



SOLOMON ISLANDS GOVERNMENT

2027 BUDGET STRATEGY & OPERATIONAL RULES

CIRCULATED BY

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MINISTER OF FINANCE AND TREASURY

Table of Contents

1.0	INTRODUCTION.....	4
2.0	2027 BUDGET STRATEGY – POLICY STATEMENT	5
3.0	2027 BUDGET – GUIDING PRINCIPLES	7
4.0	POLICY DIRECTION - 2027 BUDGET.....	10
5.0	MINISTRY POLICY PRIORITIES	13
	Fundamental Sector	14
	Productive Sector	15
	Resources Sector.....	15
	Social Services Sector.....	16
6.0	OVERVIEW OF 2027 BUDGET FRAMEWORK.....	16
7.0	MACROECONOMIC OBJECTIVES.....	19
8.0	ECONOMIC OVERVIEW AND OUTLOOK.....	19
9.0	EXTERNAL RISKS AND CHALLENGES	38
10.0	FISCAL PERFORMANCE – REVENUE OUTLOOK	41
11.0	FISCAL PERFORMANCE – EXPENDITURE	53
12.0	2027 BUDGET FRAMEWORK.....	60
13.0	CONSERVATIVE BUDGET FRAMEWORK – STRATEGIC RESOURCE ALLOCATION CRITERIA	65
14.0	BUDGET PLANNING & MONITORING FRAMEWORK – FLAGSHIP PROGRAMS AND STRATEGIC PRIORITIES.....	68
15.0	MEDIUM TERM FISCAL STRATEGY – CORE OBJECTIVES.....	70
16.0	MEDIUM-TERM FISCAL FRAMEWORK	72
17.0	FISCAL RULES AND COMMITMENTS	76
18.0	REVENUE STRATEGY	78
19.0	EXPENDITURE MANAGEMENT STRATEGY	82
20.0	DEBT MANAGEMENT STRATEGY.....	85
21.0	BUDGET AND FINANCIAL MANAGEMENT REFORM INITIATIVES.....	86
22.0	BUDGET OPERATIONAL RULES	87
23.0	CONCLUSION	88
	ANNEX 1	89
	ANNEX 2	90
	ANNEX 3	91
	ANNEX 4	108
	ANNEX 5	112
	ANNEX 6	118

ANNEX 7	125
ANNEX 8	126

1.0 INTRODUCTION

- 1.1 This document outlines the key elements of the 2027 Budget Strategy, prepared in accordance with Section 47(a–d) of the 2013 Public Finance Management Act. It sets out the macroeconomic and fiscal context underpinning the national budget, together with overarching policy priorities guiding the formulation of the 2027 Budget. The paper also presents the medium-term fiscal framework and several fiscal rules that government has designed to safeguard fiscal stability and support investments and growth over the medium term. To realise these objectives, the paper outlines a range of revenue, expenditure and debt management strategies, which government plans to implement over the next 3 to 5 years; with proper supportive resources and execution plans. These are discussed in **Sections 18 to 20**, along with critical budget reform initiatives outlined in **Section 21**.

Reform Priorities

- 1.2 At the heart of the 2027 Budget Strategy is the GREAT Coalition Government's commitment to turn its policy vision into meaningful and lasting progress for the people of Solomon Islands. Led by the flagship **Free Education Programme**, the reform agenda will focus **public resources on the priorities that matter most—improving essential services, strengthening communities, expanding economic opportunities and ensuring that development reaches people across the country**. To facilitate this process, the Ministry of Finance has commenced deliberations with key agencies to identify important initiatives aligned to government priorities that can be considered in the budget. This includes new program designs; implementation plans, and relevant costings and financing plans.
- 1.3 The Government is also collaborating with several key partners to secure and mobilise resources for its key policy initiatives, including critical donor commitments. All these factors will be finalised through the budget process in the coming months; and will be factored accordingly into the budget framework with supportive funding and budget execution plans. **The goal is not simply to manage competing demands, but to build a stronger, fairer and more resilient economy—now and for generations to come.**

2.0 2027 BUDGET STRATEGY – POLICY STATEMENT

- 2.1 The 2027 Budget will lay the foundation for a transformative shift in the Solomon Islands economy, guided by key principles and policies articulated in the GREAT Government’s Policy Statement. As outlined in the Statement, these principles will focus on advancing **Economic Empowerment**, driving **Rural Advancement and Development**, promoting the ‘**Solomonisation**’ principle and embedding key philosophies such as ‘**First Bite Better Bite**’ principle into the Government’s core policy making and decision-making processes.
- 2.2 Government recognises that past policy approaches have not consistently delivered targeted or desired outcomes; hence a paradigm shift in policy is required to reverse past slow growth trends, unlock new opportunities, and significantly transform the social and economic status of all Solomon Islanders. This process is expected to commence through the 2027 Budget, where Government intends to introduce bold reforms that will reshape the policy landscape, revolutionize development and establish a strong foundation for sustained, inclusive and robust growth in the future; providing broad benefits across all provinces, communities and districts in the Solomon Islands.
- 2.3 **While some of these reforms may appear ambitious, Government remains confident that they can be realised through strategic resource allocation, careful sequencing, and disciplined implementation in line with available resources.** Therefore, in preparing the national budget, emphasis will be placed on formulating sustainable policy options which can be delivered in a cost-effective, coherent, and affordable manner; whilst achieving intended outcomes. Government will also be strengthening partnerships and collaboration with key external stakeholders including its donors and development partners to ensure better alignment of external assistance with key policy priorities, particularly the flagship programs and policy initiatives outlined in its Policy Statement.
- 2.4 **As articulated in recent months, Education reforms will be the key focus for the 2027 Budget,** alongside efforts to improve health services, expand infrastructure and promote resource development. This policy should not be viewed as simply a social policy, but rather a long-term investment that would enhance the nation’s human capital

and elevate the capacity of our citizens to contribute meaningfully to future economic growth and development. Coupled with initiatives propelled through the **‘Solomonisation’ and ‘First Bite – Better Bite’ Principles** the education reform agenda is expected to trigger greater local participation in key industries and sectors in the Solomon Islands especially in resource-based sectors such as agriculture, mining, fisheries and tourism which remain as strategic pillars for national development in the future.

- 2.5 Furthermore, given current population growth trends, investing in education is an economic, social and fiscal imperative. As the number of young Solomon Islanders entering the labour force continues to increase, strengthening access to quality education, skills development and workforce readiness will be critical to ensuring that this growing population becomes a productive asset rather than a social and economic burden. By equipping future generations with the knowledge and skills required by emerging industries, Government will be better positioned to harness the demographic dividend and translate population growth into sustained economic prosperity.
- 2.6 **Poverty remains a significant policy challenge for the Solomon Islands and a key concern for Government.** Recent studies indicate that poverty levels in the Solomon Islands remain among the highest in the Pacific region, with many households continuing to face limited access to essential services such as electricity, safe water, healthcare, and quality education. **In response, Government views the Free Education Programme as a critical policy intervention to empower citizens and strengthen the capacity of Solomon Islanders to secure meaningful employment, improve livelihoods, and break the cycle of poverty.** Against this backdrop, poverty reduction will remain a central pillar of the national budget over the medium term, supported by targeted investments in education, health, infrastructure, and economic empowerment initiatives.
- 2.7 **Lastly in pursuing this development agenda, Government will uphold fiscal discipline and ensure investments in its policy priorities are productive, sustainable, and worthwhile.** Proper cost-benefit assessments will be undertaken to ensure investments generate value for money and contribute to improved living standards and better livelihoods. At the same time, there will be a dedicated focus on prudently managing the budget; and ensuring sustainable debt and deficit targets are met over the

medium term. This will be achieved through the formulation sound medium term fiscal frameworks, carefully balancing the need to pursue policy priorities within prevailing resource constraints. This is critical if government is to achieve its national objectives in a sustainable manner, without undermining fiscal and macroeconomic stability.

2.8 **Government views the 2027 Budget as the first step towards advancing its renewed national development agenda**, which aims to transform and reinvigorate the Solomon Islands economy and set it on a new trajectory of sustainable growth and development. Through bold reforms, prudent fiscal management, and a steadfast commitment to empowering people and communities, Government plans to lay the foundations for stronger growth, greater opportunities, and a more prosperous, resilient, and secure future. Eventually, the aim is not only to generate growth and productivity, but also ensure our people actively participate and take full ownership in the nation's development. This will ensure everyone shares in national prosperity and provide the impetus for all Solomon Islanders to strive for a prosperous and peaceful future.

2.9 **Annex 1** presents the Timetable for preparing the 2027 Budget.

3.0 2027 BUDGET – GUIDING PRINCIPLES

3.1 Preparations for the 2027 Budget will be grounded on the following principles and values:

- **Promoting People-Centred Development:** Through introduction of more comprehensive budget consultation processes, the preparation of the 2027 Budget will place citizens at the heart of all planning, decision-making, and development, ensuring inclusivity, cultural diversity and respect for human rights.
- **Education and Informed Society:** the 2027 Budget will focus on building a literate, well-informed populace that actively participates in democracy and drives inclusive economic growth.
- **Health and Wellbeing:** recognising the critical importance of promoting the health and wellbeing of the people of Solomon Islands, the 2027 Budget will also take into

consideration the promotion of universal healthcare principles and improvements to health infrastructure across the country.

- **Traditional and Accountable Leadership:** In the preparation of the 2027 Budget, emphasis will be placed on integrating traditional governance and leadership values whilst strengthening open, effective, and accountable institutions. This includes strengthening transparency and accountability across all government agencies to combat corruption, reduce wastage and build greater public trust and confidence in government institutions.
- **Inclusive and Ethical Society:** The 2027 Budget consultation process will be inclusive and participatory, ensuring that the views of all segments of Solomon Islands society—including women, youth, persons with disabilities, and vulnerable communities—are appropriately considered.
- **Responsible and Sustainable Governance:** The 2027 Budget will promote the responsible, strategic and sustainable allocation of resources to advance the GREAT Government’s nation-building priorities, uphold environmental standards and support long-term stability and equitable development.
- **Environmental Standards:** As part of the 2027 Budget processes, clear priority will be placed on adherence to environmental conservation standards, protecting ecosystems and natural heritage, whilst promoting vigilance and awareness that development should be both sustainable and aligned with the long-term wellbeing of Solomon Islands and its people.
- **Peace and Stability:** the 2027 Budget initiatives will also focus on promoting and strengthening peace, democracy and judicial reforms to secure stability and justice for all communities.
- **Economic Transformation:** This is a key objective in the 2027 Budget – to promote opportunities for creation of jobs in the Solomon Islands for our people, encourage development opportunities in rural and remote communities; generate inclusive

growth and conduct strategic reforms to modernise the economy whilst safeguarding our cultural identity.

- **Global Partnerships and Pragmatic International Relations:** In the 2027 Budget, the GREAT Government will explore ways to engage pragmatically in international relations, forging national, regional and global partnerships based on mutual respect and shared values; and will adopt a practical relations approach that is mutually beneficial and grounded in respect of fundamental human rights.

Principle and Values Relating to Prudent Financial Management

- **Maintaining An Affordable Budget:** In formulating the overall 2027 Budget, government will ensure that it is framed within a sustainable fiscal framework that fosters fiscal discipline and contains expenditures within government's capacity to finance the budget.
- **Safeguard Fiscal Stability:** Government is committed to progressively reducing the budget deficit over the medium term, to bolster fiscal stability and maintain overall debt sustainability.
- **Improve Efficacy and Quality of Public Spending:** Government will continue to rigorously review public expenditure proposals to ensure they contribute to improved service delivery, productive outcomes and tangible benefits.
- **Promoting Transformative, Sustainable Growth:** Government will pursue innovative policies to unlock the full potential of the nation's strategic resources—including mining, agriculture, fisheries, and tourism—while ensuring that the benefits are equitably shared among Solomon Islanders. This approach seeks not only to generate economic returns but also to transform lives and livelihoods, embedding sustainability and inclusiveness at the heart of national development.
- **Improve National Unity and Empower People:** The Government will implement policies that foster a stable and peaceful environment, laying a firm foundation for long-term development. By empowering local communities and strengthening

cohesion, these measures will reinforce national unity and ensure that all citizens contribute meaningfully national progress.

- **Improve Governance and Accountability:** The Government will strengthen transparency and accountability across all public agencies to combat corruption, reduce wastage, and build greater trust and confidence in state institutions. These reforms will enhance integrity in public service delivery and reinforce the credibility of governance systems.

4.0 POLICY DIRECTION - 2027 BUDGET

4.1 This section outlines the government's policy priorities for the 2027 Budget, derived from the GREAT Government's Coalition Policy Statement. These priorities provide the overarching framework for guiding resource allocation decisions within the Budget; and will remain the central pillars for negotiating budgets with line ministries, and other relevant agencies covered in the national budget.

4.2 As articulated in the Coalition Policy Statement, the GREAT Government's Six Flagship Development Programs are as follows:

- 1) **Universal Free Education**
- 2) **Decentralisation and Inclusive Governance**
- 3) **Renewable Energy Transition**
- 4) **Universal Healthcare**
- 5) **Resilient Economy**
- 6) **Social Welfare System**

4.3 Implementation of these Flagship Programs will commence in 2027 and will be transitioned over time in line with available resources.

- 1) **Universal Free Education** – The GREAT Government's policy emphasises education as a fundamental right; not a privilege. It has committed to a 25-year national education capture program, ensuring free, universal access from Early Childhood Education to Tertiary level and Technical and Vocational Education

training. The core ambition is to ensure that every Solomon Islander has the opportunity to access quality education and acquire the knowledge, skills, and competencies necessary to participate meaningfully in the economy, improve their livelihoods, and contribute to the nation's long-term social and economic development.

- 2) **Decentralisation and Inclusive Governance:** The GREAT Government is committed to implementing a national decentralisation program to strengthen provincial, community and local governance with resources, authority and accountability. This includes expanding constituencies and wards to guarantee equitable representation and responsive service delivery; advancing constitutional reforms to establish federalism and statehood, and reinforcing inclusive governance and national unity; whilst ensuring political leadership of women in provincial assemblies and the Honiara City Council.
- 3) **Renewable Energy Transition:** The GREAT Government is committed to accelerating the transition to renewable energy by promoting the use of affordable, reliable, and sustainable energy sources, including solar, hydro, geothermal, and biomass. This will support greater energy security, reduce reliance on imported fuels, and facilitate the growth of social and productive sectors in a sustainable and cost-effective manner. It will also strengthen climate resilience, reduce greenhouse gas emissions, and support national efforts to mitigate and adapt to the impacts of climate change.
- 4) **Universal Healthcare:** The GREAT Government is committed to ensuring that all Solomon Islanders have access to quality and affordable healthcare services. This includes the full continuum of essential health services, encompassing health promotion, disease prevention, treatment, rehabilitation, and long-term care. The objective is to improve health outcomes, reduce inequalities in access to healthcare, and build a healthier and more productive population capable of contributing to the country's social and economic development.
- 5) **Resilient Economy:** The GREAT Government is committed to building a resilient economy by reducing dependence on imports, strengthening domestic production,

and ensuring exports meet international standards. To support this objective, Government will pursue targeted import substitution initiatives and provide strategic support and incentives for agricultural exports to boost local production, expand market access, increase export earnings, and create sustainable economic opportunities.

6) Social Welfare System: The GREAT Government is committed to building a resilient welfare system that will uplift vulnerable groups, secure livelihoods and guarantee every citizen a fair path to prosperity.

4.4 Apart from the six flagship programmes outlined above, Government has also committed to a range of other strategic reform initiatives to be advanced over the medium term. These reforms span a broad spectrum of priority areas, including:

- **Comprehensive Tax Reform, including rolling out the new VAT system;**
- **Establishing a Sovereign Wealth Fund;**
- **Revival of the National Bank of Solomon Islands;**
- **State-Owned Enterprise Reforms;**
- **Mining Sector Reforms;**
- **Financial Sector Reforms;**
- **Investment Reforms and Private Sector Development;**
- **Enhancing Local participation in Business Entrepreneurship;**
- **Provincial Governance Reforms;**
- **Agriculture and Fisheries Reforms;**
- **Strengthening the Independent Commission Against Corruption;**
- **Electoral Reforms;**
- **National Security;**
- **Constituency Development Fund Reforms;**
- **Infrastructure Development;**
- **Expanding Transportation and Improving Connectivity;**
- **Forestry and Logging;**
- **Maritime Services;**
- **ICT Infrastructure; and**

- **Climate Change and Natural Disaster Preparedness.**

4.5 Further details on these reform initiatives are provided in **Annex 3**. The above list is not exhaustive and will continue to be refined as Government further develops its policy agenda and identifies additional priorities for implementation.

4.6 **To support effective budget planning and implementation, the Ministry of Finance and Treasury will place particular emphasis on the careful sequencing and prioritisation of reform initiatives, taking into account the implementation capacity of line ministries and the resources available to deliver them successfully.** This approach is intended to ensure that reform ambitions remain aligned with the Government's fiscal framework and that implementation remains practical, affordable, and sustainable.

4.7 **In this regard, ministries will be required to prepare fully costed implementation plans for all proposed reform initiatives.** These plans should take into account capacity constraints, potential implementation risks and bottlenecks, and the institutional arrangements necessary to deliver reforms effectively, including the efficient deployment of human, financial, and technological resources. Such measures will help ensure that reforms are appropriately prioritised, adequately resourced, and capable of delivering tangible and measurable outcomes.

5.0 MINISTRY POLICY PRIORITIES

5.1 The Coalition Policy Statement sets out broad policy priorities for individual line ministries, which must be prioritised and implemented over the medium to long term; through carefully sequenced budget programs. These priorities are summarised below, with further details provided in **Annex 2**.

5.2 Ministries must formulate programs and policies aligned to these priorities, supported with practical implementation plans and budget costings. Ministries that are able to do so, will have their proposals prioritised in the 2027 Budget.

Fundamental Sector

- **National Parliament** will prioritise safeguarding independence and autonomy, ensuring control over finances and administration, and reinforcing its legislative and oversight role.
- **National Judiciary** must commit to preserving judicial independence, securing autonomous financial resources, and guaranteeing impartial justice nationwide.
- **Office of the Prime Minister & Cabinet** will advance governance reforms, constitutional change, anti-corruption measures, and stronger coordination on national security and decentralisation.
- **Ministry of Foreign Affairs & External Trade** will concentrate on building strategic partnerships, expanding trade and labour mobility, and enhancing competitiveness in global markets.
- **Ministry of Finance & Treasury** should aim to strengthen fiscal discipline, financial governance, digital transformation, and revitalisation of national banking institutions.
- **Ministry of National Planning & Development Coordination** will emphasise improved planning systems, whole-of-government coordination, promotion of domestic consultants, and stronger monitoring and evaluation.
- **Ministry of Justice & Legal Affairs** will reinforce judicial independence and focus on reforming legal agencies, modernising courts, and expanding equitable access to justice.
- **Ministry of Public Service** will pursue professionalisation of the workforce, strengthening IPAM, advancing leadership development, and improving pay and service delivery.
- **Ministry of Traditional Governance, Peace & Ecclesiastical Affairs** seeks to empower indigenous leadership, promote peacebuilding and human rights, and deepen partnerships with faith-based institutions.

Productive Sector

- **Ministry of Agriculture & Livestock** will commit to boosting food security through local production, research, and innovation, while expanding livestock, biosecurity, and cocoa/coconut value chains.
- **Ministry of Commerce, Industries, Labour & Immigration** is dedicated to indigenous economic empowerment, investment climate reform, industrial growth, job creation, and advancing the digital economy.
- **Ministry of Infrastructure Development** will prioritise expanding road and maritime networks, modernising ports and logistics, promoting indigenous maritime participation, and investing in smart infrastructure.
- **Ministry of Fisheries & Marine Resources** seeks to develop sustainable fisheries and aquaculture, strengthen tuna processing and export competitiveness, enhance monitoring and research, and empower fishers through skills and finance.

Resources Sector

- **Ministry of Forestry & Research** will commit to sustainable forest management, strengthening research capacity, and promoting reforestation programmes that balance economic use with environmental protection.
- **Ministry of Mines, Energy & Rural Electrification** seeks to develop responsible mining practices, expand renewable energy, and improve rural electrification to support inclusive growth and resilience.
- **Ministry of Environment, Climate Change, Disaster Management & Meteorology** aims to strengthen climate adaptation, disaster preparedness, and environmental governance, ensuring communities are protected and ecosystems preserved.
- **Ministry of Lands, Housing & Survey** is dedicated to improving land administration, expanding housing access, and modernising survey systems to support equitable development and urban planning.

Social Services Sector

- **Ministry of Education & Human Resources Development** will focus on expanding access to quality education, strengthening teacher training, and modernising curricula to prepare students for national development.
- **Ministry of Health & Medical Services** is committed to improving healthcare delivery, expanding rural clinics, and strengthening maternal, child, and disease prevention programmes.
- **Ministry of Women, Youth, Children & Family Affairs** seeks to empower women and youth, protect children's rights, and promote inclusive participation in governance and development.
- **Ministry of Culture & Tourism** will prioritise cultural preservation, tourism development, and creative industries as drivers of national identity and economic diversification.
- **Ministry of Rural Development** aims to strengthen rural livelihoods, improve service delivery, and support community-driven development initiatives across provinces.
- **Ministry of Home Affairs** is dedicated to enhancing local governance, civil registration, and community services to reinforce social cohesion and effective administration.

6.0 OVERVIEW OF 2027 BUDGET FRAMEWORK

- 6.1 **The 2027 Budget will be framed within an overall SIG deficit target of \$594.4 million, equivalent to about 3.2 percent of GDP.** This position reflects an improvement from the revised fiscal outturn for the 2026 Budget, which projects a higher deficit of \$845.7 million or 4.9 percent of GDP. This trend underscores government's commitment to gradually consolidating its fiscal position over the medium term while preserving debt at sustainable levels.

SIG Revenue

- 6.2 **Total revenues¹ for the 2027 Budget are projected to reach \$5,035.2 million, reflecting an increase of \$310.0 million above the revised forecast for the 2026 Budget of \$4,725.2 million.** Within this forecast, government is expecting to collect around \$3,364.5 million from Inland Tax Revenues (IRD), \$1,243.3 million from Customs and Excise Revenues (CED), and a total of \$427.4 million from Non-Tax Revenues. All of these categories are expected to record higher collections in 2027 compared to their 2026 outturns.

SIG Expenditure

- 6.3 **Total expenditures for the 2027 Budget are projected at \$5,629.6 million, reflecting an increase of 1.1 percent over the 2026 revised estimate of \$5,570.9 million.** This adjustment is driven primarily by a modest rise in the operational budget, which is expected to grow by \$58.8 million, or 1.3 percent, in the 2027 financial year.

SIG Recurrent Budget

- 6.4 The following are estimated allocations for key segments of the recurrent expenditure budget in 2027:
- **Payroll:** The ceiling for the payroll budget has been set at \$1,969.2 million, surpassing the 2026 estimate of \$1,947.7 million by \$21.5 million.
 - **Other Charges:** ‘Other Charges’ has been prescribed an allocation of \$2,114.5 million, reflecting a slight increase of \$33.1 million relative to the 2026 revised estimate of \$2,081.4 million.
 - **Debt Servicing:** Overall debt servicing costs are projected at \$365.0 million in 2027, rising slightly above the debt obligation in 2026 of \$360.8 million.

¹ SIG Revenues

SIG Development Budget

- 6.5 **The Development Budget allocation for the 2027 financial year has been maintained at the same level as 2026, at \$1,161.0 million.** The decision to maintain the budget reflects the implementation capacity of ministries and prevailing execution trends, which are being progressively strengthened. Nevertheless, the estimated allocation for 2027 underscores government's intention to sustain investments above the billion-dollar threshold—a milestone first achieved in 2026 to drive economic transformation, stimulate growth, and provide further impetus for future development.

Donor Budget Support

- 6.6 **Total budget support for 2027 is estimated at \$193.3 million.** This projection remains preliminary, as the Government is continuing discussions with development partners and donors on potential budget support arrangements for 2027. These discussions include prospective financing for the Government's flagship education programme, for which significant support is anticipated to fund key components of the programme and support its effective implementation.

Contingency

- 6.7 **Contingency Funds:** Consistent with previous budgets, Government will set aside at least **\$20.0 million** in the 2027 Budget as contingency funding. These funds will be accessed only in response to unforeseen events, such as natural disasters or external shocks, to provide emergency assistance when needed. The funding will serve primarily as a buffer for immediate response efforts, while the Government considers and implements broader measures to support longer-term rehabilitation and recovery.

7.0 MACROECONOMIC OBJECTIVES

7.1 Consistent with Government's broad policy direction for the medium term, the 2027 Budget will be formulated to achieve the following broad macroeconomic objectives:

- Deliver an average GDP growth rate of at least 3 to 5 percent over the medium term;
- Keep inflation at or below 3.0 percent;
- Maintain an adequate level of foreign reserves, targeting sufficient coverage of at least 10 to 12 months of imports;
- Maintain sustainable budget balances over the medium term, in line with government's capacity to raise additional revenues and financing;
- Manage debt within sustainable levels or within the prudent benchmark of 35 percent of GDP; and
- Gradually work towards rebuilding government's cash reserves; to serve as buffer against future financial and budgetary pressures.

8.0 ECONOMIC OVERVIEW AND OUTLOOK

Global Economic Developments

8.1 **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 back up in 2027.

8.2 Two opposing forces are driving this outlook. The first is the war 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-war levels. The second force is a boom in AI-driven technology investment, which is lifting growth in countries tied into the tech supply chain.

- 8.3 By region, US growth is projected at 2.3 percent in 2026 and 2.2 percent in 2027, barely changed from earlier forecasts, supported by strong tech investment. The 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 weigh on the economy. Japan is expected to slow to 0.6 percent, while Korea's forecast was raised 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 assumed to reopen around mid-year. Sub-Saharan Africa is expected to hold steady near 4.3 percent, though this hides big differences between oil-importing countries under strain and those benefiting from past reforms.
- 8.4 **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.
- 8.5 **Risks remain tilted to the downside.** A renewed escalation in the Middle East 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						Q4 over Q4 2/		
	2024	2025	Projections		Difference from April 2026		2025	Projections	
			2026	2027	WEO Projections 1/			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
Memorandum									
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

2026 Economic Outlook (Expenditure Side)

- 8.6 **GDP at constant prices is projected to grow by 3.5 percent in 2026, increasing from \$11.3 billion in 2025 to \$11.7 billion in 2026 (in current prices, from \$15.8 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.

Expenditure Components of GDP (Constant Prices)

a. Household Consumption

- 8.7 **Household consumption is projected to grow by 10.6 percent, increasing from \$9.0 billion in 2025 to \$10.0 billion in 2026.** Contributing 8.4 percentage points of GDP growth, household consumption is expected to remain the largest component of aggregate demand. The projected growth is underpinned by rising household incomes, improved employment opportunities, higher wages and salaries, increased government expenditure and sustained remittance inflows.

b. Government Expenditure

- 8.8 **Government consumption is projected to increase by 6.4 percent, from \$4.6 billion in 2025 to \$4.9 billion in 2026, reflecting higher expenditure on public administration, education, health, law and order, and other essential services.** Its contribution to GDP growth fell from 7.6 pp in 2025 to 2.6 pp, primarily eroded by the high inflation figures and lower budget growth.
- 8.9 Compensation of employees is projected to increase from \$1.7 billion to \$1.9 billion (current prices), while expenditure on goods and services is expected to rise from \$1.5 billion to \$2.6 billion. Total expenditure (including investment) 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 economic activity through higher demand for goods and services, acting as a counter-cyclical force to the exogenous rise in inflation.

c. Investment (Gross Capital Formation)

8.10 **Gross capital formation is projected to increase by 12.4 percent, from \$2.79 billion in 2025 to \$3.14 billion in 2026, reflecting continued investment across the private sector, Government, and SOEs.** In current prices, this translates to:

- 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.

8.11 The increase in investment is expected to strengthen productive capacity, improve infrastructure, and support employment and long-term economic growth.

d. External Sector

- *Exports*

8.12 **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.** In nominal prices, 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 \$1.9 billion to \$2.0 billion, reflecting higher production and growing external demand.

8.13 **Log exports are projected to increase from \$1.0 billion to \$1.1 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

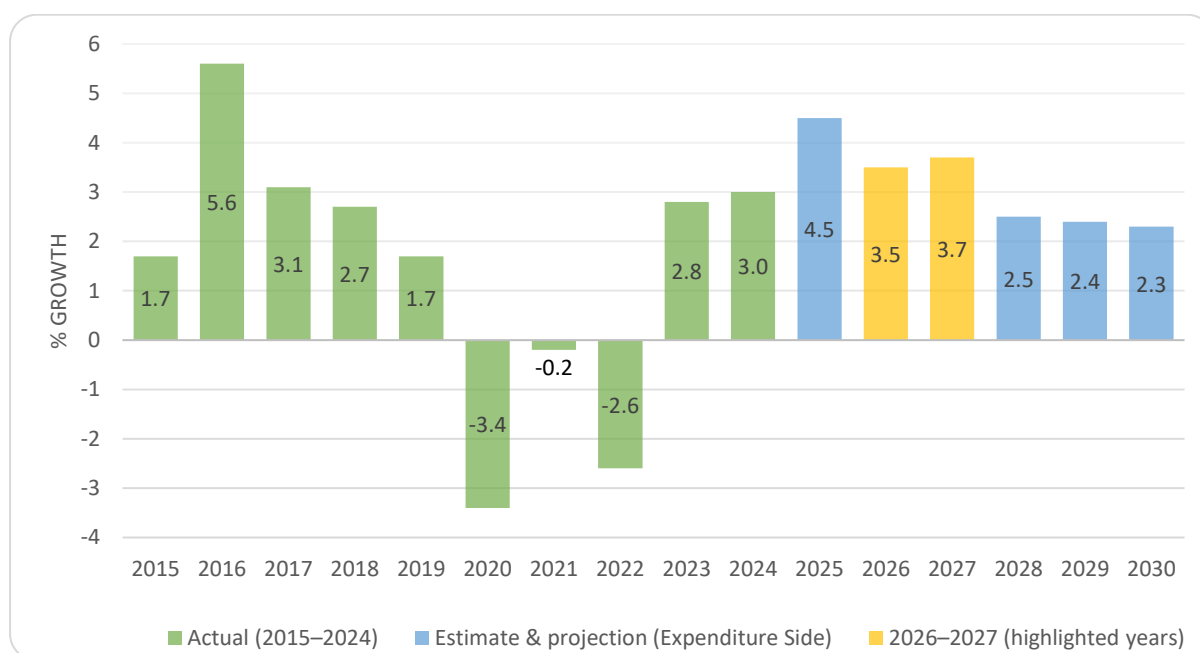
declining natural forest resources and sustainable harvesting limits. As a result, mining is expected to continue replacing logging as the main driver of export growth.

- **Imports**

8.14 **Imports are projected to increase by 12.4 percent, from \$10.5 billion in 2025 to \$11.8 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.

8.15 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. Also, imports are a negative factor for growth, and thus their contribution to GDP of -11.5 percent is the main drag for growth in the country.

Figure 1.1: Solomon Islands Real GDP growth



Source: MOFT Macro-Fiscal Model. 2025 estimate; 2026–2030 are projections. 2027 onward subject to the 2027 Budget, currently in preparation. 2024–2027 include CBSI Production-side estimates.

2027 Economic Outlook (Expenditure Side)

- 8.16 **The domestic economy is projected to maintain steady growth in 2027, with GDP at constant prices increasing from \$11.7 billion in 2026 to \$12.1 billion in 2027.** This represents a growth rate of 3.7 percent, slightly above the 3.5 percent projected for 2026, reflecting continued expansion across the economy and a lower drag from imports. The final rate will depend on the 2027 Budget, which is still currently ongoing.
- 8.17 **Increased investment by the private sector, Government, and State-Owned Enterprises (SOEs) is expected to strengthen productive capacity and support employment opportunities.** While logging will continue to generate export revenue, its contribution to growth is expected to remain constrained by declining forest resources. At current prices, GDP is projected to increase from \$17.4 billion in 2026 to \$18.4 billion in 2027. Overall, the economic outlook for 2027 remains favourable, supported by broad-based growth, rising investment, and continued economic diversification.

Expenditure Components of GDP (Constant Prices)

a. Household Consumption

- 8.18 Household consumption is projected to increase by 2.3 percent, from \$10.0 billion in 2026 to \$10.2 billion in 2027. Although growth is expected to moderate compared to 2026, household consumption will remain the largest component of aggregate demand and a key contributor to economic growth (2.0 percent in 2027). Growth in household spending is expected to be supported by rising employment opportunities, growth in wages and salaries, increased government expenditure, and sustained remittance inflows. Expenditure on food, transport, communication, education, health services, and retail trade is expected to remain robust, reflecting resilient domestic demand and improving household purchasing power.

b. Government Expenditure (*pre-2027 Budget*)

- 8.19 Government consumption figures for 2027 will be driven by the 2027 Budget (ongoing). Based on the current trend, expenditure is projected to increase 2.3 percent from \$4.9 billion in 2026 to \$5.0 billion in 2027, reflecting continued spending on public administration, education, health, and other essential public services.
- 8.20 Compensation of employees is projected to increase from \$1.9 to \$2.1 billion, while expenditure on goods and services is expected to rise from \$2.6 to \$2.7 billion. Total expenditure (including investment) is projected to increase from \$5.7 in 2026 to \$6.0 billion in 2027, supporting ongoing service delivery and government operations. Continued government spending is expected to provide important support to domestic demand and economic activity.

c. Investment (Gross Capital Formation)

- 8.21 Gross capital formation is projected to increase by 2.8 percent, from \$3.1 billion in 2026 to \$3.2 billion in 2027, reflecting sustained investor confidence and continued investment across the private sector, Government, and SOEs. Private investment is projected to increase from \$1.64 billion to \$1.8 billion, driven by expansion in mining, fisheries, tourism, agriculture, and other productive sectors. Government investment is expected to rise from \$682.9 million to \$723.1 million, supporting ongoing infrastructure development across the provinces. Similarly, SOE investment is projected to increase from \$762.2 million to \$807.1 million, reflecting capital expenditure in utilities, aviation, and port services. Continued investment is expected to enhance productive capacity, improve infrastructure, and support long-term economic growth.

d. External Sector

- ***Exports***

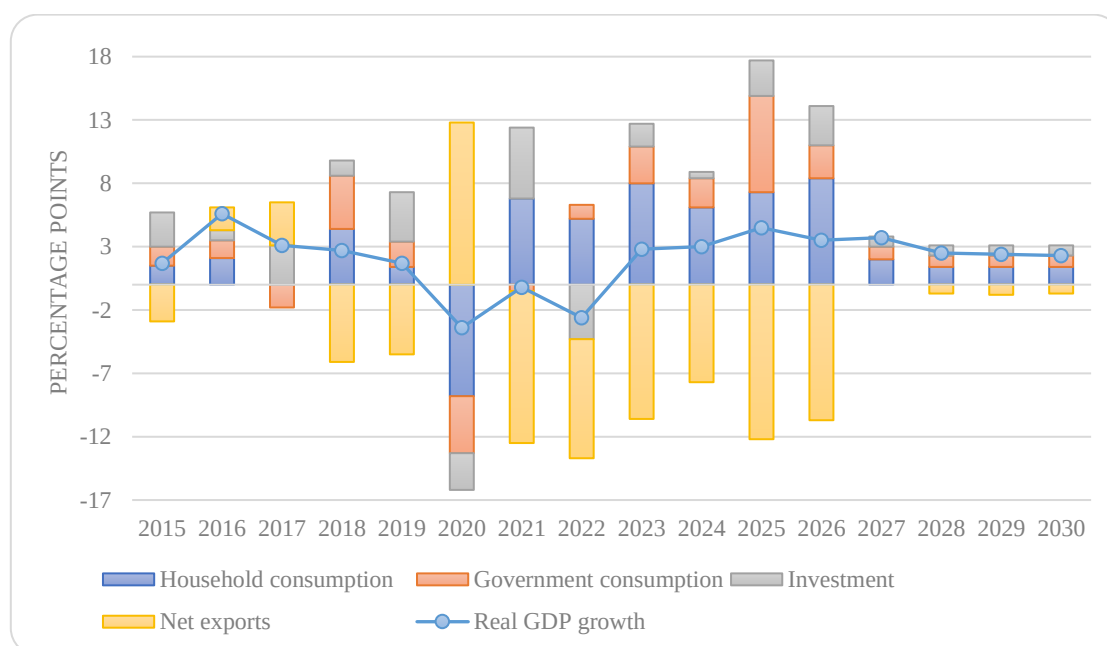
- 8.22 Exports are projected to increase from \$4.5 billion in 2026 to \$4.8 billion in 2027, supported by stronger performance in mining, fisheries, and agriculture. GDP contribution grew to 1.8 percent from 0.8 in 2026. Mineral exports (90 percent of which

are gold exports) are expected to rise from \$3.4 to \$3.6 billion, reinforcing the mining sector's position as the country's leading source of export earnings and foreign exchange. In nominal terms, fisheries and agricultural exports are projected to increase from \$2.03 billion to \$2.12 billion, reflecting higher production and continued external demand. Log exports are projected to increase marginally from \$1.05 billion to \$1.11 billion; however, the forestry sector is expected to remain constrained by declining natural forest resources and sustainable harvesting limits.

- **Imports**

8.23 Imports are projected to increase by 1.8 percent, from \$11.8 billion in 2026 to \$12.0 billion in 2027. The increase is expected to reflect continued demand for machinery, fuel, and construction materials for capital projects, as well as consumer goods for the general population. Although import growth is projected to moderate relative to 2026, it remains indicative of sustained economic activity and investment. Still, its slowdown provides a breathing space for the net export, recovering a balanced position after years of negative drag.

Figure 1.2: Contribution to Real GDP Growth (E) by Component



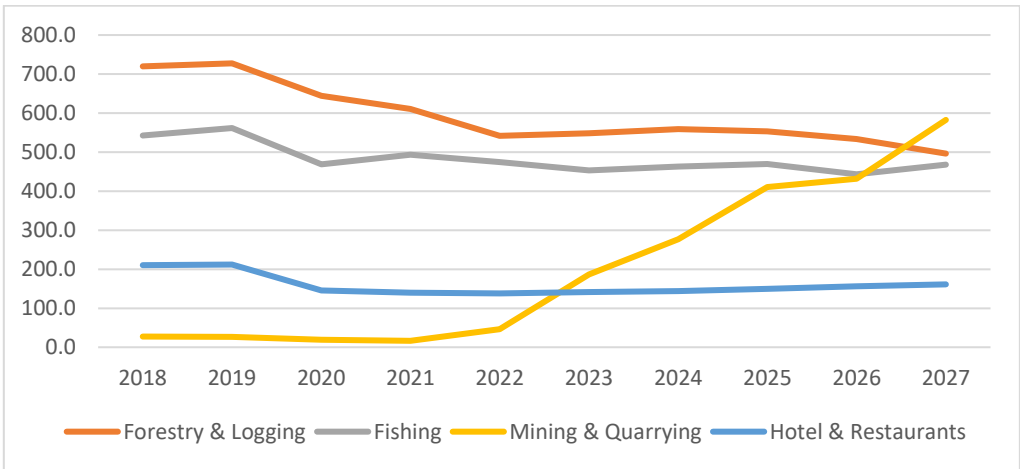
Source: MOFT Macro-Fiscal Model.

2026-2027 Domestic Economic Overview (Production-side)

- 8.24 **The Central Bank of Solomon Islands' (CBSI) latest production-side estimate points to real GDP growth of 3.0 percent in 2026, easing from an estimated 3.6 percent in 2025, before picking back up to 3.7 percent in 2027.** After a mining-driven growth in 2025, the moderation in 2026 reflects a slight contraction in the primary sector, even as industry and services continue to expand. Growth is expected to broaden and strengthen in 2027, led by mining acceleration.
- 8.25 These figures are compiled on a production basis, which estimates GDP (P) as the sum of value added across industries, and differ modestly from the expenditure-side macro-fiscal model, which estimates GDP (E) as the sum of consumption, government spending, investment, and net exports. The expenditure-side model projects somewhat higher growth in 2025 and 2026, before converging with the production-side estimate in 2027. The narrowing statistical discrepancy, a normal feature of independently compiled estimates, indicates that the two approaches are converging on a consistent view of the medium-term growth outlook.
- 8.26 Domestically, the 2026 slowdown is led by the primary sector, with agriculture, fisheries and forestry projected to contract by 0.5 percent, reversing the 2.4 percent expansion recorded in 2025. Logging continues to weigh most heavily, with output projected to fall a further 4.0 percent as forest resource depletion persists. Logging contribution to GDP falls from 0.11 percent in 2024, -0.03 in 2025, to -0.20 in 2026, and finally -0.33 percent in 2027, a constant decline from the once-driving force of Solomon Islands' economy.
- 8.27 Fishing is also expected to contract for a second consecutive year, down 2.9 percent on continued pressure from poor weather, declining fish stocks, and processing inefficiencies, while agriculture growth is projected to slow sharply to 1.0 percent, from 4.2 percent in 2025. As one of the country's principal export earners, the continued decline in logging remains a key downside risk to government revenue and foreign exchange earnings over the period.

- 8.28 Unlike in 2025, when weakness in logging spilled over into retail, transport, and business services, the 2026 slowdown appears more contained to the primary sector. Most service and industry sub-sectors are instead projected to accelerate: communications are forecast to grow by 6.4 percent, up from 3.0 percent in 2025, on continued digital expansion and mobile network upgrades, while financial intermediation and insurance services are both projected to pick up to around 4.5-4.7 percent. Finally, manufacturing, which contracted slightly in 2025, is projected to recover to growth of 1.6 percent in 2026, and construction is projected to pick up again to 4.0 percent.
- 8.29 Mining remains the main growing sector across the period, with output projected to grow by 30.0 percent in 2025, 20.0 percent in 2026, and 35.0 percent in 2027, as gold and nickel production continues to ramp up alongside increased exploration activity (Figure 1.3). Mining output is projected to rise from \$359.6 million in 2025 to \$582.6 million in 2027, doubling its 2024 level and lifting the sector’s share of GDP from 2.6 percent in 2024 to 4.9 percent in 2027. This expansion increasingly underpins the broader industry sector: mining alone is projected to contribute 0.6 percentage points to GDP growth in 2026 and 1.3 points in 2027, the majority of industry’s total contribution to growth in both years. While this makes mining an increasingly important growth driver and source of export revenue, it also leaves the outlook more exposed to swings in global commodity prices and the pace of new project developments.

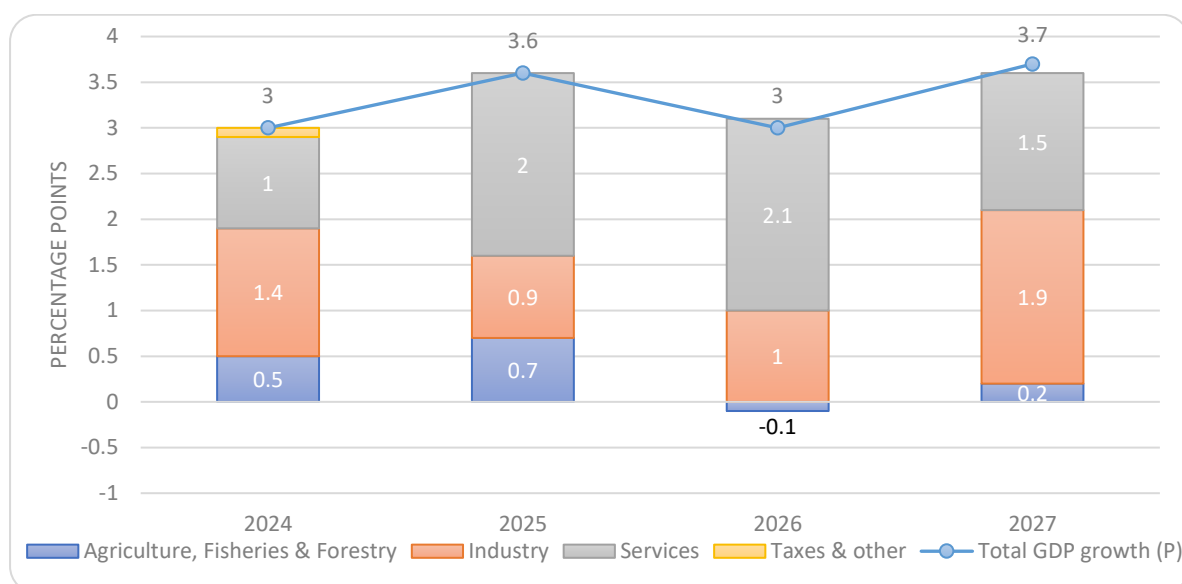
Figure 1.3: GDP (P) by Selected Sectors (\$M, Constant)



Source: MOFT SIMEM; Central Bank of Solomon Islands (CBSI), GDP Estimate and Forecast.

- 8.30 Growth is expected to reaccelerate to 3.7 percent in 2027, driven primarily by industry, which is projected to expand by 10.7 percent, as mining growth rises and manufacturing output accelerates further to 5.4 percent. The primary sector is projected to return to modest growth of 0.9 percent in 2027, after contracting in 2026. Fishing is expected to rebound sharply, with output projected to grow by 5.6 percent as weather and stock conditions normalise, while agriculture growth is projected to pick up to 2.0 percent, from 1.0 percent in 2026. Logging remains the exception, with output projected to fall a further 7.0 percent.
- 8.31 Industry is projected to expand by 10.7 percent in 2027, driven overwhelmingly by the mining activities discussed above. Manufacturing is also expected to accelerate sharply, with output projected to grow by 5.4 percent, up from 1.6 percent in 2026, while electricity and water output is projected to grow by 2.0 percent. Construction growth is expected to ease slightly to 3.0 percent, from 4.0 percent in 2026, as some public projects wind down.
- 8.32 Finally, services growth is projected to moderate to 2.8 percent in 2027, from 3.9 percent in 2026, as several sub-sectors that accelerated sharply in 2026 ease back: communications growth slows to 1.0 percent, from 6.4 percent, public administration to 0.6 percent, and insurance services to 0.6 percent, with financial intermediation, education, and health all easing too. Transport is the main exception, picking up to 5.3 percent from 2.2 percent, alongside a modest pickup in hotels and restaurants to 3.5 percent. Wholesale and retail trade, the largest services sub-sector, is projected to grow by 3.3 percent (from 4.9 percent in 2026).
- 8.33 Taken together, the production estimates point to a temporary, primary-sector-led moderation in growth in 2026, followed by a reacceleration in 2027 as mining becomes the principal growth driver. The long-running decline in logging is expected to continue weighing on the primary sector throughout, even as a rebound in fishing and broader industrial activity help offset its drag on the economy.

Figure 1.4: Contribution to GDP Growth (P) by Sector



Source: Central Bank of Solomon Islands (CBSI), GDP Estimate and Forecast, updated 27 August 2026.

Commodity Production Update

- 8.34 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.
- 8.35 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.

Figure 2: Log Volume and Prices

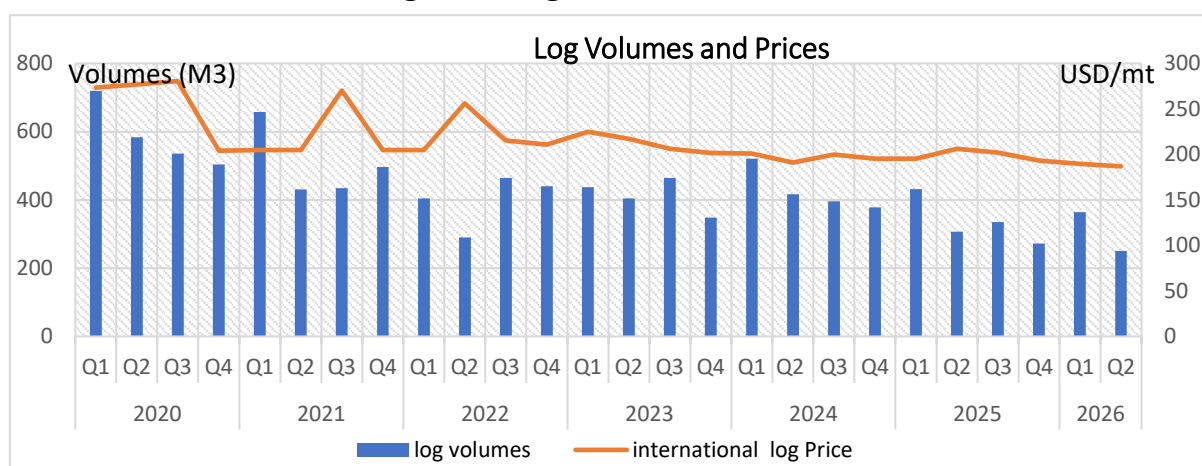
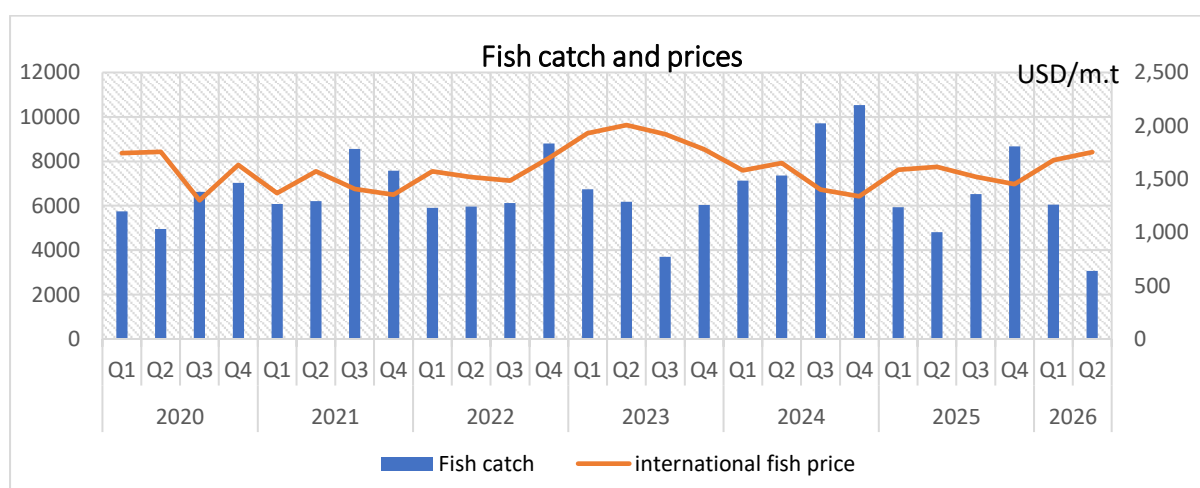


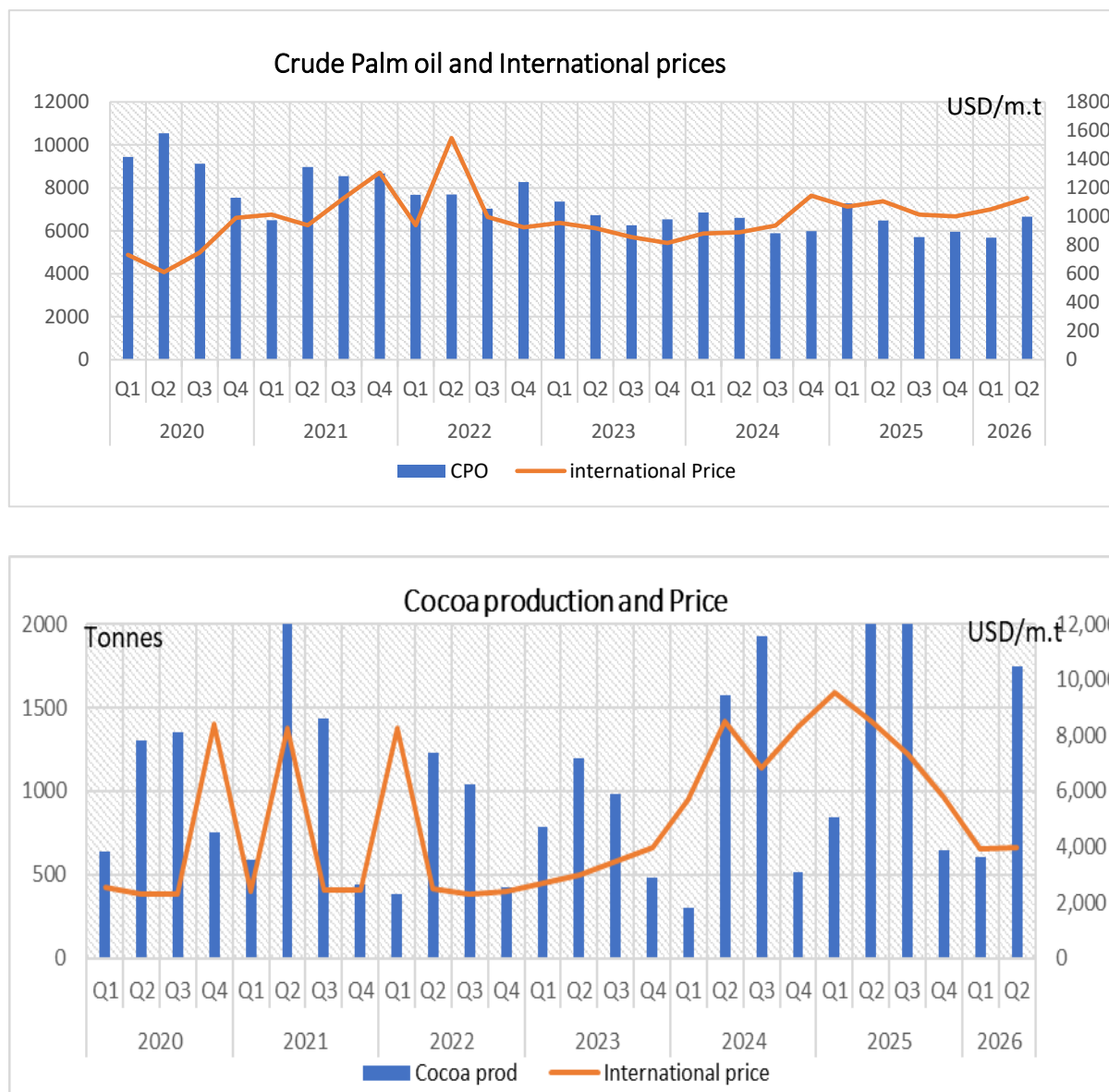
Figure 3: Fish Catches and Prices



8.36 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.

Figure 4: Agricultural commodities exports



8.37 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.

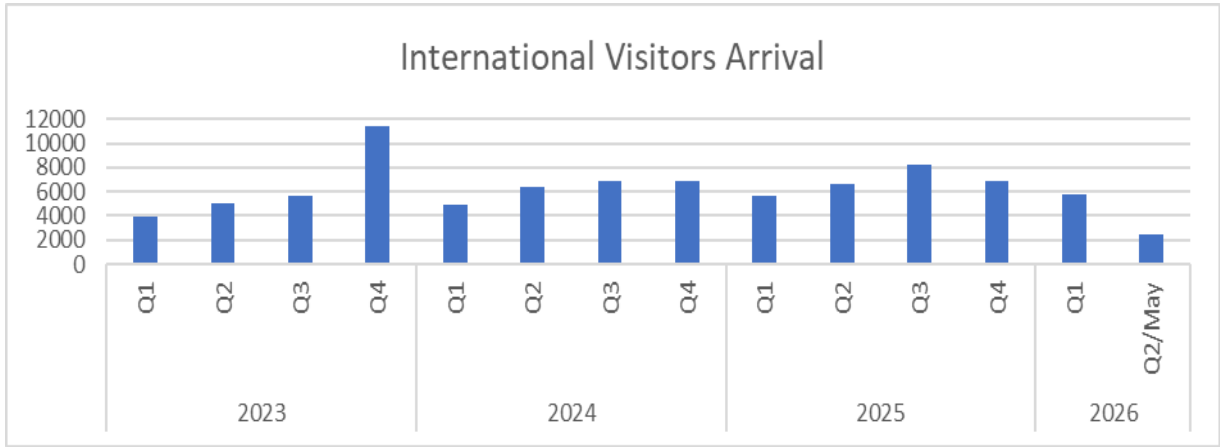
- 8.38 Similarly, cocoa production increased compared with the corresponding period in 2025, supported by improved harvesting activity and stronger output from cocoa-growing areas. Production rose significantly during the second quarter of 2026, while international cocoa prices, although lower than the 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.
- 8.39 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

- 8.40 Visitor arrivals increased by 3.0 percent 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.

8.41 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.

Figure 5: Visitors Arrival



Inflation Update

- 8.42 Inflation is forecasted to remain between 3 percent and 6 percent in 2026, with current modelling suggesting an end-of-year level of 5.6 percent. This represents a slight increase of 1 to 2 percent points from last year’s projection of 2 to 4 percent. This upward adjustment is primarily driven by elevated global fuel prices stemming from the military conflict in the Middle East between Iran and the U.S.–Israeli coalition. According to the IMF World Economic Outlook (April 2026), global headline inflation is projected to rise modestly in 2026 before resuming its downward trend in 2027.
- 8.43 The Solomon Islands National Consumer Price Index (CPI) rose by 0.7 percent to 134.2 in May 2026. This represents an increase of 4.5 percent compared with the same month in 2025.

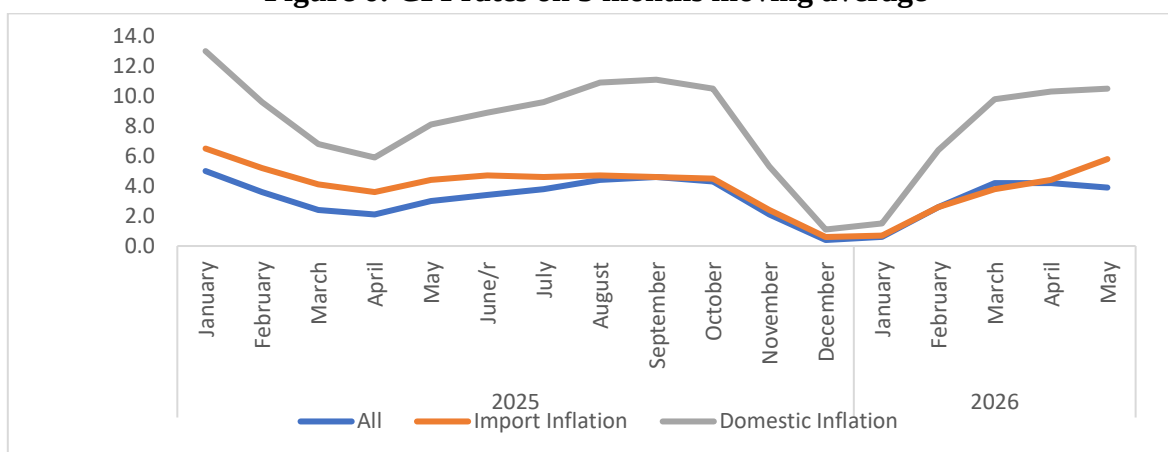
8.44 The movement in the CPI for May 2026 driven by changes in major expenditure groups:

- 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.

8.45 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 the same month in the previous year.

8.46 In terms of imported items, the inflation rate was 1.9 percent, representing an increase of 0.5 percent points compared with the corresponding month of the previous year. Meanwhile, domestic inflation recorded 4.7 percent in May 2026, an increase of 1 percent 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 the following are their headline inflation calculated on three months moving average: Honiara 4 percent, Auki 1.8 percent, Gizo 1.8 percent and Noro 4.1 percent.

Figure 6: CPI rates on 3 months moving average



Balance of Payments (BOP)

- 8.47 The country's overall BOP position recorded a surplus of \$938 million in 2025, improving the 2024 position of \$350 million. The current account closed 2025 with a \$878 million surplus, the highest of the series, driven from a strong positive balance on trade in goods (\$547 million, mainly gold exports) and higher net secondary income inflows. On the other hand, the capital accounts improved its position reaching a surplus of \$569 million, while the financial account strongly deteriorated with a deficit of \$116 million. This external position contributed to an increase of foreign reserves to \$6,668 million, covering 12 months of imports.
- 8.48 In 2026, the overall BOP might experience a slowdown of improvement, reaching an estimated \$230 million, driven by a capital account surplus of \$974 million. The current account deficit of \$329 million instead weakens the overall BOP position, with the financial account deepening its deficit by \$416 million. Gross foreign reserves nevertheless benefit from the overall surplus, reaching \$6,850 million and covering over 12.4 months of imports.
- 8.49 For 2027, the situation remains positive, but the momentum shows clear signs of slowing down. The overall BOP surplus is currently forecasted at \$69 million, driven by a strong capital account surplus of \$983 million. Still, a slight deficit in the current account (\$88 million) and an even deeper one in the financial account (\$825 million), leaves little breathing space and increases reserves only slightly. Indeed, gross foreign reserves are set to reach \$6,919 million in 2027, covering 12.5 months of import.

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

Year	2021	2022	2023	2024	2025	2026	2027
A. Current Account	-624	-1842	-1455	-580	878	-329	-88
B. Capital Account	528	1125	1104	808	569	974	983
C. Financial account	530	355	548	30	-116	-416	-825
D. Net errors and omissions	-23	171	22	92	-393	0	0
E. Overall BOP position	411	-191	218	350	938	230	69
G. Position of gross foreign reserves	5626	5460	5806	5885	6668	6850	6919
Months of import cover	14.0	12.3	11.8	10.7	12.0	12.4	12.5

Source: CBSI BOP Forecasting Database. 2026 and 2027 forecasts are still preliminary and will be updated.

9.0 EXTERNAL RISKS AND CHALLENGES

- 9.1 This section highlights the key external and domestic risks facing the Solomon Islands economy and their potential implications for future growth and development. These risks are integrated into the budget framework to strengthen planning and ensure the budget remains responsive to evolving challenges while safeguarding stability. The Government considers this process essential for enhancing fiscal decision-making and protecting overall macroeconomic stability over the long term.

External Risks

- 9.2 Externally, the main risk is the Iran-US War and its energy and food price shocks, amplified by the country's import dependence and lack of tech-sector exposure. As a net oil importer with little exposure to the technology value chain, the Solomon Islands sits among the economies losing out from the current global shock mix. The inflationary risk of fuel costs has already begun rippling through in the country, with a projected inflation of 5.6 percent in 2026 which is set to lower growth levels in the country.
- 9.3 The uncertainty associated with the war effects are also stifling investment and donor aid, two of the main sources of growth for Solomon Islands. Continued reliance on Australia, China, and other partners for budget and infrastructure support leaves the country exposed to changes in donor priorities. Additionally, rising global rates could raise borrowing costs and narrow fiscal space for both the country and donors, who may reduce their vital assistance.

Domestic Risks

- 9.4 Solomon Islands' narrow economic base and weak fiscal buffers make it difficult for the Government to secure stable and steady growth for the country. Heavy reliance on agriculture, forestry, and mining make revenue highly related to international commodity prices, thus weakening the budgeting process and the constant reliance to supplementary budgets to avoid spending freezes. Finally, the declining log exports

remain a structural weak point, which may be addressed only by the growth of mining and the overall diversification of the country.

- 9.5 Changes in government leadership can alter political and policy priorities, which in turn may disrupt service delivery, create uncertainty, and stall investment plans. Such shifts present a downside risk to growth, as they can delay implementation of development programs and weaken confidence among stakeholders.
- 9.6 Finally, the ongoing expansion of mining activity carries potential risks of social unrest, particularly in areas where concerns over the fair distribution of profits are most pronounced. **The Government's commitment to implement the Extractive Industries Transparency Initiative (EITI) represents a significant step toward mitigating these risks, as adherence to the EITI Standard will enhance transparency in mining revenues and foster collaboration among key stakeholders, including government, industry, and civil society.** In addition, newly announced reforms to increase domestic ownership and participation in the sector are expected to contribute to greater stability and sustainability in mining development.

Natural disasters and other extreme events

- 9.7 Like all Small Island Developing States, Solomon Islands is among the most exposed and vulnerable to lingering risks related to climate and natural disasters. **Tropical Cyclone Maila struck the Solomon Islands in early April 2026, affecting roughly 120,000 people and prompting the government to declare a State of Disaster for Western and Choiseul Provinces. The cyclone tore through Western, Choiseul, and Isabel Provinces, damaging 161 communities and leaving homes flattened, with 84 schools and 21 health facilities affected.**
- 9.8 **For an economy already strained by high energy import costs and thin fiscal buffers, Maila adds a further layer of pressure: rebuilding schools, clinics, housing, and water systems will draw on already-limited government resources.** In 2027, the Government will prioritise the reconstruction of schools and clinics in affected regions, while simultaneously supporting the rebuilding of homes and the restoration of livelihoods to ensure a resilient and sustainable recovery.

9.9 Recurring climate shocks are a persistent internal-external hybrid risk to the country's growth and fiscal position, and therefore the country should continue its commitment to building climate resilient fiscal management.

10.0 FISCAL PERFORMANCE – REVENUE OUTLOOK

Domestic Revenue Collection 2026

- 10.1 The 2026 domestic revenue forecast has been revised upward by 5.0 percent, from \$4.498 billion to \$4.725 billion, an increase of \$226.8 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 \$2.147 billion (\$2,146.9 million), compared to a budget target of \$2.091 billion (\$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 forecast.

Table 3: Fiscal Table 2026

REVENUE (SI \$million)	2024 Actual	2025 Actual	2026 Budget Estimates	2026 MYBR	2027 Budget Estimates
<i>Inland Revenue Division</i>	2,212.3	2,524.5	2,767.8	3,150.6	3,364.5
Company tax	349.1	546.2	670.1	930.1	1,032.9
Personal tax	547.5	593.1	641.4	679.6	713.6
Withholding tax	307.9	319.3	341.8	403.6	423.8
Goods tax	871.1	914.2	955.1	980.1	1,029.2
Sales tax	93.3	98.6	107.4	102.4	107.6
Stamp duty	23.3	31.0	30.0	30.0	31.5
Licence revenue	20.2	22.1	21.9	24.8	26.0
<i>Customs and Excise revenue</i>	1,000.5	1,053.7	1,171.4	1,167.5	1,244.1
Import duty	324.0	344.8	369.2	362.4	383.0
Export duty	347.6	285.7	355.8	355.0	366.1
of which: export duty on logs	305.4	214.6	283.5	258.3	247.2
export duty of non-log related	42.2	71.1	72.2	96.7	118.9
Excise duty	326.1	418.9	442.5	445.8	490.3
Fees, Charges and others	2.8	4.3	3.9	4.3	4.6

Total CED/IRD	3,212.8	3,578.2	3,939.2	4,318.1	4,608.5
Other Non-Tax Revenue	234.2	459.8	563.1	407.1	407.1
Total Estimated revenue	3,446.9	4,038.1	4,502.3	4,725.2	5,015.6
Revenue Change (%)	8.2	17.1	11.7	5.0	6.1

Inland Revenue Division (IRD)

10.2 The Inland Revenue Division (IRD) recorded a strong revenue performance during the first six months of 2026, collecting \$1.551 billion against a YTD budget of \$1.327 billion, resulting in a surplus of \$223.7 million (16.9 percent). Compared to the same period in 2025, collections increased by \$406.7 million (35.6 percent).

10.3 Reflecting the strong first-half performance and expected additional receipts from the mining sector, the 2026 IRD revenue estimate has been revised upward from \$2,767.8 billion to \$3.151 billion, an increase of \$382.8 million (13.8 percent).

- **Company Tax** collected \$457.5 million, exceeding the YTD budget by \$136.5 million (42.5 percent) and surpassing the June 2025 result by \$235.4 million (106.0 percent). 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 percent).
- **Personal Tax** collections reached \$353.6 million, which was \$38.4 million (12.2 percent) above budget and \$67.6 million (23.7 percent) 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 percent).
- **Withholding Tax** generated \$198.1 million, exceeding budget by \$39.8 million (25.1 percent) and increasing by \$54.2 million (37.6 percent) compared to June 2025. Reflecting continued strong compliance and economic activity, the annual estimate has been revised upward from \$341.8 million to \$403.6 million, an increase of \$61.7 million (18 percent).

- **Goods Tax** collections totalled \$467.2 million, outperforming the YTD budget by \$11.6 million (2.6 percent) and increasing by \$43.9 million (10.4 percent) 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 percent).
- **Sales Tax** revenue amounted to \$47.8 million, which was \$4.9 million (9.4 percent) below budget. However, collections were \$3.1 million (6.8 percent) 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 percent).
- **Stamp Duty** collected \$13.9 million, exceeding budget by \$0.6 million (4.3 percent) and improving by \$0.5 million (3.6 percent) 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 percent) and increasing by \$2.0 million (18.9 percent) over the June 2025 outturn. Reflecting improved collections, the annual estimate has been revised upward from \$21.9 million to \$24.8 million, an increase of \$2.9 million (13.0 percent).

Customs and Excise Division (CED)

- 10.4 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 totaled \$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 \$72.2 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.

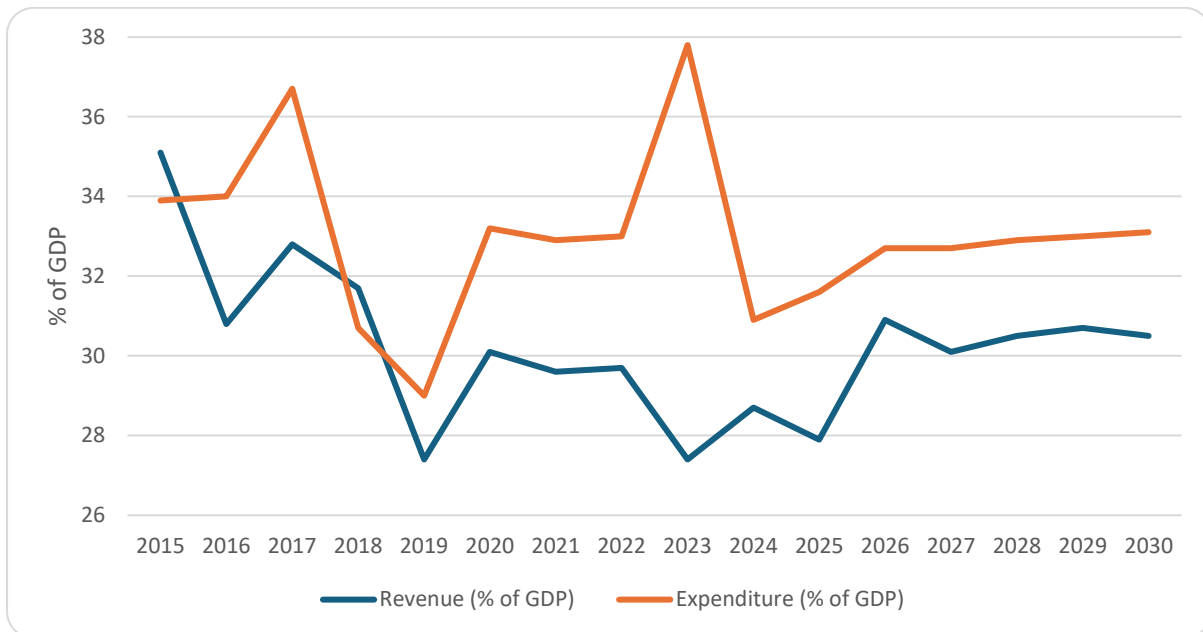
Other Non-Tax Revenue

- 10.5 Collections for the first half of the year totalled \$96.7 million, falling short of the year-to-date revised budget forecast of \$203.5 million by approximately \$106.8 million. The shortfall reflects weaker-than-expected inflows across several key ministries. Of the total collected, the Ministry of Fisheries contributed \$38.3 million (39.6 percent), followed by the Ministry of Commerce with \$23.3 million (24.1 percent), and the Ministry of Finance and Treasury (MOFT) with \$7.2 million (7.5 percent).
- 10.6 Despite the underperformance to date, revenue from fishing licenses, primarily managed by the Ministry of Fisheries, is expected to drive a rebound in the non-tax revenue category in the second half of the year, particularly as more licensing agreements are finalized and seasonal fishing activity increases. Improved enforcement and collection processes could also contribute to stronger performance in the months ahead. In light of current trends, non-tax revenue estimates for 2026 have been revised downward by 27.7 percent to \$407.1 million, representing a reduction of \$156.0 million.

Revenue Outlook for 2027

- 10.7 Total government revenue is projected to remain broadly stable at around 30.1 percent of GDP in 2027. This outlook is based on revenue performance observed during 2026, which showed encouraging results across several major tax categories despite ongoing weaknesses in logging-related revenues. Revenue collections in 2026 benefited from stronger economic activity, growth in the mining sector, and continued improvements in tax administration and compliance. These trends provide a solid foundation for the 2027 revenue forecast.

Figure 7: Revenue and Expenditure, % of GDP (2015-2030)



Source: MOFT Macro-Fiscal Model.

- 10.8 The main drivers of revenue growth in 2027 are expected to be company tax, goods tax, personal income tax, excise duty, and mineral-related revenues. These revenue streams are projected to benefit from expanding economic activity, continued investment, stronger labour market conditions, growing domestic demand, and ongoing improvements in revenue administration. Increased mining production and exports are also expected to make a significant contribution to overall revenue growth.
- 10.9 Goods and sales tax collections remained broadly in line with expectations during 2026 despite the impact of temporary fuel tax exemptions. With these exemptions expected to expire, both revenue streams are projected to strengthen in 2027. Excise duty revenue also performed strongly in 2026, supported by continued demand for excisable goods, population growth, and higher household spending. Planned excise reforms and continued consumption growth are expected to provide additional support to revenue collections in 2027.
- 10.10 An important feature of the 2027 outlook is the continued improvement in revenue administration. IRD recorded strong revenue performance during the first half of 2026, supported by enhanced compliance activities, audit programmes, and administrative reforms. Although CED performance was mixed across several major revenue categories, recent improvements in compliance, valuation processes, and enforcement

measures have begun to strengthen collections, with revenue exceeding monthly budget targets in July 2026. These positive trends are expected to continue through the remainder of 2026 and support stronger revenue outcomes in 2027.

- 10.11 The revenue outlook also reflects the Government's ongoing efforts to diversify revenue sources away from logging. While logging revenues are expected to remain under pressure due to declining production and exports, stronger collections from mining, domestic taxation, and customs revenues are expected to provide increasing support to the Government's fiscal position. This shift towards a broader and more sustainable revenue base will help strengthen fiscal resilience over the medium term.
- 10.12 Nevertheless, risks to the outlook remain. These include lower commodity prices, delays in mining developments, weaker economic activity, and lower-than-expected compliance outcomes. Continued efforts to strengthen tax administration, improve compliance, and support private sector growth will therefore be important in achieving the Government's revenue objectives in 2027.

Total Domestic Revenue Estimates for 2027

- 10.13 Total domestic revenue for the Solomon Islands is projected to reach \$5,015.6 million in 2027, an increase of \$290.4 million, or 6.1 percent, from the revised 2026 estimate of \$4,725.2 million. The projected growth is mainly driven by stronger tax revenue collections, supported by improved compliance, enhanced revenue administration, and continued economic activity across key sectors of the economy. Other non-tax revenue collections from government sources will also contribute to domestic revenue performance, but marginally, due to slower than expected collections in 2026 which is expected to continue into 2027.
- 10.14 Compared to actual revenue collected in 2025, the 2027 projection represents an increase of \$977.5 million, or 24.2 percent, reflecting a steady upward trend in domestic revenue over the medium term. This growth is largely supported by higher collections from major tax categories, especially company tax, but also personal income tax and goods tax.

- 10.15 The increase in domestic revenue strengthens the Government's capacity to fund essential public services, support infrastructure development, and meet its financial obligations while reducing reliance on external financing. It also reflects continued economic recovery and improved performance across productive sectors of the economy.
- 10.16 Overall, the 2027 revenue projection demonstrates the resilience of the Solomon Islands economy and the effectiveness of ongoing efforts to strengthen revenue collection and broaden the domestic revenue base.

Inland Revenue Division (IRD) Estimates for 2027

- 10.17 Inland Revenue Division (IRD) revenue for 2027 is projected at \$3,364.5 million, an increase of \$213.9 million (6.8 percent) from the 2026 revised estimate. Growth is expected to be driven by stronger collections from company tax, goods tax, and personal income tax. Company tax revenue will be supported by improved profitability in key sectors, particularly mining, led by sustained gold production, as well as manufacturing, fisheries, agriculture, construction, transport, and retail trade. Higher domestic demand, increased business activity, and continued investment are expected to strengthen goods tax collections, while rising employment levels and wage growth are projected to support personal income tax revenue and contribute to the overall increase in collections.
- **Company Tax:** Company Tax revenue is estimated at \$1,032.9 million in 2027, representing an increase of \$102.8 million (11.0 percent) compared to the 2026 revised estimate and \$486.8 million (89.1 percent) above actual collections in 2025. The 2027 Company Tax forecast is driven primarily by mining, particularly increased gold production and the expansion of Gold Ridge operations. Mining taxation is expected to remain the main contributor to revenue growth over the medium term. Additional support is expected from manufacturing, fisheries, agriculture, construction, transport and retail trade, as well as improved profitability, sustained investment, and favourable market conditions.

- **Goods Tax:** Goods Tax revenue is estimated at \$1,029.2 million, representing an increase of \$49.0 million (5.0 percent) over the 2026 revised estimate and \$115.0 million (12.6 percent) above 2025 actual collections. The 2027 Goods Tax forecast is supported by stable import activity, continued economic growth, and sustained government expenditure. While temporary fuel tax exemptions and lower customs valuation assessments moderated collections in 2026, future growth is expected to be supported by the proper management of exemptions, the expiry of certain mining MOUs, and continued growth in economic activity.
- **Personal Income Tax (PAYE):** Personal Income Tax revenue is estimated at \$713.6 million in 2027, an increase of \$34.0 million (5.0 percent) over the revised 2026 estimate and \$120.4 million (20.3 percent) above actual collections in 2025. The 2027 forecast is supported by continued growth in employment and wages, increased PAYE contributions from major employers, and sustained economic activity. Revenue growth is also expected to benefit from the expiry of mining MOUs and ongoing audit activities that are strengthening tax collections and broadening the personal tax base.
- **Withholding Tax:** Withholding Tax revenue is estimated at \$423.8 million in 2027, an increase of \$20.2 million (5.0 percent) over the 2026 revised estimate. Collections have performed strongly during 2026, recording a year-to-date surplus by June. The 2027 forecast is supported by increased mining and construction activity, higher non-resident payments, and the expiry of certain mining MOUs.
- **Sales Tax:** Sales Tax revenue is projected to reach \$107.6 million in 2027, representing an increase of \$5.1 million (5.0 percent) compared to the revised 2026 estimate and \$9.0 million (9.1 percent) above actual collections in 2025. The 2027 Sales Tax forecast is supported by the expiry of fuel tax exemptions, sustained consumer spending and economic activity, and continued improvements in compliance and administration. Growth is also expected to be supported by population growth, rising incomes, and stronger enforcement measures.

- **Stamp Duty:** Stamp Duty collections are forecast at \$31.5 million in 2027, representing an increase of \$1.5 million (5.0 percent) over the 2026 revised estimate and \$0.5 million (1.6 percent) above actual collections in 2025. The forecast is underpinned by continued economic activity and growth in business and commercial transactions. Moderate increases in transaction volumes, supported by investment and expanding economic activity, are expected to sustain collections.
- **Licences:** Revenue from licences is expected to reach \$26.0 million in 2027, reflecting an increase of \$1.2 million over the 2026 revised estimate and \$3.9 million above actual collections in 2025. The forecast is supported by the continued rollout of the new licensing system, improved compliance, and strengthened administrative processes. Further gains are expected as the system becomes fully established, supporting higher licence registrations and renewals.

Customs and Excise Division (CED) Estimates for 2027

10.18 Total CED revenue is projected to reach \$1,244.1 million in 2027, reflecting an increase of \$76.6 million (6.6 percent) over the 2026 revised estimate of \$1,167.5 million, and \$199.4 million (18.1 percent) above the 2025 actual collections of \$1,044.7 million. Revenue performance during the first half of 2026 was mixed, with strong growth in fees and excise duties offset by weaker export and import duty collections. The 2027 outlook is supported by improved compliance, stronger trade and consumption activity, mining-related imports and exports, and ongoing revenue administration reforms.

- **Import Duty:** Revenue from import duties is projected at \$383.0 million in 2027, representing an increase of \$20.7 million (5.7 percent) over the 2026 revised estimate and \$38.2 million (11.1 percent) above actual collections in 2025. Collections are expected to strengthen as a result of improved customs valuation practices, stronger compliance activities, and increased mining-related imports. Changes to exemption arrangements, particularly for mining equipment imports, are also expected to support growth.
- **Export Duty:** Export duty collections are projected at \$366.1 million in 2027, an increase of \$11.0 million (3.1 percent) over the 2026 revised estimate and \$80.4 million (28.1 percent) above actual collections in 2025. The forecast reflects

divergent trends across export sectors. Log Export Duty revenue is expected to decline to \$247.2 million, down \$11.2 million (4.3 percent) from the 2026 estimate, reflecting the continued contraction of the logging sector. In contrast, Non-log Export Duty is forecast to increase to \$118.9 million, up \$22.2 million (22.9 percent) from the 2026 revised estimate and \$47.8 million (67.2 percent) above 2025 actual collections. Strong growth in mineral exports, particularly gold, bauxite and nickel, is expected to provide increasing support to collections and further diversify the export base, partially offsetting ongoing weakness in forestry-related exports.

- **Excise Duty:** Excise duty is forecast at \$490.3 million in 2027, an increase of \$44.6 million (10.0 percent) over the 2026 revised estimate and \$71.4 million (17 percent) above actual collections in 2025. Growth is expected to be supported by rising household consumption, population growth, and increasing incomes. The full-year impact of planned excise reforms, together with sustained demand for excisable goods, is expected to further strengthen collections.
- **Fees, Charges and Penalties:** Revenue from fees, charges, and penalties is projected at \$4.6 million in 2027, representing an increase of \$0.3 million above the 2026 revised estimate and the actual collections in 2025. The forecast is underpinned by continued growth in customs declarations, vessel clearances, and warehouse rental income, supported by strengthened compliance measures and the implementation of revised customs fee and licensing arrangements.

Non-Tax Revenue Estimates for 2027

- 10.19 Non-tax revenue, particularly collections from government ministries and agencies, is projected to remain relatively stable at \$407.1 million in 2027. This represents a decline of \$52.7 million compared with actual collections in 2025, reflecting lower anticipated receipts from selected non-tax revenue sources. Fishing licence revenue, the largest component of non-tax collections, is conservatively estimated at around \$300.0 million, below recent trend levels. This projection reflects the continued adverse effects of El Niño conditions across the Pacific, which have disrupted fish migratory patterns and

weakened fishing activity. As a result, demand for fishing licences is expected to soften, placing downward pressure on overall non-tax revenue collections.

- 10.20 A significant share of non-tax revenue is expected to be generated through fees, levies, service charges, licences, permits, administrative fines, and other regulatory and revenue-generating activities administered by government ministries, agencies, and statutory bodies. These collections continue to provide an important supplementary source of government revenue and contribute to the diversification of the revenue base.
- 10.21 The performance of non-tax revenue will depend largely on the capacity of ministries and agencies to effectively administer and enforce their respective revenue collection systems. Continued improvements in service delivery, digitalisation, compliance monitoring, and financial management practices are expected to support collection outcomes in 2027. However, delays in implementation, weak enforcement, or lower-than-expected demand for government services could affect performance. As part of the Government's broader fiscal strategy, efforts will continue to strengthen accountability, transparency, and the efficiency of non-tax revenue administration across all ministries and agencies to support a stable and sustainable source of revenue over the medium term.

General Budget Support & Grants

- 10.22 Grants and budget support² refer to external financing provided by development partners to supplement the national budget. These resources support both recurrent and development expenditures, helping to strengthen service delivery and address funding gaps in achieving national development objectives. In many cases, disbursement is linked to agreed policy commitments and reform measures, aimed at advancing key development priorities and improving public sector outcomes.

² 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.

- 10.23 General budget support receipts amounted to \$263.4 million as at June 2026, representing 27.2 percent of the original annual projection of \$967.3 million. The 2026 projection has since been revised downward to \$810.9 million, largely reflecting an anticipated shortfall in budget support that may not materialise this year due to ongoing negotiations with development partners. Subject to the outcome of these discussions, some of these resources may instead be deferred and disbursed in 2027.
- 10.24 Consistent with the Government's conservative approach to budget formulation, budget support for 2027 is currently estimated at \$193.3 million. This projection remains tentative and reflects only support that is reasonably expected at this stage. Further negotiations with development partners are expected over the coming months, and any additional commitments secured will be incorporated into the final budget as supplementary financing to support the implementation of key national priorities, reforms, and development programmes.

11.0 FISCAL PERFORMANCE – EXPENDITURE

Expenditure Performance

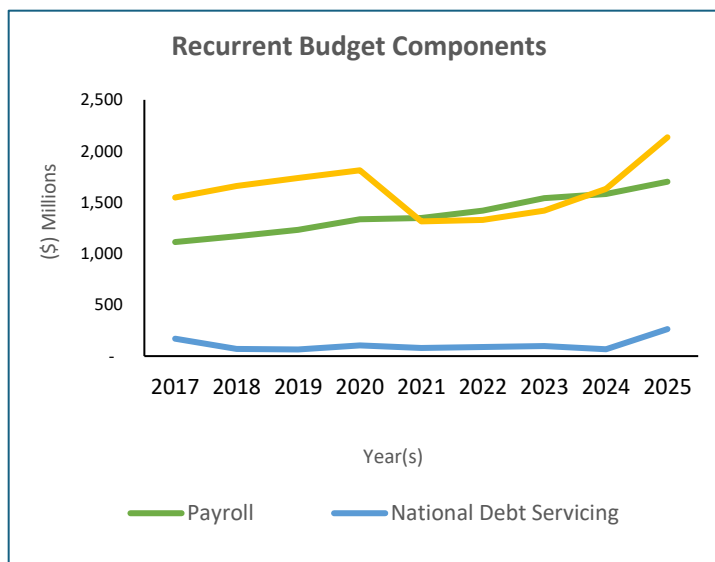
- 11.1 This section reviews Government's expenditure performance over the period 2022-2026, focusing on trends in recurrent and development spending, including payroll, debt servicing, other charges, and development expenditures. It highlights key expenditure drivers, analyses the factors contributing to spending growth, and outlines measures being introduced to strengthen expenditure management and reinforce budget stability over the medium term. The analysis provides the basis for the expenditure projections presented in the 2027 Budget Framework and the Medium-Term Fiscal Framework discussed in the succeeding sections.

Recurrent Budget

- 11.2 The recurrent budget comprises Government's day-to-day operating expenditures, including payroll, other charges, and debt-servicing costs. It also includes grants and

subventions provided to external organisations and institutions to support specific policy objectives, including education assistance, gender programmes, and community development initiatives.

11.3 Between 2022 and 2025, total recurrent expenditure increased from \$2,854.5 million to \$4,047.8 million, representing growth of \$1,193.3 million, or 41.8 percent. The increase was broad-based across all major expenditure categories, with other charges accounting for approximately 30 percent of

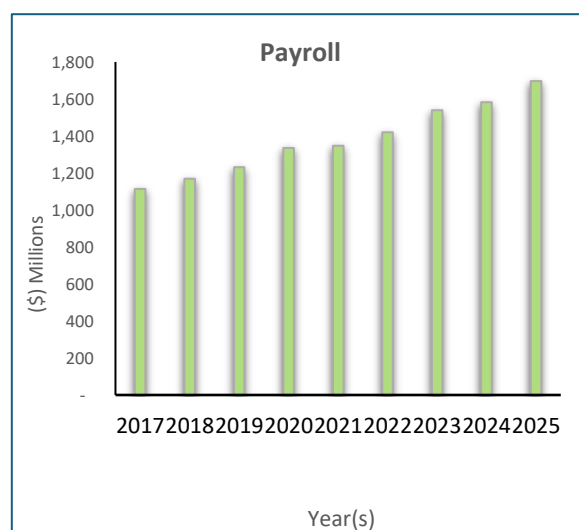


the overall growth, payroll 22 percent, and debt servicing 14 percent. While these expenditures have supported Government operations and service delivery, the pace of growth has raised concerns regarding fiscal sustainability, particularly against a backdrop of relatively subdued revenue growth. In response, Government has begun implementing a range of measures to strengthen fiscal discipline and contain recurrent expenditure within sustainable limits.

Payroll

11.4 Government's payroll represents the total compensation costs of the civil service, including salaries, wages, retirement contributions, housing and accommodation allowances, annual leave entitlements, and other employee-related benefits.

11.5 Payroll expenditure increased significantly during the period 2022-2025, rising by approximately \$280.0 million. The largest



increases occurred in 2023 (\$119.9 million) and 2025 (\$115.7 million), while more moderate increases were recorded in 2022 (\$72.2 million) and 2024 (\$42.2 million). These movements were driven primarily by staff recruitment, expansion of employee allowances, and salary adjustments associated with staff performance assessments and career progression.

- 11.6 In 2026, the Government wage bill is projected to increase substantially to \$1,947.7 million, an increase of \$250.4 million compared with the 2025 outturn. Included in this provision is a one-off payment of \$129.0 million to settle outstanding salary obligations owed to teachers under an agreement signed with SINTA in August 2025. The agreement commits Government to clearing salary adjustments accumulated between 2024 and 2025 and addressing other outstanding employee-related obligations, including accommodation allowances and related entitlements.
- 11.7 The recent escalation in payroll costs has heightened concerns regarding long-term affordability. Unlike many operational expenditures, wage costs become permanent obligations once incorporated into the Government's compensation structure. Ensuring their sustainability will therefore require consistent growth in domestic revenues and careful management of future remuneration commitments. To address these challenges, the Ministry of Finance and Treasury is working closely with the Ministry of Public Service to manage existing obligations and plan for future reforms, including the transition to full contracting arrangements and the establishment of professional salary structures across the public service. These reforms will be implemented progressively and carefully sequenced to ensure affordability while supporting improvements in productivity and service delivery.

Other Charges

- 11.8 Similar to payroll, expenditure on Other Charges increased significantly between 2022 and 2025, rising from \$1,327.9 million to \$1,965.8 million, an increase of \$637.9 million. More than 84 percent of this growth occurred during 2024 and 2025, when allocations increased by almost \$550.0 million over the two-year period. Growth was recorded across most expenditure categories, including administration, travel, communications, and grants and subventions. In 2026, expenditure on other charges

increased more moderately to \$2,070.5 million, representing growth of \$104.7 million, or 5.1 percent.

- 11.9 Together with rising payroll costs, growth in operational expenditure placed considerable pressure on budget execution in 2025. Revenue inflows were often insufficient to meet recurrent spending requirements, forcing Government to ration and defer expenditure throughout parts of the year. This contributed to cash-flow pressures, delays in programme implementation, and disruptions to the timely delivery of public services.
- 11.10 Recognising these challenges, Government adopted a series of expenditure restraint measures through the 2026 Budget. Central to these reforms was the introduction of fiscal rules to guide budget allocations for payroll and other charges and ensure they remain aligned with the Government's revenue capacity. Early indications suggest these measures have contributed to improved expenditure discipline, reduced cash-flow pressures, and strengthened overall budget stability. Government intends to maintain these fiscal rules in the 2027 Budget and over the medium term.
- 11.11 Despite these improvements, there remains scope to further rationalise expenditure within this category without compromising core service delivery. A significant proportion of operational expenditure relates to discretionary items such as travel, workshops, conferences, and consumables, which can be managed more efficiently through stronger expenditure controls. Without appropriate oversight, these costs can escalate rapidly and place unnecessary pressure on the budget.
- 11.12 To strengthen expenditure management, the Ministry of Finance and Treasury is considering a range of additional control measures, including quarterly warrant releases, enhanced expenditure monitoring, and closer scrutiny of government grants and subventions. These reforms will be implemented progressively and expanded as institutional capacity improves.

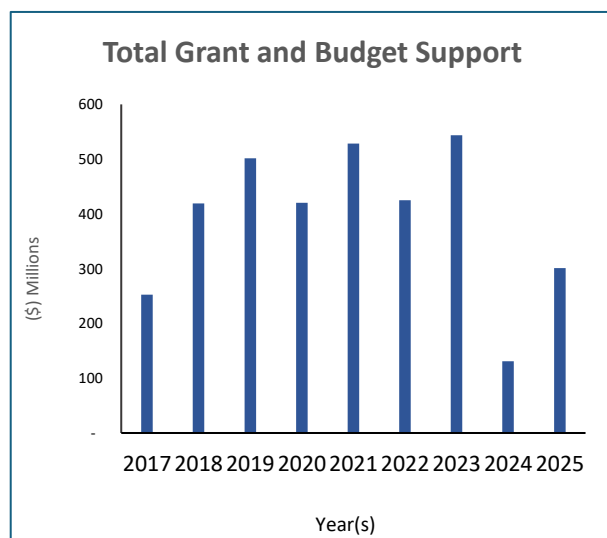
Debt Servicing

- 11.13 Debt servicing reflects Government's obligations to repay outstanding debt, including principal repayments, interest expenses, and other associated financing costs.

11.14 Historically, debt-servicing costs remained relatively modest, fluctuating between \$60 million and \$170 million during the period 2017-2024. However, these costs increased sharply to \$384.7 million in 2025 and are expected to remain elevated at \$360.8 million in 2026. The increase reflects a combination of larger fiscal deficits accumulated in recent years and the redemption of several maturing government securities. The recent trend highlights the importance of maintaining prudent borrowing practices and ensuring debt levels remain consistent with the Government's long-term fiscal strategy

Donor Support

11.15 Between 2020 and 2023, the Solomon Islands received substantial financial assistance from development partners to support major national priorities. This included funding for the COVID-19 response in 2020, the Economic Stimulus Package in 2021, and the 2023 Pacific Games, for which significant donor assistance was received during 2022 and 2023.



11.16 Total donor support amounted to \$420.2 million in 2020, \$528.4 million in 2021, \$424.7 million in 2022, and \$543.9 million in 2023. Donor inflows subsequently declined to \$131.3 million in 2024 before recovering moderately to \$300.8 million in 2025. This volatility highlights the importance of strengthening domestic revenue mobilisation and reducing reliance on external financing to support both recurrent and develop budget operations.

Development Budget

11.17 The Development Budget comprises Government investments in programmes and projects aimed at expanding the nation's productive capacity and supporting long-term economic growth. These investments include major infrastructure projects such as

roads, water supply systems, electricity networks, and other strategic initiatives that aim to improve living standards and support national development objectives.

11.18 Despite its importance, it is vital to note that in the past government investment in development has been passive and inconsistent, often fluctuating annually without a clear plan to ensure sustained expansion and support the delivery of important development goals. The records show that between 2017 and 2022, annual investments fluctuated within 400 and \$700 million, whilst remaining



subdued compared to recurrent expenditure each year. Investments then improved to \$870 million in 2023, before falling to \$480 million in 2024, and rebounding again to \$791.6 million in 2025. These inconsistencies have plagued efforts to build sufficient productive capacity within the economy and improve future growth prospects.

11.19 To address these inconsistencies, government introduced a new fiscal rule last year to guide aggregate resource allocation, and ensure a minimum provision for development spending is prescribed within the annual budget. **Specifically, the new rule stipulates that each year, government must reserve at least 20 percent of the annual appropriation for the development budget, while the remaining balance is to be allotted for the recurrent budget.** In other words, the rule prescribes that future budgets must be framed with an 80:20 ratio for recurrent and development spending, with flexibility to increase the development component if needed.

11.20 Government is committed to adhering to this rule over the medium term, to ensure a consistent flow of resources is channelled to key programs and projects and critical development priorities. This reform is expected to enhance allocative efficiency, discipline recurrent spending, strengthen capital formation, and provide the fiscal stimulus needed to boost sustainable growth and development in the long run.

Expenditure Performance in the First Half of 2026

- 11.21 **Expenditure performance during the first half of 2026 was generally subdued, with total spending reaching \$2,289.8 million, compared to a pro-rata budget allocation of \$2,778.7 million.** This represents a shortfall of \$488.9 million, or 17.6 percent, and reflects slower implementation across both recurrent and development expenditure categories. While the overall outturn was below expectations, expenditure patterns remain broadly consistent with previous years, where spending activity tends to accelerate in the latter half of the year as ministries progress procurement activities, complete recruitment processes, and advance the implementation of budgeted programmes and projects.
- 11.22 **Recurrent expenditure remained relatively contained during the review period. Total recurrent spending reached \$2,070.8 million, approximately 5.8 percent below the mid-year benchmark.** Payroll expenditure amounted to \$935.2 million, reflecting slower recruitment across parts of the public service, while expenditure on Other Charges also remained below budget. Debt servicing obligations continued to be met in accordance with the Government's repayment schedule, with \$151.2 million disbursed by June 2026, representing around 42 percent of annual debt servicing requirements. Although several ministries recorded expenditure pressures in selected operational areas, these were largely offset by underspending across the broader budget.
- 11.23 **The most significant weakness in expenditure performance continues to be the execution of the Development Budget. By mid-year, development expenditure totalled \$218.9 million, representing an execution rate of 18.9 percent and falling \$361.6 million below the pro-rata allocation.** This outcome reflects a number of longstanding implementation challenges, including procurement delays, project readiness issues, capacity constraints, weak sectoral coordination, and financing bottlenecks. Given the importance of development spending in expanding productive capacity and supporting long-term growth, improving implementation performance remains a key priority for Government.

- 11.24 **Donor-funded expenditure also recorded a relatively slow start during the first six months of 2026, with total disbursements reaching \$129.4 million, equivalent to 16.8 percent of the annual allocation.** The outcome largely reflects the timing of grant releases and the fulfilment of agreed administrative and policy conditions attached to donor-supported programmes. While additional disbursements are expected during the second half of the year, the overall performance highlights the importance of maintaining close engagement with development partners to ensure funding commitments are translated into timely programme implementation.
- 11.25 **Looking ahead, Government expects expenditure activity to strengthen during the remainder of 2026 as ministries accelerate programme delivery and address implementation constraints identified through recent expenditure reviews.** Particular attention will be directed towards improving development budget execution, strengthening procurement and project management systems, and maintaining prudent control over recurrent expenditure. These efforts will be important in supporting service delivery, advancing development priorities, and ensuring public resources are utilised effectively and in line with Government's broader fiscal objectives.

12.0 2027 BUDGET FRAMEWORK

- 12.1 This section outlines the key financial parameters for the 2027 Budget, including major revenue, expenditure, and financing estimates, as presented in **Table 3**.

Table 3: 2027 Budget Fiscal Framework

BUDGET FRAMEWORK	2025 (A)	2026 (B)	2026 (R)	2027 (B)	2027 Difference from 2026
REVENUE (\$M)					
Domestic Revenue					
Inland Revenue	2,513.9	2,767.8	3,150.6	3,364.5	6.8%
Customs and Excise	1,097.7	1,171.4	1,167.5	1,243.3	6.5%
Non-Tax Revenue	459.8	563.1	407.1	427.4	5.0%
Total Domestic Revenue	4,071.4	4,502.3	4,725.2	5,035.2	6.6%
Grants and Budget Support					
Budget Support (Recurrent)	300.8	193.3	193.3	193.3	0.0%
General Budget Support		517.0	357.0		-100%
Budget Support Development		260.6	260.6		
Total Grant and Budget Support	300.8	970.9	810.9	193.3	-76%
TOTAL SIG REVENUE	4,071.4	4,502.3	4,725.2	5,035.2	6.6%
TOTAL REVENUE (SIG + DONOR SUPPORT)	4,372.2	5,473.2	5,536.1	5,228.5	-5.6%
EXPENDITURE					
Recurrent Budget					
Payroll	1,697.3	1,947.7	1,947.7	1,969.2	1.1%
National Debt Servicing	384.7	357.2	360.8	365.0	1.2%
Interest	185.8	92.4	83.3	112.2	
Principal	198.8	264.8	277.4	252.8	
Other Expenses	1,965.8	2,081.4	2,081.4	2,114.5	1.6%
Contingency Warrant Provision		20.0	20.0	20.0	
Total Recurrent Budget	4,047.8	4,406.3	4,409.9	4,468.7	1.3%
Budget Support					
Sector Budget Support-L3	300.8	193.3	193.0	193.3	0.2%
Total Budget Support	300.8	193.3	193.0	193.3	0.2%
Development Budget					
SIG Funded Development	791.6	1,161.0	1,161.0	1,161.0	0.0%
Development Budget Support		260.6	260.6		
Total Development Budget	791.6	1,421.6	1,421.6	1,161.0	-18.3%
TOTAL SIG EXPENDITURE	4,839.4	5,567.3	5,570.9	5,629.6	1.1%
TOTAL EXPENDITURE (SIG + BUDGET SUPPORT)	5,140.2	6,021.2	6,024.5	5,822.9	-3.3%
OPERATING BALANCE (DOMESTIC REV - RECURRENT EXP)	23.7	96.0	315.3	566.6	
TOTAL SIG FISCAL POSITION (Excl. Donor Support)	(767.9)	(1,065.0)	(845.7)	(594.4)	
% GDP	-4.9%	-6.1%	-4.9%	-3.2%	
TOTAL FISCAL POSITION (Incl. SIG and Donor Dsupport)	(767.9)	(548.0)	(488.4)	(594.4)	
% GDP	-4.9%	-3.2%	-2.8%	-3.2%	
NET FISCAL POSITION (Excl. Principal Payment on Public Debt)	(569.1)	(800.2)	(568.2)	(341.6)	
% of GDP	-3.6%	-4.6%	-3.3%	-1.9%	
TOTAL DEBT STOCK	4,230.4	4,451.37	4,451.37	5,045.78	
Debt % GDP	26.8%	25.6%	25.6%	27.4%	
Ratio - Recurrent Budget	84%	79%	79%	79%	
Ratio - Development Budget	16%	21%	21%	21%	
GDP @ Market Price (\$I) \$M	15,771.8	17,387.9	17,387.9	18,386.6	

Key Assumptions for the 2027 Budget Framework

12.2 The following assumptions were adopted in formulating the 2027 Budget Framework:

Revenue Estimates

12.3 **Tax Revenue Estimates:** Based on the projected expansion in economic activity and sustained performance across major productive sectors, particularly mining, which is expected to support stronger tax collections in 2027.

- 12.4 **Non-Tax Revenue Estimates:** Based on conservative projections, reflecting weaker fishing licence revenues arising from the lingering effects of El Niño, which continue to affect fish stocks, fishing activity, and demand for fishing licences.

Expenditure Estimates

- 12.5 Expenditure ceilings are prescribed in accordance with the fiscal rules outlined in **Section 17.0** of this paper.

Payroll Budget: Capped at 10.7 percent of GDP.

Other Charges: Capped at 11.5 percent of GDP.

Debt Servicing Estimates

- 12.6 Based primarily on the Government's existing debt-servicing schedule and projected financing obligations.

Donor Financing Estimates

- 12.7 Based on conservative assumptions regarding external assistance. These estimates will be reviewed and updated as negotiations with development partners progress and the level of donor support for the 2027 Budget becomes clearer.

Debt Stock Estimates

- 12.8 Expected to rise to 27.4 percent of GDP in 2027, driven mainly by the planned fiscal deficit of 3.2 percent of GDP and corresponding financing requirements.

GDP Growth Estimates

- 12.9 Based on the June 2026 macroeconomic projections prepared by the Ministry of Finance and Treasury's Economic Reform Unit and the Central Bank of Solomon Islands.

- 12.10 **It is important to note that the above budget assumptions have been prescribed to provide conservative financial projections for the 2027 Budget framework. It has been intentionally prescribed this way to provide fiscal space for potential additional budgetary implications emanating from government's key flagship policies such as the free education program. These policies are still being prepared and costed by line ministries, and will be finalised during the budget consultation process. Guidelines on how the Ministry intends to accommodate these additional costs into the budget framework are outlined in the Sections 13.0 and 14.0.**

Budget Framework Estimates

2027 SIG Revenue Estimates

- 12.11 **The total revenue estimate for 2027 is \$5,035.2 million, representing a 6.6 percent increase over the 2026 revised estimate of \$4,725.2 million.** This growth is expected to be driven by stronger tax collections which are anticipated to reach \$4,607.8 million in 2027, surpassing the 2026 revised estimate of \$4,318.1 million by \$289.7 million. Non-tax revenues on the other hand, is expected to contribute marginally to the overall revenue growth for 2027, reaching \$427.4 million.
- 12.12 **Receipts for Inland Tax Revenues are projected to rise by \$213.9 million (6.8 percent), while Customs and Excise Tax collections are expected to increase by \$75.8 million (6.5 percent).** Growth in both revenue streams is expected to be supported by buoyant mining sector activity and stronger economic growth prospects in 2027. The expansion of mining operations is anticipated to increase receipts from company taxes, withholding taxes, and export duties, which are the main instruments of mining-related tax collections.

2027 SIG Expenditure Estimate

- 12.13 **The total SIG expenditure estimate for 2027 is \$5,629.6 million, representing an increase of \$58.7 million over the 2026 revised estimate of \$5,570.9 million.** This increase is underpinned by a higher allocation for the Recurrent Budget, which is projected to increase to \$4,468.7 million in 2027, representing a growth of 1.3 percent

above the 2026 revised estimate of \$4,409.9 million.

Recurrent Budget

- 12.14 **Payroll:** The total payroll budget for 2027 is projected at \$1,969.2 million, representing an increase of approximately \$21.5 million over the 2026 revised estimate of \$1,947.7 million. The higher allocation mainly reflects the Government's commitment to addressing outstanding remuneration claims by school teachers under the collective agreement concluded with SINTA last year. The provision covers leave and accommodation allowances and other related employment entitlements.
- 12.15 **Other Charges:** The total budget allocation for Other Charges is set at \$2,114.5 million in 2027, representing a 1.6 percent increase over the 2026 revised estimate of \$2,081.4 million. This modest increase reflects the Government's commitment to strengthening the management and oversight of operational expenditures, ensuring that resources are utilised efficiently and cost-effectively to support public service delivery and achieve greater value for money across the public sector.
- 12.16 **Debt Servicing:** Debt servicing obligations are projected at \$365.0 million in 2027, an increase of \$4.2 million (1.2 percent) over the 2026 revised estimate of \$360.8 million. The rise reflects higher scheduled principal repayments, partly offset by lower interest expenses and other associated debt-servicing charges. Despite the higher repayment obligations, overall debt servicing costs remain broadly stable.

2027 Budget Support

- 12.17 **Budget Support:** Total budget support for 2027 is estimated at \$193.3 million. This projection remains preliminary, as the Government is continuing discussions with development partners and donors on potential budget support arrangements for 2027. These discussions include prospective financing for the Government's flagship education programme, for which significant support is anticipated to fund key components and support its effective implementation.

Budget Balance

- 12.18 **Overall Budget Balance:** The 2027 Budget will be formulated within an overall deficit ceiling of \$594.4 million, equivalent to approximately 3.2 percent of GDP. This represents a significant improvement from the 2026 revised deficit estimate of \$845.7 million (4.9 percent of GDP), reflecting Government's commitment to strengthening fiscal sustainability and gradually restoring fiscal buffers.
- 12.19 **SIG Operating Balance:** Government projects a recurrent budget surplus of \$566.6 million in 2027, an increase from the estimated surplus of \$315.3 million in 2026. Maintaining a positive operating balance is critical, as it demonstrates Government's ability to finance its recurrent expenditures from domestic revenues, while reducing fiscal vulnerabilities and strengthening cash flow management. This also provides greater capacity to support development spending and respond to unforeseen fiscal pressures without compromising budget stability.

13.0 CONSERVATIVE BUDGET FRAMEWORK – STRATEGIC RESOURCE ALLOCATION CRITERIA

Need for Strategic Resource Reallocation and Re-prioritisation

- 13.1 **The 2027 Budget Framework is based on prudent & conservative fiscal projections.** This approach preserves sufficient flexibility and fiscal space for the GREAT Government to consider emerging policy priorities, including its flagship **Free Education Programme**. As several initiatives are still being developed and costed by line ministries, their scope and funding requirements will be refined through the forthcoming budget consultations before being considered for inclusion in the 2027 Budget.
- 13.2 **Accommodating these priorities will not necessarily require an expansion of the budget envelope** for individual agencies. Line ministries will be expected to review existing programmes, scale back lower-priority or underperforming activities, and redirect resources towards the GREAT Government's priorities. This process should

enable much of the additional funding to be met through internal reallocations, thereby limiting pressure on the overall fiscal framework.

- 13.3 **Nevertheless, the Ministry of Finance recognises that major initiatives, particularly the Free Education Programme, may require substantial additional resources.** The 2027 budget process will therefore adopt a more strategic and disciplined approach to resource allocation. This will ensure that emerging priorities are accommodated within an affordable and fiscally sustainable framework while maintaining the effective delivery of essential public services.

Strategic Budget Prioritisation Criteria

- 13.4 The following strategies will guide resource-allocation decisions:

1. **Prioritisation of Six Flagship Programs:** Priority will be given to programs and projects that are directly aligned with the Government's six flagship programs: **Universal Free Education, Decentralisation and Inclusive Governance, Renewable Energy Transition, Universal Healthcare, a Resilient Economy, and a Social Welfare System.** This prioritisation will extend beyond program funding to include the resources required for effective implementation, including skilled personnel, technical expertise, essential equipment, and supporting technology.

To ensure these priorities are adequately funded, resources may be reallocated from lower-priority activities to areas that directly support the flagship programs. This approach will strengthen alignment between policy priorities and budget allocations while ensuring that expenditure decisions remain affordable, fiscally sustainable, and consistent with the Government's objective of maintaining fiscal stability over the medium to long term.

2. **Careful sequencing of new Policy Priorities:** New initiatives will be funded according to clearly sequenced implementation plans, taking into account institutional capacity, programme readiness, key delivery constraints and the availability of financing.

3. **Reprioritisation and Redesign of Ministry Programmes:** Ministries will review and realign existing programmes with the GREAT Government's priorities. Resources may be redirected from lower-priority, duplicative or underperforming activities towards new initiatives, limiting the need for substantial additional expenditure.
4. **Right-sizing Ministry Budgets:** Budget allocations will be calibrated against each ministry's implementation capacity and historical expenditure performance to minimise over-budgeting and improve budget credibility.
5. **Reducing Waste and strengthening expenditure controls:** Ministry budgets will be rigorously reviewed to identify inefficiencies, reduce waste and strengthen safeguards against the misuse of public resources. Any resulting savings will be redirected towards higher-priority programmes.
6. **Performance-based Budgeting:** Resource-allocation decisions will be informed by each ministry's performance, implementation record and demonstrated ability to deliver measurable results.
7. **Stronger Budget Processes and Allocation Criteria:** Ministry baselines will be subject to rigorous review, with agencies required to justify all funding proposals against clear policy, affordability and value-for-money criteria. This will promote greater discipline and ensure that limited public resources are directed towards the Government's highest priorities.
8. **Donor Support:** Where donor-funded programs and projects are confirmed, ministry budget allocations will be reviewed and adjusted to avoid duplication and ensure the efficient use of public resources. Domestic funding may be redirected from activities adequately supported by development partners toward other unfunded priority areas, thereby maximising the overall impact of available resources. This approach will strengthen the integration of donor assistance into the budget process, improve expenditure efficiency, and create fiscal space to support Government priorities while preserving fiscal sustainability.

14.0 BUDGET PLANNING & MONITORING FRAMEWORK – FLAGSHIP PROGRAMS AND STRATEGIC PRIORITIES

14.1 As outlined earlier, to ensure strategic alignment, the 2027 Budget will be prepared and anchored on the principles, values, and vision of the GREAT Government, as articulated in the Government Policy Statement. Central to this approach is the advancement of the Government’s six flagship programs, together with the broader priorities and reforms outlined in the Policy Statement:

- Universal Free Education
- Decentralisation and Inclusive Governance
- Renewable Energy Transition
- Universal Healthcare
- Resilient Economy
- Social Welfare System

14.2 These flagship programs will be systematically integrated into the budget framework and will serve as the primary basis for resource prioritisation during national budget consultations with line ministries and external partners, including development partners and donors whose support continues to play a significant role in financing national development priorities.

14.3 **To support this approach, the Ministry of Finance, in collaboration with the Prime Minister’s Office and other central agencies, has developed an Integrated Planning and Monitoring Framework to strengthen alignment between the Government’s six flagship priorities and the programs, projects, and activities implemented by line ministries.** The framework will guide resource allocation decisions during the budget process and support the monitoring of initiatives contributing to the flagship programs. It adopts a results-based approach, tracking key milestones, outputs, outcomes, and deliverables, while also assessing budget execution and overall program performance.

- 14.4 **In essence, the framework will ensure that budgetary resources are directed towards programs, projects, and activities that make a clear and measurable contribution to the Government's six flagship priorities.** It will strengthen the link between policy, planning, budgeting, implementation, and performance monitoring, thereby ensuring that public resources are allocated and utilised in a manner that supports the achievement of the Government's strategic objectives and development goals.
- 14.5 **The salient features of the Integrated Planning and Monitoring Framework are set out in Annex 8.** To strengthen accountability, the Framework will clearly identify the agencies responsible for delivering programs, projects, and activities aligned with the Government's six flagship priorities, and will provide a basis for monitoring and reporting on their implementation and performance.
- 14.6 **The Prime Minister's Office will lead the implementation of the integrated framework across Government, with support from the Ministry of Finance and Treasury, the Ministry of National Planning and Development Coordination, and the Ministry of Public Service. This will include working closely with ministries to embed the framework within their planning and budgeting processes, strengthen alignment between ministry programmes and the Government's six flagship priorities, and monitor implementation progress. The Prime Minister's Office will also coordinate whole-of-government reporting and oversight to ensure flagship initiatives assigned to line ministries are delivered in a timely, efficient, and cost-effective manner.**

Funding for Six Flagship Programs

- 14.7 Government will implement measures to ensure that funding for initiatives under the six flagship programs is prioritised, predictable, and available in a timely manner, thereby minimising funding gaps and implementation delays. This will include strengthening cash flow management to provide continuous support for flagship program activities, as well as securing appropriate and cost-effective financing options where required.

- 14.8 Ministries and agencies benefiting from donor-funded programs and budget support arrangements that support the six flagship programs will be expected to meet all agreed policy, administrative, and performance requirements in a timely manner to facilitate the disbursement of committed donor resources. In parallel, Government will continue to engage closely with development partners to streamline and rationalise conditionalities, where appropriate, to improve access to budget support, enhance funding predictability, and strengthen overall budget certainty and implementation, particularly for initiatives aligned with the Government's six flagship programs.

15.0 MEDIUM TERM FISCAL STRATEGY – CORE OBJECTIVES

- 15.1 Informed by the economic outlook presented in **Section 8.0**, the Government's recent fiscal performance outlined in **Section 10.0**, and the risks and challenges discussed in **Section 9.0**, the Ministry of Finance has formulated a comprehensive fiscal strategy to preserve fiscal and macroeconomic stability, strengthen resilience to future shocks, and place public finances on a sustainable footing. The strategy is designed to support the Government's development aspirations while ensuring that fiscal policy remains consistent with the objectives of long-term economic growth and financial stability.
- 15.2 At its core, the strategy is multi-pronged and seeks to achieve five primary objectives:
- (i) Ensure adequate resources are available to support the delivery of public services.**
 - (ii) Discipline operational spending to maintain affordability and sustainability.**
 - (iii) Ensure sufficient resources are reserved within the budget to support future investment and growth, enhance productivity, and expand and diversify the economy;**
 - (iv) Progress key reforms in line with government's development agenda and policy priorities.**

- (v) **Bolster fiscal stability by gradually reducing the budget deficit and anchoring debt within the sustainable benchmark of 35 percent of GDP.**

15.3 To support the achievement of these objectives, Government has established a clear set of fiscal rules to guide future budgetary decisions and ensure they remain in alignment with the five pillars of governments fiscal strategy.

15.4 These fiscal rules are outlined below and described in further detail in **Section 17.0**.

Fiscal Rules & Commitments

Fiscal Objective 1: Rules for managing operational spending within sustainable limits

- (i) **Public Sector Wage Bill:** Gradually reduce the payroll budget from 11.0 percent of GDP in 2026 to 10.0 percent of GDP by 2030.
- (ii) **Other Charges Expenditures:** Reduce the budget for ‘other charges’ from 12.0 percent of GDP in 2026 to approximately 10.0 percent by 2030.

Fiscal Objective 2: Fiscal rule to support the delivery of public services

- (iii) **Operational Balance:** Maintain a positive recurrent budget balance over the medium term i.e., domestic revenues must consistently exceed recurrent expenditures each year to ensure sufficient funding is made available to support key government services and operations, and safeguard against cashflow disruptions.

Fiscal Objective 3: Fiscal rule to boost future investment and growth.

- (iv) **Recurrent/Development Budget Ratio:** Building on the progress achieved under the 2026 Budget, the Government will continue to maintain the minimum 80:20 ratio for recurrent-to-development expenditure. This means that government must reserve **at least** 20 percent of the annual appropriation for the development

budget, while the remaining balance should be allotted for the recurrent budget. Compliance with the ratio will ensure a dedicated share of public resources is channelled for development purposes every year, thereby supporting capital formation and laying the foundation for sustainable growth in the future.

Fiscal Objective 4: Commitment to Advance key reforms and policy Priorities:

- (v) **Benchmarking Budget Priorities:** This fiscal rule will be established during the budget formulation process once the Government has identified its key budget priorities and determined appropriate funding benchmarks. These benchmarks will guide resource allocation decisions and ensure that available funding is directed towards the Government's highest-priority policies, programmes, and development objectives (six flagship priorities).

Fiscal Objective 5: Fiscal rule to secure fiscal stability

- (vi) **Gradual Fiscal Consolidation:** Deficits over the medium term will be reduced gradually to ensure government achieves sustainable debt levels.
- (vii) **Debt Anchor - Debt to GDP Ratio:** Government will maintain debt levels within a ceiling of 35 percent of GDP over the medium term (2027-2030).

15.5 The above rules have been embedded in the design of the **2027 Budget Framework**, as outlined in **Section 12.0**. They have also been formally integrated into the financial projections of Government's **Medium-Term Fiscal Framework**, which are discussed in the ensuing section.

16.0 MEDIUM-TERM FISCAL FRAMEWORK

16.1 The Medium-Term Fiscal Framework (MTFF) sets out the Government's fiscal plan over the medium term, taking into account prevailing domestic and global economic conditions, emerging fiscal risks, and the resource requirements needed to deliver Government's important policy priorities.

- 16.2 **For fiscal planning purposes, the MTFF framework is intentionally designed to take into consideration only the government’s capacity to finance the budget - with domestic resources alone.** Accordingly, it excludes all forms of external financing, including grants, budget support, and other donor-funded assistance. The framework therefore focuses solely on projected SIG revenues, SIG expenditures, and the resulting SIG fiscal balances.
- 16.3 By isolating the Government’s underlying fiscal position from external funding, the MTFF provides a robust assessment of the sustainability of public finances and the Government’s capacity to fund service delivery and development priorities from its own resources. It serves as a key fiscal management tool for guiding financial policy and budget decisions while supporting fiscal discipline and long-term financial sustainability.
- 16.4 The Medium-Term Fiscal Framework for the 2027 Budget is presented in Table 4. It provides forward estimates of SIG revenues, SIG expenditures, and SIG fiscal balances over the period 2027 to 2030. These estimates are expected to set the direction, and pathway for managing public finances over the medium term.

Table 4: Medium Term Fiscal Framework (2027-2030)

BUDGET FRAMEWORK	2026 (R)	2027 (B)	2028 (B)	2029 (B)	2030 (B)	2027 Difference from 2026
REVENUE (\$M)						
Domestic Revenue						
Inland Revenue	3,150.6	3,364.5	3,542.5	3,719.5	3,921.1	6.8%
Customs and Excise	1,167.5	1,243.3	1,283.5	1,341.1	1,378.7	6.5%
Non-Tax Revenue	407.1	427.4	448.8	471.3	504.0	5.0%
Total Domestic Revenue	4,725.2	5,035.2	5,274.85	5,531.92	5,803.82	6.6%
TOTAL REVENUE	4,725.2	5,035.2	5,274.9	5,531.9	5,803.8	6.6%
EXPENDITURE						
Recurrent Budget						
Payroll	1,947.7	1,969.2	2,039.4	2,108.8	2,047.4	1.1%
National Debt Servicing	360.8	365.0	325.4	308.9	486.9	1.2%
Interest	83.3	112.2	92.7	84.6	212.9	
Principal	277.4	252.8	232.7	224.3	274.0	
Other Expenses	2,081.4	2,114.5	2,134.5	2,149.7	2,047.4	1.6%
Contingency Warrant Provision	20.0	20.0	20.0	20.0	20.0	
Total Recurrent Budget	4,409.9	4,468.7	4,519.3	4,587.4	4,601.8	1.3%
Development Budget						
SIG Funded Development	1,161.0	1,161.0	1,178.4	1,190.2	1,202.1	0.0%
Total Development Budget	1,161.0	1,161.0	1,178.4	1,190.2	1,202.1	0.0%
TOTAL EXPENDITURE	5,570.9	5,629.6	5,697.7	5,777.6	5,803.8	1.1%
DOMESTIC REVENUE - RECURRENT EXPENDITURE	315.3	566.6	755.5	944.5	1,202.1	
TOTAL SIG FISCAL POSITION (Excl. Budget Support)	(845.7)	(594.4)	(422.8)	(245.7)	(0.0)	
% GDP	-4.9%	-3.2%	-2.2%	-1.2%	0.0%	
FISCAL POSITION (Excl. Principal Payment on Public Debt)	(568.2)	(341.6)	(190.1)	(21.3)	274.0	
% of GDP	-3.3%	-1.9%	-1.0%	-0.1%	1.3%	
TOTAL DEBT STOCK	4,451.4	5,045.8	5,468.6	5,714.3	5,714.3	
Debt % GDP	25.6%	27.4%	28.2%	27.9%	27.9%	
Ratio - Recurrent Budget	79%	79%	79%	79%	79%	
Ratio - Development Budget	21%	21%	21%	21%	21%	
GDP @ Market Price (SI) \$M	17,387.9	18,386.6	19,404.5	20,473.5	20,474.5	

16.5 In summary, the **Medium-Term Fiscal Framework (MTFF)** proposes a gradual path for fiscal consolidation over the medium term, culminating in government achieving a balanced budget by 2030. The table shows that government plans to reduce the budget deficit progressively—from **4.9 percent of GDP in 2026**, to **3.2 percent in 2027**, **2.2 percent in 2028**, **1.2 percent in 2029**, and finally reaching a balanced budget in 2030. Under this consolidation plan, debt levels are expected to rise only marginally, reaching **27.9 percent of GDP by 2030** - which is well within the **35 percent sustainable threshold**.

16.6 This framework builds on the **fiscal consolidation strategy** adopted in the **2026 Budget**, and incorporates the **fiscal rules and targets** outlined in **Section 17.0**. The framework will be reviewed annually in light of prevailing economic conditions and key challenges facing the nation. The fiscal results of the framework are outlined below, indicating compliance with the proposed fiscal rules and targets.

	2026	2027	2028	2029	2030
Fiscal Rule Indicators					
Payroll % GDP	11.2%	10.7%	10.5%	10.3%	10.0%
Other Charges % GDP	12%	12%	11%	11%	10%
Recurrent Budget - Ratio	79%	79%	79%	79%	79%
Development Budget - Ratio	21%	21%	21%	21%	21%
Deficit % GDP	-4.9%	-3.2%	-2.2%	-1.2%	0.0%
Debt % GDP	25.6%	27.4%	28.2%	27.9%	27.9%

- 16.7 **Overall, the framework proposes that, while Government pursues fiscal consolidation and seeks to stabilise debt levels over the medium term, it will simultaneously strengthen expenditure discipline by containing recurrent spending and progressively redirecting a larger share of budgetary resources towards development expenditure. This rebalancing will support productive investments, enhance economic capacity, and strengthen long-term growth and development outcomes.**
- 16.8 This approach strikes an appropriate balance between achieving the Government's fiscal sustainability objectives and supporting its broader economic development agenda. By gradually recalibrating expenditure priorities, the strategy preserves fiscal space, strengthens resilience to future economic shocks, and supports a more diversified and robust economy. Over time, a stronger and more resilient economic base will reduce vulnerability to external pressures and lessen the risk of fiscal instability. Achieving these outcomes will also provide greater scope for Government to reassess its fiscal rules and commitments, allowing increased flexibility to respond to critical national priorities while maintaining prudent fiscal management.
- 16.9 A summary assessment of three medium-term budget scenarios is presented in **Annex 4**. The Medium-Term Fiscal Framework (MTFF) outlined in this section corresponds to Scenario 1 and reflects the Government's preferred fiscal strategy for balancing fiscal consolidation, debt sustainability, and economic development objectives over the medium term.

17.0 FISCAL RULES AND COMMITMENTS

- 17.1 To support the implementation of the Government's fiscal strategy, the Ministry of Finance and Treasury has established a comprehensive set of fiscal rules and policy commitments to guide budget formulation, reinforce fiscal discipline, and ensure the achievement of the framework's key objectives. These rules provide a clear mechanism for managing fiscal risks, maintaining debt sustainability, and aligning resource allocation with national development priorities. A summary of the proposed fiscal rules and commitments, together with an explanation of their purpose and policy rationale, is set out below.

Fiscal Rules to Secure Fiscal Stability

- 17.2 **Debt-to-GDP Ratio: A debt ceiling of 35 percent of GDP will be maintained over the medium term to safeguard fiscal sustainability and preserve adequate borrowing capacity for future contingencies and development needs.** Current government debt is estimated at 25.6 percent of GDP, remaining well below the prescribed ceiling. This position provides Government with a reasonable level of fiscal space to respond to potential economic shocks, while also supporting priority development investments over the medium term without compromising debt sustainability or long-term fiscal stability.
- 17.3 **Gradual Fiscal Consolidation:** The Government will pursue a gradual fiscal consolidation path over the medium term, with the overall budget deficit progressively reduced to support debt stabilisation and strengthen fiscal sustainability. As outlined in the MTFF, the fiscal deficit is projected to decline from 4.9 percent of GDP in 2026 to a balanced budget by 2030. This measured approach is intended to strike an appropriate balance between preserving fiscal discipline and maintaining the capacity to support economic growth and development priorities. By avoiding an overly rapid adjustment, Government can continue to invest in critical infrastructure, public services, and economic reforms while steadily restoring fiscal buffers and reinforcing macroeconomic stability over the medium term.

Fiscal Rules to Manage Growth in Recurrent Spending

- 17.4 **Public Sector Wage Bill (Payroll):** The public sector wage bill will be progressively managed towards a ceiling of 10 percent of GDP over the medium term to strengthen expenditure sustainability and create greater fiscal space for priority development spending. The current wage bill is estimated at 11.2 percent of GDP, and is expected to decline gradually over the medium-term planning horizon, reaching the 10 percent target by 2030. This approach reflects the Government's commitment to maintaining a capable and effective public service while ensuring that growth in personnel costs remains aligned with the economy's capacity to support it.
- 17.5 **Other Charges Expenditure:** The budget allocation for Other Charges will be contained and progressively reduced to approximately 10.0 percent of GDP over the medium term, compared with the current level of 12.0 percent of GDP. This policy is intended to strengthen discipline over operational and administrative spending, improve expenditure efficiency, and ensure that recurrent expenditure growth remains affordable and sustainable. The resulting savings will create additional fiscal space that can be redirected towards development expenditure, supporting higher levels of public investment in infrastructure, service delivery, and other strategic growth-enhancing priorities.

Fiscal Rules Supporting Economic Development and Diversification

- 17.6 **Recurrent/Development Budget Ratio:** Building on progress achieved through the 2026 Budget, government will continue to apply the 80:20 ratio to guide the allocation of recurrent and development budget expenditures for the national budget. Specifically, the rule requires that government must reserve at least 20 percent of the annual appropriation for the development budget, while the remaining balance should be allotted for the recurrent budget.
- 17.7 Compliance with this ratio will ensure that a dedicated share of public resources is consistently directed towards development priorities each year, supporting capital formation, infrastructure development, and other strategic investments. The rule also helps safeguard development expenditure from being crowded out by recurrent

spending pressures, thereby strengthening the economy's productive capacity and laying the foundation for sustained and inclusive economic growth over the long term.

Fiscal rule to support the delivery of public services

- 17.8 **Operational Balance:** To improve budget stability, Government will commit to maintaining a positive operational balance over the medium term. This requires recurrent expenditure to remain within projected domestic revenue, ensuring that recurrent spending is fully funded from domestic resources.
- 17.9 Maintaining a positive operational balance will reinforce fiscal discipline, strengthen budget credibility, and preserve fiscal space for development priorities and potential economic shocks.

Commitment to rebuild fiscal buffer

- 17.10 **Rebuilding the Cash Reserve Buffer:** Any additional or unbudgeted revenues realized during the financial year will be transferred to the cash reserve account. A strategy for allocating a defined portion of Government revenues to the Cash Reserve Account will be developed as part of the 2027 Budget. This will include consideration of options to transfer investment returns generated by the proposed Sovereign Wealth Fund to support the accumulation and sustainability of cash reserves.

Monitoring Fiscal Rules

- 17.11 Progress in implementing the Government's fiscal rules and commitments will be regularly reported through budget documents to monitor performance against the stipulated fiscal targets and ensure accountability for achieving the objectives of the Medium-Term Fiscal Framework.

18.0 REVENUE STRATEGY

- 18.1 This section outlines the key elements of the Government's medium-term revenue strategy, including major tax and non-tax policy reforms aimed at strengthening revenue mobilisation, improving compliance, and ensuring a fair and sustainable revenue system.

- 18.2 **Tax Reform:** The GREAT Coalition has placed tax reform at the centre of its fiscal agenda, with a focus on strengthening compliance, broadening the revenue base, and protecting public revenues. Long-standing practices of tax avoidance, weak compliance, and discretionary exemptions have been identified as significant sources of revenue leakage, undermining the Government's capacity to fund essential services and development priorities. While legitimate incentives that support investment and job creation will be maintained, unnecessary and abusive exemption practices will be progressively eliminated.
- 18.3 The enactment of the Tax Administration Act represents an important first step in modernising the country's revenue system and strengthening tax administration. Building on this reform, Government will pursue a broader programme of tax modernisation, including the introduction of a Value Added Tax (VAT), amendments to the Income Tax Act, and reviews of excise duties and resource-rent taxation arrangements. Collectively, these reforms aim to create a simpler, fairer, and more efficient tax system that ensures all taxpayers contribute appropriately and that the nation receives a reasonable return from economic activity.
- 18.4 As part of these efforts, Government has terminated all resource-sector tax exemption Memoranda of Understanding previously granted outside the established legal framework. This measure restores integrity and transparency to the revenue system by ensuring that all tax concessions are assessed and approved through the appropriate statutory processes. Under the new arrangements, authority for granting exemptions rests solely with the Revenue and Customs Exemption Committee, thereby eliminating discretionary arrangements and strengthening accountability across the resource sector.
- 18.5 These reforms are expected to strengthen fiscal discipline, improve revenue performance, and create a more equitable investment environment across the mining, forestry, and fisheries sectors. By reducing revenue leakages and ensuring the consistent application of tax laws, Government will be better positioned to finance essential public services and development investments.
- 18.6 **Sovereign Wealth Fund:** Government intends to establish a Sovereign Wealth Fund (SWF) in 2027 to secure long-term benefits from the country's mineral resources and

transform finite resource wealth into a sustainable source of future income. The Fund will form part of a broader package of mineral sector reforms designed to maximise national benefits from future mining developments while preserving wealth for future generations. Mineral revenues, particularly from gold and nickel projects, are expected to provide the primary source of funding for the SWF.

- 18.7 The proposed Fund will be supported by complementary reforms to the mineral sector, including amendments to mining legislation, greater state participation in strategic mining ventures, and measures to ensure a more equitable distribution of benefits among landowners, provinces, and the national government. Together, these reforms seek to strengthen resource governance, improve fiscal management, and enhance the long-term resilience of Government revenues and budgetary capacity.
- 18.8 **Strengthening Compliance and Arrears Collections:** Government will continue to prioritise improvements in tax compliance and arrears management to reduce tax evasion, minimise fraud, and improve revenue collection efficiency. Recognising the significant revenue potential from enhanced compliance, efforts will focus on strengthening enforcement activities, improving taxpayer monitoring, and deploying advanced technologies to support compliance management and the timely recovery of outstanding tax liabilities.
- 18.9 **Review of Non-Tax Revenues:** Government will continue its review of fees, charges, and other non-tax revenues across line ministries and agencies. Led by the Economic Reform Unit within the Ministry of Finance and Treasury, this programme seeks to ensure that public charges are regularly updated and, where appropriate, aligned with the cost-of-service delivery. While cost-recovery principles will guide the review process, due consideration will be given to affordability, social obligations, public policy objectives, and the broader investment climate. Efforts will also focus on improving service delivery standards to ensure that any adjustments in fees and charges are accompanied by corresponding improvements in service quality.
- 18.10 Government will adopt the following key strategies to guide the formulation and implementation of revenue policy over the medium term:

- Fast-track reforms to improve revenue collection efficiency, strengthen compliance, and reduce leakages.
- Ensure the Inland Revenue and Customs Divisions are adequately resourced to combat tax evasion, improve compliance, and address aggressive tax planning.
- Protect the tax base by eliminating discretionary tax exemptions and replacing them with transparent, rules-based processes. Tax incentives will be conditional on investors meeting clearly defined criteria, including minimum investment thresholds, employment creation targets, and other measurable economic benefits.
- Modernise tax and revenue legislation to streamline administration, close loopholes, and enhance revenue collection.
- Provide adequate resources and institutional support for the effective implementation of the Value Added Tax (VAT), including measures to address transitional challenges and safeguard the integrity of the regime.
- Develop targeted, performance-based tax incentive packages to promote investment in priority sectors such as agriculture, fisheries, mining, and tourism.
- Monitor commitments under regional and international trade agreements to safeguard strategic interests, protect the revenue base, and maximise reciprocal benefits.
- Continue efforts to simplify the tax system, reduce compliance costs, and improve taxpayer services through streamlined processes and payment systems.
- Strengthen internal controls and revenue management systems across government to improve collections, enhance arrears recovery, and minimise leakages.
- Strengthen the administration of Special Economic Zones to attract investment, boost productivity, and support private sector development.

- Continue reviewing government fees, fines, and charges to ensure they remain appropriate and, where feasible, aligned with cost-recovery principles.
- Leverage digital technologies, including electronic payment systems and modern compliance tools, to improve collection efficiency and strengthen revenue administration.

18.11 Collectively, these strategies will support the development of a more efficient, transparent, and resilient revenue system capable of strengthening domestic revenue mobilisation, safeguarding fiscal stability, supporting economic diversification, and advancing the nation's long-term development objectives.

19.0 EXPENDITURE MANAGEMENT STRATEGY

19.1 Government's expenditure policy will continue to prioritise the adequate resourcing of line ministries to support the delivery of public services, particularly in essential sectors such as health, education, and national security.

19.2 **Education:** As announced by the Honourable Prime Minister, a key flagship policy for 2027 is the provision of free education across all levels of the education system, from early childhood through to secondary and tertiary education. This policy should not be viewed simply as a social intervention, but rather as a long-term investment in the nation's human capital that will enhance the capacity of Solomon Islanders to contribute meaningfully to future economic growth and development. With the nation's growing youth population, the policy aims to expand educational opportunities, strengthen skills development, and equip future generations with the knowledge and capabilities required to participate productively in the economy and drive long-term national prosperity.

19.3 **Health:** Alongside education, significant investments will also be made to strengthen the nation's health system, including upgrading hospital infrastructure, ensuring the adequate supply of medicines and equipment, and expanding the range of health services available to the public. Health services will also be progressively decentralised

to improve access across all provinces and districts, including remote and isolated communities. Ultimately, the goal is to ensure that all Solomon Islanders have access to a comprehensive continuum of quality healthcare services, thereby safeguarding the nation's wellbeing, productivity, and resilience into the future.

- 19.4 **Police Force:** Government will continue to invest in the Police Force to strengthen national security and promote a stable and peaceful environment conducive to nation-building and economic development. Peace and stability are fundamental to investor confidence and sustained social and economic progress. Consistent efforts will therefore be made to improve the ratio of police personnel to the national population, ensuring adequate security coverage in line with international benchmarks.
- 19.5 **Public Infrastructure:** Government will also prioritise investments in critical public infrastructure to expand access to essential services such as electricity and water, while improving connectivity through better road, sea, and air transport networks. Reforms to inter-island shipping services will be prioritised to raise service standards and improve reliability, frequency, and timeliness. This will include a review of the shipping franchise scheme to ensure uneconomical maritime routes remain affordable and accessible.
- 19.6 Taken together, these investments aim to build a healthier, better educated, and more secure society with the capacity to drive higher productivity, accelerate economic growth, and deliver improved living standards for all Solomon Islanders over the long term.
- 19.7 **Management of Special Funds:** In accordance with the High Court ruling of 20 August 2025 and pursuant to Section 25 of the Public Finance Management Act, the Ministry of Finance will present a comprehensive account of all income and expenditures to be deployed through special funds in the 2027 Budget Estimates. The deployment of public resources to these funds will be governed by a dedicated accounting warrant administered by the Ministry of Finance. This reform marks an initial step toward strengthening oversight of special fund operations, enhancing transparency, and reinforcing accountability in the management of public resources.

Expenditure Management Measures

19.8 The following strategies will be adopted over the medium term to strengthen expenditure management and improve budget planning, coordination, and execution:

- Conduct a comprehensive review of the public service to ensure its size and cost remain affordable, efficient, and sustainable over the long term. The review will also assess outstanding commitments negotiated with public sector unions, together with reforms arising from the 2025 Public Service Act, including provisions relating to the contracting of civil servants, to ensure the long-term sustainability of the public sector wage framework.
- Strengthen controls over discretionary recurrent expenditure, including travel, workshops, training, conferences, communications, and other administrative costs, to minimise waste and improve value for money.
- Require rigorous cost-benefit analysis for all major new projects and spending proposals to ensure public investments deliver tangible economic and social returns and align with national development priorities.
- Conduct targeted reviews of government programmes to improve expenditure quality, strengthen allocative efficiency, and enhance programme performance and outcomes.
- Review the administration of all government transfers, including grants, subsidies, and subventions, to improve effectiveness, reduce inefficiencies, prevent misuse, and ensure funds are utilised for their intended purposes.
- Collaborate with line ministries and agencies to progressively implement a multi-year budgeting framework that strengthens alignment between resource allocations, strategic priorities, and long-term policy objectives, while improving budget predictability.
- Explore innovative Public-Private Partnership (PPP) arrangements that appropriately balance risks, reduce lifecycle costs, leverage private sector investment and expertise, and maximise value for money and benefits to society.

- Continue the full rollout of the D365 Financial Management Information System (FMIS), including budgeting, fiscal reporting and financial management modules, to strengthen expenditure monitoring, accountability, and budget execution.
- Strengthen budget appraisal and evaluation frameworks to ensure ministry submissions are aligned with Government priorities, implementation capacity, and available fiscal resources.
- Enhance the capacity of central agencies to effectively monitor development projects and programmes, identify implementation challenges early, and facilitate timely corrective actions to improve project delivery.
- Produce regular monthly and quarterly fiscal reports in accordance with international standards to enhance transparency, strengthen accountability, and support informed fiscal decision-making.

19.9 Collectively, these measures will strengthen expenditure discipline, improve the efficiency and effectiveness of public spending, and ensure that limited public resources are directed towards the Government's highest development priorities while maintaining long-term fiscal sustainability.

20.0 DEBT MANAGEMENT STRATEGY

20.1 Debt policy for the medium term will continue to focus on achieving debt sustainability by adopting sound risk and debt management strategies. Key strategies for managing debt levels over the medium term are itemized below:

- Maintain a stable and affordable debt maturity structure to manage the burden of settlement and minimize exposure;
- Identify opportunities to re-finance expensive debt under concessional facilities with bilateral and multilateral institutions;

- Develop the domestic capital market, with a diverse range of debt and equity instruments;
- Improve liquidity by creating new bonds with varying yields and maturity structures;
- Establish an open and collaborative investor relations platform to promote secondary market trading, enhance liquidity, and strengthen investor confidence.
- Prioritize bilateral grants and donor support, over concessionary borrowings to fund development programs;
- Develop a robust framework for monitoring the performance of State-Owned Enterprises (SOEs) to better assess exposure to contingent liabilities and government guarantees. This should help government design timely interventions to support performance and reduce exposure to such risks; and
- Strengthen supervision of special off-budget funds to ensure proper management in line with prudent financial standards and principles.

20.2 Further details on Government’s debt management strategy are outlined in **Annex 7**.

21.0 BUDGET AND FINANCIAL MANAGEMENT REFORM INITIATIVES

21.1 **Budget Preparations:** The priorities and commitments of the GREAT Coalition will be reflected in the 2027 Budget, with all Ministries required to submit fully costed workplans to ensure Government commitments are translated into tangible outcomes rather than broad policy statements. Each Ministry will be required to prepare a three-year strategic plan outlining the specific programmes, projects, and initiatives necessary to achieve the objectives set out in the GREAT Government’s Policy Statement. All proposed activities must be comprehensively costed and incorporated into budget

submissions. These plans should also identify the administrative, operational, institutional, and legislative requirements necessary for implementation, including the review of existing legislation and the introduction of new bills where required.

- 21.2 Several reforms will be introduced in 2027 to strengthen the budget preparation process and make it more rigorous, inclusive, and participatory. These reforms are intended to improve the quality of budget deliberations by placing greater emphasis on policy priorities, strategic outcomes, and measurable results, rather than focusing primarily on line-item expenditure allocations. They will also broaden stakeholder participation in the budget process by providing greater opportunities for consultation with the private sector, civil society organisations, development partners, academia, community groups, provincial governments, and the general public.
- 21.3 The proposed reforms to the Government's budget process, together with a range of public financial management reform initiatives, are outlined in **Annex 5**.

22.0 BUDGET OPERATIONAL RULES

- 22.1 In preparing submissions for the 2027 Budget, line ministries will be required to comply with a number of mandatory operational rules and guidelines designed to support the preparation, assessment, and prioritisation of budget proposals. These requirements are intended to promote consistency, strengthen the quality of budget submissions, and ensure that proposed expenditures align with the Government's fiscal strategy and policy priorities. A detailed summary of these rules is provided in **Annex 6**.
- 22.2 The timetable for preparation of the 2027 Budget is presented in **Annex 1**. All line ministries are required to adhere strictly to the deadlines and requirements set out in the timetable to facilitate the timely and orderly preparation of the national budget. Failure to meet prescribed deadlines may result in submissions not being considered during the budget assessment process.

23.0 CONCLUSION

- 23.1 The 2027 Budget marks the first budget of the GREAT Coalition Government and sets out an ambitious medium-term reform agenda encompassing a broad range of transformative initiatives. These include the introduction of Free Education, the establishment of a Sovereign Wealth Fund, comprehensive tax reform, the revival of the National Bank of Solomon Islands, governance and financial sector reforms, strategic infrastructure and connectivity investments, and measures to strengthen resilience to climate change and natural disasters, among other national priorities.
- 23.2 Budget deliberations will focus on translating these priorities into practical and achievable outcomes, with careful attention given to the sequencing, affordability, and sustainability of reforms. Given the scale and breadth of the Government's agenda, difficult choices and trade-offs will inevitably be required to balance competing demands while maintaining fiscal stability. Accordingly, the 2027 Budget will seek to align policy ambitions with available resources and implementation capacity, ensuring that reforms are delivered in a credible, coordinated, and sustainable manner. This disciplined approach will be critical to progressively realising the Government's broader development vision and securing lasting economic and social benefits for the people of Solomon Islands.

ANNEX 1

2027 Revised Budget Timeline

No.	Budget Activity	Timeline
1.	Preparation of macroeconomic & revenue forecasts	June/July 2026
2.	Presentation of Budget Strategy & Medium-Term Fiscal Framework to Cabinet	24 th Sept 2026
3.	Budget Launch [Minister's Press Statement on the Budget Strategy for 2027 Budget] & Issuance of Budget Strategy Paper	8 – 9 th Oct.
4.	Consultation with ministries by Sector [Fundamental, Social, Productive and Resource], Donors/Dev partners to discuss budget requirements/timeline/special fund submissions.	12 - 13 th Oct.
5.	Ministries prepare/ submit budget proposals	12 - 23 rd Oct.
6.	BCC and BSC finalise assessments and present to Minister Conduct one-on-one session if required.	26 Oct – 4 Nov
7.	Draft Appropriation[bill] presented to Caucus/Cabinet	5 – 6 Nov
8.	Final Draft Budget estimates printed [For Parliament]	6 – 8 th Nov.
Parliamentary Process		
9.	Public Accounts Committee [PAC] review process	9 -20 Nov. [2 weeks]
10.	Parliament Sitting	23 Nov. – 4 Dec.
11.	Third Reading of Appropriation Bill [Budget Approved]	4 Dec.

ANNEX 2

GREAT COALITION GOVERNMENTS POLICY STATEMENT

Please see attached the GREAT Governments Policy Statement Document.

ANNEX 3

GREAT COALITION GOVERNMENT KEY REFORMS & POLICY PRIORITIES

- **Free Education Policy:** The GREAT Government has announced major education reforms, including splitting the Ministry of Education into two entities from 2027. A new ministry will focus on higher education, skills development, and research, while the existing ministry will continue overseeing basic education. This restructuring is intended to strengthen the free education policy, improve sector management, and embed STEM learning from mid-primary through to vocational and tertiary levels. The government believes this separation will allow greater focus on the growing demands of tertiary education and workforce development.

Central to these reforms is the nationwide roll-out of free education beginning in January 2027. The policy aims to remove financial barriers such as tuition fees, uniforms, and other costs that prevent children from attending school. The Ministry of Finance and Treasury is assessing budget implications, while the Ministry of Education is designing implementation mechanisms. Final decisions on whether the policy will cover all levels—from primary to university—or begin with primary and secondary education will be made by Cabinet once data is complete. This initiative is part of a broader economic transformation agenda, designed to produce a highly skilled workforce for the next thirty years.

In Parliament, the reforms highlighted the injustice faced by families who often sacrifice several times their annual income to educate one child, forcing difficult choices about which children can attend school. It was emphasized that free education is not a stand-alone measure but must be accompanied by investments in classrooms, teachers, laboratories, and learning resources to ensure schools are prepared to receive every child. The policy builds on earlier parliamentary debates under previous governments and represents a long-awaited national reform.

Alongside these reforms, the government is strengthening technical and vocational education (TVET). TVET is recognized as a national development pathway, not a

second-choice option, with ongoing support through scholarships and equipment. In 2027, scholarship numbers are expected to rise to 1,500, covering fields such as automotive engineering, tourism, agribusiness, and construction. The newly launched TVET Policy provides a framework for improving quality assurance, industry relevance, and pathways into employment and entrepreneurship. Together, these reforms and investments aim to build a skilled, confident workforce, reduce financial burdens on families, and position education as a cornerstone of national development.

- **Sovereign Wealth Fund:** The Solomon Islands Government has announced plans to establish a Sovereign Wealth Fund (SWF) in 2027, designed to secure long-term benefits from the country's mineral resources for future generations. The initiative is part of broader mineral sector reforms aimed at avoiding the mistakes of the logging industry, where resource wealth was lost to corruption and inequity. Revenues from mining—particularly gold and nickel—will be the primary source of funding, with legislation expected to be tabled in Parliament towards the end of next year. The SWF will invest both locally and overseas, with returns directed to essential services such as health, education, and infrastructure, while also preserving wealth for future generations.

The fund is framed as a “generational policy” to transform finite mineral wealth into sustainable, long-term revenue streams. It will be accompanied by sweeping reforms in the mineral sector, including amendments to the Mineral Resources Bill, greater state participation in mining projects, and new mechanisms to ensure landowners and provinces benefit equitably. A state-owned enterprise will be created to hold mining tenements and conduct prospecting, while new Trust legislation will govern how landowner benefits are distributed—moving away from direct cash payments toward community projects in housing, water, health, and education. These measures aim to strengthen fiscal management, ensure fairer distribution of resource wealth, and build resilience against economic and climate-related shocks.

The Central Bank of Solomon Islands has strongly supported the creation of the SWF, highlighting its role in securing macroeconomic stability and reducing reliance on volatile commodity revenues. Experts caution, however, that the success of the fund will depend on strong legal frameworks, transparent governance, and independent

oversight to prevent political interference. If implemented effectively, the SWF could mark a major shift in how the Solomon Islands manages its natural wealth—transforming one-time resource earnings into a permanent financial asset that supports national development priorities and safeguards prosperity for future generations.

- **Tax Reform:** The GREAT Coalition has placed tax reform at the centre of its fiscal agenda, aiming to strengthen enforcement and protect public revenue. Long-standing practices of exemptions and avoidance have been identified as major sources of leakage, undermining the government’s ability to fund essential services. Legitimate relief measures that support investment and job creation will remain, but discretionary and abusive practices are to be eliminated. The introduction of the Tax Administration Act marks the first step in building a stronger foundation for compliance and fair revenue collection, while upcoming reforms will include Value Added Tax legislation, revisions to the Income Tax Act, and reviews of excise and resource rent taxation. The overarching goal is a fairer system where the burden is shared and the country secures proper returns from economic activity.
- A decisive measure has been taken with the termination of all resource-sector tax exemption Memoranda of Understanding. This action closes fiscal loopholes and restores integrity to the revenue system by ensuring exemptions are granted only through lawful processes. Authority now rests solely with the Revenue and Customs Exemption Committee, ending discretionary arrangements that previously allowed exemptions outside the legal framework. Resource companies are directed to comply fully with existing legislation, with any requests for relief submitted through the proper channels.
- This reform strengthens fiscal discipline and safeguards public revenue, ensuring that exemptions are transparent, accountable, and consistent with national priorities. By removing special arrangements in mining, forestry, and fisheries, the government has created a level playing field for all investors. The move is expected to increase revenue collection, enabling greater investment in services and development across the country.
- Together, these measures reflect a broader commitment to fiscal responsibility, transparency, and fairness. By ending revenue leakages, strengthening accountability,

and ensuring every dollar collected benefits the people, the reforms aim to build a more resilient financial system. They represent a major step toward sustainable fiscal management and the protection of national wealth for future generations.

- **Revival of National Bank of Solomon Islands:** The government has announced plans to revive the **National Bank of Solomon Islands** (NBSI) as part of broader financial sector reforms aimed at tackling poverty and expanding access to financial services. The initiative is framed not as a return to the past but as building a resilient financial future that complements existing operations. The new bank will focus on rural communities, where access to formal banking remains limited and costly, and will serve as a vehicle for financial inclusion, savings, and credit access. Cabinet has already approved work on the new institution, including a Rural Bank component being developed in partnership with the World Bank.
- The revival of NBSI is intended to restore national ownership over financial intermediation and strengthen sovereignty in the financial sector. Historically, the bank provided the widest network of services across the islands, connecting even remote communities to modern banking. Its re-establishment is expected to help people save securely, access credit, and participate more fully in the economy, while also addressing the failures of past credit unions. Reforms to the Credit Union Act are anticipated, with some existing unions likely to be wound up as part of efforts to strengthen the sector.
- Importantly, the new NBSI is not designed to compete with commercial banks in Honiara for corporate business but to fill a critical gap in rural banking. By extending services to communities long excluded from the formal financial system, the initiative seeks to reduce poverty, promote financial independence, and support broader economic development. If successfully implemented, the bank could become a cornerstone of financial resilience, ensuring that more Solomon Islanders benefit from secure savings, accessible credit, and inclusive participation in the national economy.
- **State Owned Enterprise Reforms:** State-Owned Enterprises (SOEs) play a vital role in delivering essential services, supporting economic activity, and safeguarding strategic national assets. Their performance directly impacts the public purse, with some operating effectively while others struggle with inefficiency. The reform agenda

emphasizes governance, accountability, transparency, financial performance, and efficiency. Measures include ensuring SOEs do not pass losses to the Treasury, adjusting unsustainable salary structures, and amending key legislation such as the Insurance Act, Financial Institutions Act, and the National Provident Fund Act to strengthen oversight and sustainability.

- A significant development within this reform program is the establishment of a new SOE to take direct commercial interest in the mineral sector. This marks a shift from reliance solely on royalties, with the government retaining mineral tenements, tendering them to development partners, and holding equity stakes in projects. The model is designed to ensure provinces and customary landowners also benefit through equity participation, while revenues are channelled into long-term priorities such as housing, education, and health rather than distributed as cash payments. This approach mirrors successful structures in neighbouring countries, where landowner investment has built significant assets and businesses.
- Mineral revenues are also expected to contribute to a Sovereign Wealth Fund, with a target of up to \$10 billion by 2029. Properly invested, this wealth could finance free education, healthcare, social protection, and potentially a basic income for citizens. The fund is intended to provide sustainable returns to support the national budget and essential services, transforming finite resource earnings into permanent financial assets for future generations.
- These reforms reflect lessons learned from past industries, particularly logging, where short-term gains undermined long-term prosperity. By embedding strong governance frameworks, transparent management, and equitable benefit-sharing mechanisms, the strategy aims to ensure mineral resources generate lasting wealth, strengthen national resilience, and secure intergenerational benefits rather than repeating past mistakes.
- **Mining Sector Reforms:** Mining reforms have been welcomed as an important step toward strengthening governance, accountability, and sustainable management of natural resources. However, there is strong emphasis that any major policy changes must be carefully implemented in partnership with those directly affected. Stakeholders

such as landowners, local communities, provincial authorities, miners, and industry participants are seen as critical voices in shaping reforms, particularly in areas where gold mining operations are concentrated. Calls have also been made for a reasonable transition period to allow time for adjustment and compliance with new frameworks.

- A key concern is the economic welfare of ordinary citizens who derive income and employment from activities linked to the gold sector. Reforms must therefore balance national development objectives with the livelihoods of communities that depend on mining. Ensuring that reforms do not disrupt local economies without adequate safeguards is considered essential to maintaining social stability and fairness in the transition process.
- Environmental management and strict compliance with existing legislation, including the Environment Act and the Mines and Minerals Act, have been highlighted as critical priorities. Mining activities must be conducted responsibly to protect ecosystems and uphold legal standards. At the same time, the growing problem of illegal mining has been flagged as a serious threat, undermining lawful operators, endangering public safety, damaging the environment, and infringing on customary landowner rights.
- Overall, the recommended path forward is a holistic approach that balances economic development, environmental responsibility, legal compliance, and community well-being. Mining reforms must integrate stakeholder participation, ensure adherence to legislation, and tackle illegal operations, while also protecting the livelihoods of those who depend on the sector. This balanced framework is seen as essential to ensuring that resource wealth contributes to long-term national prosperity without repeating the mistakes of past industries.
- **Business Reform (Private Sector Reform):** The government's business reform agenda is centred on creating a fair and transparent environment where enterprises can prosper under a level playing field. The emphasis is on eliminating practices that grant disproportionate advantages or special favours, which have historically distorted the economy and undermined trust in institutions.
- At the heart of these reforms is a commitment to fairness, transparency, and equal opportunity for all businesses operating in the country. The approach seeks to ensure

that no enterprise is unfairly advantaged or disadvantaged, thereby fostering healthy competition and sustainable growth.

- This policy direction signals a shift away from past practices and sets a clear expectation that businesses must operate responsibly within a framework that prioritises integrity and accountability. By embedding these principles, the reforms aim to strengthen investor confidence, encourage entrepreneurship, and build a more resilient economy.
- Ultimately, the business reform agenda is designed to create conditions where prosperity is shared more broadly, competition is fair, and the economy grows on the basis of trust and equal opportunity rather than privilege or favouritism.
- **Promoting Local Participation in Business:** The government's reform agenda places strong emphasis on empowering local participation in business, particularly by supporting young entrepreneurs. Access to finance and opportunities in public procurement are being prioritized to help youth-owned and local businesses grow. Procurement rules are under review to ensure greater inclusion of local enterprises in tenders, while accountability and quality standards remain intact. This reflects a broader goal of shifting economic control away from foreign dominance and returning it to citizens through entrepreneurship and local enterprise development.
- Improving access to finance is a central pillar of these reforms. Plans are underway to engage commercial banks in developing funding arrangements with lower interest rates and reduced collateral requirements. Such measures are intended to make it easier for young entrepreneurs to establish and expand businesses, thereby fostering innovation, employment, and broader economic participation. The government views this as essential to building a more inclusive economy where opportunities are not restricted by prohibitive borrowing costs.
- Concerns have also been raised about high interest rates and unnecessary banking fees, which are seen as barriers to both households and businesses. These costs undermine productivity, discourage investment, and restrict entrepreneurship. The government has called on financial institutions to reduce these charges and align their operations with national development priorities. Price stability, financial system soundness, and support

for inclusive growth are framed not as technical obligations but as commitments owed to citizens.

- Beyond the financial sector, the government has also highlighted the role of key institutions such as utilities and telecommunications providers. Their pricing and efficiency directly affect competitiveness, investment, and the cost of living. Ensuring that essential services remain reliable and affordable is considered vital to reducing economic pressures on households and businesses. Taken together, these reforms aim to lower the cost of living, expand access to finance, and create a fairer environment where more citizens can participate meaningfully in economic opportunities.
- **Financial Sector Reforms:** The Central Bank has unveiled a comprehensive vision to modernise the financial sector, focusing on phasing out cheque payments, strengthening monetary policy operations, expanding digital financial services, and exploring the introduction of a Central Bank Digital Currency. These reforms are designed to improve financial inclusion, enhance resilience, and ensure the institution remains aligned with global technological change.
- A major priority is expanding affordable access to financial services, particularly for rural communities, women, youth, and small businesses. While infrastructure has grown to thousands of access points nationwide, the challenge remains to ensure services are reasonably priced and accessible to all. The Central Bank has urged financial institutions to lower costs and ensure their decisions genuinely reach households, businesses, and communities.
- Looking ahead, plans include transforming the headquarters into a “Central Bank Hub” for research, innovation, and collaboration. This will feature a Research Institute, a Currency Museum, and a Financial Innovation Hub to test new solutions before wider adoption. Together, these initiatives aim to position the institution as a world-class central bank, ensuring stability, inclusivity, and long-term national development.
- **Provincial Governance Reforms:** The GREAT Coalition Government has placed the review of the Provincial Government Act 1997 at the forefront of its reform agenda, reaffirming its commitment to strengthening provincial governance and improving

service delivery. This initiative seeks to modernize the provincial government system, which has remained largely unchanged for decades, limiting the ability of provinces to adapt to evolving national priorities and governance demands.

- The reform will be implemented through a two-stage approach. In the short term, transitional amendments to the existing Act will be advanced to address urgent operational gaps and improve the functionality of provincial administrations. In the longer term, a comprehensive review will establish a modern legislative and policy framework that reflects contemporary realities, emerging challenges, and the aspirations of provincial governments and communities across the nation.
- To ensure effective oversight, a dedicated Provincial Government Act Review Task Force will be established to guide the process. This body will draw on legislation, government policies, parliamentary and provincial records, academic research, evaluation reports, and international best practices in decentralized governance. The review will assess the origins and intent of the Act, analyse implementation outcomes, identify recurring challenges, and compare the current framework with relevant governance models to inform reform options.
- This landmark reform represents a significant opportunity to strengthen accountability, clarity, and effectiveness in provincial governance. By combining immediate improvements with long-term transformation, the GREAT Coalition Government aims to build stronger, more responsive provincial institutions that can deliver services more effectively and improve the lives of communities throughout the Solomon Islands.
- **Agriculture and Coastal Fisheries Reforms:** The GREAT Coalition Government has placed agriculture reform at the centre of its economic transformation agenda, recognising the sector's role in food security, rural livelihoods, and foreign exchange earnings. The reforms aim to modernise farming practices, expand climate-resilient crops, and strengthen extension services to reduce reliance on imports. Programmes are being rolled out to support staple crops such as taro, yam, bananas, breadfruit, and rice, alongside livestock initiatives in poultry, pig breeding, and cattle development to improve nutrition and reduce dependency on external supplies.

- A major focus is on moving beyond raw commodity exports by investing in value-added processing. Coconut and cocoa industries are being rehabilitated and expanded, with new nurseries and plantations established to increase production. The Government is prioritising downstream processing of copra, cocoa, and kava to create jobs, retain more value locally, and boost foreign exchange earnings. This approach is complemented by technology transfer and partnerships with regional economies to strengthen processing capacity and introduce hybrid crop varieties.
- Seaweed farming has emerged as a key diversification strategy, integrated with fisheries reforms to support coastal livelihoods. The Government is working to strengthen production systems, improve access to finance, and secure cold storage and market linkages. By expanding seaweed and other marine-based products, communities are provided with new income streams while reducing reliance on single commodities. This diversification builds resilience against external shocks and supports sustainable resource use.
- Agriculture reforms are being closely linked to Solomon Islands' upcoming graduation from Least Developed Country (LDC) status, with the sector positioned as the backbone of economic transformation. The government's agenda emphasises food security, value-added processing, seaweed expansion, and stable export markets, while also drawing lessons from China's achievements in poverty reduction and agricultural innovation. Cooperation with Jiangsu Province is strengthening research, training, and technology transfer, including the establishment of rice demonstration bases, farm equipment handovers, and partnerships between local institutions and Chinese agricultural academies. These initiatives align with national priorities to modernise farming practices, expand climate-resilient crops, and strengthen extension services, ensuring agriculture drives inclusive growth.
- The reforms are designed to move beyond raw commodity exports by investing in downstream processing of coconut, cocoa, and kava, creating jobs and retaining more value locally. Seaweed farming is being integrated with fisheries reforms to diversify coastal livelihoods, while livestock programmes in poultry, pig breeding, and cattle development aim to reduce imports and improve nutrition. Partnerships with

international actors are enhancing access to hybrid crop varieties, research expertise, and climate-resilient technologies. By combining food security, value addition, and international cooperation, the Solomon Islands is positioning agriculture as the cornerstone of its post-LDC development pathway, ensuring that communities benefit directly from resource wealth and that rural livelihoods are strengthened for sustainable growth.

- **Independent Commission Against Corruption:** The Independent Commission Against Corruption is being prioritized for reform to restore integrity and public trust. The government has committed to fully equipping the institution so it can deliver on its mandate effectively. While some progress has been achieved, operational capacity remains limited, and confidence among citizens is still fragile. Strengthening the Commission is seen as essential to ensuring corruption is addressed in a credible and transparent manner.
- A major obstacle has been the absence of a Director General, which has significantly stalled the Commission's work. The leadership has directed that the appointment process be advanced, including consideration of the previously recommended candidate, to ensure the Commission can function properly. Restoring leadership, resources, and operational strength is viewed as critical to rebuilding confidence and demonstrating that corruption will be tackled decisively.
- **Electoral Reforms:** The Electoral Commission is advancing significant institutional reforms to strengthen the country's electoral system. A new voter registration system is scheduled to begin field operations in 2027, with the necessary technology already secured and equipment delivered. Despite major setbacks, including the destruction of the Commission's office by fire and the loss of its Deputy Chief Executive, the institution has demonstrated resilience by successfully conducting three consecutive by-elections.
- The government has emphasized that key reforms must be completed by the end of this year to ensure credibility and preparedness for future elections. In addition to supporting the Commission's recovery and modernization, the government has tasked

it with exploring frameworks and technical platforms for diaspora voting, enabling Solomon Islanders abroad to participate in national elections. These measures reflect a broader commitment to strengthening democratic processes and restoring confidence in the electoral system.

- **National Security:** National security and development are being framed as inseparable priorities, with the government emphasizing that peace and stability cannot be achieved without sustainable development, strong institutions, and good governance. Security policies must be nationally owned while also supported through regional partnerships, as past unrest in the Solomon Islands demonstrated the need for collective responses. The government is committed to strengthening Pacific cooperation and advancing Pacific-led solutions to regional security challenges, ensuring that trust, solidarity, and regional ownership underpin future arrangements.
- At the recent Pacific Peace and Security Dialogue in Suva, leaders highlighted the growing challenges facing the region, including climate change, transnational crime, economic vulnerability, geopolitical competition, social inequalities, and youth unemployment. For the Solomon Islands and the wider Pacific, building resilient communities, investing in people, creating economic opportunities, and reinforcing institutions are seen as essential foundations for lasting peace. The Regional Assistance Mission to Solomon Islands was cited as a successful example of collective security, underscoring the strength of working together to address shared challenges across the Pacific.
- **Constituency Development Fund:** The Government has endorsed the Community Participatory Audit (CPA) initiative to strengthen transparency and accountability in the management of Constituency Development Funds (CDF). Piloted in two constituencies, the initiative gives communities a direct role in monitoring and assessing projects funded through CDF allocations. The Office of the Auditor General (OAG) plans to expand CPA to all 50 constituencies, recognizing its importance in building public confidence in the use of these funds.
- CDF allocations now amount to approximately \$250 million annually, representing about six percent of the national budget. Oversight of such a significant portion of public resources has become both a constitutional and developmental necessity. The

CPA model allows community members to work alongside auditors to verify whether projects have been delivered as reported, ensuring that funds are used for their intended purposes. This approach moves beyond traditional audits, which often rely solely on receipts and reports, by involving citizens in on-the-ground verification.

- The initiative draws inspiration from successful citizen-participatory audit programs abroad and has been adapted to the Solomon Islands context with support from international development partners. It focuses on compliance with the CDF Act 2023, procurement practices at constituency level, and verification of project delivery. By embedding community involvement, the CPA seeks to address concerns about misuse of funds and weak governance practices.
- Public perception of CDF has been largely negative, with surveys indicating that a majority of citizens do not believe the funds have positively impacted their communities. Complaints of unfair distribution, abuse of funds, and unreliable reporting have persisted. The CPA initiative is therefore positioned as a response to these concerns, aiming to restore trust, improve accountability, and ensure that CDF resources contribute meaningfully to development outcomes.
- **Climate Change and Natural Disaster Preparedness:** The Solomon Islands has formally endorsed the Global Principles for Addressing Climate Mobility, underscoring the urgent need to respond to the impacts of rising seas and coastal erosion. Communities across the country are already experiencing displacement, with several reef islands lost and others severely eroded. Entire villages have been forced inland, while families in low-lying areas have seen their homes destroyed. These realities highlight the growing challenge of climate-induced mobility and the importance of planned, dignified responses.
- A new partnership with the United Nations Office for Project Services will strengthen adaptation planning and resilience-building, while supporting community-led solutions that allow people to remain on their ancestral lands where possible. The agreement also paves the way for a national climate mobility blueprint, improved access to climate finance, and voluntary relocation measures that respect cultural identity and human

rights. The Solomon Islands has called for stronger international support to safeguard the sovereignty, livelihoods, and dignity of small island states facing the existential threat of sea-level rise.

- Recent initiatives highlight the country's proactive approach to disaster readiness. Upgraded evacuation centres in Kinamara, Rawaki, and Canaan now provide safe refuge during emergencies, supported by partnerships with international organizations and donors. These facilities are complemented by strengthened disaster committees, simulation exercises, and improved emergency infrastructure, ensuring communities are better prepared for future shocks. During Tropical Cyclone Maila earlier this year, the National Emergency Operations Centre was fully activated, coordinating responses across provinces, mobilizing emergency funding, and supporting affected households with food, water, and shelter. These measures reflect a growing emphasis on resilience and preparedness at both national and community levels.
- **Forestry and Logging:** The government has positioned forestry reform as central to its wider economic transformation agenda, aiming to dismantle decades of elite capture where resource wealth benefitted a few while leaving ordinary citizens with little. Forest management has been highlighted as the clearest example of this imbalance, with stripped islands enriching select groups while landowning villages were left with degraded land and silted rivers.
- A decisive policy shift is underway: round log exports will be phased out before or by 2032, replaced with downstream processing that retains greater value within the country. This transition is intended to ensure customary landowners receive a fairer share of benefits, while ending the era of unchecked exploitation. The reforms signal a move toward a more inclusive and sustainable economic model, where natural resources are harnessed to create opportunities for the wider population rather than external profiteers.
- **Maritime Investment:** The government has reaffirmed its commitment to strengthening the maritime sector, placing investment, workforce development, fleet renewal, traditional shipbuilding, and small boat safety at the centre of its priorities. Recent assessments have highlighted significant financing needs for domestic shipping

and workforce expansion, with efforts underway to attract development partners, financial institutions, and private investors to support vessel owners and operators. Maritime education is being advanced through continued support for the national maritime college, including its accreditation process and expanded training opportunities, recognising the industry as a key source of skilled employment for thousands of young people entering the labour market each year.

- Fleet renewal and improved connectivity form another pillar of this agenda, with plans for a long-term vessel replacement programme to enhance safety and transport links, particularly for outer islands and remote communities. Alongside this, traditional shipbuilding is being revitalised, with initiatives to document, certify, and promote culturally significant construction methods as affordable transport solutions. Small boat safety is also being prioritised through skipper training, awareness programmes, vessel standards, and access to life-saving equipment. Together, these measures aim to modernise the maritime sector while preserving cultural heritage, ensuring safer seas, stronger connectivity, and greater opportunities for the nation's workforce.
- **ICT Infrastructure:** The completion of the National Broadband Infrastructure Project marks a transformative step in bridging the digital divide across the Solomon Islands. With 161 telecommunications towers strategically built nationwide, the project establishes a robust broadband backbone that strengthens connectivity for communities, schools, health facilities, businesses, and government services, particularly in remote and underserved areas. This integrated network is expected to expand access to reliable communication services, creating new opportunities for digital government, rural education, and inter-island trade, while laying the foundation for a growing digital economy.
- Delivered through collaboration with international partners, the project's handover ensures long-term operation and maintenance under Solomon Tower Limited, supported by technical coordination from China Harbour and Huawei. The initiative directly addresses barriers that have long hindered inclusive growth, such as limited access to online education and e-commerce opportunities. By improving digital infrastructure, the Solomon Islands is positioning itself to unlock broader social and

economic benefits, enabling communities to participate more fully in national development and global connectivity.

- **Infrastructure Development and Transportation Connectivity:** The GREAT Coalition Government has prioritized infrastructure and transportation as central pillars of its development agenda, focusing on building a second national city, expanding transport connectivity, and investing in renewable energy, ICT, and social infrastructure. These reforms aim to reduce costs, improve access, and stimulate balanced growth across the country.
- **Energy Reforms:** The centrepiece of the energy reform agenda is the **Tina River Hydropower Project**, designed to replace costly diesel generation with renewable hydropower. This project is expected to reduce electricity tariffs by up to 40%, stabilise long-term energy prices, and cut reliance on imported fuel. It represents a transformative step toward affordable, sustainable energy for households and businesses.
- *Rural Electrification:* The Government is rolling out **solar systems, mini-grids, and community power solutions** to expand electricity access across rural provinces. These initiatives aim to ensure that villages, schools, and health facilities are connected, recognising electricity as essential for education, healthcare, and small business growth. Rural electrification is positioned as a driver of inclusive development and improved livelihoods.
- *Regional Energy Security:* Energy reforms extend beyond domestic supply. The GREAT Government is advancing a **Regional Petroleum and Fuel Security Initiative** through the Pacific Islands Forum. This initiative strengthens collective negotiating power on fuel pricing, improves tanker shipping coordination, and expands domestic storage capacity. These measures are designed to shield the country from global fuel price volatility and supply chain disruptions.
- *Legislative & Institutional Reforms:* Electricity laws are being updated to ensure **fair and transparent pricing**, while energy reforms are integrated with broader resource management policies. By linking mining reforms with energy development, the

Government aims to secure equity stakes in resource projects and channel revenues into infrastructure, including power generation. This integrated approach is intended to deliver both affordable energy and sustainable national development.

- Energy reforms are framed as part of the GREAT Government’s broader commitment to **sustainable growth, stronger institutions, and improved livelihoods**. By combining hydropower, solar, rural electrification, and regional cooperation, the reforms aim to ensure reliable, affordable energy for all Solomon Islanders, while reducing dependence on imported fuel and supporting climate resilience.

Civil Service Reform

- The civil service reform agenda is anchored in the Public Service Transformation Strategy 2023–2033 and the Public Service Act 2025. Together, these frameworks set out a ten-year vision for a professional, accountable, and citizen-focused public service. The strategy emphasizes workforce development, institutional strengthening, and governance improvements, while the Act provides a renewed legal foundation for merit, integrity, discipline, and performance management. Supporting regulations and orders are being drafted to guide consistent application across ministries, with dissemination workshops ensuring shared understanding nationwide.
- Implementation is tied to performance contracts for Permanent Secretaries, annual ministry work plans, and strengthened HR systems. Monitoring mechanisms include regular Public Service Satisfaction Surveys and reform implementation reviews, ensuring progress is tracked and adjustments made. These reforms aim to embed accountability and professionalism into the system, moving away from ad hoc fixes toward long-term institutional resilience.
- Institutional strengthening is also being advanced through reforms in the Prime Minister’s Office, where the Political Division has expanded its capacity to improve policy coordination, legislative drafting, and monitoring of service delivery. Specialist advisors in finance, law, telecommunications, and climate policy are being engaged to raise the quality of government decision-making. This expansion is intended to reduce delays, strengthen accountability, and ensure more effective delivery of public services.

- Overall, the civil service reform program seeks to build a workforce that is professional, ethical, inclusive, and responsive to citizens. It aligns with the National Development Strategy 2016–2035 and the Sustainable Development Goals, positioning the public service as a driver of national development. By embedding reforms into legislation, systems, and institutional frameworks, the government aims to strengthen transparency, improve service delivery, and create a civil service that supports long-term economic and social transformation.

ANNEX 4

MEDIUM TERM FISCAL SCENARIOS

- 1.1 To set the direction for the 2027 Budget, the Ministry of Finance developed a robust fiscal model to forecast possible fiscal outcomes for the medium-term. This modelling exercise resulted in the formulation of three potential scenarios for the next 4 years, 2027 to 2030.
- 1.2 In the model, all variables are kept constant, except for government recurrent expenditures. The assumptions for each of the scenarios are outlined below:
- 1.3 **Scenario 1: Moderate fiscal consolidation:** This scenario proposes that government adopt a gradual path towards fiscal consolidation over the period 2027-2030, with deficits being reduced gradually from 3.2 percent in 2027 to a balanced budget by 2030.

Key Assumptions for Scenario 1:

- The payroll budget reduced from 11% to 10% of GDP.
 - Other charges expenditure – reduced from 12% to 10% of GDP.
- 1.4 **Scenario 2: Moderate fiscal expansion:** This scenario proposes a gradual increase in fiscal deficit over the review period, rising 4.2 percent in 2027 to 6.5 percent by 2030.

Key Assumptions for Scenario 2:

- Payroll – increase from 11% to 12.5% of GDP.
 - Other expenditure – increase from 12% to 14% of GDP.
- 1.5 **Scenario 3: Aggressive fiscal expansion:** This scenario proposes significant fiscal expansion over the medium term with the budget deficit increasing from 6.0 percent of GDP in 2027 to 11.0 percent of GDP by 2030.

Key Assumptions for Scenario 2:

- Payroll – increase from 11% to 15% of GDP.
- Other expenditure – increase from 12% to 16% of GDP.

- 1.6 The following table highlights the impact of the three scenarios on governments debt, deficit and debt levels over the period 2027-2030.

Impact of Fiscal Scenarios (2027-2030)

	Impact on deficit levels (%GDP)	Impact on debt levels (%GDP)	Impact on recurrent balance Surplus/(Deficit)
Scenario 1	Reduces from 3.2% to balanced budget	Increase from 25.6% ³ to 27.9%	Recurrent Surplus (2027-2030)
Scenario 2	Increase from 4.2 % to 6.5%	Increase from 25.6% ³ to 42.9%	Recurrent deficits – occurring between 2029-2030
Scenario 3	Increase from 6.0 % to 11.0%	Increase from 25.6% ³ to 54.8%	Recurrent deficits – occurring between 2028-2030

Recommendation on Medium-Term Fiscal Scenarios

- 1.7 Based on the above results, it is recommended that Government consider **Scenario 1** as the preferred trajectory for fiscal management over the medium term. Scenario 1 presents a sustainable pathway for managing debt levels over the next three years, keeping it below the **35 percent of GDP threshold**. It also maintains a **recurrent budget surplus** throughout the medium term and adheres to Government’s rule of maintaining an **80:20 ratio** between recurrent and development expenditures.
- 1.8 In contrast **Scenarios 2 and 3** present fiscal projections that pose significant risks to public finances over the next 3-4 years. Both are expected to push debt beyond the **35 percent threshold** and also register negative recurrent balances over the medium term. Both scenarios also fail to comply with government’s 80:20 fiscal rule, thereby weakening capacity to boost investments and drive growth over the medium term.

SCENARIO 1

³ 2026 Debt level

BUDGET FRAMEWORK	2026 (R)	2027 (B)	2028 (B)	2029 (B)	2030 (B)	2027 Difference from 2026
REVENUE (\$M)						
Domestic Revenue						
Inland Revenue	3,150.6	3,364.5	3,542.5	3,719.5	3,921.1	6.8%
Customs and Excise	1,167.5	1,243.3	1,283.5	1,341.1	1,378.7	6.5%
Non-Tax Revenue	407.1	427.4	448.8	471.3	504.0	5.0%
Total Domestic Revenue	4,725.2	5,035.2	5,274.85	5,531.92	5,803.82	6.6%
TOTAL REVENUE	4,725.2	5,035.2	5,274.9	5,531.9	5,803.8	6.6%
EXPENDITURE						
Recurrent Budget						
Payroll	1,947.7	1,969.2	2,039.4	2,108.8	2,047.4	1.1%
National Debt Servicing	360.8	365.0	325.4	308.9	486.9	1.2%
Interest	83.3	112.2	92.7	84.6	212.9	
Principal	277.4	252.8	232.7	224.3	274.0	
Other Expenses	2,081.4	2,114.5	2,134.5	2,149.7	2,047.4	1.6%
Contingency Warrant Provision	20.0	20.0	20.0	20.0	20.0	
Total Recurrent Budget	4,409.9	4,468.7	4,519.3	4,587.4	4,601.8	1.3%
Development Budget						
SIG Funded Development	1,161.0	1,161.0	1,178.4	1,190.2	1,202.1	0.0%
Total Development Budget	1,161.0	1,161.0	1,178.4	1,190.2	1,202.1	0.0%
TOTAL EXPENDITURE	5,570.9	5,629.6	5,697.7	5,777.6	5,803.8	1.1%
DOMESTIC REVENUE - RECURRENT EXPENDITURE	315.3	566.6	755.5	944.5	1,202.1	
TOTAL SIG FISCAL POSITION (Excl. Budget Support)	(845.7)	(594.4)	(422.8)	(245.7)	(0.0)	
% GDP	-4.9%	-3.2%	-2.2%	-1.2%	0.0%	
FISCAL POSITION (Excl. Principal Payment on Public Debt)	(568.2)	(341.6)	(190.1)	(21.3)	274.0	
% of GDP	-3.3%	-1.9%	-1.0%	-0.1%	1.3%	
TOTAL DEBT STOCK	4,451.4	5,045.8	5,468.6	5,714.3	5,714.3	
Debt % GDP	25.6%	27.4%	28.2%	27.9%	27.9%	
Ratio - Recurrent Budget	79%	79%	79%	79%	79%	
Ratio - Development Budget	21%	21%	21%	21%	21%	
GDP @ Market Price (\$I) \$M	17,387.9	18,386.6	19,404.5	20,473.5	20,474.5	

SCENARIO 2

BUDGET FRAMEWORK	2026 (R)	2027	2028	2029	2030	2027 Difference from 2026
REVENUE (\$M)						
Domestic Revenue						
Inland Revenue	3,150.6	3,364.5	3,542.5	3,719.5	3,921.1	6.8%
Customs and Excise	1,167.5	1,243.3	1,283.5	1,341.1	1,378.7	6.5%
Non-Tax Revenue	407.1	427.4	448.8	471.3	504.0	5.0%
Total Domestic Revenue	4,725.2	5,035.24	5,274.85	5,531.92	5,803.81	6.6%
TOTAL REVENUE	4,725.2	5,035.2	5,274.9	5,531.9	5,803.8	6.6%
EXPENDITURE						
Recurrent Budget						
Payroll	1,947.7	1,969.2	2,233.5	2,456.8	2,559.3	1.1%
National Debt Servicing	360.8	365.0	325.4	308.9	486.9	1.2%
Interest	83.3	112.2	92.7	84.6	212.9	
Principal	277.4	252.8	232.7	224.3	274.0	
Other Expenses	2,081.4	2,298.3	2,522.6	2,763.9	2,866.4	10.4%
Contingency Warrant Provision	20.0	20.0	20.0	20.0	20.0	
Total Recurrent Budget	4,409.9	4,652.5	5,101.4	5,549.6	5,932.6	5.5%
Development Budget						
SIG Funded Development	1,161.0	1,161.0	1,178.4	1,190.2	1,202.1	0.0%
Total Development Budget	1,161.0	1,161.0	1,178.4	1,190.2	1,202.1	0.0%
TOTAL EXPENDITURE	5,570.9	5,813.5	6,279.8	6,739.8	7,134.7	4.4%
DOMESTIC REVENUE - RECURRENT EXPENDITURE	315.3	382.7	173.4	(17.7)	(128.8)	
TOTAL SIG FISCAL POSITION (Excl. Budget Support)	(845.7)	(778.3)	(1,005.0)	(1,207.9)	(1,330.9)	
% GDP	-4.9%	-4.2%	-5.2%	-5.9%	-6.5%	
FISCAL POSITION (Excl. Principal Payment on Public Debt)	(568.2)	(525.5)	(772.3)	(983.6)	(1,056.9)	
% of GDP	-3.3%	-2.9%	-4.0%	-4.8%	-5.2%	
TOTAL DEBT STOCK	4,451.4	5,229.6	6,234.6	7,442.5	8,773.4	
Debt % GDP	25.6%	28.4%	32.1%	36.4%	42.9%	
Ratio - Recurrent Budget	79%	80%	81%	82%	83%	
Ratio - Development Budget	21%	20%	19%	18%	17%	
GDP @ Market Price (\$I) \$M	17,387.9	18,386.6	19,404.5	20,473.5	20,474.5	

SCENARIO 3

BUDGET FRAMEWORK	2026 (R)	2027	2028	2029	2030	2027 Difference from 2026
REVENUE (\$M)						
Domestic Revenue						
Inland Revenue	3,150.6	3,364.5	3,542.5	3,719.5	3,921.1	6.8%
Customs and Excise	1,167.5	1,243.3	1,283.5	1,341.1	1,378.7	6.5%
Non-Tax Revenue	407.1	427.4	448.8	471.3	504.0	5.0%
Total Domestic Revenue	4,725.2	5,035.2	5,274.9	5,531.9	5,803.8	6.6%
TOTAL REVENUE	4,725.2	5,035.2	5,274.9	5,531.9	5,803.8	6.6%
EXPENDITURE						
Recurrent Budget						
Payroll	1,947.7	2,206.4	2,522.6	2,866.3	3,071.2	13.3%
National Debt Servicing	360.8	365.0	325.4	308.9	486.9	1.2%
Interest	83.3	112.2	92.7	84.6	212.9	
Principal	277.4	252.8	232.7	224.3	274.0	
Other Expenses	2,081.4	2,390.3	2,716.6	3,071.0	3,275.9	14.8%
Contingency Warrant Provision	20.0	20.0	20.0	20.0	20.0	
Total Recurrent Budget	4,409.9	4,981.7	5,584.6	6,266.2	6,854.0	13.0%
Development Budget						
SIG Funded Development	1,161.0	1,161.0	1,178.4	1,190.2	1,202.1	0.0%
Total Development Budget	1,161.0	1,161.0	1,178.4	1,190.2	1,202.1	0.0%
TOTAL EXPENDITURE	5,570.9	6,142.6	6,763.0	7,456.4	8,056.0	10.3%
DOMESTIC REVENUE - RECURRENT EXPENDITURE	315.3	53.6	(309.8)	(734.3)	(1,050.1)	
TOTAL SIG FISCAL POSITION (Excl. Budget Support)	(845.7)	(1,107.4)	(1,488.2)	(1,924.5)	(2,252.2)	
% GDP	-4.9%	-6.0%	-7.7%	-9.4%	-11.0%	
FISCAL POSITION (Excl. Principal Payment on Public Debt)	(568.2)	(854.6)	(1,255.5)	(1,700.2)	(1,978.2)	
% of GDP	-3.3%	-4.6%	-6.5%	-8.3%	-9.7%	
TOTAL DEBT STOCK	4,451.4	5,558.8	7,046.9	8,971.4	11,223.6	
Debt % GDP	25.6%	30.2%	36.3%	43.8%	54.8%	
Ratio - Recurrent Budget	79%	81%	83%	84%	85%	
Ratio - Development Budget	21%	19%	17%	16%	15%	
GDP @ Market Price (\$I) \$M	17,387.9	18,386.6	19,404.5	20,473.5	20,474.5	

ANNEX 5

BUDGET AND FINANCIAL MANAGEMENT REFORM INITIATIVES

Financial Management Reform

- 3.1 The following are key financial management reforms planned for the medium term:
- 3.2 **D365 Financial Management Information System (FMIS):** Government will continue implementing enhancements to the D365 Financial Management System to strengthen public financial management, improve financial reporting, and support evidence-based decision-making. Phase 1 of the D365 reform program has been completed and focused on improving operational efficiency within Treasury, particularly in relation to core financial management processes, including payments, imprest management, revenue administration, and financial reporting.
- 3.3 Phase 2, which commenced in September 2026, will focus on further strengthening system functionality, data integrity, system integration, and reporting capabilities. Building on the lessons and outcomes from Phase 1, this phase will ensure that the system remains aligned with evolving operational requirements, policy frameworks, and public financial management reform priorities. Particular emphasis will be placed on resolving priority data integration issues between the Inland Revenue Division, Customs systems, and D365, while also strengthening data quality and assurance processes within the Power BI reporting environment.
- 3.4 A key objective of Phase 2 is to establish reliable, accurate, and auditable data flows across core revenue and financial management systems, thereby enhancing the quality, timeliness, and credibility of fiscal and financial reporting. The implementation approach also includes targeted technical support and on-the-ground engagement to better understand Treasury's operational requirements, address priority system issues, and strengthen staff capability. Collectively, these reforms are expected to improve the reliability, usability, and overall effectiveness of the D365 platform, supporting stronger financial management, accountability, and transparency across Government.
- 3.5 *Strengthening Development Project Monitoring:* The Ministry of National Planning has established a robust monitoring framework to track the progress of development programs and projects funded through the national budget. This initiative is expected

to deepen project analysis and ensure that projects are delivered on time and cost-effectively, while maintaining focus on achieving prescribed milestones.

- 3.6 *Review of Grants and Subventions:* Government will undertake a comprehensive review of all grants, transfers, and subventions disbursed through the Budget, including grant allocations to schools, state entities, provincial offices, and non-government organisations. Grants currently represent the largest component of government's operational outlays; however, most grant programs are not adequately monitored, leaving them vulnerable to misuse and abuse.
- 3.7 The review will be conducted as part of the 2027 Budget process. All relevant ministries will be consulted and required to disclose complete information on the management of their grants, including disbursement mechanisms, agreements, and grant conditions.
- 3.8 The review is expected to culminate in the formulation of an overarching Grant Regulation, which will establish standard processes for administering all government grants, including procedures for imprest management, fund disbursement, acquittal, reporting, monitoring, and accountability. The regulation will introduce transparent systems and monitoring mechanisms to track disbursements and ensure funds are used efficiently for their intended purposes. As grants are key instruments for implementing government policy, the introduction of this framework will directly strengthen the effectiveness and impact of government policy initiatives.
- 3.9 *Review of Budget Formulation Process:* The Ministry of Finance will introduce several changes to its processes for preparing budget this year. These changes aim to transform the budget process, and make it more rigorous, inclusive, and participatory. A key objective of this reform is to engage a wider range of stakeholders to actively participate and contribute to the formulation of the national budget; thus, ensuring the budget is shaped to deliver key national priorities and needs. Some new reform initiatives to be implemented this year are outlined below:
- ***Three-Tiered Approach to Budget Consultation with line ministries:*** In preparation for the 2027 Budget, the government will adopt a three-tiered approach to budget consultations with line ministries, led by the Ministry of

Finance. Face-to-face consultations will be conducted across three levels of government: (i) Officials Level; (ii) Executive Level; and (iii) Ministerial Level.

Under this new consultation framework, the Ministry of Finance will conduct three rounds of consultations with line ministries to review their proposals and submissions for the Budget. The first will be at the Officials Level (Round 1), where the Head of Budget will meet separately with senior ministry officials — including Deputy Secretaries, Directors, and departmental heads — to review their submissions and provide recommendations based on clear, logical technical assessments.

These assessed submissions will then be elevated to the Executive Level (Round 2) for further review by Permanent Secretaries. At this stage, the Permanent Secretary for Finance will meet with each line ministry's Permanent Secretary to discuss the officials' assessments and rank proposals, distinguishing those recommended for approval from those to be declined. Deliberations at this level will be strategically and policy-focused, examining alignment with national plans, budget policy frameworks, and broader priorities.

The final steps will involve deliberations at the Ministerial Level (Round 3), where assessments and rankings prepared by Permanent Secretaries will be discussed between the Minister of Finance and line ministers. These discussions will be more politically oriented, allowing Ministers to defend their proposals, negotiate adjustments, and collectively endorse final allocations. Once completed, the Ministry of Finance will prepare draft budget estimates for discussion in Caucus and subsequently Cabinet.

This new process establishes a robust and well-coordinated system to rigorously and systematically assess budget proposals. It provides a mechanism for balancing technical, policy, and political perspectives, ensuring that the final budget design is cost-effective, aligned with national policy needs, and responsive to political considerations.

- ***Budget Consultation with External Stakeholders:*** To encourage greater stakeholder engagement and public involvement in the budget process, the Ministry of Finance will be considering several approaches for public consultations:
- ***Written Submissions:*** The Ministry will be inviting the general public (including all interested Solomon Islanders, local community organisations, business and institutions) to provide written submissions for the national budget. This will be facilitated through a public notice issued through the local dailies and key social media platforms. Budget submissions can be delivered in hard copy or submitted electronically to the Ministry.
- ***Consultation Process for Formal Sector:*** The Ministry will be establishing formal consultation forums with various key sectoral stakeholders and partners to discuss the budget. These dialogue forums will be formed with participants from the private sector, development partners, NGOs, civil society, academia, provincial bodies, and various industry and community representatives.
- ***Nationwide Consultations:*** In collaboration with MNPDC, PMO and MPS, the Ministry plans to undertake country-wide budget consultation campaigns, which will be conducted across all provinces, districts, and wards. These campaigns will be launched from next year once proper funding is made available.

The above platforms are expected to broaden participation in the national budget process; and ensure the consideration of diverse views in formulating budget policies. Ultimately, the aim is to ensure the Budget is designed to reflect the aspirations of all stakeholders across the Solomon Islands.

- ***Revenue Policy Formulation and Coordination:*** The Ministry of Finance will establish two high-level committees to strengthen government's capacity in formulating effective revenue and taxation policies for the national budget.

- **Revenue Formulation – Technical Committee (RTC):** This committee will comprise senior officials from the Ministry of Finance and revenue agencies, including the Inland Revenue Department, the Customs and Excise Department, and other revenue-collecting ministries. Its role will be to conduct technical assessments of new revenue proposals, ensuring feasibility, practicality, and alignment with fiscal objectives.
- **Revenue Formulation – Policy Committee (RPC):** This committee will be chaired by the Permanent Secretary – Finance, with members including the Comptroller of Customs, the Commissioner of Inland Revenue, and other departmental heads. Its role will be to provide policy-level review of proposals assessed by the RTC, focusing on strategic considerations and broader economic, and developmental impacts.
- Like the budget formulation process, the review of revenue policies will begin with the RTC undertaking technical assessments of new revenue proposals. The RTC’s assessments and recommendations will then be submitted to the RPC for policy-based review and endorsement.
- Both Committees will be mandated to formulate and design all government revenue policies, including tax measures, non-tax revenue initiatives, exemptions, concessions, and rebates. They will monitor revenue collections, prepare revenue forecasts, and oversee critical revenue reforms in consultation with relevant stakeholders. All new revenue proposals prepared by the RTC and RPC will ultimately be presented to the Minister for Finance and Cabinet for consideration in the national budget.

ANNEX 6

RECURRENT AND DEVELOPMENT BUDGET OPERATING RULES

RECURRENT BUDGET – OPERATING RULES AND GUIDELINES

This section provides the operational guidelines for line ministries to follow in the preparation of the **2027 Annual Budget**. It is important that ministries are familiar with these guidelines before preparing submissions relating to payroll, other charges, and the Development Budget. The Budget Coordinating Committee (BCC) will be available to provide assistance to line ministries, and hence communication is important to maintain throughout the preparation of the Budget.

Preparation Instructions for Ministry Budget Committees

Ministries are expected to align budget submissions with the strategic direction and priorities set out in the **2027 Budget Strategy** and relevant sectoral and ministry strategies, the Medium-Term Development Plan for development projects, Corporate Plans, and annual work plans.

The Ministry Budget Committees (MBC) are expected to:

- Provide direction to divisions responsible for preparing budget estimates.
- Ensure submissions follow the correct format and are accurate to the respective instructions for other charges, payroll, and development budgets.
- Establish a timetable to hold internal consultations with divisions, similar to that of the Public Accounts Committee (PAC).
- Assure that the sum of allocations across divisions for other charges and development ceilings does not exceed the ministry's threshold.
- Confirm that budget estimates are costed against the correct general ledger accounts.
- Ensure that all service grants, fixed costs, utilities, house rentals, and subscriptions to international organizations are included in the baseline for other charges.
- Ensure all ongoing Government contractual commitments are accounted for.

- Cost any contributions to co-funded activities or bilateral/multilateral agreements, ensuring compliance with the **Coalition Government’s National Budget Process**.

Ministry budget baselines and other documents will be uploaded into the D365 system and made available to Financial Controllers (FCs). FCs may also copy electronic files and templates onto a flash drive following the budget launch. It is recommended that MBCs use the templates for both recurrent and development budgets to ease consolidation before uploading into D365.

Templates prepared outside of D365 include: “Other Charges” template, templates to support new funding requests, payroll, and development templates. These may be uploaded in D365 along with budget plans or submitted to the Budget Unit (MOFT), MNPDC (Development templates), and MPS (payroll submissions).

Upon endorsement by the MBC and approval of the PS, FCs will submit the ministry’s budget request, with supporting documentation, through D365.

Required Documentation Table

Recurrent Budget	Personnel Budget	Development Budget
• Other Charges Baseline spreadsheet	• Payroll related templates	• Appraisal of New Proposals for the Medium-Term Development Plan 2026 – 2030
• Procurement plan	• For new funding requests:	• For proposed new projects:
• FY27 Work Plan	o New Funding Bid (BUDForm 1)	o Appraisal of New Proposals (Form2Dev)
• Travel Plan	o New Policy Funding Proposal (BUDForm 2)	o Financing Agreement
• For new funding requests:	o Other related documents	o Development Cost worksheet
o New Funding Bid Summary (BUDForm 1)		o Project formulation documents

Recurrent Budget	Personnel Budget	Development Budget
o New Policy Funding Proposal (BUDForm 2)		o Feasibility studies
o Costing template		o Risk screening templates

Documents will be scanned separately to associate supporting documentation with the relevant budget request.

I. Recurrent Budget

A. Payroll Budget

The Ministry of Public Service will ensure that government payroll links to the **GREAT Coalition Government's policy statement**. The **GREAT Government** believes that the country will continue to face unprecedented social and economic shocks requiring difficult short-term decisions for long-term gains. Attention will therefore be directed to ensuring the public service is optimally sized, efficient, and effective in implementing **Coalition Government** policies.

2027 Payroll Strategy

The 2027 payroll budget will prioritize resourcing the productive and resource-based sectors as a strategic approach to drive sustainable economic growth and transformative development. This focus ensures public sector activities align with national development goals, while recognizing the continued importance of health, education, infrastructure, and public safety.

B. Other Charges Budget

The recurrent budget caters for all general and operational costs to maintain government services.

- **Non-Discretionary Obligations:** MBCs must prioritize fixed expenses and contractual obligations required by law, Cabinet decision, or Parliamentary directive. These include rentals, education and health grants, mission grants, utilities, subscriptions to international organizations, and other contracts.
- **Discretionary Costs:** After mandatory obligations are subtracted, MBCs shall review historic expenditures and planned activities for 2027, allocating remaining funds to

discretionary costs that support policy priorities and contribute to financial stability and growth.

PAYROLL BUDGET STRATEGY

The 2027 Payroll Strategy will be directed to support growth and sustainable development in line with GREAT COALITION GOVERNMENT thematic priorities, **1) Universal Free Education, 2) Universal Free Health Care, 3) Renewal Energy Transition, 4) Resilient Economy, 5) Decentralisation and Inclusive Governance and 6) Social Welfare System.** The payroll strategy will focus on GREAT COALITION GOVERNMENT three strategic areas, 1) Economic Empowerment, 2) Rural Advancement and 3) Development.

In achieving the GREAT COALITION GOVERNMENT's six thematic priorities and three strategic areas, the Ministry of Public Service will continue to ensure that SIG human resources are properly aligned to the GREAT COALITION GOVERNMENT reforms that contributes to the sustainable growth of our economy.

The Ministry of Public Service is certain that our country will continue to face unprecedented social and economic constraints that will require some painful decision in the short term for long term gains. Thus, Ministry of Public Service will ensure that all Government Ministries and Agencies are moving away from the normal business as usual but on delivery on results. We have noted that with the rate of vacancies being idle throughout the year will have negative impacts on the delivery of services.

The total number of vacancies at the end of 2026 is 1,713, the latest statistic is 2301 vacancies. The onus is on all Responsible Officers and Head of Agencies must ensure that these vacancies must be filled within this year. Ministry of Public Service will ensure that all government Ministries and Agencies recruits its workforce to deliver government services or will redirect funds away from these vacant positions to key priorities of the GREAT COALITION GOVERNMENT.

Accordingly, Ministry of Public Service will continue to re-direct funds of all existing vacant positions to key Strategic Sectors of the government especially target activities in Productive and Resource Sectors that encourage participation and productivity in the rural areas, which in turn lead to, 1) Economic Empowerment, 2) Rural Advancement and 3) Development.

Moreover, Ministry of Public Service will ensure that important essential government services such as Education Services, Health Services, Police and National Security and Court Service

continue to provide essential services to meet the demands of our increasing population. It is important that these essential government services are properly resourced from time to time.

Finally, Ministry of Public Service will continue to address the Public Service Terms and Conditions in light of the high cost of living. The Ministry acknowledged the strain it has on Public Servants. Therefore, the 2027 payroll commitments include, 7% Cost of Living Adjustment, 2) rolling out of Public Service Senior Managers contracting, and 3) rolling out of the Public Service Transport Assistances, particularly for officers from Level 2 to Level 11. These important Terms and Conditions Reforms will be funded by identified savings in the payroll.

DEVELOPMENT BUDGET – OPERATING RULES AND GUIDELINES

The country's annual development budget continues to support the implementation of the **GREAT Coalition Government's** priority policies, programs, and projects. These initiatives contribute to achieving the objectives of the National Development Strategy (NDS 2016–2035).

The 2027 development budget adopts a zero budgeting approach, beginning with a review of current development programs before committing to tangible investments with realistic costings. This marks a deliberate shift away from business as usual, focusing instead on targeted resource allocation to fund strategic projects that drive growth, improve service delivery, and promote sustainability.

Guidelines for Preparation and Submission of New Project Proposals

Only project proposals that implement Coalition Government policy priorities in the productive and resource sectors, and are submitted through the Government's Medium Term Development Plan (MTDP) MTDP and budget submission process via MNPDC, will be appraised for funding under the 2027 development budget.

New proposal to implement the priorities of the GREAT Government must be properly scoped, with clear targets and expected results over the short, medium and long term. Proposals must be supported by available data and evidence, providing a clear rationale and analysis to inform decision-making and guide implementation. Each proposal should clearly demonstrate the expected positive changes, outcomes, impacts and benefits the country is expected to achieve upon successful completion, including its contribution to resilience, sustainable economic

development and long-term growth. Accordingly, the appraisal of all new programmes and projects will be guided by the GREAT Flagship Development Projects, the strategic priorities of the Government's Medium-Term Development Plan (MTDP), and the performance targets of the National Development Strategy (NDS) 2016–2035.

Guidelines for Ongoing Development Programmes and Projects

Existing development programmes and projects funded under the 2026 Development Budget will be thoroughly reviewed based on their implementation progress, strategic relevance, and contribution to the country's development aspirations. The review will determine whether each project: (i) Directly contributes to one or more GREAT policy priorities and remains strategically relevant; (ii) Contributes indirectly or partially, in which case it may require redesign, consolidation, or phasing out; or (iii) Makes little or no contribution to the GREAT priorities and should therefore be discontinued. The review will consider projects with existing SIG contractual and financial obligations which may continue to receive the necessary funding to support ongoing implementation, in accordance with approved financing agreements and contracts.

Guidelines for Capacity Considerations at the Ministry level

It remains a concern that some government ministries and agencies lack the necessary human resources and implementation capacity to deliver development programmes and projects, yet continue to seek funding through annual budget appropriations. While the importance of maintaining effective public service delivery is recognised, ministries and agencies are reminded to assess their implementation capacity when developing project proposals and budget submissions and to consider alternative delivery arrangements where necessary. Where a project is proposed to be implemented through outsourcing or contractual arrangements, the responsible ministry or agency must provide clear and complete information on the proposed delivery mechanism, including how the arrangement will be managed, monitored and held accountable for results.

Guidelines for Development Program/Project Readiness

Ministries to consider project readiness when preparing development proposals for submission. This is important to ensure smooth implementation of funds appropriated and that the project is delivered as scheduled. A simple feasibility assessment and problem analysis would really help to justify a good project proposal which consider important factors such as availability of

land for project site, designated project management team which include both technical and operational experts.

Guidelines for Maintenance Costs request under Development Budget

Maintenance and ongoing operational related costs for development programmes and projects that are already completed will be thoroughly reviewed to determine whether its importance to cater for in the development otherwise ministries are encouraged to prioritise in their recurrent budget. This is to ensure the development budget allocation accommodates for prioritise capital projects focussing on flagship projects of the GREAT priority policies.

Guidelines for Donor Assistance and Support through Ministries

It is important to properly acknowledge assistance and ongoing support from the development partners at the country level. Ministries to provide data and information on donor funded projects received to the Ministry of National Planning and Development Coordination for compilation and inclusion in the development and recurrent budget for appropriation. This will include proper data verification and validation with agencies concern based on information received by MNPDC directly from the development partners to ensure government ministries and agencies are aware of additional support for their respective sectors.

Guidelines for Development Proposal Submission

Ministries are required to use the appropriate development budget bidding templates provided by the Ministry of National Planning and Development Coordination (MNPDC). Proposals that are not submitted using the prescribed templates and required supporting documentation will not be considered, as compliance is essential for the accurate compilation of budget information required for Parliament. Ministry Financial Controllers and Project Officers should work closely with their respective MNPDC focal officers throughout the development budget formulation process to ensure that submissions meet the required standards and information requirements. All development proposals must be submitted to MNPDC with an endorsement letter signed and stamped by the responsible Ministry Permanent Secretary. This endorsement confirms that the proposed projects and associated costings have been duly considered and approved by the Ministry Budget Committee.

Guidelines for Monitoring, and Evaluation and Learning (MEL) for 2027 Development Programs

Ongoing monitoring, evaluation and learning (MEL) activities and associated costs should be incorporated into ministries' recurrent budgets. Ministries must also ensure that contractors, project recipients and implementing authorities keep verifiable data and provide timely progress updates throughout project implementation. MNPDC will continue to support and lead field visits and performance verification, subject to available resources. While effective MEL is critical to successful project delivery, accountability and sustainability, ministries and agencies must manage M&E activities within the prevailing fiscal constraints and ensure that the appropriate budget codes are used.

Guidelines for Reporting on the 2027 Development Programs Implementation

Ministries and agencies are required to provide quarterly and six-monthly implementation progress updates throughout 2027. These updates are essential for effective coordination, timely support and successful delivery of approved development programmes and projects. They will also help identify implementation gaps and challenges, inform decision-making, and guide necessary improvements. Ministries and agencies should therefore ensure that effective results-based monitoring and evaluation is undertaken throughout the project implementation cycle.

Guidelines to Integrate the Smooth Transition Strategy for LDC Graduation

The Cabinet has endorsed the Smooth Transition Strategy (STS) to guide the Solomon Islands' graduation from LDC status in 2027. Ministries must integrate complementary measures into development projects, addressing impacts on trade, finance, and economic resilience.

Conclusion

Improving the quality of annual development budget allocations is essential to achieving targeted growth by 2030 and implementing **GREAT Coalition Government** policy priorities. Prioritizing capital and social investment projects with clear timelines will help manage limited resources effectively, increase production and income, and improve livelihoods and service delivery across the Solomon Islands.

ANNEX 7

Debt Management Strategy

The Solomon Islands Government's (SIG) overarching debt management objective is to maintain public debt below 35 per cent of GDP over the medium term, while ensuring that all

new borrowing generates measurable economic returns and supports long-term fiscal sustainability. To achieve this objective, Government will pursue a prudent and sustainable debt management strategy that prioritises concessional financing, limits contingent liabilities, maintains debt within sustainable thresholds, and directs borrowing towards productive investments that enhance economic growth, climate resilience, and national development outcomes.

Borrowing decisions will be guided by rigorous economic appraisal, transparent reporting, and a commitment to safeguarding fiscal stability for future generations. Over the medium term (2027-2030), Government will prioritise grants and concessional financing as the primary sources of development funding, with a target of ensuring that at least 80-90 per cent of new external borrowing is sourced from concessional or semi-concessional lenders. External borrowing will only be undertaken where financing terms are highly favourable, projects demonstrate strong economic and social returns, and debt sustainability remains consistent with maintaining long-term fiscal stability.

In parallel, Government will progressively develop the domestic debt market as a complementary source of financing. This will be achieved through the regular issuance of Treasury Bills and development bonds, expansion of the domestic investor base, and strengthening of market infrastructure. Domestic borrowing will be undertaken prudently to diversify financing options, reduce foreign exchange exposure, and support the long-term development of the Solomon Islands financial sector.

Government will also strengthen public debt recording, monitoring, and reporting through the Meridian Debt Management System. Accurate and timely recording of public and publicly guaranteed debt, supported by regular reconciliation and risk monitoring, will enhance transparency, improve accountability, support debt sustainability assessments, and inform prudent borrowing decisions.

ANNEX 8

BUDGET PLANNING & MONITORING FRAMEWORK

SIX FLAGSHIP PROGRAMS

As articulated in the Coalition Policy Statement, the GREAT Government's Six Flagship Development Programs are as follows;

1) Universal Free Education

Ministries Responsible: OPMC/MEHRD (Office of the Prime Minister and Cabinet; Ministry of Education and Human Resources Development)

Key Priorities:

- School Grants and Fee Support
- Classrooms and Rehabilitation
- Teachers – Scheme of Service
- Learning Materials
- Technical and Vocational Education and Training (TVET)
- Inclusive Education
- Tertiary Scholarships
- Separation of Ministry (Higher Education)

Together, these priorities represent a sustained investment across the full education pipeline, from basic schooling infrastructure and teacher support through to inclusive and tertiary pathways.

2) Decentralisation and Inclusive Governance

Ministries Responsible: OPMC/MHA/MPGIS/MWYCFA (Office of the Prime Minister and Cabinet; Ministry of Home Affairs; Ministry of Provincial Government and Institutional Strengthening; Ministry of Women, Youth, Children and Family Affairs)

Key Priorities:

- Federal State Constitution
- Parliamentary Autonomy
- Judiciary Autonomy
- Integrity Institution Reforms
- Honiara City Council Decentralised Services
- Provincial Government (Infrastructure and Local Planning)
- Inclusive Participation (Temporary Special Measures)
- Legislative Reform Programme

- Constituency Boundary Review (Commission)

Together, these priorities advance constitutional, institutional and service-delivery reform in parallel, strengthening both national governance structures and local access to government.

3) Renewable Energy Transition

Ministries Responsible: OPMC/MMERE/MECDM (Office of the Prime Minister and Cabinet; Ministry of Mines, Energy and Rural Electrification; Ministry of Environment, Climate Change and Disaster Management)

Key Priorities:

- Energy Efficiency and Affordability – 15 Cent Kilowatts
- Geothermal, Solar and Hydro Programme
- National Community Conservation Programmes
- Separation of Ministry of Energy

Together, these priorities combine tariff reform, generation capacity and conservation to shift the national energy mix towards affordable, renewable sources.

4) Universal Healthcare

Ministries Responsible: OPMC/MHMS/MHA-HCC/MPGIS (Office of the Prime Minister and Cabinet; Ministry of Health and Medical Services; Ministry of Home Affairs/Honiara City Council; Ministry of Provincial Government and Institutional Strengthening)

Key Priorities:

- Hospitals, Urban and Rural Clinics
- Medical Stores and Medicine Supply
- Medical Laboratory
- Health Workers – Scheme of Service
- Primary Healthcare
- Non-Communicable Disease
- Maternal and Child Health
- Medical Facilities Relocation Plans

Together, these priorities strengthen healthcare infrastructure, supply chains and the health workforce, while targeting the primary care and public health areas of greatest need.

5) Resilient Economy

Ministries Responsible: OPMC/MoFT/MCILI/MOFR/MMERE (Office of the Prime Minister and Cabinet; Ministry of Finance and Treasury; Ministry of Commerce, Industry, Labour and Immigration; Ministry of Fisheries and Marine Resources; Ministry of Mines, Energy and Rural Electrification)

Key Priorities:

- Agriculture
- Fisheries – Centres, Aquaculture
- Tourism – Local Operator Support
- MSMEs
- Value Addition
- Timber Processing
- Private-Sector Development
- Reforestation
- Alluvial Mining
- Productive Infrastructure

Together, these priorities span the productive sectors, private enterprise, and natural-resource management, reflecting a broad-based approach to diversifying the economy.

6) Social Welfare System

Ministries Responsible: OPMC/MWYCFA/MHMS/MHA/MECDM/MJLA (Office of the Prime Minister and Cabinet; Ministry of Women, Youth, Children and Family Affairs; Ministry of Health and Medical Services; Ministry of Home Affairs; Ministry of Environment, Climate Change and Disaster Management; Ministry of Justice and Legal Affairs)

Key Priorities:

- Social Protection Framework; Vulnerable Households
- Children & Persons with Disabilities & Elderly
- Disaster-Related Social Protection

Together, these priorities lay the institutional and financial foundations of a national social protection system, with a particular focus on households and individuals most at risk.

The costings for the flagship programs will be determined through the following budget formulation and monitoring Matrix, which will be discussed in detail with the relevant line ministries.

SAMPLE BUDGET FORMULATION AND MONITORING MATRIX

Ministry	Flagship Program	Key Policy Area (Coalition Statement)	MTDP Goal	Project/Program/Policy	Activities	Key Performance Indicators	Indicative Budget
Division 1							
Division 2							
Division 3							
Division 4							
Division 5							