SOLOMON ISLANDS

The Solomon Islands' economic freedom score is 56.9, making its economy the 106th freest in the 2023 Index. Its score is 0.4 point better than last year. The Solomon Islands is ranked 22nd out of 39 countries in the Asia-Pacific region, and its overall score is below the world and regional averages.

Economic dynamism and development remain stifled by serious deficiencies that include poor governance and an inefficient public sector. Underdeveloped legal and physical infrastructure discourages the emergence of a vibrant private sector. With few new enterprises to generate jobs, most employment remains in the agricultural sector.

BACKGROUND: The Solomon Islands gained independence from the United Kingdom in 1976 and became a parliamentary democracy. Years of ethnic violence ended in 2003 when an Australian-led multinational force disarmed ethnic militias and rebuilt government institutions. Prime Minister Manasseh Sogavare was reelected in 2019. A 2022 security pact with China has raised concerns that the archipelago could be drifting into Beijing’s orbit. Although the islands are rich in timber and such undeveloped mineral resources as lead, zinc, nickel, and gold, much of the population depends on subsistence farming, fishing, and artisanal forestry. The Solomon Islands remains one of Asia’s poorest nations.
The overall rule of law is relatively well respected in the Solomon Islands. The country’s property rights score is below the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.

The business environment has been marginally improved by the implementation of a simplified registration process. Uneven enforcement of existing laws continues to undermine the regulatory process. The labor market is underdeveloped, and informal labor activity remains substantial. Monetary stability is weak.

The top individual and corporate tax rates are, respectively, 40 percent and 30 percent. The tax burden equals 18.8 percent of GDP. Three-year government spending and budget balance averages are, respectively, 35.4 percent and –2.8 percent of GDP. Public debt equals 16.5 percent of GDP.

The trade-weighted average tariff is 8.2 percent, and extensive layers of nontariff barriers further constrain the freedom to trade. Investment laws are outmoded, and bureaucracy is slow and inefficient. Banking dominates the underdeveloped financial sector, and access to credit remains limited.