

**NATIONAL PARLIAMENT OF SOLOMON ISLANDS**

**DAILY HANSARD**

**THIRD MEETING – EIGHTH SESSION**

**MONDAY 5<sup>TH</sup> FEBRUARY 2007**

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

Prayers.

**ATTENDANCE**

At prayers all were present with the exception of the Minister for National Reform & Aid Coordination, Commerce, Industries & Employment, Home Affairs, Foreign Affairs, Public Service, Infrastructure & Development, Mines & Energy, Provincial Government and the Members for West New Georgia/Vona Vona, West Guadalcanal, East Honiara, Central Honiara South Vella La Vella, North Guadalcanal, Shortlands and West Kwaio.

**PRESENTATION OF PAPERS AND REPORTS**

**QUESTIONS AND ANSWERS**

**PROGRESS - AULUTA OIL PALM PROJECT**

**9. Mr RIUMANA** to the Minister for Agriculture and Livestock: Can the Minister inform Parliament on the progress of the Auluta National Oil Palm Project in Malaita Province?

**Hon KAUA:** Mr Speaker, the following is the answer to the question.

The project was first launched by the previous government in March 2005, since then a number of ground work activities were carried out, and foremost to this, is land mobilization and recording.

The activities carried out this far are as follows:

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- A Project Office has been set up in Auki to oversee the Project Manager and Lands Officer.
- A total of 37 tribal lands were recorded, out of which 23 tribal lands are now recorded dispute free and ready to be surveyed and registered.
- During the same period, consultation and awareness on the project was done in establishment of the Land and Resources Owners Association.
- The 23 tribes have now appointed a Tribal Trust Boards but are waiting the gazetting of subsidiary regulations under the Customary Land Recording Act to enable these Tribal Trust Boards to legal entities that represent landowning groups.
- Of these recorded tribal lands, my Ministry has mapped and identified suitable lands of approximately 11,000 hectares in both Auluta and East Fataleka for oil palm development.
- The formal launching of survey will be held on the 17<sup>th</sup> February in East Malaita. I wish to record that the government is committed and hope a good number of Ministers will be able to attend this particular ceremony.
- Working concurrently with the Survey Department, it is soon commissioning an Environment Impact Assessment to probe and investigate likely impacts of the project on the social, cultural and economic livelihoods of the population in the project area. So far two interested parties have shown interest in carrying out the work, and this will be finalized before the end of February.

- Currently, the Department has already started initial talks with interested investors, but at this stage, options are still open.
- Once an investor is identified and secured for the nucleus palm oil, the Government will move into introducing out growers and smallholders oil palm development with the community and resource owners of the project area.
- Overall the Government is committed and serious about the project. The project is one of the priority projects not only for the area but also for Malaita Province and the country as the whole. Thus the Government is committed to ensure that all preparatory work is done before the actual ground breaking takes place.
- The Department is optimistic that with the completion of survey of the initial nucleus plantation in April and the identification of interested foreign investors by then, it intends to formally make ground breaking by June this year.

**Mr Riumana:** The Auluta project is very crucial in terms of equitable distribution of economical activities for our people to equally participate in the rural areas. Can the Minister inform Parliament how long will the land mobilization activity take?

**Hon Kaua:** We are hoping that land registration should be completed before June this year.

**Mr Fono:** Can the Minister inform the House how many investors have shown interest in the development of this plantation?

**Hon Kaua:** So far we have identified one investor but as I said earlier on there is an opportunity that we might look at other investors who might be interested in this particular project.

**Mr Kemakeza:** According to the timetable of the previous administration, the groundbreaking ceremony was supposed to be held in December last year. However, this new

Administration has moved it to June/July this year. There are two issues here, one is investor confidence and the other one is the landowning groups. Is it true that the government has explored the idea of relocating Auluta to West Kwaio or West Are Are?

**Hon Kaua:** Mr Speaker, as far as the government is concerned there is no need at this stage to relocate the oil palm plantation. It will remain in Auluta as originally planned.

**Mr Fono:** Can the Minister inform the House as to how many hectares of land were already in the process of acquisition?

**Hon Kaua:** As I have said already there are about 11,000 hectares ready for acquisition.

**Mr Riumana:** Has any feasibility study been conducted before committing all these activities?

**Hon Kaua:** Mr Speaker, yes, feasibility has been carried out done by our local people, which is the process we have now undertaken up to this stage.

**Mr Fono:** Is there any environmental impact assessment report being carried out as well to ascertain any environmental impacts in the development of this palm oil project?

**Hon Kaua:** Yes, the Survey Department is now commissioning the environment impact group. As I said, there are two groups that are interested in this undertaking and are now taking the process of formalizing the group to carry out the environmental impact required before anything can take place.

**Mr Kemakeza:** Can the Minister confirm to Parliament whether the delay is due to landowning groups or investor's confidence on the current situation in the country.

**Hon Kaua:** Partly, what has happened in the country, but more especially since this is a very important project all the groundwork needs to be done thoroughly and everybody must make sure that they are prepared to get the project going,

and because of that we have to delay the ground breaking to June.

**Mr Riumana:** The feasibility study should usually come after environmental impact assessment study and I understand there was a report on land suitability assessment, not feasibility. Is that the same report you referred as the feasibility study?

**Hon Kaua:** We are trying to short circuit the process to ensure the studies are done quickly and as a result of that both exercises have been done simultaneously.

**Mr Huniehu:** Can the Minister confirm that the Land Recorder has resigned and whether there is any plan to replace him?

**Hon Kaua:** If the Member had really listened to what I said by the 17 February 2007 this process will be done on site this year.

**Mr Huniehu:** I heard that, Mr Speaker, I was only asking if the Minister is aware that the land recorder had resigned and whether this would have implication on the process of land recording.

**Hon Kaua:** Yes, land recording process is not a problem. As I said this particular project so far is free dispute, which means land dispute is no longer anticipated because of the thorough process being undertaken with landowners.

**Mr Fono:** Mr Speaker is the Minister saying that there is no longer any land disputes amongst landholding groups which the previous land recorder has recorded? Is the process of land registration going on now or not yet?

**Hon Kaua:** Mr Speaker, the land that we have already identified, certainly under the Land Recording Act, all the groups has carried out the process already, and that is why we said this particular area is free of dispute because all those lands have been recorded under the Tribal Trust Boards which makes them become legalized. Through that process the landowning groups will be identified and they will be

responsible to discuss things with the government and the investor.

**Mr Huniehu:** Can you explain to this Parliament whether registration of the tribal groups' interest will be done under the Customary Land Act or the Lands and Titles Act?

**Hon Kaua:** Mr Speaker, this process is under the portfolio of the Department of Lands but I will explain for the benefit of the Member. Two processes take place here. First, land recording will be done under the Customary Land Recording Act, which is now being drafted and will go before the AG's Chambers for formalizing, and the other one which is part of the nuclei group will be done through the current land Act now. There are two different things. The nuclei part will be acquired through the Land and Titles Act and the other part will be acquired through the Customary Land Recording Act.

**Mr Kemakeza:** This project is very, very important for Malaita Province and everybody both on sides of the House fully support this development to ensure that it takes off the ground as soon as possible.

According to the Minister's answer this morning he said that investor confidence is part of the delay. Since investor confidence is part of the cause of delay to this project, this Parliament, the people of Malaita as well as the nation would like to know measures the government is taking to quickly give confidence back to the investor.

**Hon Kaua:** Mr Speaker, as I alluded to earlier on the investor no doubt has confidence on this project. He is very keen in developing the project.

As I said this particular project is a very important project for Malaita and so in order to ensure that everything is done accordingly before work actually starts, we have to make sure all necessary groundwork is done and cleared before embarking into the actual project itself.

This is a very important project and we do not want to repeat the history of other

projects like the one we questioned last week. That is why from what we have learnt from other projects, we have to ensure that this particular project go will operate the way we want and that is why we have to be very thorough in going through all the processes so that once it starts there would be no more disputes from interested parties.

**Mr ZAMA:** The Auluta Oil Palm is a national project which is taking pace according to schedules laid out by the government. Can the Minister confirm whether the government has any plans to replicate a similar project in other provinces?

**Hon Kaua:** Mr Speaker, yes, Auluta is only one project. Certainly there are other areas that have already being identified for oil palm, one on North New Georgia and the other one hopefully in Choiseul. Those are the projects that are already in the pipeline apart from Auluta.

**Mr Kengava:** Mr Speaker, we all know that the Auluta basin is a very big project. I just want to know whether the government has any contingency plans on what it will do with the saleable trees that will be felled during the operation to clear the area for planting of the oil palm.

**Hon Kaua:** Mr Speaker, this is a very important area. As you are aware the forest in Auluta is the virgin forest of the whole of Malaita and that is why the government is being very careful of the process it is going to take so that landowners too benefit from the trees before the actual planting of oil palm takes place. Currently a MOU is being signed with the potential investor and is put before all the parties concerned to thoroughly look at the MOU to ensure a plan is put in place on what to do with the trees.

**Mr Kengava:** Mr Speaker, will the government follow the same system that was done in Vangunu, where a logging company is allowed to come in and fell the trees first before actual planting of oil palm?

**Hon Kaua:** Mr Speaker, that is what I am saying that we do not want to repeat what has happened in Vangunu, and that is why we are taking precautions now to ensure everything is done properly before implementing them.

**Mr Fono:** Mr Speaker, does the government have any plans for the out growers scheme so that local people plant oil palm in their own land, which does not need the land to be registered so that people plant the palm oil and then sell it to the plantation that owns the factory?

**Hon Kaua:** Mr Speaker, as I said earlier on the Auluta oil palm development will be done in three stages. One is the out grower scheme and the other one by the company, and certainly we strongly support the out grower. One the nuclei palm oil takes place the next process is to take on the out grower scheme where landowners are involved in and they also own it with the villages. So there are three components of the whole projects that will implement once everything is settled.

**Mr TOZAKA:** Mr Speaker, investor confidence. The Minister stated that there is one investor who has put its hand to invest in this proposed project. Where is this investor now in the light of outstanding matters yet to be done on this project?

**Hon Kaua:** As the Member might rightly know any investor dealing with the government or the country for that matter it is very important that, for example in this case, land must be registered and must be free. To deal with that is the process of acquiring land for nuclei oil palm will be done under the Land and Titles Act. This is where the government takes the title from landowners and records it and then at the same time the Commissioner of Lands transfers the perpetual titles back to landowners for this process to take place. This is to ensure the investor has confidence in making this project to happen. We are hoping that the lease of land would be about 60 years to make the investor has confidence to develop this program.

**Mr Riumana:** Mr Speaker, I wish to thank the Minister for Agriculture for his good answers.

### **AVIATION – KONIDE AIRFIELD PROJECT**

**10. Mr RIUMANA** to the Minister for Communication, Aviation and Meteorology: The construction of the Konide airfield project during SIAC Government has been abandoned as a result of the recent social unrest. Can the Minister inform the Parliament when this very important project will resume?

**Hon VAHOE:** Mr Speaker, I would like to thank the MP for Hograno/Kia/Havulei for his question on the proposed Konide airfield project.

The question by the Honorable Member refers to a project that was under the control of the then Ministry of Transport Works and Utilities since 1995. Aviation was only involved in the provision of technical advice regarding the location of the proposed airfield while a preliminary site inspection report was done by an engineer from Works in 1996.

In 1997, Aviation having satisfied that the proposed site did meet the minimum standard strip specified in the aeronautical information publication approved the site from aerodrome and provided guidelines for the construction.

Mr Speaker, in a letter addressed to the Provincial Secretary of the Isabel Province, the Permanent Secretary responsible for Aviation in May 1997 posed the question of who is to fund the construction because the understanding of the ministry responsible for Aviation then was that funding will come from private sources, as it is not among the approved projects that the then government should undertake in 1997.

Our file also contains information that Konide site was under dispute and that there was also political dispute regarding the location of aerodrome between constituencies. These issues do not appear to have been resolved.

The question regarding when this project will resume should be put to the Minister responsible for Infrastructure Development and Planning on the funding aspect. Thank you Mr Speaker.

**Mr Riumana:** The Konide airfield project is a project of common and national interest to the people of Hograno, and I am very surprised that there was dispute as stated.

If there is a dispute, have there been any attempts made to resolve the disputes?

**Hon Vahoe:** Mr Speaker, I think the issue is for landowners to resolve the dispute.

**Mr Riumana:** Mr Speaker, I think most projects in Hograno have been made by my people themselves. The road was constructed by people themselves. My people constructed their own field and here again the government is asking us to do it ourselves. When will the government assist my people in Hograno?

**Mr Speaker:** That is just a general question.

**Hon Vahoe:** Mr Speaker, I think your question should be referred to the Province for directing to the government.

**Mr HAOMAE:** The question is asking the Minister to inform Parliament when this important project will resume, and if it is going to resume this year it needs money. My question is whether any funding for it is in the coming appropriation bill?

**Mr Speaker:** That is a question the Member could answer for himself if he is referring to a document. If the information is in a document then he should know.

**Mr Haomae:** Thank you, Mr Speaker, but the allocation inside is just a general one. I just want to know because the project has no name and so whether it is subsumed into that particular allocation.

**Hon Vahoe:** Yes Mr Speaker, I cannot get his question clear. Thank you.

**Hon Vahoe:** Mr Speaker, I think it is not.

**Mr FONONO:** In terms of privatization, can the Minister inform the Chamber how this airfield is treated in terms of government priority in developing the airfield.

**Hon Vahoe:** Mr Speaker, I think the Province has to request the Government for funding of the airfield.

**Mr Riumana:** This airfield is not a proposed project but it is an existing project that was abandoned as a result of the social unrest. The question is, when are you going to implement it?

**Hon SOGAVARE:** Mr Speaker, we fully appreciate the concern of the MP for Hograno/Kia/Havulei. We will be working very closely with the Province, and of course all other provinces as well in implementing that particular item in the budget.

**Mr Tozaka:** Airfields are not devolved functions but centralized functions, and therefore the responsibility to decide whether national projects of this nature should proceed or not rests with the Ministry.

**Hon Sogavare:** Mr Speaker, the government will work very closely with provinces, as I have said. Airfield is just like any other infrastructures. We are trying to avoid building infrastructures that become white elephants if they are not used.

The government would like to work very closely with the provinces to identify where airfields are going to be located so that they are used. That is a matter that would be addressed in the process of implementing that infrastructure.

**Mr Riumana:** Just an additional supplementary question. This airfield has gone through the provincial government; it has gone through normal procedures and is just waiting to be implemented. Is there any real timetable for this project to be implemented?

**Hon Vahoe:** Mr Speaker, the Province has to request the government to seek funding for it.

**Mr Riumana:** Mr Speaker, I understand that Air Services Australia is renting the airspace of Solomon Islands and is paying millions of dollar to Solomon Islands. Can that fund be used for airfields?

**Hon Vahoe:** Mr Speaker, that money is purposely for upgrading and maintenance of current airports taken care of by the government.

**Mr Kemakeza:** Mr Speaker, in the absence of any program by the present government, according to the 2003 - 2006 development plan of the whole nation this particular airfield was also included, but in the absence of the present government's development plan, is this particular airfield transferred to the new plan of 2007-2010, if there is going to be any plan by the present government?

**Hon DARCY:** Mr Speaker, as the Prime Minister has said there is a lump sum allocation for upgrading of provincial airstrips in the budget, and it will be through that allocation that we will prioritize upgrading of airstrips, as we speak to the provincial governments to decide on the priorities that provincial governments have. But the plan that you have, if you had prioritized it in the last three years, why did you not implement it during those times. You have the money; you have money from the aviation fund and so why don't you use it to fund that airstrip in Isabel.

What we are saying is that we are lumping it up in one fund and we will talk to the provinces to see which airstrips are priorities for us to upgrade. That is what the Minister is saying.

**Mr Kemakeza:** Mr Speaker, the Minister of Finance is questioning this program. The start of this project is the road upgrade in Malaita, the east and west Guadalcanal road, the Honiara roads. These are the beginnings of the implementation of this development plan. This airstrip because of time factor we are not able to implement it but you should just carry on.

My question is very clear if you had taken on board any development plan. That is all I want to know for the sake of the people of Isabel and for the purposes of this House.

(Sit down Minister of Finance you seem to panic because you don't have a development plan).

Mr Speaker, do not panic because what I am asking for is here. And to answer the question of the Minister for Finance, yes, the project is going ahead now, which is

maintenance of roads around the country. That is continuing.

Just take it onboard. I am not arguing about who will take what and what but I am just asking if this airstrip is in the next development plan of 2007 and onwards. I am asking for a very simple answer. I am not arguing with the Minister of Finance. I am only asking if it is in the next plan, and if it is, then it is straight for Isabel. Thank your Mr Speaker.

**Hon Darcy:** Mr Speaker, as I have said there is a provision in the development budget that we have provided for to cater for upgrading of all provincial airstrips. That is quite apart from the new ones that have been identified. These are for existing ones and the continuous upgrading of existing airstrips.

I think one thing we must understand is what the Prime Minister said that it is not good to build airstrips that no one will use and they will sit down there idle. But that is another thing.

But in terms of the priority that you have set for the last three years, there are some that we considered and will be reflected in this year's budget, and some we think may be the economics of those projects do not justify then we will leave them and move on to select the priority ones that we know we will make good economic outcome from.

**Hon Vahoe:** Mr Speaker, I want to assure the MP for Hograno/Kia/Havulei that if he wants to continue with this project he can approach the Ministry of Planning to see that it is taken into account in the development budget of next year.

**Mr LONAMEI:** Mr Speaker, in terms of priority on Isabel Province I think this airport is very important because it will be located close to the area where a mining project is established and as well as other major projects that will be in that area in the future.

Mr Speaker, according to priority I think the answer of Minister of Aviation is reassuring that they are going to go ahead with this project.

I would like to ask the Minister, Mr Speaker, whether projects like this have to go back to the province for resubmission to the Government or whether Members of Parliament

can just give it to the government for the government to take action.

**Hon Vahoe:** Mr Speaker, the Member of Parliament for Isabel can approach the Ministry of Planning on this project.

**Mr Riumana:** Can we have clarification from Planning?

**Mr Speaker:** I suppose that was a thank you.

## POLITICAL APPOINTEES - PMO

12. **Mr Fono** to the Honorable Prime Minister: What is the justification for government employing seventeen (17) political appointees under Prime Minister's private office, which is costing the government SBD\$2.6million per year?

**Hon SOGAVARE:** Mr Speaker, I noticed that the Leader of Opposition has already had this fully covered in the newspaper this morning and he has already expressed this on the question to the issue of justification. I quote, Mr Speaker, the paper this morning, "For political appointees to be paid this huge remuneration is unjustified". Some of the people are failures. That is a very serious defamatory statement, very sweeping statements without him gathering the facts to justify sweeping statements like that.

Sir, I guess this question boils down to the opinion of the Leader of the Opposition and the Opposition. We are saying that the appointments are fully justified. He has expressed his opinion that the appointments are unjustified, and I will leave the officers themselves to take up the very defamatory statements made by the Leader of Opposition against them.

It was also said here that these officers are not qualified. Mr Speaker, we are not stupid. It is appropriate for any government of the day to employ people to work for it. It is four years and so it boils down to the government to employ people that it trusts to advance its policies. These employments are not unjustified as the Leader of Opposition has alleged.

If he is questioning the qualification of the officers, Mr Speaker, we can go back to

history but since we are now in government I need to justify the reason why we are employing these people.

In terms of qualification, Mr Speaker, the Private Office of the Prime Minister consists of four officers, which are the Special Secretary to the Prime Minister, who has a Bachelor of Arts Degree - USP, the Director - Special Duties is Bachelor of Arts - Business, the Research Officer is Bachelor of Arts – honors and the Press Secretary is Diploma in Journalism.

The Political Advisory Unit, Mr Speaker, the Chief of Staff has a Degree in Medical and also a Master of Science and is also completing a doctoral thesis. For the political secretaries there are four and one has a Bachelor of Arts, another one has Masters in Science and Education but Degree in Business, one has Diploma in Accounting and there is also one who has Masters in Economics.

In the Caucus Office, Mr Speaker, the Secretary to Caucus has a Bachelor of Arts, Chief Policy Analyst has a Bachelor of Economics. We have three Policy Analysts, and one has Masters in Education, Bachelor in Accounting and Diploma in Banking. The Office Assistant has Diploma in Accounting and the Executive Personal Secretary has Certificate in Secretarial studies. In terms of qualification these people have qualifications and that is why they are employed.

Mr Speaker, as I have said already the government has four years and so it is important that we have people who are committed to ensure the government's program is carried through.

The political advisory unit - these are people that work very closely with sectors, they are assigned specific sectors and they work with the ministries. This group is a working group. These are not people who are receiving fat salaries and are sleeping but they are actually working with ministries.

The Government Caucus is a very important unit that keeps the group together. They are also analysts in the sense that any new ideas the government would like to look at comes through the Caucus Office, where research is done on the ideas and then a paper is put through Caucus and Caucus fully debates the new ideas, and then if we see there is need to

take the ideas up then they come through Cabinet and Cabinet officially takes them up as government policy. So these people have work to do.

Appointments like this, is not a new thing. Caucus office exists in every government. Policy evaluation gets different names, policy evaluation unit and political office or whatever we call them but it is just the same group.

In terms of becoming furious about the appointments, the Leader of Opposition is also furious about the huge package and saying that some of them do not have qualifications. We are not furious when this government increases the salaries of every one of us.

These are Solomon Islanders that we are talking about and we employ to work. We see that they have quality before we employ them. We are employing Solomon Islanders. We are not employing foreigners.

The salaries of Members of Parliament go up, the salaries of Ministers go up, the salaries of backbenchers go up. I guess probably this is the only government since Independence that seriously looks at the terms and conditions of Members of Parliament who are the lowest paid people in the Pacific.

Mr Speaker, what I am saying is, this question really is his opinion versus the government's position. He has made his expression of opinion that is unjustified and we are saying it is justified. So I do not know where you take it, Mr Speaker.

**Mr KEMAKEZA:** Mr Speaker, I have very big respect for Solomon Islanders to be in those offices. In fact they are Solomon Islanders and nobody questions their qualifications. They are loyal to the nation and whatever they do for the people of Solomon Islands.

To justify this SBD\$2.6million, is there any assessment or valuation on the performance of these very high standard officers because their work as you know is to make sure every department of government does its work according to the policy of the government.

The question is this. After six months assessment of this group, what percentage has the present government achieved in its program because these people's job is to write reports. Is there any report available, and if there is can



Parliament be provided with any reports this group has written.

**Hon Sogavare:** The question is questioning the delivery of this government's program. We will just be debating the Government's 2007 budget, which is going to be our budget. But these officers have been actively engaged in preparing corporate plans, work with ministries to put the program of actions together and so they are not sleeping.

But as is normal, we will do an assessment on their work and just like anyone, if they are not performing, then that is it. This government has four years and it has to deliver, and if these officers are not working then it is still normal, they can go. But I take the point on assessment report and we will be getting that from the Chief of Staff.

**Mr Kemakeza:** Mr Speaker, I think my colleague, the hardworking Prime Minister has not taken my question. I am not questioning the performance of these officers. I am questioning the performance of the 21 departments of the government because the job of these officers is to assess and make sure the 21 departments or ministries of government implement the policy programs of the government. The achievement of the 21 departments or ministries or whatever is what I am asking.

These officers should be writing reports on these departments and report to Cabinet or the Caucus of the achievements so far. What have each Minister or Permanent Secretary been doing so that the PM can then hire or fire if they are not doing their work, which appears to be so that three quarters of departments are not performing. So these are the people that should assess and report to the PM on the performance of Ministers and his officers in the Department of Agriculture, Finance, Health, Planning, Infrastructure, Civil Aviation and so on. This is to test the work performance of all the departments. That is what I mean - a six months report.

**Hon Sogavare:** Mr Speaker, I guess you leave how the government does its work to us. This group actually consults with me very regularly on their consultations with the ministries and so

I am fully versed with what is going on in the ministries from their reports.

**Mr HAOMAE:** Mr Speaker, I too have full confidence on Solomon Islanders. Is the employment of 17 political appointees under the Prime Minister's private office part of the bottom up approach?

**Hon Sogavare:** Mr Speaker, the government has come into place now and here we are talking about its policy. In fact the whole government departments and ministries are part of this whole process, and not only these 17 people. But of course these are people that share the brains of the political government by working very closely with ministries to get the thinking of the government across to Permanent Secretaries and government departments. So it is part of the government's program, not only these 17 people but the whole government ministries are now being redirected to think rural development.

**Mr HUNIEHU:** Mr Speaker, does the Prime Minister consider re-deploying some of these highly paid professionals to their areas of specialty?

The information I have here is that some doctors are working in the political department. The allocation of resources according to where they are working now does not seem right to some of us.

**Hon Sogavare:** Mr Speaker, if the questioner refers to the Chief of Staff who is a very highly qualified doctor then we only have one doctor who is also a very qualified administrator. He has the ability to coordinate, and so he has other skills apart from his qualification in medical.

But we do appreciate the views expressed by putting people in the appropriate places so that they can work in ministries that they have background in. That is really appreciated.

**Mr Fono:** Mr Speaker, I have very high respect for qualified Solomon Islanders as long as they can perform. Is the Prime Minister aware that this situation is demoralizing public servants?

There are thousands of qualified public servants whether they be teachers, doctors,

professional lawyers and are not given the treatment that is given to these 17 - just a handful within the Prime Minister's Office. Some of them are paid at more than \$200,000 per annum. What is the moral justification of this?

There are other qualified people in the public service and in other unions too who are also serving the nation but they are not given a fair treatment. What is the justification here? That is the answer I want.

Although the media might speculate in the papers, but the papers do not reach the whole country and that is the purpose of Parliament because we are concerned about tax payers' money.

**Hon Sogavare:** Mr Speaker, it is not true to say that the government is not looking at public servants. That is not true. It is an ongoing program and the government is seriously looking at the terms and conditions of public servants. And so I do not agree with that statement.

**Mr Fono:** I thank the honorable Prime Minister.

## VEHICLES - BACKBENCHERS

13. **Mr FONO** to the Minister for Infrastructure and Development: Why has the Government allocated government vehicles to its backbenchers when there are no provisions for such allocation in the Parliamentary Entitlement Regulations, PER 2006?

**Hon SOFU:** Mr Speaker, first of all I would like to thank the Leader of Opposition for asking the question to the Minister of Infrastructure to answer.

There are no provisions for backbenchers or any other ordinary Members, however, successive governments have allowed certain privileges to be awarded to other Members with certain assignments whilst delivering their statutory obligations.

The present government therefore sees it fit to award vehicle privilege to the Chairman of ICSI, the Chairman of the Solomon Islands Ports

Authority and the Chairman of the Visitors Bureau.

We must therefore bear in mind that this is not the first time nor it would be the last whereby such government instructions resulted in such awards and subsequently is not only restricted to my ministry.

**Mr Fono:** Mr Speaker, can I ask the advice of the learned Attorney General as to the Parliamentary Entitlements Regulation. Is government policy or practice of previous government would supersede the regulation that governs the terms and conditions of Members of Parliament.

**Mr Speaker:** Learned Attorney General, do you have any comment on that.

Under the Constitution, the terms and conditions of all Honorable Members are determined under section 60 (9)(a) to (c) especially when the Commission decides on terms and conditions, no other authority has the right to make any other awards. But I do not know what the honourable Minister means by awards. May be the honorable Attorney General can help us out here?

**Attorney General:** Can the honourable Leader of the Opposition repeat the question?

**Mr Fono:** The Minister stated in the Chamber that just because it is the practice of previous governments to allocate government vehicle to ordinary MPs who perform certain duties over and above their requirements that is why vehicles are given.

My question is – whether that is not superseding the PER where the Constitution allows or stated that Parliamentary Entitlements Commission can determine the terms and conditions of MPs?

**Attorney General:** That is the legal position, however, as set out in the regulation, if it has been a customary practice of successive governments it does not make the allocation of vehicles an illegitimate exercise so as to override the regulatory provisions to make it legally illegitimate. It has been a customary practice.

**Hon Sogavare:** Mr Speaker, may I add on to that. The Government is continuing to review and make a lot of improvements to the entitlements of elected MPs who are involved in certain areas. For example, the chairmen of the various parliamentary committees have their terms and conditions improved and are now paid at the level of the Deputy Speaker. This means they are given vehicles, accommodations and so forth.

I have also just got an approval by the Parliamentary Entitlements Commission as well on a submission the government made to the Commission for parliamentarians employed by the government for specific tasks, we call them parliamentary secretaries, will also be paid at the Deputy Speaker's level and also allocated vehicles and so forth.

Mr Speaker, it is an ongoing process. We appreciate the concern raised by the Leader of Opposition. It is a matter that eventually we will take up with the Parliamentary Entitlements Commission to formalize the entitlement of the chairmen of statutory bodies.

Mr Speaker, we consider these Chairmen as holding very important responsibilities in Statutory Organizations and are very much a part of the government in carrying out the policy initiatives of the government. Because of that reason we feel that their terms and conditions need to be looked into. So it is an area that we need to bring it up to the PEC to look into the terms and conditions. It is an ongoing process.

**Mr Huniehu:** That fact that previous governments may have practiced this does not make this legal. What is legal is legal and what is illegal is illegal.

The Leadership Code Commission or may be the Ombudsman have made legal interpretation on benefits that MPs have been receiving outside of the PER. As far as I am aware any benefits that MPs receive outside of what is contained in the PER is deemed to be illegal. That goes to say that the chairmen of statutory bodies who are receiving wages and other benefits are illegal. We must come out clear on these issues. I disagree with the learned Attorney General.

**Mr Speaker:** What is your question? Are you just making a statement?

**Mr Huniehu:** Yes, the question is – is the Minister aware that legal interpretations were already made by institutions that are charged to provide Parliament with advice, and whether the Minister had taken this into considerations when he made this decision?

**Hon Sofu:** First of all, I would like to clarify the statement made by the honorable MP for East Are Are. In fact we do not follow what successive governments have been doing. No. The present government, as I have said in my answer earlier on today, sees it fit for the chairmen of statutory bodies to be given vehicles to carry out their duties.

Mr Speaker, the Parliamentary Entitlement Regulation 2006 spelt out very clearly that not only backbenchers are entitled to vehicles but also chairpersons of Parliamentary Committees.

On the question raised by the Leader of Opposition on the chairpersons of statutory bodies, I think the answer is very clear that the present government sees it fit to give vehicles to these chairmen to carry out their duties.

**Hon Sogavare:** Mr Speaker, to add on to that, it is government policy which we will be facilitated through the normal process. If we start to question government policy then I do not know what to say.

**Mr Kemakeza:** First of all, I want to inform Parliament that my government did not exercise this one and you can find this on the records.

Is the Minister aware that the chairman of ICSI has his own transport? According to the Minister's answer the Chairman of the Visitors Bureau and the Chairman of Ports Authority can be provided for as and when is required by these authorities.

I have big respect for these backbenchers, they are hardworking people and the assignment by the government for them work in the various statutory bodies is very important to the nation. However, the question is – can the Minister provide to this Parliament the special assignments the Minister stated that

my colleague backbenchers are doing so that Parliament can justify this question of illegal allocation of vehicles according to the MP for East Are Are. The answer by the Learned Attorney General does not satisfy this House. She should be neutral in her answers. I want to ask the Minister to provide the assignments the backbenchers are doing to Parliament.

**Hon Sofu:** Mr Speaker, I will ask the honorable MP to give me time so that I can provide that information to my good friend, the Member for Savo/Russells.

**Hon DARCY:** In relation to the Chairman of ICSI as has been mentioned, under the ICSI Act the Minister has the power to assign terms and conditions to the responsibility of the Chairman of ICSI under the appropriate provision of the Act. The award of vehicle privilege to the Chairman of ICSI is in accordance with that particular law in the Investment Act. I would suspect that that should also be the same that would apply to other statutory bodies including the Visitors Bureau and the Solomon Islands Ports Authority. These are all terms and conditions provided for under those acts. And it is a requirement that the chairmen, like in this case they are Members of Parliament and I do not agree with what the Member for East Are Are said that they are not allowed to be appointed to these positions. They are citizens of this country. The provision of law is there that when you are awarded those benefits it must be declared to the Leadership Code. In fact I have required all members of the ICSI related companies to declare those awards to the Leadership Code so that it is consistent with the law.

**Mr Fono:** Mr Speaker, I have all the respect for elected Members of Parliament. In fact not only backbenchers should be provided with vehicles but provide vehicles for every Member of Parliament. Not cars but hiluxes because we are also project officers in disbursing materials to constituencies to be in line with your bottom-up approach. Provide each 50 Members of Parliament with Toyota Hilux at \$265,000, a total of \$13million.

Can the Minister look into providing that to be in line with government policy because we do not have this in the PER but we are effecting government policy? Can the Minister review that in line with government policy to provide all Members of Parliament with government vehicles because they are national leaders and citizens, as the Minister of Finance said? That is my question, Mr Speaker.

**Hon Sogavare:** Mr Speaker, that suggestion is not in line with government policy. What we are doing is in line with government policy. In the due course of time we are going to review the appropriate regulations to facilitate this one. It is government policy and so we just need to process it through. Some have already taken it.

**Mr Fono:** With that, Mr Speaker, I thank the Minister and the Prime Minister for their answers. Only make sure that we follow the Parliamentary Entitlements Regulations (PER). Even some government Ministers have two vehicles and where in the PER is that provided for?

I hope the government is fully aware that this is the role of Opposition in Parliament.

## STATEMENTS BY MINISTERS

**Mr Speaker:** There are three statements before the House. I remind the House that according to Standing Order 24 no debate may arise on the statement but short questions may be put to the Minister making the statement for purposes of elucidation.

### The Bona Fide Demands of Guadalcanal

**Hon IDURI:** Thank you, Mr Speaker, the Prime Minister and Ministers, Opposition and Members of Parliament.

Mr Speaker, I respectfully rise to make this statement, which appears under Order Paper No.4(1) in my name, on the 'Bona Fide Demands of Guadalcanal'. Mr Speaker, may I add, that these outstanding issues are related to the recommendations of the Solomon Islands Government (SIG) and the Guadalcanal Province Government (GPG) Task Force Report on Reconciliation and Rehabilitation (SIG/GPG

Report 2006). Thus I will be referring to both issues in view of my Ministry's policies and programs.

Mr Speaker, at the outset the government considers matters of outstanding issues and reconciliation as very critical in the advancement and consolidation of the peace process. These relate directly to some of the underlying causes and also the effects and impacts of the ethnic violence. The Government therefore, is committed to addressing these to ensure healing, forgiveness and true reconciliation take place that would lead to sustainable peace.

Mr Speaker, the "Guadalcanal Bona Fide Demands" was initially made in 1999 to the national government. As this Honorable House is aware, other technical ministries are directly responsible for the implementation of the various sections of the Bona Fide Demands. My Ministry's role is to monitor, assess and advise on the implications of the issues on peace, stability and national unity. Thus it plays an advisory and coordinating role to government ministries for that matter to ensure that critical national issues are constantly addressed.

Mr Speaker, key implementing ministries in this regard are the Ministries of Lands, Provincial Government, Home Affairs, Finance, Education, Justice and Legal Affairs, National Planning and Aid Coordination, Mines and Energy and the Honiara City Council; just to mention the areas that are covered in the Bona Fide Demands.

Mr Speaker, the Bona Fide Demands definitely are not shelved away as suggested in recent media statements. They are not forgotten either by all parties. The demands, if we all recall are long term, if not are already part of ongoing government services. Progress has been made in certain areas; others have been slow; while certain areas are legally complicated and would take a lot of time and resources.

Mr Speaker, I must reiterate here, that the events of our recent ethnic violence has definitely affected the progress and very importantly in turn had created additional demands and claims and also priorities, which my Ministry has been able to establish over the past two years through its intra-provincial and community reconciliation activities.

Mr Speaker, eight years on since the Bona Fide Demands were made, the government through my Ministry is committed to revisit these reports in coordination with respective ministries to carry out a full up-date assessment on the status of the Guadalcanal Bona Fide Demands. The Ministry realizes that the Bona Fide Demands historically is a re-emerging issue that will continue to have bearing on peace and stability of this nation.

The assessment is to update our records, establish a common understanding, pave a way forward through dialogue and in turn inform our people of the status of the "Bona Fide Demands". Sir, ensuring that updated and accurate feedback reaches our people particularly at the community level is important.

Mr Speaker, this is a task my Ministry is coordinating with other relevant Ministries and the outcome will also contribute towards a Background Paper, the terms of reference of a high level government committee that will conduct assessment into the SIG/GPG Reconciliation and Rehabilitation Report.

Sir, to provide an overview of the work of the Ministry, let me inform you that the Ministry was only established in 2002 in urgent response to the immediate impact of the violence and the subsequent lawlessness. The Government saw the need for the department to focus and coordinate government strategies in addressing the immediate post-conflict situation.

Mr Speaker, since then its roles and functions has evolved over the past four years. From 2002-2003 the major focus was on compensation. From 2004-2005 it focused on reconciliation with stronger emphasis on rehabilitation (re-integration) programs. From 2005-2006 while National and Inter-provincial Reconciliation remained the main focus the strategies were on national dialogue through national summits.

These summits had provided the forum for the first time after the conflict for national, provincial and community leaders to talk through provincial and national issues in relating back to the original Bona Fide Demands, as in the case of the Guadalcanal Province, and also to newer issues as a result of the ethnic conflict.

Sir, the summit reports have been endorsed by Cabinet and are useful reference

materials which is informing my Ministry's work program and forming the basis for dialogue.

Mr Speaker, meaningful reconciliation is a process that cannot be imposed. It takes a lot of time, resources and skills. Based on the level of ground work that have already been gained through dialogue with the provinces, the government through my Ministry is committed to further advance and consolidate the ongoing reconciliation processes at both the provincial and national levels.

Having said this, intra-community reconciliations are just as equally important through which the Ministry is promoting community initiatives. As an example, recently the Ministry took part in the South Guadalcanal Constituency Inter-ward meetings and was pleased with the approach and the community initiatives and financing which reflected the ownership of the process. This is a model that other national leaders could also consider to adopt for their respective constituencies.

Mr Speaker, the national goal however, is for a National Reconciliation between SIG/GPG/MPG and an Inter-provincial Reconciliation between the two provinces directly involved. The detailed timeframe and work program will be mapped out and will be released shortly.

Mr Speaker, in relation to the issue of the Bona Fide Demands of Guadalcanal and Reconciliation, it is important to note the outcome of the Balasuna Guadalcanal Leaders Summit of 2005 in a proposal which was submitted to government. The prime focus was for peace reconciliation between SIG and GPG to pave the way for further negotiations between both parties, of which the Bona Fide Demands are just one of the issues.

In accepting the proposal for peace reconciliation, a SIG/GPG Taskforce was further appointed and mandated to recommend the form, substance, date and venue for which the proposed peace reconciliation would take place in conformity with Guadalcanal custom. The taskforce was also to recommend a framework for achieving meaningful peace reconciliation on Guadalcanal.

Mr Speaker, the Report of this Task Force on the Solomon Islands

Government/Guadalcanal Province Government Task Force Report on Reconciliation and Rehabilitation (2006) was received and the content noted by the Grand Coalition Government with the understanding that it is a report that reflects the feelings and aspirations of the people of the Province on reconciliation and rehabilitation.

Mr Speaker, in the light of Cabinet directives of September 2006, my Ministry is establishing a high level government Committee to assess the recommendations of the report with the view of formulating a government position paper. While this is normal government procedure to ensure the involvement of all responsible ministries, in addition to the implication of the recommendations are such that would require decisions beyond my Ministry's level. Obviously, there might be the need to separate the two issues of reconciliation and rehabilitation because of financial implications.

Sir, the government committee will be broad based comprising of key ministries and the committee's assessment and recommendation will assist the Ministry in planning the way forward.

Mr Speaker, it is important to note that the Solomon Islands Government position paper will form the strategies and basis for consultation and negotiation during a planned SIG/ Guadalcanal Province Government Talks. In this regard, currently the Background Paper and Status Paper is being prepared by my Ministry in conjunction with other responsible Ministries. The appointment of the Government Committee will be concluded by the end of February 2007 and the Committee should start its deliberations by the second week of March 2007.

Mr Speaker, thereafter, the time frames and dates for the SIG/GPG Talks on the Peace Reconciliation will be set in close consultation with the Guadalcanal Province. Indicative dates are however set for August 2007. The dates and programs will be discussed with newly elected provincial government.

In concluding, Mr Speaker, in summary:

1. “The Bona Fide Demands of our people from Guadalcanal are an ongoing priority on our Government’s agenda.
2. The Peace Reconciliation first; in the manner proposed under the SIG/GPG Reconciliation and Rehabilitation Report is what my Ministry is currently addressing. Once an amicable understanding is reached between both parties, the next step would be the SIG/GPG Peace Reconciliation Ceremony also in a manner agreed to by **all parties**.
3. Sir, my Ministry promotes continued dialogue and consultation with understanding as the key strategy.

Sir, finally, reconciliation might be a long process; and it is not a one off process either. It may take time before parties can agree to move forward and inevitably a lot of resources are involved and required. However, Mr Speaker, rebuilding of shattered human relationships, the hurts and pains of our people is just as equally important as rebuilding of our economy, if we are to ensure sustainable peace and national unity.

Although reconciliation often connotes payment of compensation, and is unattractive to many donor partners, with that understanding; the government is committed to its national reconciliation programs.

Mr Speaker, with those remarks, thank you for this opportunity, and I resume my seat.

**Mr Speaker:** As alluded to at the beginning of the statement, Statement by Ministers are not open for debate but at the discretion of the Speaker some short questions may be asked and I use that discretion to allow one or two questions that may be asked.

**Mr Fono:** Mr Speaker, in line with section 24(2) of the Standing Orders I would like to raise a question to the Minister responsible. But first of all thank you Minister for your statement in relation to the Bona Fide Demands of Guadalcanal. Mr Speaker, the statement falls short of outlining what the demands are and what steps is the government taking to address the demands and what stage it has reached. Can

I suggest, Mr Speaker, if the Minister or the Ministry could do a matrix on the bona fide demands because it is not one demand so that it can be lumped as one? There are various demands. What has government been addressing or what stage has it reached now on these demands so that it gives us a total picture of how far the government is addressing these demands, and at what stage are these demands at.

I hope with the strong support from the Ministry they can provide that sort of matrix to Parliament during this Meeting so that it gives us a total picture of what steps has the government taken to address the various demands. It is not just one demand, it is a lot of demands and what steps has the government taken so far to address these demands. Can I have assurance from the Minister that that sort of matrix can be made available to Parliament?

**Hon Iduri:** Mr Speaker, first of all I would like to thank the Leader of the Opposition. A detailed assessment report will be made available and given to Members of Parliament.

**Mr Tozaka:** Mr Speaker, I would also like to join the Leader of Opposition in thanking the Honorable Minister for presenting the statement on the Bona Fide Demands of Guadalcanal.

Mr Speaker, listening to the presentation I am very happy about it basically because I think it is a situation that we want to see happen that way. We had gone through a very traumatic time in our country and we are trying to normalize it. I think this is the way that you are addressing it, and the government I think is doing right.

Whilst listening to the Minister’s statement he is very cautious that this reconciliation peace must not be derailed but must be continued. Therefore, already it is a common subject that has already been expressed and aired by the government of the day and it is an issue that people are not very happy about, basically because it has to do with the conflict and that is the arms subject, the introduction of arms.

Is this policy also taken into consideration by the Ministry in the light of addressing reconciliation and peace?

**Hon Iduri:** Mr Speaker, continuous steps are taking place and consultation. Arms are outside our strategy.

**Mr Koli:** Mr Speaker, I would like to thank the Minister for his statement on the Bona Fide Demands of Guadalcanal. The Minister has ascertained in his statement of the Bona Fide Demands of Guadalcanal and reconciliation for that matter. I would like to know if there is provision in the 2007 budget to cater for what he has stated.

**Hon Iduri:** Mr Speaker, we have budgeted money for consultation.

**Mr Taneko:** Mr Speaker, I would like to thank the Minister concern. I think this Ministry is very, very important to all 50 Members here. The Guadalcanal Bona Fide Demands is a long overdue issue, and the Minister rightly stated the Guadalcanal 2005 Leaders Recommendation and the SIG Government Committee Task Force.

Since the Ministry is still continuing, and all of us in this House know that a lot of funds have been spent on that Ministry. I want that Ministry to be seriously committed. The National Peace Council has spent millions of dollars, technical assistants are there and all of us want to talk with people and militants.

This is year 2007, and this is just a suggestion, I want nine provinces and premiers who have already involved in those reconciliation matters, but I want us to be serious in committing the provincial ministers and executive ministers, especially the premiers with representatives of your recommended task force members to quickly look into these bona fide demands because we have to build a bridge between Guadalcanal and Malaita together with the other seven provincial leaders so that we can help them and bring these bona fide demands to the end.

**Mr Speaker:** Can the honorable Member turn his suggestion into a question please?

**Hon Taneko:** Can more action be done to the recommendations by the Guadalcanal Task Force and SIG so that things are done quickly?

**Hon Tosika:** Mr Speaker, to assist the Minister for Reconciliation and Peace, the Government during one of its Cabinet deliberations has agreed to return all lands that belong to Guadalcanal, and this applies equally to other lands the government has titles in other provinces. The government has taken one of the major steps forward, which is the main demand of the Guadalcanal Province to return all land back to their rightful owners. The government has done this and the process is now with the Ministry of Lands for the return of all alienated land.

**Mr Speaker:** Could you ask short questions please instead of entering into debates?

**Mr Pacha:** I too would like to join my other colleagues in thanking the Minister for Unity, Peace and Reconciliation for this important statement.

In the statement he mentioned the ongoing consultation meetings on reconciliation in my constituency. There was a disturbing talk over rearming. We were in the middle of the consultation when the report on rearming came out too. I want to know if the Minister can inform me, which one of these two - reconciliation or rearming will come first.

**Hon Sogavare:** Mr Speaker, we must not mix these things. In fact the uneasy feeling in the society is basically something that is fueled by disinformation from the various quarters. There are people who are deliberately going around misrepresenting what is a very simple clear government policy matter.

Mr Speaker, the government is only looking at rearming the Close Protection Unit. This is a very small group, Mr Speaker, and they are responsible for the protection of the Prime Minister and His Excellency the Governor General. It is a service that is provided by the Police for many years now and when RAMSI came it disarmed this group.

What seems to be happening, Mr Speaker, is that statements going out appear as if



the government is bringing in boat loads of guns here and we are rearming all the people of Solomon Islands now. That is how it is put across, deliberately by people who just want to discredit the government on what is a clear government policy.

We are not going to rearm the entire Solomon Islands, Mr Speaker. A gun free policy is still there, Mr Speaker. This unit is a unit that that is only going to be with the Prime Minister here in Honiara.

I would like to assure the people in Solomon Islands Mr Speaker, that we are not rearming the entire country. The guns you may have been seeing are guns that are illegally there. We are talking about arming disciplined officers. We must not confuse those two issues of rearming and the ongoing reconciliation process that is going on in our villages. It is a total different matter altogether. I can assure the people of Solomon Islands that this is a very controlled policy.

**Mr Gukuna:** Mr Speaker, I think the Prime Minister has tried to raise a point. No one has ever said that the whole country is going to be rearmed. It is just the question of rearming the Police that is dangerous enough. The question still stands whether or rearming or reconciliation will come first. That is the question.

**Hon Sogavare:** Mr Speaker, these are totally two different policies, and I do not know how it is going to affect people in the villages. That is what I am saying.

In fact I can read the comments made by the Opposition and the Australian media who are working very closely with you people; and the media has been misinforming the public. The Leader of Opposition came out in One News and said that we are not yet ready to arm the police officers. Mr Speaker, we are only talking about arming this small group and so it is relevant. This comment I am making is very relevant. We are not arming the entire country. That is how it is put across.

**Mr Fono:** Point of order.

**Hon Sogavare:** Mr Speaker, I want your ruling and ask the Member to sit down.

The Opposition Group is misinforming the public. And the National Council of Women came in, SICA came in, NGO would probably come in because RAMSI had talks with them too, and the Opposition Group came up too, it was just these very few people and their executives. They have dragged what is a very simple straight forward government policy to arm this group to protect the Prime Minister and His Excellency and they have dragged it to affect the peace process. That is nonsense and is not right.

I would like us to be more responsible in this House and not to cause unnecessary fear because your intention is to frustrate the government's program.

**Mr Speaker:** Could the Minister simply answer the question whether he is in rearmament or reconciliation?

**Mr Iduri:** Mr Speaker, the rearming issue is a separate issue outside of my statement. You have heard the statement I made.

**Mr Speaker:** I will allow one more question. It is the discretion of the Speaker.

**Mr Sitai:** Mr Speaker, just a short question. I will be short and before that I would like to thank the Minister for his statement to Parliament on this important issue. The question is, is the newly elected Guadalcanal Provincial Government aware of the programs made in the statement? And if so, to what extent will the Province's involvement be in this exercise to address the Bona Fide Demands of the people of Guadalcanal.

**Mr Iduri:** Mr Speaker, we will consult with this new elected Government on this program. We are open for dialogue and so we will consult with the newly elected government of Guadalcanal Province.

### **The Future of Development Bank in Solomon Islands**

**Hon DARCY:** Thank you Mr Speaker, for granting me leave under Standing Order 24 to address the House on the Development Bank of

Solomon Islands and the future of development bank in our country.

Mr Speaker, the House will recall the financial collapse of the Development Bank of Solomon Islands and the appointment of the Central Bank as the Court Appointed Manager in June 2004. ]

Mr Speaker, permit me to remind the House of what the circumstances were. Action was taken under section 18 of the Financial Institutions Act 1998. It was taken to protect the stability of the financial system; to protect the interest of ordinary people who held their savings on deposit in the Development Bank of Solomon Islands; and in the overall interest of the Solomon Islands public, one of the main and most important purposes of the Act.

Mr Speaker, the Central Bank of Solomon Islands has performed a first class job in attempting to normalize the balance sheet of the DBSI; it played a commendable role and deserves our gratitude. However, Mr Speaker, the role of the Court Appointed Manager is now coming to an end. After the Court Appointed Manager has concluded a number of actions already in progress, all that will remain of the DBSI is the debt owed to the European Investment Bank, amounting to some SBD\$21 million.

Mr Speaker, this is the first time in Solomon Islands history that the Central Bank has had to deal with an unsound and insolvent financial institution. To record what happened, the Central Bank has produced a report in which I will table in this House that documents the financial and operational history of the Development Bank and the mistakes that led to its financial collapse. The report records important lessons about developing banking in Solomon Islands. Sir, it is crucial that we learn from these lessons, so that we avoid making the same mistakes again.

Mr Speaker, many believe that the DBSI's problems are entirely due to the conflict. However, the report shows that the DBSI was in trouble almost from the start. For instance, Mr Speaker, in 1981, 50% of DBSI's loan portfolio was in arrears. Losses of \$6.6million were written off in 1990 and a further \$23million in losses accrued by the end of 1993.

The DBSI had actually stopped lending well before year 2000. By the end of 2004, the DBSI had accumulated losses exceeding \$42million. Hence, aside from aiding the development of our country, the DBSI simply added to our financial woes.

The key problem, Mr Speaker, and one that has been learned all over the world, is that the conflicting aims of government social policy and good banking rarely go together. If there is a future for development banking in this country, it would need to be based on sound commercial and financial practices and free from government interferences and political pressure.

Mr Speaker, when one reads about the history of the DBSI, I believe many in the House will agree that the best line of action is to remove government from the business of development banking in Solomon Islands. In fact we will not be the first country to do this.

I believe the House, Mr Speaker, will agree that one of the most important roles of development banking in Solomon Islands is to ensure development reaches rural people and those that do not have access to formal financial services. Development banking would not be contributing to the country's economic growth if it simply caters for those who already enjoyed access to financial services. Poor people need financial services just as much as richer people do and, all over the world, financial institutions are adopting new technologies and new approaches that enable them to meet the needs of the very poor. Some of these approaches are being piloted in the Pacific, including the Solomon Islands.

Mr Speaker, financial services offer a safe and secure place to keep savings – no matter how small they help women to budget for family commitments, pay school fees, improve nutrition and housing or even to start a small business. Rural people need access to financial services just as much as those living in the city.

The Government is fully aware that having access to financial services by itself is not sufficient to generate business activities, especially in the rural areas. People also need to be trained on how to plan and successfully manage their own businesses. Mr Speaker, the Government plans to meet this important

requirement by conducting more business training in rural areas in the months ahead.

Our vision, Mr Speaker, is to support the expansion of commercial financial services and private sector development throughout the country. Over the coming year, this Government will launch a number of initiatives to help expand financial services. In fact we will adopt a two-legged approach.

The first leg, Mr Speaker, is a new rural and small business credit guarantee scheme that will be launched in the first half of the year. Through the Development Budget, the Government will deposit \$10million as seed-capital into an account at the Central Bank. The scheme will be administered by the Central Bank and will operate through the commercial banks. The new scheme will help to share the risk of providing loans to rural based businesses that lack bank acceptable collateral to secure a loan. The scheme will help rural people with sound business ideas to access commercial loans.

I use the word “sound” Mr Speaker, because business ideas will need to be robust and viable. The guarantee will not perform miracles; it will not turn a bad business idea into a good one. Rural businesses will apply for loan in the usual way. Banks will need to be convinced that the loan proposal stands a good chance of success – the only constraint is that the borrower does not have acceptable collateral to secure a loan. Other impediments to private business development in rural areas will be addressed separately. The scheme will be managed by the Central Bank with the commercial banks. The Government will not be involved in operational issues beyond providing the seed funding.

The second leg will support the expansion of banking services into rural areas, including micro credit services. Shortly after the budget, we will invite registered financial institutions to submit proposals describing how they intend to reach rural people. The Government will help share the cost of these initiatives for a limited time period.

This House will agree that this Government is already taking steps to avoid the mistakes of the past. We are taking actions to expand financial services and infrastructure of

existing financial institutions in the country. In the past, we have both had our fingers burnt – the banks and the government. But if we can work together, we have a better chance of success.

Mr Speaker, our vision for the DBSI and the overall provision and management of the financial system is simple. We will remove government from its ownership and operational business. Over the next few months, the Government will consider all available options to achieve this objective including the feasibility of selling DBSI to a private investor and providing service which is free from political interference.

With those remarks, Mr Speaker, I will shortly table this report on the CBSI Court Appointed Manager Report to this floor, and I commend that report to this House.

Thank you, Mr Speaker.

*(applause)*

**Mr Koli:** Mr Speaker, I would like to thank the Minister of Finance for his statement.

I could hear from your statement that you were talking about a financial scheme for people in the rural areas through the DBSI or commercial banks. In terms of security, how can people in the rural area obtain this money easily because they we trying to build the economic base of our people. I am questioning its security wise.

**Hon Darcy:** Mr Speaker, I did not quite get what the honorable Member was asking. Is it security that you asking for or this new credit scheme?

**Mr Speaker:** The security.

**Hon Darcy:** Mr Speaker, the new credit scheme is really a scheme to provide basic support to the banks to provide capital to borrowers. Any proposal that is submitted to the banks will still pass certain tests, and that is it has to be a viable proposition and that some sort of security will have to be provided in order to access this guarantee scheme. That credit guarantee scheme is basically to assist any of the banks provide that fund to recover whatever that cannot be

recovered through the security and whatever assets that are available to the borrower.

**Mr Huniehu:** Mr Speaker, any new roles the Development Bank will undertake in trying to assist our people in the rural areas must not disregard the enormity of informal assets we have in the rural areas. If the Development Bank is to practice its activities just like the commercial banks, I think the informal sector in the rural areas will continue to be a problem. I think this country has not run out of resources. The rural areas have the informal sector. There are millions and millions of dollars worth of customary owned resources which needs to be converted to benefit people in the rural areas. Whilst the action taken by the government is .....

**Hon Darcy:** Point of order. I am really keen to hear the question from the honorable Member.

**Mr Speaker:** Are you trying to create a background to your question?

**Mr Huniehu:** Is he raising a point of order?

**Mr Speaker:** He is waiting for your question.

**Mr Huniehu:** My question is very simple. My question is about the rural people of this country. If you convert the DBSI into a commercial bank it will disregard the informal sector and I hope the Minister will take this into consideration.

**Hon Darcy:** Mr Speaker, thank you for that statement. I think the Minister for Agriculture has already mentioned some of the actions we will be taking and the Minister of Lands will be elaborating on that in the coming days.

But what we are intending to do is to recognize land as one important collateral that can be used by rural people in this country to access capital. And we will move away from the current acquisition process of recognizing tribes as customary owners of land. Through that recognition tribes through a kind of cooperative approach can use the land in order to access capital from the banks. So we are working towards that Mr Speaker.

Sometimes in July that bill will come and I know the Minister of Lands has been working very hard to complete that bill. Unfortunately we are not able to table it in this Meeting but it will be tabled in July.

**Mr Huniehu:** The reason why I am asking this question is because the information the Minister has just unleashed a few minutes ago were not contained in the statement recognizing the informal sector in the rural areas. My question is, how is he going to raise the capital to be capitalized in the Development Bank and where is the money for the reinvestment coming from because this is one of the biggest issues in the former DBSI where money coming for lenders to lend is coming from expensive sources?

**Hon Darcy:** Mr Speaker, towards the end of my speech I did mention something about the future of the DBSI. We will be looking at options of finding a reputable financial institution domestically or may be offshore to come in and then take on the business of the DBSI.

The other option would be to sell it out to other reputable organizations that have had good experience in providing rural credit facilities to rural people. Those are the options that we are looking at. But it is still on the table, we are considering those options and I believe wider consultations will be carried out before we will reach any conclusion on this issue.

**Mr Kemakeza:** Mr Speaker, I thank the Minister for outlining the position of the DBSI and its future plan. The question is very simple, is this thinking within the DBSI Act and also the Financial Institutions Act? If it is not, when is the Minister going to take these amendments so that it goes along with the government's thinking especially when we talk about customary land. It is not very clear whether that can be done unless it is legalized.

**Hon Darcy:** Mr Speaker, I did say that in terms of collateral to make rural people in Solomon Islands have access to collateral sources, I was saying that the Minister of Lands will be coming up with a new bill sometimes in July which will target recognizing customary owners or tribes as

owners of land, and that recognition can be used as a collateral. That is what I am referring to.

But on the future of the DBSI there are existing regimes in place right now that whatever options we will consider we can always move towards putting the organization into that kind of situation for us to look at what is best for us to rejuvenate the DBSI maybe in the same form or in a different form in future.

**Mr Fono:** Mr Speaker, can the Minister provide to this House, guideline policies on how this rural credit scheme will work? It is already in the budget and Parliament will be voting for it but there are no clear guidelines as to how it will work.

There is a lot of expectation from our people that free handouts will be given to them after the budget is passed in line with the bottom-up approach of the government. In order for Members of Parliament to be equipped and well versed with the guideline policies so that after Parliament we go back to our constituencies and preach the new guidelines to our people so as to dilute or do away with the perception that our people have on this proposed budget.

Is it possible for the Minister to make available to the House during this meeting any guideline policies that this rural credit scheme will operate according to? Our people are listening and they are waiting for the budget to be passed.

**Hon Darcy:** Mr Speaker, I have already outlined the policy aspects of this scheme. The detail of how that credit scheme will work is a matter, if you follow what I have said in the statement, that has been assigned to the Central Bank to talk with the commercial banks about it. So the actual prospectus of the way that the new credit scheme will operate will be announced formally by the Central Bank that is currently working on the details of the way that it will operate.

*Statement by Minister for Foreign Affairs and External Trade deferred.*

**STATEMENT OF GOVERNMENT BUSINESS**

## BILLS

### Bills – First Reading

The Governors-General (Pensions and Benefits) Bill 2007

## MOTIONS

Motion of Adjournment

**Mr SOGAVARE:** Mr Speaker, I beg to move that this House do now adjourn.

*The House adjourned at 11.51 a.m.*