



PUBLIC ACCOUNTS COMMITTEE

NATIONAL PARLIAMENT OF SOLOMON ISLANDS

COMMITTEE TRANSCRIPT

Ministry of Commerce, Industry and Employment

13 March 2008, 09:30am

Mr Chairman: Once again good morning members and officials, ladies and gentlemen welcome to the fourth day of the Public Accounts Committee hearing into the 2008 Draft Estimates.

The PAC had a very successful day yesterday with attendance from key ministries and departments of the Solomon Islands Government. We have been pleased with the level of scrutiny applied to each department estimates and for the submissions and explanations from the various ministries.

The PAC is already obtaining clearer understanding as we catch the priorities and directions of this budget. What has become apparent to the Committee, however, is the general lack of adequate forward planning and preparation by ministries to ensure public funds are efficiently and effectively used for the purposes that Parliament will appropriate them for and adequate monitoring mechanisms are in place to review expenditure and provide the means to which the Ministry can properly report of that expenditure to Parliament and people.

I put all ministries on notice that the committee will be following up on each ministry throughout the year. Today we have the pleasure of reviewing the budget estimates for Commerce, Industries and Employment, Provincial Government and Industrial Strengthening, Home Affairs, Culture and Tourism and Police, National Security & Correctional Services.

At this juncture in the week we believe that all ministries and departments have had sufficient time to pursue and understand their budget allocation, and should therefore be in a better position to account for the estimates.

On that note, let me thank all officials and staff of all the ministries and departments scheduled to appear before the Committee today in particular the Permanent Secretary and representatives of the Ministry of Commerce, Industries and Employment who are now before us.

Permanent Secretary, since I have another meeting at 10'oclock this morning, I will silently slip off and ask the Leader of the Opposition to chair the hearings.

Mr Deputy Chairman: Thank you very much Chairman and members of the Committee, Permanent Secretary, and officials of the Ministry who are here with us for

the deliberation of the Ministry of Commerce, Industries and Employment. Welcome to the committee, Permanent Secretary.

The government, of course, is very, very clear about what is expected of the Ministry as outlined in the policy statements of the government on its expected outcomes. And we assume the Permanent Secretary is fully aware of the government intends to deliver this year, and also of course next year and in that regard has allocated resources to your Ministry in terms of recurrent expenditure and also the development expenditure, where you are now required to brief the Committee on your Budget. So I welcome the Permanent Secretary, you are now given the opportunity to brief the committee. Thank you.

Mr J Wickham (*Permanent Secretary*): For the start I just want to point out a few changes for your convenience. Head 288 - Ministry of Commerce, Industries and Employment, as you will note the Business and Cooperative Divisions have now moved to the Ministry of Rural Development. So I suggest you cross out the Business Cooperative from where it is now in the Paper.

You will also notice that the Immigration Division which was previously with Foreign Affairs has now also moved back to the Ministry of Commerce. I will get this amended and have it properly done for final draft.

Mr Chairman, just to give you a brief run down of what is going on as far as the Ministry is concerned. Last year, as we probably note, there was increase in staffing for the Ministry from 84 to 120. We currently have about 24 vacant posts which we would fill before mid 2008. These vacancies are to some extent due to recent movement of staff. As you would note a lot of my officers have been appointed as Permanent Secretary and a few others have moved on to other ministries and therefore we certainly have to do some movements as far as our staffing is concerned.

In terms of provinces, we have continued with our staffing program in the provinces, and unfortunately as I reported in last year's PAC, we have difficulties in housing as most housing have been taken over by provincial governments or they are either run down and need quite a lot of repairs. In this year's budget we have sufficient funds to take care of that situation.

We are continuing on with provincial capacity that with that, we would like to extend it as much as possible to other provinces. Discussion is continuing with a number of Provincial Secretaries which we get them to allocate space line for future developments.

Last year also and this year we continue with most of our law reform programs. As you note a number of those programs have now concluded and in draft form. That includes the economic zone draft bill, the company law draft bill, amendment to the work permit and residence permit regulation, the trust act, and the secure transaction bill, most are closely related by Finance Ministry. We are continuing with our reforms so that life is easy for businesses and investment as well to be more progressive.

Sir, I have presented to you a copy of our comments on the 2008 draft budget. In our view, this year's allocation, though there are shortcomings, to sum off what we expect, we are quite comfortable with the allocation provided to us. In certain circumstances we will certainly use the provision for virements in order to cater for the shortfalls.

For headquarters and administration in the Ministry of Commerce, there are no comments except for civil service salaries and housing allowance. Just take note of the amendments and corrections there. We would check that with the Ministry of Finance if that is proper. You will note that an allocation of \$191,972 should read \$515,056 and housing allowance as well for \$118, 816 should read \$49,155.85.

Hon Sogavare: Were these amendments discussed with the Budget Unit?

Mr Wickham: Sure, yes we discussed it with them.

For the other provisions, there is not much comment on them unless anyone has anything to point out to us

The internal trade and marketing promotion, as you would note, when the Trade Division was shifted over to the Ministry of Foreign Affairs, to some extent the job description of that particular division also changes to external trade dealing with WTO, PACER etc, etc, thus we have created an internal marketing and trade division to cater for domestic requirements as far as product development, encouraging and promotion of potential export commodities or products.

This year, you will note there is quite substantial funding being provided. On trade facilitation page 5, this fund will take care of private and NGOs. It is basically to provide assistance to conferences, workshops and etc. and part of which we would like to use for the preparation of the Beijing Expo in 2010, which is about 2 years away.

You will also note in the annual trade fair allocation is an allocation of about \$2million. The reason being as everyone knows that the Town Ground area has now been taken over by a private company, because when we started developing Town Ground we had all the necessary facilities and in terms of water supply, electricity, toilet services etc. If we are to relocate these to another site, then of course it would cost us funds to prepare all these things. Given the costs involved we would certainly require a lot of funds, and considering also that this is the 30th year of Independence anniversary where we would also like to invite representatives from the provinces to attend the annual trade and agriculture show.

On internal marketing, this is to take care of rural marketing and product development and also assistance to farmers who would like to do sheds, for example, for storage facilities for cocoa, copra. I am talking about small size shed which should help in terms of preserving commodities and goods for sale.

There is nothing much for foreign investment.

On Immigration, the only urgent requirement here as far as Immigration is concerned is for the purchase of about 4,000 passports. Last year we currently have about four to five months stock.

There are many more people traveling, more students going overseas for tertiary occupation and currently we have about 3,000 passports that will last for about four to five months. There is an urgent need for more passports. I think there is no allocation for new passports but we will certainly find money somewhere to purpose these as quickly as possible because there are more people traveling.

One of our problems is that some people do travel but only travel once in their lifetime, in some cases twice in their life time. But again I suppose most people want to have passport, I think there is a significance of having one. But of course there is an

increase in the number of Solomon Islanders traveling overseas for holidays, business and education, and as we continue to develop, the number of passports would certainly increase.

On labor, there are no significant comments there.

On industry development, apart from other major projects, the industry division continues to perform. As we all know Bina is continuing with an allocation of \$5million in the development budget and we expecting Noro to have an allocation of \$4million this year, Suava about \$2million.

The two significant items this year, of course are Noro and Bina with \$5million allocation. We have a total budget for Bina for about \$14million. We will start of with \$5million initially and if we require further funds then of course get a CW or a supplementary. But let us start with this \$5million. As far as things are going we have now reached a stage in which a detailed feasibility study will be required for the Bina project.

In the case of Noro, this is a new allocation for this year as we still have to work out the details of the proposed project. But the intention of course is to allow more investors to come and we wanted them to invest of course in telephone lines etc, etc,.

On Price Control and Consumer Affairs, I have no comments on that.

Generally speaking, Mr Chairman, I think we are quite content with what we have. Of course, there are certain provisions in the budget that we normally don't use and these are ones we will vire in order to fill in the necessary gaps. The provision is there for us to use - the virement once that is available we can just switch around funds on major and important areas that require funding.

Mr Chairman, I think that's all I can say at this time unless there is any questions you might want to ask.

Mr Chairman: Thank you very much Permanent Secretary for the submission by the Ministry of Commerce for graciously putting your comments on the various items of the budget. Would you like to comment on your development budget?

Mr PS: I don't have the final draft with me. What I have here is the Bina Project, which has an allocation of \$5million for this year. This is the initial allocation. This is in response to our request for a detailed feasibility study. As I mentioned the feasibility study is basically to analyze areas like environment impact assessment, detail topography mapping. To do that, we would need to undertake a detailed study on a more holistic approach. However, given the \$5million we will certainly try to identify which areas of immediate interest as far as the preparation of Bina itself.

There are other aid organizations that are quite willing to help and we will be approaching them to source technical assistance, for example, ESCAP, South Pacific, the ADB, the Commonwealth Secretariat. These are organizations expected to be working with the task force in order to identify some of the areas. But with this allocation of \$5million we want to have this done as quickly as possible before the end of this year. If there is an over flow, we will come to the government. As you would see in the estimates for the detail feasibility study, you will note the many, many tasks that are required and the costs involved in this particular project.

Of significance also is the Noro development project with an allocation of \$4million. We have had initial discussions with officials of Western Province and they

will certainly be working on how best we can spend the \$4million to prepare sites for foreign investors.

The business skills training, Mr Chairman, you will note last year in the budget allocation was proposed for the financial literacy program which is a component of the small business. Unfortunately it does not appear again this year but we have prepared all the necessary paper work and approval has been granted by Planning towards the end of last year. So we are expecting to use that \$3million this year but unfortunately ROC may probably have decided to leave it out or may be the Ministry of Finance deleted it, I don't know.

But it is important because the intention here basically is to provide business training throughout the 50 constituencies in the country. We have already identified trainers last year, like the Smallholders and Medium Enterprises Council of Solomon Islands, the Solomon Islands Business and Enterprises Centre (SISBEC) and a few other private sectors training providers.

The idea here is to provide simple business training programs in the 50 constituencies. This will, of course complement the rural development program or the programs that the PNG man is doing here. That was the intention but I don't know how it disappeared from the 2008 Budget. But I certainly would like to have it reinstated because it does have a lot of bearing in as far as business literacy and know-how is concerned. Because if you cannot manage your money how come you can manage the RCDF and others. Certainly, a lot of small businesses require a lot of training in this area.

For the other two areas - the national technical training program and improvement of labor, those are basically for legislative reforms and the upgrading of the entity. As we will know, there is a list of students now coming in wanted to be sponsored in the areas of plumbing, electrical, joinery and mechanical. All these students are sponsored by the Ministry of Commerce at the College of Higher Education. The entity upgrading program will certainly boost a lot of trained people. A part from the renovation of the building we certainly would like to see an increase of student going into that area.

That should also compliment the rural training centers. Quite a number of those in the training centers are now coming in to be enrolled in certification programs at the College of Higher Education. Part of it also is for the refurbishment of the entity training housed at the College of Higher Education.

The other three areas that we have submitted but we will certainly raise that at the supplementary, hopefully when we meet this year. This is the provision for \$2million for CEMA, which doesn't appear here, but I want to mention. This is for technical assistance in the areas of cocoa and copra rehabilitation and replanting.

There is also an allocation for \$2million to build small business centres in the provinces. As we will know there are a lot of small businesses that do not have small buildings. What we want is to build blocks with 10 rooms, for example, and rent them out.

These are some of the projects we see that appear in the government's policy programs. I think that is all I can say for funds allocated under the development budget. The two most significant ones are Bina and Noro. Other than these there is nothing else we can say.

In the recurrent budget, we would try to allocate some of our funds to cater for the missing ones, especially the marketing and the consumer division where we have sufficient funds may be to assist other small businesses.

Mr Chairman: Thank you for the presentation on your recurrent and development budgets. We do appreciate that your Ministry takes a very important position on the overall ministerial set up of the government that deals with encouraging the development of the private sector participation of our own people. I guess that is the issue that successive governments have been trying to do, thus the emphasis on rural development and the need to actively involve our own people.

My question here, Permanent Secretary is how connected is your Ministry to other Ministries. Because as you can see big portions of financial resources are channeled through the Ministry of Fisheries, Forestry, Agriculture and other productive ministries, and this is to get our people to actively participate. Participate to what extent is very important as well. We need to know because how can our economy survive if we do not export as well. The other day we went to the bank wanting to send some money overseas and we were told we cannot do it because the country's foreign reserve has dropped. That strikes directly at the export sector. We can only continue to import if we have enough foreign reserve in the country and you earn that by export.

Our problem is not because we do not have enough around. There are funds that have been allocated to key sectors but whether we properly coordinate them so that they help the country in moving forward to survive economically. We can only do that by getting people to actually involve in export related activities.

How connected is your Ministry with the other Ministries? You cannot work on your own. You need the support of the other sectors. How do you do that?

Mr PS: We cannot do much if the other ministries do not perform. With due respect, and of course we can't get the agriculture sector to work. How can we go into processing foods or packaging fruits, for example? In fisheries, which needs to get the acts together for people to go into fishing? We can't go into filleting, for example, because that is where our role comes in. How to catch fish is not our responsibility. How to preserve fish is not our responsibility.

We can only do as much as we can if the others are also performing in singing the same tune. For example, the Trade Division under Foreign Affairs conducts its own way to commercialize and signing agreements left and right. WTO, for example, are we utilizing the investments that are provided under the agreement, are we engaging in it, or are we just continuing to be a consumer society. And this is similar to the MSG Agreement, for example Papua New Guinea products and Fiji products. But there are certain areas that need to be strengthened and to be implemented, and this is in the area of downstream processing. If we say ban all export of raw materials then let us do it. Because how can we process oil when we continue to export copra? How can we produce furniture and timber when we still continue to export round logs? That is an example.

These are the areas that other Ministries and ourselves need to work together in order to see whether our provinces are actually inter-connecting and we are actually spending the money in the right places.

The other issue, which I would like to mention as well is the issue of duplication of responsibilities and duplication of tasks which has a bearing on funding and budgets too. We spend on one thing but two Ministries spending on that thing, for example. It needs a lot of scrutiny when you look at the budget. Whether we spend on one thing but two Ministries or two Departments are spending on that same thing. Can we draw a line somewhere, for example, you spend the money up to here and I will take over from here to there. May be by doing that, we might be able to save a lot of money to get things moving.

Of course, Mr Chairman, what you have mentioned are some of your concerns. In my experience for the last 20 years working in the government, I have noticed this kind of recurring things. We will try as much as we can to get development ministries to talk more together.

I think in the past we have the development committees. May be there is need to reactivate the development committee in the Prime Minister's Office so that it can monitor the budget. But of course, there is certainly a lot of room for improvements when it comes to spending. When it comes to collaborating and putting together our various policies, programs and of course it is something that we need to do immediately.

We will try and get the others to be involved. In our Ministry's work program for this year we would try to involve as many, many ministries as possible in some of our activities. In the past, as you will notice, we have encouraged other ministries to travel with us to the provinces, Lata, for example, and recently we were at Suava Bay. This is getting other Ministries to be involved in what we are doing and getting them to understand the importance of these projects. In this way Ministries should work and be more practical. May be I will stop here.

Mr Chairman: I think the exclusion of the business skills training should be pursued with the government because it strikes directly at the participation of our rural people. The financial literacy training is very important, as you rightly pointed out. If the rural development is to work it needs the participation of the people, and so I would encourage you to pursue that with the government.

There is indication that the supplementary appropriation will be in June, and so you probably can have the opportunity to discuss this with the Ministry of Finance for inclusion of the items you have mentioned.

Mr PS: Mr Chairman, I was hopping that it would appear in the new development budget but it did not appear. That would complement the other tasks in the Rural Development and Indigenous Business Affairs. It is either in my ministry or Rural Development.

Mr Chairman: You must make sure their inclusion because the two pillars of government stand on rural advancement and national unity. When budgets are allocated you should really be conscious of this. I thought that was one of the things to improve the ability of the rural populace to cope with the demands of commerce and how to make business.

The other thing is the national training program. I think it was years back there was an apprentice scheme. Now the government in its policy statement is encouraging of bringing up RTCs as part of the learning and overall education system. That is a good

policy. But I think it can only achieve its objective if it is supported by an apprentice scheme.

My view is that that scheme should be re-established because when these people come out they need to be attached to companies to improve their skills, and if there is need for them to advance further to the College of Higher Education they will have some practical skills already at hand. The absence of an apprentice scheme is a missing link that is very important to link RTCs and the College of Higher Education. I would like to think that it should be under national training program.

Mr PS: Normally the students when they come out for practical they do six months attachment with some companies. I think what you are saying is to get them to do an apprentice program initially before they go over to the College of Higher Education.

Mr Chairman: It is a missing link. We had this apprentice scheme and we did not really aggressively address rural training centres years back. Now we have rural training centres established and I think the government wants to assist in terms of getting RTCs to obtain some practical skills.

The reform is going ahead. You are working very closely with the reform unit in the Ministry of Finance. What kind of legislations are you looking at reforming?

Mr PS: We are proposing to table the secured transactions bill at this sitting. But I am not too sure to what extent we will go. But if that does not go through then we will be looking at the company law, the new company act which will be split into two. One is to actually take care of registration, and the other is on bankruptcy and insolvency. The company law will be split up into two acts.

The current Act is outdated, it dates back to 1955, and so it is a long time ago. Even the sight of it makes people scare. We want to amend that. There are four components in that new legislation - you can register a business on your own, you can have partnership, you can go for a limited liability company - it can be a public company and it can be a community company. It takes care of things like community projects.

The whole idea is to take care of things like the GPPOL, Gold Ridge where people get royalties for example and communities would want to invest. And in some cases most of the projects are in the villages. Farming, for example, normally do not have security and so they need to be recognized somewhere.

The other, of course, is the economic zone. That has been submitted to the AG and so we are hoping to have that ready. The other is the slight amendment to the work permit and residency permit rules. Just to give you an example. To make life easier for investors we are proposing that investors who invest money in Solomon Islands must have a work permit, for example, but they will still have a residency permit of about three years instead of two years. This is just to make it more attractive for investors to come. That is one example of the new change. We are also hoping to have people applying in one form for work permit and residency permit instead of two separate forms and two separate fees they will just apply in one form.

Now in Foreign Investment you apply, register and within five days you can approval. This is the speed we want but of course we have to be vigilant and make sure that what we do is right. Otherwise we make headlines in the Solomon Star.

The other one is the trust act. I think that will be presented by the Minister for Finance. Overall, I think the whole reform program after set up will most likely only takes five days.

Mr Chairman: Are you generally pleased with your budget allocation? What about the establishment?

Mr PS: Just one point, and I want the Public Service to comment on this. Why is it that the chief human resources development officers in the Ministry of Education and Communication have upgraded their posts and the other Ministries are not? Is there any policy change in this?

The chief accountant's post remains the same and I feel sorry for my chief accountant working tirelessly preparing the estimates. This is my comment on the staff establishment. Human resources managers posts currently for other Ministries is 12/13 and chief accountants at 12. For Ministry of Education and Communication, it is now re-graded 'financial controller level 12/13.' That is what chief accountants are. I just want some explanations as to whether this is only for those two Ministries or for all the Ministries? Is there a policy that this is just for these two Ministries and not every one? I just want to be sure on this.

Mr Chairman: Can we have the Ministry of Public Service to brief us on this?

Mr Mendo: If you look at the establishment, the Public Service is doing upgrading of various positions. Currently, the chief administrative officers have been upgraded to level L12/13 and the undersecretaries who used to be SSI are now upgraded to SS2. This is to bridge the gap of the Permanent Secretary's level to those levels. This includes the Provincial Secretaries, the Deputy Provincial Secretaries, and this is to attract qualified people to go to the provinces.

For the SIGAS, the accounting services, we are still negotiating with SIGAS. There are two Ministries that were upgraded a couple of years ago and that is the Ministry of Education and the Provincial Government. This is because these two ministries look after more funds - bilateral and multilateral - millions of dollars in projects and something like that and so they have been upgraded a couple of year ago.

For the Civil Aviation, the current officer on that post is on political appointment and so we upgraded that post temporarily. A FTA person is holding that post.

Public Service is doing a lot of reforms now. We are still working with SIGAS to upgrade the various positions in accounting services. If you look at the establishment now the post of the Accountant General SS2 is now upgraded to SS3, and so is the Comptroller of Customs and Inland Revenue.

Mr Chairman: So the increase is only affecting certain cadres?

Mr Mendo: This is just the beginning of it. We are working on this as part of our program to harmonize all the schemes of service. We are starting with the administrative cadres, we are working on SIGAS. We are still negotiating with SIGAS on how we can have entry points for all the accountants. This applies to nursing and everyone.

Mr Chairman: What is the timeframe you are looking at?

Mr Mendo: Currently, some of our staff have come back from New Zealand and we should start by this week or next week to look at the various schemes of services. This includes Forestry, Agriculture, which have been neglected for years. It is an ongoing thing and so we are working on these to harmonize all the schemes of service.

Mr Chairman: As you know accounting cadre scheme of service have always been neglected over the years. I think

Mr Mendo: I think we have upgraded the post of the Accountant General now and so it will basically go down the ladder.

Mr Chairman: Should we see that this year?

Mr Mendo: It should be this year. It should be reflected in the new establishment for next year.

Mr Chairman: We have actually used up the time slot for this Ministry, unless anyone has any last question.

Hon Kemakeza: My good PS, in terms of price control. Can you comment on this, especially in relation to the current prices in our good Chinese shops and other businesses?

Mr PS: Last year we present to Cabinet some of the legislations that we want to review and, price control consumer is one of them that we are going to do this year.

Secondly, on the issue of the ongoing debate on the increase of prices, shortly we will be performing an extensive assessment of the situation and would like to identify areas in which increase of prices have impacted on.

On one part the wholesalers are saying that the prices are reasonable and on the other part a few are saying that the increase is a problem. So there are problems. But of course, one is the continuing devaluation of the Solomon Dollar against foreign currencies and transportation from Honiara to provinces.

We have noted that there is quite a disparity in terms of pricing policy and in as far as freighting is concern. We do not know whether the price are goods are in volumes or in bags or individual items, for example. Some ships charge volume in terms of tonnage and some charge items where they have to count every single block of cement or bag of rice and then make the charge. To some extent some charge distance too. The further you go they charge you much higher because of fuel. And so it is all over the place. But from my understanding the normal freighting policy that most shipping charge is in volume.

Mr Chairman: Thank you members and officials. I think we have used up the time slot, and I think the main issues that needs to cover have been covered. You are quite pleased with your budget allocations and if there are any shortfalls they can come in the

supplementary appropriation. Of course, we do appreciate that priorities do change during the year, which means you would re-prioritize areas. Once again Permanent Secretary, thank you very much for your coming and I wish you well in implementing your Ministry's budget. I wish you well in implementing your Ministry's budget.