

SOLOMON ISLANDS

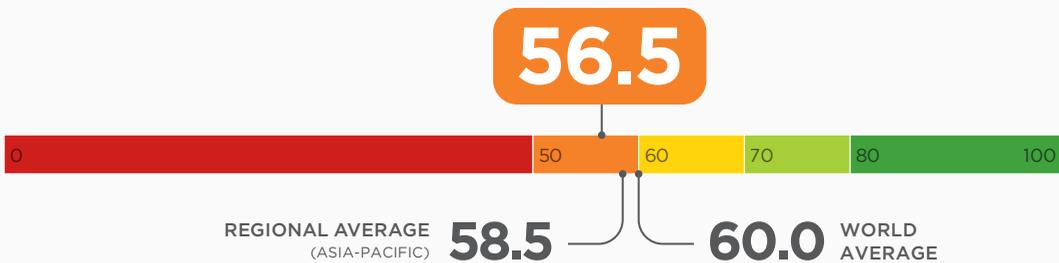
The Solomon Islands' economic freedom score is 56.5, making its economy the 110th freest in the 2022 *Index*. The Solomon Islands is ranked 22nd among 39 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

Over the past five years, the economy of the Solomon Islands registered slow growth from 2017 to 2019 before contracting in 2020 and recovering in 2021. Economic freedom has fluctuated over that period, but always at a fairly low level. With increases in scores for rule of law outpacing a drop in its **business freedom** score, the Solomon Islands has recorded a 1.5-point overall gain in economic freedom since 2017 and remains in the "Mostly Unfree" category. International donor assistance contributes to the country's strong **fiscal health**, but scores for **investment freedom** and **financial freedom** are among the world's lowest.

IMPACT OF COVID-19: As of December 1, 2021, the Solomon Islands government's response to the pandemic ranked 160th among the countries included in this *Index* in terms of its stringency. The economy contracted by 4.3 percent in 2020.

WORLD RANK: **110** REGIONAL RANK: **22**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +10.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.7 million

GDP (PPP):
\$1.6 billion
-4.3% growth in 2020
5-year compound annual growth 2.4%
\$2,455 per capita

UNEMPLOYMENT:
0.8%

INFLATION (CPI):
3.4%

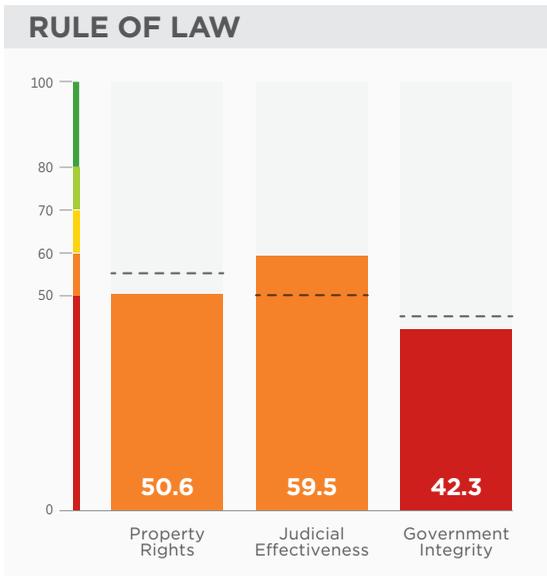
FDI INFLOW:
\$9.0 million

PUBLIC DEBT:
13.9% of GDP

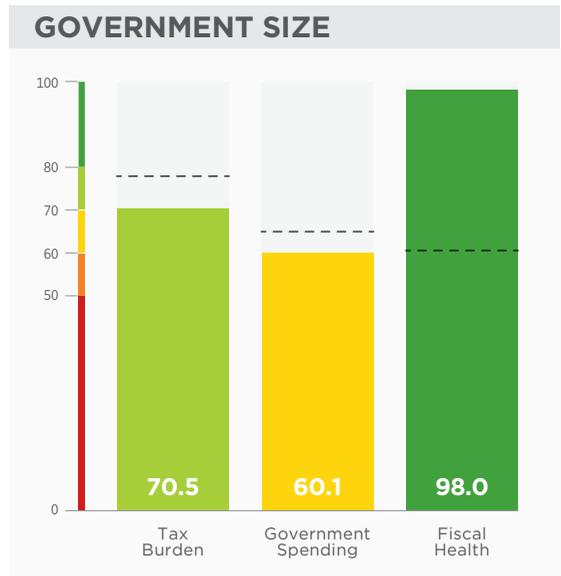
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: The scene of some of World War II's bitterest fighting, the South Pacific archipelago of the Solomon Islands gained independence from the United Kingdom in 1976 and became a parliamentary democracy. In 2003, after years of ongoing and economically destructive ethnic violence in the islands, an Australian-led multinational force disarmed ethnic militias, restored law and order, and rebuilt government institutions. Manasseh Sogavare was reelected prime minister in 2019, having served previously as prime minister from 2014 to 2017. Although the islands are rich in timber and such undeveloped mineral resources as lead, zinc, nickel, and gold, much of the population continues to work in subsistence farming, fishing, and artisanal forestry. The Solomon Islands remains one of Asia's poorest nations.

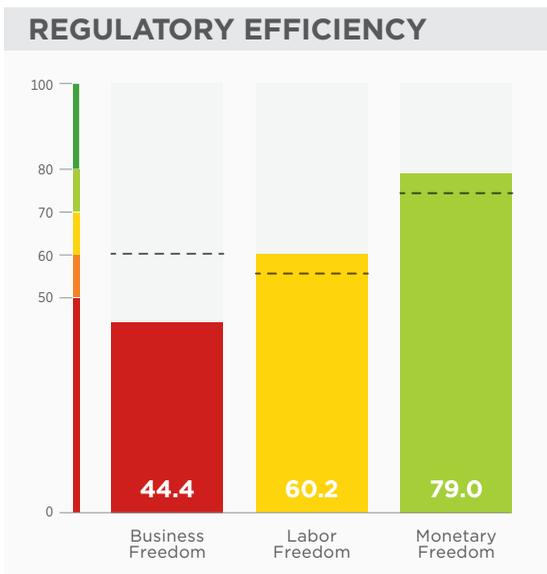
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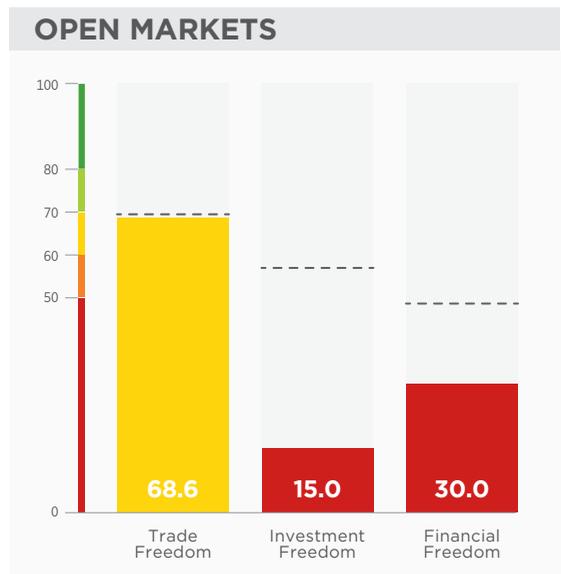
Property rights are uncertain. Conflicts over land tenure have been a major source of civil unrest. The judiciary is independent, but a lack of resources makes the conduct of timely trials difficult and leads to weak enforcement of contracts and a large case backlog. Residents of rural areas have limited access to the formal justice system. Corruption is a serious problem in the judicial, mining, and fishing sectors.



The top individual income tax rate is 40 percent, and the top corporate tax rate is 30 percent. Other taxes include property and sales taxes. The overall tax burden equals 21.2 percent of total domestic income. Government spending has amounted to 36.5 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.0 percent of GDP. Public debt is equivalent to 13.9 percent of GDP.



An arbitrary and somewhat flexible business regulatory environment contributes to business uncertainty. Most Solomon Islanders depend on agriculture, fishing, and forestry for part or all of their livelihoods, and the formal labor market is not well developed. According to the World Bank, subsidies and other transfers consumed 5.1 percent of the government's budget in 2020.



The Solomon Islands has six preferential trade agreements in force. The trade-weighted average tariff rate is 8.2 percent. Economic dynamism and development remain stifled by serious deficiencies in the trade and investment regime. Private-sector development is also undercut by the state's outsized role in the economy. The financial sector is underdeveloped, and limited access to credit constrains entrepreneurial development.