



PUBLIC ACCOUNTS COMMITTEE

NATIONAL PARLIAMENT OF SOLOMON ISLANDS

COMMITTEE TRANSCRIPT

Ministry of Rural Development and Indigenous Business Affairs

Mr Chairman: Good afternoon members and especially those from the Ministry of Rural Development and Indigenous Affairs. We will now give you the opportunity to brief the Committee of your estimates. Thank you.

Mr Rore: Thank you Chairman. First I would like to apologize on behalf of my Permanent Secretary who is away with the Minister. But here with me is my chief accountant.

First looking at the budget which was handed over to the Ministry, I would like to express our great disappointment that what we have submitted was not included in the budget estimates. We have been trying to get the responsible people to have these included before coming to the PAC but we were unsuccessful. Anyway if the Committee thinks that we should go through our budget as it is now then I shall proceed.

First we have the civil service salaries where the estimate was \$303,000. There is nothing in place for housing allowances which is one of the concerns we have raised. There was nothing in place to cater for housing allowances for civil service and NPF as well. Those are missing, which we would like them to be included because definitely we cannot bypass those legal payments.

The draft baseline which the Ministry was given, as you all know the Ministry was established in September last year, and there were no set guidelines to make an estimation. It was an assumption that these figures will cater for the Ministry for its operation for the rest of the year, which to our thinking is not right. We think this is far too small. And being the Ministry with the bottom up approach for rural advancement, we see that we are not having the budget that we should have had. That is on headquarter and administration.

I will now proceed on to the business and cooperative, unless you have any comments to make I leave it up to you. We have quite a big submission here that we have to get through.

The office expense that we have is \$50,000. We do accept that. I think it is adequate for our purpose. We have electricity missing under the proposed estimates

and definitely we need to pay for electric bills. I do not know why it has not been placed on the final draft that was brought to the Committee, and likewise for water.

For telephone and faxes we were given only \$15,000 under the estimates. But we would like to propose an increase of \$70,000 to \$80,000. We also have official entertainment where an estimate of \$50,000 was made, but this was also not included. On publicity and promotion we were only given \$5,000. We would like to have an additional \$30,000 to that because we really have to go down to the people for awareness. That is the reason for the increase to that. We proposed \$50,000 for printing but that was not included in our submission as well. The outfit allowance is \$30,000 and recruitment expense is \$100,000. That is quite a big amount but we are looking at recruiting officers under the Constituency Development Division. We currently have some of them but there are some still to be recruited and the intention of the Ministry were to get it all filled.

Mr Chairman: Which page are you on?

Mr Rore: This is the first page but I am looking at what we submitted but it was not placed in the budget. Can I just pass a copy around if you do not mind? What we submitted is not in here and we would like these to be taken on board. There are others here but let me just go through what you already have here.

For staff travel and transport we were given \$30,048. For publicity and promotion we were given \$5,000. Capital expenditure for office equipment is \$50,000. For I.T. and new hardware we have \$50,000, and then we have conferences and seminars for \$100,000. That is according to what we have here.

Mr Chairman: Do you want to say something about the development estimates?

Mr Rore: For the development estimates we have \$20million for Constituency Rural Development (RCDF) and another \$10million for ROC Constituency Micro Project and \$50million for livelihood support project. This is on development projects.

Mr Chairman: Budget Unit, the Undersecretary has a list there which he is not happy about. He had his bid there but what he has asked for was not given. He feels that it is inadequate for the Ministry to operate. Can we get any response from the Budget Unit?

Mr. Quiggin: Thank you Chairman. My name is Bob Quiggin and I am delighted to be here. We are aware of all the problems that the Ministry has raised. In essence, the situation is that Budget Unit received over \$600 million for new money and that means just about everybody is in the undersecretary's position, that is they are not satisfied because they didn't get everything they asked for. I understand the circumstance. All I can say is that Cabinet took its decisions based on advice and that is where the budget is concluded.

Hon Sogavare: Mr. Chairman, there are some serious items like telephone, fax, water and electricity. These are utilities to keep life going in the Ministry. NPF allocation,

housing allowances are quite essential items that they cannot basically go without. Maybe they can negotiate the other items, but like NPF, for example, that is a statutory expenditure and so if it is not taken up then something is very wrong. This is an issue the Ministry should be taking up with the Budget Unit. NPF is a matter of law and it is not discretionary.

Mr. Chairman: Looking at the 2007 actual on page 514 and the 2008 estimates, if you look at the difference, they are all in brackets. What does that mean? Are they in the negative? Almost all the allocations for 2008 are less than the actual to 31st of December 2007. The same can be said about page 515 and 516. On yesterday's summary you have a surplus of revenue expenditure of about \$200million, which was transferred to the development budget.

Mr. Quiggin: I am sorry, Mr. Chairman, but I have to seek clarification. The 2008 estimates are pretty larger than the 2007 actuals.

Mr Chairman: Yes, the 2007 actuals are more than the estimates of 2008.

Mr Chairman: Is it an under spending or because it is a new Ministry and so it is an establishment cost for the new Ministry.

Mr Quiggin: The estimated actuals are what we believe was actually spent, and so the 2007 original budget was what was agreed to at the beginning of this year. The 2007 estimated actuals are what we believe was actually spent.

The expenditure total for the head has gone down, partly I understand due to some measures that have not yet been announced. But I have to actually confirm that. I would like to take them on notice.

Mr Chairman: Page 515 on civil service salaries there is a very serious and substantial shortfall.

Mr Mendo: Mr Chairman, I think the total post given by the Ministry is 69 with a cost of \$2.5 million. What was given by the Budget is \$600,000, and no way near to meet the salaries and many other things.

The whole structure which is registered here in the establishment is \$3million. The Ministry of Finance will clarify how salary is paid this year and who paid for them. What I gather from them is that the CDOs are paid for by the Prime Minister's Office. Where do they account for all these staff in the Ministry in terms of accounting?

Hon Sogavare: Mr Chairman that is where the confusion arises. We really need to sort this out so that you get the right costing to be allocated to the Ministry of Rural Development. May be the Ministry need now to sit and talk with the Budget Unit to sort that out because this is no way near able to meet the requirements of this very important Ministry.

Mr Quiggin: We will take that onboard, Mr Chairman. I will alert the Permanent Secretary of the concerns of the Ministry of Rural Development.

Hon Soalao: Mr Chairman, taking into account the enormous task the Ministry will be undertaking this year, as clearly reflected in the government's policy, I think there is need for the Ministry to look at ways and means for the activities to be funded. There is a lot of under estimated allocations in their budget for this year.

I am sorry that we will be asking the Undersecretary a lot of questions that the Permanent Secretary should be answering. But there is need for the Ministry to start looking at ways to source funds from because I guess this Ministry is the most important Ministry for advancement of the rural policy.

Mr Chairman: I think what needs to be considered here is that if you look at the actuals for 2007 that is not a true reflection of the operation of the Ministry because this Ministry is a new Ministry. It was established in September so the actual expenditure reflected in 2007 is only for four months from September to December.

Mr Quiggin: No, Mr Chairman, what we are trying to do in budgetary is actually feed through our accounts to sort of link the accounts from where they would have been to where they have gone but with new structures and where we will have to draw them from for particular areas like the Prime Minister's Office here and just playing new structures there and so on, there are bound to be certain technical problems that arise but they should be reflective of a full year's expenditure.

I think quite possibly the CDOs are in there and that might be worth twisting things a little bit because last year there was not actually a budget on the CDOs. That would have made the actuals a lot higher.

Hon Sogavare: I think there is a substantial decrease in the level of salary as well this year. It was 9, 10, 11 or something or effectively 13 when you have all the other allowances and now it is reduced to 8/9 for CDOs. Yes, that should reduce the salary.

Hon Soalao: Mr Chairman, I think this leads on to what I asked earlier on today. Since CDOs level are reduced to level 8 but CDOs are the only public servants you will find around the rural areas and we are expecting a lot from them. That means we also need to look at ways of motivating them. We are here in Honiara but they are the ones who are going to go around the villages to feed us with information we need to develop our development strategies for the rural areas. I guess this is a point the Ministry needs to taken into consideration.

Hon Sogavare: That was the reason why their salaries were paid quite higher initially. The point raised by my honorable colleague is important to take note of.

Mr Chairman, I think the way that the whole rural advancement ideology is delivered is what we would like to be clear on. I think that is the issue. This room is empty because they are struggling with it in Caucus now and so we might have a different result after this particular head is completed.

But as my colleague stated earlier, this rural development ministry was established specifically to coordinate the delivery of projects in the rural areas under the bottom up approach, and there is no difference to the rural advancement policy of this new government.

Now that they are talking about \$80 million, I think the issue they are now grappling with in Caucus right now is the level of what should really be allocated to the Ministry. But I understand that certain portion of the Taiwanese assistance to rural development is intended to be delivered through the Ministry of Development Planning, and that is the millennium goal. And so it is only \$30 million that we are looking at to be delivered through the Ministry of Rural Development and the \$20million specifically for rural electrification or something.

That is, I guess, the government's policy that we need to be aware of on the views intended by a number of Ministers and backbenchers who would like to see the full allocation of \$1million from the Republic of China to be delivered through the Ministry of Rural Development.

We also raised yesterday a number of projects that are also delivered to line Ministries, and that is Forestry, Fisheries and Agriculture. The whole idea of delivering it to the Ministry of Rural Development is to achieve some fairness in the way funds are allocated to the rural area. Take fisheries, for example, last year some constituencies that have big potentials in fisheries were hardly allocated fisheries projects. There are other constituencies that have more than their share. There must be fairness in the way development assistance to the rural area is administered. That needs to be taken into account.

Looking at the inadequate level of budget and what is apparently clear that we are not giving this Ministry the importance it requires, it brings into question the ability of the Ministry to actually deliver this big amount we are talking about. So either we just abolish the Ministry and return them to line ministries or adequately resource this Ministry so that you deliver rural funding that is intended for rural development through this very important Ministry.

I know I am asking wrong people. This question should really be answered by politicians who need to explain to us what they mean by rural advancement. It is not clear to us at this point in time. I just want to mention this at this point in time.

Mr Rore: In regards to what the Honourable has just said, the Ministry has embarked on putting an action plan, which is the basis of our submission to the Budget Unit for the money that is needed for the program. However, it was put off. We have all the documents here where we would like to have it carried out as the policy of the government but funding does not reach the required amount.

Hon Sogavare: So what is the basis of creating rural advancement? What does it mean?

Mr Rore: I think it is getting down development right down to the village, to the rural people. I think that is the whole basis of this.

Hon Sogavare: Mr Chairman, they are trying to mix it with the delivery of education and health services. These are traditional areas that the donor communities have been heavily involved in, and so we are not talking about new areas. When we talk about rural advancement here we are actually talking about improving the capacity of rural people to be able to support the provincial government system.

From day one of establishing the provincial government system it did not work from day one as it is basically an agent of the central government. Let us assume that

somehow the provincial government system collects revenue from the people, but what are they going to collect with? This has been going on for the last 29 years. In fact provincial government was established in 1980 and we assume that it would work by itself collecting what is called the head tax. You talk about tax principles, this is one of the worst tax system that we apply. A person is taxed regardless of whether he is earning income or not. That is how it is.

It is one of the thinking behind strengthening the people in the rural area to be able to relate to their resources is to enable them to support the government system right at the rural local government. But right now even allocation to the provincial government system through the budget is basically inadequate. So there are a whole lot of reasons behind in addressing the capacity of rural people economically to be able to participate in economic activities that earn income and enable them to support the government system. That area is missing.

The delivery of education services and medical is not something new. It is something that has been there all the time where aid donors have been heavily involved in for donkey years. If nothing really is happening in those areas, then it is because not enough effort is put by aid donors in those areas. We really need to know the thinking of the government in rural advancement.

I can explain what bottom up approach is all about under the Grand Coalition for Change Government. But I think for the benefit of the Committee we really need to know what they mean by this so that we can make sense out of the allocations made to this Ministry.

I know they lump the whole thing from delivery of social services and also empowering the rural populace to be able to relate well with their resources. I think the area that is lacking now which is very important and needs to be emphasized in this budget is to enable rural dwellers to be able to participate in economic activities to relate to their copra, their trees, their fish and their land. That is what this is all about. That is missing.

Unless we are clear with this concept that the government is coming up with, we will not make sense of this budget. To start off this budget is already inadequate to even run that Ministry. We need to be clear whether it is an important Ministry or not. If not then we need to come out clear on this.

This Ministry carries one pillar on the name of this government - National Unity and Rural Advancement. These are two pillars. These names do not come up for nothing. These are names that mean a lot to this government, and that is why I feel we need to make sense of what is presented before us. Right now it is basically not making any sense to me.

I do not know if it makes sense to the Chairman, my colleague here but to me it does not make sense. I think this budget will be no way accepted in Parliament. You cannot lie too Parliament. You have to present something that is right. It is inadequate. You have months to prepare the budget and do it properly before coming before the Public Accounts Committee. This is a committee established under law and the constitution to scrutinize the budget. Thank you.

Chairman: Any comments from officials?

Mr Rore: We will take that onboard and let our Permanent Secretary know when he is back.

Hon Sogavare: When is he back?

Mr Rore: On the 17th of March.

Hon Sogavare: By that time we would be debating the budget already. We really need to be serious about this because that is budget time and you really need Permanent Secretaries and political representatives of that Ministry to sort these things out. This budget is not ready. It is not clear to us as to how they are going to deliver this rural advancement. This is not right.

Mr Chairman, a series of questions raised by officers here are serious questions. The way the budget is presented here made the questions to be very relevant. The Ministry is not prepared and not ready to deliver rural advancement. No, it is not ready.

As a member of the PAC I will be very hesitant to allocate this kind of resources to the Ministry. Now we are even suggesting the idea of removing allocations to line ministries such as Fisheries, Agriculture and Forestry. My intention is for those allocations to be also transferred to Rural Development. Now I am frightened to do that because the Ministry is just basically not capable of delivering even what is allocated to it now. I do not want to fight! Thank you.

Mr Chairman: Thank you Leader of the Opposition. I think the points raised by the Leader are very important. Seeing that the given allocations in the budget is inadequate, I think the Budget Unit needs to sit with the Department again to re-look at the allocations to this Department because it needs a lot of money. \$80million is here but we just do not know how they are going to administer that money. \$80million is a lot of money under this allocation. But we will see! May be there will be another supplementary in June/July.

Hon Soalaio: I guess we all understand why we are concern about this Ministry because as representatives of people living in the rural area, just looking at this allocation as not enough, the first impression is that what we have been telling our people that we are prepared to deliver, will not be delivered because the Ministry set up as a mechanism to deliver projects directly to the rural area is already not well resourced. That is one reason why we find project funds end up being used by ministries. That is the concern causing us to think of transferring projects from line ministries to the Ministry of Rural Development because we are searching for a mechanism whereby we can deliver projects directly for implementation in the rural areas without being consumed in the ministries.

I guess there is an understanding on why the Committee feels as such. This is like touching the nerves of the representatives of people living in the rural areas, and the Ministry that is mandated to deliver projects directly to them is not well resourced in the beginning. At the end of the day, Mr Chairman, I guess what we all want to see is improvement to the quality of life in the rural areas.

Like I said in the beginning there is a lot of expectation not only from the Members of Parliament but especially the people they represent. I do not want to ask questions because the people whom I would like to ask the questions to are not here, and so we will do injustice to those who are here by asking questions to them.

I know there is a supplementary coming if there are not enough funds but there is need for us to reflect what we say in the budget. Our words are going to be reflected in the budget. I still remember what I said during the last supplementary that supplementary is simply saying to the public we still do not know how to estimate.

Mr Chairman, our prime concern is that whatever is allocated to the rural population should be delivered properly, and this Ministry needs to be well resourced. We do not want money allocated for projects used to pay for bills first. I will stop here.

Hon Sogavare: The other issue is that we need to remove politics from this as well. One of the syndromes of this kind of funds is when politicians are directly involved in it. We tried to set this mechanism out through the CDO office, and I was expecting the government to increase it to two more. We were intending to remove this thing from politicians to be administered by CDOs with people in the rural areas determining the priority areas. So it is removing it totally from politicians.

Politicians will be just there to oversee it but they do not determine where priorities should go. That was the intention, and we were expecting to increase to two more officers to support the CDOs so that there will be three in each constituency.

That is what rural advancement, bottom up and rural development is all about. It is putting more services at the rural area through allocation of resources and human resources. I think one of the problems that we face is the projects that are delivered through the line ministries.

I think if politicians are going to be still involved in the Rural Development Ministry, then we will probably face the same result like what we experienced with Fisheries where there are two lists. One is by officials following proper criteria of appraising them and going through the criteria set up by the Ministry. That is one list. But when it came out there was another list, a political list where politicians put the names of even people living right in the bush who never go fishing getting the fishing projects. That is a serious concern when you have politicians directly involved in this or putting their hands on it.

In fact the whole idea of establishing this institution right there at the constituency level is to remove the administration of this thing from the hands of politics. We have qualified people and that is why we put them at level 10/11 so that we have a senior person up there administering this thing right at the rural area, and removing it from the hands of politics.

If we reduce the level of these people the politicians will step all over them and continue to basically bulldoze their wishes giving projects to people who voted for them only. That is another concern that needs to be registered. If rural development is to work, funding allocated to rural area is to work then remove politics from it. Politicians are there only to monitor it, to oversee it, to see unfairness and so on. When it comes to determining priority leave it to the people. That is what rural advancement is all about.

Mr Mendo: Just want to clarify what the Leader of the Opposition said. Initially there should have been two more staff. This is Cabinet decision that was made in reviewing

the CDOs. They came back and told me to cut it off, and so it is not reflected here in the establishment. But their level has been downgraded. I do not know why but that is their decision.

Hon Sogavare: Then we should not talk about rural development. The way we should be thinking now is the way people think in this country. There is now a wish by the people of this country to adopt the state government system (federal system of government) for more powers to go down to the rural area for them to take control of decisions on how to utilize their resources, participate in development in the jurisdiction of their states. That is the thinking of people right now and the government should think that way too.

This is back tracking from the way the general flow of the thinking of people. We are going backward. We are going against the thinking of the people. Slowly, slowly what we should be seeing is a very slim central government system because we should now be allocating resources down to the rural areas - human resources down to the rural area. There should be more responsibility taken on by people in the rural area. If you qualify people there they will help rural people appreciate what development is all about. Right now they do not know what development is all about.

Development to some of them is holding a plate and royalty falling down on to it. That is what development is to some of them. And I do not blame them because that is how we have been nurturing them to think these 29 years.

As a responsible government we have the duty to make sure our people appreciate what development is all about. I think this is what rural advancement is all about. We are talking about all these big political talks but we are not delivering. It does not make sense to me.

We are talking about where 80% of the population of this country lives where every year the gap is getting wide and wider. We only look at development as for people right here. We are only worried about Honiara and its people.

Sorry, I am hammering down at the wrong people, but I am very sorry officers.

Mr Chairman: Thank you Leader of the Opposition. I think we have exhausted ourselves. These questions need to directly go to the Permanent Secretary when he comes back. This will be in our report that will be presented to Parliament. Do you have any final comments?

Mr Quiggin: The reason why it looks like there was a decline over the actuals is because of the establishment of the Department. If you read page 514, you will see that the major cost items are new capital expenditures on office equipment of \$3/4 million. Capital expenditure on furniture is \$127,000, new I.T. hardware \$190,000 - near enough and conferences and seminars, a lot of it is for training of CDOs I understand for \$350,000. Those are non recurring costs. If you net those out, it comes to about \$1.2million. Going back to the original budget that is exactly how much we overspent the original budget by. In other words this Department has had an increase of about 50% over last year, not including the establishment costs.

I am not saying this Department does not need more, and I am not commenting on the policy. I am simply saying that they have not been cut back in a way that the raw figures might appear. That is probably worth noting. For instance, payroll charges have

doubled over the budget but tripled over the actual expenditure. It is not that policy questions are being ignored. Thank you very much.

Hon Sogavare: Thank you for explaining it a bit.

Mr Chairman: On behalf of the members, officials once again, thank you for coming this afternoon for your brief but please relate to the Minister and the Permanent Secretary that you could have done much better. Thank you.