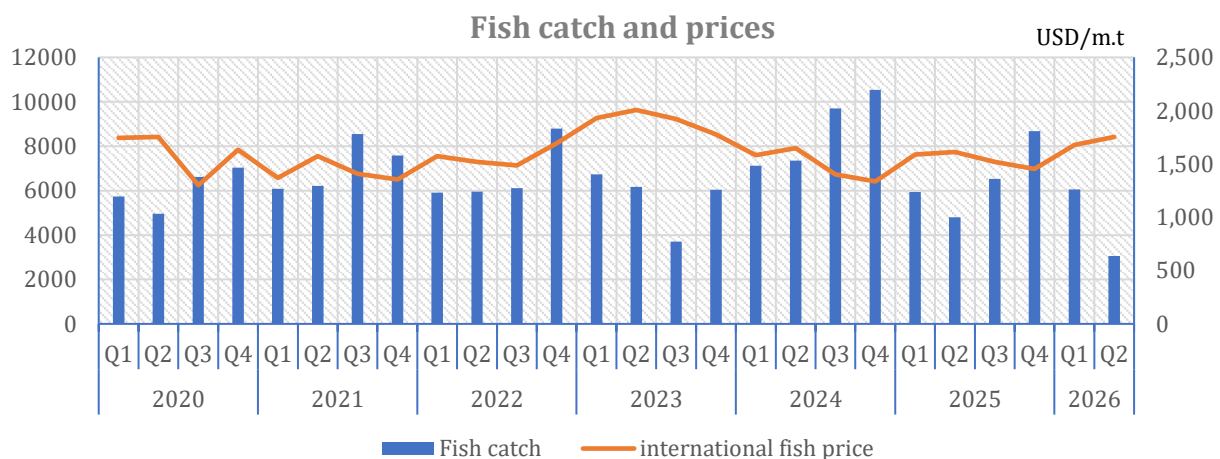


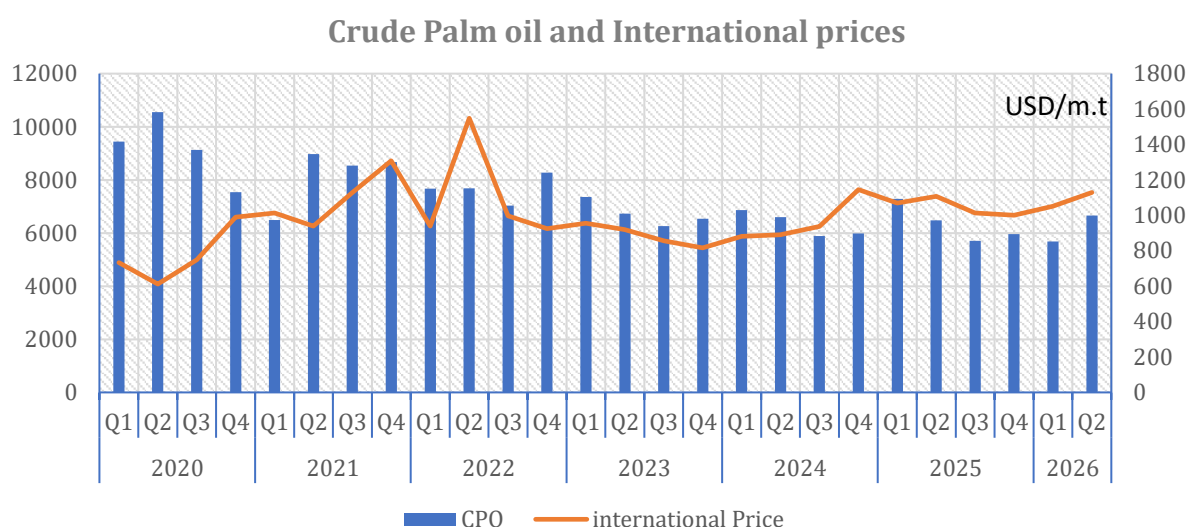
Chart 3: Fish Catches and Prices



3.18 Fisheries production declined in the first half of 2026 compared with the corresponding period in 2025, despite relatively favourable international fish prices. Fish catch volumes fell noticeably from the high levels recorded in late 2025, while international fish prices remained firm at around USD 1,700-2,000 per metric tonne. The weaker production outcome reflects reduced fish movement within the country's Exclusive Economic Zone (EEZ), lower catch

volumes, and persistent unfavourable weather conditions, including rough seas and irregular ocean currents that disrupted both local and commercial fishing operations. The sector also faced logistical constraints, including higher fuel costs and delays in export processing. Given the sector's importance to exports, government revenue, and rural livelihoods, the continued decline could weaken export earnings and economic activity unless production conditions improve during the remainder of 2026.

Chart 4: Agricultural commodities exports



3.19 Agricultural products recorded an improved performance in the first half of 2026, driven by stronger production of crude palm oil (CPO) and cocoa. CPO production recovered during the second quarter of 2026, increasing from approximately 5,500 tonnes in the first quarter to around 6,500 tonnes, reflecting improved harvesting conditions, better plantation management, and enhanced processing activities. At the same time, international palm oil prices remained favourable at around USD 1,100 per metric tonne, supporting export earnings and returns to producers.

3.20 Similarly, cocoa production increased compared with the corresponding period in 2025, supported by improved harvesting activity and stronger output from cocoa-growing areas. Production rose significantly during the second quarter of 2026, while international cocoa prices, although lower than the record highs of 2025, remained well above historical averages at around USD 4,000 per metric tonne. Higher production volumes combined with favourable prices are expected to boost export receipts and improve rural incomes. Continued investment

in farm management, rehabilitation, and market access will be important to sustaining growth in the agricultural sector throughout the remainder of 2026.

- 3.21 Overall, commodity sector performance in 2026 reflects the continuing structural transition of the Solomon Islands economy. While the forestry sector remains on a sustained downward trend due to declining log production, stronger performances in agriculture, particularly crude palm oil and cocoa, have helped support export earnings and rural incomes. The recovery in palm oil production and increased cocoa output, combined with favourable international commodity prices, highlights the growing importance of agricultural exports in driving economic activity. Although fisheries production weakened during the period, agriculture continues to offer significant opportunities for export diversification and resilience. Going forward, sustained growth in agriculture, together with developments in mining and other productive sectors, will be critical in reducing the economy's reliance on logging and supporting long-term economic growth.

Tourism update

- 3.22 Visitor arrivals increased by 3.0 per cent during January to April 2026, reaching 8,165 visitors compared with 7,924 over the same period in 2025. Growth was supported by business travel, conferences, sporting events, diplomatic engagements, and religious gatherings hosted in Solomon Islands. The increase in visitor arrivals continues to support tourism operators and related service industries, contributing positively to domestic economic activity through higher demand for accommodation, transport, food services, and other tourism-related businesses.
- 3.23 Ongoing government efforts to strengthen the tourism sector, including destination marketing, capacity building for tourism operators, and improvements in transport connectivity and public services, are expected to further support industry growth. Continued investment in infrastructure and service delivery will enhance the visitor experience and stimulate demand for accommodation, restaurants, tour services, and locally produced goods and handicrafts. Looking ahead, the tourism sector remains well-positioned for gradual expansion, supported by growing visitor confidence, targeted policy initiatives, and increased private sector participation.

Chart 5: Visitors Arrival

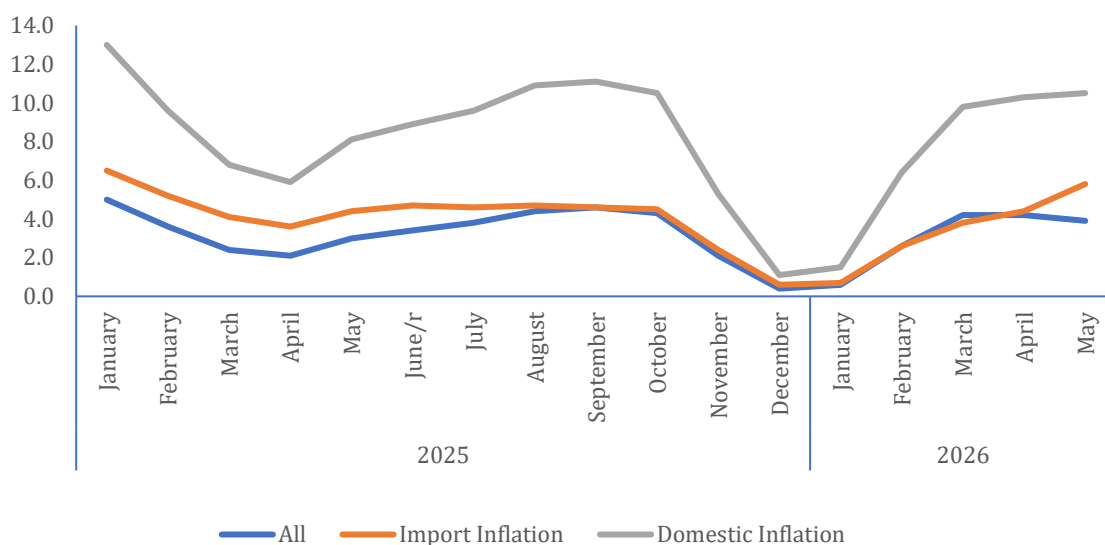


Inflation Update

- 3.24 Inflation is forecasted to remain between 3 percent and 5 percent in 2026. This represents a slight increase of 1 to 2 percentage points from last year’ projection of 2 to 4 percent. The increase is primarily driven by high global fuel prices associated with the Strait of Hormuz tensions in the Middle East. According to the IMF World Economic Outlook (April 2026), global headline inflation is projected to rise modestly in 2026 before resuming a downward trend in 2027.
- 3.25 The Solomon Islands National Consumer Price Index (CPI) rose by 0.7 percent in May 2026 increasing the index to 134.2. This represents an increase of 4.5 percent compared with the same month in 2025.
- 3.26 The movement in the CPI for May 2026 are driven by changes in the following major expenditure groups:
- Food and Non-Alcoholic Beverages: decrease by 0.1 percent
 - Housing, water, electricity, gas & other fuels: increased by 1.3 percent
 - Furnishings, household equipment & routine maintenance: an increase of 0.3 percent
 - Transport: increased by 3.9 percent
 - Miscellaneous goods & services: increased by 0.1 percent
 - Alcoholic beverages, tobacco and narcotics: decrease by 0.1 percent.
- 3.27 Based on the 3-months moving average, the inflation rate stood at 3.9 percent in May 2026. This is an increase of 0.9 percent compared to the same month in the previous year.

- 3.28 In terms of imported items, the inflation rate was 1.9 percent, representing an increase of 0.5 percentage points compared with the corresponding month of the previous year. Meanwhile, domestic inflation recorded 4.7 percent in May 2026, an increase of 1 percentage point from the 3.7 percent in May 2025. The relatively high domestic inflation rate is primarily attributable to the impact of elevated global fuel prices on the domestic economy. For the provincial headquarters, their headline inflation calculated on three months moving average are as follows: Honiara 4%, Auki 1.8%, Gizo 1.8% and Noro 4.1%.

Chart 6: CPI rates on 3 months moving average



Balance of Payments (BOP)

- 3.29 The country's overall balance of payments (BOP) position recorded a surplus of \$938 million in 2025, improving from the 2024 position of \$350 million. The current account closed 2025 with a \$788 million surplus, the highest in a decade, driven from a strong positive balance on trade in goods (\$547 million) and primary income (\$463 million). Gold exports and higher net secondary income inflows also strongly support this improvement in the current account.
- 3.30 On the other hand, the capital and financial accounts improved their position reaching a surplus of \$569 and \$812 million, respectively. This external position contributed to an overall increase of gross foreign reserves, which in 2025 increased by 14% compared to the prior year and stood at \$6,620 million, covering 12 months of imports.

Table 2: BOP Analytical Summary (Net amount, \$M)

Year	2021	2022	2023	2024	2025
A. Current Account	(686)	(1,776)	(1,455)	(560)	788
B. Capital Account	528	1,125	1,104	808	569
C. Financial account	711	355	1028	30	(187)
D. Net errors and omissions	(165)	171	(458)	92	(233)
E. Overall BOP position	387	(125)	218	370	938
F. Position of gross foreign reserves at end	5,623	5,458	5,765	5,805	6,620
Months of import cover	14	12	12	11	12

Public Debt

- 3.31 Government debt is projected to increase from \$4.2 billion in 2025 to \$4.4 billion in 2026, reflecting additional borrowing requirements to support government financing and development priorities. The increase is driven primarily by external debt, which rises from \$2.83 billion to \$2.96 billion and accounts for 67.4 per cent of total public debt in 2026. In comparison, domestic debt is projected to increase modestly from \$1.37 billion to \$1.43 billion, representing 32.6 percent of the debt portfolio. The composition of public debt indicates a continued reliance on external financing, largely due to its concessional terms and longer repayment periods. Despite the increase in debt levels, the debt-to-GDP ratio is projected to rise only slightly from 26.7 percent in 2025 to 27.2 percent in 2026, remaining well below the Government's debt sustainability threshold of 35 per cent, indicating that public debt remains manageable over the medium term.

4.0 FISCAL UPDATE

- 4.1 **Mid-Year Budget Balance:** The mid-year budget performance recorded a deficit of **\$8.8 million**, arising from total revenue collections of **\$2,410.3 million** against total expenditures of **\$2,419.2 million**. Relative to annual budget targets, revenues reached **42.3 percent**¹¹ of projected collections by 30th June, while expenditures registered an execution rate of approximately **38.2 percent**. Consistent with past trends, both indicators are expected to strengthen over the coming six months as economic activity improves and government advances the implementation of key programs.

¹¹ SIG revenue collection rate: 45.4 percent. Donor support rate: 27.2 percent.

4.2 **Operational Balance¹²**: During the first half of the year, government achieved a positive operational balance of **\$76.1 million**. This outcome was driven by higher domestic revenue collections of **\$2,146.9 million** compared to SIG recurrent expenditures of **\$2,070.8 million**. The result demonstrates government's strong capacity to finance operations from domestic revenues without recourse to borrowing. **It also marks a significant turnaround from last year, when persistent operational deficits led to cashflow pressures in meeting recurrent outlays.**

4.3 **Table 3** presents the Government's budget performance for the first six months of 2026, detailing both revenues and expenditures as set out in the national budget, and showing the resultant fiscal position as at June 2026.

Table 3: 2026 Mid-year Budget Review Fiscal Table

	BUDGET ESTIMATES (\$ millions)	2026 Original Estimates	2026 Revised Estimates	Budget Variance	Jan-Jun Pro- rata Budget	Jan- Jun Actuals	Variance	Variance	Execution
		\$m	\$m	\$m	\$m	\$m	\$m	%	%
	REVENUE								
	Domestic Revenue (SIG)								
a	Inland Revenue	2,767.8	3,150.6	382.8	1,326.9	1,550.6	223.7	16.9%	49.2%
	Company Tax	670.1	930.1	260.0	321.1	457.5	136.5	42.5%	49.2%
	Personal Tax	641.4	679.6	38.2	315.1	353.6	38.4	12.2%	52.0%
	Withholding Tax	361.0	403.6	42.6	158.3	198.1	39.8	25.1%	49.1%
	Goods Tax	955.1	980.1	25.0	455.6	467.2	11.6	2.6%	47.7%
	Sales Tax	107.4	102.4	(5.0)	52.8	47.8	(4.9)	(9.4%)	46.7%
	Stamp Duty	30.0	30.0	0.0	13.3	13.9	0.6	4.3%	46.3%
	License	2.8	24.8	22.0	10.7	12.5	1.8	16.4%	50.4%
b	Customs and Excise	1,171.4	1,167.5	(3.9)	560.5	499.7	(60.9)	(10.9%)	42.8%
	Import Duty	369.2	362.4	(6.8)	181.2	162.0	(19.2)	(10.6%)	44.7%
	Export Duty	355.8	355.0	(0.7)	177.5	123.4	(54.1)	(30.5%)	34.8%
	Excise Duty	442.5	445.8	3.2	199.9	211.4	11.5	5.8%	47.4%
	Fees, Charges and Other	3.9	4.3	0.4	1.9	2.9	1.0	50.6%	66.9%
c	Non-Tax Revenue (from gov. ministries and agencies)	563.1	407.1	(156.0)	203.5	96.7	(106.8)	(52.5%)	23.8%
A=a+b+c	Total Domestic Revenue (SIG)	4,502.3	4,725.2	222.9	2,090.9	2,146.9	56.0	2.7%	45.4%
	Grants and Budget Support								
	Sector Budget Support - Recurrent	193.3	509.7	316.4	254.8	113.2	(141.6)	(55.6%)	22.2%
	Budget Support - Development	260.6	260.6	0.0	130.3	16.2	(114.1)	(87.6%)	6.2%
	General Budget Support Grant	517.0	197.0 ¹³	(320.0)	98.5	134.0	35.5	36.0%	68.0%
B	Total Grant and Budget Support	970.9	967.3	(3.6)	483.6	263.4	(220.2)	(45.5%)	27.2%

¹² Domestic revenue less SIG Recurrent Expenditure.

¹³ The revision is attributed to a realignment of certain components within the 'Grants and Budget Support' provision, to conform with international financial reporting standards (public sector). Certain items, initially recorded as grants under this provision, were in fact loans. These have been transferred *below the line* to more accurately reflect budget financing.

W=A+B	TOTAL REVENUE	5,473.2	5,692.5	219.3	2,574.5	2,410.3	(164.2)	(6.4%)	42.3%
	EXPENDITURE								
	Recurrent Budget								
	SIG Recurrent Budget								
	Payroll	1,947.7	1,947.7	0.0	973.9	935.2	38.7	4.0%	48.0%
	Other Charges	2,438.6	2,448.6	10.0	1,224.3	1,135.6	88.7	7.2%	46.4%
	Other Expenses	2,081.4	2,091.4	10.0	1,045.7	984.5	61.2	5.9%	47.1%
	National Debt Servicing	357.2	357.2	0.0	178.6	151.2	27.4	15.4%	42.3%
	Interest	92.4	92.4	0.0	46.2	44.2	2.0	4.3%	47.9%
	Principal	264.8	264.8	0.0	132.4	107.0	25.5	19.2%	40.4%
	Contingency Warrant Provision	20.0	10.0	(10.0) ¹⁴					
C	Total Recurrent Budget (SIG)	4,406.3	4,406.3	0.0	2,198.2	2,070.8	127.3	5.8%	47.0%
D	Total Recurrent Budget Support	193.3	509.7 ¹⁵	316.4	254.8	113.2	141.6	55.6%	22.2%
	Sector Budget Support	193.3	509.7	316.4	254.8	113.2	141.6	55.6%	22.2%
G=C+D	Total Recurrent Budget	4,599.6	4,916.0	316.4	2,453.0	2,184.1	268.9	11.0%	44.4%
	Development Budget								
E	Total SIG Funded Development	1,161.0	1,161.0	0.0	580.5	218.9	361.6	62.3%	18.9%
F	Total Donor Funded Development	260.6	260.6	0.0	130.3	16.2	114.1	87.6%	6.2%
H=E+F	Total Development Budget	1,421.6	1,421.6	0.0	710.8	235.1	475.7	66.9%	16.5%
C+E	Total SIG Expenditure	5,567.3	5,567.3	0.0	2,778.7	2,289.8	488.9	17.6%	41.1%
D+F	Total Donor Expenditure	453.9	770.3	316.4	385.1	129.4	255.7	66.4%	16.8%
I=G+H	TOTAL EXPENDITURE	6,021.2	6,337.6	316.4	3,163.8	2,419.2	744.6	23.5%	38.2%
A-C	Recurrent Balance (SIG Revenue - Recurrent Expenditure)	96.0	318.9	222.9	(107.3)	76.1	(183.4)	170.9%	23.9%
W-I	FISCAL POSITION - Overall (Surplus/Deficit)	(548.0)	(645.1)	(97.1)	(589.3)	(8.8)	(580.4)	98.5%	1.4%

5.0 REVENUE

5.1 The 2026 domestic revenue forecast has been revised upward by 5.0 percent to \$4,725.2 million, reflecting stronger-than-expected revenue performance during the first half of the year. Strong collections by the Inland Revenue Division (IRD) more than offset weaker-than-budgeted revenues from the Customs and Excise Division (CED). As at June 2026, total domestic revenue collections reached **\$2,146.9 million**, compared to a budget target of **\$2,090.9 million**, resulting in a positive variance of **\$56.0 million**. The strong first-half performance has strengthened confidence in the revenue outlook and supported the upward revision to the 2026 domestic revenue forecast.

¹⁴The June expenditure for contingency is accounted for within the recurrent expenditure items.

¹⁵ The revision incorporates approximately \$316.4 million in advance warrants approved during the first half of 2026. Of this amount, a substantial share—around \$279.8 million—represents concessional loans. At present, these loans are recorded as grants within the D365 financial system. The Ministry of Finance and Treasury (MoFT) is in the process of establishing mechanisms to ensure such loans are reported separately ‘below the line’ in government budget reports. This will ensure compliance with global financial reporting standards.

Inland Revenue Division

- 5.2 **IRD** recorded strong revenue performance in the first half of 2026, collecting **\$1,550.6 million**—\$223.7 million above the budget target of \$1,326.9 million and 35.6 percent higher than the corresponding period in 2025. This outturn reflects stronger economic activity, improved tax compliance, and higher collections across key revenue streams. Supported by additional receipts anticipated from the mining sector, IRD’s 2026 revenue forecast has consequently been revised upward from \$2,767.8 million to **\$3,150.6 million**.

Performance of Key IRD Tax Components

- **Company Tax** recorded collections of **\$457.5 million**, exceeding the YTD budget by \$136.5 million (42.5%) and surpassing the June 2025 result by \$235.4 million. Driven by strong mining sector payments and higher corporate profitability, the annual estimate has been revised upward from \$670.1 million to **\$930.1 million**, an increase of **\$260.0 million** (38.8%).
- **Personal Tax** collections reached **\$353.6 million**, which was \$38.4 million (12.2%) above budget and \$67.6 million (23.7%) higher than June 2025. Supported by growth in employment income and PAYE collections, the annual estimate has increased from \$641.4 million to **\$679.6 million**, a rise of \$38.2 million (6.0%).
- **Withholding Tax** generated **\$198.1 million**, exceeding the budget by **\$39.8 million** (25.1%) and increasing by \$54.2 million (37.6%) compared to June 2025. Reflecting continued strong compliance and economic activity, the annual estimate has been revised upward from \$361.0 million to **\$403.6 million**, an increase of **\$42.6 million** (11.8%).
- **Goods Tax** collections totalled **\$467.2 million**, outperforming the YTD budget by **\$11.6 million** (2.6%) and increasing by \$43.9 million (10.4%) over the same period in 2025. The annual estimate has been revised upward from \$955.1 million to **\$980.1 million**, an increase of **\$25.0 million** (2.6%).
- **Sales Tax** revenue amounted to **\$47.8 million**, which was **\$4.9 million** (9.4%) below budget. However, collections were \$3.1 million (6.8%) higher than June 2025. In line with the softer-

than-expected performance, the annual estimate has been revised downward from \$107.4 million to **\$102.4 million**, a decrease of **\$5.0 million** (4.7%).

- **Stamp Duty** collected **\$13.9 million**, exceeding budget by **\$0.6 million** (4.3%) and improving by \$0.5 million (3.6%) compared to June 2025. The annual estimate remains unchanged at **\$30.0 million**.
- **Licence Revenue** reached **\$12.5 million**, outperforming the budget by **\$1.8 million** (16.4%) and increasing by \$2.0 million (18.9%) over June 2025. Reflecting improved collections, the annual estimate has been revised upward from \$2.8 million to **\$24.8 million**, an increase of **\$22.0 million** (796.7%).

5.3 **Overall**, the broad-based growth across most tax categories places IRD in a strong position to achieve its revised 2026 revenue target of **\$3.150.6 million**, which is **\$382.8 million** (13.8%) above the original budget estimate of \$2,767.8 million.

Customs and Excise Division (CED)

5.4 **Customs and Excise Revenue:** The Customs and Excise Division (CED) collected **\$499.7 million** during the first half of 2026; **\$60.9 million (10.9%)** below the year-to-date budget of \$560.5 million and \$8.8 million (1.7%) below the corresponding period in 2025. The shortfall was primarily driven by weaker-than-anticipated Export Duty collections, partly offset by stronger receipts from Excise Duty and 'Fees, Charges and Other Revenue'. Continued weakness in Export Duty is expected to weigh on performance during the second half of the year, notwithstanding projected improvements across the other major revenue categories. Accordingly, the 2026 CED revenue forecast reflects a modest reduction of \$3.9 million (0.3%), falling from \$1,171.4 million to **\$1,167.5 million**.

- **Import Duty:** Collections reached **\$162.0 million**, \$19.2 million (10.6%) below the year-to-date budget, but \$1.2 million (0.7%) above the corresponding period in 2025. Reflecting the slower-than-anticipated outturn, the annual forecast has been reduced by \$6.8 million (1.8 %), from \$369.2 million to **\$362.4 million**. The weaker June outturn was driven primarily by the fuel tariff waiver introduced earlier this year to mitigate the economic effects of the global oil price shock arising from the US–Iran war. These concessions

represent foregone revenues that cannot be recovered, necessitating the downward revision of the year-end projection.

- **Export Duty:** Collections totalled **\$123.4 million**, falling \$54.1 million (30.5%) below the year-to-date budget and \$26.9 million (17.9%) below the corresponding period in 2025. The underperformance largely reflects lower log export volumes, although rising mineral exports are expected to provide a partial offset. The overall annual forecast has dropped slightly from \$355.8 million to \$355.0 million. However, its composition has been revised, with log export duty reduced by \$25.2 million, from \$283.5 million to \$258.3 million, and non-log export duty increased by an equivalent amount, from \$71.5 million to \$96.7 million.
- **Excise Duty:** Collections reached **\$211.4 million**, exceeding the year-to-date budget by \$11.5 million (5.8%) and the corresponding 2025 outturn by \$15.7 million (8.0%). Sustained demand for tobacco and alcohol products is expected to support collections over the remainder of the year. Accordingly, the annual forecast has been increased by \$3.2 million (0.7%), from \$442.5 million to **\$445.8 million**.
- **Fees, Charges and Other Revenue:** Collections totalled **\$2.9 million**, approximately \$1.0 million above the year-to-date budget and \$1.2 million higher than the corresponding period in 2025. This performance was supported by increased customs declarations, vessel clearances, and demand for warehouse rental services. With these activities expected to remain robust during the second half of the year, the annual forecast has been increased by \$0.4 million (11.0 %), from \$3.9 million to **\$4.3 million**.

5.5 **Other Non-Tax Revenue:** Collections totalled **\$96.7 million** during the first half of 2026, \$106.8 million (52.5%) below the year-to-date budget of \$203.5 million, reflecting weaker-than-anticipated receipts across several ministries. The Ministry of Fisheries accounted for \$38.3 million (39.6%) of total collections, followed by the Ministry of Commerce with \$23.3 million (24.1%) and the Ministry of Finance and Treasury with \$7.2 million (7.5%). Fishing licence revenue is expected to support a partial recovery during the second half of the year as additional agreements are concluded, seasonal fishing activity strengthens, and enforcement and collection processes improve. Nevertheless, the 2026 forecast has been revised downward

to **\$407.1 million**, a reduction of \$156.0 million (27.7 percent) from the original forecast of \$563.1 million.

General Budget Support & Grants

- 5.6 Grants and budget support¹⁶ refer to external financing provided by development partners to supplement the national budget. These resources are typically directed toward recurrent or development expenditures, with the aim of strengthening service delivery and bridging gaps in achieving key development objectives. In many cases, disbursement is conditional upon agreed policy commitments with development partners, designed to advance key reform and development priorities.
- 5.7 **General Budget Support Grants:** Disbursements during the first half of the year amounted to \$263.4 million, equivalent to 27.2 percent of the \$967.3 million projected for 2026. The remaining \$703.9 million is expected to be disbursed during the second half of the year, subject to the Government's fulfilment of agreed policy conditions and performance benchmarks.

6.0 EXPENDITURE

- 6.1 Total expenditure for the first half of 2026 amounted to **\$2,419.2 million**, falling short of the pro-rata budget of **\$3,163.8 million** by **\$744.6 million (23.5 percent)**. This pattern is consistent with previous years, where government underspending was recorded at **\$711.8 million (23.8 percent)** in 2025 and **\$395.7 million (21.0 percent)** in 2024.
- 6.2 The slow spending in the first six months is a recurring pattern, reflecting mainly the lag time taken by ministries to get projects off the ground. Early months are often devoted to mobilization activities such as site preparation, design work, and other groundwork which takes time and can lead to implementation delays. Nonetheless, government expects most preparatory works to be completed by mid-year, which should pave the way for ministries to ramp up investments in second half of the year.

¹⁶ Donor support is disbursed through three core mechanisms:

(i) **Sector Budget Support (Recurrent):** funding for sector-related programs managed by line ministries

(ii) **Budget Support Development:** financing support for development programs;

(iii) **General Budget Support Grant:** comprises conditional funding to support budget commitments and the implementation of key policy priorities and reforms.

Total Expenditure by Ministries

6.3 **Table 4** shows total spending by line Ministries in first half of 2026, compared to their respective pro-rata budget allocations.

Table 4: Total Expenditure by Ministries

Head Of Expenditure		2026 Original Budget	2026 Revised Budget	Budget Variance	Jan-Jun Budget Pro-rata	Jan-Jun Actuals	Variance	Variance	Execution
		\$m	\$m	\$m	\$m	\$m	\$m	%	%
01	Solomon Islands Electoral Office	20.5	20.5	0.0	10.3	5.9	4.4	42.9%	28.6%
02	Office Of The Ombudsman	6.1	6.1	0.0	3.0	1.7	1.3	44.6%	27.7%
03	Agriculture and Livestock Development	87.0	147.7	60.7	73.9	44.8	29.1	39.4%	30.3%
04	Office of the Auditor General	17.4	24.1	6.7	12.0	5.9	6.1	51.1%	24.5%
05	Education and Human Resources Development	1,475.3	1,478.6	3.3	739.3	777.1	(37.8)	(5.1%)	52.6%
06	Finance and Treasury	298.4	298.4	0.0	149.2	118.8	30.3	20.3%	39.8%
07	Foreign Affairs and External Trade	56.6	56.6	0.0	28.3	34.7	(6.4)	(22.7%)	61.4%
08	Office of the Governor General	12.3	12.3	0.0	6.1	3.2	3.0	48.7%	25.7%
09	Health and Medical Services	852.2	857.3	5.1	428.6	307.8	120.9	28.2%	35.9%
10	Infrastructure Development	267.4	370.1	102.7	185.0	83.4	101.6	54.9%	22.5%
11	National Debt Servicing	357.2	357.2	0.0	178.6	151.2	27.4	15.4%	42.3%
12	National Parliament	122.8	123.1	0.3	61.5	58.7	2.8	4.5%	47.7%
13	Forestry and Research	36.3	36.3	0.0	18.2	15.9	2.3	12.5%	43.8%
14	Office of the Prime Minister and Cabinet	130.2	145.5	15.3	72.7	50.9	21.8	30.0%	35.0%
15	Pensions and Gratuities	16.6	16.6	0.0	8.3	8.2	0.1	1.5%	49.2%
16	Police National Security & Correctional Services	435.9	436.3	0.4	218.2	199.7	18.4	8.4%	45.8%
17	Provincial Government & Institutional Strengthening	260.4	260.4	0.0	130.2	115.9	14.3	11.0%	44.5%
18	Lands, Housing and Survey	42.6	42.6	0.0	21.3	10.8	10.4	49.0%	25.5%
19	National Planning and Development Coordination	12.9	12.9	0.0	6.5	4.5	1.9	30.0%	35.0%
20	Culture and Tourism	76.0	76.0	0.0	38.0	11.9	26.1	68.8%	15.6%
21	Commerce, Industry, Labour and Immigration	143.2	143.2	0.0	71.6	54.6	17.0	23.8%	38.1%
22	Communications and Aviation	292.7	293.2	0.5	146.6	46.8	99.8	68.1%	16.0%
23	Fisheries and Marine Resources	172.1	223.2	51.1	111.6	37.8	73.8	66.2%	16.9%
24	Public Service	50.7	50.7	0.0	25.3	14.1	11.3	44.5%	27.7%
25	Justice and Legal Affairs	84.9	84.9	0.0	42.4	30.4	12.1	28.4%	35.8%
26	Home Affairs	90.5	90.5	0.0	45.3	9.6	35.6	78.7%	10.6%
27	Traditional Governance, Peace and Ecclesiastical Affairs	41.1	41.1	0.0	20.6	26.5	(5.9)	(28.9%)	64.5%
28	Mines, Energy and Rural Electrification	50.6	115.9	65.3	57.9	33.0	24.9	43.0%	28.5%
29	National Judiciary	61.1	61.1	0.0	30.5	24.8	5.8	19.0%	40.5%
30	Women, Youth and Family Affairs	19.4	19.7	0.2	9.8	9.4	0.4	4.1%	47.9%
31	Rural Development	362.7	362.7	0.0	181.4	88.9	92.5	51.0%	24.5%

32	Environment, Climate Change, Meteorology and Disaster Management	41.8	56.4	14.7	28.2	32.0	(3.8)	(13.4%)	56.7%
33	Solomon Islands Independent Commission Against Corruption	6.6	6.6	0.0	3.3	0.4	2.8	86.3%	6.8%
	<i>Contingency Warrant Provision</i>	20.0	10.0						
	Total	6,021.2	6,337.6	316.4	3,163.8	2,419.2	744.6	23.5%	38.2%

6.4 As shown in **Table 4:** four Ministries had spent more than their pro-rata budgets for the first two quarters:

1. Education and Human Resources Development **(\$37.8 million)**
2. Foreign Affairs and External Trade **(\$6.4 million)**
3. Traditional Governance, Peace and Ecclesiastical Affairs **(\$5.9 million)**
4. Environment, Climate Change, Meteorology and Disaster Management **(\$3.8 million)**

6.5 The principal drivers of over-expenditure by these Ministries are detailed below:

- **Ministry of Education:** The over-expenditure by the Ministry of Education was largely driven by grant payments and training costs. Most grants are released to schools and relevant institutions during the beginning of the year, hence the higher grant disbursement. There was also slight overspending in the Ministry's payroll allocation. Furthermore, the Ministry overspent its development budget allocation for the first six months, investing around 72% of the total annual allocation.
- **Ministry of Foreign Affairs and External Trade:** A large portion of the overspending emanated from grants made to Overseas Missions; while there was also slight overspending on rent and security, and administrative costs and training. The Ministry also recorded a slight over-expenditure on payroll costs.
- **Ministry of Traditional Governance, Peace and Ecclesiastical Affairs:** The Ministry recorded marginal over-expenditures across most operational expenditures including grants, maintenance costs, rent and security, and training and travel expenses.

- **Ministry of Environment, Climate Change, Meteorology and Disaster Management:**

The Ministry recorded overspending across several operational categories, including payroll, administrative expenses, rent and security, and utility costs.

SIG Recurrent Expenditure

6.6 Recurrent expenditure totalled **\$2,070.8 million** between January and June 2026, representing an under-expenditure of **\$127.3 million** (5.8 percent) against the pro-rata budget of **\$2,198.2 million**. Similar trends were observed in prior years, with under-expenditures of \$169.2 million (8.3 percent) in 2025 and \$223.8 million (14 percent) in 2024.

Table 5: Recurrent Expenditure by Head

Head Of Expenditure		2026 Original Budget	2026 Revised Budget	Budget Variance	Jan-Jun Budget Pro- rata	Jan-Jun Actuals	Variance	Variance	Execution
		\$m	\$m	\$m	\$m	\$m	\$m	%	%
01	Solomon Islands Electoral Office	20.5	20.5	0.0	10.3	5.9	4.4	42.9%	28.6%
02	Office Of the Ombudsman	6.1	6.1	0.0	3.0	1.7	1.3	44.6%	27.7%
03	Agriculture and Livestock Development	47.0	47.0	0.0	23.5	23.2	0.3	1.1%	49.4%
04	Office of the Auditor General	14.7	14.7	0.0	7.4	4.8	2.6	34.7%	32.7%
05	Education and Human Resources Development	1,318.8	1,318.8	0.0	659.4	708.9	(49.5)	(7.5%)	53.8%
06	Finance and Treasury	243.8	243.8	0.0	121.9	114.7	7.2	5.9%	47.0%
07	Foreign Affairs and External Trade	56.6	56.6	0.0	28.3	34.7	(6.4)	(22.6%)	61.3%
08	Office of the Governor General	12.3	12.3	0.0	6.1	3.2	3.0	48.7%	25.7%
09	Health and Medical Services	728.5	728.5	0.0	364.3	286.6	77.6	21.3%	39.3%
10	Infrastructure Development	54.9	54.9	0.0	27.4	22.1	5.3	19.5%	40.3%
11	National Debt Servicing	357.2	357.2	0.0	178.6	151.2	27.4	15.4%	42.3%
12	National Parliament	120.6	120.6	0.0	60.3	58.7	1.6	2.6%	48.7%
13	Forestry and Research	25.7	25.7	0.0	12.8	12.7	0.2	1.4%	49.3%
14	Office of the Prime Minister and Cabinet	120.8	120.8	0.0	60.4	46.0	14.4	23.8%	38.1%
15	Pensions and Gratuities	16.6	16.6	0.0	8.3	8.2	0.1	1.5%	49.2%
16	Police National Security & Correctional Services	407.5	407.5	0.0	203.8	196.8	7.0	3.4%	48.3%
17	Provincial Government & Institutional Strengthening	156.4	156.4	0.0	78.2	82.0	(3.8)	(4.8%)	52.4%
18	Lands, Housing and Survey	26.5	26.5	0.0	13.3	9.9	3.3	25.3%	37.4%
19	National Planning and Development Coordination	10.9	10.9	0.0	5.5	4.3	1.1	20.9%	39.6%
20	Culture and Tourism	29.6	29.6	0.0	14.8	7.9	6.9	46.8%	26.6%
21	Commerce, Industry, Labour and Immigration	75.8	75.8	0.0	37.9	28.1	9.8	25.8%	37.1%
22	Communications and Aviation	32.8	32.8	0.0	16.4	7.0	9.4	57.3%	21.4%
23	Fisheries and Marine Resources	37.0	37.0	0.0	18.5	16.7	1.8	9.8%	45.1%
24	Public Service	35.7	35.7	0.0	17.8	14.1	3.8	21.2%	39.4%
25	Justice and Legal Affairs	66.2	66.2	0.0	33.1	30.3	2.8	8.4%	45.8%
26	Home Affairs	81.5	81.5	0.0	40.8	9.6	31.2	76.6%	11.7%

27	Traditional Governance, Peace and Ecclesiastical Affairs	38.6	38.6	0.0	19.3	26.5	(7.2)	(37.3%)	68.6%
28	Mines, Energy and Rural Electrification	20.6	20.6	0.0	10.3	7.8	2.5	24.3%	37.8%
29	National Judiciary	55.3	55.3	0.0	27.7	23.8	3.8	13.9%	43.0%
30	Women, Youth and Family Affairs	14.7	14.7	0.0	7.4	6.4	1.0	13.3%	43.4%
31	Rural Development	109.7	109.7	0.0	54.9	88.9	(34.0)	(62.0%)	81.0%
32	Environment, Climate Change, Meteorology and Disaster Management	36.8	46.8	10.0	23.4	28.0	(4.6)	(19.7%)	59.8%
33	Solomon Islands Independent Commission Against Corruption	6.6	6.6	0.0	3.3	0.4	2.8	86.3%	6.8%
	Contingency Warrant Provision	20.0	10.0						
	Total	4,406.3	4,406.3	0.0	2,198.2	2,070.8	127.3	5.8%	47.0%

Recurrent Expenditure by Economic Classification

6.7 **Table 6** outlines the performance of key recurrent expenditure categories for the first half of 2026, organized according to standard economic classifications.

Table 6: Recurrent Expenditure by Economic Classification

Expenditure Classification	2026 Original Budget	2026 Revised Budget	Budget variance	Jan-Jun Budget Pro rata	Jan-Jun Actuals	% of total Jan-Jun Actual
	\$m	\$m	\$m	\$m	\$m	%
Administrative Expenditure	382.8	396.1	13.4	198.1	145.7	7.0%
Capital Expenditure	70.4	75.0	4.6	37.5	21.3	1.0%
Debt Servicing - Interest	92.4	92.4	0.0	46.2	44.2	2.1%
Debt Servicing - Principal	264.8	264.8	0.0	132.4	107.0	5.2%
Grant Expenditure	545.3	548.5	3.3	274.3	322.4	15.6%
Maintenance Costs	87.2	88.2	1.0	44.1	32.6	1.6%
Overseas Mission Grants	26.6	26.6	0.0	13.3	19.9	1.0%
Payroll Expenditure	1,947.7	1,947.7	0.0	973.9	935.2	45.2%
Provisions	68.0	57.6	(10.4)	28.8	26.1	1.3%
Rent & Security Expenditure	273.8	272.8	(1.0)	136.4	121.6	5.9%
Training Costs	263.8	265.8	2.0	132.9	148.5	7.2%
Travel Expenses	160.4	161.1	0.7	80.6	70.5	3.4%
Utility Costs	203.2	199.7	(3.5)	99.8	76.0	3.7%
Contingency Warrant	20.0	10.0				
Total	4,406.3	4,406.3	0.0	2,198.2	2,070.8	100.0%

6.8 As shown in **Table 6**, payroll accounted for approximately 45.2 percent of total expenditures during the first half of 2026. Grant payments to government agencies and provincial constituencies represented 15.6 percent, while training costs comprised 7.2 percent and administrative expenses 7.0 percent. Capital investments were notably low, capturing only 1.0 percent of total expenditure.

Other Charges Expenditure

- 6.9 Other Charges Expenditure comprises payments for goods and services that support the daily operations of ministries and agencies, excluding salaries and capital costs. This category includes spending on utilities, office supplies, travel and transport, training and workshops, as well as grants and transfers.
- 6.10 Between January and June 2026, government spending on other operational charges totalled **\$1,135.6 million**, reflecting an under-expenditure of **\$88.7 million** (7.2 percent) against the pro-rata budget of \$1,224.3 million. This outturn is consistent with historical patterns, mirroring trends in 2025 and 2024, which recorded underspending of \$139.7 million (11.7 per cent) and \$209.3 million (21.0 per cent), respectively.
- 6.11 **The Other Charges category also encompasses debt servicing**, which consists primarily of interest and principal repayments on public debt. By the end of June 2026, government had disbursed **\$151.2 million** in debt servicing costs, equivalent to **42.3 percent** of the total annual obligation. The remaining balance is scheduled for settlement over the next six months, in line with the established debt servicing timetable.
- 6.12 **Table 7** presents the expenditures on other charges by line ministries during the first half of 2026 (January–June), measured against their respective pro rata budget allocations.

Table 7: Other Charges Expenditure by Head

Head Of Expenditure		2026 Original Budget	2026 Revised Budget	Budget Variance	Jan-Jun Budget Pro- rata	Jan-Jun Actuals	Variance	Variance	Execution
		\$m	\$m	\$m	\$m	\$m	\$m	%	%
01	Solomon Islands Electoral Office	17.6	17.6	0.0	8.8	4.4	4.3	49.5%	25.3%
02	Office Of The Ombudsman	2.8	2.8	0.0	1.4	0.4	1.0	73.4%	13.3%
03	Agriculture and Livestock Development	27.6	27.6	0.0	13.8	14.6	(0.8)	(5.7%)	52.9%
04	Office of the Auditor General	9.3	9.3	0.0	4.7	2.6	2.1	44.6%	27.7%
05	Education and Human Resources Development	463.0	463.0	0.0	231.5	280.7	(49.2)	(21.3%)	60.6%
06	Finance and Treasury	194.0	194.0	0.0	97.0	93.4	3.6	3.7%	48.1%
07	Foreign Affairs and External Trade	49.1	49.1	0.0	24.5	30.6	(6.1)	(24.9%)	62.5%
08	Office of the Governor General	8.5	8.5	0.0	4.2	1.9	2.4	55.8%	22.1%
09	Health and Medical Services	388.6	388.6	0.0	194.3	122.9	71.4	36.8%	31.6%
10	Infrastructure Development	41.5	41.5	0.0	20.7	16.7	4.0	19.3%	40.4%
11	National Debt Servicing	357.2	357.2	0.0	178.6	151.2	27.4	15.4%	42.3%
12	National Parliament	51.8	51.8	0.0	25.9	29.9	(3.9)	(15.2%)	57.6%

13	Forestry and Research	11.7	11.7	0.0	5.9	6.2	(0.4)	(6.7%)	53.3%
14	Office of the Prime Minister and Cabinet	64.2	64.2	0.0	32.1	22.0	10.1	31.5%	34.2%
16	Police National Security & Correctional Services	194.9	194.9	0.0	97.4	97.2	0.3	0.3%	49.9%
17	Provincial Government & Institutional Strengthening	81.3	81.3	0.0	40.6	42.0	(1.4)	(3.4%)	51.7%
18	Lands, Housing and Survey	17.1	17.1	0.0	8.6	5.5	3.1	36.3%	31.8%
19	National Planning and Development Coordination	5.9	5.9	0.0	3.0	2.0	1.0	33.6%	33.2%
20	Culture and Tourism	21.5	21.5	0.0	10.8	5.2	5.6	51.8%	24.1%
21	Commerce, Industry, Labour and Immigration	56.5	56.5	0.0	28.2	20.0	8.3	29.3%	35.3%
22	Communications and Aviation	26.6	26.6	0.0	13.3	4.7	8.6	64.8%	17.6%
23	Fisheries and Marine Resources	22.2	22.2	0.0	11.1	10.6	0.5	4.3%	47.9%
24	Public Service	14.1	14.1	0.0	7.1	5.5	1.5	21.4%	39.3%
25	Justice and Legal Affairs	37.3	37.3	0.0	18.6	14.9	3.8	20.1%	39.9%
26	Home Affairs	77.6	77.6	0.0	38.8	7.8	31.0	79.9%	10.1%
27	Traditional Governance, Peace and Ecclesiastical Affairs	33.2	33.2	0.0	16.6	23.9	(7.3)	(43.8%)	71.9%
28	Mines, Energy and Rural Electrification	10.5	10.5	0.0	5.2	4.1	1.2	22.0%	39.0%
29	National Judiciary	26.9	26.9	0.0	13.5	10.4	3.1	22.8%	38.6%
30	Women, Youth and Family Affairs	9.7	9.7	0.0	4.8	4.3	0.5	10.2%	44.9%
31	Rural Development	90.9	90.9	0.0	45.4	79.3	(33.9)	(74.6%)	87.3%
32	Environment, Climate Change, Meteorology and Disaster Management	23.2	33.2	10.0	16.6	20.7	(4.1)	(24.7%)	62.4%
33	Solomon Islands Independent Commission Against Corruption	2.4	2.4	0.0	1.2	0.1	1.1	92.7%	3.6%
	Total	2,438.6	2,448.6	10.0	1,224.3	1,135.6	88.7	7.2%	46.4%

Overspending Against Pro-rata Budget – Other Charges

6.13 Despite the overall underspending against the pro-rata budget, nine ministries recorded expenditures exceeding their allocations during the first half of 2026:

1. **Ministry of Agriculture and Livestock** – Spent \$14.6 million on other charges, exceeding its pro-rata allocation of \$13.8 million by \$0.8 million (5.7 percent above budget).
2. **Ministry of Education and Human Resources Development** – Incurred \$280.7 million, surpassing its pro-rata budget of \$231.5 million by \$49.2 million (21.3 percent above allocation).
3. **Ministry of Foreign Affairs and External Trade** – Recorded \$30.6 million against a pro-rata budget of \$24.5 million, overspending by \$6.1 million (24.9 percent).

4. **National Parliament** – Incurred \$29.9 million, exceeding its pro-rata budget of \$25.9 million by \$3.9 million (15.2 percent).
5. **Ministry of Forestry and Research** – Spent \$6.2 million against a pro-rata budget of \$5.9 million, overspending by \$0.4 million (6.7 percent).
6. **Ministry of Provincial Government and Institutional Strengthening** – Recorded \$42.0 million, exceeding its pro-rata budget of \$40.6 million by \$1.4 million (3.4 percent).
7. **Ministry of Traditional Governance, Peace and Ecclesiastical Affairs** – Spent \$23.9 million, overshooting its pro-rata budget of \$16.6 million by \$7.3 million (43.8 percent).
8. **Ministry of Rural Development** – Overspent its pro-rata budget of \$45.4 million by \$33.9 million (74.6 percent), with actual expenditure totalling \$79.3 million.
9. **Ministry of Environment, Climate Change, Meteorology and Disaster Management** – Recorded \$20.7 million against a pro-rata budget of \$16.6 million, overspending by \$4.1 million (24.7 percent).

Payroll Expenditure

- 6.14 Payroll expenditure comprises remuneration payments to civil servants, including salaries, wages, and employment-related allowances such as housing, transport, and annual leave. It also covers overtime and employer contributions to statutory schemes, including pensions and superannuation.
- 6.15 By the end of June 2026, total payroll expenditure amounted to **\$935.2 million**, reflecting an under-expenditure of **\$38.7 million** (4.0 percent) against the pro-rata budget of **\$973.9 million**. A comparable outcome was recorded in 2025, when payroll fell short of the mid-year budget by \$29.4 million (3.5 percent).

Table 8: Payroll Expenditure by Head

Head Of Expenditure		2026 Original Budget	2026 Revised Budget	Budget Variance	Jan-Jun Budget Pro- rata	Jan-Jun Actuals	Variance	Variance	Executi on
		\$m	\$m	\$m	\$m	\$m	\$m	%	%
01	Solomon Islands Electoral Office	2.9	2.9	0.0	1.5	1.4	0.1	3.6%	48.2%
02	Office Of the Ombudsman	3.2	3.2	0.0	1.6	1.3	0.3	19.7%	40.1%
03	Agriculture and Livestock Development	19.4	19.4	0.0	9.7	8.6	1.1	10.9%	44.6%
04	Office of the Auditor General	5.4	5.4	0.0	2.7	2.2	0.5	17.6%	41.2%
05	Education and Human Resources Development	855.8	855.8	0.0	427.9	428.2	0.3	(0.1%)	50.0%
06	Finance and Treasury	49.8	49.8	0.0	24.9	21.3	3.6	14.6%	42.7%
07	Foreign Affairs and External Trade	7.5	7.5	0.0	3.8	4.0	0.3	(7.3%)	53.6%
08	Office of the Governor General	3.8	3.8	0.0	1.9	1.3	0.6	32.9%	33.6%
09	Health and Medical Services	339.9	339.9	0.0	170.0	163.8	6.2	3.6%	48.2%
10	Infrastructure Development	13.4	13.4	0.0	6.7	5.4	1.3	20.0%	40.0%
12	National Parliament	68.8	68.8	0.0	34.4	28.9	5.5	16.0%	42.0%
13	Forestry and Research	14.0	14.0	0.0	7.0	6.4	0.6	8.2%	45.9%
14	Office of the Prime Minister and Cabinet	56.5	56.5	0.0	28.3	24.0	4.3	15.1%	42.4%
15	Pensions and Gratuities	16.6	16.6	0.0	8.3	8.2	0.1	1.5%	49.2%
16	Police National Security & Correctional Services	212.6	212.6	0.0	106.3	99.6	6.7	6.3%	46.8%
17	Provincial Government & Institutional Strengthening	75.1	75.1	0.0	37.6	40.0	2.4	(6.4%)	53.2%
18	Lands, Housing and Survey	9.4	9.4	0.0	4.7	4.5	0.2	5.1%	47.5%
19	National Planning and Development Coordination	5.0	5.0	0.0	2.5	2.4	0.1	5.8%	47.1%
20	Culture and Tourism	8.1	8.1	0.0	4.1	2.7	1.4	33.8%	33.1%
21	Commerce, Industry, Labour and Immigration	19.4	19.4	0.0	9.7	8.2	1.5	15.7%	42.1%
22	Communications and Aviation	6.3	6.3	0.0	3.1	2.3	0.8	25.2%	37.4%
23	Fisheries and Marine Resources	14.9	14.9	0.0	7.4	6.1	1.3	17.9%	41.0%
24	Public Service	21.5	21.5	0.0	10.8	8.5	2.3	21.1%	39.5%
25	Justice and Legal Affairs	28.9	28.9	0.0	14.5	15.4	1.0	(6.7%)	53.3%
26	Home Affairs	3.9	3.9	0.0	2.0	1.7	0.2	10.8%	44.6%
27	Traditional Governance, Peace and Ecclesiastical Affairs	5.4	5.4	0.0	2.7	2.6	0.1	3.0%	48.5%
28	Mines, Energy and Rural Electrification	10.1	10.1	0.0	5.1	3.7	1.4	26.7%	36.7%
29	National Judiciary	28.4	28.4	0.0	14.2	13.4	0.8	5.4%	47.3%
30	Women, Youth and Family Affairs	5.0	5.0	0.0	2.5	2.0	0.5	19.1%	40.5%
31	Rural Development	18.8	18.8	0.0	9.4	9.5	0.1	(1.2%)	50.6%
32	Environment, Climate Change, Meteorology and Disaster Management	13.6	13.6	0.0	6.8	7.3	0.5	(7.4%)	53.7%
33	Solomon Islands Independent Commission Against Corruption	4.1	4.1	0.0	2.1	0.4	1.7	82.6%	8.7%
Total		1,947.7	1,947.7	0.0	973.9	935.2	38.7	4.0%	48.0%

6.16 At the end of the second quarter the following ministries recorded payroll expenditure above their respective pro-rata budget allocations:

- **Education and Human Resources Development** posted a very small overrun, with actual payroll of \$428.2 million slightly above the pro-rata allocation of \$427.9 million **(0.1%)**.
- **Foreign Affairs and External Trade** recorded payroll outturns of \$4.0 million compared to a budget of \$3.8 million, overspending by **\$0.3 million (7.3%)**.
- **Provincial Government & Institutional Strengthening** exceeded its pro-rata allocation by **\$2.4 million (6.4%)**, with actual spending reaching \$40.0 million.
- **Justice and Legal Affairs** registered payroll expenditure of \$15.4 million against a budget of \$14.5 million, overshooting by **\$1.0 million (6.7%)**.
- **Rural Development** showed a minor excess, with actuals of \$9.5 million slightly above the \$9.4 million budget **(1.2%)**.
- **Environment, Climate Change, Meteorology and Disaster Management** recorded payroll of \$7.3 million versus a budget of \$6.8 million, overspending by **\$0.5 million (7.4%)**.

Table 9: Payroll Sub-Categories

Payroll Classification	2026 Original Budget	2026 Revised Budget	Budget variance	Jan-Jun Budget Pro rata	Jan-Jun Actuals	% of total Jan-Jun Actual
	\$m	\$m	\$m	\$m	\$m	%
Salaries & Wages	1,211.8	1,208.8	(3.0)	604.4	602.7	64.4%
Allowances	530.5	535.0	4.5	267.5	239.0	25.6%
NPF Contributions	116.1	116.2	0.1	58.1	57.8	6.2%
Other Employment Expense	11.0	10.6	(0.5)	5.3	4.8	0.5%
Employment Benefits	78.3	77.1	(1.1)	38.6	31.0	3.3%
Total	1,947.7	1,947.7	(0.0)	973.9	935.2	100.0%

Contingency Budget

6.17 The contingency budget represents a dedicated allocation set aside by government to address emergencies or unforeseen circumstances requiring urgent financial support. Typical triggers include natural disasters, global market disruptions, or geopolitical conflicts.

- 6.18 For 2026, a provision of \$20.0 million was reserved for contingencies. Of this amount, **\$10.0 million** was utilised during the first half of the year to provide emergency assistance in response to Tropical Cyclone Malia. This intervention complemented donor contributions and further reinforced through resources mobilised from other segments of the national budget.

SIG Development Budget

- 6.19 The Development Budget constitutes the portion of the national budget dedicated to capital projects, infrastructure development, and programmatic investments that foster long term growth and enhance service delivery. In contrast to the recurrent budget, which finances ongoing operational and administrative expenditures, the Development Budget is structured to establish foundational investments with the potential to raise productivity, boost growth and strengthen future development prospects.
- 6.20 As of 30th June 2026, government had invested a total of **\$218.9 million** through the development budget, reflecting a shortfall of \$361.6 million relative to the pro-rata budget of \$580.5 million. The execution rate reached **18.9 percent**, mirroring trends in recent years where execution reached 23 percent in 2023, 28 percent in 2024, and 29 percent in 2025. This trajectory reflects consistent efforts; however, it remains below the mid-year benchmark; and is likely to constrain government ambition to fully execute key development projects by year-end.
- 6.21 **Table 10** presents a consolidated summary of development expenditures by all line ministries during the first six months of 2026.

Table 10: Development Budget by National Development Strategy

Head Of Expenditure		2026 Original Budget	2026 Revised Budget	Budget Variance	Jan-Jun Budget Pro- rata	Jan-Jun Actuals	Variance	Variance	Execution
National Development Strategy (NDS)		\$m	\$m	\$m	\$m	\$m	\$m	%	%
	Economic								
03	Agriculture and Livestock Development	40.0	40.0	0.0	20.0	1.1	18.9	94.4%	2.8%
13	Forestry and Research	10.6	10.6	0.0	5.3	3.2	2.1	39.2%	30.4%
20	Culture and Tourism	46.4	46.4	0.0	23.2	3.9	19.3	83.2%	8.4%
21	Commerce, Industry, Labour and Immigration	67.3	67.3	0.0	33.7	26.4	7.2	21.4%	39.3%

22	Communications and Aviation	64.9	64.9	0.0	32.4	23.6	8.9	27.3%	36.3%
23	Fisheries and Marine Resources	128.9	128.9	0.0	64.5	10.6	53.9	83.6%	8.2%
28	Mines, Energy and Rural Electrification	30.0	30.0	0.0	15.0	1.1	13.9	92.8%	3.6%
	Economic Total	388.2	388.2	0.0	194.1	70.0	124.1	64.0%	18.0%
	Education								
05	Education and Human Resources Development	83.7	83.7	0.0	41.9	60.4	(18.6)	(44.4%)	72.2%
	Education Total	83.7	83.7	0.0	41.9	60.4	(18.6)	(44.4%)	72.2%
	Environment								
32	Environment, Climate Change, Meteorology and Disaster Management	5.0	5.0	0.0	2.5	0.0	2.5	100.0%	0.0%
	Environment Total	5.0	5.0	0.0	2.5	0.0	2.5	100.0%	0.0%
	Health								
09	Health and Medical Services	70.0	70.0	0.0	35.0	5.0	30.0	85.6%	7.2%
	Health Total	70.0	70.0	0.0	35.0	5.0	30.0	85.6%	7.2%
	Infrastructure								
10	Infrastructure Development	146.9	146.9	0.0	73.4	48.4	25.0	34.0%	33.0%
	Infrastructure Total	146.9	146.9	0.0	73.4	48.4	25.0	34.0%	33.0%
	Public Order and Safety								
16	Police National Security & Correctional Services	28.4	28.4	0.0	14.2	3.0	11.2	79.1%	10.5%
25	Justice and Legal Affairs	18.7	18.7	0.0	9.3	0.1	9.3	99.1%	0.4%
26	Home Affairs	8.5	8.5	0.0	4.2	0.0	4.2	99.1%	0.5%
27	Traditional Governance, Peace and Ecclesiastical Affairs	2.5	2.5	0.0	1.3	0.0	1.3	100.0%	0.0%
29	National Judiciary	5.8	5.8	0.0	2.9	0.9	2.0	67.5%	16.3%
	Public Order and Safety Total	63.8	63.8	0.0	31.9	4.0	27.9	87.4%	6.3%
	Public Service including Provincial Government								
04	Office of the Auditor General	1.1	1.1	0.0	0.6	0.1	0.5	83.2%	8.4%
06	Finance and Treasury	49.9	49.9	0.0	25.0	0.2	24.8	99.3%	0.3%
12	National Parliament	2.2	2.2	0.0	1.1	0.0	1.1	100.0%	0.0%
14	Office of the Prime Minister and Cabinet	9.5	9.5	0.0	4.7	0.6	4.1	86.4%	6.8%
17	Provincial Government & Institutional Strengthening	50.0	50.0	0.0	25.0	26.0	(1.0)	(4.0%)	52.0%
19	National Planning and Development Coordination	2.0	2.0	0.0	1.0	0.2	0.8	80.0%	10.0%
24	Public Service	15.0	15.0	0.0	7.5	0.0	7.5	100.0%	0.0%
	Public Service including Provincial Government Total	129.6	129.6	0.0	64.8	27.1	37.7	58.2%	20.9%
	Rural Development and other Social								
18	Lands, Housing and Survey	16.1	16.1	0.0	8.0	0.9	7.1	88.2%	5.9%
30	Women, Youth and Family Affairs	4.7	4.7	0.0	2.4	3.0	(0.6)	(27.0%)	63.5%
31	Rural Development	253.0	253.0	0.0	126.5	0.0	126.5	100.0%	0.0%
	Rural Development and other Social Total	273.8	273.8	0.0	136.9	3.9	132.9	97.1%	1.4%
	Total Development Expenditure	1,161.0	1,161.0	0.00	580.5	218.9	361.6	62.3%	18.9%

6.22 **Table 10** indicates that, of the 26 government ministries and agencies responsible for implementing the 2026 Development Budget, only three had utilized more than 50 percent of their annual allocations by the end of June. These were:

- The Ministry of Education and Human Resource Development (72%)
- The Ministry of Provincial Government and Institutional Strengthening (52%)
- The Ministry of Women, Youth, Children and Family Affairs (63%)

6.23 The data further shows that 18 ministries and agencies executed their allocations at varying rates below 50 percent. In addition, five agencies had not yet accessed funding for project implementation, resulting in execution rates of 0 percent during the mid-year review period.

Development Budget Implementation by Major Sectoral Groups

6.24 **Table 11** presents a detailed sectoral breakdown of development spending in the first half of 2026.

Table 11: Development Budget Implementation by Major Sectoral Groups

SECTORS	ORIGINAL	REVISED	ACTUAL	COMMITMENT	ACTUAL & COMMITMENT	MID-YEAR RATE
FUNDAMENTAL	106,597,000	106,597,000	2,124,464.96	196,550	2,321,014.96	2.2%
PRODUCTIVE	510,453,266	510,453,266	115,035,415.53	22,522,463	137,557,878.53	26.9%
RESOURCE	298,636,000	298,636,000	4,310,173.14	2,690,380	7,000,553.14	2.3%
SOCIAL	245,293,734	245,293,734	97,466,218.43	20,430,758	117,896,976.43	48.1%
TOTAL	1,160,980,000	1,160,980,000	218,936,272	45,840,151	264,776,423	22.8%

6.25 The summary below provides an overview of execution rates for ministries within each sector.

- **Fundamental Sector** — Overall execution stood at 2 percent. Within this sector, the National Judiciary recorded the highest rate at 16 percent, followed by the Ministry of National Planning and Development Coordination at 10 percent. The Office of the Auditor General implemented 8 percent, the Office of the Prime Minister and Cabinet 7 percent, and the Ministry of Justice and Legal Affairs less than 1 percent. Three agencies—the National Parliament, Ministry of Public Service, and Ministry of Traditional Governance—had not recorded any expenditure during the review period.
- **Productive Sector** — Execution reached 27 percent. The Ministry of Infrastructure Development led with 33 percent, followed by the Ministry of Commerce, Industry, Labour

and Immigration at 39 percent, and the Ministry of Communication and Aviation at 36 percent. More modest rates were recorded by the Ministry of Culture and Tourism and Ministry of Fisheries and Marine Resources (8 percent each), the Ministry of Lands, Housing and Survey (6 percent), and the Ministry of Agriculture and Livestock (3 percent).

- **Resource Sector** — Overall execution was very low at 2 percent. The Ministry of Forestry and Research achieved the highest rate at 30 percent, while the Ministry of Mines, Energy and Rural Electrification recorded 4 percent. The Ministry of Rural Development and the Ministry of Environment, Climate Change, Disaster Management and Meteorology had not yet commenced implementation during the review period.
- **Social Sector** — This sector recorded the strongest performance, with execution at 48 percent. The Ministry of Provincial Government and Institutional Strengthening achieved the highest rate at 52 percent, followed by the Ministry of Education and Human Resource Development at 72 percent, and the Ministry of Women, Youth, Children and Family Affairs at 63 percent. More modest execution was recorded by the Ministry of Police, National Security and Correctional Services (11 percent), the Ministry of Health and Medical Services (7 percent), and the Ministry of Home Affairs (0.5 percent).

Development Budget Challenges and Strategic Interventions

- 6.26 In June this year, the Ministry of National Planning and Development Cooperation conducted a mid-year review to assess the progress of ministry projects and programs. The review highlighted disparities in execution rates, largely attributable to recurring challenges such as project readiness, absorption capacity, and the timing of disbursements. These challenges, together with proposed strategies for addressing them, are summarised in the table below. Over the next six months, MNPDC will work closely with ministries to resolve these bottlenecks and accelerate the pace of project implementation and investment.

Table 12: Development Budget – Key Challenges and Strategic Interventions

Challenges	Strategic Interventions
Administrative Delays – Slow feedback and procurement processes, especially within the Treasury Procurement Unit (TPU), impedes timely project delivery.	Strengthening Procurement Processes – Increase staffing in TPU and adopt e-procurement systems (e.g., Tender Link) to streamline tender processes.
Capacity Gaps – Lack of dedicated project management units and expertise limits effective implementation of priority investments.	Establishing Project Management Units (PMUs) – Require line ministries to set up PMUs staffed with trained and certified project management officers.
Project Readiness Issues – Projects stalled due to redesigns, reprioritisation, land disputes, legal cases, and unresolved site identification, leaving funds under-utilised.	Enhancing Project Appraisal – Introduce mandatory project readiness and appraisal requirements to ensure only viable projects are approved in the budget.
Weak Sectoral Coordination – Ministries operate in isolation, leading to duplication and scattered resource use. Infrastructure investments are not aligned with tourism strategies.	Improving Sectoral Coordination – Organise structured sectoral dialogues to strengthen collaboration, resource allocation and mobilisation, and cost sharing across sectors.
Financing Bottlenecks – Slow and inconsistent funding processes delay project implementation.	Ensuring Timely Access to Funding – Collaborate with MoFT to guarantee timely disbursement and establish a dedicated Source 102 development account with quarterly releases.

Donor Budget Support Expenditure.

6.27 The donor budget support category has two main components¹⁷:

- (i) **Sector Budget Support:** comprises funding for sector-related programs rendered to line ministries by donors
- (ii) **Donor Funded Development:** comprises financing support for development projects and programs.

6.28 During the first half of 2026, government received approximately **\$113.2 million** in sector budget support grants, while around **\$16.2 million** was received as development budget support. The remaining tranches for both these programs are expected to be received in the third and fourth quarters, contingent upon the fulfillment of agreed administrative requirements and conditionalities.

¹⁷ Recurrent and Development Donor Support Expenditure

6.29 This year's disbursement pattern mirrors that of 2025, when only 14.0 percent of the annual provision had been received by June. However, the remaining funds were subsequently released by the end of the financial year, following compliance with the required conditions.

Table 13: Donor Budget Support by Head

Head Of Expenditure		2026 Original Budget	2026 Revised Budget	Budget Variance	Jan-Jun Actuals	Execution
		\$m	\$m	\$m	\$m	%
03	Agriculture and Livestock Development	0.0	60.7	60.7	20.4	33.6%
04	Office of the Auditor General	1.5	8.2	6.7	1.0	12.0%
05	Education and Human Resources Development	72.8	76.1	3.3	7.7	10.2%
06	Finance and Treasury	4.6	4.6	0.0	4.0	86.2%
07	Foreign Affairs and External Trade	0.0	0.0	0.0	0.0	0.0%
09	Health and Medical Services	53.7	58.8	5.1	16.1	27.4%
10	Infrastructure Development	65.6	168.3	102.7	12.9	7.6%
12	National Parliament	0.0	0.3	0.3	0.0	0.0%
14	Office of the Prime Minister and Cabinet	0.0	15.3	15.3	4.3	28.2%
16	Police National Security & Correctional Services	0.0	0.4	0.4	0.0	0.0%
17	Provincial Government & Institutional Strengthening	54.0	54.0	0.0	7.9	14.7%
20	Culture and Tourism	0.0	0.0	0.0	0.1	0.0%
22	Communications and Aviation	195.0	195.5	0.5	16.2	8.3%
23	Fisheries and Marine Resources	6.1	57.3	51.1	10.5	18.3%
26	Home Affairs	0.5	0.5	0.0	0.0	8.4%
28	Mines, Energy and Rural Electrification	0.0	65.3	65.3	24.2	37.0%
30	Women, Youth and Family Affairs	0.0	0.2	0.2	0.0	19.9%
32	Environment, Climate Change, Meteorology and Disaster Management	0.0	4.7	4.7	4.0	86.0%
Total		453.9	770.3	316.4	129.4	16.8%

6.30 Despite the overall slow pace of grant disbursement, several ministries have demonstrated stronger progress in implementing their donor-supported programs. These include:

- Ministry of Agriculture and Livestock Development (33.6%)
- Ministry of Finance and Treasury (86.2%)
- Ministry of Health and Medical Services (27.4%)
- Office of the Prime Minister and Cabinet (28.2%)
- Ministry of Mines, Energy and Rural Electrification (37.0%)

- Ministry of Environment, Climate Change, Meteorology and Disaster Management (86.0%)

6.31 As noted in **Table 13**, the budget allocation for donor support in 2026 has been revised upward to **\$770.3 million**, reflecting a substantial increase of **\$316.4 million** from the original appropriation of **\$453.9 million**. This adjustment incorporates new donor commitments¹⁸ for 2026, which have been regularised by the Minister of Finance and Treasury under Section 60 (1) of the PFM Act 2013 - the Advance Warrant Provision.

6.32 Additional donor commitments in 2026 are as follows:

- **Ministry of Agriculture and Livestock** — \$60.7 million increase, with funding from the World Bank for the Solomon Islands Agriculture and Rural Transformation Project (SIART) in Guadalcanal, Malaita, and Makira. The International Fund for Agricultural Development (IFAD) also provided support for the Agricultural Investments for Markets and Nutrition (AIM-N) in Western, Isabel, and Choiseul Provinces respectively.
- **Office of the Auditor General** — \$6.7 million increase, funded by the World Bank's International Development Fund (IDF) for the Building Capacity in Audit and Statistics Project (CAPSA). The United Nations Capital Development Fund (UNCDF) also supported the Local Climate Adaptive Living Facility Project (LoCAL).
- **Ministry of Education and Human Resources Development** — \$3.3 million increase, with funding from the Government of the People's Republic of China (PRC) for the Honiara Senior High School Rehabilitation Project.
- **Ministry of Health and Medical Services** — \$5.1 million increase, supported by UNICEF for the Immunization Program under Reproductive and Child Health, and for post-construction training and handover of 12 WASH facilities. The ministry reappropriated funds to refund DFAT following completion of HSSP3. Additional support was provided by the Global Fund for Health System Strengthening, and by the New Zealand Government for rodent management and medical laboratory quality rating at the National Referral Hospital.

¹⁸ A significant portion of these commitments—approximately \$279.8 million—consists of concessional loans. At present, these loans are recorded as grants in the D365 financial system. The Ministry of Finance and Treasury (MoFT) is in the process of establishing mechanisms to ensure such loans are reported separately 'below the line' in government budget reports. This will ensure compliance with global financial reporting standards.

- **Ministry of Infrastructure Development** — \$102.7 million increase, funded by the World Bank’s International Development Association (IDA) for the Community Access and Urban Services Enhancement Project (CAUSE II).
- **National Parliament** — \$0.3 million increase, with UNICEF support for the Solomon Islands National Child and Youth Parliament Program.
- **Office of the Prime Minister and Cabinet** — \$15.3 million increase, funded by DFAT and the Government of Indonesia to settle commitments from the 54th Pacific Islands Forum Leaders Meeting (2025).
- **Ministry of Police, National Security and Correctional Services** — \$0.4 million increase, funded by DFAT for the Asset Maintenance and Housing Construction Project.
- **Ministry of Communication and Aviation** — \$0.5 million increase, supported by the Asia Pacific Network Information Centre (APNIC) Foundation for the Solomon Islands Computer Emergency Response Team (SolCERT) program.
- **Ministry of Fisheries and Marine Resources** — \$51.1 million increase, funded by the World Bank for the Pacific Regional Oceanscape Program for Economic Resilience (PROPER). The New Zealand Government’s MFAT also supported the Climate and Biodiversity Smart Marine Spatial Planning and Marine Protection Project (CABSMAT).
- **Ministry of Mines, Energy and Rural Electrification** — \$65.3 million increase, supported by the World Bank’s IDA for the Solomon Islands Sustainable Mining Development Technical Assistance Project (SMDTAP), the Tina River Hydropower Development Project (TRHP), and the Community Benefit Sharing Project (CBS) – Phase 2. DFAT also contributed to the TRHP.
- **Ministry of Women, Youth, Children and Family Affairs** — \$0.2 million increase, supported by UNICEF for development of the MWYCFA Monitoring and Evaluation Framework, review of the National Children Policy Implementation Plan (2023–2028), and celebration of the CRC 30th Anniversary.
- **Ministry of Environment, Climate Change, Meteorology and Disaster Management** — \$4.7 million increase, funded by the Asian Development Bank (ADB) for the Integrated Solid Waste Management Project (ISWMP). The Pacific Catastrophe Risk Insurance Company (PCRIC) also provided disaster response support for Tropical Cyclone Maila.

7.0 VIREMENT

- 7.1 A virement refers to the reallocation of budgetary resources within a government ministry's approved budget provision. Such reallocation may only occur with proper authorization from the Ministry of Finance, as stipulated under Sections 53 and 54 of the Public Financial Management Act (2013). The virement mechanism provides line ministries with flexibility to adjust funding in response to shifting priorities or unforeseen circumstances. Virements are issued across the recurrent and development budgets, as well as for donor-funded support.
- 7.2 During the first six months, the Ministry of Finance processed 60 virement applications, with a total value of \$52.0 million. Of this amount, \$44.5 million represented transfers from the Recurrent Budget, \$3.1 million from Donor Budget Support, and \$4.4 million from the Development Budget.
- 7.3 **Table 10** presents the total number of virements processed for each ministry during the first six months of the year, together with their corresponding amounts.

Table 14: Summary of Virements Processed – January to June 2026

Head	Ministry/Office	Virement Adjustments	Virement Requests	Total Virement Transfers (\$)
	Recurrent Budget	297	53	44,544,719.30
01	Solomon Islands Electoral Office	2	1	300,000.00
03	Ministry of Agriculture and Livestock Development	9	2	497,000.00
05	Ministry of Education and Human Resources Development	54	2	4,362,896.75
06	Ministry of Finance and Treasury	13	5	11,422,000.00
07	Ministry of Foreign Affairs and External Trade	3	1	365,000.00
09	Ministry of Health and Medical Services	13	3	2,851,150.00
10	Ministry of Infrastructure Development	10	3	2,037,697.00
12	National Parliament	7	3	557,135.00
14	Office of the Prime Minister and Cabinet	9	3	3,510,000.00
16	Ministry of Police National Security & Correctional Services	27	4	4,399,320.00
17	Ministry of Provincial Government & Institutional Strengthening	10	1	6,487,188.00
18	Ministry of Lands, Housing and Survey	8	2	396,334.34
19	Ministry of National Planning and Development Coordination	2	1	80,066.00
21	Ministry of Commerce, Industry, Labour and Immigration	17	6	714,215.46
22	Ministry of Communications and Aviation	4	1	600,000.00
23	Ministry of Fisheries and Marine Resources	30	1	313,000.00
24	Ministry of Public Service	32	4	1,921,274.00
25	Ministry of Justice	11	4	1,758,017.84
27	Ministry of Traditional Governance, Peace and Ecclesiastical Affairs	11	2	312,914.00
29	National Judiciary	16	2	1,561,370.91
30	Ministry of Women, Youth and Family Affairs	5	1	36,140.00
33	SI Independent Commission on Anti-Corruption	4	1	62,000.00
	Donor Budget Support	22	4	3,127,464.00
05	Ministry of Education and Human Resources Development	3	1	361,834.00
09	Ministry of Health and Medical Services	13	1	1,015,630.00
14	Office of the Prime Minister and Cabinet	2	1	1,500,000.00

23	Ministry of Fisheries and Marine Resources	4	1	250,000.00
	Development Budget	10	3	4,364,361.00
09	Ministry of Health and Medical Services	2	1	445,361.00
16	Ministry of Police National Security & Correctional Services	3	1	2,019,000.00
22	Ministry of Communications and Aviation	5	1	1,900,000.00
	Grand Total	329	60	52,036,544.30

7.4 The table below provides a detailed breakdown of virements processed during the review period, disaggregated by recurrent budget, development budget, and donor budget support. (Note: the recurrent budget component reflects only the largest virements undertaken by seven ministries.).

Table 15: Virement Details

Virement Area	Ministry	Amount (\$M)	Applications / Adjustments	Purpose
Recurrent Budget	Finance & Treasury	11.4	5 apps / 13 adj.	Vehicles, legal counsel, IT contract (RTAS), PAC tours, DMU training, operational support.
	Provincial Gov't & Institutional Strengthening	6.5	1 app / 10 adj.	Salaries/wages for 173 Ward Support Officers.
	Police, National Security & Correctional Services	4.4	—	Building assessments, audits, consultancy, vehicles, accommodation, training, operational costs, Director of Border Security contract.
	Education & HRD	4.4	2 apps / 54 adj.	Senior officer contracts, Physical Education programmes.
	Prime Minister's Office	3.5	—	Data filing system subscription, consultancy, case investigation, housing rent, overtime.
	Health & Medical Services	2.9	3 apps / 13 adj.	Hospital equipment, IT upgrades, cyclone rehabilitation, outreach.
	Infrastructure Development	2.0	3 apps	Settlement of bills, RTB operations, vehicle maintenance.
Total Recurrent		44.5	297 virements	Broad operational reallocations across 22 ministries.
Budget Support	Education & HRD	0.361	1 app / 3 transfers	COA corrections; recommitment to stalled reforms.
	Health & Medical Services	1.016	1 app / 13 adj.	MSSIF reallocations; COA corrections; M&E; training; arrears settlement; consultancy; biosecurity inspection.
	Prime Minister's Office	1.5	1 app / 2 adj.	MSSIF reallocations; M&E; training; arrears settlement; consultancy; biosecurity inspection.
	Fisheries & Marine Resources	0.25	1 app / 4 adj.	MSSIF reallocations; M&E; training; arrears settlement; consultancy; biosecurity inspection.

Virement Area	Ministry	Amount (\$M)	Applications / Adjustments	Purpose
Total Budget Support		3.127	4 apps / 22 adj.	Donor-funded reallocations correcting COA entries and sustaining reforms.
Development Budget	Police, National Security & Correctional Services	2.1	1 app / 3 adj.	Schools Infrastructure Project.
	Communication & Aviation	1.9	1 app	Realignment to revised work-plans for national security and police strengthening programs.
	Health & Medical Services	0.45	1 app / 2 adj.	Realignment to revised work-plans consistent with updated COA.
Total Development		4.45	3 apps / 6 adj.	Targeted reallocations supporting infrastructure and program alignment.

8.0 CONCLUSION

- 8.1 The Solomon Islands' economic outlook for the remainder of 2026 remains cautiously positive. Although the sustained decline in logging exports continues to weigh on growth, stronger performance in mining, agriculture, and tourism is expected to provide renewed momentum. These sectors, supported by new investments and infrastructure improvements, will be central to diversifying the economy, creating new trading opportunities, and stimulating broader activity across the economy, including in resource rich regions.
- 8.2 Budget implementation during the first half of 2026 encountered challenges, though none required drastic intervention. Proactive government measures helped cushion the impact of earlier global fuel price shocks, while the effects of Cyclone Maila were mitigated through timely resource reallocation and effective donor coordination, ensuring timely assistance reached affected regions. Moving forward, government will continue to monitor external developments to proactively prepare for any potential shocks in the future.
- 8.3 Despite the slow fiscal performance in the first six months, prudent management of public resources remains essential in light of heightened global uncertainties and ongoing fuel price volatility. Strengthening fiscal discipline and maintaining readiness to respond to emerging risks will be critical in the months ahead; while government forges forward with initiatives to expand public services and implement innovative policy initiatives to improve growth and elevate living standards.

- 8.4 The slow pace of development expenditure is a concern; however, the recent mid-year review convened by the Ministry of National Planning and Development Coordination (MNPDC) has identified key strategic areas for improvement to accelerate implementation. MNPDC will intensify collaboration with line ministries in the coming months to ensure these strategies are executed promptly to improve implementation and ensure projects deliver tangible benefits.
- 8.5 Looking forward, the Government will continue to strengthen budget execution and advance its policy priorities over the remainder of 2026. Particular emphasis will be placed on improving the delivery of public services, accelerating development investments, and maintaining prudent fiscal management to support sustainable economic growth and improved living standards, while recognising existing resource and capacity constraints.