

IMF Completes the First Review Under the Standby Credit Facility with Solomon Islands, and Approves Request for Modification of Performance Criteria

Press Release No. 12/241

June 27, 2012

The Executive Board of the International Monetary Fund (IMF) has completed the first review of Solomon Islands' economic performance under a program supported by a Standby Credit Facility (see Press Release No. 11/448), and approved a request for modification of end-June 2012 performance criteria, based on strong program performance.

Following the Executive Board's discussion on Solomon Islands, Mr. Naoyuki Shinohara, Deputy Managing Director and Acting Chair, stated:

"Firm program implementation under the Standby Credit Facility arrangement has succeeded in restoring macroeconomic and financial stability. Substantial progress has been made toward implementing structural benchmarks, albeit with some delays. However, the economy remains vulnerable to commodity price and demand shocks, and heightened uncertainty in the global outlook poses risks. Bolstering the economy's resilience to shocks and pursuing a more inclusive growth model remain top priorities.

"In order to preserve fiscal sustainability, the near-term priority is to maintain the cash balance accumulated to strengthen the fiscal buffers while improving the efficiency and composition of public spending. Looking ahead, it will be important to ensure that mineral wealth spills over to the rest of the economy. To this end, managing resource revenues and anchoring fiscal policy to the non-commodity balance would strengthen the policy framework.

"The authorities are committed to comprehensive reforms with a view to fostering inclusive growth. The agenda includes mining legislation to broaden the tax base; a new resource taxation regime to promote fiscal transparency; and greater efficiency of tax collection. Strengthening public financial management is also critical for enhancing the transparency of

the budget process. Prudent debt management calls for caution in resuming concessional borrowing to minimize external and fiscal risks.

“Monetary and exchange rate policies have helped moderate inflation. The authorities indicate their readiness to tighten monetary policy if inflation risks continue. The exchange rate should continue to act as an external shock absorber.

“The banking system remains profitable and adequately capitalized. Efforts by the central bank should continue to focus on strengthening the supervisory and regulatory framework of the financial system.”

IMF EXTERNAL RELATIONS DEPARTMENT

Public Affairs

Media Relations

E-mail: publicaffairs@imf.org

E-mail: media@imf.org

Fax: 202-623-6278

Phone: 202-623-7100