

## **TUESDAY 6<sup>TH</sup> DECEMBER 2016**

The Speaker, Mr Ajilon Nasiu took the Chair at 9.54am.

Prayers.

### **ATTENDANCE**

All were present with the exception of the Prime Minister and the Ministers for Public Service; Infrastructure Development; Commerce, Labour & Immigration; Women, Youth, Children and Family Affairs; Rural Development; Provincial Government & Institutional Strengthening and the Members for Fataleka; East Makira; Central Makira; West Makira; Ranogga/Simbo; West New Georgia/Vonavona; Malaita Outer Islands and Temotu Nende.

### **PRESENTATION OF PAPERS AND OF REPORTS**

- National Parliament of Solomon Islands Strategy Annual Report 2015 (Volume IV) National Parliament Paper No 32 2016

### **BILLS**

Bills – Second Reading

#### **The 2017 Appropriation Bill 2016**

**Mr SPEAKER:** Honourable Members, debate on the 2017 Appropriation Bill 2016 will continue today. I would like to remind Honourable members that a maximum of four (4) days is allowed for the second reading debate, and today is the second day of debate. I would also like to remind Members to consider Standing Order 61(2) on the rules of debate. The floor is now open for debate.

**Hon JEREMIAH MANELE** (*Leader of Opposition*): Thank you for the opportunity to contribute to the debate on the 2017 Appropriation Bill 2016 or the 2017 Budget. At the outset, on behalf of the Parliamentary Opposition Group and on behalf of my good people of Hograno/Kia/Havulei constituency, I wish to thank the Government through the Minister for Finance and Treasury, my good friend, for taking the \$4.1 billion 2017 Budget, with the overarching theme of "*Building the nation's resilience to enhance economic growth and service delivery*" to this Parliament. I also acknowledge the Minister for the budget documents or papers he has provided. I also wish to extend my appreciation to all permanent secretaries and their senior staffs for their efforts in preparing the budget.

Let me also acknowledge the honourable Prime Minister for giving the Public Accounts Committee (PAC) ample time to scrutinize the Budget. I also thank the Prime Minister for agreeing to suspend the debate yesterday to give time for Members to read and digest the PAC Report. I hope we will have a lively and interactive debate on the 2017 Budget in the next three (3) days.

In this regard, Government Ministers need to inform Parliament and people of this nation during the course of the debate, both government priority initiatives under their ministries and justify or comment on their allocations in the budget, as well comment or respond to the concerns and recommendations raised in the report of the PAC. They must not take things for granted and sit on their laurels and seeing business as usual. Government backbenchers too, who are chairmen of various sub-committees must also inform Parliament of their activities to date. I know ministers will be waiting for Committee stage to explain some of these, but I guess the people of this country are waiting to hear from them during the course of this debate.

Remember this is a government for change, so it must be proactive and committed in order for that change to happen. I must commend the PAC Chairman and colleague members of the PAC, the Auditor General and the staff of PAC Secretariat including their directors for a job well done in scrutinizing the 2017 Budget and for the comprehensive report that is now before us.

I also wish to congratulate the Chairman for his well-crafted statement delivered yesterday, articulating and analyzing the economic context in which the 2017 Budget has been formulated and the risks to the Budget. The Chairman has also highlighted the pertinent issues raised in the report.

I subscribe to the views and opinions expressed by the Chairman of the PAC on the 2017 Budget and on the PAC report. The 2017 Budget Strategy and Outlook document, the speech by the Minister for Finance and Treasury (that is his Budget Speech) and the statement by the

Chairman of the Public Accounts Committee have all articulated the economic context, including revenue projections and trends or figures, and as I have said, the risks to the budget, I will therefore not repeat these statistics and the forecasts surrounding the 2017 Budget. My contribution will be based on the general and specific issues and recommendations raised in the PAC report and I also intend to briefly reflect and comment on the Minister's 2017 Budget Speech and the Appropriation Bill itself.

Before doing so, I concur that 2017 will be a challenging year for the Solomon Islands economy with a predicted economic growth of 3.25 percent that is highly susceptible to external economic shocks and capital flows. Certainly we operate in a global village so what happens in the global economy does impact on our domestic or country's economy. Volatility in global financial flows and markets can either positively or negatively impact on our small and vulnerable economy.

On the same note, a devastating national disaster as we have seen in neighboring countries in recent years can within a matter of hours wipe out years of hard earned economic growth and progress. So our economy is extremely vulnerable or susceptible to external economic shocks and market forces and, of course, to environmental or natural catastrophes or disasters. But as we have seen over the years, our budgets are also susceptible to manmade disasters and failures, bad decisions, an under resourced government machinery including weak planning and poor budgeting. These bad decisions at times include diversion of funds from what Parliament has initially authorized for a certain purpose to another often for the sake of political expediency. This is the context and the backdrop in which we should debate the issues and recommendations of the PAC Report.

The PAC Report before us is comprehensive, informative and highlights issues of concern raised by government ministries in relation to the 2017 Budget. As we know, the Report consists of 65 recommendations which must be pursued seriously by the government. It also captures quotes from various witnesses that appeared before the committee on issues or challenges facing their ministries.

The issues raised in the Report should not be seen as criticism of the government of the day but as constructive reminders for the government to vigorously deal with these issues, especially those relating to budget formulation and implementation because at the end of the day these hinges on value for money and accountability for public funds. I trust the government will therefore pursue these recommendations in putting through the necessary legislative reforms and

administrative measures in order to improve our systems and processes, thus ensuring efficiency, transparency and accountability in the use of public resources and funds.

Recommendations 1 to 13 and 23 to 29 are mostly for the Ministry of Finance and Treasury to deal with. In view of the confusions around the current state of donor support in the 2017 Budget, it is therefore important that the Ministry of Finance and Treasury responds to Recommendations 1 (a), (b) & (c) of the report.

I support the concerns raised by the Chairman of the Public Accounts Committee with regards to the budget cycle in terms of compliance with provisions of the Public Financial Management Act 2013 on the preparation of the annual budget. These provisions are in sections 45 and 48 of the Act. It is important that future budget preparations comply with sections of the Act and Recommendations 9 & 10 of the PAC Report calls for this. I am glad to also note that the Minister for Finance and Treasury is already taking steps to ensure compliance with these provisions of the Act.

Recommendations 14 to 16 concerns the Ministry of Agriculture and Livestock Development while Recommendations 18 to 22 are for the Ministry of Education and Human Resources Development. Recommendations 32 to 34 are for the office of the Prime Minister and Cabinet, and these relates to the ROC National Development Fund (NDF), the Truth and Reconciliation Report and the proposed Federal Constitution. I trust that the Prime Minister will inform Parliament on the status of these issues and pursue the Committee's recommendations including the need to establish guidelines for the ROCs National Development Fund or NDF and for it to be reflected in the annual budget.

Recommendations 38 to 40 are for the Ministry of Provincial and Institutional Strengthening while Recommendations 43 to 46 are for the Ministry of Development Planning and Aid Coordination.

Recommendation 45 consists of a number of recommendations submitted by the Ministry of Development Planning and Aid Coordination during its hearings to the Committee. It is important that the government takes heed of MDPACs recommendations in preparing and implementing the Development Budget. These are useful reminders for the government, and I am sure my good friend, the MDPAC Minister who is here will take charge and take the lead.

Recommendations 48 to 51 are for the Ministry of Commerce, Industry Labour and Immigration while Recommendations 54 to 57 concerns the Ministry of Home Affairs. Again, I

hope the relevant ministers will inform Parliament and respond initially at least to the views and concerns raised in the Report and of course the recommendations made to their ministries.

Recommendation 57 relates to the 2023 Pacific Games that we will be hosting. This is a huge undertaking and one that we should not leave to the last minute. It will require huge sums of money and effort to deliver the games on schedule. I note that \$18million is being allocated in the 2017 Budget towards the initial preparations for the Games. I also hope that this sitting of Parliament will pass the 2023 Pacific Games Bill so that preparation for the Games can start immediately.

Recommendations 59 and 60 are for the Ministry of National Unity, Reconciliation and Peace. These are two important sets of recommendations that that ministry and the government must address. As per Recommendation 59, the government needs to develop a compensation policy to guide ethnic tension related demands or claims for compensation. Without such a policy framework, it will be difficult to fairly assess and address such demands or claims. Moreover, while I fully support peace and reconciliation events and programs, these must be preceded by proper planning and budgeting to avoid incurring huge costs, such as the \$5 million debt that resulted from the July 2016 reconciliation ceremony, which is yet to be settled.

Furthermore, Recommendations 61 to 63 are for the Ministry of Mines, Energy and Rural Electrification to deal with. Recommendation 62 is vital in view of the strong interest in mineral prospecting and mining in our country. The ministry needs to fast track the review of the Mines and Minerals Act and I hope that the minister will bring it to Parliament as soon as possible. I hope that he will also enlighten the House as to the status of that review or this initiative.

On the same note, as per Recommendation 31 of the PAC report, the Ministry of Forestry and Research needs to fast track the consultation process on the Forestry Bill and bring the legislation to Parliament as soon possible in 2017. The forestry sector is a sector that needs a lot of cleaning up. There is among other problems noncompliance with our logging code of conduct by logging companies operating in the country and fishy export of prohibited tree species such as Tubi.

The last two Recommendations 64 and 65 are for the National Statistic Office in the Ministry of Finance and the Ministry of Rural Development respectively. These two are also two sets of important recommendations and I trust and hope that the relevant ministers will pursue them.

Let me now proceed to reflect and comment on government priorities and the 2017 Appropriation Bill 2016. I note the list of government priorities contained in the 2017 Budget Strategy and Outlook remained unchanged for 2016. These includes:

1. The independent commission against corruption.
2. Customary land reforms.
3. Oil palm projects in Waisisi, Aluta and the Guadalcanal Plains.
4. Tourism development
5. National peace and state building.
6. Location of the National Referral Hospital.
7. Rural transport infrastructure.
8. Support to shipping initiatives.
9. Support to provincial infrastructure development.
10. Development of economic growth centres.
11. Land development
12. Community fisheries livelihood
13. Tina hydro project.

I know that most of these programs or projects will take years to deliver. But it is important that the relevant ministers inform Parliament the progress, if any, on these important priorities and other projects their ministries which are in the development estimates. Parliament needs to know what has been achieved to date. As recommended by the PAC, once again in Recommendation 5, it is necessary for future budgets, preceding year actuals and forward estimates are provided for these important government priorities.

Like the Chairman of PAC, I also note the exclusion of the Submarine Cable Project and also the Bina Hydro Project and also the Fiu Project from the list of priorities. Although these could be in the Budget Strategy and Outlook, they are not in the list actually. These are important projects that this House also needs to be informed of.

As the Minister outlined in his speech, the government is budgeting to spend \$4.1billion in 2017. This includes donor funding of \$283.9million. The government has also sought Parliament's approval for contingency spending up to \$80million, which is not currently included in the government's fiscal position. The government also plans to spend \$2,623million in recurrent expenditure and \$1,180.1million in development expenditure.

Furthermore, in his budget speech, the Minister stated that the 2017 Budget is a balanced, fiscally responsible and visionary in its scope and framework and that it is also credible and sustainable. Yes, it could be fiscally responsible because our borrowings will be within the allowable limits set by our debt management framework. But whether the 2017 Budget is sustainable and credible is highly debatable. A budget's credibility and sustainability is dependent on various economic variables that often are not static.

A balanced budget does not necessarily mean it is credible and sustainable, especially when we also use portions of our cash reserves to fund it. Its credibility and sustainability could also be undermined later after it is passed by Parliament, and this is not new. When ministries excessively use virements, contingency warrants and supplementary appropriations, this does undermine the credibility of any budget. This has happened to previous budgets and no doubt will happen again next year with the 2017 Budget. I am not saying that these instruments or mechanisms are improper. Of course they are legal, but their excessive use undermines the credibility of the budget and therefore must be minimised.

I note that the government's primary objective continues to be on achieving broad based economic development and that it recognises the value and potentials of our nation's population and their resolve to determine the cost and outcomes of their own destiny and participate more actively and meaningfully in the development of our nation. I subscribe and support these noble intentions and those. However, the problem and the challenge has been the strategies and political will to achieve them. We need strong political will and leadership on the part of all government ministers, as well as a committed and well-resourced public service to achieve the objectives of the 2017 Budget. We need champions in Cabinet to pursue the government's reform agenda and priorities.

Non-attendance of Cabinet meetings and ministerial duties will not help. It is not a secret that some ministers hardly turn up in their offices or ministries to provide the necessary political direction in the execution and implementation of government policies and programs. It must not be business as usual. If we want to achieve change - remember this government is about change, ministers need to demonstrate political commitment and dedication.

I welcome the National Development Strategy 2016 – 2035 and its overall vision and long term development objective to improve social and economic livelihoods of all Solomon Islanders, as articulated by the Minister in his speech. I believe, however, that Parliament needs to have oversight over the implementation of the NDS. This would demonstrate high level political

commitment to the NDS as well as the Sustainable Development Goals and could help to leverage donor funding towards implementing programs and projects based on the NDS. In this regard, I propose once again; I have said this before and I am going to say it again that the parliamentary standing committee on environment should also be responsible for oversight on the implementation of the NDS and the Sustainable Development Goals (SDGs) at the national level.

As the Chairman of the PAC commented in this statement, the integrity of the donor budget support in the 2017 Budget is highly questionable and we need the minister to clarify this also in Parliament. It was clear and evident during the hearings of the 2017 Budget consultations that the process is not robust enough. A good number of PSs are not aware or were not aware of cuts in budget figures in their ministry budgets. There is a need for PSs as accounting officers to take an active role in budget consultations or to be briefed properly by their financial controllers and for the Ministry of Finance to consult line ministries on the proposed cuts.

As highlighted in the PAC report, the lack of human resource capacity, especially technical personnel in ministries remain a challenge in the implementation of the Development Budget and service delivery.

Recruitment within the Public Service must be strategic in terms of getting the right people to design, cost and implement government programs and projects. The challenge, however, is the availability of adequate technical skilled and professionals and once we secure them, the difficulty of retaining them given the unattractive public service terms and conditions of employment. I urge my good friend the Minister for Public Service to pursue Recommendation No.8 of the PAC Report and that is to undertake a study on a scheme of service for technical and professional personnel.

Meanwhile, I welcome the government's commitment to right sizing the Public Service with the 2017 budget and that it is committed to improving performance across government.

At this juncture, I wish to stress it is important the Government settles the \$22million outstanding long service benefit entitlements for our retired public servants. Some of them have been waiting for the last three years. It is sad that their plight has not been addressed. Therefore as per Recommendation 53 of the PAC Report, the Government must prioritize the payment of long and dedicated service for our retirees.

I understand the Government's intention to borrow in the 2017 Budget are well within the limits allowed by our debt management framework. I note that the debt to GDP ratio is about



8 percent to 10 percent at the moment but this could increase next year once pipeline projects are implemented as planned.

The Minister stated that \$600million of the \$900million borrowing in 2017 will be for the Tina Hydro project. However, he needs to clarify to Parliament how or which other priority infrastructure projects will be covered under the remaining \$300million. He needs to inform Parliament of this to justify the Government's overall intention to borrow the \$900million.

As highlighted in the PAC report, most ministries are not concerned by their budget bid failures since they are confident of recourse to virements, contingencies warrants and supplementary appropriation. As I have just alluded to, the excessive use of such mechanism is a reflection of weak planning and poor budgeting. This must be minimized as it undermines the credibility and sustainability of the budget.

The Budget outlook does not contain any information in terms of jobs that the 2017 Budget will create or generate. This sort of information needs to feature in the budget outlook and strategy, especially with regards to the development estimates of programs and projects.

The Minister stated in his budget speech that the lack of growth in the economy is hindering the creation of job opportunity. I find this rather confusing. I believe that once we have projects that are fully scoped and costed, they should give us some indication of the job opportunities that these projects will create. Does this mean all the projects in the development budget, and some of them have been there for years, have not been designed, scoped and costed yet? I recall over the years we have spent a lot of money on scoping work on some of these programs or projects.

At this juncture, I wish to stress the importance of creating employment and business opportunities for indigenous Solomon Islanders. Access to capital or credit facilities is imperative in this regard. I welcome the efforts taken by the Government to revive the Development Bank of Solomon Islands (DBSI). I hope that the MP who is the chairperson of this committee will take the time to brief Parliament on where this work is at the moment.

Currently, difficult tender and procurement processes and ceilings remain a challenge for many indigenous Solomon Islands businesses. While there must be a level playing field for all, this should not be at the expense of our local people. I acknowledge the job opportunities created by foreign owned businesses and companies operating in Solomon Islands. But certain jobs and businesses must be reserved for Solomon Islanders, otherwise, one day we

risk being slaves in our own country. I urge Solomon Islanders to also take the initiative. We must be enterprising, we must work hard, we must be dedicated and committed to any job that we do, and above all we must be honest.

The 2017 Development Estimates consist of about 90 programs and projects, 80 of which are ongoing programs and projects and 10 new ones. As I had said, while most of these are ongoing and will take years to realize, I believe we have been spreading our limited resources or money thinly across many programs and projects over the years. Let us build one mini cannery at a time or one oil palm plantation and mill at a time than trying to do three or four at the same time and end up doing nothing or none. Hence, we must be strategic.

The economies of scale including limited resources and our geographical spread means we must be focused, strategic and prudent in pursuing our development aspirations. In this connection, I welcome the Minister's remarks on the need to refocus spending on key priority projects and that they must be properly scoped, designed and costed as well as the need to streamline the number of priorities being implemented so that we do not spend our resources too thinly. Therefore, I am glad that the Government has finally come to realize the need to be focused.

Let me move on to the productive sector. The Government has promised to focus more on the productive sector. This promise, however, has not been matched with the required funding allocations to these sectors in the 2017 Budget, although there may have been slight increases to one or two of these sectors. We need huge investments in order for us to make the impact, in order for us to make transformational changes.

The agriculture sector, which is the backbone of our economy and upon which the majority of our rural people depend on their livelihoods received only \$54million in development estimates. We need to increase budget allocations to the agriculture sector, especially for our cocoa, coconut and kava farmers. Value added activities such as coconut oil processing need to be supported, so as coffee and so as export of other crops such as taro and cassava. In this regard, I applaud a local company, the *Varivao* Company limited for venturing further into cassava exports. The government must support such local agri business companies in developing and sustaining their products as well as securing markets for them.

On livestock or cattle development, the Ministry needs to fast-track the review of the LDA Act to address the development of the cattle policy in this country.

On the fisheries sector, I wish to acknowledge the increasing revenue that this sector or ministry continues to collect for the country. I wish to congratulate the hardworking Minister and his Permanent Secretary in that regard. I know that next year the ministry will continue to generate increasing revenue through fishing licenses for our country. But there is a lot of potential that remains in this sector in terms of raising revenue. In this connection, I call on the government to negotiate and sign an interim economic partnership agreement, an interim EPA with the European Union so that we can get more returns for our fish exports and other exports to the European Union.

Papua New Guinea and Fiji who have concluded interim EPA arrangements with the EU some years ago are now reaping the benefits. This country is missing out; we are missing out. It is important that the country reviews its position on the EPA and move towards signing an interim EPA so that we can reap some of these benefits.

There is also the need to increase support to rural fisheries, an important source of livelihood for our people. Unfortunately, the ministry's allocation for this project has been reduced in the 2017 Budget.

On tourism, this is a sector that has the potential to contribute significantly to our economy. This is, as the Member of Parliament for Aoke/Langalanga used to say, one of the low hanging fruits that we can invest in, but it appears it has been moved from being a low hanging fruit to a high hanging fruit. We have not made much progress in this sector. The allocations to this sector is also very, very dismal. We need to invest more in the tourism sector.

Above all, we need to seriously, as I have said, invest in the productive sector so that in turn we can sustainably support and cushion expenditure in our social sector, especially education and health, which over the years we have been assisted by donor partners. The productive sector cannot develop without investment in our economic infrastructure. Building strategic economic infrastructure is critical as we all know for any country's economic growth and prosperity.

I welcome the focus of the 2017 Budget in this regard on investing infrastructure in the rural areas in terms of roads, energy, transport infrastructure and shipping. A sum \$244million is being allocated to the MID budget in the 2017 Budget. This is a huge sum of money that must be distributed fairly and equitably among our provinces and used wisely and accounted for.

Over the years, the Solomon Islands Government has been basically maintaining existing infrastructures than building new ones. It is our donor partners that have been helping us build

new pieces of infrastructure. While we need to maintain and upgrade existing roads, airstrips, wharves, we also need to build new ones in order to open up new economic opportunities and activities for our people.

The Minister stated in his speech that the Government recognises the importance of ensuring benefits of inclusive growth as shared by all, especially those in the provinces. I agree with him. But we need to go beyond recognising, we need to go beyond recognising and actually put in place a strategic infrastructure investment plan for all our provinces and build those infrastructures if we are to really share in the benefits from inclusive growth.

In this connection, on Isabel, the Kaevaga/Kilokaka road and Kaolo airstrip are among the priority infrastructure projects identified by the Isabel leaders' summit last year. Both are strategic projects that could open up new opportunities for growth in agriculture, transport, tourism and the mining sector in the province which will intend benefit our country as a whole. The proposed Kaolo airstrip is on San Jorge Island, the centre of nickel prospecting sites and also within the border of Gao/Bugotu and Hograno/Kia/Havulei constituencies.

Surveys for both projects, the design and costing of the Kaolo airstrip have been done by previous governments. Funding support is required to start construction of the Kaolo Airstrip and for the design stage of the Kaevanga/Kilokaka road. Certainly, the Kaolo airstrip will not cost the government another \$60million; it will be half of that. There is also opportunity and real possibility for public-private partnership in the construction of these two projects.

I have written to the Prime Minister and relevant ministers for funding support for these two projects in the 2017 Budget. This submission was made in recognition of the need for inclusive growth and is consistent with the spirit of what the Minister of Finance said in his speech and I quote, *'we should be courageous to live in the spirit of cooperation and determination needed to catalyse this budget into transforming economic growth in our country and in creating a lasting difference to the lives of our rural people'*. I was courageous in making that submission knowing very well that my chances are very slim given competing demands and priorities and also knowing that in this country politics takes precedence over being strategic and common sense.

It is quite clear that these two projects are not in the 2017 Budget, but I have not lost hope. Who knows they could be funded under the \$300million to be borrowed for other infrastructure projects in the 2017 Budget for which the Minister will clarify or if not may be from the ROC National Development Fund. But I could be wrong, so the relevant ministers, my two

good friends and brothers, the Minister for MID and Aviation who happen to be sitting directly opposite me can help clarify and confirm the fate of my submission.

Meanwhile, I acknowledge the inclusion of Suavanao airstrip as among those airstrips listed for upgrading under the New Zealand Government's Aviation Support program. I thank the NZ Government for the inclusion of Suavanao Airstrip. This upgrade will certainly increase tourist arrivals and activities in the western parts of Isabel Province and contribute to the growth of the tourism industry in our country.

Let me now move on to comment on the social sector. As expected a huge allocation in the budget goes to the social sector, and rightly so - the Ministry of Education and Human Resources Development and the Ministry of Health and Medical Services. These social services will continue to be critical for our people. The Government's new education strategy will need resources to achieve each strategic goal of providing universal access to quality secondary education for all children by 2030 and improve access to technical and vocational education and training and higher education.

I note and acknowledge the government's priority on refocusing education sector expenditure and providing services at primary and secondary schools to achieve the target of universal completion of quality junior secondary school education by 2030. But we must also manage our scholarship programs well in order for us to create savings to achieve the above target and goals.

On the health sector, the facilities and review services at the National Referral Hospital are said to be at a crisis level or a crisis situation. It is no longer a problem but a crisis. Development projects for the Referral Hospital have also been hindered by the lack of technical capacity to design and cost the projects. Furthermore, during the course of this year, various clinics and aid posts in various parts of our country have also been closed down due to shortage of medical supplies including important drugs and medicine or due to run down buildings.

Lately with regards to dengue outbreak, I understand we are again running short of dengue test kits. The health of our people is of paramount importance. We cannot deny them access to health and medical services, including availability of important medicines or drugs. The Minister of Health and Medical Services is duty bound to explain to the people of this country the dire situation facing our health sector, especially services at the NRH.

Our development endeavors must be underpinned by a stable, safe and secure environment. We must in this regard sustain and build on the gains we achieved together with

RAMSI by allocating sufficient resources to the Ministry of Police and National Security, especially in view of RAMSI's withdrawal in mid-2017. This Ministry requires adequate funding for its operations and to implement its various strategies including its Crime Prevention Strategy. It is important that the government must use the report on the cost of policing in Solomon Islands as a guide to resource this important ministry.

Finally, rural development will continue to be a priority for any Solomon Islands government. With the support of SIG Livelihood Constituency Funds and ROC RSCD funds, many constituencies including my own have during the course of this year delivered basic needs and services to our rural people through a number of projects - housing schemes, micro projects, water and sanitation, transport and lighting. With the allocation in the 2017 Budget, we hope to continue provide these basic services to our people. Of course, I note the reduction in the MRD budget but I am sure we will be able to manage whatever funds that are at our disposal.

But let me also remind our people in the constituencies that constituency funds cannot meet every demand and need so our people need to contribute and should not be dependent. While there may have been improvements in the accountability for constituency funds, it is important that the Ministry of Rural Development finalizes the review of the CDF Act and its accompanying regulations and table them in Parliament.

In conclusion, given our limited resources and the vulnerability of our small economy to both global economic shocks and national disasters, we have to be prudent in managing and implementing the 2017 Budget. 2017 will be a difficult year financially so we must be focused and strategic in spending our limited resources.

As the Minister for Finance and Treasury said, the budget is as good as its implementation. I agree with him but the onus falls squarely on him and the rest of the government ministers and of course all of us MPs in terms of our constituencies to take charge and leadership in implementing the 2017 Budget so that the government can deliver as expected by our people. It is also critical that central government coordinating agencies, especially the Office of the Prime Minister and Cabinet work closely with line ministries to ensure they implement the budget consistent with government policies and priorities.

The Honourable Prime Minister, you have a lot of political appointees in your office. They must be tasked to follow up on the implementation of priority government policies, otherwise they become liabilities. If they do not perform, terminate them. Otherwise, if we do not take leadership, the rhetoric's used to describe the 2017 Budget will remain rhetoric's.

Sir, it must not be business as usual. Our country needs to feel the impact of yet another big budget in terms of transformational projects and improved service delivery. We must not fail them. With these few remarks, I support the 2017 Appropriation Bill 2016.

**Mr Speaker:** I would like to remind all honourable Members of Parliament to either switch off your mobile phones or put it on silent-mode while you are in the Chamber. Thank you for your understanding.

**Hon MILNER TOZAKA** (*Minister for Foreign Affairs and External Trade*): Thank you Mr Speaker for giving me the floor and according me the opportunity to also contribute to the debate on the 2017 Appropriation Bill 2016 introduced by my colleague, the Minister for Finance and Treasury.

In so doing, allow me to first of all congratulate and thank my colleague minister for introducing the Bill and moreover acknowledge and recognise the efforts and hard work that he and his technical officials, along with the Minister for Development Planning and Aid Coordination and the Minister for Public Service and the officials for collaborating with all ministries and henceforth compiling and developing the Budget Estimates for the coming financial year, 2017. It is not always easy putting the estimates together and so I commend everyone for the efforts put together culminating a budget which we now have before us to debate on the floor of this honourable House.

In welcoming the 2017 Budget Estimates tabled by the Minister for Finance and Treasury, I note that the estimates are developed against forecasted for the economy to grow by 3.5percent, driven by strong growth in services, construction and the manufacturing sector. I also note that the total budget spending will be \$4,301,001,000. Out of this amount, \$3,123.2billion will be spent on recurrent expenditures and \$1,170.9billion will be spent on development budget expenditures. I further note that the overall estimates are made against an expected revenue projection of \$3,909,200,000. An amount of \$283million will be injected by donor friends as support to the Budget. I note that the government intends to expend \$4,087.6billion of which \$2,906.8billion will be for recurrent expenditure and \$1,180.8billion will be expected on development budget expenditures. That the 2017 estimates will be a balance budget and I believe it is responsible budgeting and I commend my colleague the Minister for Finance and Treasury for that.

I warmly welcome the overarching theme of the 2017 Budget - "Building the nation's resilience to enhance economic growth and service delivery". Indeed, the focus of allocation in the development budget to continue investment in infrastructure with emphasis on roads, energy, transport sector and shipping to enable access linkage to markets augurs well for the theme. Likewise, I welcome the focus of the budget to invest in activities that will not only enhance economic growth but those which will positively impact people living in our rural areas. About 81 percent of our population lives in the rural areas and hence through such a strategic focus of our rural people, they can benefit and prosper the opportunities brought about by such investments.

I now wish to turn to my contribution to this debate on the 2017 Appropriation Bill 2016 towards the expectations in regards to the portfolio capacity I am responsible for as the Minister of Foreign Affairs and External Trade. As you know, the Ministry of Foreign Affairs and External Trade is responsible for providing advice on foreign and external trade policy, including the implementation and management of strategies that maintain and sustain our relationship with our external friends and other entities including our collaboration in international and multilateral forums. The ministry is responsible for enhancing, the promotion and protection of our interests, values and sovereignty. It is our first line of defense and offences and strives with a mission to ensure Solomon Islands coexists with other members of the global community and environment for peace, security and prosperity.

In so doing, allow me to provide a brief synopsis of activities which my ministry focused its attention during the course of 2016. Firstly, we have provided the necessary support to Solomon Island leadership roles as chairpersons of both the Melanesian Spearhead Group (MSG) and the Pacific Islands Development Forum (PIDF). Both are fledgling young regional and sub-regional entities but our provision for leadership in these entities epitomize the fulfillment of the potential which our country has in contributing a good international citizenship and captaincy. As part of our ministry's work to manage our external relations, persons of capable and distinguished ability have been identified to head our vacant head of missions' position in collaboration with the Prime Minister's Office and Cabinet endorsement. So far a new head of mission has been dispatched to Taipei, Republic of China in Taiwan. We hope to have our new head of mission to Canberra assume post soon. We are waiting finalization of arrangements for our new head of mission to the United Nations in New York to be deployed to mission soon.



My ministry is also engaging work to strengthen the operation of our missions overseas. We have sent teams to work on this. Such a program will continue and the ministry will endeavor to ensure this is a regular activity.

As we meet, my Ministry has dispatched a team to London, the United Kingdom, where the Government intends to establish a newest mission overseas. The importance of this development cannot be overestimated. Our intention is to continue cement and consolidate our bilateral relationship with our historical friend, the Government and the people of the United Kingdom. The office will become operational within the next few weeks and months.

An equally significant undertaking which the Ministry of Foreign Affairs and External trade will undertake is work that will culminate in the construction of our own chancellery complex to house our High Commission in Suva, Fiji. This particular location is for us an important one, not only because of our traditional ties with Fiji and the potential it offers to economic, educational, traditional ties and trade and investment opportunities. Fiji is the host of possibly the largest population of Solomon Islanders resident overseas for education and work. Therefore, the implementation of the project is in its early stages, designing should assume in 2017 to be followed by construction.

Since assuming leadership in December 2014, the DCC Government has set out with the objective of revigorating the management of external relations, particularly with the view of consolidating positive developments and gains that have been made. In this context, emphasis is in place on further maximizing benefits and gains we can derive from such relations. Where we have assumed leadership roles in international, regional and sub-regional architecture, we must pride in this work and further consolidate and strengthen such an effort.

Over the recent years, my Ministry assumed the role of lead spokesperson in the negotiation of MSG and the PACER PLUS trade negotiations. On the MSG trade agreement negotiation, I am very happy to inform the Parliament that we have concluded it. We are the first country beside our other brothers in the Melanesian Group for us to sign it. We have signed that agreement and has concluded and it is now in the process of being signed by others.

While the negotiations of the PACER PLUS are nearing conclusion, with a few unresolved issues to be discussed and ongoing consultations on market access being done in Australia and New Zealand, in regards to the EPA which the Leader of opposition stated which is true, for 12 years we have discussed and negotiated and I am very happy that when we took office, I took a paper to Cabinet and Cabinet has given me the greenlight to proceed to sign it and so I will go

ahead to sign the EPA interim as a start and then we will later on sign the comprehensive one. We will join Fiji and Papua New Guinea in terms of the EPA. I want to assure the honorable House that this agreement is now on its way to be formalized by my ministry.

Indeed, getting trade mainstream into our National Development Strategy is a useful platform. The main question generally asked regarding these trade agreements; there are so many questions that have been asked, which I gathered from the Public Accounts Committee (PAC) are that I have signed a lot of trade agreements, and what are the trade agreements all about?

The main questions generally asked are what are the trade agreements use to us? How do we benefit from the trade agreements? Are the trade agreements important to us? The resounding answers to these questions are the trade agreements benefit Solomon Islands with duty free, quota free market access that enable Solomon Islands to trade within a rule based framework, the concession, flexibilities for trading partners particularly rules governing originating trade. In other words, it is this time that we are going to trade. In other words, you would remember when we took off this year, I stood here with this big thick trade policy framework. I did not just put it away but I was also the Chairman of the Trade Council so I went ahead and implement it, and I am so happy that we are now going ahead to implement those issues. And as you have said, we talk about trade but if we do not have the capacity, our products like our pineapples cannot be exported to New Zealand, cannot be exported to Australia and also cannot be exported to other countries but other countries can export their products to Australia and New Zealand, then why? This is because we do not have the capacity.

But this PACER Plus that we are talking about saying only Australia and New Zealand will benefit is not true. We will also protect our country and we will not allow them only to benefit. In fact, they are helping us, they are going to pay us an initial amount of money they have already mentioned to us before signing the agreement of \$50million and thereafter its going to be some more. What are these monies for? It is for us to develop the things, which my colleague Minister of Agriculture which he needs some technology there to bring up the value of our goods, that is what those monies will be used for.

In Noro, they have given a yellow card or a red card to our fisheries. We do not have the technology there, we do not have the money, we do not have enough in the budget and so who is going to give us money? It is through this trade, we have to formalize it and we tell them that

'look, we have signed this agreement provided you help us to bring our capacity up'. And they have said, yes we will do that.

These are the things we are doing on trade and I am happy about it. I do not understand much about trade because it is very technical; I am not a trade's man, my profession is on man management, but somehow I am engaged in it and I am very happy about it. Next year I am going to upgrade the Trade Division in the Ministry of Foreign Affairs and External Trade to be headed by a permanent secretary. So it will be the Ministry of Foreign Affairs side which is going on very well and Trade will also have its own permanent secretary and I will also increase the establishment there. This is because we are going very strongly with trade. Labour mobility is coming very shortly. We have less than 400 people that goes overseas but at the moment I am standing here, foreign affairs is a very small ministry, and we are already getting about going up to \$50million injected into the economy just from labour mobility – remittance. This is good news for us. We have just met my counterpart from Australia yesterday, where the Prime Minister was leading the delegation and we made some very good understanding on increasing the number of our people going to Australia so they have opened the gap now. Usually they are very restrictive but now they have increased it. We are dealing with our people that will be going overseas or some recruitments that we have difficulty with, we are adding them. And so I am very, very happy about this and I would like to inform the other side of the House that the balance of work we are doing in my ministry is going on and I would like to assure you that it is going on fine. I am very confident with the professional team I have in my ministry on how they are running all these things in collaboration of course with our international partners that we are working with.

All in all, harnessed and nurtured properly, the trade agreements could serve as drivers for the private sector which serve as an agent for growth in many economies. And I believe for Solomon Islands, this manifests how important trade agreements can be our economy, particularly for the private sector. This is why my ministry will continue to activate and engage in trade negotiations. Likewise I am planning to implement a national trade policy framework in Parliament last year 2015, which I have already covered.

My ministry is very grateful of the benefits which labour mobility opportunities and work offers to our unskilled workforce. I should mention that reforms would be instituted to the external trade division to make more robust driving economy and trade diplomacy or forward complementary commercial department work.

In 2017, what is my ministry going to do? We will continue to set out to implement specific activities that will drive the following key strategies:

- To continue to review existing potential trade agreements guided by Solomon Islands National Trade Policy Framework.
- To review existing bilateral cooperation and multilateral agreements to reflect current national interest and priorities to effectively participate in international and regional meetings with the view of engaging benefits for membership.
- To promote and facilitate trade in cooperation with regional and international partners through aid for trade programs including enhancing integrated framework.

I have spoken at length about some of the work done by my ministry and I can reaffirm that we are eager to remain ever more committed to ensuring that the work we do bears the benefit and retains with desire in our relations with external friends. The answer, however, lay such efforts being supported with the necessary resources. I should also use the opportunity to thank external partners, regional friends, donors, international organisations, multilateral institutions for the support they have rendered to us over time. We appreciate this and will continue to work with them and look forward to receiving the support they have always provided us over time.

As I have alluded to earlier in my contribution to the debate on the 2017 Budget Estimates, I believe this is a budget based on sound platforms and executed with appropriate checks and balances and proper controls, it would generate the kind of economic growth that will ensure sustainable development to the economy in the short and medium long term. In essence, with the focus of the budget on activities that impact on our rural areas, hence rural people, we can ensure there is real distribution of economic and development impact towards those that have always long missed out. Coupled with reforms being initiated by the GCCG, we can create a future that is good for our country and our people.

Finally, I should again acknowledge and thank my colleague, the Minister for Finance and Treasury, other ministers and technical officials for the excellent work put into preparing and delivering its budget for debate by Parliament.

Before I take my seat, as I will be leaving on a very important overseas engagement again on trade, this is the World Trade Organization, which we are obliged to make a report on what we are doing, and as the minister is supposed to be heading this and not the officials, I have to lead this delegation to make this report to this meeting in Geneva so I will have no opportunity perhaps to convey my season's greetings. Therefore, on behalf of my ministry, myself and my family, I wish you, Speaker, Deputy Speaker, the Clerk to Parliament, Members and staff, the Prime Minister, Ministers, Leader of Opposition, Leader of Independent and all colleague MPs, a very merry Christmas and a prosperous New Year 2017.

On the same note, to my constituency of North Vella Lavella, to the chiefs, elders, church leaders, men and women, boys and girls, I thank you for your continuous support and cooperation and I wish you all a very merry Christmas and a happy new year 2017.

I thank you very much for this opportunity once again, I support this motion and resume my seat.

*Sitting suspended at 11.10am for lunch break*

*Sitting resumed at 1.43 pm*

**Hon Jeremiah Manele:** Point of order. Mr Speaker, we need to verify the required quorum. There is an important Parliament business before the House in terms of the Budget, and I do not think we have the required quorum to continue with the debate.

*The House waited 15 minutes for quorum to be gained*

**Mr. Speaker:** We now have 25 Members here so I think we have the quorum so I call again that Parliament is now resumed and the floor is open for debate.

**Hon. DANNY PHILIP** (*Minister for Development Planning and Aid Coordination*): I thank the Leader of Opposition for pointing out quorum because this side of the House needs to come in full force as this is the government budget. The Opposition side is in full force, 100 percent of them are there, I think about seven or eight of them are there.

Mr Speaker, before I start I would like to greet you. A Merry Christmas to you and your family as well as every Member of Parliament in this Chamber representing people in your 50 constituencies. Most importantly as you rightly mentioned to the people of South New Georgia/Rendova/Tetepare for their patience, support and prayers, not forgetting my own family too.

I am not intending to make a speech because it is the government's budget and the Minister for Finance had already delivered it on our behalf. My Ministry also contributed to the speech but I would just like to point a few things in my small speech. Before I commence I would like to introduce a little background to my small statement. Obviously, as you know, most of what I am going to say is based on policy and planning, because I am the Minister for Planning, which can be boring to those who do not fully understand the policy of the DCC Government, which spreads out long term, medium term and short term plans of the DCC Government.

Let me start off by saying something about the Minister for Finance's speech. The theme chosen for his speech is "*Building the nation's resilience to enhance economic growth and service delivery*". I think it is a well-chosen theme reflecting the situation this country endures for the last 38 years since we gain our political independence from Great Britain.

There are two economic situations that Solomon Islands is exposed to from the day the country was pronounced independent, and briefly these are economic vulnerability defined as the exposure of an economy to exogenous shocks or outside shocks. Secondly, economic resilience defined as the policy induced ability of an economy to withstand or recover from the effects of such shocks. So we are both vulnerable and we need to be resilient.

The question that arises is what makes an economy vulnerable? Or what are the indications of vulnerability? To answer these questions, I wish to itemise five sectors described through a paper presented in 2015 at an OECD conference in Paris. And these are:

1. Vulnerability in the financial sector, and this includes:
  - a. leverage and risk taking,
  - b. liquidity and currency mismatches
  - c. Interconnectedness or common exposure
  
2. Non-financial sector. It includes excessive household debts and excessive corporate debts

3. Asset markets, which includes housing boom and stock market booms,
4. Public sector, where we face solvency risks, long term trends, such as part of the population is aging or incapable of contributing to economic development, fiscal uncertainty and contingency liabilities,
5. External sector, which includes unsustainable current account balance and exchange rate misalignments.

These are the things that make an economy vulnerable. Our country already has some of these things existing within our economy.

The next question I wish to pose is on economic resilience; what role for policy then? This is a very important question. What are the vulnerabilities we face in the country? Is it sheer economic in nature per se? Are we truly suffering from the aftermath of external shocks or the aftermath of internal shocks? Have we truly prepared this country to be resilient from both external and within?

I was in Kuwait City five years after the Kuwait War trying to negotiate a loan package from the Kuwait Funds. As I spent a few days in Kuwait City, the government took me as a diplomat to a huge park in Kuwait City. The reason why they took me to this big park was because it is a place where everybody goes to have lunch, it is a place where people can go and meet friends and families there. But I think the greatest reason why they took me to the Kuwait Park was because it was inside the park that they store the whole arsenal, the weapons and ammunitions, the left overs used during the Kuwait invasion – the machine guns, the tanks and everything used to evade Kuwait with. What struck me the most is this big writing at the entrance to the Park to remind everyone in Kuwait - 'lest we forget.'

I think the events of 1999 to 2000 in this country, we are not being invaded by a foreign force, but our problems which are challenges to this country remain internal. And I think there is still this big writing on the wall here in Solomon Islands – 'lest we forget'.

My fellow leaders and citizens of this country we have not been invaded by outside forces but from within. First of all, I want to thank the Chairman and the PAC Committee for producing a very comprehensive analysis on the 2017 Budget. It is very well articulated, good recommendations - all of which the Government will receive with open arms and try to improve on what we have been lacking if there are any.

From that perspective, and this is the very reason why the DCC Government articulated the quest for resilience on two policy fronts. The first one is the fundamental reforms which are long term, which are time consuming, which are expensive but needs legitimacy from the people of Solomon Islands. And these things include constitutional reforms. Constitutional reform is a program that has been going on for almost eight years now, and that is great. We will have to understand what we want our constitution to be. Everyone in this country must understand it before it says yes, that is the constitution that we want. The land reforms programs are ongoing and they are expensive. They need to be taken out to the people in the rural areas so that they can understand what kind and what type of land reform are we going to do when everybody agrees.

Thirdly, the alignment of customs and cultures and the creation of a national arbitration council that will act as the trade disputes panel for any dispute that is ethnic and cross cultural in nature so that we can deal with the problems that are happening in our communities and between our people of this country.

On community governance, there is a big vacuum in our constitution in governance that we only have the central government and the provincial governments but there is no third tier government, so we are working on a very important policy of the DCC Government. There is a template produced by the Ministry of Peace and Reconciliation that we are going to try and implement before the term of the government lapses.

We also have national demographic reforms where we are going to interpret our demography into a new voting system, a national database where all the citizens of this country will be recorded. Some people might think of this as unethical but that is how we are going to harness diversity and work from that point onwards for the betterment of our country. What we must remember is the fact that fundamental reforms is a long term affair and therefore long term policies must be there to implement it.

The second parallel reform program is the sector reform policy program and this sector reform program is to deal with growing the economy. Reforming the education sector, reforming the health sector, reforming the forestry sector, reforming the mining sector and all these things are included. So one complements the other. In a country where diversity cannot be taken for granted, and I think we have taken diversity for granted since we gained political independence. We now look back into those years and we need to harness diversity, we cannot take it for granted. Unity in diversity is an assumption and we are going to do justice for this country by



bringing diversity into a more inclusive society so that we have to do reforms through our fundamental reform programs.

I now wish to turn to planning and articulating Government policy and how the Ministry of Development Planning and Aid Coordination influences the Solomon Islands national budget. I presented you this background so that we can understand. Moreover, we plan for the long term development of the country. At the launch of the Government's Policy Strategy and Translation in 2015, the Government made it very clear that it is determined to bring about necessary changes through effective reform programs to ensure all Solomon Islanders are empowered and have improved food security, improved social services and livelihoods.

The Government in this respect embarked on the two major parallel reform programs that I have just mentioned. The Government also recognizes that the key to growth and progress of our people lies within sustainable economic development. A return to economic growth and continued sustainable and inclusive economic and social development will provide the economic and social capital that will enable improvement in the the economic and social wellbeing of all Solomon Islanders.

During the preparations of the National Development Strategy, for the first time we came up with a refined and progressive process in developing the National Development Strategy for 20 years. Provincial consultations have taken place confirming the need for focus on growth to provide livelihoods, stressing the need for improvements, in particular, in transport infrastructure in the provinces to provide access and facilitate growth in the productive resources.

The Government recognizes the importance of ensuring benefits of growth are shared by all, especially with those in the provinces. We need to reinvigorate the economy and regain the growth momentum. It is only through sustainable growth that we can generate resources to ensure a reasonable standard of living for our people.

Let me briefly inform the House on the progress of one of the Government's key policies and priorities stipulated in the DCC Government's Policy Statement, Strategy and Translation Document that my Ministry has taken responsibility over for its implementation. I am referring here to the National Development Strategy which is a long term one.

The Government has successfully prepared, completed and launched a 20 year National Development Strategy in April this year. The National Development Strategy (NDS) 2016 to 2035 maps out a strategic direction for the future development of Solomon Islands. This NDS covers a 20-year period that will provide a longer term framework for planning that lays the foundation

for economic recovery and long term sustainable development. As the Minister of Finance and Treasury stated, the 2017 Budget is a first step in delivering and implementing the NDS.

The Government recognizes that to implement the NDS and achieve its objectives, we will need commitment and action from all of us on both sides of the House. Partnerships will be crucial – true and strategic partnerships between development stakeholders are also important and development partners, the private sector, non-government organizations, church groups and faith based organizations and all development stakeholders.

A couple of weeks ago we launched the policy on forming partnerships with our private sector partners to deliver the same kind of services the government delivers all the time. The government, in this regard, also launched the Aid Management and Development Cooperation Policy and the Partnership Framework for Effective Development Cooperation in March this year. This provides guidance on how we can make development partnerships more effective and in line with our objectives and priorities as set out in the NDS. Moreover, at the international level, the globe has adopted the 2030 Agenda for Sustainable Development, the Paris Agreement and Addis Ababa Action Agenda (financing for development framework and the Istanbul Program of Action. These frameworks demand us to break with business as usual and reset our partnership relations with transformative and game changer programs and projects. I would like to point out that in the sector reform programs, we have taken the initiative to broaden the scope of the former transportation or shipping grant to include more private sector because we believe that the private sector has the commitment and the interest to run shipping in Solomon Islands. And also if you have a land locked constituency, you are entitled to apply for machinery to do your connectivity.

These are some of the things that we have taken but these things need political commitment and the political will, not to do businesses as usual, but to do some game changing reforms that will give real opportunities to our people in the constituency.

The Government is adamant to be involved in large transformative and game changer project initiatives that would make a real difference and transform the lives of our people. The Ministry of Rural Development has given to each Member of Parliament \$7million to improve the lives of their people in the constituency. This is a big political will. We have increased what goes to people in our constituencies and I am sure every Member of Parliament is using and utilizing these resources to the fullest. Hence, it will pursue to forge partnerships with our development partners to localize and socialize the implementation of the 2030 Agenda for Sustainable development and to also achieve the NDS.

We have some global agendas that is part of us which compacts on international agreements that we have signed like the Millennium Development Goals. We have not fully implement the MDGs and in New York last year we became a member to the Sustainable Development Goals.

The real challenge as I see it is down where the people are, and this is the reason why the DCC Government has increased funds that go directly to help people in the constituencies. The transportation to raise the standard of living in good housing and increasing the opportunities to make livelihoods and sustainable revenue for families and communities down there.

Over the next remaining years, greater focus will be given to developing and implementing transformative and gain change of programs and projects. Provide infrastructure in rural areas, as I have said that if anyone wants a machine to enable connectivity to roads in your constituency, we have some funds available for that purpose.

In terms of the financial progress in the implementation of the 2016 Development Budget, I am pleased to inform the House that as of the end of November, about 70 percent of the total funds in the 2016 Development Budget have been disbursed as actuals from the Ministry of Finance. This figure, however, does not represent those funds deemed committed by implementing ministries and submitted to the Ministry of Finance but not yet released by the Ministry of Finance. So it is a very high achievement rate that the DCCG has made to the Development Budget this year.

Given this trend, the Government is confident that as much as about 80 percent of the 2016 Development Budget will be expended by the end of 2016 fiscal year. At the same time, the House needs to understand that some of the major programs and projects that are initiated and commenced in the 2016 Budget would be rolled over into the 2017 Development Budget and progressed and completed in 2017 and thereafter.

I believe that all of us in this honourable House have the same ambitions. We all want progress, we all want success and we all want to improve the social and economic livelihoods of our people. And we all know it's possible. We are living through challenging times and as a government we must always be ready to act quickly and be flexible to bring fresh thinking and to evolve our response as appropriate and needed.

I want you to know that as we continue to encourage more investment in infrastructure to promote growth, we also know that we have to think more critically about the kinds of infrastructure Solomon Islands will need in order to compete in the economy of today and

tomorrow. We must also take care in ensuring that these investments benefit all Solomon Islanders. We need to raise our ambitions if we want to spare economic growth for our economy. We need to make the right investments in people that are critical for the country to be competitive.

At the end of the day our aspirations for our people have to meet the aspirations of the people for themselves. Let us be bold and together we will make history for ourselves and for our people, our children and our generations to come.

That is the small statement I would like to make on behalf of my ministry, the government and the people of Solomon Islands.

**Hon. PETER SHANEL AGOVAKA** (*Minister for Communications and Aviation*): Firstly, I would like to thank the Minister for Finance and Treasury for bringing the Bill to Parliament and the Ministry for the hard work in compiling the budget bricks together. Secondly, I would like to thank the Chairman of the Public Accounts Committee and his hard working members of the Committee for putting the Committee's report on the budget, a very comprehensive report, a report I am struggling to read the whole of yesterday.

I will be speaking on the aviation and the communication sectors and the other ministers might want to speak on the other sectors. The revenue and the recurrent for the Ministry of Communications shows \$21million, and hopefully we should be able to increase that once we have our own FIR in about two years' time. We are working on that.

Our recurrent budget is good and we have no problem with it. In terms of the development budget, we have two very important sectors and two very important activities the ministry is embarking on and which we have done some work on it already.

First is on communications. If you look at the communications sector we are trying to revamp the communications sector of the ministry to help provide the service we need from the ministry. One of the problems with our budget is that a lot of our ministries have a lot of expenses on their utilities. It is something the government is very keen in addressing, particularly telephone bills which is part of communications. The ministry is embarking on putting a paper through to the Prime Minister's Office, a combined paper to try and address this issue of high phone bills in all of the 24 ministries. That is something we would like to embark on, and maybe we could cut the costs to some of the phone bills.

In regards to the fiber optic cable that we are working on, I think the PAC Committee must have heard that we have formed a company in which the two shareholders are the Minister for Finance and the Minister for Aviation and Communications. We will set up a company called the Solomon Islands Cable Company to look after the cable that will be running from Sydney to Honiara. This will hopefully bring a faster internet service to the country with more data and one that is reliable and one that we own - a communications network that we own.

Contractors have been identified and we are working with the contractors to sign up a contract. Hopefully we should be able to do that by the end of the year. I do not know how much time is left but the ministry is very keen in consultations with the Ministry of Finance in sealing of the contract before the end of the year so that the contractor can put in orders for cables, repeaters and other accessories for the cable. It takes time to order the cable. That is on communications.

My budget for the communications sector is good. I have no problem with it. In terms of the Aviation sector, the Aviation Sector reform is on track. We are doing the aviation reforms. We have formed a company called the Solomon Islands Aviation Corporation Limited to look after four sectors, namely terminal services, security services, aviation security and safety services and the fire and rescue services.

The Development Budget for the Ministry is about \$45million and hopefully we should be able to manage this well to include provincial airports. There are about six of them that we have identified for tarsealing and also the second phase of the Munda Airport.

There are a number of applications for airports. I heard the Leader of Opposition has questioned the ministry. His airport will be part of the activities that we will be looking at in 2017. Be rest assured my brother that your airport will be taken care of. There are a number of other airports as well. Let me say that the importance of the airport and aviation sectors cannot be overemphasised. Airports bring in the travelling public, trade, business, tourism and it also opens up markets for other spin-offs as well. So we are looking at new airports and much of our work next year will be mainly on survey, identifying and strategizing where important areas are that we can build airports.

In terms of the credibility of the government budget, I think the budget is credible. We have projects that are aligned. For instance, the Ministry of Aviation has projects that are aligned. We are not drifting from any of the projects that we have aligned ourselves to. We are working in line with our policy. I do not think the budget is not credible. It is credible and has integrity.

The budget is only as good as those that implement it. If we do not have people to implement this budget, it will certainly have problems. We rely on officers in the ministries, the public service to run the development budget. It is important that ministries and the public service are aligned with government policies so that we can run with the budget that we have here.

As I said, my contributions will be short. If there are questions, I will have answers for them during the committee stage where I will clarify some of the issues that are raised here. But in terms of aviation and communications, we are on track with the budget of this year as well as next year. With these few remarks, I support the Bill.

**Hon SAMEUL MANETOALI** (*Minister for Environment, Climate Change, Disaster Management, and Meteorology*): I rise to contribute to the debate of the 2017 Appropriation Bill, not because I was asked to speak but because of my responsibility as the Minister for Environment, Climate Change, Disaster Management, Conservation and Meteorology to contribute to this important bill which when passed and legally authorize us to expend government resources to meet the needs of this country.

I also represent my people of Gao/Bugotu Constituency in this debate. In this connection, I thank the Honorable Minister for Finance for giving ample time to the Public Accounts Committee to conduct its integrity, its inquiry of which the PAC has produced a 142 page report. I thank my good friend, the Member for Small Malaita who is the chairman of the PAC and members of PAC for a job well done. I have been informed from yesterday's brief proceedings that the above report is the most elaborate and biggest of all PAC reports so far.

The PAC Report made 65 recommendations; no wonder it is a very big report. The Report did not make any specific recommendations regarding my ministry. Although Recommendation 42 and several other recommendations regarding financial management are also relevant to us. Let me however set the records right that the PAC made an inaccurate note that our 2017 Development Budget is inconsistent with the Medium Term Development Plan and the National Development Strategy. My ministry's development projects intended for 2017 fall comfortably within the ambits of the Medium Term Development Plan and the National Development Strategy and also with the DCCG policies pertinent to my ministry.

Let me touch on Recommendation 11, which calls for ministries to respect the budget cycle and minimize the use of virements, contingency warrants and supplementary appropriations

because this affects my ministry as well. The recommendation assumes a perfect world with no surprises and where all bids are fully resourced. We are living in an imperfect world and therefore the Public Financial Management Act has provisions in there for virements, CWs and supplementary appropriation. However, what I will be concerned more about is what the CWs or virements will be used for rather than to broadly set aside or minimize CWs, virements and supplementary appropriations for the sake of their minimization and that it is disrespectful of the PFMA, when in fact the PFMA allows for them.

A number of the recommendations have also been reflected in one way or the other in previous PAC reports, and I thank the PAC for tabling them again because it means either they have not been addressed when they were first raised or the recommendations concern matters that need time to properly look into, such as proposed revisions to existing legislations and new laws. Some of the recommendations, in my view, pertains to minor issues that has to be addressed at the ministry level on a daily basis such as Recommendation 60, which requests the Ministry of National Unity, Reconciliation and Peace to immediately consult with the Ministry of Finance and Treasury to address debt incurred from the reconciliation ceremony or on matters that have an established process such as Recommendation 13 regarding the immediate appointment of a substantive accountant general and even Recommendation 49 for the appointment of a substantive Permanent Secretary at the Ministry of Commerce. However, I thank the Public Accounts committee (PAC) for the reminder and the need to take immediate steps to address the concerns.

Beside the above, a good number of the PAC recommendations alerted us to areas of caution in terms of financial management which there are gaps and issues pertaining to the budget process, potential areas of abuse and specific recommendations in relation to work programs of ministries that need to be resourced for implementation. Recommendations 6 and 24 caution the Government against borrowing for cash flow and the need to prevent revenue slippages. In my view, these two particular recommendations are indeed non-partisan and the latter in particular must be looked into seriously. Recommendation 24 has been reiterated in specific recommendations, for example, Recommendations 52 and 54 pertaining to several ministries.

Recommendation 42 is regarding the need for relocation and resettlement policy and strategy to address the needs of those affected by climate change and manmade issues on land is a matter which my ministry is providing supporting to the Ministry of Lands, Housing and Survey

and the Prime Minister's office to just do that. Work is in progress on this important policy need in line with the DCC Government policy.

After my brief perusal (and I stress brief) of the PAC Report, and consideration of the Appropriation Bill, it is clear to me that the 2017 Budget is credible and internally consistent with government policies.

The theme of the 2017 Budget is, 'building the nation's resilience to enhance economic growth and service delivery'. Resilience is a construct that is commonly used in the line of work of my ministry. It generally refers to bouncing back from some form of stress, disruption and change and to continue to function. We need to know what these stresses, disruptions and changes are for the Solomon Islands, in order to put in the right strategies and programs to enhance economic growth and service delivery.

One of the disruptions we face in this country comes in the form of realized disasters from extreme weather events. Too often we think that the only time to address disasters is when they hit us, and this is where my Ministry is bombarded with demands for food relief and criticisms to say the least. But this thinking of reactive approach is only about response and not resilience building.

Building resilience is mostly about what you do in anticipation of a stress, disruption or change. In other words, the investments we put into agriculture and fisheries in non-disaster times to enhance food security and economic opportunities for all people of this country is resilience building. I believe after going through the Appropriation Bill, the Government of the day is await of the stresses and enables of enhancing economic growth and service delivery.

The 2017 Budget is focused on improving the livelihoods of the rural populace by increasing investment on rural development and infrastructure. The basis of this focus centers on the fact that more than 80percent of our population lives in the rural areas and infrastructure developments are critical for economic development to take place. It is also common knowledge that the extractive industries such as logging and mining and major commercial agricultural production such as copra and cocoa that support our economy also occurs in the rural areas. As such it is befitting to direct resources to rural areas and we must ensure that the financial resources empower our rural population to participate meaningfully in sustainable economic activities and free them from the bondage of dependency.

The noble intention to bring about rural development and infrastructure development must bear not only fiscal evidence, but more importantly physical evidence on the ground. In my view,



financial flows in the past decade have yet to show substantial concrete evidence on the ground in rural areas which commensurate with heightened resource flows. May be, it is because most of the intended resources for rural areas are being spent in Honiara and other provincial urban areas, and on consumables rather than on projects that will bring about economic development.

The attractiveness of urban areas and in particular Honiara even to our people in rural areas and a lot of us in this honourable House is unassailable, and is a fact that we must also accept. The glorification of rural life and the need for such undertaking as espoused in all budgets including this one requires newer as well as tested approaches of delivery backed by political leadership and with a whole of government approach.

The ministry I lead has to be oblivious to the rural-urban divide because when we talk of the environment, it is everywhere. Climate change affects us all, disasters do not pick and choose who shall be its next victim nor does tropical cyclones. When a disaster strike, it does not say this is North East Guadalcanal, this is Small Malaita, this is Gao/Bugotu and so forth. Not at all. It does not choose and strike.

Moreover, the connections in terms of people, goods and services and culture, between rural and urban settings are inseparable and therefore must be worked on with equal emphasis as they impact the environment and in return affected by the environment. We cannot afford to take the environment for granted because our lives and economies depend on it. As an island developing country, I cannot emphasize this enough. It is incumbent upon leaders in this honorable House to preserve the integrity of the environment so that it continues to serve us now and into the future.

It will be remiss of me if I do not remind this honourable House and the good people of this country of the vision and mission of my ministry which are for "a safe, sustainable and resilient environment for Solomon Islands and to provide an enabling environment for the socio-economic development of Solomon Islands through the application of necessary safeguards with regard to:-

- (a) Sustainable use of natural resources
- (b) The provision of meteorological services
- (c) Reducing the risk and impact of climate change and other hazards to communities;  
and
- (d) Leading and managing disaster preparedness and their consequences.

The enormity of the above mission is set against rapidly evolving biophysical and socioeconomic landscapes, our need for economic development which are affected in part by climate change, increasing intensity and frequency of disasters and the “mushrooming” of multilateral environmental agreements designed to get global consensus on trans-boundary environmental issues.

Trans-boundary environmental issues reiterate the fact that Solomon Islands is not “an island unto itself”, nor can we ‘ring-fence’ the Solomon Islands from external influence and therefore we must remain and engage with the rest of the global community on matters relating to the mandate of the ministry. As a matter of fact, my honourable colleague, the Minister for Finance reminded us earlier that “we operate in a global village where our fortunes are partly dependent on how well we are able to leverage off the global economy”.

Let me now come to the 2017 Appropriation Bill in terms of what it has in store for the Ministry of Environment. A cursory inspection of heads 299 and 499 may immediately point to the apparent mismatch in the mission I have just described and the draft budget allocation for our programs and activities in 2017. Whilst this is the reality we are faced with, we intend to make the most of what has been allocated to us and if our programs become stifled by the lack of resources, we shall seek for additional resources through established processes and procedures.

Moreover and albeit the gaps described above, I would like to commend the DCC Government for making improvements in terms of my ministry’s overall share of the national budget which now sits at 2 percent of the overall other charges under the current and the development budgets. These are marked improvement of nearly 100 percent compared to the pre DCCG budgets. I certainly look forward for further improvement in my ministry’s overall share of the national budget. I have confidence in the current government that this plea will be looked into seriously and further financial resources will be availed to us in 2017 and 2018.

In terms of our draft recurrent budget for 2017, my ministry will expend \$26,358,458. I also want to point out that my ministry through the environment and conservation division should also generate revenue for about \$0.9m. Barring disaster relief, our 2017 recurrent estimates are just below the 2016 budget. About 89 percent of other charges under the recurrent budget is shared by headquarters and the national disaster council. The major recurrent ticket items for expenditure such as office rental, staff rental, utilities and overseas travel are mostly responsible for the more than 60 percent allocation to headquarters. Our predisposition to disasters

necessitates an allocation of about 29 percent. The rest of the divisions share about 10 percent of the recurrent allocation.

I wish to clarify that quite often, my ministry also comes under the spotlight for overseas travel, and indeed we have taken measures internally to scrutinise all our work related travels in 2016, and we will continue that in 2017 to ensure that we attend only the most important conferences and those that will accrue benefits to the country. On the other hand, I would like to point out that environmental issues in general respects no manmade boundaries and therefore we have to remain engage with our international partners with the same vigour as we do with our domestic stakeholders.

In 2017, we will utilise existing vacancies to fill gaps in our manpower requirements. I am aware that a good number of vacancies have been centralised with the Ministry of Public Service and those vacancies can be drawn upon when pressing manpower needs arise. An issue brought up by the PAC (thank you PAC) under Recommendation 8 is with regards to a scheme of service for technical and professional personnel is indeed relevant to my ministry as well. This needs to be looked into seriously within the context of overall scheme of service for public servants which is well over due.

In terms of our development budget estimates, we made a bid for just about \$52m, which was driven mainly by our two major infrastructure projects - the Environment House and the national emergency operation centre/joint warning centre and our intention to strengthen and expand our technical programs in the environment, conservation, meteorological developments and climate change adaptation. We have been only allocated about \$16.8m, which is inadequate especially for the two infrastructure projects. Nevertheless we remain hopeful that additional resources will be availed to us in the course of the year to enable us meet our obligations on the two infrastructure developments and technical programs.

The combined headquarter and climate change budget estimate accounts for about 62 percent of the ministry's total development estimates. The rest of the division share the balance. Under headquarter, our focus is on the construction of the new environment house. Design of the building has been completed and demolition and preparatory work are currently underway. Under the National Disaster Council, the construction of the NEOC/NJYWC will be a key priority and the socialisation of the new national disaster management plan.

In terms of environment and conservation, our focus will be on bio-diversity conservation covering initiatives such as the Coral Triangle Initiative and the World Heritage Site. In addition,

we shall continue our work on the Mataniko River rehabilitation and support selected waste management initiatives in Honiara and in provincial centres in line with our new national waste management and pollution control strategy.

In regards to meteorological services, our focus will be in the construction of a staff house at Tingoa, which is a newly established manned weather station in the country, development of climate early warning risk systems for health and agriculture sectors and maintenance of the newly established network of automatic weather stations and rain gauges.

With climate change, the focus on mitigation will be on piloting coconut oil and diesel blends for generators with the support of a local firm involved in coconut oil processing, and completion of technical studies to consolidate our national greenhouse gas inventories. In terms of climate change adaptation, our focus will be on the development of a new climate change bill and relocation policy, assessment of climate change risks and vulnerabilities at the provincial level and the identification of the most vulnerable communities.

The slow implementation of work programs, especially of the development budgets remains a serious concern to many ministries including my ministry, especially with projects under our development budget. There are many factors that impact the slow rate of implementation but central to the delay are issues regarding procurement and financial management at the Ministry of Finance. The lack of regulations for the public Financial Management Act and lack of clarity on the new processes of procurement and the dubious application of financial instructions coupled with speed fees are partly to blame for the slow implementation of development projects and recurrent programs.

In this connection, I am aware that certain stakeholders hold the view that the Public Financial Management Act is the source of the problems I highlighted above, but I am of the view that the Public Financial Management Act is not a problem here. Let us not forget that the Public Management Act underwent nation and stakeholder wide consultations, but this is not to say that the Public Financial and Management Act is perfect. It is rather premature to consider revising it when its regulations and financial instruction have not been developed and apply to facilitate its proper implementation.

In terms of our ministry's capacity to implement our development projects, I believe we are capable of expending our budget and bringing about development in those areas covered under our budget. To demonstrate our growing capability, as of 31<sup>st</sup> October this year we have

already spent 41 percent of our development budget and more than 70 percent of our recurrent budget.

In terms of our development budget, this is marked improvement of 10 percent compared to 2015 reflecting the focus given by my staff to the development projects and regular monitoring by the newly established Program Management Coordination Unit. Nevertheless, we still need to make significant improvement and this is a commitment from us to the government and the people of this country.

The work programs of my ministry and therefore its budget has been supported by a number of partners through non appropriated projects vire UN agencies such as UNDP, UNEP, UNOCHA and WMO, regional organizations such as SPREP, SPC and PIFS, Environmental NGOs such as TNC, WWF, SICCP, ESSI, World Fish and UCN, Development/Humanitarian NGOS such as World Vision, Oxfam, Live and Learn, ADRA, the Solomon Islands Red Cross Society, Community Based Organizations and the private sector.

I would also like to acknowledge our development partners and funding agencies who have ongoing projects with my ministry - Japan, Australia, Taiwan, European Union, Germany, Finland, GIZ, USAID, World Bank, Global Environment Facility, Global Facility for disaster reduction and recovery and the Least Developed Country Fund. In addition, I also acknowledge line ministries in the resource and productive cluster, the Honiara City Council and provincial governments for their ongoing support to my ministry.

Partnerships are indispensable to the implementation of my Ministry's mandate. As such, one of the remedies to the gaps in resources allocated to us in the 2017 Budget come in the form of the partnerships we have with our local and international partners and stakeholders. With those remarks, I support the intentions of the 2017 Appropriation Bill 2016.

**Mr Speaker:** It looks as though no one is prepared to speak at this point in time, so I will now call on the Deputy Prime Minister to adjourn the debate.

*Debate on the 2017 Appropriation Bill 2016 adjourned to the next sitting day.*

**Hon MANASSEH MAELANGA:** I beg to move that Parliament do now adjourn.

*The House adjourned at 3.06pm*