



Address to 2nd Australia –Pacific Islands Business Forum

Special Coordinator Graeme Wilson

Brisbane, Australia

22 October 2010

It is a pleasure to be with you here today. I was privileged to participate in the inaugural Business Forum on Solomon Islands last year and it is great to be back again this year. I congratulate the Australia-Pacific Islands Business Council for their efforts to promote business linkages and opportunities across the Pacific and for their initiative in organising today's event.

The importance of the private sector's contribution to the prosperity of any country can never be underestimated. In the case of small, developing countries such as Solomon Islands, recovering in a post-conflict environment, private sector confidence and private sector activity are crucial.

Crucial, because in a post-conflict situation, with a relatively stable environment and with a country that is the focus of attention from a number of international donors, a window of opportunity opens in which the nation can grow and prosper. It is important that Solomon Islands makes the most of this window of opportunity, including through the presence of RAMSI.

So I welcome the chance today to update you on progress in the Solomon Islands-RAMSI partnership, and to highlight the importance of ongoing economic reform. In doing so, I would like to commend the contribution many of you here today are making at such an important stage in the nation's history.

Since I last addressed this forum, Solomon Islands has continued to enjoy a stable investment environment, and a relatively stable economy, despite the Global Financial Crisis, which some analysts had predicted would hit Solomon Islands particularly hard, but which the nation weathered successfully. With the country's finances having been stabilised, the Solomon Islands Government, with RAMSI's assistance, is now focused on long-term strategies for strengthening and energising the economy. Significantly for Solomon Islands, in August this year, national elections were successfully conducted without any major security incidents, and a peaceful change of government took place soon after.

This is a particularly significant achievement, in the context of the events surrounding the previous elections in April 2006, which led to riots that destroyed more than a third of Honiara's commercial district. It is also a milestone in the ever-improving performance of the Royal Solomon Islands Police Force, which, with the strong support of RAMSI's Participating Police Force, planned and led the election security operations.

This is an excellent example of the inter-relatedness of security and development as the foundation of stability and prosperity. In other words, without the security of a nation being

maintained at acceptable levels, you cannot hope to have a stable economy and sustainable development.

Economic and financial concerns played a central role during the *ethnic tensions* period of 1998 to 2003. The Government which, it must be said, was barely functioning, had completely lost control of its expenditures, and hardly any taxes were being collected. It was for this reason that the first stage of RAMSI focused on the stabilisation of both law and order and the government's finances. This was achieved relatively quickly and, over the ensuing years, this secure environment has opened the way for greater economic opportunities which in turn have helped avert social instability, despite the country having the highest population growth rate in the region.

Without a stable, secure environment, businesses simply would not be willing to invest in the country's long-term future. The recent opening of the 5-star Heritage Park Hotel (the largest hotel in the country), and the commencement of operations by Allied Gold in the Gold Ridge area near Honiara, are testaments to this.

And these investments in many ways represent the next phase of the financial recovery process – a period where support from commercial investors will be crucial. As I said before, RAMSI's work with the Solomon Islands Government has now moved on from the process of 'stabilisation' to a period focused on the concept of long-term growth, and RAMSI advisers are working alongside their counterparts in the Ministry of Finance to support reforms and improvements in the area of economic policy.

The recent opening up of the country's telecommunications market is a great example of this approach. September's consumer price index was the first since competition started, and shows a 43.5% fall in telephone charges, with tens of thousands of new phone users already signed up, and an estimated \$40m+ having gone into telecommunications infrastructure.

And the telecommunications sector is not the only area now undergoing rejuvenation. State-owned enterprises are also being reformed. Home Finance Limited, the country's major mortgage broker, was recently sold, and Soltai, the country's biggest canned tuna producer, has been significantly restructured and has received a large capital injection.

Modernisation of the Solomon Islands *Foreign Investment Act* resulted in a seven-fold increase in the number of foreign investors within months of its implementation, and a new *Secured Transactions Act* and a modernised *Companies Act* are now making it significantly faster, easier and cheaper for business.

Much attention is also being given to strengthening the Solomon Islands Ministry of Finance & Treasury itself, with RAMSI's technical and capacity development support. Within the Ministry, a new budget and payroll system has been implemented, and a macroeconomic model is now being used in the country for the first time. RAMSI has also supported the recruitment of graduates and significant expansion to the Economic Reform Unit.

Importantly, economic policy is the centre of much attention. RAMSI worked closely with the Government last year to provide advice that helped mitigate the effects of the Global Financial Crisis. As you have heard today, Solomon Islands is back to having a growing economy already and expectations are for stronger growth next year.

With RAMSI's support, revenue collection processes are being strengthened and debt to GDP is reducing substantially. Revenue growth in 2010 has been above expectations. The *Customs Valuation and Offences Act* passed in 2009 modernised the valuation procedures and updated offences, both of which will increase revenue collection. All external and domestic debt repayments are also now seeing met – whereas none were being met prior to RAMSI's arrival.

RAMSI is now focused on working closely with the new Government of Prime Minister, Danny Philip, and we have already had a number of constructive meetings.

The Prime Minister has indicated his keenness to work closely with RAMSI, and to ensure that the Solomon Islands Government and RAMSI will continue to implement the 'Partnership Framework'. Jointly agreed to in May last year, the Partnership Framework essentially provides a strategic work plan for RAMSI. With a range of specific targets and indicative timelines aimed at providing long-term stability and growth for the Solomon Islands economy, the Framework will guide RAMSI's assistance to Solomon Islands over the coming years. Progress towards meeting the Framework's goals will be jointly assessed with the help of an independent experts team.

However, RAMSI will not, and should not, be around forever. It was always designed to be a finite mission. That said, there is still much to do under the Partnership Framework, and the priority remains working through the agreed targets in the Framework to ensure RAMSI's assistance to Solomon Islands is sustainable and its benefits lasting.

I am looking forward to discussing with the new Government how we can work together to make sure that the eventual drawing down of RAMSI over the coming years occurs in parallel with capacity development. This process needs to be done in a way that everyone is comfortable with and that seeks to ensure sustainable outcomes so that the gains made since RAMSI's arrival contribute to a better and brighter long-term future for all Solomon Islanders.