



**Speech by the Hon. Prime Minister
Hon. Rick Nelson Houenipwela, MP**

AUSTRALIA SOLOMON ISLANDS BUSINESS FORUM
12th September 2018

**Brisbane Convention Centre, Brisbane City
Australia**

Hon. Jeremiah Manele - Minister for Development Planning and
Aid Coordination.

H.E. Roderick Brazier - High Commissioner for Australia to
Solomon Islands

H.E Collin Beck - High Commissioner for Solomon Islands to
Australia

Mr. Frank Yourn - Executive Director - Australia Pacific Islands
Business Council

Australian Government Officials

Solomon Islands Government Official

Distinguished Guests

Ladies and Gentlemen

Good fala afternoon everyone.

It is indeed a pleasure and honour for me to have been invited to present brief remarks on the occasion of the 10th Australia Solomon Islands Business Forum here in Brisbane. For some of us Solomon Islanders, Brisbane is like another capital of Solomon Islands and we all feel so very much at home. Indeed, this occasion is a prestigious occasion where private sector, Government bodies, NGO's gather to discuss opportunities for investment in Solomon Islands that would pave the way forward for the Solomon Islands.

I am also informed that this year's theme is and quite fittingly is, ***“Forty years of Australian Solomon Islands Business Partnership”***.

At this meeting, it is my fervent hope that the achievements of last year's Forum be elevated to new heights as I am certain that for us there is no other way but “up”.

I also understand that the events of this forum are a culmination of a long partnership between the Australia Pacific Islands Business Council (APIBC) and the Solomon Islands Chamber of Commerce and Industry (SICCI).

It is exciting to note and see that this event brings together senior corporate and government decision makers from both Australia and Solomon Islands who are in the pursuit of one common goal; enhancement of economic environment to allow economic growth to thrive in Solomon Islands.

Distinguished guests, the theme “forty years of Australia Solomon Islands Business partnership” to me is reflective of a celebration of our journey.

This is indeed an interesting theme because as you would know 40 years has often been referenced to significant historical biblical events as well as human development and maturity.

As we know in the book of Exodus in the Holy Bible it took 40 years for the Israelites to break free from the tyranny of wandering in the wilderness. Similarly, as we all know 40 years is often seen as a significant time in life where one would have accumulated wealth of experiences and skills to be able to look after affairs in life in a manner that is responsible and respectable. Like they say, “life begins at 40”.

Having a positive outlook on this relationship will no doubt ultimately propel us into the future.

The Solomon Islands has a long history with Australia in particular with Queensland. Our ancestors tirelessly laboured on the sugarcane fields in Queensland and it is in their legacy that our journey must progress toward the promise land of economic prosperity for both our beloved nations.

But the next and the most important question is how do we influence tomorrow's outcomes.

Government

Distinguished Guests, the Solomon Islands Democratic Coalition for Change Government (SIDCCG) appreciates and affirms that the private sector has been the driving force for economic growth in the Solomon Islands and will continue to do so. As such, it is my Government's intention to continue to encourage and support private sector engagement and participation in key economic areas in development of Solomon Islands.

As some of you may know, the Solomon Islands has and is enjoying a steadily growing economy over the last few years and more recently offers solid opportunities for business in areas such as infrastructure services, tourism development, sustainable forestry, agri-industry and fisheries.

Having said that, the Government recognises that for the private sector to operate effectively it needs a good enabling business environment. An environment that allows businesses to operate competitively, grow and prosper. An environment where investors and businesses are confident to do business. This includes employment opportunities.

MOU between SIG and SICCI

Trade Policy Framework

In 2016, the Government launched the ambitious SIG Trade Policy Framework - designed to create wealth and provide a boost to the Solomon Islands economy through reprioritisation and recasting of the development budget with some donor support, to boost private sector growth, with special attention on the micro, small and medium enterprises sector.

Unfortunately, its implementation was not pursued aggressively enough.

Subsequently, as you all may be aware, the Government of Solomon Islands last year signed a Memorandum of Understanding (MOU) between the Solomon Islands Government (SIG) and Solomon Islands Chamber of Commerce and Industry (SICCI) in July 2017. This MoU is one of the strategies aimed at addressing the shortcomings of current Trade Policy Framework – the first of its kind in Solomon Islands.

That MoU is envisaged to pave the way for more meaningful participation between the Private Sector and Government, to further the Government's policy on private sector participation in the economic future of Solomon Islands.

I am pleased to state that the MOU has been an excellent platform for policy dialogue between SIG and the Private Sector through the Advisory Group meetings. Four (4) Advisory Group meetings have been held thus far.

Through the Advisory Group, the first inaugural “Prime Minister’s Breakfast address to the Private Sector” was held on 27th June 2018 at the Heritage Park Hotel in Honiara. The Prime Minister’s Breakfast will now be an annual event.

I am honoured to be first Prime Minister to hold such an event. Going forward, it is important that these conversations occur regularly. I am certain that as a group we will be realistic about what we can achieve together.

The Advisory Group was instrumental in facilitating discussions between the Government and the business community on the LDC graduation by Solomon Islands, leading to a very robust panel discussion between senior government officials and the private sector. Based on this in-depth conversation and consultation, the government has requested deferment of Solomon Islands Graduation.

Distinguished Guests, I assure you that this partnership between the Government and the Private Sector will soar to new heights.

Private Sector Scan study

Late last year, SICCI commissioned a study aimed at detailing views of the Solomon Islands Business Community.

Issues highlighted in the report include complex tax regime, corruption, opening up our customary land for investment, improving our infrastructure, investing in our human resource capacity and reducing the cost of doing business.

The Government is now embarking on a tax policy review and I am certain that legislative reform on tax is only a stone throw away.

Legislative Agenda

The government passed several key legislations in the recent sitting of Parliament that in my view will help improve the business environment in Solomon Islands in the near future. Among these Bills are the **Anti-Corruption Act (2018)**, the **Whistle Blowers**

Act (2018), the **Electoral Reform Act (2018)** and the **Strata Title Act (2018)** to name a few.

Strata Title Act 2018

The Strata Title Act is particularly strategic because land continues to be a problem when it comes to securing investment. The Government has been constantly searching for innovative solutions and has based the proposed Strata Titles Act on a model used by most Australian States.

The Strata titles Act will maximise investment potential in new developments and to provide the flexibility to sell some or all of the strata units upon completion of a new development.

‘Transforming the Honiara CDB Skyline’ Concept

The passage of the Strata Title Act has also opened the possibility to transform the Honiara Central Business District. Currently the government rents office space for most of its ministries and other bodies associated with government in ‘not-so- fit-for-purpose’ rental space, in some cases, exorbitant rents are being charged.

I am confident that the strata titles will drive the transformation of the Honiara skyline and boost the local building and construction industry. We are intending that the Act will formally commence early next year once the appropriate training has been undertaken with government officials.

Labour Mobility

I am pleased to announce that last week during the Pacific Islands Forum Leaders Meeting, I signed an MOU with the Government of Australia on the Pacific Labour Mobility Scheme. This arrangement is another of Solomon Islands' milestone achievement. Under this arrangement, Solomon Islanders are able to access labour markets in Australia for low and semi-skilled occupation. We aim to grow this important partnership with Australian employers through the seasonal workers programme and the semi-skilled and skilled areas. We aim to reach at least 5,000 workers per year within 5 years and 10,000 workers per year within 10 years.

Key Economic Infrastructure

Tina River

The Government has now secured funding for Tina River Hydro Dam Project in the vicinity of SBD1.6 Billion (approx. USD200million). When operational the Tina River project will supply up to 80% of energy needs in the national capital and reduce the cost of doing business at the national capital.

The government is considering other sustainable clean energy solutions for the rest of the country – a clear reflection of the Government’s policy on clean energy.

To ensure competitiveness and greater accountability in the energy sector, the government is currently undertaking consultations aimed at improving our legislation including the separation of the regulatory and service provision aspects in the country’s energy sector. Currently the regulator and service provider are one and the same – which does not auger well from a governance, control, accountability, competitiveness and transparency standpoint.

Undersea Cable

The Undersea Submarine Cable is on target for connection and commissioning in late 2019. The cable will transform and revolutionise communication capability in Solomon Islands. The

cable will also have a domestic component with links to Auki, Noro and Taro.

Both the Tina Hydro and the Cable projects are “game changers”. Both will translate to more efficient and cheaper cost of doing business in the country as currently, communication and energy costs in Solomon Islands are amongst the highest in the region, and most possibly in the world.

In addition to the above, Government is pursuing other important reform policies and major projects that are geared towards creating a vibrant economy. These include:

- The tax reforms
- Reviving of Development Bank of Solomon Islands
- Upgrading of Munda to become our second international airport

Road Infrastructure

Trade also runs on roads, and in partnership with Japan, we are developing a four lane road in Honiara from White River to Henderson International Airport. Work on portions of the city road should be completed by the end of the year.

The newly developed four lane road will give a facelift to the city and encourage more tourists to visit our shores. Australia supplies more than half of Solomon Islands total number of tourists.

My July visit to Australia, as guest of government, focussed on a number of areas of mutual interests to the two countries.

- i. Increased focus on Trade and Investment.
- ii. Enhance security arrangements
- iii. Infrastructure Investment, including in Health and Education.
- iv. Enhancing Labour Mobility through a more strategic partnership mechanism.
- v. Strengthening Tourism.
- vi. Renewable Energy.

- vii. Elimination of Malaria and the reversal of the current NCD epidemic, both of which are responsible for at least 8 of every 10 deaths in the country now. These two diseases more than anything else can undermine our economic productivity because they affect the economically active age group.

The Government is also currently developing a Traditional Governance Bill and Customary Land Reform Bill to address the issue of Landowner disputes.

Ladies and Gentlemen,

Solomon Islands is poised for greater achievements than before, due to genuine support of our development partners. We just need to work harder and work smarter.

Carnival's Visits

We are grateful for Carnival's visit to certain locations in Solomon Islands. Already various Provinces are hosting annual cultural festivals. Going into the future, these festivals would offer off the track destination with a unique experience for foreign and domestic visitors.

The increased Cruise Ship visits have impacted greatly and directly on Solomon Islanders in particular tourism operators and locals.

Empowering women in Business

Empowering women in the Solomon Islands is a priority of the government. It is a challenge but one we are prepared to push.

Last year the Waka Mere Commitment to Action was launched and I am pleased that business houses have since taken the initiative and remain committed to advance women participation in their businesses.

All in all, the Government is committed to ensuring that gender issues are addressed in all sectors.

Empowering youths for Sustainable Livelihood

My Government has approved the country's new National Youth Policy and a Strategic Framework for Youth Development in Solomon Islands. These policy documents have been launched and are being implemented. Later this year we will also consider a

‘National Youth Employment and Entrepreneurship Policy’ a first for the country.

Labour mobility is a central tenet of the National Youth employment and Entrepreneurship Policy. We are now developing an overarching policy objective on labour mobility under which all specific labour mobility programmes will come.

In this regard, I am very happy to report that in my recent discussions with Australia, New Zealand, Japan, Taiwan and Canada we now have a tremendous opportunity to put in place bilateral arrangements with these countries to boost labour mobility. I am confident that within 5 – 10 years we could be sending up to 10,000 Solomon Islands workers each year, mostly youths, to these countries through formally agreed labour mobility programmes. As alluded to above, I have just signed our first bilateral labour mobility agreement with Australia at the margins of the Forum Meeting in Nauru last week.

At the Domestic Front

The Solomon Islands economic activity continues to improve from the shocks experienced in recent years. Solomon Island real Gross

Domestic Product for 2017 is estimated to have grown by 3.6 percent, 0.4 percentage point higher than projected and 0.2 percentage point higher than in year 2016.

The strong momentum experienced in 2017 is not expected to carry into 2018 and 2019, with GDP growth projected to be 3.5 percent in 2018 and 3.4 per cent in 2019. This is primarily due to the expected fall in the value of log exports and fishing activities.

Of the 3.5 percent growth, the primary sector is expected to contribute to around 0.5 percentage points to growth. Service and industrial are forecast to contribute 2.4 per cent and 0.6 per cent growth in 2018.

Output in logging activities is anticipated to be stable (albeit at high level) in 2018-19 and expected to slowly decline in the medium term. Fishing activities is projected to drop in 2018, due to a reduction of number of fishing days and unfavourable weather pattern.

A key challenge we must start to contemplate is that the levels of both these resources will decline and with that decline, key parts

of our revenue generation will also decline. We must start thinking of alternatives to round log exports to supplement future growth.

Balance of Payment

The Solomon Islands Current Account Deficit is expected to widen to around 5 to 6 per cent of GDP in 2018- 2019 compared to 4 per cent of GDP in 2017. This is in line with the expected stabilizations in the value of logs exports, stabilization of donor inflows allied with the expected increase in the value of oil imports and associated with large project investments. Balance of trade fell by 0.6 per cent of GDP in 2017 compared to 1.2 per cent of GDP in 2016.

Economic Risk

The key risks to the outlook for Solomon Islands economy are the recent uncertain developments of logging activities and outbreaks of Coconut rhinoceros beetle.

Long term planning

The 2016 – 2035 National Development Strategy (NDS) articulated our long-term national vision as “**Improving the Social and Economic Livelihoods of all Solomon Islanders**”.

And I want to continue welcoming newcomers who bring the skills and experience that we need in Solomon Islands.

We cannot, and must not, close our doors to the world around us. Our economy and our people can thrive on globalization. Our challenge is to ensure that all our people reap the benefits of development, modernisation and globalisation. We must aim to strike the right balance when managing migration.

Population Growth

It is said, a country’s population is its greatest asset. The future of Solomon Islands will be largely determined by the intricate balance between its rapidly growing population, the level of natural and other resources available to support the population’s growing demands and the quality of governance of its people and resources.

Solomon Islands has one of the highest population growth rates in the Pacific, currently estimated at around 2.5%.

Youths comprise 28% of the total population, 180,000 persons in 2015 and is projected to increase to 30% of the population (406,000 persons) by 2050.

The key implication to the country of this rapidly growing population with little opportunities for employment, entrepreneurship and other effective economic opportunities is a major cause for concern for government, having just come out of a very trying period of domestic challenge that required the assistance of our fellow neighbours. This issue underpins our determination to step up engagement in the labour mobility space with our neighbouring countries

These statistics must however trigger necessary actions to prepare for the inevitable – how best to cope with and cater for the rapidly increasing population.

We know our population will double in the next 35 years. We also know our resource base to support that population is diminishing – our forests, our fisheries and sooner or later our mineral

resources. We need to explore other opportunities to support economic growth that would support our increasing population.

Conclusion - ASIBF as a Platform

Our mission is to empower all Solomon Islanders to attain a meaningful quality of life through social and economic reforms.

Chairman, ladies and gentlemen, My Government is working towards creating a better Solomon Islands. Despite our ongoing challenges, I am confident our best forty years is still ahead of us.

I welcome constructive criticism, and I know this Forum is willing to provide it. There are no easy solutions.

My Government looks forward to receiving outcomes and / or recommendations from your discussions over the next few days. It is my sincere hope that this Forum will one day graduate out of the auspicious of Australian Pacific Business Council to a fully-fledged Australia - Solomon Islands Business Council.

Solomon Islands like any other country needs investment. In this regard, the platform and partnership between the Australia Pacific Islands Business Council and Solomon Islands Chamber of Commerce and Industries offer a unique mechanism that could promote and enhance effective PPP initiatives and joint projects between Australia and Solomon Islands

We would welcome more Australian investments into Solomon Islands and to do so within the bounds of the law.

I call on the Forum to step up your efforts to pursue investments in Solomon Islands and continue to provide information about prospective business opportunities that members of the Forum can invest on jointly or individually in the Solomon Islands.

Distinguished guests, ladies and gentlemen. My sincere appreciation to you thank you once again for the opportunity to be here and be part of this important event.

Ladies and gentlemen, I wish you well for this program and May God bless us all.

Mr Chair, Honoured Guests, Ladies and Gentlemen, thank you very much for your attention.

Tagio Tumas