

## WEDNESDAY 5<sup>TH</sup> AUGUST 2009

The Speaker, Rt. Hon Sir Peter Kenilorea took the Chair at 10.43 am.

Prayers.

### ATTENDANCE

At prayers, all were present with the exception of the Prime Minister, the Ministers for Planning & Aid Coordination; Justice & Legal Affairs; Foreign Affairs & External Trade; Environment, Conservation & Meteorology; Lands, Housing and Survey; Provincial Government & Institutional Strengthening and Forestry and the Members for West New Georgia/Vona Vona; East Are Are; Temotu Pele; East Makira; North Guadalcanal; Shortlands; North West Guadalcanal; Malaita Outer Island and West Makira.

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

- Report of the Public Accounts Committee on the 2009 Supplementary Appropriation Bill 2009". (*National Parliament Paper No. 29 of 2009*)
- The Solomon Islands National Provident Annual Report 2008". (*National Parliament Paper No. 30 2009*).
- The Solomon Islands Solid Waste Management Strategy and Action Plan 2009 – 2014". (*National Parliament Paper No. 31 of 2009*).

### **QUESTIONS AND ANSWER**

#### **Small eco-tourism operators**

**56. Mr OTI** to the Minister for Culture and Tourism: How many Solomon Islands small eco-tourism operators have been assisted under the \$2million allocation in the 2009 development budget?

**Hon GUKUNA:** Mr Speaker, I would like to thank the Member of Parliament for Temotu Nende for his continuing interest in the tourism sector.

Mr Speaker, yesterday when I said, to give me sometime, let me just point out again that I made that request not because I could not access information. The fact of the matter is that there is no information regarding this question. But

seeing that he is asking I will ask him a very simple question because we do not have any actual assistance. As I said yesterday usually assistance to tourism becomes available in August/September every year, and so what I will give him is tentative and not actual, it is something they are still looking at. But the straight forward answer to his question is none, we have not assisted anyone out of this \$2million. That is what I meant when I said give me sometime or give my Ministry sometime to complete this assistance.

At the same time, Mr Speaker, I can also say that we have identified 23 applications of the many applicants seeking assistance. For actual assistance or how many operators we have assisted out of this money, there is none as yet at this point. All I can say is that we have identified 23 and our Ministry right now is focusing on helping these 23 operators.

We intend, according to the figures that have been thrown around, to use about \$1.965million of the \$2million but at this time there is nothing confirmed so that I can be able to tell my colleagues and those listening in of any actual assistance from my Ministry. Thank you.

**Mr. TOSIKA:** Mr Speaker, we have \$2million here, but what is the cause, is it because we do not have enough money to fund it or because the applicants are yet to meet the criteria, and you said there are 23 applicants? What are the difficulties of funding them now?

**Hon Gukuna:** Mr Speaker, I would like to thank the honorable Leader of Independent, the independent couple on that side of the House for the question. Yes, it is always the custom of the Ministry all these years that tourism funding is always available at the second half of the year. It is fair that we give opportunity to people who have submitted applications. Even though the Ministry failed to have them all but at least we have given them the opportunity to make known their applications. Some of the applicants do not live in Honiara but are from the provinces and by giving them six to seven months to find their way to Honiara to pick up an application and have it submitted, it is fair that time is given to them. It is really that plus the history of our Ministry has not in any financial year exhausted its provision and is lucky to receive some more. Maybe we stretch out our time also knowing that that is the only provision we are going to use. Had we known that more money will come, maybe it would be an incentive to us to fast track it. But we stick to our tradition and for fairness to operators who may find it hard to come to town and make a submission, we stick to the timetable that the assistance will become available in the second half of the year, around this month and next month.

**Mr AGOVAKA:** Mr Speaker, as you are well familiar, successive governments and governments after government has been providing assistance by way of grants to projects.

My supplementary question to the Minister is simply on evaluation and monitoring. Is there a mechanism in place by the Ministry to evaluate and monitor projects of 2009 and the previous years? Is there a mechanism in place to monitor and evaluate projects?

**Hon Gukuna:** Mr. Speaker, I thank the Member of Parliament for Central Guadalcanal for his very good question. Of course, every project that we intend to implement properly, not only in tourism but any ministry must always have a phase to it that it consists of monitoring and evaluation. That is being part of good planning and good implementation but sometimes we may not do it properly, it may not turn out the kind of evaluation and monitoring we are expecting. But yes, we do have mechanisms and our staff have been doing that over the years. We did that last year, trying to follow up on the assistances we have given to make sure they are carried out or being used the way they are intended. I must say here that many of them, we are not really with them, and the best we can do is to tell them that in order for them to access future assistance they must try and implement the projects closer to what they submitted.

But just to assure the Honorable Member that assistance given to every project is followed up by our staff by carrying out actual onsite follow up on these projects.

**Mr ZAMA:** Mr Speaker, I sympathize with the Minister, firstly because he has very limited funding of \$2million for tourism for this year, and seven months has lapsed and the hardworking Minister is still yet to really fund the projects.

Mr Speaker, may be a little bit on policy because the Minister is very good in formulating policies that will be conducive for the industry. Solomon Islands is divided into nine provinces and a whole host of villages and islands with different cultures and all that, and in order for Solomon Islands to fully develop the tourism industry, there has to be this big picture approach and to be more focused. I want to know the approach the Minister and the Ministry are doing in strengthening this industry. I want some of his ideas in terms of the policy. Thank you.

**Hon. Gukuna:** Mr. Speaker, the policy is not mine but it belongs to the government, and so in terms of funding all past governments, all consecutive past governments were not doing any better than this Government. Therefore, for him to say we have failed is not very correct.

Tourists coming here do not come to Solomon Islands but they are supposed to come and visit particular products that we have. To identify these products does take some good imagination and take some proper work. But when there are limited funds, the best you can do is use those funds in the most effective manner. To date following what the Ministry has done in past years there are certain areas in this country that is worth spending money on, particularly when there are not enough resources and limited funds. We have identified, as has been done in past years, certain products in certain areas in this country that should receive emphasis.

Again the understanding here, Mr. Speaker, is that the resources are very scarce and the worse we can do with it is to spread it out in the whole country and we ended up with an implementation that is actually worthless and renders those money useless. May be the proposed spread of our assistance for this year should give you where the focus is going to be in our assistance this year. Western Province has been allocated about 38 percent of the assistance. Again, it is tentative but it has about 38 percent of the assistance this year, which goes towards some products identified in the Western Province. Just for interest sake, one of the products that will be funded for the first time this year is surfing. It is an activity involved in surfing and for the first time the Ministry is assisting and developing a surfing sector in this country.

We are, also this year, going to be looking at funding one conference facility. Again this is our attempt to try and develop some kind of a maize product for a small interest we have identified. Small that maybe but it is a high market, it is a high value product and so we thought it is worth putting in some money into it. But it would be good to have a lot of money so that we can meet the requirement to develop products and at the same time look at some other opportunities that are still not developed. We will do this in the years to come but for now, given the funds that we have been given, yes, we are doing our best to try and identify what possible we can optimize the use of these limited funds. Thank you.

**Mr. Oti:** Mr. Speaker, I thank the Minister for his response to the original and principal question. Supplementary question and following on from the answer to the last supplementary question asked on having the money and developing the product. What about in terms of identifying the potential of the product and then look for the money to develop it. Can the Minister also inform us in terms of culture, how much is cultural tourism featured in the development of products for promotion in Solomon Islands to attract visitors?

**Hon. Gukuna:** Mr. Speaker, just as much as we would like to spend our time identifying products. We are also mindful that there is no point going on and on all years, identifying them without assuring them that money will come. We know very well our people that the moment you talk to them about certain things they would take it as a commitment and they starting filling up your office bothering you and then you have to try and calm them down telling them that you are only looking at opportunities. Yes, if we can have some certainty that we will give them assistance. May be we can spend a lot of time going around the country identifying some products. But as I have said, what we are doing right now is basically to focus on what we have identified to be very important and focus our assistance on them.

In terms of culture, yes it is a very important part of our Ministry. With the allocation for this year, we have tentatively identified three cultural products to be assisted this year.

**Hon. Sogavare:** Mr. Speaker, just to follow up on the latest explanation by the Minister in terms of the policy direction that this government is adopting in developing tourism in this country. I just want to get the Minister to confirm to the House the line of approach the government is taking. The Minister seems to suggest here that the government developed products and also financed them. That seems to be the approach this government is taking. Can the Minister confirm that that is the approach and the strategy that this government is adopting to develop tourism in this country?

**Hon. Gukuna:** Mr. Speaker, the policy of this government is very straightforward, and that is policy wise the tourism sector is a very important sector. It can be a sector this country depends on and has been the case in the past years. It is not something that is just recognized last year and this year. Past governments also recognize the tourism sector, and that has been our long recognition. Our like has always been that we want to do something about this sector.

As you know, the actual actions or the putting of words into action is not as good as we would have liked it. But the understanding is that we had always wanted to make tourism an important part of our economy, an important cash crop to our economy.

The approach the Ministry is taking is not really a government mandated approach. It is just a strategic handling of the funds given to us in the best interest of the limited funds and in the best interest of trying to meet policy or an understanding that we all know, and that is tourism is an important sector. The reason why we are taking a kind of identified and put money into it is because

funds are limited. If we are more funds may be we would reserve a little bit out of that and try to concentrate on identifying some of the products so that we can use that as the of for encouraging other operators to make submissions next year. But as I have said there is no point doing that whilst it is good for long term planning. There is no point in doing that because it will just end up with no funds for it. What we are doing is trying to identify one step at a time seeing that we do not have the resources to commit a lot of research and identification into this sector. But it is good, the questions you are asking are very good because it clearly shows there is a lot of interest in our tourism sector. Sir, let me just say that there may be enough time to quarrel about the importance of tourism and how to approach it. I think what is really needed right now and has been put forward a lot of time is that we need money for it. Stop talking about it. The next government coming in the next parliament should stop quarrelling about the amount money it should put into this sector. Put thinking and actions and words into actions rather than just talking about the sector as we have been doing in the past.

**Hon. FONO:** Mr. Speaker, to further add on the policy of the government in as far as tourism development is concerned, at a larger scale the private sector is encouraged as a player in the tourism industry and hence government support to the private sector developers under the Foreign Investment Act certain incentives given to them like bigger players in the industry that go into developing hotels. There are provisions under the Foreign Investment Act or even under Customs that imported equipment or materials for building can be given exemption. The government is also committed to try and improve infrastructure for the tourism sector, not only here in Honiara but in the provinces as well. That is a broader policy issue the government has put in place.

The support under the budget as highlighted by the hardworking Minister is more or less on eco-tourism, the small players in the industry, of course, some in their own initiatives have established their own eco-tourism resorts, but government provided a bit of assistance last year for \$4million and this year \$2million. We are hoping that once funds are utilized we could look at increasing it in next year's budget so that some of you who are going to lose your seats can establish tourist resorts in your constituencies.

**Mr. Oti:** Mr Speaker, it was not the intention of the original question to delve into policy matters, but it is just a straightforward question on the \$2million allocation, which the Minister said that it is not yet disbursed because of the custom of the Ministry. That being said, perhaps when we come to the debate on

the 2010 budget, in the Minister's contribution we would be willing to learn from him in December that funds are already committed for those activities he had mentioned. I look forward to the Minister and I do not need to ask the Minister this question in November because he would tell us straight away. With that, I thank the Minister for his responses.

### **Rural roads: 100/100 policy**

**60. Mr OTI** to the Minister for Infrastructure Development: Can the Minister inform Parliament which rural roads are being developed under the government's 100/100 road construction policy in the government's budget this year?

**Hon. SOFU:** Sir, government policy focuses on rural activities that are very important for whatever activity our people venture into in order to meet mutual needs.

Mr Speaker, \$5million under the 100/100 road policy by the present government in the 2009 Development Budget is used on West Guadalcanal road rehabilitation on very important infrastructures like roads and bridges damaged by the recent heavy rain and floods. The \$5million is used on that.

There are projects that the Ministry of Infrastructure Development is also prepared to carry out under another \$5million but because of the current situation it does not permit us to do that.

I wish to inform Parliament that those projects are on tender at the Central Tender Board until such time finances improve. But we are trying our very best to implement some of those projects before the end of this year. There are some rural roads that we are thinking of including in the program of other aid donors which are very important to be carried out, and are as follow. It is not good for me to start with East Malaita where I come from but because of the work program I am speaking as the Minister of the government and not as a Member of Parliament of that area.

Mr Speaker, the CSP is working in Malaita Province to carry out road maintenance work from Auki to Atori and Atori to the eastern part of Malaita. Since a survey was conducted in 2008 in East Malaita to Atoifi there is a program under an understanding made between the Ministry and the CSP to utilize the machines whilst they are there because the wharf that was built is in Atoifi. One of the work programs that we see as important for the rural populace to connect the activities whilst the CSP is there with the machines, the Ministry has understanding with them for construction of the road from Atori to Kwaibaita and Kwaibaita to Atoifi.

The second road that was surveyed as a new road is the one from Kwaibata to Atoifi. I want to clarify here before moving on that the road from Atori to Kwaibaita is an existing road and the one from Kwaibaita to Atoifi is a new road made purposely to connect the wharf at Atoifi. It is not proper for infrastructure such as a wharf to be constructed without it being connected and so the government sees this as very important and therefore submission was made by the Malaita Provincial Government through the Ministry of Development Planning and to the Ministry of Infrastructure Development.

A third new road is the one from Kirakira to Nana. The road from Kirakira to Nana is a new component the government has in its plan under the \$5million. I mentioned earlier on today that tender works for these were submitted and are now with the Central Tender Board. We will just close our hands and wait for what time funds will be ready to carry out the work. And in Ngella, Central Province, it would be from Poromala to Rara.

Mr Speaker, there are also new roads that have been surveyed but are classified as under rehabilitation because these roads have been constructed already but turned into bushes and so they became like new roads to be constructed again. These kinds of roads are in some parts of our country and one of such road is in East Guadalcanal leading to Marau. The other roads also classified as rehabilitation roads are Rendova and South Vella La Vella in the Western Province and Namuga in Santa Ana. As we all know, there are other programs under aid donors also carried out in the other provinces and so the government must be very mindful to know where its assistance will go to on this 100/100 road policy. But I would like to confirm to Parliament that only \$5million is left at this time.

**Mr. NE'E:** A supplementary question to the Minister of Infrastructure. Since the government is having difficulty finding contractors with machines, and you also mentioned that we are having financial constraints at the moment, is it not possible to use current logging operators within those rural areas? Can we use them to construct the roads within the areas they are doing their logging operations in? You talk about Aola, there are many logging companies there. I went to Malaita and I can see almost 100 log ponds point starting from Buma to Waisisi. Can we use these people to construct roads for us through any government arrangement, some kind of arrangement where we either give them duty remission or some kind of incentives like that? Thank you.

**Hon. Sofu:** Mr. Speaker, at the moment the government is considering that option because there are roads that logging companies constructed as temporary roads done not in consultation with the Ministry of Infrastructure Development



so that engineers can inspect the strength of the roads and also the bridges constructed by the logging companies because logging companies constructed those roads and bridges just for the convenience of getting logs and they left.

But the government on behalf of the Ministry of Infrastructure Development is looking very seriously into that to look at ways of involving logging companies operating in the rural areas to construct roads and bridges. It is very important that logging companies work together with people in the community to look at ways of how logging companies can assist in constructing roads. An example of this is what the Member for South Choiseul has done. The MP came and talked with the Ministry on the possibility of the Ministry working together with logging companies. He has done that and next week staff of my Ministry will go to South Choiseul to look into areas like that since machines are now available down there.

**Mr. Waipora:** Can the Minister just clarify the point he mentioned about Santa Ana and Star Harbour. Are those roads constructed at Santa Ana and Star harbor? I want the Minister to confirm this because those roads if compared with the other roads, the others would take priority than the roads over there.

**Hon. Sofu:** If my colleague had listened to what I said earlier on today, I mentioned road rehabilitation. Santa Ana and Namuga are included under rehabilitation program as the roads were totally damaged and rehabilitating them would be just like constructing new roads as these are existing roads made in the past. I want to clarify to Parliament that submission must come from the province through my Ministry. This is what the officials have prepared and have provided to regarding the principal question asked by the Member for Temotu Nende. The information I can give is that the Namuga and Santa Ana roads are under the rehabilitation program.

**Mr. Oti:** I think a question I asked earlier on during this meeting, especially to do with donor funded projects, because the name used under this project is 100x100, what does this means? Is it some kind of partnership like the Minister mentioned as in East Malaita where a donor funded part of the road and where it stops but because the need to connect to an important infrastructure and whereby the original project did not meet, and therefore a SIG funded component has to come in to complete that part. In terms of donor that are also heavily involved in infrastructure development, particularly the conjunction of roads including rehabilitation and maintenance and where this question relates to, how are these two connected with each other? Aside from that, in East Guadalcanal as stated by the Minister, the road there was also down for donor

funding in the past but there was no donor commitment for it in this year's allocation hence the need to be taken on board by SIG funding.

**Hon. Sofu:** That is a very important question that must be clarified on the floor of Parliament. The 100 x 100 road policy is the government's policy. It was even the policy of the last government, the GCCG of which I was also the Minister, and it is good for our people at home. It is not funded by any aid donor but funded by the SIG. The machines that are now in Malaita Province are owned by the CSP and therefore work would depend very much on the program of AusAID. The machines are there working towards the eastern region and that is why the Ministry sees it fitting that the timeframe is extended whilst the machines are there so that the government can use those machines to work on the new roads using funding under the government's road policy of 100 x 100.

The idea of the 100 x 100 kilometers road is like this. Each year the government intends to construct new roads, at least try each year to construct 100km dirt road. The work depends very much on situation and funds. What happens is that it is not normal for aid donors and the government to do the work together but just because the machines are there that officials of my Ministry are trying to talk with the CSP if the time frame we requested from them is extended so that we can use the machines to construct the roads but with funding from the government's policy of the 100 x 100 road.

**Mr. Oti:** Mr. Speaker, I thank the Minister for his response to the question.

### Bill - Second Reading

#### The 2009 Supplementary Appropriation Bill 2009

**Mr Speaker:** Honorable Members, debate on the 2009 Supplementary Appropriation Bill 2009 commences. I would like to remind honorable Members that according to Standing Order 61(2), a maximum of four days including today is allowed for the second reading debate. However, whether we use up all the allotted days depends on Members. When no further Member rises to speak on the Bill, I will call on the Minister for Finance and Treasury to wind the debate up before the question is put.

The floor is now open for debate. It is a longstanding Westminster Parliamentary convention, one that we also adopted in this Parliament that the honorable Leader of Opposition is given the first opportunity to respond to a Minister's Budget speech. I will now call on him to speak on the 2009 Supplementary Appropriation Bill 2009.

**Hon SOGAVARE:** Thank you very much, Mr Speaker, for giving me the opportunity to speak first on this Supplementary Appropriation Bill moved by the Minister of Finance on the floor of Parliament. I also happened to be a member of the Public Accounts Committee and so our report on this Bill is in the process of coming, and I hope that the content of those reports should also help Members of Parliament in their debate on this Bill.

The Bill, as rightly pointed out by the Minister responsible for Finance, seeks to get the approval of this House in respect of the following. Firstly to regularize the advance spending of about \$21.5million under contingencies warrants in respect of Head 279, 293 and Head 495 in the recurrent and development budgets respectively. Secondly is to request a further increase in the budgetary provisions under the Recurrent Budget by \$44,075,500 and \$14million under the Development Budget respectively, which the Minister made it clear on the floor of Parliament to restore the amount that the Minister can authorize by contingencies warrants under Section 15 of the Public Finance and Audit Act Cap Chapter 120 to \$25million in respect of the recurrent expenditure and \$25million in respect of development expenditure.

Sir, whilst this is not a new development in Solomon Islands in that this Parliament has seen numerous supplementary appropriation bills passing through the floor of this House, all of them claiming to do wonders for people of Solomon Islands and therefore the argument is to get this Bill through and there is no difference. This Bill is just one of the same kinds of bills that has come before this House.

Sir, it is true we acknowledge that this is not the first time that supplementary appropriation bills come to Parliament. It is something that we have seen in almost every sitting of Parliament, and that we should not argue about its passage but we also hold the view that it would be irresponsible of Parliament to do so without actually satisfying itself that the Bill passed a number of important tests.

I think the first one, although it is something not highlighted by the Minister in his speech but something that is implied and is very important for the implementation of the budget and that is the test of affordability. The government, in fact, is perfectly entitled to argue here that the question of affordability should not be an issue because all that this Bill is doing is requesting additional provisions that may not be fully utilized given the reality of project implementation where proper appraisal processes may delay implementation and therefore the provisions may not be used at all.

There is also the argument that the budget is a living document and that existing priorities are subject to change and therefore what are now budgeted for

may not be implemented at all. The argument follows that this should allow resources to be available for areas considered as new priorities, and that is why we have the consolidated fund to support the operations of the budget. In fact, Sir, the virement process and the contingencies warrants are often the tools the government is using to facilitate this process to move funds where it sees it is important to put money to, to get the government going.

Sir, if we insist on that argument, if we irresponsibly pursue that it would amount to nothing short of excusing irresponsible budgeting and sloppy management of the budget implementation process. It would be interesting to see what would happen if the virement processes and the contingencies warrants are subject to tighter rules. It would be very, very interesting to see that. I tell you that what it would do is it would certainly expose the quality of management, planning and priority setting skills of responsible authorities in government.

Sir, the term government is used in its collective meaning here, which is inclusive of the political government and also the administrative government also including the various agencies that depend on, or their decisions influence the structure of the annual budget. Mr Speaker, the budget will become a very rigid document if we are to pursue that kind of policy, not amendable to changing circumstances, and that is not how we are structuring the budget process as it should leave room for government to maneuver.

I just want to make it clear that this side of the House does not have difficulty understanding that. As a matter of fact that understanding extends to the fact that nothing should hold the government down when it comes to serving the people of this country in terms of implementing the budget. I want to emphasize that tone. Not even the cash flow should be a reason to hold the government down. That may sound strange to some people and it would take a while to explain what I mean here but I do not intend to do that now except to affirm that belief and that position, as I understand the way budgets should work.

Mr. Speaker, I am saying that because the sovereign government must always be placed in a position where it must be able always to respond to the genuine needs of its subjects and the development needs of the economy. And so I guess the key words here are 'genuine needs' and 'development needs.' In other words, government expenditures must be properly targeted so that it has impact, especially in times like this. If I have time I will pick up on that argument later on.

But in acknowledging that it must also be appreciated that with this seemingly unlimited power the government has comes serious responsibility. That responsibility should be, in fact, driven by the government's duty to be

aware of the effects of its decisions on the various sectors of the economy, and important still the effects of conflicting priorities of the government itself.

What I am saying here is that the government can be overwhelmed by its powerful position and becomes careless in getting its priorities right and in the end suffers the consequences of its carelessness when it cannot deliver on its many priorities. That is the problem when you have everything as priorities. Worse still is when the public views government as prioritizing probably areas that are clearly for the political benefits of politicians. In other words, the budget becomes a tool, can become a tool of serving the narrow political interest of politicians in the pretext of serving our people. People are watching that very, very closely.

I am saying that just because, for example, an expenditure item is targeting rural people we quickly associate it with rural development or rural advancement, to be more accurate without really analyzing whose interest are we really advancing in a situation where other more serious public needs are clearly neglected. For example, Mr. Speaker, the repair that is needed to be done to a pothole at Gate (A) at the Honiara International Airport, the importance of this repair is underpinned by the fact that as long as the repair is unattended to it will place a contingency cost on the national budget. Every time you will have that threat on the budget. There is also the direct danger to the lives of passengers should any accident happen.

According to the Ministry its submission for supplementary appropriation to do these crucial repairs were not taken up by the Ministry of Finance and therefore not included in the supplementary appropriation. There are also other important expenditures underpinning the commitment of government in partnership with aid donors to move certain programs. A case in point is the Provincial Capacity Development Fund which certainly needs the contribution of the government on it. It is \$5.4 million from our aid donors and \$5.4 million should be given by the government. That too is also not taken up. We are thankful to the aid donors concerned that despite of the fact the government not giving its contribution, it continues to take up its part. I guess the question that comes out begging here is that one wonders what then are priorities in areas like that if essential services are not priorities.

I am not sure what criteria are used by the Ministry of Finance to establish what are priorities. When it comes to service delivery, of course, we understand that the government is probably guided by its six priority areas but that is political priority. We are talking about priorities that really matter to the lives of our people. I would like to believe that there should be a packing order when it comes to establishing what are priorities, when it comes to the review of budget as far as the need for additional funds is concerned.

As a matter of fact, as far as Solomon Islands is concerned, the law clearly sets out what services are essential because we have the Essential Services Act. Therefore, when it comes to the question of prioritization, I think we should be accordingly guided. There should be a practice in finance or wherever that when it comes to the review of the budget, we quickly go to the essential services and ask for their additional needs, and address them first before move to other non-essential ministries when it comes to the question of fighting over limited resources.

I think the question that this House needs to ponder during this debate is, is this supplementary budget free from the weaknesses that we have been saying. I guess what I am saying here is that the issue of affordability must be seen in context.

With that background in mind, Mr. Speaker, we are concerned that the government could be faced with a dilemma when it comes to implementing the budget during the remaining part of this year given the projection of poor revenue performance. In fact, even before the 2009 budget was implemented it already came under huge pressure due to under estimation of a number of statutory expenditures, and I expect to see this taken up, if not financed by government sources it should actually be funded by people who are giving us money to address the package of teachers. I will come up with those figures later on.

Sir, according to the Ministry of Finance the revenue collections by the two major revenue collecting agencies are focused to perform below original estimates in 2009. According to the revised focus, the Inland Revenue will only collect \$955 million by December from the original estimate of \$1 billion while Customs and Excise Division will only collect \$380 million from the original estimate of \$440 million, an under collection of \$45million and \$60million respectively for the two major revenue collectors. While the collection from non-tax revenue is still on target according to government at \$180m, the total revenue will fall short by \$105million.

In light of these statistics, the government's claim that it is implementing a balance budget is a little bit shaky. It starts not to make logical sense. I mean the sums simply do not add up. If that is not enough, the request for supplementary appropriation now before Parliament is not matched by the projected revenue performance by government, as I had already mentioned. In other words, the government will not be able to collect the needed revenue to actually finance the budget. The fact that the government will not borrow makes it even more confusing in our attempt to actually balance the budget.

Under the scenario I just presented, the total known pressures, I am yet to know the other known pressures as they will probably come up as we go along,

but the known pressures on the 2009 Budget is actually \$200,283,679million. This is made up of the projected under collection of \$105million, which is money that will not be available to fund the 2009 Budget, \$15,708,179.00 NPF contribution for teachers under budgeted in 2009, which is not matched by the 2009 revenue collection, but since it is statutory expenditure it takes precedence over budgeted for expenditures. The other known pressure is the \$79,575,500 requested under this Supplementary Appropriation, and \$21.5million of that has already been incurred. There may be others which will only aggravate the situation further.

The government can only take comfort in the fact that the annual budget is operating under the principles of cash budgeting and therefore the government can only effectively expend what it collects and no more. The budget will therefore be balanced under that process and not by the way it is structured. That however does not mean that all creditors would be paid in 2009. Depending on the extent of unpaid creditors future budgets could be bogged down in addressing arrears or payments to creditors.

Sir, the second concern has to do with the reservations that government placed on the operation of the 2009 budget and how it is factored into the request for additional provisions under this appropriation bill. The first concern is how this policy is administered so that we do not unnecessarily stifle the smooth operations of government in terms of service delivery, for example, provincial governments are complaining about non-payment of grants. If the reservation goes to that extent then it looks like we are irresponsible here. May be the administration, how we administer this policy of reserving provision is neglecting important duties that we have to the next level of government that depends on the central government for almost every finance that it needs to deliver services right at the provincial level. This is a decision that sometimes when it comes to reservations that we should really be consulting the provincial governments. I am saying this because we have adopted a very centralized fiscal system. Almost 99 or 95% of revenue that is used to finance services both at the central government and the provincial government level is collected centrally. That is something we may want to look at but it is not done now. They become innocent victims of decisions made at the national level thus we hear complaints by Premiers that the grants are not going down and they are asking the government to release the grants.

In regards to reservation, and in the case of supplementary appropriation, how this reservation is applied to supplementary appropriations, we are left under no conjecture. The laws are clear, in fact, the instructions are also very clear on how we should take account of provisions that are reserved. In that regard, the financial instructions which is made under the Public Finance and Audit Act is very clear, and those instructions are a day to day guide for

accounting officers, is very clear on how any reservations are to be factored into any request for supplementary appropriation. The Financial Instructions 182(1) makes it absolutely clear on what is required. With your indulgence, I just want to read it: "When additional provision for expenditure is required on any accounts code or is required to create a new account code not originally included in the estimate of expenditure and virement is not possible for all or part of the sum and all possible de-reservation of each accounts code has been carried out, the accounting officer must apply for a supplementary estimate for the additional funds". end of quote. It is clear that we must factor in any decision to de-reserve. In fact, it looks like it must happen first before you even come to Parliament to ask for supplementary appropriation.

What the above provision is effectively saying is that before any requests for supplementary appropriation is made, accounting officers must establish the level of budgetary provisions available by accounting for de-reservations or provisions reserved before submissions can be made to the Ministry of Finance. It also requires accounting officers to review priorities as well and if necessary move provisions within the same sub-head or heads, and this is done under the virement process. I think the Public Accounts Committee had the benefit of citing all the virements that have happened. When it comes to virement, accounting officers in ministries concerned have fully complied or have exhausted whatever ways that provisions can be vired. I think this issue of reserved provisions is still not clear.

What we are hearing from ministries, and that is why I raised this on the floor of Parliament now is that they requested additional provisions under the supplementary appropriation because of the reservation placed on the 2009 budget by the Ministry of Finance. That is the reason they are telling us. They said it is because of the reservations that they have to ask for additional provisions. Sir, if that is the case then it is not correct, it is simply not correct. In other words, you cannot come to Parliament to request for additional provisions when what was approved by the same Parliament was restricted under this reservation policy. It simply does not make sense.

Sir, we understand that the reservations are 35% on other charges, 25% will be enforced until 30<sup>th</sup> September 2009, and probably that is the reason why the Minister of Tourism said that it would be sometimes in September before we will start to release funds for the projects, and 10% to run, the way we understand it for whole fiscal year. For the purpose of establishing the level of provisions, it requires us to account for the total reservations. It is that figure that is relevant when you look at the annualized reserve or the amount that we are reserving. This reservation should be translated as follows for the ministries that request additional provision under this supplementary appropriation bill.



For the Ministry of Education and Human Resources Development, the total other charges is \$150.1million. If we apply 35% reservation on that, you are talking about reserving \$52million and 25% of that will be de-reserved according to the government after 30<sup>th</sup> September. Now that leaves a net of 35% reserve on the ministry's budget to \$97.5. What the Ministry is asking is \$9.5million and if you compare that to the amount that should be reserved of the \$52million you can actually fit it in there.

For the Ministry of Finance, \$75.6million is the other charges and the amount reserve is \$26.4million and what they are asking for in the supplementary appropriation is \$2.5million right within the provisions reserved.

For the National Parliament \$17.5million is for other charges, amount reserved is \$35.61million, the supplementary now requested is 6.2 and so probably they are asking to just de-reserve this amount. For the Ministry of Forestry, the amount reserved is \$3.8million and supplementary requested is \$1.5million. For the Prime Minister's Office, the amount reserved is \$13.6million, annualized, what they are requesting is \$8.5million, which is right within the amount reserved. For the Ministry of Police & National Security and Correctional Services, the amount reserved, annualized is \$20.5million and they are only requesting \$2million. They are struggling to have more but they are only given \$2million, right within the amount reserved. For the Ministry of Provincial Government, \$18.9million reserved and they only ask for \$1.6million in the supplementary appropriation. For the Ministry of Home Affairs \$6.8million is reserved. In fact, they asked for \$23.7million, and if I look at it, this is the only Ministry that is required to come before Parliament to ask for additional provisions because even the amount that is reserved here is not enough to cover what they asked for.

Our understanding of this may need to be corrected but that is how we see this thing. You annualize the level of provisions reserved and you get those figures that I mentioned.

I think the third concern has to do with the government's broad package to address the effects of the global crisis. What the government effectively did was reducing public expenditure. All this is doing is maintaining the status quo and therefore is not conducive to the much needed economic growth. What should really happen is that we should take the opportunity to reorganize and refocus our development strategies instead of just bracing ourselves and hope that the bigger countries in the world will pull the world out of the crisis because it is possible that small countries like Solomon Islands will be left behind when the world recovers. And as rightly observed by the World Bank that appeared before the Committee, recovery in the world does not necessary mean recovery

for Solomon Islands. In other words, if we want to benefit from the world recovered, we must take positive and decisive actions in encouraging growth related activities, and I do not think we are doing that. This is dangerous because it can have the effect of creating a development gap that we may not be able to narrow quickly. We will still be addressing recovery while the world moves on.

Now what seems to happen is that it looks like we are stung and hypnotized by the crisis and we are left totally bewildered and it seems we are losing our way. In this respect, we are not convinced that the government's broad package to address the effects of the global crisis placed the country in a position to addressing growth. We appreciate that this is an enormous task and the country simply does not have the capacity to do this alone. But at least we can do our bit by targeting public investment to areas and sectors that will promote growth and self sufficiency. We are not doing that and this is now August, comes September and October and it will be too late to do anything this year.

Government initiated agriculture, forestry and fisheries projects have come to a grinding halt. We understand that the government is going reprioritize the development budget but when. I would have thought that this is the appropriate time as a matter of courtesy for the government to place its reprioritization program too on the floor on Parliament so that we can see the projects you are holding and which projects are to be funded. The Parliament is not even given that courtesy, but this is the Parliament that approved the 2009 budget. We will take that to mean that certain projects will be left out.

Whilst we agree that some kind of reprioritization is necessary, we must ensure that projects that set the base for future growth must not be the victim of this exercise. We have a duty to invest in the future of this country and we are not doing that.

In saying that, we see no reason of opposing this Bill. The Government must continue to function. I think that is what this Bill is about. What I am saying is just a normal advice that this side of the House is giving when we have bills like this coming to the House. In saying that, we render our support accordingly and thank you.

*Parliament suspended for lunch break.*

Parliament resumes at 2.00 pm

**Hon Sogavare:** Point of order. Mr Speaker, I note that the Parliament falls below the needed quorum to continue this meeting.

**Mr Speaker:** Thank you. There is objection on the basis of no quorum, and so we shall wait for 15 minutes.

*(The House waits for 15 minutes)*

**Mr Speaker:** The 15 minutes is up and we still do not have our quorum of half the Members, and so I shall adjourn Parliament under Section 10(5). Parliament is accordingly adjourned until 9.30am tomorrow morning.

*The House adjourned at 2.15pm*