

## **NATIONAL PARLIAMENT OF SOLOMON ISLANDS**

### **DAILY HANSARD**

#### **THIRD MEETING – EIGHTH SESSION**

**TUESDAY 6<sup>TH</sup> FEBRUARY 2007**

The Speaker, Rt Hon Sir Peter Kenilorea took the Chair at 9.30 a.m.

Prayers

#### **ATTENDANCE**

At prayers, all were present with the exception of the Ministers for Department of Commerce, Industries & Employment, Public Service , Mines & Energy, Communication, Aviation & Meteorology, Provincial Government & Constituency Development and the members for West New Georgia /Vona Vona, West Guadalcanal, West Honiara, Small Malaita, East Are Are, North West Choiseul, South Vella La Vella and North Guadalcanal .

#### **ADMINISTRATION OF OATH**

#### **PRESENTATION OF REPORT**

#### **QUESTIONS AND ANSWERS**

**11. Mr RIUMANI** to the Minister for Education and Human Resources Development: What is the government's policy on scholarship training?

**Hon SIKUA:** Mr Speaker, I would like to thank the Member for Hograno/Kia/Havulei for his question. The Government's policy on scholarship training is such that scholarship awards are given to all Solomon Islanders eligible for such scholarships on two categories, either at the pre-service level or at the in-service level.

Mr Speaker, at the pre-service level, the eligible criteria is that all Solomon Islanders

who reach Form 7 in our education system are eligible to apply for pre-service scholarship for tertiary training in universities or tertiary institutions in-country or throughout the region.

The eligible criteria for such is for the candidate to obtain a Grade Point Average or GPA of 3.0 and above for face to face instruction at any overseas institution. Those who attain a GPA of 2.5 and 2.9 are given the opportunity to undertake courses through Distance and Flexible Learning at the USP Centre here in Honiara.

At the in-service level Mr Speaker, applicants for in-service training are assessed by the Department of Public Service in the case of public servants, and the Department of Commerce in the case of application from the private sector, and the Ministry of Education in the case of serving teachers.

**Mr Riumana:** Mr Speaker, I understand there are about 400 officers in the public sector that have reached compulsory retirement age. Does the Ministry any plans to train any profession field so that there is adequate human resource to replace those reaching retirement age?

**Hon Sikua:** Mr Speaker, as of last year we had 860 Solomon Islanders in training in various institutions overseas as well as locally. These are the people earmarked to replace those who are leaving the Public Service or even the Private Sector.

**Mr LONAMEI:** Mr Speaker, there are some students who have received acceptance letters from the Laucala University at Suva but they do not have any names here. Can the Minister explain this?

**Hon Sikua:** Mr Speaker, acceptance at any university does not necessarily qualify you for a scholarship from the government. Any

university Mr Speaker, as long as you have a GPA of 2.5 and above, that is average, can accept you but it does not necessarily qualify you for a scholarship from the government.

The normal process is that you have to apply for sponsorship before you get a scholarship from the government and not necessarily an admission approval from any university or the University of the South Pacific for that matter because they can accept you because they need the money. They will need as many people as possible to go to the university but we have to decide on applications depending on our affordability.

**Mr Riumana:** Mr Speaker, in terms of the neutrality and independency of the National Training Unit, are there any criteria set up to properly and fairly distribute scholarships to beneficiaries?

**Hon Sikua:** Mr Speaker, the National Training Unit does not decide on scholarships. The National Training Unit within my Ministry is only an administrative arm of the National Training Committee. The National Training Committee is made up of people from a wide section of the society, which is the Public Service, the Chamber of Commerce, the Women, the Ministry itself.

In terms of deciding on who gets a scholarship, it is a decision by the National Training Committee and not the National Training Unit, which is only an administrative or secretariat of the National Training Committee.

**Mr KEMAKEZA:** Mr Speaker, I might misquote the Minister's first answer but is it true that the present government has reduced scholarship awards as of 2007 and onwards?

**Hon Sikua:** Mr Speaker, no. The present government does not reduce scholarships in 2007. Work is still in progress and we have not yet released the awards for 2007.

At the moment, Mr Speaker, the number I have is 217, which is more than last year which was 130. So the number is still to be decided. But as of now, 217 is what I have in the list as opposed to only 130 last year. So it is not a cut, Mr Speaker, in fact it is an increase.

**Mr HILLY:** Mr Speaker, does the government have adequate resources to be able to provide scholarship to everyone who is qualified and eligible for scholarship? If not, what percentage is qualified and eligible but because of resources you are unable to send them.

My first question is does the government have adequate resources to be able to provide scholarships to everyone who is eligible and qualified? The second part of my question is, if the answer is no, then what percentage although are qualified but because of inadequate resources are not given scholarships?

**Hon Sikua:** Mr Speaker, if you are referring to people that qualify in terms of pre-service application, 85 Arts students who have a GPA of 3.0 or better and 81 Science Students that have a GPA of 3.0 or better are going to be awarded scholarships. That is a total of 168 students that have performed very well and so I am awarding them scholarship and that is 100%.

**Mr FONO:** Mr Speaker, there are allegations that students scoring less than the aggregate 3 are also awarded scholarships. In order to be in line with transparency can the Minister provide the list of these 168 students with their aggregate scores? Why not publish it in the media too like secondary school results so that it rules out the allegation that the National Training Council has been accused of awarding scholarship to students they are related to.

**Mr KAUUA:** Point of order. The Leader of the Opposition is making allegations. Can he substantiate and prove these allegations?

**Mr Fono:** Mr Speaker, there was a petition signed by students in USP. I have a copy of that petition. If the Deputy Prime Minister wants it I can photocopy it and pass it in this House. But I have written to the good Prime Minister, copied to the Minister of Education to address this situation.

What I am simply asking is the Minister to publish the results of students who have aggregates of 3 and up who have been awarded scholarships in order to uphold the principle of transparency Mr Speaker.

What I need is for the Minister to assure the House that these results will be published and distributed to Members of Parliament?

**Hon Sikua:** Mr Speaker, like I said work is still in progress. I will have the final lists for 2.5 to 2.9 and 3.0 and above. Hopefully by Friday my staff will contact the University to give us the results and when the list is finalized I can make it available and will be published in the newspaper.

**Sir Kemakeza:** Mr Speaker, I think the Minister did not clarify the point of the questioner. It is a very valid point that usually creates problems. That point was also raised in one of the Guadalcanal Leaders meeting that the percentage allocation of scholarship to each province looking at population or whatever criteria the National Training Committee has is not fair. I think that is a valid for any government to take into account.

**Mr Speaker:** I suppose that is just a comment.

**Hon Sikua:** Mr Speaker, clearly a crucial policy of this government is to strike provincial equity on the award of scholarships. That is the exercise going on at the moment.

I have with me the list of those who are currently on scholarships, and of course once the list is finalized for the new ones, then I can make this list available to Members of Parliament. There are many more Isabel people included in the list than those of us from Guadalcanal.

**Mr Zama:** Mr Speaker, all parents in this country would want their child/children to be trained or given the opportunity to be awarded a scholarship.

Mr Speaker, it is evident that Solomon Islands has the largest number of students in the region apart from Fiji on the number of students attending the USP. On the same note, Mr Speaker, one needs to do at least four (4) units in a semester. What is happening is that a number of students are only going to the University to do one or two units, which can appropriately be done through the extension services here or through other arrangements by the Ministry.

The costs involved in this kind of arrangement is quite beyond and we know that whilst we would want scholarship training for every children throughout the country, the majority are always unable to access that privilege.

What is the Department doing about this apparent slackness on the part of students who have not may be abused that privilege in not seriously taking up their courses?

**Hon Sikua:** Mr Speaker, the University is providing courses through extension at the University through the request of the Government of Fiji. At the last Council, Fiji agreed to terminate the offering of courses through extension at the main campus because it is actually the need of Fiji and not ours. Because that is going to be discontinued, that kind of practice would not happen at the USP main campus, to my understanding as the decision of the Council at its last meeting. I hope that case where students go to the campus to do one or two units will not happen in the future.

**Sir Kemakeza:** Mr Speaker, looking at the required manpower and in relation to the answer given by the Minister in the planning of our human resources, could the government look into this very important point where there are more qualified people in one sector than the other sectors. Is the government looking into this very important point especially when the country is running out of qualified people in other areas that are urgently required by the country?

**Hon Sikua:** Mr Speaker, with the assistance of the World Bank, the Ministry has just completed a national skills survey that tells us what areas we already have enough people in it and what areas we do not enough yet. The selection of awards, as of this year and onwards will be based on this national skill survey. Our national training policy will be influenced by the findings of this national skill survey that we have just completed.

Yes, Mr Speaker, the government has got on to that problem.

**Mr Sitai:** Could it be possible for the government or the Ministry to adjust its policy of looking into our manpower requirements on a province basis?

Yes, pre-service training is accepted on aggregate scores that require entry into the universities. In terms of in-service training, in preparation for the responsibilities that will come in the proposed state government system we surely will require manpower.

I am raising this question, could it be possible for the Ministry to adjust its current policy for purposes of future rather than concentrate too much on academic standards and achievements in regards to in-service training. Why can't we distribute scholarships fairly according to provinces so that they prepare to take on responsibilities in the education sector in the future?

**Hon Sikua:** Mr Speaker, that request is noted.

**Mr TORA:** Mr Speaker, I understand that there is a quite a long list of our students who have been offered scholarships this year, and a list is still pending. I just want to ask my good Minister the latest position of this pending list.

**Hon Sikua:** Mr Speaker, I met with my staff yesterday, and I asked them to come back tomorrow. And then on the basis of what happens in tomorrow's meeting, we will come back again on Friday to finalizing the lists. Hopefully, I am going to release the awards early next week.

**Mr Fono:** Mr Speaker, is the Minister aware that this delay by the NTC in awarding scholarships based on aggregate of 3 and above could cause us not having space in institutions like the USP and the UPNG?

**Hon Sikua:** Mr Speaker, I am fully aware of that. In fact I want to inform Parliament that for Papua New Guinea Institutions we are very late. But I am working with my Permanent Secretary and our colleagues in PNG to be lenient with us so that our students can go to PNG. But we are really very late.

For USP, the USP is our university, and I am sure they can give us special consideration despite the fact that we are very late as well. So

I am hopeful that we can at the end be in a position to send all our students despite the very late arrangements.

**Mr Tozaka:** Mr Speaker, I gathered from the response of the Honorable Minister that we have a manpower resource plan in place. In regards to students who are not successful in completing their remaining courses, both in-service and pre-service, what is the role of the Ministry to make sure these students or officers come back, work and meet the manpower requirement of the government.

**Hon Sikua:** Mr Speaker, the role of my Ministry is for education and training. The employment portfolio is with the Ministry of Commerce, I think, and therefore probably the Minister of Commerce can tell us what happens to those students when they come back. But we are also working closely with them and the schools to inform interested parties that these are people coming out of institutions and we are also giving out to students who are still overseas and are graduating the opportunities that are available in the country. So we can only facilitate but the portfolio of employment is with Commerce.

**Sir Kemakeza:** Mr Speaker, with the courtesy of Papua New Guinea there was an arrangement between the Government of PNG and Solomon Islands in relation to our students who would want to study in institutions in Papua New Guinea. Is that arrangement still in place?

**Hon Sikua:** Mr Speaker, yes, that arrangement is still ongoing and that is why you will see in the development budget the amount of \$12.5million from the Government of Papua New Guinea to help our students study in various institutions within Papua New Guinea.

**Mr Riumana:** Mr Speaker, I wish to thank the hardworking Minister of Education for the answers.

**14. Mr RIUMANA to the Minister for National Planning and Aid Coordination:** Can the Minister inform Parliament if development

partners are supportive of the rural development plan of the Government?

**Hon ABANA:** Mr Speaker, I would like to take this time to assure the House that yes, we have the support of development partners in the rural development plan of the Government.

**Sir Kemakeza:** Mr Speaker, in relation to the answer given by the Minister prior to drawing up of the 2007 development estimates, are there any aid donors consultative meeting by the Department or the Minister before the 2007 development estimates is drawn? That is if the answer is yes.

**Hon Abana:** Mr Speaker, there is a SIG donor consultative meeting one week before this Parliament Meeting. We did not have any meetings last year but I could carry you through some of the development partners' recent support.

We have just signed a number of projects with a number of donors this week. There is support for peal farming by the EU, support for Malaita Province on relocation of the Auki Market and improvement to the Auki wharf. There is also the five years rural development program jointly funded by the World Bank, the EU and AusAID, which was concluded towards the end of last year. And yesterday I just opened a workshop on that to be concluded today.

Mr Speaker, a number of multi donor funded programs are currently in the pipeline and will be concluded shortly. For example, the Provincial Government Support Program jointly funded by the EU, the UNDP and AusAID or RAMSI and others more.

Mr Speaker, the total development funding for this year by donors is around \$2.1million. This was an increase from last year which is about \$224million. This represents a 22% increase in donor funding.

Also Mr Speaker, by sector funding, agriculture spending for 2006 was \$26.4million and 2007 funding was \$52.6million, an increase of 99%. Forestry was \$20.8million in 2006 and \$28.2million for 2007. All these are featured in the development estimates. That is 36% increase for 2007. For Infrastructure last year

was \$155.8million and for this year 2007 was \$210.8million, an increase of 35%.

This is a good indication of support from our donors to the development plans of the Government.

**Mr HUNIEHU:** Mr Speaker, can the Minister explain to Parliament as to why there was a big reduction in development aid in the recurrent budget from the level of \$300million in 2005 and appropriation bill 2006?

**Mr Zama:** Point of Order. I think we are going out of the question. This is questions and answers time.

The Minister of National Planning, in my view, under Standing Orders should make his own statement, not under question time and I think there shouldn't be any questions relating to that matter on the floor of Parliament because it is not on the Order Paper today.

If the Minister wants to make a statement on the Department then that must be clearly stated on the Order Paper.

**Sir Kemakeza:** Point of Order. Mr Speaker, I think the MP for Rendova/Tetepare must properly study his Standing Orders. This House deserves good answers from Ministers. When Ministers give good answers you will see me nodding my head indicating support. These things all complement each other and so whether this is question time or the budget when the time comes questions will also be raised.

I think the question comes about because that is the focus and vision of this government. And the Minister of Education did very well. When it is in the budget he said it.

I think we should allow the Minister to give us good and clear information that both sides, the backbenchers, and even the Member himself also asks supplementary questions and so the House needs answers as well as the public. The Parliament belongs to the people of Solomon Islands and so they deserve right answers from the Government, no more and no less, and not half answers.

**Mr Speaker:** As far as the Chair is concerned, my only concern is that questions should not become a pretext for debate. Short

supplementary questions can be raised so that the Minister can respond.

**Mr Huniehu:** In view of the Minister's response to the question, I am simply posing the supplementary question that if development partners are very helpful to our budget, can the Minister explain to this honorable House as to why there was a reduction in development aid funds from the level of 2004 and 2005 where the development aid budget was \$300million to now \$188million.

**Hon Abana:** Mr Speaker, the honorable colleague must read the budget estimates because I register an increase and not a decrease.

**Mr Huniehu:** Sorry, I did not hear the response from the Minister. Can he speak a bit louder?

**Hon Abana:** Mr Speaker, I will repeat myself clearly. I did not register a decrease but an increase in the development budget.

**Mr Huniehu:** Mr Speaker, I just want an honest answer from the Minister for this question. This question is very precise. It is talking about whether development partners are supportive of the rural development plan of the government, and I am posing the question if they are, as the Minister has answered the question, then why is that there is a drastic decrease in the development budget from \$300million from the levels of 2004- 2005 to just \$188million in this Appropriation Bill.

**Mr Zama:** Mr Speaker, I have noticed you to make a matter of privilege. What I wish to raise is that I think we have circumvented parliamentary processes on matters we are not supposed to be raising now.

**Mr Speaker:** Standing Orders are quite clear. It is not a matter before the Parliament but it is a matter that has been debated and questions asked and answered during the current meeting that cannot be raised. So it is not so much a matter before Parliament.

**Hon Darcy:** Mr Speaker, I am not really sure about the question asked by the MP for East Are

Are. But if you look at the budget from 2004 onwards, there has been a very strong donor support because of the slow pick up in internal revenue. Now that the internal revenue or government revenue has increased there has to be a reduction in donor support. That is probably why he has noted the concern he stated. But I can assure this House, and you will note in the Speech that I will deliver very shortly, that there has been very strong and overwhelming strength in our internal revenue. Thank you Mr Speaker.

**Mr Fono:** Can the Minister confirm whether some of the projects he had read are ongoing projects? They were projects negotiated by the last government. Projects like the peal farming and the Auki market are ongoing projects. I initiated those projects when I was Minister.

Can he inform the Chamber of any new projects and not the projects of the previous government which are ongoing ones? As the saying goes, Mr Speaker, somebody kills a bird but another man eats it. Somebody is just decorated with the feathers of the bird. Can the Minister inform the House of that?

**Hon Abana:** Mr Speaker, the question here is the support of donors to the government. If these projects have been through the previous government and donors of the day are not supporting it, they could have withdrawn these projects. But the fact that we have signed shows their overwhelming support to the government of the day.

**Mr Riumana:** Mr Speaker, thank you and I thank the Minister of Planning for the answers.

**Mr Speaker:** I received a note this morning that the Chairman of the Public Accounts Committee would like to make a point of privilege, and as such we have to first suspend Standing Order 25(1) in order for this to be possible.

***Standing Order 25(1) under Standing Order 81 to enable the Chairman of the PAC makes his point of privilege***

**Mr ZAMA:** Thank you very much Mr Speaker, for granting me this privilege. I wish to raise a

matter of privilege under Standing Order 74 as Chairman of the Public Accounts Committee.

Mr Speaker, 2007 has been a historical year for the Public Accounts Committee. It is a year that must go down in the records of Parliament because it is the first time the Committee was able to sit and deliberate on the budget before the Parliament actually debates the budget. Also it is the first time too the Committee has produced its report for Members, this has just been distributed to each of the Members yesterday afternoon.

I wish to raise as the Chairman that this is also the first time that the Committee's deliberations and proceedings were televised as part of the process of strengthening parliamentary standing committees, which made the deliberations public.

Mr Speaker, on that note I have also cautioned members of the Committee under Standing Orders 69 and 74 that whilst the proceedings or deliberations of the Committee are made public, it is in my view not proper under Standing Orders 74 make publications prematurely.

Yesterday, Mr Speaker, on the front page of the Solomon Star appeared a report that was presented to the Committee. In my view, that is a gross and serious breach of Standing Order 74 which I would like to seek your ruling on.

Mr Speaker, on that note I wish to categorically state on the floor of Parliament that what appeared on the front page of the Solomon Star yesterday does not come from the Chairman of the Committee as official and may be not also from the secretariat of the Committee.

I therefore, Mr Speaker, wish to draw the attention of Members of Parliament to Standing Order 74 which states that "the evidence taken before any Select or Special Committee and documents presented to or a report prepared by such committee shall not be published by member thereof or by any other person before such time as the committee shall have presented its report to Parliament or the Minister has tabled the report as the case may be".

Mr Speaker, I therefore wish to raise here that I believe we have circumvented a lot of

parliamentary processes, and especially when Standing Order 74 is very clear on this matter.

Mr Speaker, if what appeared on the Solomon Star yesterday comes from the Committee or may be other members of the Committee, then may be the honorable Leader of Opposition could make explanation that he may have done that not as a member of the Committee but may be in his position as the Official Leader of the Opposition.

In my view, Mr Speaker, he stands accused of a very serious violation of one of the cardinal principles of our parliamentary bible. Such conduct is indefensible under his ascended right to the freedom of expression guaranteed by section 12(1) of the Constitution.

Standing Order 74 is a law which qualifies the right under section 12(2)(b) by expressly preventing the prior disclosure of such information and therefore make the prerequisite ruling to uphold the sanctity of Standing Order 74 and take a proper remedial and disciplinary action against the Leader of the Opposition. Thank you, Mr Speaker.

*(applause)*

**Mr Speaker:** Do you want to proceed through Standing Order 25 because I accept the points raised as truly matters of privilege of the House has been breached, and if the House wants to participate in contributing to the concern, a motion can be moved so that the House can participate. But if we heard from the honorable Member the concern expressed and we leave it at that, then it is not a real concern. Except only to say that with the current situation of transparency that has been exercised by the various Standing Committees, it is their responsibility to actually tell the media what is not to be released from their meetings when the media is around them because we are not responsible for the media outside of Parliament.

Unless the House wishes to simply accept the concern so that we take note of it for future purposes, I suppose we do not need to go to part 4 of Standing Order 25. We do not need to raise a general motion so that everyone else can participate on this issue.

**Mr Haomae:** In line with Standing Order 25, I would like to move a motion.

**Mr Speaker:** What would your motion be honorable Member for Small Malaita?

**Mr Haomae:** My motion is that the proceedings of the Standing Committees be open to the public and broadcast on the SIBC.

**Mr Speaker:** It has to be in relation to the concern of the Chairman because his concern is that Standing Orders 74 has been breached because a report to the Committee has been publicized prematurely. So a motion to stop that process might be much more relevant to the concern raised by the Chairman. Or if not, if the House wishes to say let it be opened to the media then that is for the House to decide on.

**Hon Darcy:** Mr Speaker, I would like to thank the Chairman of the Public Accounts Committee for raising this very valid point. As you have rightly pointed out it is part of the fact that Parliamentary Standing Committees have their own privileges in the way they handle information that is supplied to them.

I quite agree with you and I am sure the government backbench fully agree with the view you hold that those information has to be handled carefully, sensitively and in a responsible way.

On behalf of the Government, as it is a matter that relates to the Public Accounts Committee, the Government takes note of the concern raised by the Chairman of the PAC.

**Mr Speaker:** Mr Chairman, the Government has taken note of your concern raised and we shall leave it at that.

**Mr Kemakeza:** Can I take the responsibility under Standing Order 25(4) to move a motion to be debated.

**Mr Speaker:** The motion would certainly be that no premature report of Standing Committee deliberations should be publicized. That would be much more along the concern of the honorable Member.

**Hon Oti:** Point of Order! I thought you have made the ruling, unless you rescind your previous ruling and then we redirect the motion.

**Mr Speaker:** I thought that the government did not feel that we need to discuss it further because it is being brought to the notice for our concern and I think the Minister's advice is true.

All Standing Committees, please be responsible for information coming out from your committees whether or not you would like to withhold certain information to be publicized. I think the onus is on you to advise the media rather than here.

I rule that we dispose off this issue. We have received the concern of the Chairman and the government accepts the concern and we leave it at that.

**Mr Kemakeza:** Point of Order Mr Speaker, I am subjected to your ruling. I respect the position of the government. The fact that the mover especially mentioned the Leader of Opposition is unfair on the Leader of Opposition not to defend his position.

If he did not mention the Leader of Opposition then I concur with the government side. But the fact is that the Leader of Opposition has been mentioned, and therefore I think we should give an opportunity to the Leader of Opposition to clarify his side so that the Chairman is satisfied with his doubt. But this is subject to your ruling.

**Mr Speaker:** That is a real concern but I have made my ruling that we dispose off the issue as has been decided and we will move on. Thank you very much indeed.

## BILLS

### Bills – Second Reading

#### **The 2007 Appropriation Bill 2007**

**Hon DARCY:** Mr Speaker, I rise to beg that the 2007 Appropriation Bill 2007 be now put to the second reading.

Mr Speaker, I am honored and privileged to present this House with the 2007

Appropriation Bill 2007 on behalf of the Grand Coalition for Change Government in accordance with Section 102 of the National Constitution of Solomon Islands.

Sir, this is the first full year Budget presented by this Government and the first I have presented. It represents our first step towards implementing our policies and mandate on behalf of the people of Solomon Islands.

Mr Speaker, this Government is aiming to create a society that is equitable, trustworthy and forward-looking. We are committed to strengthening the country's democratic, constitutional, and community institutions and structures as well as its economy.

The Budget is a fundamental instrument of Government policy in action and its development is a task this Government has taken very seriously.

Sir, this House will recall that this Government requested additional time in 2006 to develop a budget which provides effective approaches to the nation's challenges. I am pleased to report that the extra breathing space granted has been put to good use. After extensive consultation and deliberation we have identified several fundamental targets and principles to guide our decision-making.

Mr Speaker, our primary objective is to achieve development through a bottom-up, regionally-focused approach. The focus is on the provinces and on rural development. This Budget is an important first step in this direction, both in the way it is presented and in the decisions and priorities it reflects. The Government has identified three components to its rural development strategy.

The first component, sir, is community consultation and grass root policy development. The main responsibility for this lies foremost with us as Members of this House and with Members of the Provincial Assemblies. Specifically in this Budget we have made provision for Constituency Community Development Officers in each constituency as well as provision for \$1 million in rural development funding for each electorate. Furthermore, we have made provisions to clearly identify provinces that will benefit from projects in the Development Budget.

The second component, sir, is effective sectoral strategies to improve access to economic opportunities for rural people. Notable development programs and activities in this Budget include:

- Expanding infrastructure in the provinces such as land registration, court infrastructure, water supplies, housing, micro-projects and community facilities;
- Restructuring road and wharf maintenance expenditure to expedite rebuilding and improving maintenance, including for two provincial airstrips, namely Temotu and Western Provinces;
- Fostering private sector development in the provinces through training, a credit guarantee scheme, and support to rural banking;
- Resourcing and promoting employment generating projects in the strategic areas of agriculture, forestry, fisheries and tourism; and
- Increasing funding to education so as to enable a better skilled workforce throughout the country in the immediate future.

The third component, sir, is building the capacity of the provincial governments to deliver services to rural communities and promote business development. For this Budget we have made provisions for:

- \$3 million for provincial governments' debt;
- Beefing up Ministries with sectoral responsibilities to undertake a wide range of capacity building tasks across the country, including visits, research and training; and
- Commencing negotiations with provincial governments on measures to enhance their private sector, including reducing business licence fees.

Related to this issue, Mr Speaker, is the constitutional reform, particularly the federal constitution. The Government is committed to progressing the federal constitution that has

begun by the successive governments. We acknowledge and are full supportive of initiatives by some provinces to advance the federal constitution in their respective provinces. This is reflective of their utmost desire and aspiration to move governance and decision making closer to the people. The Government's commitment to the federal constitution has been demonstrated by the transfer of this particular task to the Prime Minister's Office.

Mr Speaker, we have not neglected national priorities. We are also very much determined to strengthen Solomon Islands' core national institutions. Several provisions in this Budget would help deliver on this commitment:

- We have established a separate head for the National Judiciary in recognition of its independence;
- We have established a National Truth and Reconciliation Commission;
- There is additional funding support for the Parliament; and
- We have expanded the role of the Auditor-General.

Mr Speaker, strengthening institutions is, however, as much a matter of process as of money. An example of our serious commitment to proper process is that, for the very first time in many years, I am pleased that the Public Accounts Committee has been able to review and scrutinize the Budget before the commencement of the Parliament sitting.

Mr Speaker, we are also most determined to place Solomon Islands on a firm economic footing and to strengthen economic governance. The Government fully realizes that this is a longer term task, and is far from easy. This Budget entails several significant measures that will move us further in the right direction.

Mr Speaker, we have toiled and grown the revenue base. This has allowed the Budget to produce a small surplus and has avoided the need for further borrowing. Revenue collection has been helped by better tax administration to ensure compliance and fairer management of tax exemptions by the application of tax exemption guidelines. Compilation of better statistical

information will also help guide economic decision-making into the future.

However, sir, the improved budget position has not been at the expense of business. Action is being taken to create new opportunities for business, particularly business in the provinces. The establishment of an effectively autonomous Transport Fund will help to manage and develop our nation's transport infrastructure in a way that will attract further contributions from development partners.

Mr Speaker, let me now outline the fundamentals of the Recurrent and Development budgets. Before taking into account new revenue initiatives, government domestic revenue in 2007 is forecast to increase by 13.5 per cent from that achieved in 2006. This is 18 percent above that originally budgeted for 2006. After new revenue measures we have implemented are taken into account, revenue will increase to \$887 million. This is an overall increase of 28.8 percent.

Total recurrent expenditure in 2007 is expected to rise by 12.7 percent. Recurrent expenditure to be appropriated in the 2007 Appropriation Act (excluding Statutory Expenditure and Budget support from donors) has increased by 18.3 percent to \$ 792 million.

Mr Speaker, the Government's preliminary estimate for the national economy in 2007 is for real economic growth of almost 5 percent. Furthermore, we expect inflation to be contained at around 8 percent. This positive economic outlook stands us in good stead to implement the reforms necessary to ensure the prosperity of Solomon Islands in the long term.

Mr Speaker, I would now like to give an overview of the 2007 Budget.

Mr Speaker, this Government's long term vision for the Solomon Islands is set out in detail in our Policy Framework Document published in May 2006. Our focus is on:

- Provincial and rural development;
- Access for all Solomon Islanders to essential services including schools, health care and transport;
- Stabilising law and order and enhancing national institutions and services; and

- Encouraging a vibrant private sector economy.

Sir, the Government's activities are carefully directed to progress this vision. These focus on taking leadership in respect to governance, security and the legal system, supporting (not stifling) private enterprise in the productive sectors, ensuring equitable services and overcoming entrenched obstacles to development - obstacles such as inadequate capacity in the provinces, limited lending facilities and difficulties in obtaining access to land for major projects.

Sir, in August 2006, we launched our Policy Translation and Implementation Document. This has guided ministries in developing new policies for the Government. This is the basic framework by which our work and efforts should be assessed.

### **Budget Speech**

Mr Speaker, the Government hopes that this policy framework will lead to vibrant private sector throughout this nation, where new economic developments are encouraged for the benefit of all Solomon Islanders. This can be achieved by a responsible government creating a regulatory environment that supports the development of new opportunities.

Of course, Mr Speaker, these objectives are best achieved in a stable economic and political environment, with a healthy democratic process and respect for the rule of law. A combination of all these factors is necessary if we are to overcome the significant challenges that still face the national economy.

### **Challenges facing the national economy**

Mr Speaker, while the outlook for the national economy in 2007 is broadly positive, there are a number of risks and potential shocks to our economy that threatens to impact on economic growth.

Mr Speaker, although the global oil price has fallen slightly in recent times, it is expected to remain high by historical standards over the course of 2007, and could potentially rise further. Higher oil prices throughout 2006 have contributed to upward price pressures in

the national economy both for our domestically produced goods and for our imports.

Sir, annual inflation continued to increase throughout 2006, rising to almost 10 per cent before being contained later in the year. This is largely due to the flow-on effect of fluctuating global oil prices feeding into costs of transport and utilities. The strong economic growth of the national economy, together with capacity constraints, has also contributed to price pressures in the economy. Neither the domestic nor the international pressures are expected to diminish in the near future. Accordingly, inflation is expected to remain steady at around 8 per cent through 2007, although increases in global oil prices pose a real risk to this outlook.

Mr Speaker, although inflation and high oil prices represent real risks to economic growth in Solomon Islands, the biggest single pressure on our economy comes from our fast growing population. Currently, the population is growing at around 2.8 per cent per annum. This is one of the fastest population growth rates in the world. To improve the wellbeing of Solomon Islanders we need to achieve real economic growth in excess of population growth. We must therefore work harder to generate the broad based growth necessary to provide enough opportunities for our growing population – especially for our youths.

For many years, a big contributor to our economy has been the forestry sector. This sector currently provides around two thirds of our export income and accounts for around 15 per cent of our market economy.

However, the un-logged forestry resource is limited, and there will be a significant delay until replanted areas are ready for harvesting. Mr Speaker, we cannot afford to be too heavily dependent on this one commodity for growth of our economy. Without strengthening other sectors and industries, the expected medium term decline in incomes from forest industries will adversely affect the economy and weaken government finances. This situation, Sir, could occur within the life of the current Parliament. This Government realizes the adverse impacts of this possibility and is committed to take the necessary actions to avert this.

Mr Speaker, the alternative path this Government is taking is to pursue vigorous economic reforms. When combined with prudent fiscal and monetary management, this can potentially sustain real economic growth in the medium term – giving hope of rising living standards of all Solomon Islanders, particularly those in rural areas.

### **3. Driving Economic Growth**

#### ***The barriers to growth***

Mr Speaker, although the outlook for the national economy is generally positive in the short term, in the medium to long term there are a number of barriers to economic growth. Continuing economic reform to address these barriers is needed to ensure the current recovery process continues and economic growth is shared by all Solomon Islanders.

Sir, the first major barrier to broad based economic growth is that of distance. Our rural areas are situated some distance away from markets, and often lack access to essential infrastructure such as telecommunications services, safe and reliable transport, electricity and clean water.

The second barrier to broad based economic growth, Sir, is the inefficient regulatory and tax environment. High tax rates and an overly burdensome regulatory framework mean that businesses are unable to develop to their full potential.

The third major barrier, Sir, is inadequate capacity for Solomon Islanders to start up a business. This includes inadequate business skills and entrepreneurship as well as limited access to capital.

#### **Government Reform Agenda**

Mr Speaker, this Government plans to combat these barriers to economic growth by continuing with its ambitious economic reform agenda. We will build on the advances we made in 2006. At the heart of the Government's reform agenda is the Strategic Framework for Rural Development and the Bottom-up Approach. This can be seen in the types of reforms the Government is implementing.

#### **Transport and communications**

Mr Speaker, this Government has at the centre of its development strategy initiatives to ease the critical impact of distance on the rural economies. To this end, the National Transport Plan aims to provide effective transport infrastructure to support sustained economic growth and social development. This will include regular, reliable and privately operated shipping services to all areas, as well as enhanced road and air services. Furthermore, the Government is working to improve affordable access to telecommunications services by introducing competition.

#### **Financial services**

Mr Speaker, improving access to secure and well-managed financial services for rural people, particularly savings and micro-credit services, is a key objective of this Government. This Budget includes two new initiatives that will help to ensure this objective is achieved in the life time of this Government.

First, the Government will launch a Credit Guarantee Scheme. Mr Speaker, this scheme will help entrepreneurs to secure loans with commercial banks to start their own business. Such loan proposals are often turned down by the commercial banks because they lack adequate security.

A similar scheme was successfully operated by the Central Bank of Solomon Islands and as such they are best placed to manage the new scheme in partnership with registered financial institutions in the country. The Scheme will, however, operate through the existing commercial banks, applying sound commercial and prudential principles while funds allocated by the Government will only be used to meet defaulting borrowers commitments after every, ***and I stress*** every, reasonable effort is made to recover from the borrower.

Mr Speaker, the Government intends to encourage the expansion of high quality financial services into rural areas, particularly savings and micro-credit facilities. We are already seeing an expansion of financial services across the country. Most notably, the value of loans has tripled since 2003, more people hold bank accounts, some Post Offices are offering banking services and other agencies will soon

open up around the country in partnership with the commercial banks.

As a second initiative, Sir, we will further encourage this expansion by inviting registered financial institutions in Solomon Islands to submit innovative proposals for reaching rural people with sustainable savings and micro-credit facilities. The Government has set aside \$15 million in the Development Estimates to help share the cost of expanding financial services into rural areas in partnership with registered financial institutions.

### **State Owned Enterprises**

Mr Speaker, many of our State Owned Enterprises (SOEs) continue to under-perform because of inadequate proper governance. We have seen poor and unreliable services, and a lack of current audited financial statements by SOEs.

To address this, Mr Speaker, the Government is introducing a new SOE Act later this year. It will introduce an effective and consistent framework for good governance across all SOEs, including clarifying roles and responsibilities of Ministers and the Board. The new Act will not replace other related specific pieces of legislation but will work alongside and complement them.

In addition, Sir, the Government is updating all SOE accounts with donor assistance as well as encouraging all enterprises to develop and publicize their services. Moreover, the Government is reviewing consumer protection laws and regulations. On this note, Mr Speaker, I am obliged to announce that the Government is withdrawing its annual subventions to SOEs.

Needless to say, the Government may consider providing subventions to SOEs that adopt good governance and prudential principles and have established and justified that such assistance is absolutely required for their sustenance to deliver on their mandated responsibilities. Related also to this matter, Mr Speaker was the statement on the Development Bank of the Solomon Islands that I delivered to this House yesterday.

### **Business taxation and regulation**

Mr Speaker, the Government is implementing a number of reforms aimed at

reducing the heavy regulatory and taxation burden faced by all Solomon Islanders and ensuring a level playing field for all businesses – large and small. These reforms include import duty reform, tax exemption guidelines and the cessation of round log export duty exemptions.

These reforms complement changes such as the new Foreign Investment Act, improved statistical collections, streamlined work permits and a planned comprehensive modernization of our business laws that will make it easier for businesses to commence and operate.

Mr Speaker, the Government is particularly keen to support Solomon Islanders establishing and running their own businesses. Hence, I am pleased to announce to this House today the allocation of \$3million for business skills training. This training will help ordinary Solomon Islanders to start and operate their own business so they can support themselves, their families and their communities.

Further, Mr Speaker, the Government is prepared to provide financial incentives to Provincial Governments that abolish business license fees. We will soon be commencing discussions with all Provincial Governments including the Honiara City Council with the view to implement this initiative as soon as possible. These fees are a major hurdle to those people wishing to start their own business and should, therefore, be removed.

Mr Speaker, I have recently announced reforms to import duties being designed to benefit local businesses and communities. Many small, local businesses have, in the past, struggled under the burden of high import duties whilst other businesses obtain an unfair advantage by gaining duty exemptions. The reforms that I announced reduced by half, the top rate of import duty from 20 percent to 10 percent. Many unnecessary and costly exemptions have also been removed.

Sir, under this reform, lower duty rates will also benefit rural communities by reducing the pressure on the price of many basic goods. Before these reforms, the top import duty rate of 20 per cent applied to most goods, including many basic items such as soap, noodles, clothes, boots, exercise books, water tanks and mattresses. This has been reduced to a

maximum of 10 per cent. This is a significant reduction that will benefit all Solomon Islanders.

#### **4. The 2007 Budget**

##### **Budget framework**

A particular innovation in the 2007 Budget, Mr Speaker, is reporting of expenditures from a provincially focused perspective. This allows Solomon Islanders to see the extent to which this Government is delivering on its bottom-up policy and providing direct regional benefits.

In relation to the Development Budget, Mr Speaker, I am pleased to be able to report to the House that for the first time projects are categorized on a provincial basis as well as by sector. This confirms that, in line with this Government's commitment to fairness and equity, it is the most populous provinces – Malaita, Western and Guadalcanal, that secure the major share of funds while the most remote and least populous – Renbell, Temotu, Isabel, Choiseul and Makira attract the most support per head of population.

Mr Speaker, permit me now to outline the broad Recurrent Budget framework – the 'big picture'. Revenue will rise from \$688million budgeted in 2006 to \$887million in 2007, an increase of 29 per cent. Total income, including development partners' Budget support, will rise to \$949million, an increase of 26 per cent. Total Recurrent Budget expenditure, including statutory expenditure and donor contributions, will rise to \$944million, an increase of \$106million or 12.7 percent.

The Recurrent Budget is only part of the picture. Nevertheless, particular focus is on this area because it is funded almost entirely from government domestic revenue and is directly appropriated by this House.

Indeed, Sir, we also rely on our development partners for substantial assistance with projects jointly agreed between the Government and the donors. Donor support in the development estimates is \$2,020million, an increase of 22 percent over last year. Most notably, we have doubled the Solomon Islands Government contribution to the Development Budget to \$88million. Details of these jointly

agreed projects are sent out in the 2007 Development Estimates.

In terms of the Recurrent budget initiatives or new spending, Mr Speaker, I am pleased to be able to report that \$17million extra will be of direct regional benefit. In subsequently years I hope to be able to also provide provincial breakdowns of the full Recurrent Budget.

Mr Speaker, I would like to highlight and stress that this is a fully funded Recurrent Budget which will provide both a small surplus of about \$5million and a reduction in debt. While the Government's total level of debt at the end of 2006 was still in the order of \$2billion, it is now largely regularized and the focus is on debt reduction, going forward. No new debt or government guarantees were issued in 2006 or are proposed for 2007.

##### **Main Priorities for 2007 Budget**

Mr Speaker, the priorities for the 2007 Budget are to encourage rural development, to enhance the productive sector, especially in the provinces, and to maintain and stabilize the national economy.

Mr Speaker, the provinces and rural areas, where 85 per cent of the country's population reside, is paramount and close to the heart of the Government. In this vein, our prime focus will be to allocate adequate resources to the provincial governments and to build their capacity. Provincial governments, therefore, can now expect additional visits and training across the range of government functions. This will be complemented by additional staff recruitment by provincial governments and national government support of the Constituency Community Developments Officers for each constituency.

Mr Speaker, this Government recognizes the resources endowments and potentials of the different provinces and regions. On this basis the Government would strive to assist the provinces to develop these resources and realize their full potential. In the tourism sector, focus will be on Temotu and Central Provinces, attributed to their strategic location to the tourist market and Renbel Province, for its unique setting and world heritage status.

Mr Speaker, I indicated earlier that forestry, for many years, has been a big contributor to our economy which currently provides around two thirds of our export income and accounts for around 15 per cent of our market economy. This Government fully acknowledges the contribution of the forest resources owners to our economy. To this end, the Government is determined to devise and implement programs that would assist forest resource owners to reinvest in the forestry sector, better manage the utilization of forest resources and engage in alternate sustainable rural economic development activities.

Sir, this Government also recognizes the major contribution of fishers to our economy and the huge potential of the industry to drive the economy. Our local fishermen in the rural areas, however, need to participate and integrate more fully with foreign investors in the harvesting and processing of the fish resources in our waters. The Government, in this respect, will seek to undertake feasibility studies into the construction of small and medium pole and line fishing vessels for local fishermen, establishment of tuna canneries and fish processing facilities for smoked fish in the provinces.

The Government, Sir, will be making active efforts to support these productive sectors in the provinces. The centerpiece of this will be credit guarantee scheme to encourage the major commercial lenders to take on more provincial commercial debt. Private enterprise is the engine of growth throughout the world. However, without access to capital even the best of plans will fail. We will also be increasing support for various palm oil projects, injecting funds into cattle, livestock and exotic and indigenous crop production (nor neglecting farming and the essential slaughter house facilities).

Mr Speaker, the House needs no reminding that the land tenure system has been as one of the main barriers of economic development and economic growth of our economy. The complexity of the land tenure systems in the country does not lend itself readily for land owners and land owning groups to access credit from financial institutions.

The Government is committed to pursuing a land reform process that provides due recognition to customary lands being tribally owned – not individually owned or held in trust by a group of trustees. This process will entail the registration of tribally owned customary lands and entrusting groups the right to deliberate on the optimal use of the lands, including the utilization of the lands for economic development.

To this effect, a Tribal Customary Land Recognition Bill will be introduced to this House at its next sitting in July this year. Related also to this initiative is the Secured Transaction Reform Project being pursued by the Government. The objective of this project is to expand access to credit through legal reform and mechanism that will promote the effective use collateral such as land as security for loans.

These initiatives, Sir, demonstrate this Government's serious commitment and support for sustainable rural development aimed at improving the livelihoods and the daily lives of rural people. These are in line with the Government's economic development strategy which include providing an enabling environment that our economy can grow and thrive upon and ensuring diversified growth across the economy through the bottom-up approach.

Mr Speaker, we will be working to ensure that transport links in the provinces are improved through a new National Transport Special Fund. The Fund is expected to attract at least \$12million in Government funds – including \$4.8million in additional funds in this Budget – and substantial donor support. Fundamentally, however, it will provide a more efficient and effective means of providing transport infrastructure, roads, bridges and jetties, than the current fragmented approach. The Aviation Special Fund will also provide for the upgrading of two provincial airstrips.

Sir, provincial courts will also be upgraded and the backlog of cases reduced by a new program of sittings and increased assistance to local courts and chiefs courts.

Mr Speaker, the role of our development partners in assisting Solomon Islands' progress deserves special mention. I am delighted to see

that in the crucial sectors of Health and Education there are two development partners contributing directly to the Government programs through the respective ministries. These efforts will greatly improve the effectiveness of the existing bilateral technical and scholarship programs, provincial water supplies and sector wide programs. Such work will complement the contributions of donors to assist provincial government and to encourage micro-projects at the local level.

Sir, my colleague, the Minister for National Planning and Aid Coordination will be making further statements on these developments.

Sir, in 2006 the government rectified long term wage imbalances with salary and allowance increases for constitutional office holders, public servants, teachers and police. In 2007 we will provide for the legitimate claims for back-pay for law enforcement personnel during the tension period. We are also currently addressing, in a consultative way, the national minimum wage policy – for the first time in 10 years.

Mr Speaker, this Government also seeks to strengthen our overall economic position with a responsible approach to taxation and investment returns. Revenue is expected to rise by 13.5 per cent as a result of improved collections, reduced exemptions and stronger enforcement. Increases in determined round log prices last December and adjustments to excise will net a further estimated \$45 million per annum.

Dept repayments have been increased significantly in line with the growth in revenue to \$135.7 million, including \$3 million to address the provincial government debt that hampers the provinces' capacity to develop. This is an overall increase of over 38 per cent in debt repayments.

Mr Speaker, the government has continue to make progress in regularising its debts and has restructured and repaid a number of its debts. The 2007 budget increases its allocation to debt servicing by approximately \$34 million, an increase of one-third on 2006 levels. In 2006 the government gave priority to domestic creditors and cleared the majority of its trade creditor arrears. The government will

continue this focus in 2007 and assist Provincial Governments in clearing their arrears. On this note I am proud to announce that, compared to 2002 when all of the government loans were in default, presently 75 per cent of all government official debts have been regularized and are fully serviced.

Sir, in addition to the payments made to trade creditor arrears holders, the government is honouring guarantees it proved to other entities for loans in default. Guarantees for the defaulted loans of Soltai and Western and Malaita Provinces have been addressed and this program will continue in 2007.

### **Budget Process Reform**

Mr Speaker, this government's appetite for reform and for the most efficient and effective use of scarce government funds has not been satisfied.

In 2006, expenditure performance by many ministries was still disappointing, with too many projects which had been funded by the government and development partners failing to make adequate progress. Steps are being taken to ensure an improved outcome in 2007. We will be developing structural changes to the budget that will give Permanent Secretaries more flexibility in the use of funds. These include less complex administrative procedures to move funds to where they are needed, longer-term time horizons and, most importantly, greater accountability for bringing projects to completion.

Mr Speaker, the usual excuse that budget procedures are too complex as an explanation for inadequate project progress can no longer be tolerated. In this vein, the government will establish a Development Planning and Monitoring Committee to be chaired by the Hon Prime Minister to oversee and ensure a rigorous implementation and progression of the budget. Moreover, I propose to integrate the Development and Recurrent Estimates and to introduce longer horizons for estimates.

I will also reduce the number of individual appropriations that slow effective spending and provide no additional accountability. As an example, I do not believe it improves accountability to know that a

Ministry spent nothing on IT cables, nothing on IT Software purchase, nothing on IT Software Development and nothing on IT Software licenses and yet all these are reported in the current 514 page document.

Sir, I shall also be pressing for an extension of the innovation in the 2007 budget to show expenditure by project and sector in numerical and graphical format. Provinces and individual citizens deserve to be informed where their money has been spent.

Mr Speaker, this government firmly believes in joint and combined partnership to progress our nation to prosperity and to succeed in our plans and programs. Hence, we need to enlist the assistance and support of all stakeholders throughout the country including the private sector, SOEs, NGOs and churches in the implementation of our policies and programs and in service delivery. Most importantly, our efforts and endeavours must be blessed and in unison with the will of God – our Creator. Almost all in this House are Christians and we all love to profess that Solomon Islands is a Christian country.

Sir, the Holy Bible teaches about tithing. Deuteronomy 14:22 states ‘Set aside a tithe – a tenth of all that your land produces each year’. Malachi 3:8-9 further states ‘Bring the full amount of your tithes to the temple so that there will be plenty of food there. Put me to the test and you see that I will open the windows of Heaven and pour out on you in abundance all kinds of good things’.

Indeed, Mr Speaker, this government is committed to follow the path of the Holy Scriptures. As a matter of fact, the government and the churches in Solomon Islands have been partners in many programs for many years, except that the portion of share accorded to churches and its activities has not been fair.

As a start, in 2007, the government pledges to assist churches in every way possible with the various programs that they conduct and promote for good causes including education, health, peace building, national unity and youth development.

Mr Speaker, while the government is committed to make greater use of the NGOs and churches we will need to review budget records to see if they can be modified to allow recording

of expenditure in these entities for reporting in future years. Initial estimates suggest that between \$140 million and \$160 million of government revenue is currently channeled through NGOs and private agencies.

Sir, of course, increased use of NGOs to deliver services on behalf of government should not reduce overall government accountability for ensuring provision of essential services to the community and the spending of public funds. The community expects a high level of service performance and full transparency in the use of public funds.

## **5. Economic Outlook**

### **Overview**

Mr Speaker, the prospects for the economy in 2007 are positive. Economic activity has been resilient and foreign aid flows are robust. Lending from commercial banks and the Credit Corporation has been rising, indicating that there has been an increase in business activities. The maintenance of law and order has further strengthened business activity through greater investor confidence. As a result, we have experience growth in employment.

Mr Speaker, these positive trends are broadly expected to continue in 2007, with recent achievements creating a base for a stronger economy. The government’s preliminary estimate is that real GDP will grow by almost 5 per cent in 2007. Sir, I should also note here that another government initiative in 2007 is to strengthen the National Statistics Office to allow more robust predictions and analysis of progress.

However, there remain a number of risks to the national economy, especially those relating to the price of oil. Oil price volatility over the course of 2007 could significantly disrupt the national economy, fuelling higher inflation and limiting economic growth prospects. In addition, despite recent improvements, business confidence remains somewhat fragile. Any deterioration in the rule of law may substantially damage the economic outlook.

### **Inflation**

Mr Speaker, inflation has been held to under 10 per cent in 2006, and the government estimates that will remain under control at around 8 per cent in 2007. However, as I have indicated, risks remain around oil prices in the international market. Any significant increase would affect a lot of domestic goods and services, especially in the transport, construction and services sector.

As I have already stated, Mr Speaker, investor confidence has grown in recent months. Investment confidence has soared amongst the local business community and potential investors both from abroad and locally. Whilst there may have been some political disagreements between Australia and Solomon Islands at times, we believe that the outcomes of these have been better understanding and greater respect for one another's sovereignty and policies. The government, in this respect, stands committed to resolving investment and business issues swiftly and amicably in order to further enhance investment and reinvigorate business confidence.

### **Balance of Payments**

Mr Speaker, while exports have risen over the last year this has been often outweighed by greater rice in imports. This has led to continued trade deficits.

However, strong foreign exchange inflows have outweighed the trade deficits, leading to rising external reserves levels. Accordingly, net foreign assets rose from \$711 million at the end of 2005 to \$783 million in December 2006.

Mr Speaker, the government expects a similar trend in the balance of payments in 2007. Although there are some risks surrounding rising imports and fluctuations in the oil price, the continuing inflow of foreign aid should impact positively on our balance of payments.

### **5. Conclusions**

Mr Speaker, I have presented to day a budget that lays a firm foundation for our nation and its economy after a difficult year for us all. This is a financially responsible budget that aims to build our nation's prosperity from the bottom up. It is one of the first steps in implementing

this government's vision of a vibrant, prosperous economy with better living standards for all Solomon Islands.

Mr Speaker, the budget outlines measures that are important to the future of our beloved nation. These and associated further economic reform build will the foundation for our future prosperity. With the significant challenges still to be faced we must not rest and be complacent with our recent achievements. We must look forward and work towards developing economic opportunities for all, especially for the 85 per cent of Solomon Islanders who live in rural areas. This budget takes us one step I believe a long step, closer to this goal.

Mr Speaker, this government has faith and places trust in the people of Solomon Islands. Our nation and people have for a long time expected a government that would take a leading and active role in reforms and a quantum leap to making a difference to our lives and our nation. Sir, may I assure the House and nation that here you have that government.

Mr Speaker, our nation has abundant resource and great potential. It is for all of us who hold Solomon Islands dear to use what God has blessed us with, to make our nation vibrant and prosperous and rise to the challenges and opportunities that lie ahead of us. Sir, with renewed hope and determination, together we can once again be counted amongst the most promising of nations.

Mr Speaker, I commend this Bill to the House and beg to move.

**Hon Sogavare:** Mr Speaker, I beg to move this House do now adjourn.

*The House adjourned at 12.30 pm*