

## FRIDAY 5<sup>TH</sup> DECEMBER 2008

The Deputy Speaker, Hon. Kengava took the Chair at 9.30am

Prayers.

### ATTENDANCE

At prayers, all were present with the exception of the Minister of Mines, Energy & Electrification, and Members for Central Guadalcanal and East Honiara.

## STATEMENT OF GOVERNMENT BUSINESS

### STATEMENT BY CHAIRMAN OF THE HOUSE PARLIAMENTARY COMMITTEE

**Mr SITAI:** Mr Speaker, I am to inform Parliament that the Parliamentary House Committee met this morning to consider the business for today. As you all know today being Private Members' day but there being no private Members' motions submitted for consideration, the Parliamentary House Committee then considered submission made by the Honorable Prime Minister to allow for government business to be dealt with today. This, I believe, is in relation to the conclusion of the general debate on the 2009 Appropriation Bill 2008. The Parliamentary House Committee has approved that request accordingly.

On another related matter whilst I am standing on the floor, I take this opportunity on behalf of the Committee to inform all Members of Parliament that the Office has issued a memorandum outlining the program for Parliament's Open Day starting this evening and to continue tomorrow until the afternoon. I hope that Members will familiarize themselves with this program. It is an opportunity for all of us to attend as well as members of the public, those who have time to attend will also attend the Open Day, I believe is a good opportunity. For Members of Parliament and the public to meet each other here, interact, and enjoy that Open Day, the very first as has been done according to the corporate plan of Parliament. Thank you Mr Speaker.

## BILLS

### Bills – Second Reading

The 2009 Appropriation Bill 2008 (*Debate continues and concludes*)

**Mr Speaker:** According to Standing Order 61(2), today marks the fourth and the final day for the second reading debate on the 2009 Appropriation Bill 2008. I wish to advise all Members that in order to allow time for our staff to set up Parliament grounds for the Open Day, the Honorable Prime Minister has agreed that this

debate be concluded and we adjourn by midday today. As such, by **11 a.m.**, I will call on the Honorable Minister of Finance and Treasury to deliver his speech in reply before I put the question and we move on to third reading. Members should therefore be mindful of others who are yet to speak. For those who may feel that there insufficient time, may I remind you that there will be further opportunity during the Committee of Supply for Members to speak on the Bill.

The floor is now open for debate.

**Hon. TORA:** Thank you Mr Speaker, Sir. I also would like to thank my good colleague, the Chairman of the Public Accounts Committee.

Mr Speaker, I wish to thank you for giving me this opportunity to also contribute to this very important debate.

Mr Speaker, we stand at the threshold on an era that is unprecedented in the history of Solomon Islands. The issues confronting our society to date are far too great. Many of these issues, unfortunately are also global and regional in nature. The continuous decline in the logging industry is not working in our favor, as we stand to confront the negative impacts of the current global economic crisis.

Our traditional friends whom we have longed depended on their generosity experiencing the World's beating of the effects of crisis in their time and certainly this will have impact on their assistance to us.

What does this mean to us? It means as leaders we need God's wisdom to discern the best options available to us to effectively deal with this problem. It calls for prudent decisions on our part as leaders, investing available resources in areas that would guarantee quick returns to stabilize our economy and have the potential to deliver maximum benefit to our people.

Let me now turn to the Honorable Minister of Finance's Budget Speech. The priority areas of the Budget include reconciliation and rehabilitation, national security and foreign relations, infrastructure development, social services, economic and productive sector and civic affairs.

On the Civic Affairs Sector, Mr Speaker, I am pleased to report to this honorable House that much has been achieved of the things we have planned to work on this year. Four bye-elections were successfully conducted, two of which were organized and managed by our own staff. Those bye-elections and the 2006 general election have taught us valuable lessons that we have taken serious note of with the intention to ensure that we do not repeat them again in the next bye election if that becomes necessary.

The electoral Office, Mr Speaker, with the assistance of RAMSI through the Machinery of Governments has recently conducted a very successful lessons learnt workshop. This is a very important workshop as it helps the electoral office, especially the Program Manager for the Electoral Systems institutional strengthening program (ESISP) to be able to identify priority areas that would need immediate attention prior to the 2010 general elections.

I am pleased to report that the Program Manager for this important program has been appointed and is now at post and we are also expecting an election operations Technical Advisor to assume duties in early February 2009. Much of the work that is expected to be done in 2009 by the electoral office will be on preparatory work for the 2010 elections. However, this will involve every area of elections, organizational, legislative, administrative and financial logistics.

On the local council, a monitoring and evaluation management meeting is underway as I am speaking to assess the progress of the Honiara City Council Institutional Strengthening 5 year program. The project is about half way through and is progressing quite well to date. It is worth noting that significant achievement has been made in the council's revenue collections as a result of the review that was undertaken by a taxation expert that was engaged under the program to do the work. Marked improvements are also made in other areas of the Council, including the Council Administration.

Mr Speaker, a question was raised on the floor of this house about two days ago about what the Ministry of Provincial Government and Institutional Strengthening (MPGIS) will be doing about the resolutions of the recent Premiers' Conference. One of the resolutions was the need to extend the kind of assistance now given to the Honiara City Council to provinces. On this issue, my Ministry is currently considering the possibility of including provinces as the second phase of the program. Other areas, the program will also be looking into, include the establishment of formal ward committees, which we hope to officially link them to the Council through legislation.

On the issue of establishing an effective development partnership between the NGOs and the civil society organizations (CSO), my Ministry is still waiting on the Attorney General's Chamber for their advice before advancing to the next phase to develop a legislation that may assist us in the management of the NGOs/CSOs and their activities.

On the question of the activities of the National Disaster Council, significant successes have also been registered during this year, and we hope to do the same or even more in the next financial year. Five new Provincial Disaster Coordinator offices have been established in five provinces including Honiara, while five more are awaiting confirmation for office space and staff accommodation in their respective provinces. In the meantime, Mr Speaker, the officers are serving the provinces from Honiara.

Work on the first six Provincial Disaster Coordinators' offices in the provinces is expected to start early in 2009. Additionally, Mr Speaker, the review of both the National Disaster Council Act and the National Disaster Action Plan is now underway following Cabinet's endorsement on the working committee's work plan. It is expected final documents will be completed and ready for presentation to Parliament by mid 2009.

Mr Speaker, the review of these two documents is necessary as recent disasters have found them to be inadequate. Secondly, the Act needs to be reviewed to incorporate disaster risk reduction or disaster risk management. The current National

Disaster Act focuses more on disaster management and less attention on disaster risk reduction.

On sports, Mr Speaker, much has been achieved by our athletes during this financial year, including our participation at the recent Beijing Olympic Games and the Commonwealth Youth Games in India. The National Olympic Committee of Solomon Islands has justly had its election of new office bearers for the next four years. My Ministry is looking forward to working with them to advance sports development in this country.

Our activities for next year, Mr Speaker, will include the preparation of our bid to host the 2015 Pacific Games formerly known as the South Pacific Games, and to get the national Multipurpose Sports Stadium built, and to assist Malaita Provincial Government in its preparation to host the Solomon Islands Games in 2010.

On Churches, Mr Speaker, there have been some achievements, but much of our assistance to churches this year has been to church groups traveling overseas to attend various events. Our activities next year will include more training for project management, program management and financial management.

Yes, much has been said on the floor of this house about the huge potential on churches to deliver services to our people if appropriately empowered to do so. My Ministry is determined that next year one of the areas we would like to look at to engage the Churches to be involved in, is proper Christian parenting. Providing proper parenting training to our young married couples could be a solution to the attitude problem that is destroying our country today.

If animals that only have 30% capacity to understand things when trained to lead a blind man across a busy road, I see no reason why our children who are far more intelligent can behave in a manner expected of a human being. Thus, we are determined to work with the Churches in this particular area, although this is not the only area we intend to get them involved in.

Mr Speaker, allow me now to touch on one or two areas outside my port folio, and these include:

### **Reconciliation and Rehabilitation**

Firstly, Mr Speaker, may I take this opportunity to record my sincere gratitude to the Minister for Reconciliation and Peace for the great work carried out by his staff in facilitating the so many reconciliations among our people. Congratulations, my hardworking colleague Minister.

Mr Speaker, as alluded to by the Minister for Finance in his Budget Speech, reconciliation and rehabilitation are essential ingredient to our country's future social and economic progress, especially in the face of the current global economic crisis. A collaborative effort on our part as leaders is very important. As already alluded to by the Hon. Minister of Finance, reconciliation and rehabilitation is everyone's responsibility, and as such, we all have the duty to participate in keeping this nation together.

Mr Speaker, may I also add that reconciliation involves bringing two warring parties together, while rehabilitation involves the process of releasing them from the traumas that resulted from the experiences they have from the conflict they are involved in. Sir, in any reconciliation process, each step of success is always countered by the number of new conflicts that occur during the same period. It is therefore, important that appropriate action should also be taken now to put in place a mechanism to prevent new conflicts. Preventing new conflicts from happening is an effective means towards achieving a sustainable and lasting peace and unity among our people.

### **National Security**

Security in its traditional meaning may refer to wars and territorial border crossing. In the 21<sup>st</sup> century, security may now be considered in its broader meaning to also include human security. National security, in its broader meaning also includes food security, health security, money laundering and so many more.

Sir, my Ministry is currently liaising with other sectoral ministries, to also consider the establishment of a National Human Security Commission, whose role would be to ensure that our country is well prepared and/or take every necessary action to counter the onslaught of risks confronting us.

Mr Speaker, the effect of the climate change will bring with it a host of new health securities, new diseases that we do not have cure for. Food security is already a major problem in the low lying atolls and coastlines. As the Ministry responsible for National Disaster management and Disaster Risk Reduction, we thought that such body is established.

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

**Mr. ZAMA:** Thank you, Mr Speaker, for allowing me the floor. I will be very brief because of time limitation, although I would have liked to take that whole morning, but since we must stop by 11 o'clock to allow the Minister to wind up. But thank you again, Mr Speaker.

In saying that, I would like to thank the Minister for Finance for introducing the 2009 Appropriation Bill on the floor of Parliament. It will be remissive of me, not to thank the Permanent Secretary and his officials of the Ministry of Finance, the Permanent Secretaries in all other Ministries and their officials for their hard work put into compilation of the 2009 Budget and the budget works put before us.

I would also like to thank colleagues who have contributed to the debate of the Bill, and most particularly the Leader of the Official Opposition, who has constructively carried out a "postmortem" analysis of the Bill and who has also taken the stride to express his views on some of the government' key budget policies.

On that note also, I would like to acknowledge the effort and work of the Public Accounts Committee (PAC). That must be recognized and acknowledged. And, as Chairman of the Committee I must take this opportunity to officially thank my members of the Committee for their dedication and contribution towards the pre-budget PAC Report on their findings of the 2009 Budget. This report is very helpful. I only wish in

the future that Members read the report before coming into debate the 2009 Bill proper as it is a well prepared and well informed report. The PAC Report should help Members of Parliament to better understand the Budget. The Report is worthy of reading.

This government when it came into power in December 2007 produced a lot of reports. There were reports on policies that it wishes to implement and reports on programs of action it wishes to embrace. A lot of reports were also presented before the Committee for deliberation, but having gone through all the reports only five of the reports presented before me as the Member for South New Georgia/Rendova/Tetepare are appropriate for me to make a short analysis of the Budget. Those five reports are:

- The 2009 Appropriation Bill
- The Minister's Speech
- The PAC Report
- The 2009 Recurrent Estimates, and
- The 2009 Development Estimates.

These are the only reports I would take for my deliberation on the Budget.

The 2009 Budget is no different to the 2008 Budget. It is almost a replica of the 2008 Budget. The only difference we can see in these two budgets is that there is marked increase in estimates on what government aspires to spend in 2009.

In 2008 the Government's Budget was \$1.4 billion and for next year, 2009 it is a forecast of \$1.7 billion, an increase of \$300 million. The government has also increased its domestic contribution to the Development Budget in 2009 by \$244.2 million. However, that amount contains some donor contribution, especially from the Republic of China (ROC) who has been our main direct contributor to the Development Budget all along.

At this point, I would like to thank the Ambassador of ROC and the people of ROC for their continued support and contribution to the people of Solomon Islands, especially people living in the villages because they are ones who are feeling this support all the time.

Mr Speaker, I would like to make two brief observations on the Budget that is before us. First, the increased spending in 2009 by the government simply means that our small, contracted economy is "growing or expanding" and that there is money in the economy available to the government to spend to provide services to our people. That is the first and foremost observation I have taken.

The second observation I made on the Budget is that while there is money available in the economy, the government has still not properly cost out its own operations. That is my analysis of this Budget. This second observation to me is quite important than just having money in the economy. Because while we will have money, there is plenty of money in Solomon Islands for the government to spend, unfortunately that second observation rings a little bit louder to me because the government continues to undersupply line items in the recurrent budget. This is for real. You will see this as we

go through the committee of supply. A lot of the departments have been undersupplied on line items.

This, to me, rings the bell that someone has not taken the task to carefully analyze and cost out how much a department costs. If that is the case, then I think it is important for us as a government and as people to really cost out how much does the government really spends in its operations of running services and providing services to our people. And how much is left after we have properly cost out and transferred to the development estimates.

Looking at the 2009 Recurrent Estimates, three big Ministries stood out. The Ministry of Education demanded \$400 million alone in order for the government to provide services to the people of Solomon Islands. The Ministry of Health on the other hand demanded \$209 million to provide services. At the end of the list of those high demand ministries is the Ministry of Police & National Security for \$120 million.

Sir, the sad reality about this is that this trend is not declining but it is increasing every year. Last year there was an increase, this year there is an increase and next year it will increase and the years after it will continue to increase. The challenge here for the Deputy Prime Minister, who has just attended parliament, the Prime Minister and the Minister of Finance is that what is this government and future governments putting in place through the policies it formulated to try and address this situation. That is a challenge. It is not how much these ministries are asking us because ministries will need more money.

The Ministry of Education will need more money for free education. And next year with this free education policy, this Budget will go out of the roof. Mark my words, like the late former Member for Aoke/Langa Langa always said. Mark my words that even that \$400million for education is not enough for this government and for future governments to provide free education for our people in Solomon Islands.

Next year, I do not believe that that policy would be fully implemented because come January, a lot of these schools in Solomon Islands will depend on the contribution of their parents for school fees to start of their education. And if the Ministry of Finance does not provide that money in January and February most of these schools will not start.

I am raising this on the floor of Parliament so that the Minister for Education who is not here and the Minister of Finance will take note so that when January and February comes, you give money to the schools.

Sir, that is a big challenge to all of us as leaders of this country to encourage us to think outside of the box on what we need to do to try and address this situation. Because this demand and supply – demand to provide free services and the supply of money to provide for the service is a challenge. All of us as leaders would want to be seen as responsible leaders in the eyes of our people.

In the short analysis, what this means is that the economy and our people must be put to work. Our people must work. The demands of education, health and police for services will continue to increase. But if we do not put in place policies or

mechanisms to try and allow the economy to grow or for our people to work then I think we are living in a sick society.

Sir, our people must work to earn services. Whilst it is good to provide free education, whilst it is good to provide free health services, people must indirectly work to earn these services or indirectly contribute to the economy so that services can continued to be provided to our people in this country.

Sir, that said, we cannot continue to get free handouts from the government all the time. We cannot continue to afford that because that is a very sick and wrong mentality and approach in our endeavors to address this situation.

Sir, when I look at the 2009 Development Budget, it is unfortunate and I am sad to note that the productive sectors are supplied with inadequate or very small allocations in 2009. Prime Minister, there is no money. Just look at agriculture for \$40 million, forestry - \$15 million, fisheries - \$12 million and tourism - \$4.7 million. Too make things worse, tourism is only allocated \$4.7 and only \$2million is for actual support to operators.

Sir, out of that \$40million for agriculture, you will only be looking at \$10million that will go directly to support farmers, not the whole \$40million. To balance free service to people, people have been left in limbo, people are left to speculate, people are left to wonder.

This \$40million in agriculture is very small, it is inadequate, especially when this government, and I would like to congratulate the Prime Minister and the Deputy Prime Minister and the Minister for Agriculture for reintroducing in this country this farmer subsidy scheme. That must be applauded. But the allocation you have given for those two schemes – cocoa is only \$3million and coconut - \$3million, you might as well forget it.

Sir, I am expecting to see \$50million allocation for these two commodities. All the coconut trees that you see in Solomon Islands today, all the cocoa trees that you see in Solomon Islands today are the results of the subsidy schemes. This scheme is a very good scheme, but the allocations given for them are not sufficient. This \$3million is only enough for my own constituency or maybe for the Central Kwara'ae, a very big constituency.

I would not be surprised if this government, comes midyear next year, will put in a supplementary appropriation bill because you have already undersupplied your line items, which you will use virements to finance, and come June next year you would have already exhausted your contingency warrants. There is going to be real need for the government and the Minister for Finance to table before this Parliament another supplementary appropriation bill, especially to supplement these heads. These two schemes are important for our people, especially people living in the rural areas, people who would want to work but are not being supported, and so this scheme is for them.

I heard from government caucus and from cabinet that the Deputy Prime Minister and the Prime Minister are fearful of putting more money into this scheme because of the onslaught that we are going to receive from people that they are trying to



put more money. That is ludicrous. Why are you scared of putting more money for people, money that will go down directly to benefit them?

Sir, I would like to encourage the government to put more money into these schemes because the moment you do that you are opening the floodgates; people will go and work and by 2009 you will see results.

Sir, that to me reflects some weakness, weakness in the political leadership of the government and at the ministerial level as well. This is weakness in leadership, weakness and lack of political will and vision to drive your own policies because you are afraid of people. This shows to me weakness in leadership. Sir, this is serious my hon. Prime Minister and you must take serious note to address it.

Reflecting back on recurrent demand and the free services provided by the government and correlating that with the productive sector, especially where people will work there is huge disparity I see, and this needs to be supplemented as soon as possible once this budget is passed next year.

Reflecting on that ninety (90%) of our resources (both natural and human are still lying idle or untapped). We are very good in saying these are potential resources. Potential for what time! A lot of these resources are untapped. About 95% of our human resources who are well, fit, capable and have very able bodies are still not being assisted nor supported by the government or by the policies it formulates.

Sir, this then brings me to ask the question where is the rural advancement policy? If you really want to advance that policy you need to show that in agriculture, you need to show that in fisheries, you need to show that in tourism because government policies will be implemented by the private sector, individual people will implement it, people in the villages are the ones who will implement your policies and not the government. Unfortunately, some of our Ministers cannot even read to understand government policies, let alone implementing those policies. That is a sad reality.

Looking at forestry, our forest sector is fast depleting. Some people fear that in 10 to 20 years time, we will have no forests. I believe in clear felling of the forest. Cut down all the trees, because I believe in that. Cut down all the trees and replant them. Or if you do not replant the trees then you go to agriculture. Give options to people to do whatever they want to do on land. I am a logger myself in the past, not now, and I own land, but on forests, Solomon Islands is different. We only cut down the flat lands and only the hills that are a bit high that log machines cannot reach still have trees. The fear that environmentalists have and they normally raise is that there will be soil degradation, our lands will become desert and so on, do not hold water. And therefore I believe that places where there is need to do logging must be cleared so that people can replant trees or they go back to do big rice farms, plant more coconut trees or plant more rice or cocoa and maybe coffee trees too. That is one thing that must be encouraged that the government needs to work together with the private sector to drive those policies.

Sir, the fisheries sector still needs to be further developed. Yesterday we were standing at the balcony outside seeing all these big boats taking off. How many of those boats are taking products made in Solomon Islands? Solomon Taiyo is one company,

and I do not know what is in the mind of the government but those two shareholders – ICSI and Western Province are saying that they do not have money. And if we do not have money why are we continuing on to carry this baby when that industry by itself can really pick up. But that is something the government needs to look at seriously.

Now, something more closer to heart is the tourism industry. This is really sick - \$2million allocation in the tourism industry is sickening. This clearly indicates to me that the government really lacks the vision to really develop the tourism industry, let alone having a very vibrant hardworking Minister who has a vision to run it, but he is not getting the support he needs.

This industry needs to be developed, properly planned, financed and supported by the government. This is the tourism industry and so it needs greater support. I am surprised that only \$2million is allocated for it. Some people are saying there is other support on infrastructure, but infrastructure on what and where. Nothing at all! \$2million for what! You might as well not put anything at all.

Sir, what we need in this industry is proper planning and development. The base must first be developed. But where is the base? Well, the government must come up with the base. But if you ask me where is the base? Then let us develop Western Province first. But that would be bias. Or maybe it is Guadalcanal, maybe it is Honiara, maybe it is Malaita, but the government has to come out and identify the base of the tourism industry in Solomon Islands before we can concentrate on developing the tourism industry and before we continue pouring more money into it. At the moment we are working on a very ad hoc basis, and working on ad hoc basis will get us nowhere. But that is what I am saying. We need to develop this industry.

The forestry sector is declining, fisheries is not even developed, agriculture is still in a very small form. And tourism that can immediately capture this gap that is going to be created by the decline in forestry is not even catered for in government policy. You do not even know what to do with the tourism industry. I am sad to say that, Sir, but it is a reality. It is a sad reality that we are now facing and living with in this country.

Operators are crying for assistance and support. When are we going to listen as responsible leaders and as a government? Or who are we listening to when we formulate policies? Are those policies addressing the issues we are facing in this country?

Sir, this then brings me to government taxes and government revenue. The Minister in his well written speech, I know this speech was prepared for him and was just given to him for reading, he stated that \$1billion is going to be collected through tax revenue. That is a big ask, a big, big ask for the Inland Revenue Department to collect next year. I know they can do it because of strict compliance. This is well and good for the Ministry of Finance and the government to continue to provide free services like free education, free health and whatever free but at the end of day we are going to be air locked if we continue to provide free everything.

Sir, whilst it is good that the government through the Tax Department will collect \$1billion, what are we doing to the welfare of taxpayers (both individuals and corporate citizens) that are continuing to pay taxes to this country. What is the

government doing to assist and support them in order for them to expand and to remain in business? The tax system we are applying in Solomon Islands is very heavy handed. Everything, literally everything in Solomon Islands is taxed.

Your salary is taxed, your food is taxed, the clothes you wear are taxed, fuel is taxed, water is taxed, the power you use at home is taxed, and if you choose to be a bit fancier and live in urban centers, you pay tax when you go to the toilets (toilet paper). That is a sad reality. Everything we do in Solomon Islands is being taxed. Nothing is left not to be taxed.

The tax authorities do not stop on the consumables. After you are dead you pay your last tax on your coffin and on the charter that flies your body home. So even if you are dead you are still paying tax. Goodness gracious me!

I am saying this so that the Deputy Prime Minister listens and may be come up with some very constructive ways. Thus the tax system employed in Solomon Islands is for the living and the dead. That is a sad reality, simple though it may sound.

The only commodity that is not taxed in Solomon Islands is the AIR we breathe. I think that is the only commodity that is not taxed. But I do not know maybe while I am talking they might come up with some clever thinking to tax the air that we breathe. But the moment you do that, the moment you start to impose tax on the air that we breathe, only the rich will live and the poor will die.

Sir, I am raising this because the tax system and the tax regime employed in Solomon Islands takes away the affordability and capability of our people to afford a better living or to simply enjoy life in the villages. It is important for the government to re-look at direct and indirect taxes currently employed by government.

Sir, infrastructure is one area that needs to be seriously looked into. If you look at the development budget there are many roads inside but when we ask officials during the PAC interviews, many of the roads are just political roads. There is no preparation by the department to look at the engineering studies so as to properly cost out the roads.

Mark my words, Mr Speaker, that as usual many projects in that sector will not be accomplished by the end of next year except for the National Transport Plan because that is one owned by the government. That is the only one I believe will be implemented.

Sir, on behalf of my people, I would like to thank the Minister and his officials who would very soon, maybe this week or next week, are going down to my constituency because my project is there, and I would like to thank the government because it has seen the reality and the hardship that my people are facing. I would like to thank the Minister for the vision and the hard work of the officials put into this effort.

Sir, I would now like to thank this opportunity to thank yourself, Sir, for guiding the deliberations of the house. You really have the energy to sit long hours on that a little bit boring place looking down at all of us, but I would like to thank you for your perseverance and the energy you have for sitting long hours. I would like to take this opportunity as well to thank the Clerk and her Deputy, and for every staff of Parliament for continuing to support us, and take care of the welfare of Members of Parliament.

I also would like to take this opportunity to thank the private sector, individuals who are paying taxes because without their taxes we would not exist. I also thank people living in the rural areas that one way or the other next year will have some good news from agriculture and fisheries which would help them to do what they are doing in their communities. On their behalf I would like to thank the government for coming up with some quite wise and clever policies that will drive some of its own policies. But it needs to do a little bit more. The government needs to do a little bit more next year and so if they need some advice, some of us are here, Members of the Opposition Bench because we are all part of the parliamentary system and we are quite prepared to render assistance and advice if needed.

Mr Speaker, I would like to thank you once again and render my support to the budget, to the Minister and the government. Thank you very much.

**Mr Speaker:** As I indicated earlier it is now just about a minute past eleven, and so I now call on the Minister of Finance and Treasury to deliver his speech in reply.

**Hon Rini:** Mr. Speaker, I thank you most sincerely for giving me the opportunity to make concluding remarks on Parliament's debate on the 2009 Appropriation Bill 2008.

Sir, the Honorable House has debated the 2009 Appropriation Bill 2008 for the past three days and today as the final day, and I have listened carefully and most intently to the contributions, comments and statements made by Honourable Members as they take part in this very important debate.

Mr. Speaker, I thank the many Honorable Members who have spoken in favor of, and indicated their support for the Bill. I must also thank Members who have spoken, for their very objective and comprehensive contribution to the Bill. The debate, Sir, has been very valuable and enlightening.

Mr. Speaker, several Honorable Colleagues have made a number of thoughtful and sensible suggestions on the Budget. I can assure this Honorable House that all suggestions will be closely analyzed and where practicable, implemented. It appears that a few Honorable Colleagues, I regret to add, have unfortunately misread and misinterpreted my speech and made unsustainable assertions or suggestions. Some others have kindly proposed measures that are already part of the government's policy platform and program for 2009. Mr. Speaker, I wish to also take this opportunity to comment on some issues and contributions raised in the course of the debate in this Honorable House. Obviously, I need to also reemphasize our approach more clearly for the benefit of some members of this House. Mr Speaker, the purpose of this Bill is to continue funding constructive, action oriented and rurally focused policy directions. This is one of the major bills for the Government.

Sir, you have heard my ministerial colleagues detailed some of the steps they will take and some of the challenges they face. I would like to again raise this discussion to the strategic level, focusing on why we have chosen to place emphasis on areas we have identified.

Mr Speaker, this government wants to build a stronger, safer and more resilient nation, where rural communities have sufficient access to facilities and resources they need to advance economically whilst at the same time ensuring all our people have equitable access to educational opportunities and health resources.

This Government is committed to strengthening the nation's international standing, its government institutions and structures, our national life, as well as the country's economy. Mr. Speaker, this Government is also committed to developing a strong and healthy partnership with regional governments and organizations in the interest of development and progress.

Sir, the Honorable Member for East Choiseul and the Leader of Opposition has rightly pointed out that there is uncertainty in the global environment as the financial crisis has swept the world. Sir, my Ministry is acutely aware of the impact that the global environment has on small economies like ours.

Mr. Speaker, let me first highlight the current strength of the Solomon Islands economy and the importance of continuing sensible economic policies such as a balanced budget and no new borrowing. Sir, the aim of the Government is to maintain the level of expenditures expressed in the Budget. The level is higher than that of 2008 and is designed to maintain real economic growth in the economy. This entails spending more of the reserves that were built up in the past. In the event that spending be threatened by events beyond our control we shall seek means to boost our resources.

Mr. Speaker, the Honourable Member for East Choiseul and Leader of Opposition expressed serious concern over what he termed as 'forced recession' in 2009 in the country as a result of a series of macroeconomic policy measures taken by the Central Bank and the Government. The Honourable Member claimed that in the context of the global financial crisis the macroeconomic policy measures do not support the growth of business and the economy.

Sir, I would like to assure this honourable house that our economy and the government are far from being deeply affected by the global financial crisis. The government is in a good position because we are not seeking new borrowing. In fact, we are paying and reducing our debts both international and domestic.

Mr. Speaker, let us not confuse ourselves with the financial crisis situation in the United States and in Solomon Islands. The United States situation is starved of liquidity in the financial system, hence the need to pump more funds into the system for lending to generate businesses and economic activities. On the contrary, the situation in Solomon Islands has excess liquidity in the financial system, in general.

The commercial banks here are Australian and PNG banks which are guaranteed by their national governments. By actively removing excess liquidity from the financial system via a number of monetary policy measures (including allowing the Solomon Islands National Provident Fund to invest overseas), introducing Bokolo deposits and

bills and re-defining the Liquid Assets Ratio (LAR), excess liquidity has fallen to acceptable level for macroeconomic stability particularly inflation and foreign reserves. Meanwhile our commercial banks are assured of liquidity under the new short term liquidity facility that was introduced by the Central Bank last month to ensure that lending continues to the private sector and the small local business enterprises. Sir, as result of tightening excess liquidity by the Central Bank interest rate on deposits has increased from 6.5% to 8%.

Mr Speaker, I need also to explain why the Honourable Member for East Choiseul and Leader of Opposition's suggestion why the exchange rate fixed against a strong trading currency would not work. Sir, the market for the Solomon Islands dollars is like any other markets. Exporters wanting to purchase Solomon Island dollars with the currency they are receiving for their goods (say Australian dollars) and importers must sell Solomon dollars so they can pay their overseas suppliers for their goods in the currency they wish to use (again say Australian dollars). Trying to fix the exchange rate against another currency at a low level when the rate needed for balance is much higher will not work as demand for overseas currencies by importers will dramatically exceed the overseas currency earned by exporters.

Sir, the Central Bank will need to make up the currency shortfall to maintain the fixed exchange rate from its reserves of foreign exchange. But, after a very short period, it will simply not have enough overseas currency to do this and our reserves will be rapidly run down.

Sir, our reserves are already at quite a low level, and this suggestion would make the problem much worse. Once the unrealistic fixed exchange rate collapses we will face an inflationary spiral and rapid currency devaluation, putting us back in the same mess. Prices will end up being far higher than they ever would have been under the currently well-managed exchanged rate policy that the CBSI is currently operating and that this Government strongly supports. This sort of suggestion is not helpful.

Mr. Speaker, the Hon Member of East Choiseul and the Leader of Opposition has asked that the Government fix the exchange rate at a reasonable level against the strongest currency amongst our trading partners. Sir, I would remind the Honorable Member that the Solomon Dollar has recently become the strongest currency amongst those of our trading partners including the Australian dollar, the New Zealand dollar, the Euro and the Pound Sterling. Most recently, the Solomon dollar has appreciated against the Australian dollar by 23.4 percent, the New Zealand dollar by 28.5 percent, the Euro by 9.8 percent and the Pound Sterling by 21.8 percent. The appreciation of the Solomon dollar has been a result of the appreciation of the US dollar that has long been the intervention currency preferred by Solomon Islands. It is also the currency in which the majority of our exports and all of our fuel imports are priced. The only depreciation of the Solomon dollar is against the Yen by 25.8 percent and the United States dollar by 4.2 percent. If anything, the Solomon dollar's real effective exchange rate is overly strong, given our high inflation rate.

Mr. Speaker, in the effort to combat inflation the Central Bank has been obliged to protect our dwindling reserves that have been adversely affected by the high prices of

food and fuel imports and the lower prices now earned by exporters. The Central Bank will monitor the rate of growth of the private sector credit until inflation falls to acceptable levels and foreign reserves are stabilized. Sir, our level of gross foreign reserves of \$646 million currently provides less than three (3) months import cover, which is below the international benchmark.

Sir, let me assure the Honorable House that my Ministry and the Central Bank are monitoring the situation daily and in particular examining the effect that a global slowdown may have on our exports to mainland China.

The Government recognizes that inflation makes it harder for our people to buy the goods they need and we must tackle it. We cannot solve inflation through giving more money. Having more money in our pocket does not change the price of goods that must be bought. We must still buy the goods at that price, and when it is gone, we must then pay more for the next purchase. The Government, therefore, will instead ensure that our economy becomes more productive and delivers goods and services to all our people so that we can build a healthy, strong and peaceful nation.

Sir, not all of the inflation affecting our country comes from imports. Much of it relates to internal pressures, and that is what the Central Bank has tackled through monetary policy, and the Government has tackled through fiscal policy. The Government knows people are hurting and we know that it is difficult. But we must not give in to the temptation for a short-term policy that will hurt our present and destroy our future. The Government will not take that course.

Mr. Speaker, for the information of the Honorable House, the extremely high inflation in our economy which resulted from imported fuel and food prices is slowly coming down. The high proportion of imports in our consumption has exacerbated the inflationary impact whilst the pace of the reduction in local prices is affected by the distance from the markets that supply us. For further information of this Honorable House, last Monday, petrol fell to SBD7.10 per litre and diesel to SBD8.20 per litre. There will be more reductions as the next fuel shipment reach the markets early next year.

Sir, we do expect to see inflation fall towards the end of the year and in 2009. However, second round effects on electricity, transport and domestic market prices are slower to work out of the system. Meanwhile our smallholders are increasing the supply of local produce that will also serve to bring down prices.

Mr. Speaker, let me now once again bring to the attention of this Honourable House the specifics and main features of the 2009 Budget: First, the 2009 Budget is a fully funded budget, and requires no borrowing and increase in debt. Second, all national financial resources are directed to programmes and projects that will assist our people. This means that there will be no funds held in reserves as cash floats or for contingencies.

Let me clarify this further. This simply means that all funds held by the government are widely displayed for transparency purposes. There have been no funds specifically set aside to be held as reserves. Funds of \$130 million from 2008 that are in

this 2009 budget are anticipated roll-over funds resulting from under-spends or delayed payments and surplus funds from increased revenue.

Sir, I would like to assure this house that there will be adequate cash available on day one for implementation of the 2009 Budget, both for the recurrent and the development budgets.

Third, \$372 million has been made available for development expenditure. This maintains our effort for 2008, and I have no doubt that all Honourable Members will welcome the continued implementation of the current government policies.

Fourth, the Recurrent Budget will have a modest increase and will include further enhanced revenue measures and improved administrative systems, as well as meeting rising operating costs.

Fifth, our legal obligations to provide salaries for public servants has been provided for, preventing potential overspends in government payroll that occurred in 2008. Sixth, this Government is not only concerned with raising revenue to fund ambitious development projects whose benefits take years to fully bear fruit, but we are also concerned with equity and advancing the needs of vulnerable people in our country. The Government will therefore provide development projects for our people on basic and staple goods such as rice.

Mr. Speaker, I would like to emphasise once again that the government's vision is for a peaceful, united and God fearing society that respects and builds a community that is trustworthy and forward looking. A sovereign Solomon Islands that is determined to move forward with confidence and high ethical standards based on its values, cultures, traditions, and resource base with respected and credible leadership. And it must be a Solomon Islands whose positive contributions to the betterment of its people are also a contribution to the global community.

Mr Speaker, there have also been a number of questions raised about the Government's revenue projections. Despite these questions, growth in revenue is not wholly dependent on goods price rises but also on broad-based economic growth. The Government is not aiming to force a recession, and it is grossly irresponsible to suggest that we are. Growth remains modest but healthy, sustainable and not dependent on the global financial markets. It is possible to fight inflation and still grow the economy. It is about how we use the money we have. The Government, through this Budget, is focussing on productive sectors that will continue to grow, ensuring that not just goods tax from imports, but also export duties, personal and company income taxes remain strong. Growth in the economy means growth in revenue, and the government has a plan for that growth.

Sir, another way to fund the budget would be to cut costs in the public sector. However, we have not cut ministries back at all. That would damage our nation's prospects for growth. Instead, Mr Speaker, recurrent expenditure is expected to grow by 22.5%. Ministries have been properly resourced to meet rising costs and the challenges for growth.



Sir, I turn now to the broader question which underlies most of the compliment to and criticisms of the Budget. At its heart, the question relates to how the Budget is framed and whether the right decisions were taken to address the challenges ahead.

Mr Speaker, let me reiterate, a responsible budget only spends what the Government has available. To promise everything to everyone is not responsible when it can neither be afforded nor delivered. Framing this Budget like all budgets is about making tough decisions. We would like to have more hospitals, but we also need a reliable and effective police force. International trade will help grow our country, but development of local talent through education is critical. Both the economic and productive sectors and the civil rights and civic affairs areas are also important. The overarching aim of rehabilitating and reconciling our divided country affects all other measures.

Mr. Speaker, this Budget was framed to delivering as much as possible, to as many as possible in the time remaining to this Government and set a path for growth, before we return as individual members to the polls for the judgement of the people.

Mr Speaker, there may be some in this Honourable House who feel that we have not put sufficient resources into one area or another. This is a justifiable feeling but it needs to be approached in a sensible and considered way. I have said already that we intend to exhaust our present reserves to bring some very long awaited benefits to the country, and that there would be no new borrowing. Given that there is no more funding, the only sensible path available is to suggest an offsetting cut.

Sir, to give a clearer perspective, suppose it is proposed that more funding is allocated to livestock development, which we would all agree is desirable. Where is the extra money to come from? Let me ask all Honourable Members: should we cancel the building of a school or the construction of a road? Should we have fewer police or reduce assistance for rural development?

Mr. Speaker, these are the challenges that a Finance Minister must face up to and the government must decide upon. As a government, we have faced these choices, announced our priorities and made our decisions, and we stand by them.

Mr Speaker, I turn now to the matter of donors. Donors remain critical to the Solomon Islands economy. Donor contributions are approximately equivalent to the entire Consolidated Government Budget. It has been said, in the course of the debate that we should be careful of aid dependency.

Sir, the Government agrees and we have been careful in framing this Budget. But it would be foolish to turn aside help. It would be wrong to reject the hand of friendship. I would welcome suggestions as to how to replace the funding and expertise provided by donors. With donor help, we are building a strong economy that will deliver the services demanded and deserved by our people.

Mr Speaker, while talking about donors, we must mention the goodwill and cooperation offered by our Pacific Forum partners. This goes beyond particular donors and particular issues and people. Mr. Speaker, this is about the role of Solomon Islands as a mature nation in a community of nations. Sovereignty requires that we recognise

our obligations as well as our rights. This basic principle holds true on a personal level, the national level and also at the international level.

Mr Speaker, I have also mentioned responsibility. This comes from the recognition of everyone's place in society and the roles that each one plays. Governments sometimes speak of the country but really mean the political or bureaucratic leadership of that country. Mr Speaker, this is a mistaken conception. Every person in this country, village chiefs to the smallest pikininis, from public servants to private workers, from business owners to paramount chiefs and yes, also political leaders have their roles to play.

Organisations, including Government, companies, non-government organisations, charities and churches all have their roles. They talk, and discuss, and put their ideas. The Cabinet has listened to these ideas, Mr Speaker, and produced a strong and fiscal responsible budget.

Mr. Speaker, I mentioned in my Speech that although prospects are good in the short term and in the medium term, the risks to economic growth and prosperity in Solomon Islands are much greater. Of particular concern is the projected decline in the logging sector.

Sir, I mention this again to reinforce how important the achievement of the aims of the Development Budget will be. Without money or with less, the country and its government will have to cut back on all programs in all areas. This is not a desirable outcome. Instead, the Government is committed to growing our economy.

Mr Speaker, to sum up and to conclude: I have reminded the Honourable House of the challenges that face our economy. I have touched on decisions that needed to be made in framing the Budget. I have talked about the Government's macroeconomic priorities and addressed some misconceptions about the Government's actions and objectives.

I have demonstrated how extra spending will not beggar the Solomon Islands, how it accords with the government policies and how we maintained our focus on addressing the development challenge presently facing us. I have demonstrated that the Government is listening and acting to ensure a better life for all our people especially those in rural areas. I now therefore leave it to the Honourable House to consider its position in regards to this Bill.

Mr Speaker, this Bill is an answer to questions asked by our very people of Solomon Islands, by workers and children, the sick and the healthy, the leaders of all organisations to us, their elected representatives. They have asked us to work to benefit the country and ask also that their country should look after them as it is only right and proper.

Mr Speaker, a vote against this Bill is a vote against those people, a rejection of their hopes and dreams for a better future. The Bill is responsible, forward-looking, generous and just. I call upon all Honourable Members present to support the Bill.

Mr Speaker, with these few remarks, may God continue to bless the Solomon Islands and our people and I beg to move.

*The Bill passed its second reading*

**Mr Speaker:** Honorable Members, the 2009 Appropriation Bill 2008 has been read a second time and in accordance with *Standing Order 62(2)* now stands committed to the Committee of Supply when the House resumes next week”.

**Hon Sikua:** Mr Speaker, I beg to move that the House do now adjourn.

**Mr Speaker:** Honourable Members, before I put the question, I wish to remind all Members of the arrangements regarding the Open Day. As you may be aware, the actual Open Day is tomorrow, Saturday 6 December 2008. Tomorrow, members of the public will have the opportunity to come to Parliament and share our historic day with their Parliament and their parliamentarians. As tomorrow will be the public’s day, we do not want to have too much formality. For that reason, we will have a ‘soft opening’ this evening from 6 p.m. to 8 p.m. This evening, parliamentarians, senior statesmen, senior public officers and other dignitaries will assemble in Parliament as my guests for private viewing. This evening will bestow the honour of first viewing on Members of this House and other invited guests.

I kindly remind Members to please take your items in this Chamber with you when you leave after we adjourn and to please return to Parliament by 6 p.m. this evening. Your participation in the event as well as the Open Day tomorrow is very important for Parliament and for your constituents so please do make an effort to be part of such a historic event”.

*The House adjourned at 11.38 am.*