

TUESDAY 12TH AUGUST 2008

The Speaker, Sir Peter Kenilorea took the chair at 9.45 am.

Prayers.

ATTENDANCE

At prayers all were present with the exception of the Ministers for Foreign Affairs & External Trade, Energy, Mine & Rural Electrification, Fisheries and Marine Resources, Communication and Aviation, Agriculture & Livestock Development, Infrastructure Development, Women, Youth & Children Affairs, Home Affairs and the Members for South Choiseul, West New Georgia/Vona Vona, West Guadalcanal, Central Makira, West Are Are, Temotu Nende, Temotu Vatud, North Guadalcanal, Shortlands, North West Guadalcanal, Malaita Outer Islands and South New Georgia/Rendova/Tetepare.

QUESTIONS AND ANSWERS

Mr SOGAVARE: Mr Speaker, before I ask the question, I note that this Parliament lacks quorum. I would like to raise this issue under Standing Order 12. It does not speak well of the integrity of Parliament when you are paid \$200 sitting allowance every day to be in this Parliament to deliberate on the Parliament business.

Mr Speaker: Objection on proceeding for lack of quorum has been raised. The Parliament will therefore wait for 15 minutes.

The House waits 15 minutes for quorum

Quorum gained -

Resource Owners Traditional Rights

10. **Mr Sogavare** to the Prime Minister: What specific measures has the Government put in place to protect the traditional rights of resource owners to maximize benefit to them from the development of their resources?

Hon. SIKUA: Mr Speaker, my government has put in place the following to both protect the traditional rights of resource owners to maximize benefit to them from the development of their land and forest resources as well as their marine resources.

First, the establishment of the Ministry of Rural Development specifically to coordinate government assistance and facilitate increased participation of our resource owners in economic, business and revenue generating activities and social development through the utilization of their resources.

Secondly, Mr Speaker, the establishment of the Ministry of Environment, Conservation and Meteorology as the focal point for the implementation and facilitation of International Conventions with regard to the protection of rights of traditional resource owners to get maximum benefit from the utilization of their resources. The Ministry, Mr Speaker, is also looking into policies and legislation to ensure that the resource owners will be getting maximum benefit from the development of their resources.

Thirdly, Mr Speaker, the Ministry of Forestry under its program is giving support to traditional resource owners and constituencies to develop their own resources and get maximum benefit from them through small projects, both from the forestry plantation or the reforestation activities and for downstream processing or milling of their own timber. The Ministry of Forestry is also carrying out a review of the processes and procedures for the issuance of logging licenses and suspending licenses of logging companies that breach sustainable forestry legal requirements.

Fourthly, Mr Speaker, the Ministry of Fisheries is also facilitating programs that will allow resource owners to get maximum benefit out of their marine resources.

Fifthly, Mr Speaker, the Ministry of Agriculture is implementing policies and programs contributing to the protection of traditional rights of resource owners to maximize benefit to them from the development of their resources, whether they be land or crops.

Mr Speaker, this government's focus is on national unity and rural advancement and underpinning all of these is that people are the centre of development. Policies being implemented by other Ministries are all contributing to this whereby our people not only now but into the future will get maximum benefit out of the development of their resources and any development for that matter. This is not an easy task, Mr Speaker, given the many years of neglect and the status of our economy. Thank you, Mr Speaker.

Mr Sogavare: Mr Speaker. I thank the Prime Minister for responding. Sir, the Prime Minister made reference to policy and legislation, can he elaborate more on that. What specific legislations is the government coming up with to address those issues?

Secondly, Mr Speaker, on the technology agreement signed between the contractors and landowners, does the government have any intention of re-looking into that because I think the important resource that landowners directly relate to in the rural area are their trees in the bush.

Thirdly, Mr Speaker, in regards to reforestation, how effective is that particular policy, and whether the resources in the Budget are adequate to seriously address that very important issue. Thank you.

Hon Sikua: Mr Speaker, I will leave my good Minister for Forests to respond to the supplementary questions in relation to his Ministry. But in terms of the first part of the supplementary question, Mr Speaker, the policies and legislation that I am referring to is in relation to the Ministry of Environment Conservation and Meteorology. And as you know, Mr Speaker, the Minister is away in the Western Province at the moment. But these policies and legislations, as I have alluded to are in relation to international conventions and on issues to do mainly with getting the environmental impact assessment and things like that before development does happen on resource owners' lands etc. Thank you.

Hon KEMAKEZA: Mr Speaker, I thank the Honorable Leader of Opposition for this very important question about our resources owners. Having that in mind, this government is serious about this issue and has therefore given this piece of policy to the Ministry or the portfolio I am in charge of. We therefore have designed a mechanism for a fair market price to reflect the real market price for the resource owners to receive extra revenue due to better pricing.

The second thing is to scrutinize log export applications, to ensure prices offered by logging companies reflect real market prices. The Commissioner of Forests can only accept prices that fall within 5% below the determined value price that the government recently enforced on this industry.

The third thing is to carry out checks on logs prior to their export to ensure right species are properly valued and exported so that their current values are captured. In saying this, Mr Speaker, the logistics that the Ministry is also putting across the country, we have just deployed about more than 60 extension forestry officers and also under the strength of the Forestry Department, I am grateful that the Public Service has given us manpower to ensure there is monitoring.

I am also grateful for the recent assistance by the Government of the Republic of China/Taiwan, which also forms part of the logistic support. Taiwan had given assistance to forestry officers throughout the provinces to ensure they monitor and check logs before they are exported.

In terms of the Act as pointed out by the Leader of Opposition is also an important mechanism in order for these important resources to be guided, I am pleased to report to Parliament that Cabinet has recently approved the 2004 Forestry Act. I have given the Ministry up until October this year to bring about the new Forestry Act to replace the 1969 Forestry Act. That is what this government is doing now in terms of the Forestry Industry to ensure the law is there so as to give maximum benefit to our resource owners.

The area of technical agreement needs to be revisited to ensure the 60/40 agreement between operators and the licensee is a win-win situation. Again, the officers in my Ministry are looking into this because there are some discrepancies, if you like, in terms of the export duty. These are the areas we are now looking into to ensure that both the operator and the licensee benefit from logging operations,.

On reforestation or forestation and downstream processing, Mr Speaker, that has been covered by the Honorable Prime Minister. Thank you, Mr Speaker.

Mr Sogavare: Mr Speaker, I thank the Minister of Forestry for his answers. I really appreciate the policy measures that are put in place. Just a supplementary for further clarification; how exactly will the landowners benefit from this fair market price policy, given the recent policy to increase the predetermined price of our log exports? May be the Minister can inform Parliament on that issue. I think that boils down to the issue of the review of the technical agreement as rightly pointed out by the Minister.

What is the current progress in the review of the technical agreement? This is where the cracks of the issue lie and unless we seriously review the technology agreement, the position will remain the same, Mr Speaker. I want the Minister to provide more clarification to Parliament on the issue.

Hon Kemakeza: Mr Speaker, the mechanism in which the government will derive the predetermined value of log exports, is for the collection of revenue by the Customs Department from the Ministry of Finance. Let me give an example; the additional duty collected from May is US\$180,130, which is \$1.3million extra in which case by the end of this year an extra additional revenue due to this new determined value price will be roughly \$6.5million Mr Speaker. This is an additional amount to the revenue collection. And because of the performance of revenue collection collected by the Customs Department, which is also a proper

monitoring of exports, the right prices, as I mentioned earlier on, this means that resource owners will get extra royalty from their resources. I am giving this as an example of what will happen and it is happening because of this determined value.

We are very mindful of the point raised by the Leader of Opposition, Mr Speaker, because that will be paid for by operators of the areas. But because of the monitoring system that is in place to determine the number of logs being exported out of any particular log pond, including proper recording of species and proper prices, that will not go wrong and that will determine the extra revenue for resource owners as well as the government.

Mr Sogavare: Mr Chairman, I fully appreciate the explanations made by the Minister of Forestry. The question that I raised still stands, and that is on the workings of the technology agreement between the resource owners and the contractors, Mr Speaker. The way it works, as I understand, is on a 60-40 basis; that is landowners receive 60% and contractors 40%.

Now the agreement is such that all taxation comes from the share of landowners. It is the landowners that pay tax on behalf of everyone, whereas according to the principle of taxation this is not right. This is because both parties have earned income and they should both pay tax accordingly to be equally distributed amongst them. But the technology agreement is written in a way that the whole 100% burden of taxation is borne by landowners. How does the predetermined value of log exports improve the share of landowners, is the question I am trying to ask. This is because under the new policy it is tax that is increased and so all their earnings will be to meet taxation obligations, Mr Speaker. The question is, as the Minister has alluded to the fact that the Ministry will be looking at the technology agreement, how far have we gone on that review, Mr Speaker. I think that is what we should be considering, Mr Speaker.

Hon Kemakeza: Mr Speaker, I thank the Leader of Opposition for the supplementary question. I think I have mentioned earlier on that my Ministry is currently doing that review, and that is why we have created a new division of monitoring within the Ministry to take care of that issue. It is a new division and since this industry was formed many years ago, this is the first time for such a division to be established. This is due to the point raised by the Leader of Opposition. The point he raised is true as it is the landowners or resource owners who are paying export duty, and not only export duty, but also the cost of license and other costs such as cost of meetings, which are deducted from the royalty of resource owners. Now, that is not fair and I totally agree with the

Leader of Opposition on that point. That is why I am saying that we are currently looking into that issue to ensure that it must be a win-win situation.

Not only that, Mr Speaker, but we are also looking at enacting legislation on this issue. On this note, there has been consultation between resource owners and other stakeholders in this industry before the 2004 Forestry Act is submitted to Cabinet for sanctioning and eventually to be tabled before Parliament. This is to enable the very point of ensuring that everyone wins and benefits from this industry.

Sir, this also increases the number of licenses throughout the country because before when that system was not yet in place, only a few reputable companies were here. But now we are working with the Solomon Islands Forests Association to make sure companies comply with the provision of the Act. Anyone who is in breach of the Act, from now and onwards, has to be either suspended or closed down. And quite a few of the operators are now closing down.

That is also a compliment to the increase volume of the unsustainable harvesting of resources because they do not have the care attitude whether they follow the rules or law or not, they just quickly finish the area, get their dues and leave. That again is not a neat way of handling this important resource of our people. We are very mindful of that and take care of this very important point.

Mr Agovaka: Mr Speaker, in answering the question raised by the Leader of the Opposition, the Prime Minister refers to rural development and indigenous business environment, forestry, fisheries, agriculture, but I fail to hear him mention mining.

In terms of mining, the next five to ten years after explorations are completed in Solomon Islands there would be a mine boom. In terms of the mining industry and the legislation, what is the government's policy on reviewing the Mining Act to reflect the wish of resource owners to benefit from this undertaking?

Hon Huniehu: Mr Speaker, thank you for that question which also touches my Ministry. We are also aware of the need to ensure resource owners within the mining industry can have a fair share of the wealth from resources they own. So the first thing the Ministry is now embarking on is to continuously review the 1990 Act, the 1996 Regulations so that resource owners are well featured in these acts.

At the moment the Ministry is also developing a policy on how resource owners can benefit out of mining activities, for example, their policy paper will be addressing issues like who provides commercial activities where mining

operations are, who owns the machines, whether mining companies can help resource owners together with the government for them to own the machines that excavate minerals, who provides housing for the workers, who provides transport for mining activities and a wide range of issues. All these will be contained in a very comprehensive policy. We also believe that this comprehensive policy will be used as the material to negotiate with mining companies that are interested to do mining exploration in Solomon Islands.

The Ministry believes that without these policies put in place, we cannot negotiate a fair deal on behalf of resource owners, the government and provinces throughout the country. It is something we are very much concerned about that resource owners are very well featured in all mining activities. As a result of that, we have been asking our friends overseas to provide institutional strengthening in the ministry to run awareness programs to assist the ministry develop appropriate policies and also to promote mineral as a product that could provide the enabling conditions for a wider diversified economy.

Mr Agovaka: Supplementary question on resource owners. As you know, the law says that the water resource belongs to the state. As you know, the government is planning to build the Tina Hydro Scheme up in Central Guadalcanal. What is the Ministry doing about the question of water resource ownership? Are you going to review the Water Act to effect ownership to resource owners? This must also include the water resource at Kongulae and other water resources as well.

Hon Huniehu: I would like to inform parliament that corporate behavior on ownership of hydro dams is changing very much in that most companies are interested to bring in landowners/resource owners into the ownership equation. In fact, Sir, most developers are only interested in selling the power generated to the grid, not only in Solomon Islands but all over the world. So we are working on a model that recognizes all stakeholders to ensure long term sustainability of these projects.

We understand one of the inadequacies during the past was leasing of land and paying less for people's resource, which had resulted in arguments that sometimes were quite difficult to resolve, not only with water resource but others as well. I think it is high time that we begin to change our corporate policies to encourage development in agriculture, energy, fisheries so that resource owners are well featured, as I always mentioned in the ownership equation. Thank you.

Mr WAIPORA: Mr Speaker, we have just dealt with mining, and so I will go back to forestry. At the moment, I have very high confidence in our veteran

politician and former Prime Minister to be in charge of forestry at the moment, and I am very happy with that. I hope he will do something that will change some of the things that our people have not been very happy about.

Mr Speaker, there are many logging companies in West Makira, and one of the complaints I used to hear from people there is on percentage sharing. How do they come up with the percentages? Is it guided by regulations? This is because the contractor will get 60%, the government gets 25%, landowners 10%, and the directors of companies get 5%.

This question is asking for maximum benefit of resource owners of their resources. If you look at the figures I mentioned, 10% for landowners is not maximum benefit. I think maximum benefit goes to the 60%. My question is, is this guided by regulations in the Ministry of Forestry?

Hon Kemakeza: Mr Speaker, if the Member of West Makira had listened carefully to what I said earlier on, this question is similar to the first question on the technical agreement. What I said was that at the moment this is under review to ensure the points raised by the Member for West Makira are not unduly implicated in this area.

It is not yet in a form of legislation. This is something that many resource owners have complained about ever since. But I thank you for your comments because we are looking into that very carefully to ensure everyone is fairly treated. Let us take an example on the real determined value pricing. If under any circumstance that has not been paid to resource owners of the West Makira Constituency, let me know so that we will take appropriate action.

I want to help the Member for West Makira because of this industry in his area. We have been working very closely ever since. I know the MP is working very hard for his people in the constituency. I applaud him for that. My office is open for us to discuss this issue, may be during this meeting or after this meeting. I do not run away to Savo like he said last time. I am still here to serve whoever comes to me.

Mr Sogavare: Mr Speaker, I thank the Ministers for answering the question.

Investigation of Securities by Police

11. **Mr SOGAVARE** to the Prime Minister: Can the Prime Minister confirm that the Police investigated and questioned more than 40 people who were engaged in the Prime Minister's Office and the Ministry of Finance building as security during the month of July over the possible theft of three (3) computers

from the Ministry of Finance and two (2) from the Ministry of Foreign Affairs?
Thank you, Mr Speaker.

Hon SIKUA: Mr Speaker, I wish to thank the Honorable Leader of Opposition, the MP for East Choiseul for his question. In response, Mr Speaker, I am only aware of two laptop computers being stolen during the month of July; one from the Ministry of Finance and another from the Ministry of Foreign Affairs. The one from Foreign Affairs is a personal laptop computer, which has already been recovered. The laptop being stolen from the Ministry of Finance and Treasury has not yet been recovered but the Police are continuing with their investigations into the theft of one particular laptop computer that belongs to the Under Secretary for Finance.. Thank you.

Mr Sogavare: Thank you Honorable Prime Minister for answering. The first part of the question is still there, that is: "Can the Prime Minister confirm that the police investigated and questioned more than 40 people who were known to be around in the area, Mr Speaker?"

Hon Sikua: Mr Speaker, I am not really aware of any Police investigations into this particular case and so I cannot really confirm whether they questioned 40 people, 20 or 10. I cannot really confirm that there were actually 40 people that were questioned in relation to these thefts, Mr Speaker.

Mr Sogavare: Mr Speaker, I thank the Prime Minister for his answers.

RAMSI Rearmament Training

72. Mr WAIPORA to the Minister for Police, National Security & Prison Services: What is the RAMSI Police rearmament training for local Close Protective Personnel officers, and what is the CNURA Government's position on rearmament of the Solomon Islands Police?

Hon MANETOALI: Mr Speaker, I also would like to thank the MP for West Makira and the Deputy Leader of Opposition as well, for the very important question. I would also like to thank him for always asking very important questions to the Minister of Police.

I would like to answer this way. Mr Speaker, there is no firearms-based rearmament training of the Solomon Islands Police Force by RAMSI. Some RAMSI Police officers are armed with firearms. The Solomon Islands Police Force is not armed with firearms, is not receiving firearms training and does not otherwise have access to firearms.

The CNURA Government's position is that there is no intention to rearm or train the Solomon Islands Police Force including the Close Protection Unit in the use of firearms at this time. Thank you.

Mr Waipora: Thank you very much, Mr Speaker and that is exactly the answer I was looking for. I will bring another question formally to do deal with this one. Thank you.

Cost of PM's Overseas Trips

74. Mr WAIPORA to the Minister for Finance and Treasury: What is the total cost of the Prime Minister's overseas trips to date?

Hon RINI: Mr Speaker, I would like to thank the MP for West Makira for this very important question. Mr Speaker, the Prime Minister's total trip costs including his delegations to date is \$1,441,479.90. Thank you.

Mr Waipora: Supplementary question. Of this \$1million that has been spent, does that include the money the Prime Minister used for his constituency tour that was raised by the Honorable Leader of Opposition?

Hon Rini: Mr Speaker, the question is on overseas trips and not on constituency tour.

Mr Waipora: Thank you, Honorable Minister for Finance for your good answer.

Mr Speaker: Those are the only questions for today. Our question has concluded and we will move on to our next item of business.

STATEMENT OF GOVERNMENT BUSINESS (*further statement*)

Hon Sikua: Mr Speaker, I wish to inform the House that although in my statement yesterday I indicated government business set down for the next three days, there have been changes that came about after my statement yesterday. As such I rise to make a further statement under Standing Order 15(5) to amend government business for this week.

Mr Speaker, it just came to my attention after my statement yesterday that the Public Accounts Committee has not yet had the chance to consider the 2008 Supplementary Appropriation Bill 2008. It is my government's wish for the

House to start considering this Bill next week. This means that the only opportunity for the Public Accounts Committee to consider that Bill would be any time this week.

Obviously the Public Accounts Committee cannot conduct its hearing while Parliament is also sitting. For that reason, Mr Speaker, I propose to move a special adjournment later on today in order that Parliament at its adjournment today adjourns until Friday 15th August 2008. This would then free up tomorrow and Thursday for the Public Accounts Committee to carry out its functions as required by the Standing Orders.

Mr Speaker, business that was previously set down to be dealt with tomorrow and Thursday will, of course, be brought back on early next week. Thus, government business for the week ending Friday 15th August 2008 is amended.

MOTIONS

Hon RINI: Mr Speaker, I move “That Parliament resolves itself into a Committee of the Whole House to consider National Parliament Paper No. 12 of 2008, ‘Central Bank of Solomon Islands Annual Report 2007.’

Mr Speaker, allow me to humbly present before this Honorable House, the ‘Central Bank of Solomon Islands 2007 Annual Report’. This is a requirement in compliance with Section 47(2) of the Central Bank of Solomon Islands Act.

Mr Speaker, the 2007 Annual Report launching coincided with the 30th Anniversary commemorating the political independence of our nation. Aside from celebrations and festivities, the occasion provided a cause for reflection and an opportunity to evaluate the progress the country has made in the last 30 years, as well as progress in recent years since political and social stability was restored in our nation.

Mr Speaker, the report highlights a number of very positive trends and developments in the economy of Solomon Islands in 2007. Sir, following the dramatic collapse of the economy during the ethnic conflict/crisis years, our country has now experienced five consecutive years of strong economic growth, culminating in this fifth year with economic growth of 10.3%, the highest level in 15 years. But while we should rightly pay attention to what has been achieved, we must also pay attention to what lies ahead for the economy and the people of Solomon Islands.

Mr Speaker, the report recognizes a great potential of the country’s economy, at the same time it recognizes significant challenges that lie ahead. Not least, the imminent decline of logging output and the pressure of international price increases in major commodities.

Let me, however, say here that it is the task of the Central Bank of Solomon Islands, the Government and all Members of this Honorable House to ensure the potential of our country's economy can be achieved and that the recent positive economic growth story would continue for the next five years, indeed for the next 30 years.

Mr Speaker, let me briefly outline the main developments into economy in 2007 and the outlook and policy stance for 2008 as outlined in the 2007 Annual Report and conclude it with a brief outline on the Central Bank of Solomon Islands operations in 2007.

Mr Speaker, in 2007, 10.3% growth was achieved. This growth was broad-based with strong growth in all but one of the major export commodities. The strong growth was driven by a dramatic acceleration in the rate of logging, with exports of round log increasing by 28% over the level in 2006. While this provides a welcome boost to employment, export receipts and government revenue, the rate of extraction of this valuable natural resource is unsustainable. This significant increase in 2007 will hasten the decline of the logging sector now forecast to begin as early as 2010.

Mr Speaker, improvement in the Agriculture Sector last year was the main driver of the economy as palm oil, cocoa, and copra production all expending significantly.

The restoration of palm oil production on the Guadalcanal Plains continues to be one of the great success stories of the Solomon Islands economy. In 2007 palm oil output increased more than threefold over the level in 2006. In another positive related development, the GPPOL begin producing high value added palm kernel oil towards the end of the year. As planting continues and productivity improves, palm oil production should continue to expand for several more years to come.

Mr Speaker, I am also very encouraged to report that in a welcome boost to natural incomes, the two main productive commodities of our rural people increased substantially with cocoa expending by over 13% and copra by over 13%. Copra production in particular has been boosted by very high international prices and even higher growth is forecasted for 2008.

Sir, the only sector to experience negative growth in 2007 was fishing, which declined by 28% in terms of catch volume. However, the report highlights that 2007 was a year of consolidation and efficiency improvement for NFD and the sector is expected to bounce back strongly in 2008.

Mr Speaker, overall, the Central Bank of Solomon Islands Outlook for 2008 is for another strong year of GDP growth of over 8%.

Mr Speaker, the issue of inflation has become a prominent concern in Solomon Islands and indeed globally since the beginning of 2008. Rising

inflation in 2007 reached 10% by the end of the year foreshadowing the difficult situation that has since escalated. Although inflation is driven largely by international price increase in fuel and rice, there are signs that second round effects are beginning to impact domestic prices.

Mr Speaker, turning to the external sector, the report highlights that the boom in productive activities provided a welcome boost to export receipts in 2007. At the same time, it warns that import continues to increase rapidly and the country still experiences a large trade deficit of \$182million in 2007.

In the coming year, increase in fuel costs and food prices is expected to increase the country's vulnerability in this regard. Decline in logging will put severe pressure on trade balance and the level of external reserves in the medium term.

Mr Speaker, the report relates that trade deficit in the country was again offset by strong inflows of both aid money and foreign direct investment, which contributed to an overall balance of payment surplus in 2007. Despite this, the level of external reserve remains vulnerable and the import cover fell to 3.9 months in the course of the year.

Mr Speaker, the report forecasts that one of the three developments in 2007 will continue to be expansionary. Money supply growth was high and just under 25% for the year and was largely driven by a rapid expansion of private sector credit which rose by 50% in 2007. This represents a slight slow down from private sector credit growth of over 60% in both 2005 and 2006. The growth in lending and money supply is a significant source of upward pressure on prices and inflation. Limiting this domestic demand component of inflation is now a major objective for the monetary policy of the Central Bank of Solomon Islands in 2008.

Sir, another key objective of the monetary policy strategy is to reduce the high level of excess liquidity and raise the rate of interest received by Solomon Islanders on their savings at the commercial banks. Mr Speaker, in 2007 monetary policies measures have to deduce access liquidity by over \$80million and in 2008 a further reduction of over \$100million has occurred to date. Average interest rates on deposits increased gradually in 2007 as a result and further substantial increases in rates have already been observed this year.

Mr Speaker, the report further revealed that monetary policies of the Central Bank of Solomon Islands in 2008 will focus on three main objectives:

- combating the worst excess of price increases with the aim of keeping inflation under 10%.
- maintaining an adequate level of reserve, equivalent to at least three months of import cover, and third

- improving interest rates on commercial bank deposits.

Mr Speaker, I believe it is important to report that since the beginning of this year, first with rising inflation and falling reserves in 2008, the Central Bank of Solomon Islands has begun to implement measures to limit the damaging effect that this has on the macro economic environment.

The report revealed that policy instruments have thus far focused on long term deposit facilities to remove liquidity and dampen domestic demand while an adjustment to the liquid asset ratio remains a distinct possibility.

The dramatic nature of international price increases means that inflation is likely to remain well above 10% for sometime to come. Nonetheless, Central Bank of Solomon Islands believes the measure being implemented would help to limit the second round impacts on inflation when conducted in an atmosphere of fiscal and monthly coherence in the second half of 2008.

Mr Speaker, let me now make a few remarks on the Central Bank of Solomon Islands operations in 2007. The report outlines that there are six main departmental functions operated normally during the year. Supervision and regulatory functions were active during the year, especially with ongoing responsibilities for the Development Bank of Solomon Islands and the operations of the Financial Intelligence Unit in the Central Bank. The Central Bank of Solomon Islands also ordered new currencies/notes during the year and these safely arrived early in 2008.

Mr Speaker, there were several changes to the Central Bank of Solomon Islands Board. Three new directors replaced out-going directors who completed their full terms.

Finally, Mr Speaker, I wish to report that the Central Bank of Solomon Islands has achieved a net profit of \$29.5million under the Central Bank of Solomon Islands Act in 2007, compared with \$21.8million in 2006.

In conformity with the Central Bank Act, profits have been allocated to the Bank's reserves as well as the Solomon Islands Government Consolidated Fund. Total assets increased by 9.5% to \$1,141.6million at the end of 2007. The 2007 accounts had a second set of annual accounts presented in compliance with international financial report statistics. In preparing the financial statement the bank received technical assistance from the International Monetary Fund.

Mr Speaker, I commend the Central Bank of Solomon Islands (CBSI) 2007 Annual Report to the House and I beg to move.

The motion is open for debate

Mr SOGAVARE: Mr Speaker, I would like to contribute in support of this motion that the Central Bank of Solomon Islands Annual Report for 2007 goes before the Committee of the Whole House for us to look into in more detail.

Sir, the Central Bank plays a very important role. It is a very important institution set up by the Constitution in the development for our country in that it deals with a very important macro economic policy, the monetary policy.

Monetary policy belongs to the Central Bank while fiscal policy belongs to the government. Two policies that are basically very important to the economy, Mr Speaker, are fiscal and monetary policies. Fiscal belongs to the government as it deals with government expenditures and revenue; how we collect money and how we expend that money while monetary policy rightfully belongs to the Central Bank.

There has been very little cross-path on both policies. I do not know whether this is good or whether it is something we need to look into again, and this is whether the Government has the duty to direct the Central Bank when it comes to a point where the government feels that it exhausts everything it can do in regards to fiscal policy and it wants the Central Bank to basically go in line with the way government sees things, is something that is debatable, Mr Speaker.

But there is the conventional thinking, Mr Speaker, that we should not cross path as monetary policy remains that of the Central Bank and the government should not touch while fiscal policy belongs to the Government of Solomon Islands and the Central Bank should not touch it.

In saying that, if you look at the report, Mr Speaker, the Central Bank is actually making some very, very serious comments on government finances. Whether that amounts to the Central Bank interfering into government area is something that is debatable too. But in saying that, the other role of the Central Bank is like a watch dog in the country. Not only a watch dog of the government, in fact the Central Bank is a bank of the Government and a bank of the bankers; the commercial banks in Solomon Islands. But it plays a very important role, thus we see critical statements made by the Central Bank on some policies of the government. For example, if the government comes up with a very expansionary fiscal policy, the Central Bank will jump up and down because it will have to tighten monetary policy. Whether that is something that should be allowed to work on its own is something that is also debatable.

The conventional thinking is that we leave the government to do its own thing, if it comes up with an expansionary fiscal policy, the Central Bank will automatically respond and tighten up monetary policy. If government tightens up fiscal policy, the Central Bank normally responds and liberal about the way it manages the monetary policy. I think that has been working well for us for 30

years now or more since the Monetary Authority was established way back in 1976, and was later on changed to the Central Bank of Solomon Islands.

In fact, the CBSI is part of a network of central banks throughout the world with direct connections with the International Monetary Fund based in the United States of America. Most of the policy directives and how things happen, Mr Speaker, in small countries around the world are actually influenced by the powerful economy of the United States of America, the most powerful economy in the world and the only superpower in the world. Therefore, Mr Speaker, there is resentment in third world countries when central banks interfere on government policy. They take it that it is not central banks that talk, but it is the International Monetary Fund that talks through the Central Bank and so they are trying to intervene in the way governments manage the economy. Thus you have governments in third world countries not feeling good when the Central Bank tries to put its hands inside the government and say, 'you be careful of what you do'. But the fortunate thing is that it cannot be the other way around. When government says, 'you careful too, do not put your figure on to what we do but just respond accordingly to the way we manage the fiscal policy'. That is what it is.

Sir, while we appreciate the role of the Central Bank in Solomon Islands, let us appreciate that it is part of a worldwide network of central bankers throughout the world, directly connected with the International Monetary Fund (IMF), which is based in the United States of America.

The Report highlighted a lot of things. In fact the statistics look very good. The thing about statistics is that they do not address real things. If the GNP grows it only shows that as far as Solomon Islands is concerned the very few who are involved in economic activities that are accounted for in national statistics are doing fine. That is basically what it is saying. And the assumption is the success of a very few who earn income, who export logs, who export whatever products and earn income, somehow the benefits of that trickles down to the man in the rural area. That is the biggest assumption that is in the present economy we have adopted.

There is an argument now by academics that we must put some human face in those statistics. We should not depend on them and take them for granted. Let us assume that the economy grows by 10.3%, what does that mean? Does it mean that the welfare of Solomon Islanders also increase by 10.3 percent? Very often it is not. And this is not only in Solomon Islands, not only in Solomon Islands but throughout the world. That is one resentment of the third world countries.

The International Monetary Funds, the Central Bankers that are directly connected with the IMF are so statistic-bode they are so statistic-minded that we tend to assume everything is alright because the statistics say so. This one is not.

The Government has a deeper responsibility than just looking at the statistics. We need to go down to the villages and see the welfare of our people in the villages. That is why we should not be blaming governments after governments, Mr Speaker. We should initiate schemes like the RCDF, Livelihood, Micro Fund, and I am talking about \$100million. Why? It is to directly address the development needs of our people in the rural areas. This is because the statistics does not make any sense as it is only for the benefit of the IMF and the World Bank. It is not for the benefit of our people. That is the reality of the statistics we see in the report.

But that aside, Mr Speaker, it raises some very important issues, and as rightly pointed out by the Minister, it recognizes the potential of this country. It says that we have trees, fisheries, land and all sorts of resources, which are factors of production that if matched up with the other right factors that are controlled by the formal sector something should happen. That is basically what it says, Mr Speaker.

This is a very important message to us leaders and to the ruling government as direct custodians of the government system. This is the message of this report. It carries more meaning to the government, Mr Speaker.

The Minister highlighted the issue of increasing price, which is a serious matter, and as rightly pointed out by a number of people who talked about this issue, it is a global phenomenon. Solomon Islands, being a very, very small country is basically a price taker. We are placed in this situation by big countries, Mr Speaker, and that is a very unfortunate situation, which I am not happy about. We are placed in a situation by decisions taken by bigger economies.

Why has the price of fuel risen? It does not have to if bigger countries start to discipline themselves. We have big activities going around the world today that have very high demands on fuel. For example, the big war that the United States and the Allied Forces are fighting in Iraq and the military activities in the Middle East. Those demand a lot of fuel and oil. You need to have that Mr Speaker, to continue to please the world. I do not know whether it is fair, whether we have a voice to go and tell them "please discipline yourself we are price takers, so please help us. What can you do to help us, Mr Speaker?"

Talking about inflation and other related issues, these are directly caused by other happenings, Mr Speaker, because the inflation rate of this country, almost 90% of it is imported inflation, it is imported from outside. For example, rice as we are all aware \$1.00 worth of Australian rice, before anything is done to it, already cost us SBD\$8.00. This is markup and any other costs such as

overhead costs, the exchange rate itself indicates that the A\$1.00 worth of rice will cost you SBD\$8.00. So we are placed in a very, very disadvantaged position, and it is about time that we voice these things to the world telling them that they are directly responsible for the price increases.

This leads me to something that I think the government needs to seriously consider this issue. I raise this on the floor of Parliament because it seems to me that the strategy is that we cannot control the price of oil overseas. That is controlled by bigger countries and the way they behave themselves, the way they conduct themselves in the international arena. What we can control here that is within our right as the Solomon Islands Government, and this is the area the Central Bank is directly responsible for, and that is to look at the exchange rate. The strategy seems to me to be improving the purchasing power of the Solomon Islands dollar.

Now the way this happens, Mr Speaker, is because we peg the Solomon Islands dollar against several dollars of our trading partners, and that is how we determine the value of the Solomon dollar, and of course how much export activity is happening in the country.

The fact about this country, Mr Speaker, and may be for the next 20 or 30 years is that it will continue to be predominantly an importing country. We will continue to import things into this country. We import matches to aeroplanes to bulldozers. That is the reality of the situation in this country.

So why not look at a strategy or look at a policy of revaluing the Solomon Dollar. Of course, the IMF and the World Bank will come shouting; they will come here and say: "Hey that is a fictitious value that you have put and is not supported by real activities in this country". That is what they will say. But there is nothing really stopping us economically of doing that and we can do that under law Mr Speaker.

You can allow the exchange rate to fluctuate following the way we operate, we relate to our exporting activities or you can actually fix it. And if the IMF and the World Bank come here and tell us that we should not be doing that, then tell them that we have a duty to the 500,050 people of this country who are now finding it very difficult to buy something in the shops, and who are finding it very difficult to relate to the price of fuel. Tell them that if they are so concerned about this country then stop fighting the war in Iraq, cut down their military activities in the world that is creating a lot of demand for oil. These are just some ideas but I feel that we really need to stand up.

Of course, you might need to have it fixed for five (5) years and then within those five (5) years put in some very drastic strategies to fill that gap. I think the area that you can push forward very quickly is this country's tourism.

Invest about \$200million a year in that sector, get the government to do it because for the last eight years we have not been able to do that.

We invested very little in that sector and that has led people to build their own little entities, like bankers that has helped very little in attracting the kind of tourists that should come to this country.

Fix the exchange rate, Mr Speaker, and aggressively address the areas concerned. I think the area that can quickly respond to any government policy or to any strategy, is tourism. You put \$200million there and build high class tourist resorts. Build two at Lake Tenggano, three more at other locations throughout the country and market Solomon Islands.

Come up with a marketing approach in tourism and get out of this mentality that when we do nothing or little, people will just come and visit us even how. That seems to be the approach now, Mr Speaker, and I think we need to be aggressive on that.

Anyway, I might have gone overboard on this, but I think it is an issue that we need to address because it is the current issue now, Mr Speaker.

The rising cost of everything that comes into this country, including inputs to import manufacturing, Mr Speaker, has been affected by the increases in price, which is actually fueled by the increase in fuel. If you look at all the other factors, you will realize the real issue here is the rising price of fuel. There is nothing stopping us too, and I am glad that the report raised the issue; the move to bio diesel and the Minister for Energy has been telling us of his Ministry's plans.

I was actually interested when I went to Vanuatu, Mr Speaker, and find that all government vehicles of Vanuatu are run by bio-diesel. They do not use diesel but coconut oil. When we go to Santo they took us to a factory that manufactures oil, and all government vehicles are run by coconut oil. And coconut is an abundant resource here, Mr Speaker. May be we stop the export of coconut or copra and revive the operations of the crushing mills, Mr Speaker, and produce oil on our shores. That is just to substitute fuel and lessen our import of fuel. We turn to our own bio-diesel, which is coconut, which is in abundance here. People know how to relate to it, they know how to make copra. This needs some really serious thinking now.

This report challenges leaders to think! The Central Bank should basically perform its duty of providing direction to the government so that it can come up with appropriate policies that will address these issues that we are raising.

Apart from that, Mr Speaker, I do not have much to say on this report, except as I have said it raises a lot of very important points that we need to look into. It continues to recognize as well the contribution of small holders and that is very important, Mr Speaker, because during the ethnic crisis it was the small

people in the village who helped to keep our economy going day in, day out and continued to produce copra and other little things that have kept this economy going. I think they deserve to be recognized through government assistance so that they do more.

The report, Mr Speaker, makes some reference to them. Mr Speaker, they are a very important sector and the policy that the last government and this government have put in place about rural development is a good statement. Let us make it happen so that we address some of the issues that are being raised in this report.

With that Mr Speaker, I fully support the motion that the Minister has moved to enable us to consider this report in detail in the Committee stage. I would also like to take this opportunity to congratulate the Board and the Management of the Central Bank for doing a good work as a watchdog of the economy and in getting the right signals across to the government. They have been doing that for years and I would like to thank them for that. I would also like to thank them for this very detailed report that is presented to Parliament for detail scrutiny at the Committee stage, Mr Speaker.

With that I support the motion.

Hon HUNIEHU: Mr Speaker, first of all, I would like to thank my colleague again, the Minister for Finance for introducing this very important report, the Central Bank of Solomon Islands Report 2007.

Before I go any further, Mr Speaker I wish to take this opportunity to pay tribute to the Governor of the Central Bank for serving this country the last 10 to 15 years when he was Governor for his achievements in the Bank, not only in the Bank but his contribution to the country as a whole. I understand that he will be taking up a new position with the World Bank and I would like to wish him all the best of success in his new career. At the same time, Mr Speaker, I would like to encourage whoever will be taking up this very important post of managing the Central Bank of Solomon Islands for the foreseeable future. I think the existence of the Central Bank in our country and within the financial and economic system is something that has really driven our economy and our country forward since its inception many years ago, Mr Speaker.

When you look at the aims and objectives of the Central Bank, as specified in the Central Bank Act Cap 49 Section 4 (a to f), Mr Speaker, I believe this report is in full conformity with the provisions of the aims and objectives. Mr Speaker, with your indulgence Mr Speaker, I would like to read out the aims of the Central Bank:-

- (a) it says to regulate the issue, supply, availability and international exchange of money. I think the Bank has been displaying this responsibility very well during the past.
- (b) To advise the government on banking and monetary matters. Mr Speaker, on monetary matters, as far as is stated in the aims and objectives, the role of the Central Bank is to provide advice to the government. Fiscal measure is something that is absolutely under the control of the Solomon Islands Government and so the Central Bank can only provide professional advice on how the government spends its budget.
- (c) to promote monetary stability. Without monetary stability in the country there will be chaos and our private sector at large would not be able to be effective in the way they produce and deliver services to the people of this country.
- (d) to supervise and regulate banking business. I believe the CBSI has been doing this quite well too, Mr. Speaker, over the last many years except to say, and I will be commenting on this later on, that the interest rates the commercial banks are charging are just not conducive for Solomon Islanders to engage in business activities in the rural areas and Honiara as well. It is something that we should start looking into.
- (e) to promote a sound financial structure, and
- (f) to foster financial conditions conducive to the orderly and balance economic development of Solomon Islands.

Here we are, Mr. Speaker, the Minister for Finance presenting to us in this Parliament to take note of the 2007 Annual Report with very highest achievements in as far as the Report is concerned. And I totally agree with the statements made by the Minister and also some of the statements that were made by the Leader of Opposition.

Sir, if we manage the economy, the monetary and fiscal policy in compatible with each other, we can continue to improve the economy. Sometimes, because the government is responsible for the management of its own fiscal policies, there is sometimes the tendency for it not to be compatible with the management of the monetary policy over the years.

I believe the Central Bank had been managing the monetary policy of this country well since its inception. I also believe that governments during the past have also managed their fiscal policy well and there were some governments that also mismanaged their fiscal policies wrongly, and therefore, always

referring to huge lending either from the Central Bank of Solomon Islands, the National Provident Fund and other institutions. When this happens, it affects service delivery in the rural areas and it is affecting the liquidity issue in the country when the government is seen to be consuming most of the liquidity needed for private sector investment and growth.

On the monetary issue, there are two sectors that I would like to comment on, and I am only making my contribution on issues that I think affects Solomon Islanders more than anything else. The first aspect is interest rates to the Bank. I must say that I have continuously over the last 20 years said in this Parliament that interest rates to the private sector, to business in Solomon Islands are very high.

I do not know the mechanisms whereby the interest rates are determined may be by the free market, maybe fixed by the Board, but I am totally convinced that they are too high. If they are too low, if they are not adequate, then we should have seen the banks making losses or making less profit. But that is totally different.

Yesterday we just passed the NPF Report, which says that it made huge profits. If you dare to look at the balance sheets of ANZ, the Bank of the South Pacific and Westpac, you will see that they are making huge profits as well. I believe this is to a certain extent at the expense of more investment growth; more money should be made available to resource owners of this country to have access to financial availability.

I hope the bank should look at this issue. If they think that is the way to go, well they have the power. The Government does not have the power. It is only the Board of the Central Bank that determines those things.

Another thing I would like to raise this morning is the exchange rate. Mr. Speaker, for the last 30 years, I have heard that our currency is too strong and so they have to continue devalue it. It is too strong. Many of the Finance Ministers said this in most of their speeches, but not this current one. My good friend, the current Minister of Finance of the CNURA Government never said our currency is over-priced. But I have seen in many budget speeches in the past that our currency is over-priced and therefore, it has to be devalued.

I remember at one time it was devalued at 20 or 25% because it was over-priced. It is total misinformation and misleading. And the reason they are doing this is to defend the currency, and to discourage imports into this country by discouraging importers to import less, not realizing that this country is an import-oriented economy. Ninety percent 90% of what we have in our houses, what we eat and what we do are imported.

We are importing inflations from overseas and I could not agree that our currency is over-priced. It is too weak. If it is because we are not exporting too

much, then we have to address it. If it is because although we export too much but the cost of our export is too high, then we have to do something about it.

At this time when our people are complaining about high cost of food in the shops, there are only two things in our hands that we can do to address this. One is to see if we can systematically revalue the dollar, even though small but little by little so that we can control inflation. The other mechanism we can use is the Price Control.

There are only two. If we fail to choose any of these two options, especially the revaluation of the Solomon Dollar, then the complaints will continue. I hope my good Governor will take note of this in the next few weeks. Sometimes when economists hear something like this from politicians, they think that politicians are talking nonsense. Of course, we have to talk nonsense because we have to listen to the majestic voices of the people and raise them.

And there is only one way we can raise their voices and it is in this Parliament. This is the timely moment for me as a Minister to raise it. If I raise this outside of debating a report, then the Prime Minister may reprimand me. I am using this time as an excuse to raise this fundamental question when looking at this Report.

The Leader of the Opposition mentioned the World Bank and its behavior. I wish to add here the World Bank, the Asian Development Bank and any other Banks. I think we must understand that the behavior, the lending practices, and the policies of most of these banks are the same. They always geared towards ensuring their clients are transparent. They are geared towards ensuring that the funds they give to their clients and members of their banks are used by none other than the way the project had been designed to be expended.

They make comments about the fiscal behavior of governments throughout the world, especially third world countries. When developed countries did it, it is okay, they keep quiet because they have other interests with each other. But when a developing country in the Pacific Islands and Africa did it, they make too much noise.

Well, Mr. Speaker, if that is their rule of compliance then it is the choice of each country whether to accept or reject it. But more often than not, most countries will have to accept their rules of compliance because where else can they go for assistance?

Sometimes some of the projects promoted in Solomon Islands were driven by high consultancy fees and therefore when the banks approved the projects - the World Bank or the ADB, they are totally irrelevant to the situation in Solomon Islands. They become too expensive for this country to bear. We cannot afford it.

The loans may be said to be 1% soft loan but in the overall context it is not like that because the product is not right, the consultancy were based on fake information, may be written in Washington, and so they come here one day just to show in their Report that they visited Solomon Islands, they have influence in the banks and they got loans approved.

But then why should we blame them because it is the government - the borrower of those loans that must give the final approval. If we were given approval to loans that did not help this country then the fault squarely rests on the countries that borrow the money.

Today I believe the behavior of the World Bank is changing. Sometimes we talk about institutions like the World Bank but it is the local governments in third world countries too that contribute a lot to establishing poor relationship between the banks and the countries because we think that they have to listen to us. If they do not listen to us, then we show them the exit door. Life does not happen like way. It is one of consultation and dialogue.

The CNURA Government has just reengaged with the World Bank a few weeks ago because we could not agree with them on many fundamental issues like issues of good governance, issues on how we develop our policies, issues on how we use our money. Although this money does not belong to them but they have invested interest in our country because they have given us so much loan that they do not want us to go bankrupt because they will also lose.

The same goes with the Asian Development Bank. But whilst the economy is now improving, I hope that the Honiara Club is their agreement that if we are to stop borrowing from the World Bank and whatever, then they should reconsider it because we need more capital money for agricultural projects. So why stop us from borrowing because we can repay?

This is the time we should be doing this. I believe if we borrow \$400 million to develop more cocoa plantations in this country, it would be far better than most of the projects the World Bank did feasibility studies and consultancy studies on in this country for the last 30 years, but nothing happened. It only landed us with big debts, and so we will ask them to write off these debts - forgive us for we know not what we did that time.

Mr. Speaker, the Report made mention of my Ministry, and I will take every opportunity to clear issues relating to my Ministry. Although I just did this during the vote of no confidence, but I know that there are some people in the country who were not listening that time. Those of you who did not have the time to receive from the Minister why things are going up, I just want to repeat it in the next 10 to 15 minutes.

I would like to thank the Minister and the Report for highlighting the need to start looking at biomass with bi-products of the palm oil plantation and

also to highlight the need to start using bio fuel with all the copra that we produce because this is the best way the Ministry believes can lessen our cost on importing fuel. The Leader of Opposition was absolutely right when he mentioned this during his contribution to the motion. My Ministry is vigorously looking at two of the best viable options to pursue as a government and as a Ministry.

The Report says that one of the most promising industries that could provide economic miracles for this country is the mining industry. How true is this? I have always said, Mr. Speaker, that we only have a population of about half a million people. If we can have four or five good mines developed in the next 10 years, I believe this will elevate our economic performance to a level of such credibility. This is what the CNURA Government is working towards.

I also believe and I would like to mention again that this country is invested with so much mineral given to us by God. It is therefore our duty as a parliament and government now to translate this into what it is supposed to be.

There is gold mine, there is nickel, and you name it, Mr Speaker, all these minerals are available in this country. We need the cooperation of all resource owners in this country, so that we can all become partners in developing these resources for our future and for our children's future.

Mr Speaker, I heard one man say this "Those people argue over land, but if they die they will be buried inside the land. When their children come up they too argue over the land and when they die they too will be buried inside the same land". My point is that I think it is time for us to open up – open up and do development. And it is the long term wish of my Ministry to run airborne geophysical survey in areas of the country that have never been surveyed in the past. Such a survey was done when the Colonial Government was still here.

Without this information, Mr Speaker, we cannot inch forward in the mining sector. The hope of this country, I whole heartedly believe lies on three or four more mines opening up. In the next 20 years we could have even 10 or more mines in Solomon Islands.

On renewable energy, the Ministry is taking the warnings here to heart. Comments were made on pages 20 and 21 of the Central Bank Report. We are pursuing all the recommendations made by the Central Bank and other professionals in the industry working cooperatively with them to develop it. In fact, Mr Speaker, I will be appointing a private sector consultative committee. The Cabinet has already passed papers for the establishment of this committee with key stakeholders in the country working cooperatively with the Ministry to address the issue of tariff, issue of policies and how well the private sector can fit in to promote and make investment on the renewable energy sector of this country.

Mr Speaker, in conclusion, this report spells a happy future for Solomon Islands, but in order for this to happen we have to stop changing the government every six months. We have to stop changing the government every six months. We must have political stability and we have to be serious with our people.

We have two very important reports presented to Parliament; the NPF yesterday and the Central Bank today. I would also like to see the Investment of Corporation report tomorrow so that we can see how it is bearing with this one. This report spells a happy future for Solomon Islands, and that is where I want to conclude. I support the Paper.

Hon KEMAKEZA: Thank you, Mr Speaker, for giving me time to briefly talk on this report. Before doing so, I would like to thank and congratulate the Minister for these two reports; one yesterday on the NPF Annual Accounts and another one today on the Central Bank Annual Accounts.

Mr Speaker, I think these two reports are very good reports. I thank your office for encouraging more reports to come to the floor of Parliament for us to debate because this Parliament belongs to the people.

In the past, Mr Speaker, reports like this only ended up in the hands of the big people, who either read it or not, and then it is sent out. Today it comes before us and we debate it. If you refer to my contribution to the motion of no confidence, Mr Speaker, this is exactly what I talked about that time. And so I thank the Minister for this report.

I also want to thank the Board of Directors in 2007, some of whom are still there and some have already left. An issue here is on the appointment of the board of directors to an important body like this. We must as much as possible avoid politicizing of the board. This is very important for the development of the boards. We must not put in people just because they support us to these boards. No. I want us to put in people who can do the job for the betterment of our country and people.

I also congratulate the Management, and endorse the point raised by the MP East Are Are on the outgoing Governor of the Central Bank. I think the country owes him much for keeping on track and advising successive governments during his time as Governor on monetary aspects of the country. I also thank the Deputy Governor; two very talented Solomon Islanders. Because of that the Governor is going to be employed internationally. We are getting another credit for having our nationals get into very important international bodies like the World Bank.

Sir, I also want to thank successive Ministers of Finance of successive governments because this report covers the period from 2002 upwards to 2007. I

also want to thank people who served in those days, which see 2007 boosted up a bit because of stability and also a conducive environment, like I said yesterday.

I also want to thank the Member of Parliament for East Are Are for liberalizing copra and cocoa so that anybody can find markets with better prices for these two important commodities. This is highlighted in this report as taking an important role in the economy of our country in 2007.

On oil palm, Mr Speaker, I want to also thank the people of North Guadalcanal and North East Guadalcanal for extending oil palm into the out growers scheme, which also contributes a lot to the economy of the country. You can see in the report that about 500 hectares of land is used for out growers or smallholders who are also involved in planting of oil palm. This will increase in the near future, as indicated in the report.

The disappointing factor of the report is the Auluta Basin, as it is taking us so long to realize the development on Auluta Basin, as well as Vangunu. This is in the report, Mr Speaker. My Ministry, under agro-forest, Mr Speaker, is encouraging Rob Roy in Choiseul and Santa Cruz to undertake that development. The Member for Temotu Nende and the Leader of Opposition have had discussions with my Ministry on this development as well as Vella La Vella. We are looking into this in my Ministry.

We are talking because in the next 5 to 10 years time logging will stop. If that happens what is going to be our fall back position? That is what we must be working on this time.

I am happy that this report talks about oil palm. If Auluta Basin comes in, as well as Vangunu and Rob Roy and Alladyce, surely even though the timber industry may go down but our economy will go up. Oil palm only takes three years and it can be harvested unlike logs, which only has five years left and it will stop. Oil palm only takes three years, but somebody said that in GPPOL it is only two years and you harvest.

This is true, and those of you who have not visited those places must go because I am in the agro forest, Mr Speaker, that is why I am saying that we must do something now to take over the logging industry. That is the recouping area.

The recouping area will be in agriculture. And I am sad to see in the report fisheries not doing well. But I hope in 2008 with the capable Minister he will find a way out. Do you know why fishery is low? It is fish monitoring and docking. Previously fish is transferred offshore, but this time according to Customs Regulations, it must be done onshore, and that is why you see many boats out there in the harbor so that there is proper recording on how many metric tons of fish are sent out. If that is done overseas, Mr Speaker, who is going to do recording for us. The same is with logs. If there are no Customs Officers or Forestry Officers at the log ponds, the people loading the ship will say

2,000 cubic meters is loaded when it is really 3,000 cubic metres. That is information for some loggers too.

I am happy to see mentioned in this report balance of payment, money supply, gross domestic product and also the fiscal policies. This is a good report but how can this report be sustained.

The way we behave, Mr Speaker, if we are not careful we will end up in trouble. And I am happy that the Minister of Agriculture who is not here must suspend it. I am thankful that the Sikua Government is taking a serious step to address the development at Vangunu, which is in the constituency of the Minister of Finance. I know that he fully supports this development as well as his people for Vangunu to be revisited. Vangunu came up in successive governments but it went from bad to worse. That is one disappointing thing mentioned in this report.

Tourism is picking up very well, and it is a very important industry that must be given more incentives, and more flights must be encouraged to come in. This government is very mindful of the tourism sector and it is trying its best to make 2008 a very successful year for tourism as well as 2009 and beyond.

Mr Speaker, the sector that needs improvement now is fisheries, as mentioned in the report. On logging, Mr Speaker, I am also being challenged by the situation now because forest plantation logs are coming up. Our two commercial plantations are worth billions of dollars investment.

What we are trying to do now is to assist smallholders. That is a policy given to me under the forestry sector. We are trying to assist smallholders to grow their own trees because we are also trying to go into two important markets certified internationally. What will happen is that smallholders will have secure markets locally and internationally. I am happy to report here, Mr Speaker, that KFPL is already certified, and this is in the constituency of the Minister for Environment. There is also another company in the border areas of the constituency of the Minister for Education and the Minister of Finance. Eagon Company is about to receive the same certification as well. What it means is that these log plantations have secured markets and recognized internationally and so their logs can go through. That is what we have been doing. And if the Prime Minister allows me, I am going to discuss this issue in Sydney next week. This issue normally goes together with Climate Change. We will also look at what is called carbon credit, which is going to be another revenue earner for the government. If people want it, we can leave out logging and keep the forests for government revenue. It is still a long way to go but the Prime Minister will further discuss this with his colleagues at the Forum Meeting next week.

What I am saying are all in this report. I am very encouraged to see this but it needs the cooperation of three things. First the resource owners must

understand the benefits they get from the resources, which is a point raised by the Leader of Opposition. On how to do it, Mr Speaker, GPPOL is the model. The GPPOL model is what resources owners are looking at so that the government stays out but investors and resource owners do the talk. The benefits belong to them, and the government only waits for tax, or it waits to collect revenue. Why does the government want to be involved in business like before? Mr Speaker, the government is not to run business, but is here to receive revenue to run services for our country.

The model is GPPOL and a similar model should be for the Auluta Basin, Vangunu, Russell Islands Plantation (RIPEL), Rob Roy, Waisisi, East Are Are, Gizo/Kolombangara, and the list goes on, Mr Speaker, like Aoke/Langa Langa. Of course, Aoke/Langa Langa as well because that is the only constituency building wooden boats in the country. I challenge this floor of Parliament. Only Aoke/Langa Langa Constituency builds wooden boats and not any other constituency. They are very skilful people, and that is an industry needing assistance. The only place in Solomon Islands that can build boats is Aoke/Langa Langa. Don't you know what is going on in Solomon Islands? I think you better go back and do your home work, Mr Speaker. You do not have to go far to find what Aoke/Langa Langa is doing. Even East Malaita is taking care of the Auluta Basin. The Leader of Independent is looking after gold. Also the MP for West Honiara is looking after the manpower of this town. You do not have to go far to find this. These are important resources. I can name which of the 50 constituencies have done important things for this country. Like Savo/Russell is a tourist destination, and you never know there might be also gold in Savo. It happens in Liha in Papua New Guinea; one of the biggest deposits of gold in the world today is Liha in Papua New Guinea. Where is the Minister for Mines, he should go and find it out. Liha is a volcanic island in Papua New Guinea. And we are in the same strand. If you look at its belt it reaches Savo. I read this in the paper. You will be surprised to find gold there. But the only problem is where are we going to go. I don't want that to happen. If I am still around, tourism is the best option. However, Mr Speaker, those are some examples our country can encounter in the future.

There is a lot of prospecting in Choiseul and we need the cooperation of resource owners in order for this very important industry to take effect. That's the first one. The second one is government policy. Government policy must be geared towards that direction. And I am happy that the CNURA Government has recognized that importance. The only problem with the GCCG was that it lost sight of some of them, and that is why the CNURA Government comes in to put things right. But it has gone through the same direction.

The Kemakeza Government did not do that, Mr Speaker, because its focus was on peace, peace, peace and that is why you people are enjoying peace at the moment. We have been dealing in rough times. This government should go forward with the development of the economy of this country.

I am glad that there is a shift towards rural development. This is also included in this report. I am not just talking about it. The report also talks about rural development. What this report says about policy direction, Mr Speaker, is that people are participating in the development activities of the country and other areas. This is in the report and for those of you who have not read the report, like the Minister of Environment; you should go back and read it. I read through the whole book last Sunday. But to abide by your ruling, Sir, I will not prolong this debate, as I am willing to go through this report subject by subject but we will come to that later.

The third point, Mr Speaker, is on government policy and resource owners. That is in relation to legislation. We have to improve the relevant legislation in order for them to go along with this thinking because that is the problem today. Forestry, for example, because of government policy, I decided to enforce a moratorium on it. This is an example. But there is no provision in the Act that allows the Minister to impose moratorium to stop logging operations. There is none. That has been challenged at the High Court and was defeated. That is why I am saying that we have to establish appropriate legislation to be in line with development needs of the country, the resources that we have and the incentives the government will put in place. This is in relation to the first question that was asked this morning Mr Speaker, regarding the rights and benefit of resource owners. This is what we must prioritize. And any government that goes against consultation and understanding with resource owners should be warned. Because legally, Mr Speaker, the resources are theirs, and the more we explain to resource owners, the more we are accommodating their situation in the Act, so that it stands against any investor who wants to development these important resources. The investors have to abide by the Act and do it according to the wishes of our people and the country, which takes charge of these important resources for and on behalf of our people in Solomon Islands.

With that Mr Speaker, I fully support the motion. Thank you.

Sitting suspended until 1.30pm.

Mr Speaker: The general debate on the motion moved by the Honorable Minister of Finance on Parliament Paper No. 12 of 2008 resumes.

Mr WALE: Thank you, Mr Speaker, for the opportunity to contribute a few thoughts on this very important report. Along with previous contributors, I would also like to thank the Minister of Finance for tabling this report before Parliament and also for the good work done by the Governor and his Board and Management team, in ensuring that the Central Bank continues a proactive, robust role in the management of our economy.

Sir, it is important that the independence of the Central Bank continues to be protected and its responsibility to monetary policy also continues to be protected and defended. I think any suggestion that the government should have leeway to dictate monetary policy is a dangerous suggestion for us to consider. Governments do have maximum capacity to move and to pursue its fiscal policy and that is not constrained at all in anyway by the monetary policy objectives and operations of the Central Bank. We know from the report that it is very clear that the Central Bank has worked over its last 30 years of existence, and it has worked well. And we know the colloquialism that says that, "if it works don't fix it". Otherwise if we pretend to fix it we will end up ruining it.

The reason why the independence of the Central Bank and its responsibility for monetary policies are established is so that there is continuity of how it pursues monetary policy, that it is not vulnerable to the dictates of political expediency.

We in this know this very well. Politics has the tendency to super impose on other objectives and crowd out what would in other circumstances be sound management principles. And with the economy we have to take this very seriously. I think it is important that the independence of the Central Bank continues to enjoy not only our protection but our support.

We also know during the conflict years, there was immense pressure on the Central Bank to print and issue money. These are financial objectives that would counter to the principles of sound monetary policy management. With that kind of experience and that kind of history, we do not need to look very far, to see why it is important that Parliament and the Government continue to respect the independence of the Bank, and the way it sets out its objective in pursuit of sound monetary policy.

The role that the Bank continues to play as a watch dog of the fiscal policy of the government and looking at the various sectors and how they are performing is again an important one. I think it would be a mistake if the banks speak critically of government fiscal policy and then we see or take that as criticism or trying to undermine government policy or government fiscal management. We see it, Mr Speaker, this critical voice as an important ally to help the government see what the issues are and also to respond proactively and constructively. Micro economic management, is in a lot of ways probably the

most strategic policy objective for any economy and the government on its own with political pressures Mr Speaker Sir, I think is good to recognize that the role that a Central Bank which is independence, can play pointing issues of either desperate urgent, requiring urgent attention or structural issues requiring policy responses is an important role indeed.

Sir, the Central Bank Annual Report 2007 repeats the same message from recent years, and that is the dire mid-term fiscal prognosis. It says Mr Speaker Sir that by 2010- basically by the next general election, "there will be a substantial and growing gap in the economy due to the drop in logging activity because of the depletion of the natural growth forest". This call has been largely ignored by successive governments. This is indictment on our leadership. All of us here have been part of these governments; we have been part contributing policy, we have been contributing Mr Speaker, Sir, to the direction and so forth in the way government responses to these issues. And so we cannot claim innocence. It cannot be our defense in this matter. Mr Speaker Sir, we have allowed and in some cases assisted in the unsustainable harvest of the forest resource and in some ways we were heading down the same part with the fisheries resource.

This report Mr Speaker Sir is getting more and more urgent and the crime more and more desperate because our neglect seems to be much greater. And so I think it is important that today in this House this government that we do something constructively about it. We would be blind and simplistic, naive and gullible to wish that this mid term fiscal prognosis will fix itself because it won't Mr Speaker Sir. We must be serious in our efforts to address this challenge. Mr Speaker Sir, we cannot depend on the other government, donors, and other organizations to depend our interest. We are the best defenders of our own interests, we promote them and we take from them. We ourselves too can ruin our own economy, Mr Speaker Sir. We cannot, Mr Speaker abdicate our responsibility for sound economic management. The role and place of donors, Mr Speaker Sir, is there. But it is up to us to set direction, set priorities and to liaise with them to focus our strategies and theirs to plug the gaps, which this report has clearly identified.

Mr Speaker, the current government's policy framework I think is a genuine and credible attempt to address the issues raised by the mid term fiscal prognosis. The Honorable Leader of Opposition has spoken about tourism and it is an important part of the government's policy framework. The potential that's waiting to be taped into tourism- we have been talking about the about that potential for a very long time but we have credibly done nothing to actual tap the opportunity. Tourism is an important aspect of this policy framework. Agriculture and the work that is going towards the oil project. Import

substitution in terms of rice. The Minister of Agriculture might also be interested to consider the possibility of wheat but we consumed a lot of flour already.

On copra and cocoa, government's urgency now in trying to resolve the RIPEL matter and get the company to resume production. These are all important parts of the attempt to make sure that gap which has been created by the fall out of the forestry sector will be held out. Fisheries has become an important aspect of this framework. Sustainable fisheries and the tuna management plan which the Honourable Minister is currently right ably working on is an important aspect on this issue.

Mr Speaker, it would be foolhardy for us to ignore the lessons which are staring at us in the face from the forestry sector and not fix the fisheries sector to make sure we don't repeat those problems and that future generation will have the benefit of harvesting that resource and continuing to sustain our economy. The mineral sector and alternative sources of energy is another part of the framework, and of course reforestation, which the Honorable Minister of Forestry has right and ably talked about previously. These are important aspects in response to the mid term fiscal prognosis.

Mr. Speaker, you do not have to work for NASA to work out these things. We do not have to be a rocket scientist to work these things out. The CNURA Government does not have monopoly or copyright over these things either. A lot of this is also in the GCC Government which a lot of us were part of as well.

We all agree on what is good for this country but we seem to disagree on working together to do it. We agree on what is good but it seems that personality politics is what makes us to run away from these things, and the dictates of political expediency seems to crowd out what is important.

Sir, the mid term fiscal prognosis is abundantly clear that by 2010, it will hit us. The value of the Solomon Dollar will drop further or get weak further. Every other thing will not change, a bag of rice will be even more expensive. Anything that we import will be more expensive because the Solomon Dollar will be weaker because our exports will be much less, and if our imports at the very minimum, remain the same. So harder times ahead if we do not begin the earnest work that we must do in these areas. The reason why we have not been able to do that is because we have refused to work together. We prefer to, perhaps at our level or national level, want to be in the driver's seat. We want to be the driver doing it as opposed to be part of what is happening. Or perhaps if you are in the driver's seat and other issues press in, you forget what is important and what is strategic. It is very important that we do not overlook nor minimalise the message contained in this Report.

If we take the whole Report and distill it to what warnings and signals this Report is trying to do, that is the core warning, in my view, that left to its own

devices, the economy will dip and will struggle given the mid term fiscal outlook.

Someone alluded to earlier about the need for political stability. And again this is a matter we all agree on, both sides of the House. We all agree that political stability is the number one strategic critical success factor for our economy to grow. It is important for investor confidence. It is important to provide an environment that is conducive for private investment planning and forward planning. It is also important to provide continuity in policy formulation direction, implementation, the whole policy cycle that we test out policy to see how it works, where it works, where it doesn't work and review and reform and so forth. Without continuity, it would be difficult because the private sector continually adjusts and plans in anticipation of what the public sector does and the public sector formulates its policy in response to the political direction it gets.

If political direction lacks stability, its energy and focus will be on keeping the numbers and power as opposed to addressing important issues and challenges we are facing because of this mid term fiscal prognosis.

The crisis we are facing is largely of our own making. We cannot blame others for it. We cannot blame donors for it. We cannot blame the colonial government for it. It is really on the shoulders of us leaders of this country. It is because of our own neglect that in three years time we face this crisis. It is because of our own neglect that the logging fraternity has been able to rape and pillage this country and get away with so much money and we are now crying over spilt milk. It is because of our own doing, and nobody else's.

Will we learn to look after our own interests and do what is right, not only by ourselves, the current generation but also what is right for the future generation? It is important because the warnings contained in this Report really focuses on mid term fiscal outlook, and that is why we are thinking strongly on the forestry sector. But what we must do and what we can do is almost aligned, almost consistent or almost the same because the potential is great indeed in these productive sectors that we have talked about and agreed on.

Finding agreement seems to be the least of our problems. Finding the will to collaborate and to cooperate, finding the will to embrace each other and to move forward, is what seems to be missing. We talk so much about reconciliation yet we do not show that in our own lives and in the way we work at our level.

Mr Speaker, I have gone off in a bit of a tangent but there is implication on this. Is it because we do not find a common purpose that we find it difficult together to provide the direction and the stability this country and this economy needs? Or are we continually, perpetually suspicious of what other countries,

donors, and other people are doing that we feel in our own little corner the only way to protect ourselves is to be the drivers ourselves? Because I think there is a lot of room for collaboration; instructive robust collaboration where we still will set agendas; we will still as leaders of this nation set the direction; we still will call the shots, we will still set what is priority.

We can try and influence what donors do in response, but it is up to them, and I think the honorable Leader of Opposition had alluded on this before. We do not have control over their agenda or what they wanted to do, but we certainly can do our best to convince them of what we see as priorities in our response to this mid term fiscal outlook.

Sir, the Report also pointed out another important determinant, the robustness with which we can respond to the mid term fiscal prognosis outlook, is the area of land, which requires a little bit of understanding and it certainly requires reform to safeguard the interest of resource and landowners and to provide a more efficient process in making land available for development, giving confidence to people who will invest money in it, giving surety, certainty, and finality to title. It is important that these objectives are safe guarded.

We do not just all go out one side and make it easy for land to be alienated, the rights to be alienated and become available for development almost to the neglect of the interest of landowners, but we hold those two objectives in balance.

All these issues at every meeting are not new issues at all. If we continue the neglect that continues up until today then we do so at our own peril. This resolve to act together, is it too hard for us, Mr. Speaker? So that we can together say "yes we agree" on that outlook, yes we agree that these are important priorities, yes we agree in terms of the overall direction that will help us deal with the dynamics and the fluidity perhaps, but certainly the dip presented to us on the economy in the next three to four years. If we agree we ought to put aside our differences and put our heads together and our hands together to the plough and resolve to work together.

Our resolve to work together, Mr. Speaker, would be a demonstration of our recognition and understanding of the seriousness, the urgency and the desperation this country faces, given the mid term fiscal outlook. If we carry on as if this is not out there, it is like the kind of threat we face with global warming and sea level rise.

If I want to make my 'umu' or 'gwabi', but sometimes the lunar tides come in and cover the place of my gwabi and so I could not cook, but I do nothing about it as if the sea level is not going to rise, then I appear rather silly. Much the same, I think applies to some degree in this situation.

We simply cannot ignore it and it is certainly up to the government to provide leadership in the way we will approach and respond to this challenge. But certainly it is incumbent on this House and the various sectors that we also provide leadership informally and formally to say that together as leaders of this nation, we recognize these challenges and we will respond together to address these issues.

Mr Speaker, economies never quite fail, they just devolve to another level, which we saw in the time of conflict. They said it is a failed state and we can argue that to certain degrees that it was or was not a failed economy. Well, to a certain degree yes and no, but certainly it devolves to a lower cycle and the economy shrinks and goes to a more basic level.

I think learning from the experience of the conflict years, as we are now in post conflict phase and period, we can learn from those lessons and say that we do not want to see ourselves relegated to that level of an economy that barely churns itself over again. But that we can be proactive and respond to creating a robust economy, especially in the productive sectors the opportunities are great indeed.

The Report highlights a huge increase in cocoa and copra production in Makira and yet very little has been done about copra and cocoa. How are we going to respond to stimulate and give more incentives to increase that production?

Alternative energy sources; no matter how many times we do not have power from SIEA because fuel price goes up, does it occur to us that some strategic investments in the production of bio fuel would reduce the cost of energy and allow that infrastructure and utility to be accessed to stimulate more private sector investment.

Those issues, as I have said before are not new issues. They are issues that are just clear to us, we agree with them. But when it comes to allocation of resources, we also start to fight. If we agree what is important because of the mid term fiscal outlook, we agree that we have finite resources to respond to these issues, then we ought to agree on the priorities and directions ought to be in that response and therefore, the kind of allocation of resources towards these policy objectives.

If we agree on these things but we fight over the resources for non priority issues because everything is important but not everything is priority, which do not contribute to that and we allow the mid term situation to get the better of us, we will not have time to deal with the other stuff afterwards.

There is a sense in which our best hedge for the mid term fiscal prognosis is to ensure that the allocation of resources in the fiscal policy of the government

must show a kind of priority that dictates the kind of situation we have on our hands or we will have on our hands soon.

Although the Report is very positive; positive of last year and the year before and positive certainly of this year and their projections for 2008 is good but we are heading toward a bit of a dent. It may be quite a serious dent and we ignore that or neglect that to our own peril.

Sir, I do not want to sound like a prophet of doom, but I think it is important that we are realistic, not pessimistic. If we are pessimistic then we are hopeless and helpless to respond to the situation. Optimism is great but almost naively so to ignore the situation that is facing us. Let us be realistic so that our responses likewise will be realistic.

With those few thoughts, Mr Speaker, I support the motion.

Mr TOSIKA: Mr Speaker, thank you for giving me this opportunity. First, I would like to thank the Minister of Finance for introducing this report to Parliament. I think it is timely. I would like to thank the CBSI staff for their hard work in producing this report to come to Parliament.

Mr. Speaker, this report is like a mirror reflecting the state of the economy in our country. Sir, I will not take much of your time but I will go straight into some of the things that I note as very urgent needs our attention.

Talking about commodities like copra, which we are seeing has increased by 31.2%. This indicates to us that people at the grassroots level in the rural areas are hard working, and that is why this increase came about. Without their hard work, this increase would not have come about.

I can note very clearly here that some of the difficulties the farmers and copra producers encounter are stated in here like they do not have proper dryers, they run out of used oil drums and they also have transport difficulty. These are some of the difficulties they encountered.

Mr. Speaker, I know that this product is a traditional product, which during our colonial days our colonial masters trained our people on how to plant and look after it. I also understand that this product is the mainstay of the economy of other countries as it sustains the livelihood of other countries in terms of the production of their industries. Since they do not have land to plant copra or cocoa plantation they rely on countries like Solomon Islands and others in the region to supply this product to them so that they sustain the industries they have in their own countries.

Mr. Speaker, the question I am trying to ask here, which I also asked several times in Parliament is why do we always export our traditional products in their traditional forms. What I mean is why we don't stop export copra but export oil.

I used to work in the Customs Department, and I understand that because we do not have the capability of supplying the market to meet the requirement of 14,000 metric tons of copra per month, we have not been able to export direct to those markets. Because of that there must be a middleman that comes into play, and the middleman is our neighboring country. Therefore, our regional partners profited from copra coming from Solomon Islands. It is gain to their economy.

What I would suggest is because we do not have direct access to the markets, may be we should downstream process so that we can export through containerize arrangements so that we can enter into markets that we get maximum benefits for rural dwellers.

I continue to feel that we need to change some of our policies and we need to be realistic and honest about our commodities. First, we need to look at the commodity called copra. We can see that people are working real hard to make copra. Why do we not change so that its bulky nature becomes easy for people to transport and export? That is the thinking here. I think we must shift into downstream processing, and we always talk about downstream but we have done nothing about it. When are we going to downstream process our major products like copra, cocoa, timber and so forth?

One product that I see as essential here, Mr. Speaker, is water. We continue to import water from countries that do not have water. For instance Singapore imports water from other countries, refines it and then exports it to other countries. Solomon Islands is plentiful of this water resource. Take for example, my colleague Member for Ngella his water is flowing night and day, year after year to the ocean. This is a resource that if tap into can be one of our gold mines in Solomon Islands.

In the United Nations Report, 40% of the world's population do not have good drinking water to drink and use and yet we in Solomon Islands are so careless that we do not look into this area to encourage our local people back at home to go into distilling of water and enter into association with other organizations so that we can export water to other countries, which is in abundance in Solomon Islands.

Mr. Speaker, on the same token, let us look at logging. Logging damages the relationship of almost every family and every fabrics of our society in Solomon Islands. I normally go out to the ships and witness the export of logs. When I go to other places, I can see that the same people who own the logs and are receiving royalties are worse off. They do not even have timbers to build their own houses because they only argue over royalties and then it is gone.

I think it is time that we should look into this because the report here says that by 2010, we are going to experience low earnings from logs. This is a signal to us that we have to take immediate action because 2010 is just one and a half

years time. If we do not take immediate action on things shown in the report then we are incapable of running this country or we are not fit to look after the nation, and people of the country.

In saying this, Mr. Speaker, I think we should give subsidy to coconut plantation owners so that they can buy drums, and assist them to transport their copra to buying points and even plan for them to own machines to downstream process the copra into oil.

With these few remarks, Mr. Speaker, I support the report.

Hon MANETOALI: Thank you, Mr Speaker, for the opportunity to contribute to this motion. I also thank the Minister for Finance and Treasury for bringing this motion before the floor of this House.

Mr Speaker, yesterday debated the Annual Report of the Solomon Islands National Provident Fund 2007, and now the Central Bank Annual Report 2007. Mr. Speaker, I would like to thank the 2007 Central Bank Board members for their hard work and also the management of the Central Bank of 2007 for a job well done.

Mr. Speaker, most of our people are living in their respective communities with their respective way of life. Their survival depends on land and sea resources. The Central Bank comes in when money becomes involved in our economy. Today most of people are involved in small business activities and there are also a few major businesses as well. They all contribute to the economy of this country, hence the need for a Central Bank.

Mr. Speaker, Central Bank's objectives are read out by the Minister of Mines this morning, and I need not repeat them again. But to sum up those objectives, they attribute to one thing; money and economy. Our domestic economy covers in particular the following areas contained within the Report: Forestry, fisheries, copra and coconut oil, cocoa, palm oil, honey, rice and tourism. The above mentioned domestic products are the ones our people have been heavily involved in and we must ensure improvements on those areas be seriously looked into.

Mr Speaker, there are suggestions put forward by the honorable Leader of Opposition, which I regard as very constructive suggestions. It is true that the price of rice and fuel are sky rocketing. There are suggestions made by the honorable Leader of Opposition earlier on, which I agree with some of them. For example, Mr. Speaker, tourism must be seriously looked into, and I believe the good Minister of Tourism has taken note and would seriously look at those suggestions possibly in the next budget.

We already have the natural beauties, Mr. Speaker, of our islands and more people would like to come and see our islands. Tourism is not a new thing

to us. People have been visiting us ever since and it is us to facilitate more people to come.

Mr. Speaker, the other suggestion was on bio fuel. The Leader of Opposition suggested coconut oil as bio fuel. Mr. Speaker, I hereby announce to you that in Isabel Province, especially in the Gao/Bugotu Constituency, several hectares of Xanthosetemon trees are now being planted and the people are seriously into this new introduced species. Xanthostemon tree is a newly introduced tree that takes six to eight months to bear fruit. What we are waiting for now is for somebody who has the machine to produce the fuel. Hence, I leave that to the hard working Minister of Commerce to look into that need and get somebody with the necessary machinery to purchase the seeds to produce the bio diesel. Whilst on that, the provincial land is always available for big developments.

Mr. Speaker, the Central Bank of Solomon Islands Annual Report 2007 covered a number of areas useful to the government and the government needs to consider the Report. As one of the principle objectives of the Central Bank is to advise the government on banking and monetary matters, this may include other economic matters as well.

Mr. Speaker, with my short contribution, I support the motion and I beg to take my seat.

Hon Rini: Mr. Speaker, first of all I would like to thank the Members who contributed to this motion since this morning. Mr. Speaker, a lot of very important issues were raised by various Members in debating this motion. First of all, I would like to congratulate the Leader of Opposition of raising some very important points. One of the points he raised is the difference between the government's fiscal policy and the monetary policy whereby these two policies could not go together. However, Mr. Speaker, it should not have been like that.

Monetary policy and the fiscal policy of the government should work together in order to achieve the government's aims. As the Leader said, to match these two policies is sometimes very hard because of the influences that organizations have but in actual fact they should be working together.

Mr. Speaker, another point raised by the Leader of Opposition is the exchange rate. There is no problem if we want to increase the exchange rate, but there are other factors that we have to consider when raising or appreciating the Solomon Islands dollar. At this stage, it is not considered feasible to do that, because firstly our foreign reserve is declining and therefore it is not feasible to do that. Secondly, if we are to appreciate the Solomon Islands dollars, that means the incomes of our export commodity will be decreased, and that means the value of income from copra, cocoa, timber and other export commodities will

go down. Because of that, it is not feasible for the government to pursue that policy at this stage.

Mr. Speaker, there were points raised on the rising cost of rice and fuel. As the Leader of the Opposition rightly said we are not price setters but we are just price takers. The problem now with fuel, as stated by the Leader of the Opposition is that the war in the Middle East needs more fuel and also because of increasing economic activities in India and China meaning they need more fuel for their factory. That is the reason why it pushed up the price of fuel.

On the rising cost of rice, Mr Speaker, we used to import rice from Australia, but for the last two years drought caused a problem in Australia and so it cannot grow rice. Because of that the Australian company that sells rice to Solomon Islands had to secure rice from overseas. Before it used to get rice from Asia, especially China and India but because of the economic boost in India where people have more money and therefore demand good foods, and so they cannot export rice anymore. China because of the Olympic Games held back all its rice stock. It therefore leaves us with the only country that we get rice from at the moment, which is the US. And as you know the US dollar is about seven times of Solomon Islands dollar to one US dollar, and this is causing the expensive price of rice, and also freight charges because of the distance.

Mr. Speaker, there are points raised on logging. What would happen when logging activities decline in 2010? The Government is well aware of this and is putting relevant policies in place to replace logging. When logging goes down in five years, at least, we will still have other sectors to rely on.

The government has developed a medium term economic strategy, and in that strategy, which will start next year, the government will put aside 5% of revenue to finance four of the very important sectors the MP for Aoke/Langa Langa mentioned earlier. These are tourism, agriculture, fisheries and minerals. The government is putting in place strategies that will be implemented next year.

Mr Speaker, like the report has shown, the economy has grown for more than 10% and the Leader of Opposition rightly stated earlier that we might say there is 10% growth but people in the rural areas are not feeling this. That is very true. But if you look at the other side of the coin, Mr Speaker, you will see that this 10% growth has impact on other sectors. For example, employment grew from 4,570 in 2006 to 6,115 in 2007. You will also see that a number of investors or employers have also increased. In 2006, there are 106 investors and in 2007 180. So you can see, Mr Speaker, the economy is growing

Mr Speaker, this growth is because of the following factors:

(1) Improve in law and order - that makes this growth. Business people are secured and safe to invest.

- (2) Great investor confidence - because of law and order investors have gained confidence in the country and come to invest money in the country.
- (3) Improvement in the business environment. When the business environment improves businesses are encouraged to come here for investment.
- (4) The government's implementation of its reform policies. This is the 4th area that enabled this economic growth.
- (5) Continued support by aid donors.
- (6) Positive development in the country's major international trading partners.

You will see, Mr Speaker, in the agriculture sector an increase of 21% compared to 2006. Fisheries decreased by 28% last year but this year it will pick up again. Mr Speaker, you can see that the agriculture sector is performing well. All our exporting commodities are doing well. We are getting good price for our copra, cocoa, logs and oil palm, and these are contributing very well to the growth of our economy.

Mr Speaker, with those few remarks I would like to thank the Members who contributed to this motion. I also thank the Governor of the Central Bank, the Board of Directors and the Management for producing another very, very good result in 2007. I hope that in 2008 we will see another good report by the Central Bank of Solomon Islands.

With those remarks, Mr Speaker, I beg to move.

Mr Speaker: Honorable Members, the question is that Parliament resolves itself into a Committee of the Whole House to consider National Parliament Paper No. 12 of 2008, 'Central Bank of Solomon Islands Annual Report 2007'.

Parliament resolved into a Committee of the Whole House

Mr Chairman: Honorable Members, here before the Committee is the Central Bank of the Solomon Islands Annual Report 2007. It was presented to Parliament in accordance to Standing Order 17 on Tuesday 5th August 2008. We will now go through the report page by page from page 1 to page 113.

As usual, I expect all Members to uphold the normal rules on this kind of deliberation; rules that no doubt members are familiar with.

Pages 1, 2, 3, 4 - no comments

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Hon Fono: Mr Chairman, just a comment. I think it is good to have some gender balance in the Board's composition. This is for future consideration. Thank you.

Mr Chairman: Thank you Honorable Deputy Prime Minister. These are all handsome faces of gentlemen but there is absence of ladies. I am sure the Honorable Deputy Prime Minister's comment is taken note of.

Pages 6, 7- *no comment*

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Mr Sogavare: Mr Chairman, just a comment on the overview of the Bank in relation to its outlook for 2008 on inflation. Given the developments and the inconsistent increase in the price of fuel and also basic essential items driven by factors that we have no control over, what will be the effects of the Honiara Retail Price Index and inflation in Solomon Islands, on such developments for 2008 onward?

Hon Rini: Mr Chairman, can the Leader of Opposition repeat the question again please?

Mr Sogavare: This is on inflation. Given the developments in the world where prices have increased and driven by factors that we do not have control over, like price of fuel and so forth overseas, I am just asking, what is the bank's prediction on inflation this year and in the future, if this development persists Mr Chairman?

Hon Rini: Yes, inflation for this year is expected to increase. It will increase because of the increase on the price of fuel and also the price of rice and other commodities. In Year 2007 it is 10% and in 2008 it will increase probably to say 15%.

Mr Sogavare: Mr Chairman, thank you very much, in fact that is what we are expecting. May be when we come up with the 2009 budget, Mr Chairman, it is very important that these factors are taken into account, especially if we want to maintain the same level of services we really need to take the factor of inflation into account so that it does not affect the level of services. We must take this into account, Mr Chairman. Thank you.

Hon Rini: Mr Chairman, that is exactly what the Ministry of Finance is doing. We have written to all ministries asking them to increase other charges from say 5 to 10%. That is exactly what will happen in next year's budget. Thank you.

Pages 10, 11, 12, 13, 14 - *no comments*

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Mr Sogavare: This is an ongoing problem which may be the government needs to find out exactly what has happened. In 2007, with improvement in the Foreign Investment legislation, the aim of that legislation is to make it easy for investors to come into the country and register. They apply to be registered. As a result of that, we received 265 investment applications valued at \$4.57billion for 2007. The report made a point in here that says, "Of these approved applications, it is likely that only a portion will actually eventuate". This is serious, in fact it does not only happen in 2007 but it is something that happens every time, every year and we do not put in investment as only a very few has actually taken off.

With some of the improvements we have done, what else is not yet put right so that investors are not able to actually commence operation? May be it is an issue we need to find out. I do not know whether the government has an answer to it or probably not.

But I think it is good that we find out what exactly is happening that has prevented the investors from investing. This \$4.57billion is a very big money and once all these investors operate in the country, there will be really a big improvement, Mr Chairman.

Hon Rini: I think that is a very valid point. We have identified some hiccups in the existing investment Act and we will rectify those hiccups as time goes on. The Act is currently under review to see any sections that need amendment to cater for hiccups in the Act.

Page 15

Mr Sogavare: Mr Chairman, thank you for that. The other issue is that, as pointed out by the Bank in the report that "Investment is also hampered by the existing traditional structural impediments, most notably the complex land tenure system," and that is an ongoing problem that we are all aware of. I think there is a proposed reform we would like to carry out, and I understand this

government will also push that reform forward, and that is the introduction of the tribal lands and titles legislation into Parliament to try and address the intricate values of our customary land tenure system so that when development comes it has to also accommodate our values in the traditional land tenure system. That has been the problem of our country because people have been so attached with their land and therefore when development comes, people see it differently. I think that reform is all about bringing up the values of custom so that people see it in the light of development.

It is important for that Bill to come in so that reform is introduced because this is one of the issues that is brought up again by the Bank and I think it is an issue that needs to be addressed.

Hon Rini: Mr Speaker, that is also a very valid point. The Ministry is still looking into amending the existing Lands and Titles Act.

Mr Chairman, this is not an easy thing and that is why it is taking the Ministry very long to look into it. This is because, as we all know, ownership of land is not similar in all our islands. In some islands we have the matrilineal system of inheritance and ownership and in other islands we have the patrilineal system, and there are also mixed systems. Yes, it is not an easy task but the Ministry is progressing very well in trying to amend that Act and hopefully the Lands and Titles Amendment Act will come in, if not in November then early next year.

Page 16

Mr Taneko: The report identified copra, cocoa and palm oil. I want to know how seriously the Ministry of Agriculture is taking these products. The Report says 21% but are you taking coconut and cocoa seriously. It is not only to increase production but it indirectly creates employment in the rural areas, where 85% of the populace lives. I think the government of the day should take those sectors seriously.

How serious is the government taking these products when we know exactly that percentage will increase to create employment in rural areas for self-employment? This will enable them earn their living, their standard of living will change, and they will have enough money to develop their standard of living.

Hon Riumana: Mr Chairman, I thank the Member for Shortlands for his very good concern. Yes, copra and cocoa are traditional cash crops that sustain the economy of Solomon Islands. The Ministry is seriously considering

rehabilitating copra and cocoa and this increase in here could be an indication of the rehabilitation process the Ministry is undertaking.

Mr Sogavare: On page 16, the Bank did some figures here based on the international price of log, and that is probably driving the government to look at the determined value of the logs.

The Banks say that the average international price from the World Bank sources trends upward to US\$268 per cubic meter. That is quite good from US\$239 in 2006.

From discussions with loggers, Mr Chairman, they really have no problem. They were only requesting the government to assist them find markets that can buy logs at that value. Mr Chairman, if banks know the markets that can buy logs at those values, then it would be very good for every one of us. It would be good for the government, for loggers and for everybody.

Can the Minister elaborate on what the Bank says here? Do we know these markets so that we can help our loggers?

Hon Rini: That figure might be the highest in the top markets of the world. But our loggers are not getting this price, and so sometimes it is misleading. The World Bank might be quoting this price say from US\$268 per cubic metre in 2007 and it says that in 2006 it is US\$239. But as I have said our loggers are not getting these prices. This might be the highest price.

How logs are sold is quite different. Like for fish every one abides with the banking price, and that is the international price that fish everywhere around the world is sold. In the case of logs that is not so. There might be this price of US\$268 per cubic metre but loggers sell to another middleman and then to another middleman. That is how logs are sold.

To make it clear here, this might be the price the World Bank is quoting but the actual price that logs are sold is well, well below US\$100 per cubic metre. Thank you.

Mr Tosika: One of the factors that we must also take note of here is that most loggers in Solomon Islands are related loggers that have mother companies in a foreign country and their sister companies in here. Therefore, price can get mixed up in those areas and they are not able to get the real price existing in the markets.

Please take note that there are lots of subcontractors that come into the country and flooding the forestry sectors that we have to get rid of such arrangements and only allow genuine loggers into the country.

Mr Taneko: Page 17 and this is on Soltai Fish Processing. I wonder whether the government has any plans to look into Soltai processing reef fish. We have the best reef fish in the country and I wonder whether this can be processed and exported or sold in the local market. Can the government look into this so that it can help the rural people as there are tons and tons of reef fish available in the country?

Fish today is of very high demand locally as well as internationally and out there we have the best quality fish.

Hon Rini: Mr Chairman, at the moment it will not be feasible for Soltai to go into that line of business. The Company is still struggling financially and the new Board is looking into restructuring the Company. At the moment it is not feasible for the Company to go into such an undertaken. But in future that can be considered when the company's financial position is sound.

Pages 18 to 30 – no comments

Page 31

Mr Taneko: On monetary reserve, I wonder whether I have overlooked this but with regards to the reinsurance process- we have insurance companies here, the insurer companies that clients pay their premiums to, whether they can maintain the level to increase premiums on Treasury Bonds and Government Bonds. Is there any way that the government can do to organize or to become partner with reinsurance companies outside from the bond, that is to create partnership with Solomon Islands so that we can build that collateral of the premiums that are being paid. The premium paid today is big money and, say more than 34% to 40% has gone out of the country. Thank you.

Hon. Rini: At the moment the government has no such policy in place but in future if the need arises to address this issue then the government can look into this proposal.

Pages 32 to 41 – no comments

Page 42

Mr Soalaoi: Mr Chairman, page 42 of the report is on the financial system. This is a general question and I would like the Minister to explain to Parliament why

is that I turn every page of the report but I do not see anything mentioned about the Family Charity Fund?

I ask this question because it is affecting our people and they are blaming the Government, the Central Bank and even the Commercial Banks. It is not included in any part of the report, Mr Chairman.

I would like the Minister to assure Parliament and this nation if the fund is registered under any Act at all? This is because I see here in the report different names, and not the family charity fund.

Can the Minister confirm to us whether this entity is true? Does the family charity fund have anything to do with government or the CBSI? Or what can you inform this House regarding this fund?

Hon Rini: I want to make it categorically clear here, Mr Chairman that there is no money for the Charity Fund with the government nor deposited the Central Bank or the Commercial Banks. If it is deposited in the Central Bank as everyone claimed then it would be seen in the financial statements of the Central Bank. If you look into the financial statement of the Bank, starting from pages 62 to page 65 you will not see any funds belonging to charity fund being deposited in the Central Bank. Thank you.

Mr Soalaoi: I want to follow up on that general question. If that is true the sad thing about this fund is that it seems to brainwash our uneducated people. Worse still, some very prominent former government employees have also fallen victim to the fund. Some of us were discouraging people not to join such a scheme. I wonder whether the government or the law enforcers can do anything about this because if it is illegal then legislation must be in place to stop it. What is the Minister's advise to the people who operate such schemes as well as the followers? I think the operators were imprisoned for what they did but they are doing it again. I suggest that the responsible authorities should deal with them again.

A good number of my people are affected on this, and I know that some of the money that you have gave to your voters ended up in this fund. So, while it might sound irrelevant it is affecting our people very negatively.

What would be your advice to these people? We told the people that the organization is illegal and is not recognized by the financial institutions but it does not stop people from following such a scheme. What should we say to the people who are operating these schemes as well as their followers, and what are we going to do with them.

Hon. Rini: I don't know what other advice I would tender to these people but for the last two or three years the Central Bank came out very clearly in the newspapers, over the radio telling the public that there is no such fund of this organization in the Central Bank or even in the commercial banks. Even the government came out very clearly on this issue in the newspapers, in the media, on radio, saying that there is no such fund in the government.

I just want to repeat again to those people who are still being deceived by the operators of the organization that please note that the Charity Fund is illegal and so do not deposit your money into it, because if you do that's the end of your money. My advice is stop giving money to this organization. That's all I can say.

Pages 44,45,46- no comments.

Page 47

Mr Taneko: My question is with regards to communication for the financial services in the rural areas. In some places telecommunication is still to reach them, especially in the provincial headquarters. For us in the far west; Shortlands, Taro is a bit closer but the poor employees like teachers, public servants, rural people if they want to come to Taro, the cost of petrol is very high at the moment. This is just a general question. If there is a village community registered under the Charitable Act, a legalized Village Saving Club, can the Central Bank support them with allocation of funds to those that do not have access to modern telecommunication system for facilities such as ATM and so forth? Can it be done? If the village – some sort of saving club to register under the Charitable Act, can the Central Bank help them?

From my experience, there is lot of money earned through copra by the people, but there is no place for them to save their money. This is just a general question.

Hon. Rini: Our old bank, the National Bank of Solomon Islands has been trying to bridge this gap with the assistance of the Central Bank by putting agents in the provinces. When the shareholding changed with the departure of the Commonwealth Bank, and the coming in of Bank of Hawaii it changed the whole set up saying that the operations were not feasible. That has been the problem we are having at the moment. But if a big need arises then it should be discussed with the banks concerned and the Central Bank can assist. Thank you Chairman.

Page 48 - no comments.

Mr Soalaoi: Thank you Mr Chairman, on 49 about the money laundering and combating the financing of terrorism. I understand that the Central Bank monitors these kinds of activities. Related to my earlier question, some said that some money can come through Central Bank and then disappear after some time. Does the government or the banks have any information on such happenings? I am asking this question Mr Chairman; because with terrorism and money laundering around the world money is channelled from places that do not have good monitoring systems. That is how they filter their money. They put them through other Central Banks around the world and when it came back they can use it. Do we have any experience of that sort in our Central Bank in the country or not?

Hon. Rini: Thank you Mr Chairman, according to my knowledge nothing as such has happened. No money has come through the Central Bank and goes somewhere else. Money that comes through Central Bank is from aid donors to fund the projects in Solomon Islands and also the money that comes through from our export receipts. So I'm not aware or it is not of my knowledge of any money that can come in and just pass through here and I can assure this Parliament that no such thing has happened.

Pages 50, 51

Hon. Tozaka: Mr Chairman, I just want to touch on the currency operations. It says here that the mutilated notes have reduced from \$27.8million to \$11.7million. Are these the notes that we use to find and can no longer read, Mr Chairman- "The mutilated notes destroyed" on Page 51.

Hon. Rini: Those notes that have paper problems and the writings inside can no longer be read are those that are to be destroyed and should not be going back into circulation. Central Bank has found another way to print notes, especially the \$2 notes. Thank you Chairman.

Pages 52, 53

Mr Agovaka: I don't know where it features but when foreign investors comes into the country, they are asked to open accounts to invest foreign currency, US dollar, Australian dollar, the paper and whatever foreign dollar currency they

have. I'm not too sure where it features here, but my question is that, there is an investor that came in and he is going to open an American account in the Central Bank. What is the policy now with Central Bank in terms of opening foreign currency accounts? Is it still the same or have we change it or are we going to review it so that it enhances business operations in this country, Mr Chairman Sir.

Hon. Rini: Thank you Mr Chairman, that is only applicable to exporter but not to the importers. So exporters can put their money in different currencies but not the importer. Thank you.

Mr. Agovaka: Chair, just for clarity purposes. So for an exporter who comes and wants to export anything, he can go into the Central Bank and apply to the bank, open a foreign currency account, Australian dollars or the US dollars. Is that right, Chair?

Hon. Rini: Yes, thank you Chairman. The approval comes from the Central Bank that they can hold on to the money in different currencies. But then that is done with their commercial banks. Approval comes from Central Bank and the whole transactions are done with commercial banks that they bank with.

Page 53

Mr Soalaoi: Thank you Chairman, on page 53, exchange rate. If the Central Bank or government give us some of the reasons why our dollar cannot be exchanged for foreign currency, even if it is in Vanuatu? If you take Solomon Islands currency with you to Vanuatu and wants to sell it that will not be possible, why is that? The general knowledge is that our currency is very weak. What can the bank say to this House about why we do not exchange our currency, even in Vanuatu? Thank you, Mr Chairman.

Hon. Rini: Thank you Mr Chairman. That is really up to the banks on the other side whether or not to accept our currency. However, one of the reasons is because of the very low value of our currency, so they are not willing to convert it into their currency. Thank you Chairman.

Pages 54 - 113- no comments

Mr Kwanairara: Mr Chairman, with your permission, I would like to ask my question. This is not a question. I want to know why there is no longer a 2 cents or 1 cent. What happened to them?

Hon Rini: Yes, Mr Chairman, it is very expensive to produce coins. The value to produce one is more than the first value of the cents. It is expensive to produce them and that is why they have stopped producing them. Thank you, Chairman.

Mr Speaker: No further comments. That concludes the consideration of the Central Bank of Solomon Islands Annual Report 2007. Honourable Members, according to Standing Order 18, sub-paragraph 2, the only question that I am required to put is that: "The mover of the motion does report to Parliament that the Committee has considered the Central Bank of Solomon Islands Annual Report 2007."

Parliament resumes

Hon. Rini: Mr Speaker, I wish to report on my motion that the Committee of the Whole House has considered National Parliament Paper No. 12 of 2008 – the 'Central Bank of Solomon Islands Annual Report 2007'.

Mr Speaker: Hon. MPs the Minister reports the consideration of the 'Central Bank of Solomon Islands Annual Report 2007' by the Committee of the Whole House.

Hon. Rini: Mr Speaker pursuant to Standing Order 18 (3), I move that Parliament agrees to the proposals contained in the 'Central Bank Solomon Islands Annual Report 2007'.

Mr Speaker: Hon. MPs, if no Member wishes to speak on the motion, I will put a question. The question is that: Parliament agrees to the proposals contained in National Paper No. 12 2008 that 'Central Bank of Solomon Islands Annual Report 2007.'

Parliament agreed to the proposals contained in the 'Central Bank of Solomon Islands Annual Report 2007'.

Mr Speaker: Hon. MPs that concludes our business for today. May I now call on the Hon Prime Minister to move the special adjournment motion before we adjourn?

Hon Sikua: Thank you, Mr Speaker I move that at its adjournment today, Parliament adjourns until Friday 15th August 2008.

Motion passed

It was agreed that Parliament adjourned until Friday 15th August 2008.

Hon. Sikua: Mr Speaker, I move that Parliament do now adjourn.

The House adjourned at 3pm.