



**GOVERNMENT OF SOLOMON ISLANDS**

**THE 2020 BUDGET SPEECH**

*“Together, Towards Growing Our Economy”*



**Delivered by**

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and  
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**Honiara**

**26<sup>th</sup> of November 2019**

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## **The 2020 Second Reading Budget Speech**

### **Introduction**

Mr Speaker,

1. I rise to beg that the 2020 Appropriation Bill 2019 now be put to the second reading.
2. Mr Speaker, as Minister for Finance and Treasury I am humbled and honoured to rise in this Honourable House today to deliver the Government's fiscal plan for 2020.
3. Mr Speaker, this is the first Budget presented by the Democratic Coalition Government for Advancement (DCGA) and is the first that I have had the privilege of presenting to this Honourable House under the leadership of the Prime Minister, the Hon. Member for North East Choiseul.
4. Mr. Speaker, before I go into details of the 2020 budget, I would like to thank those ministries and officials who made this budget a reality. I would like to acknowledge the support of Caucus Members and of Cabinet. I commend the officials of my Ministry, the Ministry of National Planning and Development Coordination, the Ministry of Public Service and the Prime Minister's Office for their tremendous and collective efforts in ensuring effective collaboration and coordination to improve the budget formulation process.

### **Reflection on development challenges**

5. Mr. Speaker, before I go through the details of the 2020 budget, I would like to provide some brief reflections and observations on the development challenges that this nation has gone through over the years.
6. Sir, since the independence in 1978, Solomon Islands continue to face significant and diverse development challenges over the last 40 years. Major challenges facing our nation remains eminent despite our progress as an independent Sovereign nation, which include;
  - a. Low economic growth
  - b. Weak governance at all levels and

c. Frequent socio-political instability

7. At the global stage, the ongoing trade war between USA and China is causing deepening uncertainty and instability in global financial markets, raising key risks to the outlook of Solomon Islands in the short to medium term since most of our trade receipts comes from China.
8. Domestically, the expansionary fiscal policy previous governments have undertaken over the past 8 years increased total spending by 21 per cent. This is a significant investment targeted to rural areas where 80 per cent of the people live in Solomon Islands.
9. Mr. Speaker, total budget allocation towards the resource and productive sectors over the recent years have dropped from 15 per cent of the total SIG consolidated budget in 2012 to 6 per cent in 2019. This decline is consistent with the fall of nominal GDP growth by 5 per cent from 9.5 percent in 2013 to 4 percent in 2019 despite increased government spending over the same period.
10. Sir, the Solomon Islands economy is at a turning point, GDP growth has significantly slowed down since 2012. Between 2015 and 2018, real GDP grew at an average of 3.2 per cent. But in 2019 real GDP is expected to fall to 2.7 per cent as logging and agriculture have weakened.
11. In recognizing these challenges, the DCGA Government Strategic Policy Statement set its direction and priority on two major streams of reform, the Fundamental and Sectoral Reform which will pave the way for the Government to rebuild the economy. The DCGA is under no illusion that a robust economy must be the paramount priority that can turn and reinforce real change in the lives of the people of Solomon Islands.
12. Therefore, Mr Speaker, the Government sees the 2020 Budget as the beginning of a series of budget that will refocus its resources on the economic potential of Solomon Islands, as the nation is at the crossroads of its development challenges and opportunities.
13. Mr Speaker, Sir, in this connection, I wish to declare to this Honourable House and to the people of this nation that the theme of the 2020 Budget is, ***“Together, Towards Growing Our Economy”***.

14. Sir, the theme is built on the lessons learnt from the past and present, and calls for refocusing of resources to develop Solomon Islands into a nation, one that is economically strong, fair and sustainable.
15. The theme also calls for a collective support and participation from the government, civil society organisations, development partners and the general populace of the Solomon Islands.
16. Sir, let me briefly outline some key guiding principles for the 2020 Budget.
- a. First, the number one policy guide for the 2020 National Budget is maintaining responsible and prudent macroeconomic and fiscal management as Government resources are directed towards productive and resource sector. While the needs are significant, the government will continue to take a disciplined and prudent approach to the allocation and usage of public resources.
  - b. The second policy guide for the 2020 Budget is to improve the quality of expenditure and improve services by refocusing resources to targeted investments and front line service delivery to ensure that within our fiscally constrained period, we do not disrupt essential service delivery to our citizens.
  - c. The third policy guide is to build a strong and sustainable economy, one that will provide economic growth and opportunities for our people to realise their full potential.
17. Mr Speaker, the Government has made it clear during the announcement of its Policy Statement that we need to move away from *business as usual and actually getting things done* over the next four years. Turning around public sector behaviour and achieving this will not be that easy, but as responsible leaders, we choose to make some difficult decisions for the long-term benefit and development of our beloved nation.
18. Sir, before I provide further details on the 2020 National Budget, allow me now to outline the 2020 economic outlook and development progress and challenges facing our country.

## **Macroeconomic Outlook**

19. Mr. Speaker, the Solomon Islands economy continues to perform moderately, averaging around 3.5 per cent in real Gross Domestic Product (GDP) growth in recent years, but there are signs of slowdown in the first six months of 2019 given the sluggish conditions for growth in the global economy.
20. Sir, real GDP growth for 2020 is projected to be around 2.3 per cent. This reduction on recent growth trends reflects the reduced contribution of the primary sector to overall growth under a more sustainable approach to logging. Although real GDP growth will be affected, it also signifies the Government's approach to move to a more sustainable path in the forestry sector over the medium-term.
21. Mr. Speaker, the manufacturing, construction and utility sector is forecast to contribute 0.31 percentages to real GDP in 2020, in line with strong credit growth in these sectors and feedback from various industries. Over the medium term, the services sector is expected to be the main key contributor to overall Real GDP Growth.
22. Sir, inflation is projected to be around 2.2 per cent in 2020, an increase of 0.2 per cent from 2019. The recent increase in prices is primarily driven by the increase in oil and fuel prices, due to reduced supply as a result of disruptions and voluntary restraints on output by the Organisation of the Petroleum Exporting Countries (OPEC). The increase in headline inflation is also a result of the increase in the domestic price of food, reflecting diminishing supply.
23. Mr. Speaker, volatility in international commodity markets remains the primary external risk to domestic inflation. Solomon Islands high dependency on imported fuel and items for production and the lack of immediate substitutes will also add inflationary pressures to domestic prices. The high levels of liquidity currently in the banking system are also a potential risk for inflationary pressure, should lending activities pick up significantly.

## **Outlook for the logging Sector**

24. Sir, growth in logging sector contracted by -12.5 per cent between 2018 and 2019 in annual growth terms. It is estimated to further contract on average at -7 per cent until 2024. Hence,

growth drivers will primarily occur within the productive sectors, including agriculture as well as resources sectors which includes major projects such as the recommencement of operations at Gold Ridge Mine. Also, outside of resource and productive sector, services sector have acted as a reliable growth driver as well.

25. Mr Speaker, currently the logging sector accounts for;

- 20% of Government domestic sourced revenue. Logging export duties are a key source of revenue to Government. The reduction in logging activity will therefore place some pressure on Government finances.
- 60 per cent of exports and 32 per cent of total foreign exchange receipts. Reduced logging activity will place pressure on Solomon Islands' ability to earn sufficient foreign exchange to pay for the current levels of imports and will require increased attention to develop alternative export sectors; and
- Around 5000 jobs. Logging is the largest formal-sector source of employment in the Solomon Islands after Government. Loss of these jobs will have flow-on impacts throughout the economy.

### **Debt Outlook**

26. Mr Speaker, the Government continues to be guided and committed to the Debt Management Framework, in keeping the level of debt in the Solomon Islands at a sustainable and affordable level. This Framework includes, as cornerstone components, the Public Financial Management Act (PFMA) and the principles established under the Debt Management Strategy.

27. Sir, Solomon Islands debt to GDP ratio is currently around 10 per cent which is a sustainable and affordable level. However, with the financing of the Tina River Hydro Project become effective on 5<sup>th</sup> December, 2019, total SIG Debt level will move to 28 percent of GDP.

28. The Government maintains its commitment to keeping the level of debt in the Solomon Islands at a sustainable and affordable level. We are committed to this task because the cost of supporting unsustainable levels of debt diverts resources away from the provision of much needed essential services for future generations. The Debt Management Strategy determines what level of debt is considered to be sustainable and affordable.

29. Mr Speaker, a debt sustainability analysis is undertaken annually, as part of the budget process, to determine an appropriate Annual Borrowing Limit.
30. To this end, I wish to announce that the Annual Borrowing Limit for 2020 is \$300 million, and will include all forms of public debt obligations such as direct borrowing by the Government, direct borrowing by SOEs, on lending arrangements and guarantees provided by the Government. And that includes Government borrowing for the Tina River Hydro Power project and for other priority infrastructure investments.
31. Sir, the Government is also committed to sustaining the Treasury bill market by maintaining around \$100 million of these instruments on issue in 2020.

### **Monetary and the Exchange Rate Regime**

32. Mr. Speaker, to further support growth, the Central Bank of Solomon Islands will ensure that monetary and exchange rate policies are well aligned to accommodate the government's fiscal policy stance.
33. Sir, despite heightened risks in the global and domestic economic environment, monetary conditions have remained vibrant, inflation has eased and is expected to remain within a modest target range. The central bank will continue to address excess liquidity in the financial system but also ensure there are adequate levels of liquidity for lending. Moreover, to support private sector credit growth, it will particularly focus on micro and small to medium enterprises.
34. Mr. Speaker, to sustain the external sector, there are no anticipated changes in the exchange rate regime that pegs the Solomon dollar to a currency basket. This regime has been quite effective in providing stability, reducing volatility in exchange rate movements, and in providing certainty to businesses.
35. Sir, I endeavor to working closely with the Governor of the Central Bank on these matters to ensure congruence in our policy direction and improve our ability to respond to and minimize negative shocks that may affect our economy.



## **The 2020 Budget Overview and Framework**

36. Mr. Speaker, let me now outline to this Honourable House the fundamentals of the 2020 Budget.

37. Mr. Speaker, the Budget that I present today will deliver \$3.94 billion in spending to provide the services to the people of Solomon Islands. A total of \$3.57 billion will be directly SIG funded expenditure and \$371 million from external sources.

38. Sir, the budget is fully funded through a combination of domestic revenue, domestic financing and external budget support revenues that the SIG will realistically secure in 2020.

### **Revenue**

39. Mr Speaker, the total revenue expected in 2020 is \$3.871 billion. Total domestically sourced revenue is expected to be \$3.570 billion, an overall decrease of 3 per cent from the 2019 Revised Budget of \$3.677 billion. The total sum of \$301 million will be funded from externally sourced grants.

40. Sir, the domestic revenue is expected to be sourced from the following:

- Inland Revenue - \$2,048 million
- Customs - \$976 million
- Other Ministries - \$546 million

### **Inland Revenue Division**

41. Mr. Speaker, you will note that;

- Most tax collections by IRD are expected to only moderately grow at 2.4 per cent from the 2019 revised estimates. These figures do not include personal taxes, which are anticipated to decline by 12.4 per cent due to changes in income tax reforms where up to \$30,080 threshold will be exempted from government taxation beginning in 2020.
- Personal taxes are projected to decline to \$446.4 million beginning in 2020, a downward revision of 12.9 per cent from mid-year budget estimates of \$509.2 million for 2019.

- Company tax receipts are projected to grow by 4 per cent (\$314 million) in 2020 from \$301.6 million in 2019. These estimates are based on historical growth in tax revenues which takes into consideration various growth factors expanding the economy.
- Goods tax in 2020 is expected to grow by 15 per cent (\$869 million) from current estimates of \$755.7 million for 2019. Additional taxations as recommended by the World Health Organisation to counter non-communicable diseases will be imposed in early 2020. These upcoming measures will include a goods tax on rice, and Sweet and Sugar Beverages (SSB). Additionally, major manufacturer companies like Sol brew, Solomon Tobacco and other sectors are expected to pick up pace on production in 2020.
- Withholding tax receipts are projected at \$306 million in 2020, a slight increase of 4 per cent from existing estimates of \$294.2 million for 2019. Marginal increases in revenues as a result of additional compliance activity undertaken by the Division in 2019 are expected to contribute to the withholding tax estimate of \$306 million.
- **Sales Tax** estimates are anticipated at approximately \$81 million in 2020 which is 4 per cent higher than the current estimate of \$77.7 million for this year.

### **Customs and Excise Duty (CED)**

42. Mr. Speaker, in terms of Customs and Excise (CED) collections, total Customs and Excise Division revenue estimates for 2020 have been revised downwards to \$976 million compared with the current estimate for 2019 of around \$997.5 million dollars.

43. Sir, this downward revision is an indication of a decrease in global demand for Solomon Island logs among trading partners. This unfavourable market conditions for consumption and growth will further dampen the outlook for export duty since logging related activity is expected to contribute half (\$475.2 million dollars) of all revenues earned by CED for 2020 (\$976 million dollars).

- Import duties are expected to increase approximately 15 per cent or \$282 million dollars in 2020 compared with the 2019 estimate of \$246.2 million dollars. Import duties comprise of 28 per cent of all estimated CED tax revenues for 2020.

- Export duties for 2020 are estimated to decline by approximately 12 per cent compared with the existing estimate of \$562.2 million dollars in 2019
- The estimate for excise duties is projected at \$195.7 million, a 4 per cent increase from existing estimates of \$ 188.0 million for 2019. The increase is due to indications of easing monetary policy conditions which should help stimulate private-sector growth in 2020-2021.

### **Revenue Raising Measures**

44. Mr. Speaker, in preparation for the reduction in receipts from logging and other risks that may have impact on government finances, the following revenue raising measures have been factored into the 2020 Budget estimates:

- **Goods Tax amendments.** Goods tax in 2020 is expected to grow by 9.1 per cent or \$824.9 million from current estimates of \$755.7 million in 2019. Additional taxations to counter non-communicable diseases will be imposed in early 2020 as well. These upcoming measures will include a goods tax on rice, sugar and sugar beverages. Additionally, major manufacturer companies like Sol brew, Solomon Tobacco and other sectors are expected to pick up pace on production in 2020.
- **Import Duties.** Establishing an import tax of \$0.20 per kilogram of rice in 2020 should contribute approximately \$11 million dollars in 2020 to total import duties collected.
- **Export Duties.** Anecdotal evidence indicates large revenue leakages in export duties due to under-reporting of items at ports of entry. SIG will be introducing scanning technology to address this issue.
- **Non Tax Fees.** Non-tax revenue estimate for 2020 is expected to increase by 7.6 per cent in line with recent revenue measures taken in order to get additional revenue for the government.
  - Land rent arrears of \$15 million accumulated since 2013

- Gaming and lottery taxes of \$12 million, to increase current rate of 5 per cent to 15 per cent in 2020.
- Recoup of personal income tax of \$11.5 million to be indirectly collected from increased consumption as a result of the increased net income or increase threshold from \$15,080 to \$30,080.
- Limiting discretionary exemption to 50 percent will save \$47.5 million in lost revenue, this will be applied to all discretionary exemptions received in 2020, subject to government priorities.

45. Mr. Speaker, these revenue strategies are important to strengthen government finances as we anticipate a reduction in logging activities in the medium term, which will require this Government to step up its efforts to capture available sources of revenue, whilst relieving us of our dependency on logging proceeds.

### **Expenditures**

46. Mr. Speaker, the government is planning to spend \$3.941 billion in 2020. The total recurrent budget is \$3.083 billion, including payroll budget of \$1.28 billion or 36% of total SIG Budget. The Other Charges budget will account for \$1.80 billion and \$627 million is allocated for the development budget including \$90 million from the People Republic of China (PRC).

47. The government will also ring fence \$20 million from the total resource envelope to cover for unforeseen and urgent spending under the Contingency Warrant provision.

48. Sir, the government is also planning to fund through domestic borrowing \$70 million of key infrastructure projects from the Ministry of Infrastructure Development and Ministry of Communication and Aviation.

49. Mr. Speaker, the 2020 budget demonstrates government strategic commitment to development budget allocation focusing on economic growth of this country. The resources and productive sectors allocation will increase to \$105.6 million in 2020, this is an increase of 62 per cent or \$40 million from \$65.1 million in 2019. Infrastructure will increase by 3 per cent to \$88 million from \$86 million in 2019, and rural development and other social sector will increase by 208 per cent from \$80 million in 2019 to \$247 million.

50. Public service and provincial government allocation will be reduced by 36 per cent to \$112.5 million from \$175 million, education reduced by 51 per cent to \$28 million from \$58 million in 2019, and health sector increased by 1 per cent to \$31 million from \$28 million in 2019. Public Order and safety will be reduced by 63 per cent from \$18 million to \$7 million

51. Sir, in all 92 per cent of the recurrent and development budget expenditures will be funded by domestic sources and 8 per cent will be funded by development partners.

### **Major Government projects to be progressed in 2020**

52. Mr Speaker, by working with development partners and multilateral financial institutions, the following major projects are prioritized to be progressed in 2020.

#### **Tina River Hydro Power Project**

53. First, the Tina River Hydro Power Project.

54. Mr. Speaker, we must strive to reduce our reliance on fuel imports, which have now almost reach \$1 billion annually. This is clearly related to the significant cost of electricity in our country, and it is increasingly evidence as international fuel prices increases. We cannot control international prices of fuel, but it is our responsibility to look for alternative energy sources. On this note, the Government is putting extra effort and resources to ensure our first ever commercial hydro project, the Tina River Hydro Project.

55. Sir, to update this honorable house on this project, the Government's US\$201 million loan to Tina Hydropower Limited was signed in Sydney on 27th September. This will finance construction of the 20 km access road and the power plant and dam. Officials are now working to finalize agreements with the four concessional finance agencies and meet the conditions to access their grants and loans before the Financial Closing date on 5th December. Construction will begin with the 20km access road, which is due to be completed before end of 2020. The project company's schedule is to begin the main construction of the dam and power plant at the end of 2020 or start of 2021 and complete the whole project in the second quarter of 2024. To support this, the government expects its first request to draw on the concessional financing agency loans will be near the end of 2020. Commercial Operation date under the project company schedule is mid-2024.

## **Submarine Cable Project**

56. Second, is the Submarine Cable Project.

57. Mr. Speaker, information and telecommunication technology has become an essential component in our modern society. Modern technology can create many opportunities for businesses, education, health and finance. Modern telecommunication technology provides access to a world of information and help keeps families and communities, who are often separated by vast distance, get connected. The DCGA Government has recognized this necessity and ensure that the submarine cable project is completed on time.

58. Mr Speaker Sir, the submarine cable project is nearing the completion of segment commissioning and end to end system testing. It is anticipated that Provisional Acceptance by the Commonwealth of Australia will occur at the end of November and the assets will transfer to the newly formed Coral Sea Cable Company and to Solomon Islands Submarine Cable Company or SISCC. The SISCC has commenced the installation of their customer routing equipment and their intranet routers both in Solomon Islands and shortly in Sydney. The company anticipate completion ready for customer connections by mid-December.

## **Henderson International Airport Upgrading Project**

59. Third, the Henderson International Airport Upgrading Project.

60. Sir, also in supporting the 2020 Budget theme, the Government is putting extra effort and resources this year and next year to progress the upgrade of the Henderson International Airport. The Government is working closely with two of our key partners which include the Government of Japan through JICA and the World Bank to progress the Henderson International Upgrading Project and on 16<sup>th</sup> November, 2019, the Government through the Ministry of Communication and Aviation signed a commercial agreement with Kitano Corporation. We expected the physical work to commence in the first half of 2020. The project includes construction of a new international departure terminal, repair to the exiting taxi-way and construction of a new taxi-way and refurbishment of the existing international terminal. The total project cost is approximately US\$34 million.

61. Sir, with the financing agreement secured by the Government and the World Bank Group early this year, under a project called Solomon Islands Road and Aviation Project or SIRAP, physical work on the second component of the Henderson International Airport Project should commence in the 3<sup>rd</sup> quarter of 2020 as well. This project includes resealing of the main runway. Furthermore, under the same project, physical work is also expected to commence during the second half of 2020 for resealing Munda International Airport run-way and terminal.

### **Urban Water Supply and Sanitation Project**

62. Fourth, the Urban Water Supply and Sanitation Project.

63. Mr Speaker Sir, I also wish to inform Parliament that a major upgrading project under a multiple donors support will commence towards the second and third quarter of 2020. In working with Solomon Water, the major upgrading project will include the construction of a new Kongulai Water Treatment Plant, new Water Storage Reservoirs in Honiara, as well as the upgrading of major sewage infrastructure in Honiara. The project will also include upgrading of water supply system for Tulagi, Noro, Munda and Gizo.

### **Domestic Airport Upgrade**

64. Fifth, is the Domestic Airport Upgrade.

65. Mr Speaker Sir, further to the advancement of the DCGA Policy and the 2020 Budget theme, the Government also placed additional resources under the 2020 Budget to support the development of key domestic airstrip in the country. More specifically, under the co-financing agreement with the Government of New Zealand, physical work is expected to commence during the second half of 2020 on the major upgrading of the Seghe domestic airport. Feasibility assessment is continuing on other government owned domestic airport and further funding will be secured to progress this commitment.

### **Bina Harbour project and Key Malaita Project**

66. The sixth project that I wish to highlight is the Bina Harbour project and Key Malaita Project.

67. Mr. Speaker Sir, I also wish to confirm that the DCGA Government placed a high commitment on various key projects in Malaita, include the Bina Harbour Project. Bina is progressing well

to date. Most of the activities that were earmarked for 2019 have been achieved, while others are deferred to 2020. In the 2020 Budget, resources are allocated to open a Bina Project office under the Ministry of Fisheries, specifically to look after all activities of the Bina Harbour. The Ministry of Fisheries is continuously working closely with the New Zealand Government to secure various expertises both local and international to assist with moving the project forward. In October this year, I also sought support from the International Financial Corporation or IFC of the World Bank Group for technical support to Bina Project. IFC, therefore have signed a MoU with the Ministry of Fisheries for the feasibility assessment of the Fisheries plant. The Australian Government, through its Department of Foreign Affairs and Trade (DFAT) also supports the project by conducting a Hydrographic Study of around the vicinity of the Bina Harbour.

68. Sir, while feasibility studies and assessments are progressed at the Bina Harbour, I wish to inform Parliament that the first phase of a major maintenance and rehabilitation work of South road and bridges from Auki Township leading to Bina Harbour will commence construction around the second half of 2020. This will draw on the financing agreement the Government secured with the World Bank Group called the SIRAP Project as earlier mentioned. My intention, Sir, is the secured additional funding with the World Bank Group under IDA 19 to continue the second phase of the project in order to fully rehabilitate both road and bridges that link Auki Township and Bina Harbour. The same phase will also focus to North and East road and bridges in Malaita.

69. Mr, Speaker Sir, further to these projects in Malaita, the Government through the National Transport Fund 2020 Work Plan, will build a new wharf at Malu'u in North Malaita and rehabilitate at least 15 bridges along the North, East and South road. These infrastructure rehabilitations are aimed to stimulate economic activities and support other much needed services to our people in Malaita Province.

### **Development Bank of Solomon Islands**

70. The seventh major project is the Development Bank of Solomon Islands

71. Sir, on DBSI, let me briefly inform Parliament that the revitalisation of DBSI is a strong manifestation that DCGA is seriously implementing in 2020. I can assure you that work is



progressing well to launch DBSI before the end of this year, and banking services provided in 2020.

### **2023 South Pacific Games**

72. The eight project is the 2023 South Pacific Games.

73. Mr Speaker, the government is committed to ensure preparatory works on the 2023 South Pacific Games is progressing well and have also allocated budget to continue with the expected preparatory work in 2020. The National Hosting Authority (NHA) that have been set up will ensure the preparatory activities is progressed in 2020 based on the project plan.

74. Sir, this is a major undertaking that the SIG has committed to. It is a multi-billion dollar undertaking. In addition to the setting up of the NHA and its constituent bodies, the major priority between now and 2023 is the securing of funds to finance the games facilities and the games operational costs. Therefore the Government made its commitment and have allocated budget for this important project in 2020.

### **Major Reform to Be Progressed in 2020**

75. Sir, as part of the Government's commitment to implement its two pillars of reforms, the Fundamental and Sectoral reform, and to consistently deliver the 2020 Budget Strategy, the following major reforms are expected to progress in 2020:

- Tax reform
- Mining legislation reform
- Traditional Governance reform
- The review of the Constituency Development Fund Act and Regulation and the alignment to the PFM Act, 2013.

76. The DCGA will also continue to strongly advocate for good governance and these are manifested in the on-going effort to establishing and operationalising the Anti-Corruption Commission and also the effort to review other legislations such as the Political Party Integrity Legislation and the Electoral Act. These are planned to be progressed in 2020.

## **Regaining and Reinvigorating Economic Growth Commitment**

77. Mr Speaker, the government is mindful of the continued challenges to development the country is currently facing and is also aware of the opportunities the country has to gain from its resources and therefore is committed to implementing these major projects and reforms in order to support economic growth and improving the domestic standard of living in the medium term.

78. Sir, the DCGA Government is committed to implementing policies that will support sustained economic growth and improve living standards for all of its citizens. **The first objective** is to continue with structural and sector-based reforms in specific sectors of the economy in particular; **agriculture, tourism, fisheries and infrastructure, and mining**, to make the Solomon Islands easy, reliable and viable place to do business and investment. The 2020 Budget will see a significant increase on resources to support the productive and resource sector. On agriculture, emphasis is placed on high valued cash crops like noni, kava and ginger. In the past, sustained levels of moderate economic growth relied disproportionately on logging. To counter this and to pivot towards a sustainable growth agenda, the Government has prioritised the productive and resource sectors. The government's economic growth strategy now involves committing further resources and knowledge management to these sectors to maximise value-added output and achieve greater and more sustainable economic growth than before.

79. Mr. Speaker, **the second objective** is to facilitate key private and public investment projects that, if implemented, would expand the productive potential of Solomon Islands economy.

## **The Government's Medium Term Fiscal Strategy**

80. Sir, the Government, will also undertake proactive approach by targeting key fiscal measures in 2020 and beyond. As per the DCGA Policy Translation, the government is moving towards a fiscal framework which will further improve growth outcomes in the medium-term. In this regards, I am happy to inform Parliament that along with the 2020 Budget, the Government will also table in Parliament the 2019 to 2024 Medium Term Fiscal Strategy. This update to the Medium Term Fiscal Strategy (MTFS) reflects upon the existing economic conditions emerging as issues in the near future. Specifically, this update advocates for a precautionary

fiscal policy stance due to below par economic performance in the Solomon Islands and abroad. Two key economic objectives define the government's MTFS:

- Ensuring the affordability and sustainability of the government budget by limiting public debt to a manageable level while making sure that critical infrastructures are funded and
- Furthering the existing structural reform agenda with the objective of improving private sector investment and growth.

81. Mr. Speaker, the release of this update to the MTFS (2019 – 2024) further demonstrates that the DCGA government is committed to sound financial management and fiscal transparency in support of an inclusive growth agenda for all Solomon Islanders.

82. Sir, despite limited Government resources and the focus towards growth, we are also making prudent allocation of resources to other essential services. Under Health and Medical Services, we have increase allocation to the Ministry of Health and Medical Services. These funds will allow the Ministry to rehabilitate certain rural health facilities. There are resources that are secured to procure critical equipment for the National Referral Hospital as well. To this end, I wish to inform Parliament that resources are secured to complete and launch the operation of the new CT-Scan in the National Referral Hospital in 2020.

83. Sir, the Government does not forget our youth. In 2020 Development Budget allocation, we allocate \$3 million to support the youth at work program. In short, therefore, nothing is more important to the Government than to fulfil our promise to deliver basic services to all Solomon Islanders.

### **Budget Execution and Financial Management**

84. Before I conclude let me briefly update the Parliament on the Budget Execution and Financial Management

85. Mr. Speaker, given the robustness in the way the 2020 budget is designed, I am confident that we will deliver a budget that is affordable and sustainable.

86. Mr. Speaker, the 2020 Budget estimates are based on government priorities and contractual commitments that ministries are expected to deliver on in 2020. Ministries are expected to perform their mandatory roles to ensure smooth implementation of the Budget.
87. It is on that note, sir, that by being more stringent at the planning stage of budget decision making, the actual execution of Ministry budgets will be more successful.
88. Mr. Speaker, in order to facilitate the smooth operations of all Ministries to implement the 2020 Budget, my ministry will be providing additional support by requesting that ALL ministries provide a revised costed work plan against the Recurrent Budget estimates when they are finalized, including by month, when they anticipate to bring forward payments to implement specific activities, how much this will cost and what will be their monthly cash flow requirements. Such measures will be necessary in order to collectively support my Ministry in improving the execution of the budget proper in 2020.
89. Sir, we will also require that ALL Ministries put together comprehensive procurement plans, so that we can ensure that the right amount of money is available at the right time to each Ministry to implement their work plans.
90. Sir, let us be assured that ministries who comply with this requirement will experience better cash management and cash disbursements from Treasury as their cash needs will be clarified and flagged so that money is available at the right amounts and at the right times to raise payments if they are in line with the original work plans and their procurement plans.
91. Mr. Speaker, my ministry will continue to monitor the implementation of the 2020 budget and ensure public resources are used prudently and responsibly.

### **The Public Financial Management Act (2013) Regulations**

92. Mr. Speaker, the work on developing the PFM regulations is progressing well. These regulations are sub-ordinate legislation that makes the implementation of the principal PFM Act clearer and easier to follow. These regulations will provide clearer guidance when administering and managing SIG public finances and will lead to improved compliance with the Act as well.

93. Sir, Part 4 on Internal Audit and Part 8 on Government Borrowing has already been completed. The Other parts are expected to be finalised by end of 2019. A final review and consultation to finalise remaining parts of the regulations will be conducted before end of November to ensure all Regulations are done by end of 2019.

## **Conclusion**

94. Mr Speaker, the DCGA has a plan for the future of our beloved country, one that will develop Solomon Islands into a nation that is economically strong, fair and sustainable and be able to provide opportunities for all generations in our islands.

95. The Budget 2020 has been refocused to meet key Government overarching priorities that can be achieved next year and to address the short to medium term economic and fiscal challenges.

96. Mr. Speaker Sir, today marks the bold step forward and we have much work to do. We should boldly work together in the spirit of cooperation and patriotism and restore the confidence we have in the future of this great nation we are proud to call home.

97. Led by our Prime Minister and backed by the strength and skill of the Cabinet and Caucus, I assure this Honourable House that we will deliver our promise. We will hold ourselves accountable and we will get results.

98. Sir, this Honourable House has factions, but these factions together form one Chamber, I therefore encourage this Honourable House to continue to work together to support Government's machinery and ensure that we collectively continue to improve on the usage of our scarce resources and target them effectively and efficiently to diversify our sources of growth.

99. Mr Speaker, I commend this Bill to the House. And I beg to move.