



# **GOVERNMENT OF SOLOMON ISLANDS**

## **THE 2021 BUDGET SPEECH**

**Towards A Path to Economic Recovery:**

**Advancing Growth and Service Delivery Through Better Partnerships**



**Delivered by**

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**Honiara  
6<sup>th</sup> April 2021**

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## PRELUDE

Honourable Speaker,

I rise to beg that the 2021 Appropriation Bill 2021 be now put to the second reading.

Mr Speaker, this is the second budget of the Democratic Coalition Government for Advancement (DGCA) Government that I have had the honour of presenting to this Honourable House in accordance with Section 102 of the National Constitution of Solomon Islands. I am very privileged and most humbled as Minister for Finance and Treasury to present to this Honourable House the 2021 Budget on behalf of the DCGA government and the people of Solomon Islands.

Mr. Speaker, this House will recall that due to disruptions caused by the COVID-19 pandemic last year, the Government had requested additional time to develop a budget, which provides an effective approach and appropriate policies to address the nation's current pressing issues and key development challenges. I am pleased to report that the extra breathing space this Honourable House had granted has been put to good use.

Mr. Speaker, the Government has articulated an overarching theme for the 2021 Budget. The theme is ***“Towards A Path to Economic Recovery: Advancing Growth and Service Delivery through Better Partnerships”***.

Sir, this Budget launches the process of implementing the Government's Redirection Policy program, which was developed to address the changing dynamics of the “new normal” environment that the coronavirus had brought to our shores. The redirection policy requires the realignment, refocusing and redirection of budget spending to specific pillars of the economy to advance growth and support ongoing service delivery to our people.

Mr. Speaker, the Government's Redirection Policy agenda is also anchored on the overarching reform goals to reduce public waste and increase efficiencies in public expenditures; adequately resource government ministries to deliver services; and invest in adequate infrastructure as the

foundations for equitable growth and further development in the years ahead.

Mr Speaker, the 2021 Budget is a fundamental instrument of Government policy. It represents the government's efforts towards implementing its policies for the good of Solomon Islands. I am pleased to note that government has taken its development very seriously. Sir, the 2021 Budget is the outcome of the whole of Solomon Islands Government – the Cabinet and all ministries. It is a budget for all the people of Solomon Islands.

## **1.0 SOLOMON ISLANDS SOCIAL AND ECONOMIC CHALLENGES.**

Mr. Speaker Sir, when the DCGA government assumed political office after the 2019 general elections, it recognised that many of the socio-economic development challenges that had beset the country since independence had not been successfully addressed. We do not blame anyone. As a nation, we must learn from our past development experiences and map a development path that is inclusive, workable, robust and transparent in implementation. More than forty years of looking after ourselves was enough time to show where we have gone astray in developing and supporting the primary needs and development aspirations of our people.

Mr. Speaker, our development experience so far has given us two clear lessons. First, if Solomon Islands is to grow and develop into a society that is economically vibrant, sustainable and prosperous, then we must ensure there is political and economic stability, and strong ethical leadership. We need leaders who are not afraid to “DO THE RIGHT THING” even in the midst of severe crisis and mounting difficulties.

Second, Mr. Speaker, is that the true wealth of this country does not lie in monetary values and material goods alone. The true wealth of this country is our people; the very people we represent in this Honourable House. Our peoples possessions such as the natural environment, land, sea, culture, religious beliefs, and ethnic diversity are also part of our wealth.

Mr. Speaker, the DCGA government policies and development strategies are premised on moving away from doing business as usual, to actually

getting things done. Getting things done mean helping our people to help themselves improve their quality of life.

Mr. Speaker Sir, as this Honourable House would agree, the task of transforming our people's socio-economic challenges are immense and well known:

- Our economy is small, highly dispersed and very vulnerable to international adverse developments;
- The private sector is not well developed and needs to function in a transparent environment supported by quality infrastructure;
- More than half of our population is young and not employed; and
- Emerging environmental challenges pose serious threats to our people's livelihood.

## **2.0 IMPACTS OF THE COVID -19 IN 2020**

Mr. Speaker, allow me now to highlight some key impacts of the COVID 19 in our domestic economy and also 2020 Budget.

### **Disrupted Government's policy implementation.**

Mr. Speaker, the DCGA government was fully prepared to implement its policies and programs after the passage of the 2020 Budget. However, just when the government was ready to implement its policies and development programs, the unexpected COVID-19 struck.

Mr. Speaker Sir, the adverse impacts of COVID-19 cannot be underestimated. Globally, the pandemic has spread with alarming speed, infected millions, and brought economic activity to a near-standstill as countries imposed tight restrictions on movement to halt the spread of the virus. Based on latest IMF economic reports, the global economy contracted by 3.5 percent in 2020.

### **COVID 19 adversely affected SI Economy.**

Mr. Speaker, the human disruption and economic damage the COVID-19 had done to us represents the largest economic shock we have experienced in decades since independence. The pandemic had a considerable negative

impact on Solomon Islands economy. It affected all sectors. The most affected were tourism, private sector businesses, air transport and government services, where activities have come to a standstill or considerably slowed. Being a small open economy, Solomon Islands international trade was also severely affected in 2020. All commodity exports were adversely affected, resulting in drastic declines in export incomes and production as global demand plummeted to record low during the year.

Mr. Speaker, the coronavirus had also severely affected both retail and wholesale businesses, manufacturing, utilities, and governments operations as revenue fell during the year. The pandemic also led to a decline in employment opportunities over the year. Provisional employment data from the National Provident Fund (NPF) showed that the total number of people employed fell 6.0% to 57,028 by end of 2020.

Sir, during the 2020 Supplementary Appropriation Bill 2020 (No.4 of 2020) that I presented to this Honourable House in August last year, I have detailed the adverse impacts on all major sectors of the economy. So there is no need to repeat them again.

However, the message I wish to share with this Honourable House is that the overall downturn in economic activity as experienced in 2020 had indeed reversed whatever progress we, as a nation, have made up to 2019 toward achieving our development goals. Sir, reversing what happened in 2020 needs a combined concerted effort by all of us in the country. We must all work together as one team, beginning with all of us in this Honourable House.

### **3.0 SIG FISCAL RESPONSES TO COVID-19 PANDEMIC.**

Mr Speaker, before I present the details of the 2021 Budget, I would like to report on government's major decisions in 2020 and outcomes.

Mr. Speaker, as I have reported in August 2020, the government acted very swiftly after the Governor General had declared the State of Public Emergency on 27<sup>th</sup> March 2020 and undertook seven major fiscal policy measures.

**(i) Revised the 2020 Budget Projections.**

The first exercise was the revision of the 2020 Budget estimates based on the first 6 months of fiscal performance. The review exercise showed that there would be a shortfall of more than \$450 million in total revenue or even higher, if the adverse effects of the pandemic persisted to year-end.

**(ii) Reprioritised 2020 Budget and Expenditure Control**

Mr. Speaker, the second major fiscal exercise was to reprioritize the 2020 budget expenditures across the whole of government. Sir, as this Honourable House would appreciate, this fiscal exercise was absolutely necessary in order for government to fund its COVID-19 Preparedness and Response Plan. The savings that resulted from this exercise were derived from a 50 percent cut in all discretionary and non-essential line items in the recurrent budget and other charges line budget, and a 15 percent reduction in all ministries development projects. The only exceptions were projects in the economic and productive sectors.

Mr. Speaker, I am glad to report that government had saved around \$200 million from this exercise and redirected these funds towards the funding of governments COVID-19 response program.

Sir, I also wish to report that Government had also tightened its expenditure control during the year. This also include ensuring that all procurement of goods, services and contracts are formalized under the appropriate procurement rules and regulations despite the emergency, and as much as possible, my officials ensure that wastages in all procurements are identified and not entertained during the time of crisis.

**(iii) Revenue measures.**

Mr. Speaker, apart from redirecting government expenditures towards the Productive and Resource sectors to support government's economic recovery initiatives, the government also strengthened its tax administration and compliance measures during the year. This also included the collection of identified tax and duties arrears.

**(iv) Protected key government growth initiatives.**

Mr. Speaker, despite the expected adverse impacts of COVID-19, the government remained very committed to economic growth. As a result, the government ring-fenced key productive and resource sector growth initiatives that were already in the pipeline and implemented these in 2020. Sir, around \$102 million worth of pipeline projects were protected under the productive and resource sectors and implemented during the year.

**(v) Government Approved the Economic Stimulus Package.**

Mr. Speaker, the fifth fiscal measure that government took was the approval of the COVID-19 Economic Stimulus Package (ESP) by Cabinet in April 2020 to address the negative economic impacts created by the corona virus on the local economy.

Sir, the primary objective of the ESP was to assist the productive sector players to continue their production during the year. This is to ensure the local economy remains afloat during these challenging times. Sir, as explained in August last year, the package focused on three key strategic policy objectives:

- 1) to ensure business continuity and prevent the economy from further decline;
- 2) to immediately boost economy recovery by encouraging income generating activities and employment.
- 3) to promote medium to long term growth.

Mr Speaker Sir, the ESP program targeted all levels of economic activities to help cushion the decline in domestic aggregate demand by incentivizing farmers, fishermen, and ensure businesses continue to employ our people and keep production afloat throughout the year.

Mr. Speaker Sir, of the \$306 million approved for the ESP program in July 2020, a total of \$230.1 million worth of projects and grants had been approved and paid up to 22<sup>nd</sup> March 2021.

Sir, a full review and report on the implementation and economic impact of the ESP will be produced later. However, preliminary data showed

increases in copra trading, sawn timbers and Kava export during the pandemic period, owed to the timely implementation of the ESP.

**(vi) Development Bank of Solomon Islands.**

Mr. Speaker, let me say something about the Development Bank, one of the key component of the Stimulus Package.

Sir, as all Honourable members are aware, work on the setting up of the Bank commenced in September 2019. So far, Government had injected a total of around \$47 million under the ESP into the Bank. The bank started its lending operations in June 2020 in the midst of the COVID-19 pandemic and completed its first 6 months of operations in December 2020.

Mr. Speaker, the Bank had recruited a total of 24 locals and 2 expatriate. The majority of local staff are new graduates from the Solomon Islands National University, University of the South Pacific, Laucala and Alafua Campuses and Sydney University. For these fresh graduates, this is their first permanent employment and the Bank is happy to have been in a position to offer this opportunity to our young people.

Sir, in terms of lending, total loan portfolio of the Bank at the end of February 2021, reached \$58.3 million. I also wish to inform Parliament that its external auditors are currently auditing the Banks accounts. I will bring the audited report to Parliament when it is completed.

Mr. Speaker, the Bank will continue to need funds in the future to meet its lending program especially in support of the various initiatives that is now being explored by the Bank. Government will continue to support the Bank with its funding needs in terms of capital injection and guarantees where necessary.

**(vii) COVID-19 ICT Developments.**

Mr. Speaker, the COVID-19 crisis had also tested Governments ICT capability in 2020 and response strategies to ensure business continuity.

In early 2020, the SIG ICT Services developed and implemented an ICT Business Continuity Plan or BCP, to ensure government keeps running in the case of a lockdown. Under the BCP plan, SIG ICT Services developed the following crucial services:

- Collaborated with the Internet Service Providers and provided access to Internet for SIG essential staff.
- Deployed Citrix, which allowed SIG essential staff to access remotely SIG Systems and files.
- Installed video-conferencing systems across SIG Ministries.
- Improved power and connectivity at critical sites such as the Ministry of Health and Medical Services and the National Referral Hospital.
- Connected Police and Clinics at the border in Shortland to Internet and SIG to support the border policing.

#### **4.0 2020 ECONOMIC AND FISCAL OUTCOMES.**

Mr. Speaker, I know all Honourable Members in this Honourable House would like to know the economic and financial outcomes of government's strategic policy decisions and actions in 2020.

##### **4.1 Stronger outcomes than expected.**

Mr. Speaker, as said earlier, the economic damage COVID-19 had caused is real and must not be underestimated. The crisis has indeed ushered us in a new world - marked by tectonic shifts in our operating environment and has caused major uncertainties.

Mr. Speaker, it will take years to fully recover and put us where we were before the COVID-19 crisis. No one in his or her right mind should expect full economic and financial recovery in a short span of time. Sir, if major industrial economies are still struggling to recover, then we should not expect a miracle overnight.

Sir, the Policy Redirection strategy that government took last year was purposely to cushion the adverse impacts of the corona virus and stimulate the recovery process early.

##### **4.2 GDP outcome.**

Mr. Speaker, before COVID-19 struck in April, government had expected real GDP growth of 2.8 percentage in 2020. Despite the unprecedented damage the coronavirus had caused, the country emerged stronger against the negative impacts of the COVID-19 crisis and ended the 2020 financial year with a revised GDP outcome of **minus 3.6 percent**; relatively less compared to the **minus 4.3** percentage contraction forecasted in June 2020.

Mr. Speaker, the economic outcome reflected the gradual pickup in both forestry and agriculture sectors where activities gradually improved sooner than expected after lockdowns were scaled back in May and June in 2020. This is shown in Graph 1 of the Annex Tables.

#### **4.3 Trade balance and external reserves.**

Mr. Speaker, the cushioning effects of government's strategic policy actions, and private sector willpower and determination was also seen in the external sector. Sir, provisional trade data based on foreign exchange transactions through the banking system showed that total exports fell by 14.9 percentage to \$2.654 billion in 2020. Nevertheless, the trade balance recorded a surplus of \$554.2 million at the end of 2020, given the significant fall in total imports. As a result, the level of external reserves remained at \$5.3 billion at the end of the year, 13.4 percentage higher than at the end of 2019.

#### **4.4 Fiscal outcomes.**

Mr. Speaker, the gradual pickup in the productive sector, which saw relative positive movements in the trade sector, was also noticed in government's overall fiscal position. Sir, the budget review exercise that my staff at the Ministry of Finance & Treasury did in mid-2020 suggested that government finances would end with a \$628.1 million deficit at the end of 2020 if no corrective measures were taken.

Mr. Speaker, as Minister of Finance and Treasury, I am pleased to report to this Honourable House that because of government's prudent fiscal and economic measures, and support from donor partners, the fiscal deficit

narrowed to \$246 million at the end of 2020; significantly less than had previously forecasted as earlier stated.

Sir, on this regard, I wish to congratulate all my officers in the Ministry of Finance and Treasury for the job well done in 2020, despite the challenging situation we had that put pressure on government finances. More so, I wish to acknowledge my Controller and all the staff of Customs and Excise Division officers for their dedication and upholding their highest professional commitment that resulted towards the above collection by \$53.1 million against the 2020 revised target, and only fell short by \$21 million against the 2020 original budget, despite the economic fall-out due to the COVID-19. On the same note, I also acknowledge the commitment by my staff in the Inland Revenue Division or IRD. Sir, IRD collected \$58 million over the 2020 revised budget of \$1.677 billion.

#### **4.5 Challenges remain.**

Mr. Speaker, as said earlier, the negative impacts of the COVID-19 pandemic are real and have the potential to drastically derail our combined efforts to advance growth and service delivery to our people.

Furthermore, as said in August last year, one of government's immediate concern in 2020 was to protect you, your families and everyone in the country. With the assistance of our donor partners, government was able to confine the spread of the coronavirus during the year.

Mr. Speaker, as this Honourable House would appreciate, our frontline agencies have been fighting and containing the virus with whatever resources we had and received from our donor friends. The bulk of this had gone to the Ministry of Health and Medical Services. This was an addition to the resources already committed during the year for public health purposes.

#### **5.0 2021 ECONOMIC OUTLOOK**

Mr. Speaker Sir, let me now turn to the macro-economic outlook upon which the 2021 Budget was framed.

Sir, the 2021 budget was developed based on a projected Real Gross Domestic Product (GDP) growth of one percent (1.0%).

Mr. Speaker, based on recent economic trend observations, both the services and industry sectors are expected to contribute 0.5 per cent and 0.6 per cent, respectively in 2021. Primary sector production, on the other hand, is projected to remain relatively weak in 2021, attributable to the expected fall in log output in the near term.

Mr. Speaker, real GDP growth is forecast to rebound to around 1.0 per cent in 2021, from minus 3.6 per cent in 2020, consistent with expected recovery in overall economic activities. However, revenue growth is not expected to keep pace with nominal growth over the medium term. This is primarily the result of the expected slowdown in collections of export duties from round logs.

Sir, in terms of price pressures, annualized headline inflation surged in early 2020 due to a temporary surge in the betel nut index and supply-side shocks for selected commodities. For 2021, annualized headline inflation is estimated to decline to around 3 per cent.

Mr. Speaker, as said earlier, the global slowdown has markedly affected the Solomon Islands economy, resulting in a sharp decline in major commodities exports (particularly fish) and tourism, which is also expected to negatively impact the economy and produce a weaker external position.

The current account deficit was around 4 percent of GDP in 2020 and will continue to widen in 2021. In response to the threats of COVID-19 on tourism, exports, and domestic demand, the IMF had disbursed funds to the Central Bank of Solomon Islands in June 2020 to help cover the urgent balance of payments needs. Despite the lingering external vulnerabilities, logging and other key exports have been relatively strong throughout 2020, while further falls in import oil prices are expected to provide support in 2021.

Mr. Speaker, the impact of continued decline of logging activity and the expected importation of heavy infrastructure projects in the pipeline will place significant pressures on external foreign reserves over the medium term.

In 2021, total exports are forecast to slowly pickup in line with projected recovery in the global economy and domestic activity. External demand for all categories of exports, except for round logs are forecast to rebound. Looking ahead, total exports are projected to expand by 6.5 per cent in 2022, due to positive contributions from increased agricultural exports, minerals and fish exports. Total imports, on the other hand, are also forecast to rise because of increased importation of machinery and transportations equipment.

## **6.0 2021 BUDGET STRATEGY FRAMEWORK.**

Mr. Speaker, let me now turn to the 2021 Budget Strategy Framework.

### **6.1 Top down budget process.**

Mr. Speaker, the 2021 budget process taken by the government was slightly different from the previous years' budget preparation. In 2021, the government had decided to guide the development of the budget from a top down approach. In times of hardship, it is crucial that all government ministries adhere to government policies and not do their own usual business.

Mr. Speaker Sir, as you would recall, the Government has decided to delay the 2021 budget preparation late last year to ensure government has sufficient time to revise and develop its policy priorities along its Policy Redirection mandate for 2021 and beyond.

### **6.2 Rationale and Budgetary Proof for Governments Policy Redirection.**

Mr. Speaker, many have questioned the rationale for government's Policy Redirection. Let me explain.

Sir, anyone who questions governments Policy Redirection initiative must be blind to what COVID-19 had done to the global economy, and to us in 2020. As I said earlier, the Solomon Islands economy had suffered

tremendously because of COVID-19. Its negative impacts are real and must be addressed.

Mr. Speaker, Governments Policy Redirection is to prioritise budget spending on specific targeted objectives in all sectors, with specific focus on the productive and resource sectors. The aim is to support the economy in response to negative impacts of COVID-19, while maintaining a continued long-term focus on developing Solomon Islands into an economically strong and vibrant nation and advance the livelihood of our people.

Sir, government had decided to redirect its policy after thoroughly reflecting on our past drawbacks and using this experience to set the basis for future growth and further development in our country.

Mr. Speaker, actual government spending on investment projects in both the productive and resource sectors had drastically declined over the last three years. This can be shown in the summary Table below.

**Actual Development Budget Expenditures.**

Key Sectors	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Budget
Productive	420,109,499.34	223,930,202	138,924,429	90,823,100	209,803,000
Resource	416,924,459.74	333,468,265	273,625,000	264,686,422	370,396,000
Fundamental	76,543,219.63	156,975,352	160,929,863	120,986,914	220,800,000
Social	183,684,242.88	91,109,972	142,571,458	48,799,263	130,550,000
Others	2,998,983.09	959,588	5,100,000	0.00	6,500,000
<b>Total</b>	<b>1,100,260,405</b>	<b>806,443,379</b>	<b>721,150,750</b>	<b>525,295,699</b>	<b>938,049,000</b>
<b>Sectors</b>		<b>Percentage (%) Changes</b>			
Productive		<b>-46.7</b>	<b>-38.0</b>	<b>-34.6</b>	<b>131.0</b>
Resource		<b>-20.0</b>	<b>-17.9</b>	<b>-3.3</b>	<b>39.9</b>
Fundamental		<b>105.1</b>	<b>2.5</b>	<b>-24.8</b>	<b>82.5</b>
Social		<b>-50.4</b>	<b>56.5</b>	<b>-65.8</b>	<b>167.5</b>
Others		<b>-68.0</b>	<b>431.5</b>	<b>-100.0</b>	
Total		<b>-26.7</b>	<b>-10.6</b>	<b>-27.2</b>	<b>78.6</b>

Source: Ministry of Finance & Treasury.

For example, in 2018, government spent \$557.5 million on investment projects in both the productive and resource sectors. This further declined to \$412.5 million in 2019 and to \$355.5 million in 2020.

This downward trend is a concern to the government. Both the productive and resource sectors are important pillars of the economy. If Solomon

Islands economy is to grow and provide jobs for the growing population, then adequate financial resources must be allocated to both the productive and resource sectors. This explains why government has redirected resources and increase budget allocations to both sectors to \$580.2 million in 2021.

Mr. Speaker, in this trying time, it is very important that our limited financial resources be prioritised and only focus on economic activities that would provide the highest socio-economic benefits to our people.

### **6.3 Governments Policy Redirection**

Mr. Speaker, in late 2020, the Government adopted and announced two fiscal and economic guiding principles to guide the restoration of stability to the Budget and the economy. From previous experience on how we have dealt with similar shocks, the Government knew that we cannot do the same old things and expect different results.

Sir, the two key overarching policy objectives of the Government since the outbreak of the COVID-19 pandemic are:

1. To protect our citizens from the spread of COVID 19; and
2. To keep our domestic economy afloat and accelerate recovery in the short to the medium term.

It is in this regard that the 2021 National Budget was developed under the theme, **“Towards A Path To Economic Recovery: Advancing Growth And Service Delivery Through Better Partnerships”**.

Mr. Speaker Sir, the theme calls for better partnerships, collaboration and cooperation from all stakeholders to effectively implement the 2021 Budget. Sir, the new policy redirection is embedded in the key principles of the 2021 Budget Strategy Framework, which include the following core objectives:

- (a) Ensure the economic and social wellbeing of all Solomon Islanders are protected through improved service delivery and prevent the spread of COVID-19.

- (b) Improve the quality of expenditure and redirect resources to support economic recovery and prioritize targeted growth investments under productive and resource sectors by deferring all non-growth initiatives and streamlining growth investments.
- (c) Maintaining responsible and prudent macroeconomic and fiscal management and ensure the implementation of the 2021 budget in a responsible and fiscally sustainable way within the fiscal framework.

#### **6.4 Protecting our communities from the spread of COVID 19 virus.**

Mr Speaker, the government is committed to protect our citizens and will continue to provide resources to adequately respond to any emerging pressures that may arise at our borders and risk of any community transmission.

Sir, on the 19<sup>th</sup> March 2021, the country had received 24,000 doses of COVID-19 vaccines through the COVAX facility, a partnership between CEPI, GAVI, UNICEF and WHO. We are the second country in the Pacific Islands to receive the doses of the AstraZeneca COVID 19 vaccines.

Mr Speaker, the vaccines will greatly bolster our capabilities to enhance our efforts to protect our people against the COVID-19 virus. Vaccination starts with target priority groups, starting with health and all front liners and all persons above 18 years old in western borders following the recent increase in cases in Bougainville.

Mr. Speaker, in addition to the already received doses, the government has also committed \$10 million for the purchase of COVID-19 vaccines under the Ministry of Health and Medical Services budget in 2021.

Mr. Speaker, I would like to inform this Honourable House that funding received to support our COVID-19 pressures is well managed. Implementing ministries will be allocated funding as soon as revised work plans and costings are provided to the COVID-19 Oversight Committee for further review in the coming months.

## **6.5 Protecting our economy, advance growth and recovery.**

Mr Speaker, the DCGA Policy Redirection is also committed to redirect resources towards the productive and resource sectors to support government's economic recovery initiatives that aim to stimulate growth and create investment opportunities for our people in the short to medium term.

## **7.0 OVERVIEW OF THE 2021 BUDGET**

Mr. Speaker, let me now outline for this Honourable House the fundamentals of the 2021 Budget.

Mr. Speaker, the government has planned an overall deficit of \$329 million in the 2021 budget. Total consolidated revenue is estimated at \$3.710 billion and total expenditures at \$4.039 billion. Of the total consolidated revenue estimates, total domestic SIG revenue is projected at \$3.009 billion. The government is confident that the balance of \$701.5 million will be externally sourced.

Mr. Speaker, of the \$701.5 million balance, the government has already secured \$341 million from its traditional multilateral and bilateral partners. The remaining balance will be sourced domestically or from other normal external sources.

Sir, in terms of expenditures, the \$4.039 billion in total consolidated expenditure consists of \$2.830 billion in recurrent expenditures, and \$938 million in development expenditures. A total of \$270.5 million will be budget support and \$90 million from the Peoples Republic of China (PRC). An amount of \$32 million, consisting of \$12 million for continued ESP program and \$20 million in Contingency Warrant provision is also budgeted for the year.

### **7.1 Revenue Estimates.**

Mr Speaker, as have stated, total revenue estimates for 2021 is \$3.710 billion. This consists of \$3.009 billion in normal SIG revenue; \$360 million is Budget Support revenue from Donor partners and \$341 million secured

from development partners to fund Governments development budget initiatives.

Sir, both the Inland Revenue Division (IRD) and Customs and Excise Division are projected to collect \$2,576 million in 2021. This is a slight decrease of 2 percent from the 2020 revised estimates of approximately \$2,580 million. Total non-tax revenue is estimated at \$433 million dollars for 2021.

Mr. Speaker, the IRD revenue estimate of \$1.744 billion is 15 percent below the 2020 original revenue estimates of \$2.048 billion, but 4 percent above the revised revenue estimates of \$1.678 billion in 2020.

For Customs and Exercise Division, the revenue estimates of \$832million is 15 percent down from the 2020 original revenue estimates of \$976 million and 7 percent below the revised revenue estimates of \$902 million in 2020.

For other ministries, non-tax revenue is estimated \$433 million. This is 20 percent below the 2020 original revenue estimates of \$546 million and 2 percent below the revised revenue estimates of \$441 million in 2020.

### **New revenue measures in 2021.**

Mr Speaker Sir, government had already approved several revenue measures to bolster additional revenue in 2021. These include the followings:

First, medical evidence showed that increased tobacco consumption has direct adverse impacts on the health of our people, especially the young population. The government has completed review of Tobacco Excise regime and decided to raise the **Tobacco Excise** from 1<sup>st</sup> July, 2021. The government also intends to further strengthen the monitoring and tax compliance in this area, and will consider Introducing a system of taxing Lekona. Government expects to earn \$24.9 million in additional revenues from this measure.

Second, on **Plastic Tax**, I am pleased to report that as part of DCGA policy on pollution and clean environment, a \$0.50 cents environmental levy is also proposed for plastics that are identified as major contributors to environment pollution. Single use and harmful plastics are going to attract this levy. The increase will generate a minimal revenue of around \$1.1 million for the full year. This will discourage the importation of plastics and encourage using of environmental friendly products other than plastics.

Third, on the **Raw Sugar Tax**, through my Ministry and the Ministry of Health and Medical Services, the Government will impose levy at the rate of \$1.00 per Kg on raw sugar effective as of 1<sup>st</sup> May 2021 as part of Government national strategy in combating non-communicable diseases in the country. This Tax when fully implemented will generate an additional revenue of \$7 million per year to the Government.

Fourth, on the **Soft Drinks**. The other product category covered under the NCD policy strategy includes soft drinks and the proposed Levy rate of \$1-00 per Kg. This tax when implemented as planned will generate another additional revenue of \$6 million per year to the Government.

Mr. Speaker, for **Non-Tax Revenue fees**, the Non- Tax Revenue collection for 2020 showed that despite the impacts of the COVID-19, there is potential to improve further in this area in 2021. Ministries collecting non-tax revenue need to seriously look into ways to improve and seal off loopholes to collect this much-needed revenue to finance services and boost the fiscal spending to stimulate the domestic economy. There are inadequate levies that should be reviewed across ministries to factor in changes in the inflation rate per annum thus reflecting the cost of providing those services while maintaining a level of cost affordability to all Solomon Islanders.

Mr. Speaker Sir, government focus now is shifted to use the \$US currency, specifically for paying of fees and charges by foreign own companies, more specifically under the fishing industries. This should help increase the level of foreign reserves to maintain stability in the domestic market, strengthen the value of the SBD currency, and promote foreign investors' confidence.

Sir, government also agreed to review the current tax regime on mineral exports in 2021 with the intention to impose export duty on the exports of mineral products.

### **Recovery Tax Incentives for 2021.**

Mr. Speaker, the government is fully aware that many local businesses are still struggling because of COVID-19. It will take years for many local companies to fully recover.

Sir, as part of DCGA government economic recovery strategy, I am pleased to announce the following business incentives to boost the recovery process. The Business Incentives are as follows:

- (a) Government will not lift but continue with the current tax incentive relief measures for the tourism sector.
- (b) Government will continue to fund the SOE Community Service Obligations in 2021.
- (c) Government will also continue the grant/subsidy program for both copra and cocoa industry in 2021 to help in the cost of freight and prices.
- (d) Government will also provide special incentives for the NONI industry and local farmers in 2021.
- (e) Finally, the government has completed the independent review of electricity tariff. Sir, I am pleased to announce that based on this independent review, all SIEA tariff rates have been reduced, and will be effective as of **1<sup>st</sup> May 2021**, these includes;
  - Domestic or household customers are likely to see a reduction of 22 percent,
  - Commercial customers are expected to see a decrease of around 27 percent, and
  - Industrial customers are expected to see a fall of 5 percent.

Sir, the government expects an overall reduction averaging by 18 percent. SIEA will provide the details of the reduced rates in the coming weeks before they are implemented.

### **7.2 2021 Recurrent Expenditures.**

Mr. Speaker Sir, let me now briefly outline the Recurrent Budget for 2021.

First, on the 2021 recurrent budget, total recurrent expenditures are estimated at \$2.810 billion in 2021. This consists of payroll budget estimates of \$1.290 billion and \$1.520 million for Other Charges.

Sir, the 2021 budget is a very tight budget and the government will need to realistically plan and prioritise its activities in order to achieve tangible outcomes within the 2021 financial year and avoid any commitments that will further derail government's fiscal situation.

Mr Speaker, in this regards, the government has taken a drastic decision to reduce overall SIG expenditure from normal SIG revenue sources in order to maintain fiscal stability and affordability of the government fiscal plan in 2021. This is to ensure funding is always readily available to pay all government suppliers on time. To help maintain budget stability, all ministries are required to be strategic in their planning to ensure the following objectives are met:

- i. To streamline their activities so that key essential and mandatory services are well resourced within the limited resources available, and
- ii. Support to stabilize public service workforce.

**Streamline and reprioritise other charges to key essential and mandatory services.**

Mr. Speaker, as Members of this Honourable House will note, total recurrent expenditures in the 2021 Budget is reduced by \$272 million to \$2.810 billion compared to \$3.082 billion from the 2020 original budget estimates. The reduction reflects planned reductions in Other Charges budget as outlined below:

- (a) Overall reduction by 40 percent on all ministries' discretionary and non-essential line items except for productive and resources sectors ministries.
- (b) All fixed costs are protected except all grants, which are reduced by 15 percent. Utilities are also reduced by 5 percent. Ministries are asked

to manage at reduced amounts and impose stringent control measures on the usage of utilities.

- (c) Scholarship budget is reduced by \$120 million. No new overseas scholarships will be considered in 2021 except for in country scholarships. Allowances and other allowances will also be reviewed and considered at reduced amounts during the year.
- (d) All overseas-related travels have been reduced, as Government will not allow overseas travels in 2021 until we complete the vaccination roll out program, and allow travel and trade activity to normalise.

### **Stabilize public sector workforce.**

Mr Speaker, please note that in line with the 2021 Budget Strategy, the government has also decided to stabilise public sector workforce in 2021.

In this regard, Mr. Speaker Sir, the government's overall policy redirection plan is to manage payroll costs in 2021 and continue with current ongoing public service reforms.

### **General recruitment freeze.**

Mr. Speaker Sir, the government has already imposed a recruitment freeze across the whole of Public Service and this is effective as of 2nd January 2021.

Mr. Speaker, in spite of the overall freeze on new recruitment, the government through the Ministry of Public Service will consider and redirect vacant positions in its strategic areas of policy priorities, especially in both the productive and resource sectors, including essential services.

### **7.3 2021 Development Budget.**

Mr. Speaker, as I have already alluded to earlier, Government's two overarching policy objectives upon which the 2021 Budget was developed are to:

- (a) Delivery of essential services including protecting the citizens of Solomon Islands from the spread of COVID 19 pandemic; and

- (b) Keep our domestic economy afloat and accelerate the recovery process.

The 2021 Budget provides the framework for the Democratic Coalition Government for Advancement (DCGA) to implement its redirection policy, which was developed to address the changing dynamics of the “new normal” environment. This policy redirection requires realignment and focusing of policies and redirecting of budget spending priorities to targeted pillars of the economy to advance growth and support ongoing service delivery.

The Government is committed to redirect resources towards the Productive and Resource Sectors to support government’s economic recovery initiatives, stimulate growth and create investment opportunities for all Solomon Islanders. Ministries such as Fisheries, Tourism, Agriculture, Forestry, Aviation, Environment, Lands, Commerce and Mines are to properly secure resources towards programs that can spur economic activities for growth.

### **Productive sector budget allocations.**

Mr Speaker, the productive sector is very important for the country’s growth and recovery process. This explains why a total of \$209.8 million is allocated to the productive sector. This includes:

- \$25 million for Agriculture Investments.
- \$25 million for Commerce and trade investments.
- **\$24.8 million for Communication and Aviation investments.**
- Under **Fisheries**, the government is allocating \$15 million.
- under **Lands**, the government is allocating \$10 million.
- Under **Tourism**, the government is allocating \$10 million.

Mr. Speaker Sir, quality infrastructure development is important for faster economic growth and alleviation of poverty in the country. Adequate infrastructure in the form of roads, transport system, ports, power, airports and their efficient working is also needed for the integration of the economy with other economies of the world. Under the **Infrastructure Development**, the government is allocating \$100 million in total.

## **Resource Sector budget allocations.**

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

Mr Speaker, development of the economic base involves investment in the key productive sectors of the Solomon Islands economy including agriculture, forestry, tourism, commerce and industries, fisheries, lands, mines and energy. Recognising that quality investment in our economic base is critical to the long-term sustainability and growth of the Solomon Islands, the Government has provided a total of \$370.4 million in additional funding for development projects and activities in these areas:

- Increase value added Industries and build a resilient economy
- Push for an Innovative development model for Solomon Islands
- Encourage strategic investment through Public Private Partnership
- And ensure we maximize economic benefits of our resources. The government promotes more value adding industries and encourages investments that adds value from our resources.

Sir, in this regard, and consistent with the DCGA Redirection Policy, budget allocations towards the resource sectors has been increased in 2021 under the following sectors:

- Under **Forestry**, the government is allocating \$10.6 million.
- Under **Environment**, the government is allocating \$6 million.

## **Importance of Rural Sector Development.**

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

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

Mr. Speaker, based on this conviction, government had decided to allocate \$342 million, including \$90 million from the People Republic of China (PRC) to support rural development and growth initiatives through the constituency development program to establish small business, construct infrastructures, and create employment opportunities in the rural areas.

Sir, furthermore, under **Mines**, the government is allocating \$11.8 million.

### **Social Services Sector.**

Mr. Speaker, the social services sector plays an important strategic function in providing the physical and human capital needs for both the everyday and long-term development of the economy as a whole.

Sir, as such, government is providing an additional amount of \$10 million towards the COVID-19 vaccination program in 2021.

### **7.4 Development Budget Financing.**

Mr Speaker, the 2021 development budget will be collectively funded by both domestic revenue, external financing and direct budget support from our development partners.

Sir, the overall 2021 Development Budget is \$938 million, of which the government has already secured \$341 million from Development Partners. The funding gap of \$329 million will be secured through domestic borrowing or other external sources in the coming months.

Mr. Speaker, in terms of 2021 development funding limits, the government has also set the annual borrowing limit at \$350 million for high priority

infrastructures and development initiatives from multilateral, bilateral development partners and domestic financial institutions.

Mr. Speaker, the annual borrowing limit is consistent with IMF/WB Debt Sustainability Analysis methodology.

### **7.5 Key ongoing projects in 2021.**

Mr. Speaker Sir, I must say that Solomon Islands is in better position to quickly recover from the fall-out of Post COVID-19 social and economic challenges as we have multi-billion dollars' project or investments which are all ready to commence without delay. On this regards the government is committed to progress in 2021 the following priority projects to help stimulate economic activities include the followings;

- (a) 2023 South Pacific Games Investments
- (b) Tina River Hydro Development Project,
- (c) Upgrade - Munda International Airport Project and roads within Auki under the World Bank Road and Aviation Project (SIRAP)
- (d) Tar seal of Seghe and Taro domestic airport under SIG and Development Partners financing
- (e) Henderson International Airport Upgrade Project under the Japanese Government support
- (f) Fisheries-Henderson road and White River Highway-road, under the Japanese Government and ADB support.
- (g) The USP Campus project under the ADB financing, and
- (h) The Maromaro Estate project

### **2023 Pacific Games**

Mr Speaker Sir, in 2023, our Country will host the single largest regional sporting event – the 2023 Pacific Games. It is expected that 24 countries and territories will participate to compete in 24 sports over 2 weeks bringing almost 5,000 athletes and officials. Our government's portion of the nearly \$2.5billion investment is \$550 million dollars, spread over 5 years from 2019 through to 2023.

A total sum of \$198.4 million is allocated in the 2021 development budget to make up for the \$95.4 million shortfall in 2019 and 2020, and \$103 million

toward the \$110-million-dollar budget in 2021. This allocation means that we are now only \$7 million dollars behind our target budget for 2021.

Mr Speaker Sir, over and above this allocation is approximately 2 billion dollars-worth of investment by our partners into the Pacific games project.

Sir, this project is more than just two-weeks of games. It is a unifying force for our country. It will leave a legacy of empowerment for our young people, our sporting fraternities, and importantly our nation. The facilities will transform our nation's capital.

The 2023 Pacific games had also become the catalyst that is beginning to drive other projects as mentioned above.

Mr Speaker Sir, the investment into the 2023 Pacific games with the theme – “Challenge, Celebrate, Unite”, is an investment on the young people of our country.

## **8.0 DEBT OUTLOOK.**

Mr Speaker Sir, let me now turn to the debt outlook for 2021.

First, I would like to inform this House that the Debt Management Framework (DMF) will guide any new borrowing proposal of the government. This framework provides the guidelines for the Solomon Islands Government to enter into new borrowing. The Framework does not encourage large, one off borrowings, as they limit the Government's ability to:

- a) adapt to economic shocks; and
- b) fund yet to be identified development initiatives that may exhibit high economic and social returns.

Sir, a Debt Management Advisory Committee (DMAC) has also been established to review borrowing proposals and make recommendations to the Minister for Finance.

Sir, at the end of 2020, the level of official government debt was \$1.226 billion. This consists of \$774.9 million in external debts, \$451.2 million in domestic debts and \$30 million in other debts. The government plans to spend \$84.8 million in debt servicing in 2021.

At present, the Debt to GDP ratio is currently around 11.7 percent at the end of December 2020. This is a sustainable level. However, at this level of debt, the Solomon Islands has limited capacity to borrow to fund its needed development. To ensure that debt remains at a sustainable and affordable level, the government has resolved that new debt should only be incurred incrementally, in a steady and predictable manner.

## 9.0 STATEMENT OF BUDGET RISKS.

Mr Speaker, Sir, the government is aware that there are significant potential risks ahead that could adversely affect the implementation of government's fiscal plans in 2021;

- **COVID 19 pandemic** still poses significant risks to our economic outlook for 2021 and beyond. The global outlook remains in a state of flux, with heightened uncertainty and downside risks to the outlook of Solomon Islands economy remaining significant. The vaccines are being rolled out around the globe now but how soon restrictions will be lifted is still uncertain.
- **Logging and other commodity price risks** - The end of commercial logging will pose a significant risk to the macroeconomic outlook in the economy, especially as it accounts for a large share of exports and government revenues. Also, the uncertainty of commodity prices due to the pandemic also poses a risk for the economy, affecting commodity exporters such as copra and cocoa through loss in export and revenue.
- **Natural disaster occurrence** – Solomon Islands is among the most exposed and vulnerable countries related to climate and other natural disasters. And since weather patterns is becoming unpredictable, any adverse natural weather events would likely to have significant impacts on our domestic economy and more so on government finances.

Mr. Speaker Sir, any emerging 2021-budget pressures will continue to impede the momentum of government's budget implementation and therefore any urgent and unforeseen pressures that the government will face will have to be balanced within the available fiscal envelope and the priorities that have already been set out in the budget strategy. These include:

- COVID 19 Pressures
- Deviation from DCGA policy redirection priorities
- Ongoing scholarship awards and extension of scholarship period
- The 2023 Pacific Games preparation
- Teachers' ongoing reinstatement and backdating of salaries.
- Revenue raising initiatives under the productive sector that generate growth and economic opportunities.
- Proposed Ministry restructures and adjustments to the Scheme of Service (SOS). Approving SOS proposals without approved budget or securing additional resources.

### **10.0 2021 APPROPRIATION BILL 2021.**

Mr. Speaker, the 2021 Appropriation Bill 2021 calls for \$3.906 billion to be applied to the service of the financial year 2021, including \$2.709 billion recurrent budget, \$259 million budget support and \$938 million total development expenditure. The appropriation excludes \$113 million for the statutory expenditures including \$84 million for national debt servicing.

Sir, the borrowing limit that government can borrow or agree to borrow is \$350 million, specifically for high priority infrastructures and development initiatives from multilateral, bilateral development partners and domestic financial institutions.

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

The Contingency Warrant provision of \$20 million is allocated to cover unforeseen and urgent spending within the 2021 revenue estimates.

### **11.0 RESPONSIBLE BUDGETING AND IMPLEMENTATION.**

Mr. Speaker, Sir, the Budget 2021 has been developed to meet key Government overarching policy redirection objectives to address the short to medium term economic and fiscal challenges. This calls for ministries to perform their mandatory roles to ensure smooth implementation of the 2021 Budget.

**Maintain macro-fiscal stability**

Mr. Speaker Sir, the current situation calls for macro-fiscal stability, discipline and prudent spending. It is of paramount importance that the government remains committed and demonstrates due diligence in its planning and operations, and make wise and responsible decisions on how it manages the implementation of the 2021 budget.

Sir, the government is aware of a very tight fiscal situation in the next 9 months. The austere budget and the tight liquidity situation within Treasury will affect Treasury's ability to meet outstanding creditor payments in a timely way.

Mr. Speaker, my ministry will continue to monitor both government revenue inflows and available cash resources on a daily basis and this remains a key responsibility of Treasury at this critical juncture. However, liquidity remains very tight and the Solomon Island Government (SIG) funds are presently at minimum levels. However, there is some donor support scheduled in the coming months, which will be very welcoming.

**Strict Monitoring of Budget Implementation.**

Mr. Speaker Sir, as part of monitoring the 2021 budget implementation, my ministry will be strictly enforcing Ministries compliance with the Solomon Islands Government procurement and payment processes. A further austerity circular is being finalized and will be circulated to all Ministries in early April to ensure that Payments are consistent with government redirection guidance and only spent in these priority areas. This circular will set out clear expectations for robust expenditure controls in all government ministries.

Mr. Speaker, Sir, the Financial Management Information System (FMIS) project which has been underway for 2 years is scheduled to go-live progressively from 1 May 2021. This new system will significantly improve financial governance and oversight across SIG. Monthly financial reporting will be much insightful with the new reporting features available in the new system.

**Maintain budget credibility**

Sir, the government is committed to implement a credible fiscal plan budget for 2021, and ensure adequate resources are allocated to legitimate contractual commitments and policy priorities. The 2021 Budget will be the necessary vehicle to stimulate growth again, investment opportunities and better service delivery outcomes for all.

As usual, all ministries and agencies are required to put together comprehensive procurement plans and documentations as soon as possible, so that implementation of the 2021 budget, especially the development spending is not unnecessarily delayed.

Mr. Speaker Sir, my ministry will continue to monitor the implementation of the 2021 budget and ensure public resources are used prudently and for the approved purposes.

Mr. Speaker, Sir, it is the responsibility of all accounting and accountable officers, Permanent Secretaries, Deputy Secretaries, Financial Controllers, Human Resource Managers and Directors to uphold the PFM Act 2013 and also Financial Circulars which will be issued to ministries after this Appropriation bill is passed.

Furthermore, Ministries are strongly reminded not to commit the government into contractual commitments without securing funding. This is to avoid rolling over arrears into 2022.

Mr. Speaker Sir, in order to facilitate the smooth operation and delivery of government services to our people, all Ministries are urged to provide revised costed work plans, procurement plans and ensure spending is in line with those plans.

**12.0 ACKNOWLEDGEMENT.**

Mr. Speaker, 2020 has been a very tough year for the government, private sector businesses, faith-based organizations, our bilateral and multilateral partners and everyone in the country. Much of the hardships that we have

encountered during the year emanated from negative impacts of COVID-19 pandemic.

I also wish to acknowledge the efforts and contributions from all of you and everyone who have contributed in one way or the other in addressing the negative impacts of COVID-19. You have all exemplified the resilience and indomitable spirit of our people and country, Solomon Islands.

Mr. Speaker, the positive fiscal and economic results in 2020 cannot be achieved without all hardworking people in this country, all our frontline officers who have been working tirelessly, day and night, over weekends, in our fight to contain the corona virus. On this note, I also wish to extend the Government's gratitude to your commitment to this nation.

Mr. Speaker, I am confident that together, with God's grace and loving care, we will stay strong, and get through these trying times as a nation.

Sir, as we lay out our plans for our economy, we must ensure these plans are fiscally sustainable, so that we have the resources to deal with future needs and challenges. We must continue to plan our finances based on long-term structural drivers.

### **13.0 CLOSING REMARKS.**

Mr Speaker, in closing, let me again remind this Honourable House that our nation has been sorely tested over the last several months. Our nation has suffered. The suffering we have all gone through is a reminder that a strong, democratic society needs to be underpinned by good government, prudent and sound resource management and strong ethical leadership at all levels.

Mr. Speaker, good government and strong ethical leadership is about more than just politics and economics. It is about **RISING AND DOING THE RIGHT THING** amidst very challenging situation. The task of rebuilding our nation and hopefully reversed the damages done by COVID-19 is immense. And this suffering will continue if all of us in this Honourable House remain divided.

Sir, to continue to build on the progress made so far, we must continue our efforts to improve the budget process through our ongoing reform program.

Should we neglect our mandate now, whatever gains we have made so far will come to nothing.

Mr Speaker, I have tabled today a Budget for 2021, which lays a firm foundation that leads to sustained growth and development of our nation. With the stronger partnership that the government has forced with development partners, we remain hopeful that there is greater scope and capacity to progress further and succeed in our common endeavour to grow and move forward in the pursuit of success and prosperity.

Mr. Speaker, led by the government, the onus is on all of us in this Honourable House to RISE AND DO THE RIGHT THING and take the initiative in the critical task of reversing the damage done arising from the covid-19 pandemic. All Members of this Honourable House must therefore remain united and show that we are all here for the common interest of our country.

Mr. Speaker, it's about time that all of us in this Honourable House take a hard look at the future of our nation. The only path towards full economic recovery is through better partnerships. And there is no better way to show better partnerships than to support this budget as partners working for the common interests of our people.

Mr. Speaker, we have the resources to make a difference. Through experience, we know how to make this difference. We have the mandate and courage to make the difference.

Mr. Speaker, as the Government of the day, we are humbled by the trust bestowed upon us by our people and by this Honourable House to lead and to serve. As responsible representatives of our people, we must now act as partners and make the difference. We must not let this wonderful opportunity and mandated initiative by the 2021 Budget pass, without taking on the challenge to once again make Solomon Islands a better place for our families and children to live in.

Finally, Mr. Speaker, as Minister of Finance and Treasury, and for the sake of our nation's future, I appeal to all citizens of our beloved country, Chiefs, Church and Community leaders, NGOs and Civil Society organizations,

Premiers and Members of Provincial Assemblies, Public Servants and the general populace of Solomon Islands to rise with and support the government in this fight against our common enemy, the COVID-19 and work in partnership to lay the foundations for recovery, growth and prosperity in our country.

Mr. Speaker, with the foregoing:

- i. Performance of the economy in 2020.
- ii. Impact of Covid 19 on people's lives & on the economy.
- iii. Sets of response by the government on Covid 19 preparedness.
- iv. Sets of policy response package under the Economic Stimulus Package (ESP) to keep the economy afloat.
- v. A positive glimmer of growth of 1% in real GDP in 2021.
- vi. Budgetary allocations reflecting government's Redirection Policy towards the productive & resource sectors; and
- vii. The budget theme of "Towards A Path to Economic Recovery: Advancing Growth and Service Delivery Through Better Partnerships"

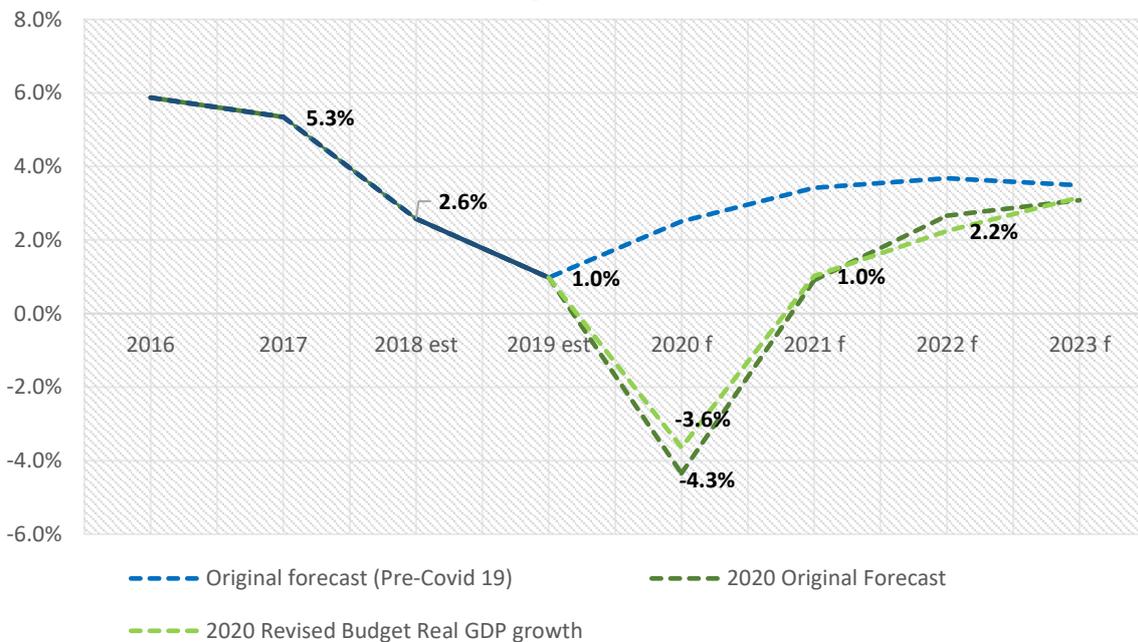
I commend this Bill to the House and I beg to move.

## ANNEX TABLES

<b>Table 1. Summary of Development Budget (Productive &amp; Resource Sectors)</b>		
<b>1.0</b>	<b>Agriculture Development Projects.</b>	<b>\$25 million</b>
1.1	Support towards improving SI food security project.	\$6 million
1.2	Support towards commercial farming initiatives.	\$8 million
1.3	Support export crop development program.	\$7 million
1.4	Support towards National Biosecurity Strengthening Program.	\$4 million
<b>2.0 Commerce Development Projects</b>		
<b>2.0</b>	<b>Commerce Development Projects</b>	<b>\$25 million</b>
2.1	Support towards trade and export program	\$7 million
2.2	Support towards private sector and MSME development.	\$5.1 million
2.3	Support value adding and downstream processing program.	\$7 million
2.4	Price control, inspection and compliance program.	\$2.5 million
2.5	Support to ICED, SEZ and Economic Growth Centre program.	\$7 million
<b>3.0 Communication and Aviation Development Projects</b>		
<b>3.0</b>	<b>Communication and Aviation Development Projects</b>	<b>\$24.8 million</b>
3.1	Support towards communication program.	\$2 million
3.2	International airport improvement program.	\$12.5 million
3.3	Support towards maintenance of provincial airports.	\$10.3 million
<b>4.0 Fishery Development Projects</b>		
<b>4.0</b>	<b>Fishery Development Projects</b>	<b>\$15 million</b>
4.1	Community fisheries livelihood program.	\$7 million
4.2	Development of fish export infrastructure program.	\$4 million
4.3	Support towards onshore fish development and processing.	\$4 million
<b>5.0 Land and Housing Development Projects.</b>		
<b>5.0</b>	<b>Land and Housing Development Projects.</b>	<b>\$10 million</b>
5.1	Review of lands and related legislations.	\$1 million
5.2	Support towards urban land management program.	\$5 million
5.3	Support towards lands institutional capacity program	\$4 million
<b>6.0 Tourism development and institutional development program.</b>		
<b>6.0</b>	<b>Tourism development and institutional development program.</b>	<b>\$10 million</b>
<b>7.0 Infrastructure Development Projects</b>		
<b>7.0</b>	<b>Infrastructure Development Projects</b>	<b>\$100 million</b>
7.1	SIG obligations to donor-funded projects.	\$12 million
7.2	National Transport Fund support.	\$45 million
7.3	Sea infrastructure and transport services projects transport.	\$14.5 million
7.4	Support towards economic infrastructure program.	\$18 million
7.5	National Transport Program Initiative (NTPI)	\$5 million
<b>Total Productive Sector Development Projects</b>		<b>\$209.8 Million</b>
<b>8.0 Forestry &amp; Research Projects</b>		
<b>8.0</b>	<b>Forestry &amp; Research Projects</b>	<b>\$10.6 million</b>
8.1	Support towards downstream processing program.	\$5.2 million.

8.2	Support towards sustainable logging development program.	\$5.2 million
<b>9.0</b>	<b>Environmental Related Projects</b>	<b>\$6.0 million.</b>
9.1	Support towards low carbon emission development program.	\$1.5 million.
9.2	Support towards environment conservation program.	\$2 million.
9.3	Support towards SI climate change adaptation program.	\$1.5 million.
9.4	Support towards SIMS Early Warning system program.	\$1 million.
<b>10.0</b>	<b>Rural Development Growth initiatives.</b>	<b>\$342 million</b>
<b>11.0</b>	<b>Mining Sector Development Projects.</b>	<b>\$11.8 million</b>
11.1	Support towards renewable energy development program.	\$5.8 million
11.2	Support towards SI Water Sector development program.	\$2 million
11.3	Support towards mineral development program.	\$2 million
11.4	Support towards Mines Sector institutional strengthening program.	\$2 million
	<b>Total Resource Sector Development Projects:</b>	<b>\$370.4 million.</b>

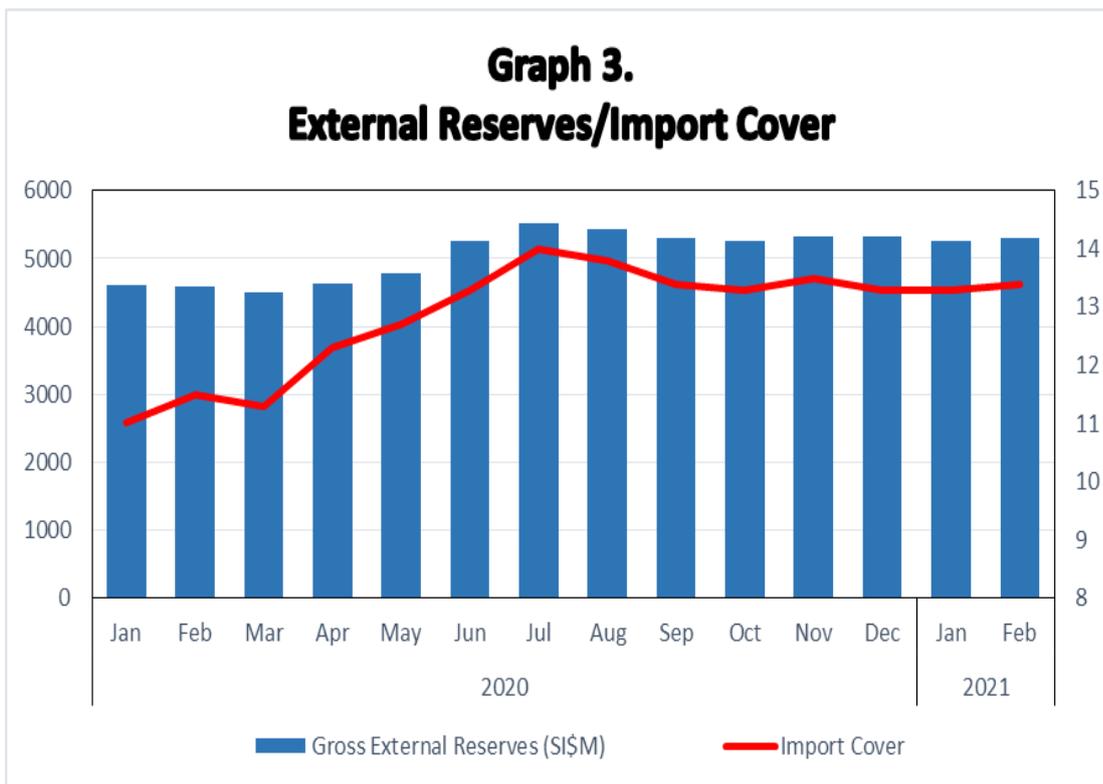
CHART 1.  
SOLOMON ISLANDS REAL ECONOMIC GROWTH  
Percentage (%)



**Graph 2.  
Quarterly Employment**



**Graph 3.  
External Reserves/Import Cover**



**Table 2. Production by Major Commodities**

Period	Copra Prod (m.t)	Palm Oil & Kernel (m.t)	Cocoa (m.t)	Fish Catch (m.t)	Round Logs ('000M3)
2005	26,182	-	4,928	23,853	1,118
2006	21,214	5,427	3,828	29,364	1,130
2007	27,903	17,151	4,342	19,867	1,446
2008	38,979	21,981	4,326	25,378	1,523
2009	24,740	25,123	4,553	19,300	1,045
2010	25,389	28,615	5,376	21,385	1,428
2011	35,280	31,592	6,495	28,195	1,937
2012	26,610	31,846	4,826	29,377	1,948
2013	13,922	32,154	4,519	24,876	1,945
2014	19,101	33,752	4,758	32,796	2,191
2015	17,408	32,579	4,521	28,917	2,366
2016	18,480	36,407	4,503	26,914	2,961
2017	25,157	35,089	3,982	30,646	2,684
2018	19,660	38,032	4,247	38,656	2,744
2019	8,055	37,536	4,335	40,859	2,678
2020	11,768	36,662	4,042	24,361	2,344

Source: Central Bank of Solomon Islands.

**Table 3. Outstanding SIG Debt Balances as of Dec.2020 (\$Millions)**

<b>1. Domestic Debts</b>		
Domestic Development Bonds		360.0
Treasury Bills		86.2
Amortised/Restructured Bonds		0.0
Special Securities		4.9
	<b>Total</b>	<b>451.2</b>
<b>2. External Debts</b>		
ADB		365.4
EU		7.1
IDA		308.0
IFAD		29.2
Exim		65.2
	<b>Total</b>	<b>774.9</b>
<b>3. Other Debt Obligations</b>		
Loan Guarantees		30.0
	<b>Grand Total</b>	<b>1,256.1</b>

Source: Ministry of Finance & Treasury.

**Table 3. Outstanding Private Sector Debts**

Major Sectors	2018	2019	2020
Personal	620,052	695,298	676,661
Construction	443,833	494,273	493,661
Distribution	495,993	558,481	585,751
Communications	133,041	83,000	80,255
Tourism	179,168	157,544	149,982
Prof. & Other Services	124,606	108,272	123,460
Transport	149,214	183,992	176,896
Manufacturing	149,418	119,023	104,986
Forestry	60,379	75,854	103,673
Agriculture	13,056	15,410	16,046
Entert & Catering	2,730	3,125	1,988
<b>Bills Receivables</b>			
Mining & Quarrying	239	41	-
Fisheries	6,752	11,346	6,646
Statutory Corporations	44,892	40,391	20,582
Non-Resident	-	-	-
Private Financial Institutions	1,104	11,087	370
Central Government	2	5	23
Provincial Assemblies and Local Governments	258	254	-
<b>Total</b>	<b>2,424,737</b>	<b>2,557,396</b>	<b>2,540,980</b>

Source: Central Bank of Solomon Islands.

**Table 4. SI International Trade Values (SI\$)**

<b>Major Export</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Copra & Coconut Oil	59,701	35,546	70,911
Frozen Tuna	294,969	81,828	151,045
Frozen Loin Tuna	27,174	285,661	264,736
Canned Tuna Exports	2,195	-	2,318
Other Fish Export	16,040	10,568	19,847
Round Log Exports	3,268,052	2,381,116	1,801,385
Sawn Timber Exports	45,742	34,634	27,553
Palm Oil & Kernel Oil	116,329	74,995	103,393
Cocoa Exports	10,571	63,450	28,310
Mineral Exports	119,317	85,372	163,047
Exports of Repaired Goods	-	-	0
Goods Sold in SI Ports	9,431	8,351	2,832
All Other Exports	31,773	57,571	19,117
<b>Total</b>	<b>4,001,294</b>	<b>3,119,093</b>	<b>2,654,494</b>
<b>Major Imports</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Fuel	884,462	803,970	456,466
Animal and Vegetable Oil	9,786	17,097	17,620
Food	717,779	736,473	659,519
Beverages & Tobacco	45,681	67,279	53,893
Crude Oil	1,443	960	10,352
Machinery & Transport Equipment	515,165	370,408	316,109
Building & Construction Materials	241,308	208,727	142,203
Manufactured Goods	229,577	249,470	223,638
Chemical Products	79,278	68,434	66,542
Miscellaneous Goods	218,674	190,082	101,983
Imports of Repaired Goods	317	68	97
Goods Procured in Foreign Ports	296	-	728
All Other Imports	123,245	97,524	51,178
<b>Total</b>	<b>3,067,012</b>	<b>2,810,493</b>	<b>2,100,326</b>

Source: Central Bank of SI (Based on Foreign Exchange Transactions)

TABLE 5. SELECTED ECONOMIC STATISTICS AND INDICATORS.

KEY INDICATORS	UNITS	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
<b>Output and prices</b>									
Production Index (2012 = 100)	Index	100	111	93	92	93.1	79.4	79.1	74.6
Manufacturing Index (2010 March Qtr =100)	Index	271	269	334	290	228	235	299	265
Electricity Consumption	MWh	18,928	19,858	19,501	20,008	19,783	18,842	19,518	20,031
Visitors arrival	Number	6,406	7,412	8,891	8,112	4,080	-	-	-
Supperanution contribution (active and slow active)	Number	59,392	59,710	60,904	60,643	61,093	59,605	58,110	57,028
National headline inflation (3mma)	%	1.3	1.0	1.8	2.8	7.8	5.7	0.2	-1.8
<b>External Trade</b>									
Current Account	SBD million -	335	32	488	471	62	67	288	45
Goods	SBD million -	94	31	61	174	152	184	165	13
Services	SBD million -	232	147	432	215	170	219	200	249
Primary Income	SBD million -	10	55	36	145	34	176	48	132
Secondary Income	SBD million	0	93	40	63	45	294	125	85
Capital and Financial Account	SBD million	154	113	149	271	14	140	418	28
Overall BOP position (+ve = surplus)	SBD million -	27	106	285	86	29	232	108	111
Gross Foreign Reserves (Position at end)	SBD million	4,985	5,082	4,733	4,706	4,585	5,250	5,296	5,315
SBD per USD (quarterly average)	SBD	8.09	8.14	8.22	8.25	8.24	8.33	8.21	8.08
<b>Money and Credit</b>									
Reserve money (M0)	SBD million	3,013	2,885	2,734	2,852	2,793	2,864	3,150	3,509
Narrow money (M1)	SBD million	3,938	3,906	3,691	3,848	3,783	3,855	4,029	4,334
Broad money (M3)	SBD million	5,168	5,133	4,913	5,082	4,987	5,069	5,112	5,418
Private Sector Credit	SBD million	2,546	2,566	2,611	2,621	2,632	2,615	2,586	2,629
Indicative weighted average interest rate margin of ODCs	%	10.5	10.4	10.2	10.0	10.6	10.3	9.8	9.7
<b>Government Finance</b>									
Revenue	SBD million	791	1,012	956	874	829	956	962	1,053
Expenditure	SBD million	774	900	942	1,219	841	978	1,106	1,183
Fiscal balance (+ve = surplus)	SBD million	17	112	14	345	12	22	144	129
Government total debt stock	SBD million	1,037	1,043	1,046	1,070	1,068	1,225	1,358	1,016
Government external debt stock	SBD million	780	777	772	797	800	841	967	775
Government domestic debt stock	SBD million	257	266	274	273	268	385	391	241

Source: Central Bank of Solomon Islands.