

WEDNESDAY 8TH JULY 2009

The Speaker, Rt. Hon Sir Peter Kenilorea took the Chair at 09.53 am.

Prayers.

ATTENDANCE

At prayers, all were present with the exception of the Prime Minister; the Ministers for Justice & Legal Affairs; Culture & Tourism; Foreign Affairs & External Trade; Commerce, Industry & Employment; National Unity; Reconciliation & Peace, Communication and Civil Aviation; Lands and Survey; Mines, Energy & Rural Electrification; Agriculture & Livestock Development; Home Affairs; Police, National Security & Correctional Services; Public Service; Education & Human Resources Development; and the Members for South Choiseul, East Honiara, East Are Are, Ngella, North West Choiseul, Temotu Pele, South Vella La Vella, Lau/Mbaelelea, East Makira, Temotu Vattu, North Guadalcanal, West Honiara, North West Guadalcanal, Malaita Outer Island.

QUESTIONS AND ANSWERS

Taiwan: Solar project assistance

8. Hon. SOGAVARE to the Minister for Development Planning and Aid Coordination: When will the ROC funded solar project assistance recently finalized by the Minister with a private firm in Taiwan be implemented?

Hon. ABANA: Mr. Speaker, first of all, I would like to thank the Honorable Leader of Opposition and also to commend him as the former Prime Minister for initiating this project.

To start with, the MOU that we signed in Taiwan made it very clear that payment to this company would be three trances. The first payment that has already been paid, which is 30% of the SBD\$10million, now the company is progressing in ensuring solar panels and units are ready for shipment before we make the next 50% of the SBD\$10million and thereafter after when we receive the consignment here in Honiara, we will then make the other 20%.

We are looking at most probably by October when we should receive the consignment. The consignment will be 40 units of solar panels together with battery and lights allocated to each constituency for our schools. It needs to be made very clear that these solar units will be for our rural schools.

Hon. Sogavare: Mr. Speaker, I have no further question on this project because I think the implementation is clear and I thank the Minister for answering the question.

Hon. Sogavare: Mr. Speaker, this question is directed to the Minister for Education and Human Resources but I note the Minister is not in the House.

Mr Speaker: This is a case where you will be allowed to ask the question when the Minister comes in, unlike when a Member is not present for his question when it shall be then postponed to the next question day. When the Honorable Minister turns up in today's meeting, you may be able to raise the question again, especially during question time.

Question No. 31 deferred

Strategic support to reforestation & forestry

39. Mr. OTI to the Minister for Forestry: Can the Minister inform Parliament the implementation status of the following Solomon Islands Government funded programs in 2009:

- (a) Strategic Support to Reforestation?
- (b) Strategic Support to Forestry (downstream processing)?

Hon. TAUSINGA: Mr. Speaker, I would like to thank the Member for Temotu Nende for the question.

Mr. Speaker, the question is in two parts. In respect of part (a), the following information is available to form the answer. The Reforestation Division in the Ministry of Forestry continues to implement the strategic support to reforestation program, which is also known as the National Forestation Plantation Development Program.

The Implementation of the reforestation program is progressing well despite a 40 percent reduction to the approved budget of \$10million. With nearly a further \$2million already committed only \$4.4million is to be spent on the components or activities. These activities are carried out by contracted field

extension officers posted throughout the country, together with Forestry Officers from the Reforestation Division.

Mr. Speaker, these activities are:-

- Field extension officers' payroll built into that project is about \$726,102.
- Field monitoring and allowance forms about \$90,000.
- Seed collection - \$100,000.
- Out grower subsidy - \$2,200,000.
- Field and monitoring evaluation by headquarter officers - \$750,000.
- Construction of seed shed and cool room - \$130,000.
- Logistics and equipments - \$100,000.
- National workshop - \$200,000.
- Village based workshops - \$100,000, which comes to the total of \$4,386,102.00

Activities, Mr. Speaker to date include:

- visits to 380 farmers in the first quarter,
- 110 new plantation establishments,
- 600 kilograms of seeds issued to farmers which would be equivalent to 105 hectares
- subsidy criteria established for application and to be distributed from July to September 2009,
- field monitoring and evaluation by officials,
- cool room plan developed and submitted to the Ministry of Infrastructure and Development,
- 22 villages based training workshops conducted and attended by 168 people, 48 of which are female.

In respect of question (b), the \$5million allocated for the downstream processing project will be spent under seven (7) man components:

- Assistance to forest resources owners - \$1,500,000
- assistance to rural centers - \$1,500,000
- assistance to value added timber association - \$800,000,
- tools for carpentry and furniture - \$250,000,
- training - \$500,000,
- monitoring - \$250,000,
- marketing - \$200,000, which comes to a total of \$5 million.

The implementation of downstream processing project is progressing as planned by the Utilization Section in the Ministry of Forest and Research. The

progress to date under the various components of the project includes criteria for assistance to forest resource owners have been established, application forms for assistance to forest owners have been issued since the second of June and will close on the 30th of August. Assessment and screening and selection of such successful applicants would be done when these applications form are returned. So far the Ministry has issued about 300 application forms.

The criteria and application forms for assistance to rural centers have been issued to coordinators of the rural training centers and these forms have now been distributed to all eligible training centres. Once these forms are returned, the project implementation coordination committee will meet to screen and select successful applicants.

The assistance to the Value Added Timber Association of \$400,000 is now with the Ministry of Finance & Treasury for processing. Project proposal for tools for carpentry and furniture have now been received and the project implementation coordination committee will again determine the recipients.

Three training workshops have been conducted, two in the Western Province and one at SICHE. A total of 106 forestry officers and field extension staff and local saw millers attended the training.

Hon. SOGAVARE: Mr. Speaker, we thank the Minister for his elaborate responses. What is the assistance of \$1.5million to the RTC specifically for?

Hon. Tausinga: Mr. Speaker, I would like to thank the Leader of Opposition for his supplementary question. Government assistance to the RTC hopes to provide them with equipments like sawmills to help them produce their own timber and at the same time give training to the rural training center students.

Mr. Oti: Mr. Speaker, can the Minister further inform Parliament the supplementary question on the identification of the specific RTC's that would benefit from this component of the project?

Hon. Tausinga: The Ministry, as I have said, has issued application forms for the RTC's to fill and returned to the Ministry. It is hoped that when all the forms are returned, each successful RTC applicants will get a share of that \$1,500,000.

Mr. Speaker, it is government policy that all the RTCs around the country would benefit from this assistance. It is my hope and the Ministry to try and look at it more on provincial basis.

Mr. ZAMA: Mr. Speaker, under part (a) of the question on subsidy to farmers, more than \$2million is allocated towards that support. The question is to avoid

speculative applications, as that has been the case in most departments, how would the Ministry coordinate, assess, supervise in making sure the applications it receives are genuine applications from people living in the rural areas?

Hon. Tausinga: Mr. Speaker, the subsidy scheme would be monitored whereby officers in the Ministry will go out to the field and assess applicants. When applications are assessed and what is on the field is verified then assistance would be granted to applicants for the subsidy scheme.

Hon. Sogavare: Mr. Speaker, supplementary question. In regards to the \$10million support to reforestation, the government has made it very clear that this is a priority area. We have discussed the problems we have with the alternative approach to development of the forestry sector.

I am concerned with the 40% reduction the Minister has mentioned. The government is not clear on the kind of criteria it used in reprioritizing the development budget. I just want to confirm from the Minister whether the forestry sector is still a priority area and that the government will reconsider the 40% reduction on this particular budget, considering the fact that the forestry sector is very important and we are looking at alternative approaches to the development of the forestry sector. Can the Minister confirm that?

Hon. Tausinga: When the cash flow situation of the government improves, the Ministry will again impress the Ministry of Finance & Treasury to reinstate the 40% reduction so that assistance to forestry plantation can go ahead.

Mr. Oti: Mr. Speaker, I have no further supplementary question to ask the Minister. Thank you for your response in that regard.

Tuna loin factories: Suava & Tenaru

42. Mr. OTI to the Minister for Fisheries & Marine Resources: In respect of the tuna loin factories proposed for Suava bay and Tenaru, can the Minister inform Parliament as follows:-

- (a) What specific activities under the project implementation plan were going to be funded under the \$2million allocation in 2009?
- (b) What progresses has been made in implementing these aspects of the projects
- (c) How much of the \$2million allocation have been expended on the tasks outlined?

Hon. LENI: Mr. Speaker, I would like to thank the honorable Member for asking the question. Mr Speaker, the answer is as follows. Work on these two projects is as follows. In Suava Bay, what the Ministry is doing now and is continuing to do, is resolving land issues to confirm the proper and rightful landowners of the area. Some cases that have happened before concerning land, the Ministry has assisted land owners to perform some form of reconciliation and then sign a memorandum of understanding between Malaita Province, landowners and the Ministry on behalf of the government. Land acquisition is also a work that we are going to do in Suava Bay.

In regards to Tenaru, the work that needs to be done is organizing of the topographic and cadastral survey in a location at Tenaru and then registration of land. Those are the two main tasks the Ministry is going to do to complete the project and allow investors to come in.

In regards to question (b) on what progress has been made in implementing these aspects of the project, for Suava Bay, we have already done a reconciliation ceremony with the landowning groups and we have also signed a memorandum of understanding between landowners, the Ministry and Malaita Province. In regards to Tenaru, survey and acquisition of the project is already done and we are just waiting for the final outcome of the report from the Ministry of Lands before we will continue with the next half of the project. On the question of how much we have spent, \$86,381 of the total of \$2million has been spent on the tasks I have informed you about. Mr Speaker, of the remaining balance of this \$2million, we still have more work to do before investors can actually settle in the project sites. Thank you.

Mr Oti: Mr Speaker, I thank the Minister for his response. Supplementary question in relation to both of the projects, but particularly more so with the Suava Bay project. Has the Ministry or the relevant ministries been consulted on the other requisite infrastructure requirements like water, electricity supply and so on for this particular project since they are out of the main power grid. I can see these developments perhaps making some head way in Tenaru. In particular so, to what extent discussions have already taken place with appropriate authorities with regards to water and electricity supply.

Hon. Leni: Work on these projects has reached the stage where the Ministry will consult with landowners and provinces. The next stage is when we have all the final reports in place, we are going to deal with the relevant ministries because that is the other half of \$2million and greater work will be in the second phase when we are going to do consultation with relevant ministries. For example, if

we go ahead to deal with land then we are going to need surveyors, and not very many surveyors are available now in the ministry to do survey work and also value the cost of the land.

In terms of water, piping in most cases generally is the work of the government to provide services like that. But in Solomon Islands because of our financial shortcomings we always rely on the industries. In this case, we would want to have the government provide the services before investors actually come in. When we reach the second phase we will then consult with the ministries. We have already indicated to them that as soon as we completed our work, we will then go to the ministries and discuss another half of the project, and most probably before the year ends.

Mr Zama: Mr Speaker, \$86,000 is not a lot of money compared to the budgetary allocation. Out of that \$86,000, how much of that was spent on Suava and how much on Tenaru?

Hon. Leni: Mr Speaker, I do not have the specific distributions on how money was spent but I think the answer of \$86,381 makes sense.

Mr AGOVAKA: Sir, I was listening attentively to the answer by the Minister. Because of complications with the Tenaru land, how much consultations have been done with landowners, and if any, is there any MOU signed between the government and the landowners of Tenaru? And if possible can I have a copy of any agreement that was signed?

Hon. Leni: Mr Speaker, there was a MOU signed. I mentioned this when the honorable MP was absent. A copy of the agreement can be provided to him because we have already signed the MOU. As far as the Commissioner of Lands is concerned the land title is with the Commissioner. We have already had consultations with three Houses of Chiefs of Malango, Bahomea and Ghaobata Council of Chiefs where during the ceremony there was presentation of gifts, pigs, foods and shell money. Those traditional practices have already been resolved by the government with landowners. The next stage is survey work and the Commissioner of Lands under the authority and powers it has is going to deal with the land for division and giving of title to the government to be given to the investor. But I will certainly provide a copy of our MOU to the honorable MP.

Mr Zama: Mr Speaker, I did not quite get the answer of the Minister, but I think the pre-requisite of big scale developments are infrastructure like water,

electricity, roads and communication which are very important infrastructures. Now, it does not make sense to me when the Minister said that coming up with those things is going to be slow. I just want the Minister to explain to Parliament and to Solomon Islands whether the government is really serious in its attempt and policy initiatives to really push for establishment of the Suava Bay and Tenaru fisheries project because there is already very high expectation in the minds of people in the rural areas otherwise we just blow out hot air through policies and these initiatives without work being done.

I want the Minister to confirm the seriousness of the Ministry and him as Minister responsible for fisheries.

Hon. Leni: Sir, the honorable MP is correct that the confusion must be on those who are not serious but the government is serious and we will ensure that these projects are up and running as soon as possible..

Mr Oti: Mr Speaker, I have no further supplementary questions and I would like to thank the Minister for his comprehensive response to the question and the supplementary questions. Thank you.

Computers: Secondary School Project

11. Hon. SOGAVARE to the Minister for Education and Human Resources Development: What is the total cost of the computers and other accessories supplied to the schools under the 2007 secondary school project?

Hon. WALE: Mr. Speaker, I thank the Leader of Opposition for this question.

Mr. Speaker, I am very sorry indeed that I am unable to answer that question directly as to the accurate amount of the cost of computers project, and I am going to explain my answer this way.

The project as far as the IT Section in the Ministry of Education is concerned was satisfactorily implemented and then complaints were received from members of the public and from some of the schools suspecting that some of the computers supplied were second hand. Because of those complaints, the Ministry requested the supplier to produce a bill of landing and the supplier has been very un-cooperative. We have also asked for original invoices and again the supplier has been very un-cooperative in this matter. We have asked the Customs Division of the Ministry of Finance to also supply us with the kind of invoices used in the declaration that went to Customs under this project.

At this stage, this project rather stinks and to my mind is still incomplete, and so we still are pursuing this matter. I am very disappointed with the report I

received from the IT section of the Ministry that the project was satisfactorily implemented. The best case scenario, of course, is that my own IT system was fooled, was deluded and the worst case scenario that they may have been complicit. I hope that that is not the case, however, the matter is still very open and we will pursue it and if need be refer this matter to the police for criminal investigation.

Hon. Sogavare: Mr. Speaker, I need not continue to pursue any supplementary question on this case, as the Minister has adequately answered the course of action the Ministry needs to take and even his opinion on the implementation of this project. And I would just like to encourage him to continue pursue the line of actions he is taking because we are talking about a \$4.9million project, and if this project is not implemented to its satisfaction, then the line of action he is now informing Parliament about to take is the correct line of action to take. I thank the Minister for informing Parliament the progress of this project.

Mr Speaker: The comment by the Acting Prime Minister causes the Speaker to change his mind to allow the honorable Member to ask his question.

Malaita Provincial Housing Project

29. Mr. WAIPORA to the Minister for Provincial Government and Institutional Strengthening: Can the Minister inform Parliament of the progress made in the implementation of the Malaita Provincial Housing Project for which \$1.5million was allocated in the 2009 budget?

Hon. MAELANGA: Mr. Speaker, I would like to thank the Honorable Member for West Makira for asking this question.

Mr. Speaker, all housing projects funded by the Solomon Islands Government under the Development Budget 2009 under my Ministry has been deferred until the global financial crisis affecting our country is improved. This includes the Malaita Provincial Housing project. This policy decision was made by Finance and agreed to by my Ministry.

Hon. SOGAVARE: Mr. Speaker, I think the answer of the Minister is very clear here. Can the House be informed of the criteria used in prioritizing the development budget so that we are clear as to the criteria used? What are the criteria used, is it the cash flow or what is it? On the reduced level of funds then that should be some kind of criteria as to which area we are privatizing and which area is not. Based on the comment made by the Minister of Finance that

the annualized shortfall of revenue is now reduced from \$200million to \$58million, there is a clear improvement in revenue collection as seen by the government.

May be for the information of the House, the Minister of Finance, with your permission, informs us what criteria are used in prioritizing the budget?

Hon. Rini: Mr. Speaker, the prioritization of the Development Budget is, for example with this project there needs to be contribution from the SI Government before a project is implemented. And as the Minister has said, because of the cash flow problem we have at the beginning of the year the government cannot meet the contribution. But at a later part of this year when we see the cash flow improves, the government might be able to find the funds needed for contribution then this project will be implemented. Thank you.

Mr. Waipora: Mr. Speaker, I do not have any further questions because he has clearly stated that they cannot implement this project because of the global financial crisis. It is good that I raised this question so that the Honorable Premier for Malaita listens in because your project is not going to be implemented. Mr. Speaker, thank you very much Honorable Minister.

Hon. Maelanga: Mr. Speaker, I would like to inform the Member of Parliament for West Makira not to mislead the Parliament and people. The government is committed to these projects, and therefore when our cash flow or revenue improves, the government is going to implement these projects.

Mr. Waipora: Thank you very much as much as I would like to answer that comment but I must move on to my next question.

Question No. 31 deferred

MINISTERIAL STATEMENT

Statement by the Minister for Forestry

Hon. TAUSINGA: Mr. Speaker, I raise to make a statement under Standing Order 24.

Mr. Speaker, it was in this House almost a year ago that the Prime Minister and the Leader of Opposition invited Members of this House to farewell the Futsal team that went to Brazil for the World Cup competition. Mr. Speaker, the same futsal team is now in Fiji for the Oceania competition and I thought it is

important that I rise to recognize and appreciate the victorious Futsal Kurukuru that came out victorious against Fiji 5-3 on our Independence Day. It is on that basis, Mr. Speaker, that I would like to offer my congratulation and I hope that of the Members of Parliament that yesterday was the anniversary of our independence and yesterday we engaged in happy celebrations. To win a match on an independence day added importance to our celebration. It is on that note that I raise to make this statement. Thank you, Mr. Speaker.

(applause)

BILLS

Bills – Second Reading

The Foreign Investment (Amendment and Validation) Bill 2009

Mr Speaker: Hon. Members the debate on the Foreign Investment (Amendment and Validation) Bill 2009 commences today. As you are aware, on Monday the Hon. Minister in charge of the Bill delivered his opening speech but adjourned debate to this date.

Members may now speak on the general principles of the Bill. In so doing, I kindly remind Members as always to comply with the rules of debate set out in our standing orders. The floor is now open for debate.

Hon. LILO: Mr. Speaker, whilst I was putting thoughts together in contributing to this bill, I thank you for giving me the opportunity to speak first. I am just following my usual practice of contributing to very short bills. This is a very short and sweet bill and therefore has my support.

Mr. Speaker, this Bill seeks to amend and also provide provision for validation of certain aspects that may have been overlooked in the original act that was passed in 2005. Not only that, Mr. Speaker, it also represent the continuous process of reforming the Foreign Investment Act or legislation governing foreign investment business in Solomon Islands and in that respect the current government should be commended for continuously looking at ways in which we should improve attraction of foreign investment into this country.

As quite rightly pointed out by the Bills and Legislation committee, Mr. Speaker, the Foreign Investment Act since we have one legislation in this country since 1979, it has gone through a process of amendment and repealing, even the last repeal was in 2005, and this year we have seen this amendment coming into this House again. This shows one thing that we are not different to other

countries that have gone through the process of trying to encourage foreign investment in spite of the fact that it has always been advocated by developed or advanced countries that one form of encouraging the flow of donor finance into the less developed countries is through foreign direct investment, we can always say we are still having trouble encouraging foreign direct investment in this country. It is for that very reason that we must continue to go through the process of reforming our foreign investment legislation. In that respect, I welcome this Bill.

At the same time, Mr. Speaker, I would like to thank donors who have been working so hard with us helping our relevant institutions in the country to continue to look towards how we encourage foreign investment in this country and how to create conducive environment to attract foreign direct investment flow into our country. I would like to mention these donors, in particular the Asian Development Bank, the World Bank and other bilateral donors like Australia, New Zealand that continued to work with our relevant institutions in the country to target specific aspects that would enable us create conducive environment for foreign direct investment flow to happen in this country. Notwithstanding the fact, Mr. Speaker, that we ourselves too have to place emphasis where we see impediments that stop foreign direct investments into Solomon Islands. We ourselves have to curb corruption. We have to work at ensuring systems that are so stringent are refined, not doing away with them, but refining them so that we encourage the process of approving and facilitating investment to make them become more efficient in encouraging investment in this country.

On this note, Mr. Speaker, I would like to recognize the effort made by previous governments and also this government in encouraging the involvement of the International Finance Corporation. Early this year, Mr. Speaker, we signed a memorandum of understanding with the International Finance Corporation to work with us on specific areas that have been targeted or have been identified as areas causing a lot of problem in terms of encouraging business to happen in the country, one of which is in relation to bankruptcy.

As you know, the process of going through bankruptcy or insolvency of companies is not an easy task and sometimes the context of the way legislation exists in this country also acts as disincentive to investment rather than encouraging investment. The process that the IFC is encouraging us to look into finding a way a settlement is done outside and brought into the court making the process easy for investors and any people that may have claims over a particular investment that has gone broke. Not only that, but the IFC for the first time is also looking at ways in which it can encourage and make way for itself to be

present in this country. This is very important in the way we lead towards encouraging foreign direct investment into our country.

Sir, we have to encourage the IFC to become involved in equity financing whether through schemes established by the government or through existing financial institutions. They cannot come in if there are processes within our legislation that inhibits the way we encourage the direct flow of foreign capital into the country and especially the interest of foreign investors that come into the country. In that respect, Mr. Speaker, I see this amendment as a way of encouraging donors in particular who have placed importance and have strategic position in encouraging foreign direct investment in this country to come into this country to help us.

The other point I see is that this Bill is seeking to facilitate in the context of the principal act the administration of foreign direct investment in this country to facilitate an easier or an efficient process for investment to be processed through the mechanism that is put in place inside the relevant institutions that are established to look after foreign direct investment in this country.

The other aspect is in relation to the provision given to the director to impose penalties to investors who may have committed breaches or broken or violated our laws in relation to the way they conduct investment in this country. The only point I would like to make here, and we have all experienced this is that we also have the concern of giving power to only one individual in a position to decide on whether or not penalties can be imposed on certain breaches. We are worried about this because sometimes with only a single person exercising responsibility, it might not be exercised in the most transparent way. This is only the beginning, so let us see through it. If need be in future that we need to amend it and put that function to the hands of a body rather than any individual officer, let us do that reform at that time. But I think one of the most important things this provision provides for is that it acts as a deterrent to investors that have the habit and the practice of committing those breaches and escape from those breaches without being captured or punished. For the first time power is given to the director to exercise power so that it enables our investors to enforce the law as intended by this Legislature to help improve the way foreign investment is administered in this country.

Sir, I shall be speaking very briefly on this Bill. I believe it is a very important Bill that we should support. Even though as I have mentioned earlier that our Foreign Investment Act or legislation of this country, we always come through a history of amendments, repealing and it will continue to be so because of the nature of this particular business, as it is foreign investment. Encourage the foreign business in this particular area involves a lot of aspects and it takes a

lot of change in culture as well and therefore our legislation has to go through the process of amending and repealing too.

Sir, this is a very good Bill and I believe we should support it and allow the Ministry to effectively administer it so that we work towards encouraging direct foreign investment into this country to help our economy to grow.

With those remarks, Mr. Speaker, I support the Bill.

Hon. SOGAVARE: Mr. Speaker, I too would like to speak on the debate of the Foreign Investment Amendment and Validation Bill 2009 moved by the Minister of Commerce several days ago. I think the objective of the Bill is very clear, and in the Second Reading the custom is to talk on the principles of the Bill and I guess the portfolio subject. I think the issue that is very important for Parliament to reflect on is attracting investment and also retaining them in the country to work so that they benefit the economy. I think there is no question as to the conviction of every government that has held the reign of power since we attained independence that the role foreign direct investment is playing in any economy, thus the policies of every government have emphasized the importance of foreign direct investment and actually established a ministry to look after that particular portfolio.

Sir, I will be speaking on that principle, but I just want to acknowledge here that we note here that the amendment is very clear in that it intends to confirm the 26th June 2006 as the date of the coming into force of the principal act by actually indicating in the Bill the date that the Ministry wants this bill to come into force. It also seeks Parliament's approval to increase a number of penalties and also to convert them into penalty units, and these clauses are clauses 3, 4, 5, 6 and 8 of the Bill.

Also a very important addition or feature of this Bill as well is the incorporation of the new Part 5(a) for introduction of an administrative penalty system and also this new idea of compounding of offences. Instead of bringing them to court you argue points out. The Bill has given option to government to compound those penalties. It is a new idea that included in the Bill yet to be tested and how investors will respond to it is something that we will wait and see when this law is implemented.

It also improves the old Section 34 by introducing a new Section 34 in dealing with the exemption of liability of the government, the Minister, the investment facilitating committee, the registrar, the officers, employees and a host of other people administering this Act from liability. And so it is quite a serious provision included in the Bill. It basically says of that particular section that all the people I have listed down are not liable to the actions that people would take against them if they exercise their duty in good faith either

negligently or not negligently. And so there is a bit of contradiction here on how you can be negligence and at the same time not be liable. We will leave these specific comments on the amendment to the Committee of the Whole House. But as is customary on a second reading like this that I would like to dwell on what this country should be focusing its attention on to consider ourselves as worthy destination of high quality investment dollars. That is a very important thinking.

Mr Speaker, there is a big difference between just attracting investment into the country and investing a quality invest dollars. These are two totally big things. I am saying this because we are competitors in that respect because Solomon Islands is not the only country in the region, but there are 12 or 13 other our small Pacific island countries that are also competing for the same investment dollars. I think that fact alone is placing a very, very heavy responsibility on our shoulders to organize Solomon Islands in a way that is relatively more attractive than other investment destinations.

I think that is where all our concerns probably will lie. I appreciate the fact that this Parliament has seen a number of bills going through, and I think a major reform on this area is done when we repealed the old 1990 Investment Act and we incorporated the new Investment Act. Within the 10 year period, probably that is the only major work we have done in this area.

Sir, if we look at the way this Bill has been implemented and the results that are coming out, I think there are a lot of areas that still need to be looked into because it looks like we are not striking the appropriate balance or formula and combinations of issues that Solomon Islands need to address to make an effective competitor in the investment market.

I am saying this because from 1990 onwards is a very interesting period for countries that are competing for the investment dollars. We see a lot of countries seriously looking into their investment strategies, their legal frameworks, their administrative arrangements like never before. They are seriously looking into that, and Solomon Islands is one of them.

I think the seriousness of this observation is further endorsed by one statistics the World Bank is launching out on the trend of world investment in the 1990's and 2000. And I want us to look into these statistics and see whether our strategies really work. This demonstrates a very serious and alarming disparity. The World Bank is putting its report out and the total flow of foreign direct investment in the Asia/Pacific region as determined in 1995, and as I said from 1990 until that time is very, very important for those small countries, is USD\$65billion; the flow of foreign direct investment into East and South East Asia region. Of this amount, the East and South East Asian region accounts for USD\$62billion and only the remaining USD\$3billion is shared by the other regions in the Asia/Pacific. This should cause us to really think seriously about

where we have gone wrong in this, because this region, this Asia/Pacific region is not really attracting investment and so something must be seriously wrong with the strategies that we have put in place.

The bank has made a very serious observation by noting that the successful countries have been the countries that are pursuing very liberal investment policies. That should tell us a lot of things about the strategies that we are putting in place, our Investment Act, and the kind of restrictions and conditionalities in our Act and the way we are attracting investments. Those countries have virtually dismantled every barrier to foreign direct investment. They actively did that; they just removed them. The thinking looks like they are attracting investment into the country. The fact that they operate inside the country is more important to those countries because when they operate inside the country, their operations is immediately recorded. Whatever they do, the success of the foreign direct investments is recorded directly into the National Statistics of the country and thus it improves the rating of those countries.

Mr Speaker, the other observation is that it is very clear that countries that are successful appears to be those that investors see as having the investment regime that is transparent, their applications are consistent and easily understood. It is actually the approval process. I think we can pat our backs in regards to this and say we have done that area. We have amended the act, we came up with a reform that did away with the bureaucracy of looking at the kind of investment we should bring into the country and what kind of investment we should not. As the law stands at the moment, and I think we should congratulate ourselves on that is that people apply straight to be registered as business entities in Solomon Islands. That cuts out a lot of red tapes and so we can put flags up and say we have done that. But what else are we not doing?

They also went on to say that the regulatory system too needs to be looked at. I think that is probably the area that we really need to seriously look into because we have been attracting investment into the country. They applied and within five days they are registered. I think the problem of this country is that the investors that are registered in great numbers, very few of them really take off the ground. I think those are the areas we need to seriously look into and ask why it did not happen that way.

Sir, investors usually categorize countries, and then seriously look at them. There are people who just do nothing but go around assessing countries by looking at their national accounts, looking at the political regimes in the country or the laws that would affect investment and they broadly categorize countries into those that are fiscally responsible and those that are not. These are two broad categories that they place countries under.

Mr. Speaker, it was further observed that economies where capital market is not only fiscally responsible but also politically committed to market based policies. I think that should ring a bell. When we talk about market based economy, we need to move further on because we will only be interested in market based policies if we attract investments that are interested in markets overseas.

They went to say, Mr. Speaker, that countries that are successful are countries that actually pursuing or promoting export promoting policies in their investment regimes. They actually attract investors that are actively involved in export and the government is actively involved in developing markets and looking at market issues.

Sir, I think we need to pause here and ask ourselves the serious question, which I think we have never asked ourselves, what sort of trade policies are we advancing in the country. Is it continuing to be a balance between import substitution and export promoting? Should we now be leaning more on export promoting and put all our resources, technical expertise on that area and develop that aspect because it is proven now in the world that those people are successful. Remember USD\$62billion of foreign investment goes to the countries that have that kind of investment and only USD\$3 billion came to this region, which does not make sense. I guess we really need to seriously look into those areas.

Now that brings into question that the country has jumped into trying to enter into free trade agreements. Are we jumping the gun? Are we jumping too soon on policies like that? We can only be actively involved under the free trade agreements if this country is actively exporting, but this country is not. And I am now questioning the MSG Free Trade Agreement on what sort of benefit does this country have from this free trade agreement, and all the trade agreements that we are now having; negotiations is going on with this PACER Plus Agreement between Australia, New Zealand and the smaller countries in the Pacific. Are we jumping the gun on that? Should we now be focusing on developing our export sector, leaving aside the free trade agreement and focus our attention on establishing and developing a strong based export sector in the economy before we think about entering into free trade agreement? Those are the issues we need to seriously think about. In my view we jump too soon in that area and this country in fact is on the receiving end under the free trade agreement. All those countries are making use of Solomon Islands as their markets by sending in their goods. They enjoy the facilities provided under those agreements and flood the Solomon Islands market with their goods. We see goods coming into the country in spirit of Melanesian Spearhead Group trade arrangements but I think it does a lot of damage to this economy.

Sir, we must also not forget that we are part of the world community of nations and that we are affected by the changes going on in the world today, and the key to survival is to adjust accordingly. These laws are not fixed. Any ministry, any portfolio that should be on alert and continue to see the changes and adjust quickly is in the area of investment because a lot is happening outside of Solomon Islands. Competition is very, very high in the world and so we must be alert, we must always be alert and if necessary quickly adjust our policies so that we are not caught unprepared when the world is moving. We should be up there and quickly benefit from the gains the world is providing in the environment of active competition.

I think it can be generally said although I know that governments have said this is a very important area and the emphasis should be on it, it looks like we are caught in a position of not being really prepared ourselves because right now we are still talking about addressing important areas that we need to address. For example, land, we are still talking about is a serious investment consideration. It is an issue that investors will always jump first and ask whether land alright. And we have been talking about land reform for a long time now until today and it is still on the agenda of the government, and we were glad it is still an active agenda on the government's plate. That must be actively addressed.

We are waiting for the Bill to come through when we will seriously discuss when it comes through although we have some views as to how we should address land reform, and that is the Parliament's responsibility.

Human resource development, this country is rich with human resources compared with other smaller Pacific island countries. Maybe the census will put us as already gone past the half a million mark of 500,000 to 600,000 people. But unfortunately we cannot pride ourselves to say that this is the resource we can use to move this country forward. In a global environment the countries that move forward are countries that actually attract investment dollars from abroad, capital from abroad. That is how to move forward now. You cannot move forward by just concentrating on internally generated capital or redistributing internally generated capital. You need to attract new foreign capital from abroad. That gives rise to the question of the quality of investment we are going to bring into the country and whether we can pride ourselves with our human resources.

Sir, I was part of a team that went to Malta to prepare the Commonwealth Heads of Government Meeting to put a paper and some very interesting statistics came out during that trip. Malta has a population of 1.5million but 1.2million people from Malta are not in Malta because only about 300,000 people are living there in Malta. About 1.2million people of Malta are exported outside and

working in all the major developed countries in the world. This is a country that can truly pride itself with a human resource base that it can put its fingers on and say, yes, this is a tool of development for us. Solomon Islands is not. That, as I said, boils down to us now really refocusing on our human resource development strategy, and the Minister of Education is listening. It is something that is ongoing. For example, we cannot attract high tech investments into the country because high tech investments come with big investment dollars that would want to be supported by a human resource base in the country for a number of reasons. One is that probably it is cheaper to hire local based technical experts to support investments in Solomon Islands. We do not have that and so we cannot support that kind of investment and so we cannot attract high quality investment into the country maybe for the next 50 or 100 years. With that in mind we cannot just sit down but we really need to seriously redirect our human resource development strategies. For example, may be we will think of what kind of human resource, the level and the kind of expertise do we need in 10 years, 20, 30 and 40 years time and so we should start now to look into the future as to what sort of human resource base we would want and where the country is going. We must also realize the competition that is going around the world right now so that we focus that plan so that in 50 years time we should have a human resource base that we can be proud of and not a human resource base that is right now very highly dependent human resource because either they are too old, very old or they are too young. We have a very highly dependent population; a very little part of the population is actively involved in meaningful developments that drive the growth of the economy. There is none. That is a serious area we need to seriously consider.

I think the other area is when we firm up our investment strategies we really need to be focused on what we really want to do. This has been proven that countries that are very successful are those that pursue firm based policies strategies. The firm becomes the focus of attention and any laws put in place must be directing emphasis to the improvement of firms. An example of a firm based policy is that the policy must be such that our firms must produce more efficiently whatever they produce, for example, they reduce organizational costs and/or raising labor or capital productivity. Although the government cannot run a firm but the policy must be such. You can do that through investment incentive strategies by influencing them to focus their attention on improving their efficiencies; tie investments or incentives up to specific performance, the innovation of new or improvement in the quality of existing products, production processes and organizational structures. Again as I said, we cannot go and operate these private companies but we can influence them, and our strategies must be focused on that. Reallocation of resources and capabilities to

produce goods and services that is in better accord with the country's competitive dynamic advantage of the country. There is big difference, it is not comparative advantage but competitive advantage, and you can only improve your competitive advantage by attracting the right kind of investment because the success of these investments is effectively the success of the economy.

Right now there are people who have been in the wholesale and retail sector for almost 100 years. Is it possible to look at encouraging this group to reallocate their resources into areas that can make a difference to the development of this country in terms of manufacturing, export promoting strategies? Can we put them into areas where they can manufacture and develop goods and services that lean more towards getting products to overseas markets, Mr. Speaker?

There is also this firm based firm policy of capturing foreign markets that directly connects very closely with the export promoting policy that we should have. There is also this issue of reducing costs of speeding up the process of structural adjustment to changes in global demand and supply conditions. These firms too must always be watching what is happening around the world with the active support of the government. The government must play an important role in getting investors to behave the way we want them to.

If you can note, Mr. Speaker, that the strategies I am telling you are actually firm based instruction strategies, strategies initiated by the private sector operating in an environment that is conducive. In other words, it is a private sector driven strategies using their positions of advantage in terms of their knowledge assisted by the government, of course, the behavior of that market and the strengths of competitors that play outside, and that is why I am going back to the free trade agreement that I am talking about. We are putting our export sector here, people who are manufacturing in a very difficult situation here. The government should be really assisting them so that they can breathe too instead of producing something and all of a sudden they have to compete very, very heavily with goods imported into this country; tax free so that they have price advantage when it comes to competing for the Solomon Islands market.

I think the point I want to raise again, Mr. Speaker, is the right kind of investment and it is very important that we look into that area. I think this is the point I raised a number of times when we talk about investment. So far we have been attracting investors that only look at harvesting our natural resources, the primary products and take these resources to their places and benefit from the downstream processing aspect of that investment. We really need to seriously look into that area, thus all the questions being put to the Minister of Forestry and the Ministry of Fisheries. I think we acknowledge the work that is going on

in the Ministry of Fisheries to seriously address the concern of getting investors to come and establish shore based facilities in Solomon Islands, so that we also benefit from the investment dollars that they have.

The point of argument here, Mr Speaker, is that I think one of the main causes of poor economic performance and also non competitiveness of the Solomon Islands economy has been due to the fact that we still entertaining investments that only deal with harvesting of our resources. We are still dealing with them. Those are the kind of investors we are attracting, and these investors are not dealing in high tech facilities. You do not need much to pull down a tree because all you need is a bulldozer, a chain saw, some drivers who know how to drive a bulldozer, a dump truck to load the trees and take them down to the log ponds, and so it is hardly high tech and sustainable investment. Not at all, and we are still in that area now as we are talking, actively felling trees in the bushes throughout the islands of Solomon Islands. I think this sounds some serious alarm bells that we should find ways of addressing it. On forestry, for example, and we appreciate that we are caught between sustainable development and the need to feed government revenue. I think this is where most appropriately aid donors should be able to help us if they are really there to help us. Put a stop to this. May be establish the legality of what we need to do, stop logging, and get aid donors to help us for the next 10 years to fill up the gap in revenue from logging that would not be forthcoming. I think this is directly within their interest because they have been telling us to harvest our resources sustainably. No matter what we say about sustainable development in Solomon Islands, we would not be sustainable because the way logs are harvested is just not sustainable here. No matter how much we want to talk about sustainability we would not be able to address it, and so the only way here is to stop logging and seriously talk with our friends on how much we lose every year if logging is stopped and tell them to fill that. Redirect their assistance to Solomon Islands because they think that is what we really need to address and not other areas. Now that the government is actively bringing aid donors to the priority of the government, I think this is one of the areas that you need to bring them into line and tell them to please help us because we would like to put a stop to logging but we have a revenue concern, and so for 10 years they fill the gap and by 10 years we should come up with an alternative strategy of developing our forest resources, and they fill that gap. I think this is not too much to ask, and is not also outside of the aid policies of our aid donors if we can put up a position paper to them so that it makes sense to them.

Investors are also seriously looking at countries that are stable and where peace reigns. Our peace process becomes an issue here on how we address it. I acknowledge this is an area that all governments that ruled after what has

happened in this country is to get the country stabilized again. We want a peaceful environment because that is what foreign direct investment is looking at.

Sir, if that is a serious concern we really need to be serious about our laws, and the reforms that we bring into this country that look at stabilizing some areas that might be a source of instability. I know that we will be looking at the Political Party Integrity Bill that will be coming into Parliament. Looking it from the eye of political stability, we may be stabilizing Parliament. But if we end up having a very rigid parliament, what will people say about that, the people that we represent here in this Parliament? If we have a rigid parliament that cannot discipline a government, then you are actually encouraging revolts. That can happen. When people see there is nothing they can do to replace a government or discipline a government, they will take it up to themselves, they will take it up. It has been proven time and time again in countries that see there is nothing they can do about their parliament and their leaders, they will revolt. What I am saying here is when we look at these reforms we probably need to bear these issues in mind. Are we looking at establishing something that will guarantee stability not only in parliament but the stability of the country?

This idea of increasing the number of seats in parliament is a very attractive policy to Members of Parliament. I think it is something we also need to reflect on it ourselves. Are we doing the right thing? Are we being fiscally responsible in decisions like that because investors are looking at countries that are fiscally responsible? Are we throwing resources, hard-earned resources, tax money of people to establishing more politicians? As I said when the debate on this issue comes up we will be having very interesting debates. But as I have said already we are not only increasing 20. If we increase the number of seats in this parliament to 20, adding 20 new politicians in here, we are also adding new politicians in the provinces. Based on the average of each constituency to say four, we are looking at adding 80 new politicians at the provincial level and then plus the 20 in here it is adding 100 more new politicians as if we do not have enough problems with politicians and so we add more of them into the system. Let us look at whether we have been fiscally responsible. Are we looking at the long term interest of this country? I am talking here in the context of investment now. Even under the new current number we hardly deliver. What we really need is for us to sit down, just look at the number we have, focus on what we need to do and go. That is not an unfair comment to make on the floor of this parliament.

Mr. Speaker, I still see even though we are amending the Foreign Investment Act and coming up with a new one, the incentive packages in our tax laws are really out of date and outlived their usefulness and not tuned in with

the changing circumstances in the world. These laws existed when I was still there as Commissioner of Inland Revenue. We came up with these incentives when the 1990 Act was enacted. We amended the Income Tax Act and came up with that incentive regime. Now that we are amending the 1990 Act, in fact we are doing away with the 1990 Investment Act, and so we seriously need to look at the incentive packages within the Income Tax Act and also in Customs, these two areas. You know what, those incentive packages still suffer because it still looks at conditionalities like local content requirement; it is still there in the Act. It looks at export performance requirements. Okay, we have just talked about export and so maybe that is an area we need to look at how we are going to bring it to the attention of investors as a condition. We still look at the conditionalities and performance requirements like trade balancing requirements. We put it to them that unless they do this and that they fail, and so investors are afraid.

Technology transfer and licensing requirement is still there. Exchange and remittance restrictions are still there. Domestic sales requirements, domestic input requirements, local equity requirements, product mandating requirements, manufacturing requirements and limitations and it goes on, are conditions that stuck there. Some of these things are good but we need relook at them again and may be reorganize them so that they are more focused. They are out of date. I mentioned already that because we are still entertaining investors that only look at harvesting or dealing directly with our resources, the world is already 40 years or 50 years ahead of us. They have moved away from that kind of investment and are looking at investors that are really serious and want to see development happening in the place where they live. Because, as I said, their success is the country's success, and so it is in the interest of the government to make sure our investors are successful. We must not be jealous of them. We got some of these problems. If an investor is successful in Solomon Islands with this jurisdiction, it is recorded in national statistics of this country and so we should be proud of that instead of saying "what is happening to this man that he is successful", and we ask a lot of questions about him.

This Bill is about penalizing investors that are not genuine, and that is good. We have a regime there that if you have a problem you face the penalties. This penalty is not, and I think our investors should be comforted in that respect, is not for them and not for everyone but it is only for those that do not perform according to our laws. In that regard our investors can be comforted by the amendments that come before the house.

Sir, I think I am running out of what I need to say here. I will just basically touch on the important principles that I think needs to be addressed in coming up with an investment strategy that works for this country, drives development and takes this country forward. We should appreciate that

countries that attract more investment dollars into their countries are countries that are progressing. Countries that are not, like us, we are not moving forward because we are fighting over redistributing internally generated resources and not actively looking at attracting new, genuine and high quality investment dollars into this country.

I hope and I know that this government is serious about reform and so I think some of these thoughts will be helpful to the Ministry responsible for investment so that we see some genuine changes and changes that make a difference on how we deal with investors and the kind of investors that we attract into Solomon Islands to improve our economic statistics. With that, Mr. Speaker, I support this Bill.

Hon. Hilly: Mr. Speaker, I would like to thank the Hon. Leader of Opposition and the Minister for Environment for their contribution to the general debate of the Bill.

Mr. Speaker, as I said in my speech when introducing the Bill, the Bill is basically to validate certain aspects of the present legislation, and also with the two years of operation the Ministry has seen it fit to put in this amendment certain provisions to penalize people who think they can have an easy ride coming into this country.

Mr. Speaker, with these two years of experience, we have a lot of people coming into our country. It took them only about five days to get their applications registered and approved, giving them the right to register a company. The moment they register their company they go back to our Ministry to get their work permit and resident without much difficulties.

We have some very honest investors and we also have people who find coming into Solomon Islands quite easy and after having got their approvals they go out and do other things or not even investing but get employment with other existing companies.

Mr. Speaker, I think the 2005 investment legislation is trying to keep at pace with the rest of the world in trying to attract and making things easy for investors to come in, not realizing that if it is too easy we might have all sorts of people coming into the country. After having this legislation in place, we are now looking at the practicality of how this legislation is being implemented. I am very happy with all the things the Leader of Opposition has said in regards to how to organize ourselves to be able to attract the right kind of investors into this country. As a matter of fact, investors should also come into this country to help us develop our country because if they are successful it is also the country's success as well.

Mr. Speaker, it is also interesting to note that there are investors coming into this country chasing around the retail dollars, chasing around ship fare dollars and chasing around dollars in the wholesale business. What we are interested in is whether investors can come and develop certain commodities that we can market overseas to bring new money into the economy. This is in line with the 2005 legislation, which we are hoping that by revisiting it and seeing it in the practical setting of attracting investors, we might eventually come up with an amendment to bring the 2005 legislation into focus.

Mr. Speaker, I do not have very much else to say except again ask this honorable house to support this legislation through this House. With that I beg to move.

The Bill is passed

ADJOURNMENT

Hon. Fono: Mr. Speaker, I move that the House do now adjourn

Hon. Sogavare: I want to speak to that motion with your permission, Mr Speaker. We are going to adjourn now to 9:30 am tomorrow and I want to once again bring out the concern I raised on Monday when we debated the special motion that half of this day we are not going to do anything. This again, I guess, boils down to the timing of bills coming to Parliament so that the Parliament processes and prepares those bills for Parliament to deliberate on. I would like to register my disappointment on that because we are wasting half of this day doing nothing. As I said I have no problem supporting the motion the Deputy Prime Minister is about to move.

The House adjourned at 11.44 am.