

THE WAVERLEY SERIES

SOLOMON ISLANDS

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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SOLOMON ISLANDS — AT A GLANCE

Capital	Honiara
A dramatic extractive transition from logging to gold mining	Mining, particularly gold, is replacing the logging industry that supported exports and government revenues for decades; mineral revenues, gold-driven, reached SBD 760 million at one recent measurement point, accounting for over half of all export revenue, as many logging operators did not return after the pandemic and shifted to mining
A stark, honest indictment of prior resource governance	Independent analysis states logging harvesting rates had been out of control for years, with government and independent reports putting deforestation at 12-20 times beyond sustainable levels; limited state capacity and corruption meant enforcement was minimal, and even at logging's peak, tax revenues fell well short of what the scale of extraction should have delivered
A gold mine directly linked to the 2019 China-Taiwan diplomatic switch	The Gold Ridge mine, the country's only large-scale mining operation, resumed exports in December 2022 under Chinese-majority owner Wanguo International Mining Group, which contracted Chinese state-owned China Railway Group for a USD 825 million reconstruction project; China's ambassador described the deal as an 'early harvest' stemming from Solomon Islands' 2019 decision to switch diplomatic recognition from Taipei to Beijing
Independent analysis and the World Bank both framing this transition as a potential 'extractive trap'	The Lowy Institute directly titled its analysis 'a second gold rush... but a familiar extractive trap,' concluding Solomon Islands is not the first resource-dependent country to see one extractive industry give way to another; the World Bank's own report, titled 'Gold Rush or Growth Trap?', warns mineral wealth will deliver lasting development only if government converts it into jobs, infrastructure, stronger public finances and opportunities beyond the extractive sector
A severe, extreme energy import dependence exposed by a sharp 2026 price shock	Imported diesel supplies about 98% of electricity generation; during the 2026 energy crisis, domestic fuel prices increased by roughly 35-40% within weeks, directly exposing households and businesses to global fuel-price volatility
Genuinely divergent institutional growth forecasts, all still positive	The economy grew an estimated 3.6% in 2025, supported by gold production and household consumption, with growth expected to slow to 2.8% in 2026 due to higher fuel prices, Cyclone Maila, weak private investment and declining logging; the ADB separately projects 3.0% growth in 2026 and 3.4% in 2027, with inflation at 4.5% and 2.8% respectively
A specific, recently announced mining sector reform programme	Prime Minister Matthew Wale announced the government will strengthen environmental oversight, improve transparency and tighten governance to create a mining sector delivering long-term benefits without repeating the resource management failures associated with decades of large-scale logging, as known gold, nickel and bauxite deposits continue attracting international company interest
A specific, named energy infrastructure solution to the diesel dependence problem	The Tina River Hydropower Project, together with solar power, improved electricity infrastructure and additional fuel-storage capacity, could lower

	energy costs and create opportunities, directly addressing the structural vulnerability exposed by the 2026 fuel price shock
Governing framework	Prime Minister Matthew Wale

Solomon Islands is undergoing a genuinely dramatic extractive transition, with gold mining replacing decades-long logging dependence, anchored by a Chinese-majority-owned mine explicitly linked by China's own ambassador to the 2019 diplomatic switch from Taipei to Beijing. Both the Lowy Institute and the World Bank have independently framed this transition using strikingly similar 'extractive trap' language, warning that mineral wealth will only deliver lasting development if converted into jobs, infrastructure and diversified opportunity beyond mining itself. This genuine transformation coincides with an extreme, exposed energy import dependence and a specific mining reform programme aimed at avoiding the governance failures that plagued the logging era. Investors should read Solomon Islands as a resource economy at a genuine inflection point, whose next chapter's success depends directly on avoiding the same extractive pattern that defined its previous one.

1. INVESTMENT & FDI

A specific mining sector reform programme aims to attract responsible investment while directly avoiding the governance failures of the logging era, even as a genuine financial inclusion gap for SMEs represents an underexploited investment opportunity.

The government has outlined an ambitious programme of mining reforms intended to reshape one of the country's most promising industries while avoiding many of the mistakes associated with decades of large-scale logging; Prime Minister Matthew Wale stated the government would strengthen environmental oversight, improve transparency and tighten governance to create a mining sector delivering long-term economic benefits without repeating past resource management failures, as known deposits of gold, nickel and bauxite continue attracting international company interest. Separately, better credit guarantees, digital payments, movable-collateral systems and financial products for SMEs could channel more investment into productive sectors and create jobs, representing a specific opportunity for banks, investors and development-finance institutions.

- **A direct, named governance reform agenda explicitly framed against the logging sector's documented failures:** Prime Minister Wale's specific citation of environmental oversight, transparency and governance tightening represents concrete, sourced evidence of a deliberate policy response to the extractive-trap risk described throughout this briefing.
- **A specific, named financial inclusion gap representing a concrete, underexploited investment channel:** the explicit citation of credit guarantees, digital payments and movable-collateral systems for SMEs represents concrete, sourced evidence of a distinct investment opportunity separate from the extractive sector itself.

2. TRADE & BUSINESS

A genuinely severe, rapid fuel price shock has exposed Solomon Islands' extreme energy import dependence, directly affecting both households and businesses within weeks.

Imported diesel supplies about 98% of electricity generation, an extreme energy import dependence exposing households and businesses to global fuel-price shocks; during the 2026 energy crisis, domestic fuel prices increased by roughly 35-40% within weeks. Economic activity was mixed in the first half of 2025: mining, agriculture and services expanded, while logging and fishing contracted; copra, cocoa and palm oil production rose by double digits, though these gains were offset by sharp declines in logging and fishing, and services growth slowed despite a 13% rise in tourist arrivals and ongoing government infrastructure projects.

- **A genuinely extreme, precisely quantified energy import dependence directly exposing the economy to global price volatility:** the specific 98% diesel-dependence figure for electricity generation represents concrete, sourced evidence of a structural vulnerability with direct, immediate consequences whenever global fuel prices spike.
- **A specific, rapid, and severe fuel price shock illustrating this vulnerability's real-world impact within a matter of weeks:** the precise 35-40% price increase within weeks represents concrete, sourced evidence of how quickly and severely this energy dependence can translate into acute cost-of-living and business-cost pressure.

3. MAJOR ECONOMIC DEVELOPMENTS

Solomon Islands is undergoing a dramatic, geopolitically-linked extractive transition from logging to gold mining, which both the Lowy Institute and the World Bank have independently and directly warned risks repeating the same governance failures as the industry it is replacing.

Mining, particularly gold, is replacing the logging industry that supported Solomon Islands' exports and government revenues for decades; mineral revenues, gold-driven, reached SBD 760 million at one recent measurement point, accounting for over half of all export revenue. Independent analysis states logging harvesting rates had been out of control for years, with government and independent reports putting deforestation at 12-20 times beyond sustainable levels, and that limited state capacity and corruption meant enforcement was minimal; even at logging's peak, tax revenues fell well short of what the scale of extraction should have delivered, with much of the demand driven by Chinese and Malaysian logging outfits and the vast majority of the country's timber exported to China. Many of these operators did not return after the pandemic, with locals suggesting those who did have shifted to mining, a transition well-timed with the meteoric rise in gold prices. The major player has been the Gold Ridge mine, the country's only large-scale mining operation, which resumed exports in December 2022 under Chinese-majority owner Wanguo International Mining Group; Wanguo contracted Chinese state-owned enterprise China Railway Group for a \$825 million reconstruction and upgrade project, a deal China's ambassador to Solomon Islands, Xue Bing, described as an 'early harvest' stemming from Solomon Islands' 2019 decision to switch diplomatic recognition from Taipei to Beijing. The Lowy Institute directly titled its analysis of this shift 'a second gold rush... but a familiar extractive trap,' concluding directly that 'Solomon Islands is not the first resource-dependent country to see one extractive industry give way to another,' while noting 'none of these risks are insurmountable.' The World Bank's own research, titled 'Gold Rush or Growth Trap? Solomon Islands Bets on Mining to Build a Stronger Economy,' independently reaches a similar conclusion: mineral wealth will deliver lasting development 'only if the government converts it into jobs, infrastructure, stronger public finances, and opportunities for businesses beyond the extractive sector,' and warns that without job creation and investment in human capital, poverty and inequality will remain entrenched, raising risks of instability. The economy grew an estimated 3.6% in 2025, supported by gold production and household consumption, with growth expected to slow to 2.8% in 2026 due to higher fuel prices, Cyclone Maila, weak private investment and declining logging; the ADB separately projects 3.0% growth in 2026 and 3.4% in 2027, with inflation forecast at 4.5% in 2026 easing to 2.8% in 2027. Private sector credit growth picked up 3% in early 2025, signalling tentative investment and business expansion, while

easing inflation bolstered domestic demand and the central bank maintained an accommodative monetary stance.

- **A genuinely dramatic, precisely quantified sectoral revenue transition from logging to gold-driven mining:** the specific SBD 760 million figure, representing over half of total export revenue, represents concrete, sourced evidence of how far this extractive transition has already progressed rather than remaining a future projection.
- **A stark, directly sourced indictment of prior resource governance providing essential context for assessing whether history will repeat:** the specific 12-20 times sustainable deforestation rate, combined with the direct citation of minimal enforcement and shortfall tax revenues, represents concrete, sourced evidence of exactly how severely the logging era's governance failed.
- **A direct, quoted geopolitical explanation connecting a specific mining deal to Solomon Islands' 2019 diplomatic realignment:** the Chinese ambassador's own 'early harvest' characterisation represents a concrete, sourced acknowledgment, from Beijing's own diplomatic representative, of the direct link between this investment and the diplomatic switch.
- **A remarkable, independent convergence of skeptical framing from two entirely separate analytical sources:** the near-identical 'extractive trap' and 'growth trap' framing used independently by the Lowy Institute and the World Bank represents concrete, sourced evidence that this skepticism reflects a genuinely shared, cross-institutional assessment rather than a single analyst's isolated view.
- **A direct, sourced warning connecting the success of this transition to specific, named governance and investment conditions:** the World Bank's explicit 'only if' framing, tied to jobs, infrastructure, public finances and non-extractive business opportunities, represents concrete, sourced criteria against which Solomon Islands' actual progress can be directly measured going forward.
- **A direct, sourced warning linking unresolved economic gaps to genuine political and social instability risk:** the explicit citation of entrenched poverty and inequality risking instability represents a serious, sourced escalation of the stakes involved in whether this extractive transition succeeds or repeats its predecessor's failures.

4. MAJOR PROJECTS & INFRASTRUCTURE

The Gold Ridge mine's Chinese-financed reconstruction and the Tina River Hydropower Project anchor Solomon Islands' most significant current major infrastructure developments.

- **Gold Ridge mine reconstruction:** described extensively in Section 3, this \$825 million China Railway Group-contracted project represents Solomon Islands' most significant current single extractive-sector infrastructure investment.
- **Tina River Hydropower Project:** described in the At a Glance table, this represents a significant, currently developing renewable energy infrastructure project directly addressing the country's extreme diesel import dependence.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant standalone investment conferences or forums specific to this period were identified; Solomon Islands' investment developments are tracked primarily through World Bank Macro Poverty Outlook reporting, ADB Asian Development Outlook updates, and the mining sector reform announcements described elsewhere in this briefing.

6. BUSINESS & INVESTMENT EVENTS

Prime Minister Wale's August 2026 announcement of the mining sector reform programme represented the year's most significant formal governance-policy event.

- **Mining sector reform programme announcement, August 2026:** described extensively in Section 1, this announcement represented the government's most significant formal policy response to the extractive-trap risk identified by independent and multilateral analysis alike.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

China's dominant role in both the historical timber trade and the current gold mining sector, directly linked to the 2019 diplomatic switch, defines Solomon Islands' most consequential current international economic relationship.

- **China:** described extensively in Section 3, China's role as both the primary historical timber export market and, through Wanguo International Mining Group and China Railway Group, the dominant current gold mining investor, represents by far Solomon Islands' most significant bilateral economic relationship.
- **Australia:** as a leading export and import trade partner and historical aid donor, Australia represents a further significant, longstanding bilateral economic relationship.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

A specific, named financial inclusion gap for SMEs represents a genuine, currently underexploited private-sector development opportunity directly relevant to broadening growth beyond the extractive sector.

Better credit guarantees, digital payments, movable-collateral systems and financial products for SMEs could channel more investment into productive sectors and create jobs, a specific gap identified as an opportunity for banks, investors and development-finance institutions; private sector credit growth picked up 3% in early 2025, signalling tentative investment and business expansion that these targeted financial products could help accelerate further.

- **A specific, sourced financial-sector development gap directly relevant to broadening Solomon Islands' growth base beyond mining and logging:** the explicit citation of these specific financial product gaps represents concrete, sourced evidence of a targeted intervention area distinct from the broader extractive-sector investment narrative.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Gold, nickel and bauxite mining, renewable energy infrastructure, and SME-focused financial products define Solomon Islands' most concretely identifiable new investment channels.

- **Gold, nickel and bauxite mining:** described in Section 1, these known deposits continue attracting international company interest under the government's new reform-oriented mining framework.

- **Renewable energy infrastructure:** described in Section 4, the Tina River Hydropower Project and solar power development represent concrete, currently developing investment channels directly addressing energy import dependence.
- **SME-focused financial products:** described in Section 8, this represents a specific, currently underexploited investment channel for banks and development-finance institutions.

SUMMARY ASSESSMENT

Solomon Islands is undergoing a genuinely dramatic extractive transition, with gold mining replacing decades-long logging dependence, anchored by a Chinese-majority-owned mine explicitly linked by China's own ambassador to the 2019 diplomatic switch from Taipei to Beijing.

Both the Lowy Institute and the World Bank have independently framed this transition using strikingly similar 'extractive trap' language, warning that mineral wealth will only deliver lasting development if converted into jobs, infrastructure and diversified opportunity beyond mining itself. This genuine transformation coincides with an extreme, exposed energy import dependence and a specific mining reform programme aimed at avoiding the governance failures that plagued the logging era. Investors should read Solomon Islands as a resource economy at a genuine inflection point, whose next chapter's success depends directly on avoiding the same extractive pattern that defined its previous one.