

## WEDNESDAY 7<sup>TH</sup> DECEMBER 2011

The Speaker, Sir Allan Kemakeza took the chair at 9:37 am.

Prayers.

### ATTENDANCE

At prayers, all were present with the exception of the Prime Minister and Ministers for Commerce, Industry and Employment; Health and Medical Services; Provincial Government & Institutional Strengthening; Communication & Civil Aviation; Environment, Conservation & Meteorology & Disaster Management; Cultural and Tourism; Rural Development & Indigenous Affairs; Police, and National Security and Correctional Services; and members for West New Georgia/Vona Vona; Ngella; Rennell/Bellona; Maringe/Kokota; North West Guadalcanal; South Guadalcanal; Kia/Hograno & Havulei; East Honiara and North Guadalcanal

### **PRESENTATION OF PAPERS and of Reports**

- 2010 Annual Report of Central Bank of Solomon Islands (*National Parliament Paper No.30 of 2011*)
- Special Audit Report on the National Cattle Rehabilitation Project (*National Parliament Paper No.23 of 2011*)
- Report of the Bills and Legislation Committee on the Customs Valuation (Amendment) Bill 2011 (*National Parliament Paper No.31 of 2011*)
- National Parliament Office 2010 Annual Report (*National Parliament Paper No.32 of 2011*)

### **STATEMENT OF GOVERNMENT BUSINESS**

### **QUESTIONS AND ANSWERS**

#### **Finance: RIPEL settlement**

1. **Hon DEREK SIKUA** (*Leader of Opposition*) to the Minister for Finance and Treasury: Can the Minister inform Parliament of the progress of RIPEL settlement and how much has been paid out so far?

**Hon RICK HOUNIWPELA** (*Minister for Finance & Treasury*): As you may be aware, the Government has, on the 26<sup>th</sup> of August this year, signed a deed of partial discharge of judge, compromise and settlement with RIPEL and Levers Solomons Limited and the mortgages - Pacific Finance Limited and Cross Pacific Trading limited. The parties to this agreement acknowledged that the purchase price for the land, business and assets including mortgages expenses would total US\$3.25million and to be payable on completion to Cross Pacific Trading Limited through its nominated ANZ Bank in Rarotonga, Cook islands.

In order for the parties to remit the stated purchase price, Solomon Islands Government as required in the agreement loans and application to solicit the written approval of CBSI pursuant to exchange control regulations.

As you may have been aware in the meeting of 5<sup>th</sup> October 2011, the CBSI Board, in light of the requirements of the exchange control regulations not met rejected the application. Under this circumstance, the Government has not made any payment for the properties and business at Russel Islands. The deed of partial discharge of judge, compromise and settlement between the Government and other parties as a result has not yet been executed and was not able to be completed.

**Mr MATTHEW WALE** (*MP Aoke/Langalanga*): Just a supplementary question. I mean this has been an important policy initiative and when the deal came there were some forward movements by the Government on this very important scarier. What is the position of the Government with regards to the next steps to be taken now that the position of the Central Bank is clear?

**Hon Rick Hounipwela**: The Government is taking this time until this issue is resolved. We are waiting; in fact, what the Government is doing is putting this amount into the supplementary in the hope that an outcome might be sorted out. But the regulation of the CBSI is not something the Government will interfere with.

**Mr Matthew Wale**: I thank the Minister for that answer, but is the Government not foreseeing any other ways to get through the difficulty and resolve the matter?

**Mr Speaker**: I think the Minister made it quite clear that the Government cannot interfere with regulations of the Central Bank.

**Hon MANASSEH MAELANGA** (*Deputy Prime Minister*): I think the Minister of Finance has said everything that we will wait upon whatever the Central Bank says to the government.

**Mr MANASSEH SOGAVARE** (*MP East Choiseul*): Maybe the opportunity to discuss this matter fully will come in the supplementary appropriation. But maybe a precluding question is on what the Minister has said, as a supplementary question that this Government has

already secured that fund, that amount and then it puts it somewhere. I want the Minister to confirm this.

**Hon Rick Houenipwela:** As I understand it, my predecessor has put the money with the Central Bank but it is difficult for the Central Bank to release it. .

**Mr JOHN MANENIARU** (*Leader of Independent*): Just a supplementary question regarding this agreement. In regards to penalty, normally in agreements there is a clause where if conditions under the agreement are not met, sometimes we get penalized. Can the Minister clarify whether we are exempted or there is a clause in the agreement that this is not going to cost the government additional expenses?

**Hon Rick Houenipwela:** I am sorry I do not have the copy of the agreement with me, but I will find out and give it to you.

**Mr SETH GUKUNA** (*MP Rennell/Bellona*): The Minister has made it clear that the provisions of the Central Bank has unable payment to be made, and yet the Government has gone ahead to make provisions for it in the supplementary. I just want the Minister to assure the House that the Government will not interfere with the provisions of the Central Bank.

**Mr DANNY PHILIP** (*MP Rendova/Tetepare*): I think there is a lot of information that needs to be shared about this matter. Yes, according to the Ministry, USD\$3.25million has been taken out as advance warrant and it is that advance warrant that will come in the supplementary. Hopefully, within the next 12 months or whatever time is feasible, the Government must replace that money back into the account because an advance warrant must be repaid to government as it is an advance warrant. Those of you who understand financial instructions will understand what I am talking about.

The money is now in the Central Bank right now but because of the restrictions of the Central Bank Act, which is a totally different legislation or act governed by the Central Bank, the Government cannot push on with that. We tried making some options available to the recipient whether he should open a local account in any of the banks here so that the money can be put through that his account here. And he has the freedom to re-invest that money in whatever he wants in Solomon Islands and he can repatriate profits if he wanted to. But according to the Central Bank because of the criteria and conditions the Central Bank has, it is almost impossible now to remit the funds to an overseas account.

What appears now in the supplementary appropriation is to revalidate that advance warrant, and hopefully an investor will come alone in the near future to pay the money back so that the money is put back to the government. I think that is simply how I understand the RIEPL partial discharge task so far. Thank you.

**Hon Derek Sikua:** Supplementary question. Does this USD\$3.25 million include the \$10 million that was supposed to be paid to SINUW for settlement of workers at RIPEL, Yandina?

**Hon Rick Hounipwela:** The total amount that was discussed was SBD\$34million which includes that \$10 million of this one that was supposed to be disbursed to overseas entities.

**Hon Derek Sikua:** In the light of the recent appeal court decision which rules that the strike was illegal, why are you still going to pay that money to SINUW?

**Hon Rick Hounipwela:** That is a good point which I think is one new development that the Government has to take into account when it comes to deal with this issue, this court case has to be part of that deliberations. At this point in time, I do not know the exact decision of the high court, and so in our deliberations when the time for it comes, we will deal with it.

**Mr Speaker:** In fact, that question is a deviation from the original question, the \$7million is a different issue.

**Mr Danny Philip:** Just additional comment. I think that is a very relevant question by the Leader of the Opposition. No, that advance warrant money is not part of the \$10million because of the huge amount of distrust that exists between the Cross Pacific Company and the workers and so have separated it. That \$10 million will be paid to Treasury in the normal way disbursements is done. What remains now is for the Government to verify properly who should the recipients of that \$10million. The money that goes to the Central Bank belongs to Cross Pacific and SIG already knows how much it be pay to the former workers at Russells Islands.

**Hon Derek Sikua:** Before I thank the Minister for answering the question, I would like to comment that this issue and the whole RIPEL undertaking at Yandina still remains a very big investment that the Government should pursue the most appropriate way to revive and continue with as it forms a very large of the economy of this country. So I encourage the Government to look for ways to make sure that this investment is started back as soon as possible.

I would like to thank the honourable Minister of Finance for answering my question, as well as the acting prime minister and my good friend and member for South New Georgia/Rendova/Tetepare.

### **Education: Scholarship awards**

2. **Mr MATHEW WALE** (*MP for Aoke/Langalanga*) to the Minister for Education and Human Resources Development: Can the Minister inform Parliament on the number of

Solomon Islanders that are benefitting from scholarship awards under his discretion and explain to this House the criteria for this scholarship program?

**Hon DICK HA'AMORI** (*Minister for Education & Human Resources Development*): I am not really sure whether this question is still relevant because I have given an answer to this very same question sometime ago. But all the same, I will answer it again and I hope this will be the last time for me to answer this question.

It will not suffice to give just a numerical number because we will read the numbers out of context and so it is better to go back. And with your indulgence, Mr Speaker, I seek your permission to give a little bit of background information to this.

In the beginning of this year in the process of selecting students to go overseas for studies, only a very few were selected to go and those that left were around 275. These 275 students are good in terms of the criteria that were used. They have the GPAs required and most of them were accepted by the institutions they have applied to for studies. But because of financial constraints, the 275 students were put aside, in other words they did not receive any scholarships. The reason why they did not receive scholarships or there is financial constraint, maybe somebody might want to ask is because the assistance we used to get from Papua New Guinea was not available this year. That assistance was around \$19million. It is because of that shortfall that we have that number of students without scholarship.

I as the minister responsible for training also in this country, found it difficult to be comfortable with that large number of Solomon Islands students who were just as good as those who received scholarships but were going to miss out, I brought the matter to the Cabinet requesting for additional funds to cover those 275 students. The wisdom of Cabinet granted additional funding to cover this amount of students. And one of the things that I requested, of course, is that the Minister be given the permission to grant scholarship also under certain discretion.

The fact is that scholarship awards do not have the discretion of the Minister, so to speak, the scholarships do not belong to the Minister so that he grants it under his discretion. He was only permitted to listen to any stories besides it and there are many other stories besides the normal routine that we used to do in the calculations of the GPAs. Take for example, just an example that there are many parents who actually sponsor students by themselves to study in the universities, and some sponsor for a year, two years or three years. There are some students who are lucky that the Solomon Islands Government and other donors that assisted us that sponsors them in the first year and right throughout. Some of these parents are doing it tough because they have to sponsor their own children for a year or two years, and this is because of the shortage of money in Solomon Islands and so they have to do that. And some of these privately sponsored students are doing very well. Those are the things I am aware of and that is why I requested that should anyone request to come under that assistance that I would be allowed to make the discretion.

With that background, I would now disclose the number. Those that are against that 275 and it was actually a bit more than that, the Minister considered the appeals made directly to the Minister and he approved 41 according to records. Later on a group that is doing MBA locally here through our USP Centre, there are about 10 of them. All of these up, it is around 50. That amounts to about 20 percent. About 50 awards are what the so called discretion have been invoked for. Otherwise everyone else, the rest of them goes through the normal consideration of the NTU that sent them. The other ones is about that amount.

With those information and to emphasise the point that there is no special scholarship award that the Minister has any discretion over it, there is no such thing really in effect. He was just being permitted to listen to some of those people who have struggled all along, whereby at the end of their studies they will also come back to serve this country because where is the spirit of partnership that we talked so much about. Therefore, when things like that come the Minister has to listen. Some parents came complaining that they find it very hard to cope in sponsoring their children. They have self sponsored their children for two years and since this is their last year, we agreed to take them on. Why not? Because those children will return to serve the people of Solomon Islands and the country. That is the answer the Minister for Education can provide to this question.

**Mr. MILNER TOZAKA** (*MP for Vella La Vella*): I thank the answer given by the Minister for Education. I can sense that if the Minister is satisfied with the awards - the extra ones, and I think it is working in certain constituencies, is the Minister going to continue with it in 2012?

**Hon Ha'amori:** Before I answer that question, there is a part of the previous question that I did not quite cover. And with your permission, I will just give a line to it, and that is what sort of criteria is used when I decide on those cases. There are two generally, and the first one is GPAs of students must be acceptable both to the Ministry of Education and Human Resources Development and also to a certain extent the university. Because this is what it is like, for us here we require a GPA of 3 or somewhere around there, however that is not the GPA required by the university.

The GPA required or can be accepted by the university is a bit lower. We set the GPA at 3 because of our financial affordability. It is a way of screening up the whole list. Whilst we take at GPA 3 or 4 or whatever number does not mean those that fall below 3 are not accepted at the universities. No, they are also acceptable to the university. We set the markings according to our budget. So GPA is a consideration.

The second consideration is whether the university can still accept the student. When the university accepts a student, I am not so concerned about whether the student meets entry requirements or not because the university has already accepted the student. And its indication is demanded by me whether the student is accepted or not? Those are the considerations that are given.

It is not as if the Minister of Education just closes his eyes and says this is my friend or whatever. As a matter of fact, the Minister of Education has also self sponsored a child at the moment. And during that time he did not want to consider that child to be taken on by the government. Although there were some people who said that is a chance. No, there are certain considerations that we must make. And so I can feel the pain that some of the parents who came asking for assistance have because I also have that same experience but I am not going to rectify it this way as yet, no, not at all. Anyway so those are the two considerations.

In answering the supplementary question by the member for North Vella, I do not intend doing this again this year that is basically spurred on by some outside people assisting us, but without naming names who asked me not to do it again. So let us not upset those people who are helping us.

The normal consideration of the Minister in certain situations will still be done, but it will not be done like what has happened this year which is deliberate. Because if we nullify the voice of the Minister, then some of the people who will have very similar problem as of this year will still suffer and we have not made provisions for that. This discretion, of course, must be used very responsibly and that is foremost in the mind of the Minister of Education.

**Hon DEREK SIKUA** (*Leader of Opposition*): A supplementary question. I think I heard the Minister said that he is looking at the GPA agreed on by the government as well as the GPA acceptable to the receiving institutions whether in country or overseas.

In previous governments, GPAs from 2.5 to 3 will be sponsored by the government but they will have to undergo courses through the extension mode at the USP Centre here. And this thinking is not guided by finance but is guided by the pass rates that come out at the end of every year in universities.

I would like to ask the Minister whether GPA from 2 to 3 are also qualified to go overseas or only those from GPA 3 and above are going overseas or are you also sending overseas students with GPAs that are accepted by the USP but with a GPA between 2.5 to 2.9?

**Hon Dick Ha'amori**: To the best of my recollection, the lowest that the Minister attended to, and I think there was only one, is GPA 2.8. The Minister did not decide where those students will be going, but he only approves that they be considered for Solomon Islands Government scholarship. It is the role of the National Training Unit to place them in the appropriate universities, and quite a number of our students, I believe ended up here at our Centre.

**Mr JOHN MANENIARU** (*MP West Are Are*): I would like to thank the Minister for explaining the discretion because there is genuineness and sincerity in it. I would encourage the Minister that this problem will continue on until such a time we are healthy, and so you

must not give up because you are doing a good thing and so continue to ask the Cabinet to give you more funds so that you facilitate our people who are really in need of assistance in training.

My supplementary question is the Minister mentioned that the \$19million that PNG used to help us with is what caused that problem for us. That problem has been rectified because if not, then that is a big gap that we have to fill if PNG withdraws that assistance from us.

**Hon Dick Ha'amori:** During the administration of the honourable member for Rendova/Tetepare/South New Georgia, a trip was made to PNG to sort out this assistance and find out whether PNG is still willing to assist us. I would like report that yes, PNG agrees to continue assisting us on the area of tertiary education scholarship which was halted this year. Hopefully, it will be in effect in 2012. The details of the assistance are yet to be worked out, but through a communiqué made by the then Prime Minister of Solomon Islands and the Prime Minister of Papua New Guinea, there are very strong indications to continue to support Solomon Islands by the good people of Papua New Guinea.

**Hon Derek Sikua:** Before I ask my supplementary question, I would like to clarify the tertiary education assistance afforded to us by the good government and people of Papua New Guinea. Before CNURA went out of government, it was only the MOU that we made because it would have expired this year. But when we went out of government the negotiations were not quite complete and that is why there was a gap for this year's funding, and I thank the government for continuing the discussions and I think the signals are looking very favourable for the continuation of that assistance from our good brothers and sisters and the Government and the people of Papua New Guinea. I do not want us to blame each other for this gap, but it is just because of a political situation that came about half way through last year due to the elections and the change of government.

That said, my last supplementary questions concerns the 50 scholarships that you approved under your discretion Minister. I would want to know whether you are keeping that close to the opportunity list and the manpower requirements within our government for which the NTU is granting wards for or have you gone out your way, and in this case looking at the needs of our churches for training. Have you gone out so far as giving training opportunities for our church clergies? I am just interested to know.

**Hon Dick Ha'amori:** I am a bit uncomfortable to make it known here that consideration for churches, especially on theological trainings is very rarely done, and so I cannot remember granting anything along that line. But for teachers to train in church institutions or business studies and all that, some of those have been considered. Maybe when we have a policy or some arrangements that we also train our theologians or something directly related to churches, at that time some considerations will be given.



**Mr Matthew Wale:** I would like to thank the Minister and to tell him that a policy is already in place under the CNURA to assist churches, and a number of theological students have already studied under that program and so it is a matter of promoting it to the churches so that the clergies can make use of this facility.

Also, Mr Speaker, and perhaps allow me in thanking him to disabuse him of the notion as if when I was minister for education is when I created this gap. These are matters covered under the bilateral handled by the Prime Minister's Office and Foreign Affairs. And if you happen to get to your office Minister and ask your officials, especially your undersecretaries because he remains unchanged, he will tell you that we were able to be fairly advanced in terms of MOUs with individual institutions because at that we were anticipating a much larger significant increase in the number of students going to PNG institution as opposed to USP. I like your spirit Mr Minister but I think it is ill-informed. But in any case, thank you for all the information you brought in response to this question.

*Question No.3 deferred.*

**Mr SETH GUKUNA (MP Rennell/Bellona):** Also I am unable to ask this question because the Minister himself who is supposed to answer this very important question is not in the House.

**Mr Speaker:** The Minister is not available because he has gone down to Munda. But are there any ministers who can answer the question? Or does the Deputy Prime Minister have the answers to the question?

**Hon Manasseh Maelanga:** Thank you I want to answer the question raised by the member for Rennell/Bellona. And I stand on behalf of the Minister for Tourism.

**Mr Speaker:** Okay then, let us make it formal Deputy Prime Minister.

**Hon Manasseh Maelanga:** Thank you, Mr. Speaker.

**Mr Speaker:** No, no, no, Deputy Prime Minister, you sit down and I will ask the member for Rennell/Bellona to formally ask the question.

**Mr Seth Gukuna:** There is going to be a lot of supplementary questions following this question. It is going to basically cover the whole preparations. I am just wondering whether one of the ministers would be able to answer it, the Deputy Prime Minister would be able to answer the supplementary questions.

**Mr Speaker:** Deputy Prime Minister, the questioner would like to defer the question and so the Chair allows the question to be deferred for next time.

*Question No. 4 deferred.*

**Mr Speaker:** That concludes the question time for today.

## **BILLS**

### Bills – Second Reading

The 2011 Supplementary Appropriation Bill 2011

**Hon RICK HOUENIPWELA** (*Minister for Finance & Treasury*): Mr Speaker, I rise to beg that the 2011 Supplementary Appropriation Bill 2011 be now put to the second reading. The purpose of this Bill is threefold. Firstly, it seeks to keep the 2011 Appropriation Act within the bounds of section 103(2) of the constitution and section 15 of the Public Finance Audit and Act Cap 120. These sections stipulate that the Minister of Finance may, at his discretion, authorize expenditure arising from an urgent and unforeseen need under a contingencies warrant where the amounts require exceeds that available under an existing appropriation and subject to the financial limits set by Parliament not being exceeded.

Contingencies warrants as the honourable House is fully aware allows for urgent and unforeseen spending where it is not practical to provide funding through a supplementary appropriation beforehand. As such, contingencies warrants provide governments with flexibility to adjust spending when the use of a supplementary appropriation for urgent and unforeseen spending is impractical.

Secondly, this Bill seek advance warrant expenditures funding under section 13 of the Public Finance and Audit Act which must be repaid to the consolidated fund by 31<sup>st</sup> December 2012. Thirdly, this Bill provides necessary additional funding to ensure that the Government can continue to perform necessary tasks throughout the remainder of 2011 and continue to provide key services to the people of Solomon Islands.

The 2011 Supplementary Appropriation Bill 2011 seeks an appropriation to cover expenditures already authorize by contingencies warrants in 2011 and necessary additional expenditures. The total supplementary expenditure authorized by this Bill totals \$141.4million. For the benefit of the honourable House I would like to set these out in more details.

Authorized expenditure by contingencies warrants: \$51.9million in contingencies warrants has been expended to date as follows:

- \$0.5million to the Ministry of Agriculture & Livestock Development to provide additional funds to cover the cost of office rents of 2010 and 2011 monthly office rent.

- \$6million to the Ministry of Education & Human Resources Development to provide for additional funds for constituency scholarship awards and assistance to Auki Primary school.
- \$2.6million to the Ministry of Foreign Affairs & External Trade to provide for additional funds for the establishment cost for setting up the Solomon Islands Mission office in Geneva, Switzerland.
- \$2.7million to the Ministry of Infrastructure Development to provide for additional funds to cover operational maintenance services, house rental for staff and vehicle hiring for members of Parliament.
- \$3million to the Office of the Prime Minister and Cabinet to provide for additional funds for Prime Minister's office provincial visits and overseas travel.
- \$1.6million to the Ministry of Provincial Government & Institutional Strengthening to provide for additional funds for goodwill payments for landowning groups of Auki wharf, Malaita province.
- \$0.47million to the Ministry of Culture & Tourism to provide for additional funds to cover cost for the Ministry's delegation traveling overseas.
- \$3million to the Ministry of Communications & Aviation to provide for additional funds to cover Henderson Airport operations, equipment installation and maintenance of provincial airfields.
- \$5million to the Ministry of Home Affairs to provide for additional funds for assistance to local churches.
- \$5million to the Ministry of Mines & Rural Electrification to provide for funding for staff house rentals.
- \$1million to the Ministry of Agriculture and Livestock Development to provide funding to assist communities to eradicate and destroy the Giant African Snail.
- \$4.5million to the Ministry of Foreign Affairs and External Trade to provide funding to cover the completion cost of the Chancery Building in Canberra, Australia.
- \$3million to the Ministry of Forestry and Research to provide for additional funding for the downstream processing project.
- \$1.6million to the Ministry of Police and Correctional Services to provide funding for the cost of completing Auki Police houses.
- \$3million to the Ministry of Provincial Government and Institutional Strengthening to provide funding for Doma Township Project in West Guadalcanal.
- \$6.6million to the Ministry of Communications and Aviation to provide additional funding for Munda upgrading into an international airport, Taro airfield rehabilitation and construction as well as rehabilitation of other provincial airports and equipments.
- \$3million to the Ministry of Public Service to provide additional funding towards the new public service office building in Honiara.

- \$2.7million to the Ministry of Mines Energy and Rural Electrification to provide for additional funds to cater for goodwill payment to resettle landowners of the Tina River Hydro power scheme in East Guadalcanal.
- \$1.1million to the Ministry of Rural Development and Indigenous Affairs to provide for the Solomon Islands Government contribution to the ROC support for constituency development grants.

Sir, \$40.2million in advance warrant expenditures is sought in this field as follows:

- \$2.38million to the Ministry of Finance and Treasury to be covered by donor funding already received and will be repaid to the consolidated fund on enactment of the 2011 Supplementary Appropriation.
- \$34.8 million to the office of the Prime Minister and Cabinet to be repaid to the consolidated fund by 31<sup>st</sup> December 2012. This is to provide funds for the deed of settlement for RIPEL and former employees.
- \$2.614million to the Ministry of Police and National Security and Correctional Services to be covered by donor funding already received and will be repaid to the consolidated fund on enactment of the 2011 Supplementary Appropriation.
- \$0.4million to the Ministry of Justice and Legal Affairs to be covered by donor funding already received and will be repaid to the consolidated fund on enactment of the 2011 Supplementary Appropriation.

Sir, \$49.296million in additional expenditure is sought in this Bill as follows:

- \$24.396million to all ministries to cater for the 4 percent Cola awards to all public servants in 2011.
- \$24.9million to the Ministry of Rural Development and Indigenous Affairs to cater for Solomon Islands Government contribution to the ROC funded RSCD additional funding for rural constituency livelihood fund as well as ROC assistance to all constituencies for youth and development.

As a prudent measure, the Bill also seeks \$7.5million on contingencies warrants under recurrent heads of expenditure as well as \$7.5 million under development heads of expenditure that can be issued by the Minister of Finance for urgent and unforeseen expenditure between now and the end of this year. I commend this bill to the House and I beg to move.

*(applause)*

**Mr Speaker:** According to Standing Order 61(2), honourable Minister can you move to adjourn the debate until the next sitting day, please.

**Hon Rick Hounipwela:** As required by Standing Order 61( 2), I move that the debate on the 2011 Supplementary Appropriation Bill 2011 be now adjourned until the next sitting day.

*Question agreed to*

**Mr Speaker:** Honourable Members, as you are well aware, Standing Order 61(2) requires that after the motion for the second reading of an appropriation bill has been proposed the debate thereon shall be adjourned and shall be resumed not earlier than the day following...". Debate on this bill will therefore resume tomorrow.

## MOTIONS

**Mr Speaker:** Honourable members, on Monday the 5<sup>th</sup> of December, the honourable Minister of Finance and Treasury moved a motion that Parliament resolves itself into the committee of the whole House to consider National Parliament Paper No. 26 of 2011, the Solomon Islands National Provident 2009 Annual Report. The debate was subsequently adjourned to the next sitting day, which is today. Debate will now continue and in doing so I remind members to adhere to the rules of debate under Standing Orders. The floor is now open for debate.

**Mr DOUGLAS ETE (MP East Honiara):** I stand here to express my gratitude to the Minister of Finance, the Board of trustees of the Solomon Islands National Provident Fund and its management for bringing the 2009 annual report to Parliament in context, auditors record that the books of NPF were kept in accordance with international accounting standards and its reporting conforms to international reporting standards.

The primary objective of my brief discourse today is to determine two things in the report. The first is whether the NPF gains maximum benefit through its investments because after all that is what members want and nothing else. Members want benefits coming from investments that NPF ventured into both off shore and inshore.

The second objective of my discourse today is whether the social security financing position of the NPF is sound. The auditors are saying, yes they have kept the books according to records and this is what it is, it complies with international standards. But I think there are things inside this report that Parliament must know whether the position of NPF is sound or not, and this is what I will try to go into briefly so that people in this country know the things that they do not see in reports because a lot of people have not gone into the web so that they know these things.

First of all, I would like to deal with critical issues, created under this 2009 Annual Report, including the impaired losses created by the decision of the board of trustees of the NPF. And I will take us back to 2005 to 2007 and dwell on the report. If you have a good look at this report, a lot of things in this report are all word for word since 2005. They just remove some of the things in 2005, remove it again in 2006 and put them into the 2007 report, and the same things were put inside the 2008 report and again it is put back in the 2009 report. If you make a precise comparable carefully, you can see the same readings in all these reports. And so I would start from 2007 and then come back.

Firstly, the SINPF ventured into an investment called the Solomons Mutual Insurance (SMI), which in my mind was a total scam. And the board of NPF at that time understood it was a scam. I am saying this because the person now talking with the others are the first people to take the NPF to court using our own private money to do it. Those are the things they compiled a case in 1998 and was again taken up in 2004. And thanks to Sir Peter Kenilorea for doing that. Otherwise those of us sitting down here would have lost all the appropriations.

In the case of 1999, and I am talking about the board's decision to venture into investments. Now those things have come back again in the 2009 report. That decision it was ruled that the board has powers to enter into any investments whether the board knows it is wrong or not. Actually, Sathasivam and Michael Nuant -the Malaysian people are just paper company. They come with no money, get a 10 percent share on management and operation they are doing in this country. That is how we have been dealing with this country all along, those of us who are sitting down in here. I am not talking to you colleagues but I am talking about those of us who decide on the investment of people's fund.

NPF is not the government. NPF is a private fund - a social security placed under ILO conventions of decent work practices. And one pillar of decent work practices is that a country has to have a social security. If not, there is no need to employ people in the country. It is nonsense to do that. If there are no schemes like this running, it is just a waste of time. Just look at government officers who have retired, they are begging money on the streets. There is nearly absolute poverty in this country - nearly; I am saying nearly absolute poverty in this country because there are just no benefits from these schemes.

I am asking the Minister of Finance that when he comes to review the board of directors that he does not put the same people again, chaired by loggers in this country. What do they know about running of social security schemes? I am encouraging the Minister to review that. I am saying this because a lot of people are listening to us here. Do not get the same people again to manage our funds.

The second is SIEA; bad debt cancellation of members fund is \$18million; \$18million was cancelled - NPF cancellation of fund, \$10million given to subvent NPF funds was amortized over five years at five percent. I am a bit surprised when the board of trustees did this to our fund, members' funds. It is not right. I am a very sad when I see this. That is why when my aunty who escaped from CDC because of the ethnic violence wanted to withdraw only \$2,000 from the NPF and the NPF told her to wait until she turns 50 years. I

will come to that later. But we need a board of trustees that is a bit rationale to our people. This 2,000 when this old woman will get it when is 50 years old is worth nothing already, she will buy nothing with that money.

The third investment I would like to look at under this report, which we are not told in this report is the investment fund given to Soltai amortizing bond. This started with the CNURA Government and now the NCRA Government. A paper was brought to Cabinet in November 2010 on an agreement undertaken to restructure Soltai. This was influenced by the board of directors or its chairman telling them to go into voluntarily liquidation and then scheme up a scheme, get the NPF to plug in \$100million, which is people's money. Now, Soltai was managed by the Trimarine which also owns the NFD.

The former Minister of Finance has been playing a key role in all these processes. I must say this in here. This Parliament came later to a question ask in here why Trimarine holds 51 percent but what shares does it plough into the company. In the 2009 report, \$100million was plugged in using NPF funds. We agreed on this last year, but this was schemed up already in 2009 for this \$100million, and NPF only has 29 percent share of it. This is not right to my understanding. Knowing very well that Soltai will be insolvent, we took out people's fund of \$100million and inject this into a company that is already insolvent. I am very surprised of this that it takes somebody to tell us what is right and what is wrong in here. We ourselves cannot tell it.

Using the words of the Premier of Western Province, honourable George Solingi Lilo he said, *'the Chairman of Soltai Board has already precooked a plan for the demise of Soltai by engaging the major creditors of Soltai to put the company into voluntarily liquidation for the Chairman to come up with such a scheme is totally unacceptable'*. He continues on to say this, *'Western Provincial Executive has a lot of unanswered questions in relation to this restructuring exercise proposed by the Chairman'*. It is the NPF Board that will fund the \$100million.

I am not being prejudicial here, but I am asking a question here that when a company is already going insolvent for voluntary liquidation, the NPF just got \$100million and inject it into a company and then say 'we will go to Parliament and say we are restructuring its share restructure and its capital restructure. A lot of investments through the NPF need to be explained to the people under investments both external and internal. We must clearly explain this very well. Why are we keeping the people in the dark?

One investment I would like to come back to is the South Pacific Oil. In taking over the South Pacific Oil, if you ask the NPF Board and I did that, I asked where the novation agreement is when it is actually taken out. Novation agreements are agreements on who will foot the liability of a company, who will foot its creditors, how will debtors pay on accounts receivable, how do they make the payment? Because of a new takeover. There is nothing too. It is not in here.

NPF, people's fund own 99 percent within four years under a deed of agreement a company will run it, a company called the GRP associates, where GRP comes with 5 percent and NPF holds 95 percent and over a period of four years it will be increased to 25 percent. But I understand that in 2009, these investments as recorded in here, and it is not really

spelled out in here, if you look into the books of the SPO, the argument that came, according to a Fijian firm that audit the accounts, the KPMG that did the auditing claimed that an amount of \$38million in profit has gone missing from the SPO.

This is NPF money used to run that company. I have emails of some of the directors of the NPF board with me in my hand here. These are emails to board of directors that states some money have gone missing in profits and books were not kept properly but here comes the NPF board claiming everything is good and well. I am very surprised and saddened by this. This report says everything is well, but it did not tell the people of the missing money. About \$38million was only paid for vehicles!

We need to tell the people and the NPF Board needs to come out and tell the people that these investments are viable investments and those investments bring returns to our country and to the workers.

Secondly, I will highlight some points which I think are important on pages 35 and 36. I concur with the member of Parliament for Rennell/Bellona that what he mentioned in his debate was absolutely correct. If you test the liquidity of the NPF by taking the total assets of the NPF and minus the total liability that it has to pay for both fixed and current with the money in the bank and you total everything up, it will leave the NPF with \$0.187million. It is \$100,000; as at the end of balanced day on June 30<sup>th</sup> 2009 NPF has \$100,000 in liquid funds. And I am not talking about reserve equity and those other things here. It is \$187,000 to meet \$1million of NPF's debt. Does that sound good? You need to get an accountant to calculate this for you. For \$1million debt in NPF by virtue of this report, \$0.187 which means \$100,000 is liquid funds to spend. I am not talking about appropriations, reserves and so forth. The auditors will.

Secondly, if you take debt to equity ratio in this 2009 report, in every \$1million of our funds that is put as equity, \$9.44million is our debt at the end of balanced day in June. Is that good? Is that what the management wants? Is that all right? The management should be asking these questions and explaining it to the people.

The profitability of this, and I took some time to do some calculations here. The return of all the assets, and if you go up to Ngossi you will see all the assets up there with your own eyes, new buildings being built are going up there, you take the net profit on page 36, which is sometimes called profit and loss accounts and it is income and expenditure statement, if you take net profit before or after appropriation is done and you divide that by the total asset; you go around Honiara and you will see those assets both here and the ones done to the funds - Valguard fund Australian fund that is put down there, when you calculate all of those together, you will find that return on investment is only 9.78 percent. Is that 9.8 percent good? In my mind there are a lot of assets that NPF has that are sitting down idle without making any profits. You go up there and you will see those executive houses up there, I do not know who is going to sit down in those houses? Those houses are just sitting idle not making any profit for the country, compounded with the global crisis up there. I can see that we are investing in a lot of high risk investments according to this report; very high risk investments. Within six months the World Bank says if we are not



careful it will cancel the debts of many European countries. The Dollar will plummet, the Euro will plummet, and if all these plummet and these investments are in bonds overseas, they will go down with them. Somebody has to advise the board. And I do not want you to bring in the logging people to sit there advising the Board? What are they going to say, I am asking you, Mr Speaker? Get professionals to do it for us. This is our money. I have more than, I do not how much there, maybe \$10,000 or something like that. But I am concern about my money and you should be concern about your money, Mr. Speaker. This is a real thing; we are not playing around here. We are telling the truth here. We should not be playing around here. This is the place where we should be telling the truth and deal with people of this country.

If you look at all of these you would be asking questions as to whether it is profitable or not. They put in \$20million investment into the Heritage Park Hotel. Three banks are asking for \$100million each - the ANZ Bank, the BSP, and Westpac. These banks are asking the NPF to give them \$300million to finance hotels here in Honiara. They are sorting out its mortgages. We know this, it is public knowledge, nothing is hidden in this country. NPF funds used like that really surprises me. I just cannot understand it. And the question boils down to the board of director and management of the SINPF. Are we serving our people? Are we getting maximum benefit that should be accorded to the people of this country? In my mind, the obvious answer is virtually no.

I only have one recommendation here according to my findings and that will be the end of my discourse. In my findings, about 80 percent of loans are cancelled or extinguished by the government, in provinces, in quasi government institutions, like the SOEs. Return on investment of the NPF is very low, over the years it has not picked up. And we must ask the management why? The percentage given to us every June at the end of the financial year, that is our money and we have the right to be extended that benefit, at what percent depends on the Board but that is our money, that is people's money, members' money. The return investment is very low. In my mind, the NPF Act must be amended. The amendment bill must come back to Parliament so that we quickly discuss it. And so I encourage the Government to quickly bring that bill to Parliament.

To deregulate the pension scheme is another thing. One of my recommendations, and this is my contribution to this honourable House, is I would want to see the Foundation Bill laid here in Parliament. The foundation bill was introduced to Cabinet by the late Minister for Public Service, the late Hon. Sanga, which was widely consulted with unions, stakeholders and private companies to see how the foundation bill will go. I want them to deregulate the total social security scheme in this country so that employers and employees can run their own social security scheme to which it will have an investment arm, it also has arms like the NPF, but we only have one regulated bye-law and so it makes it quite difficult for us to do anything because if directors say we go this way we follow them. We deregulate it so that we give employees the chance to do it by law. That is what they are doing in Fiji, that is what they are doing in Papua New Guinea. You go to Port Moresby and you see 10 of them there. That is what they are doing all over the world and it is timely.

Otherwise we will have what happens in Vanuatu where people on the streets asking why are you using our money like that. They recently did it to Vanuatu. De we want that? The answer is no. And so it depends on this honourable House to do it because it is important that we give benefit to members and our employees.

This is my only recommendation and I hope that the Minister of Finance takes note of that. I think it is about time that we deregulate that, get a regulator to do that, like all the insurance companies and every reinsurance. It controls insurance in this country. The government is doing it, it regulates this and so we can do it to social security schemes in this country as part of decent work practices and we will comply with ILO conventions. With that I support the motion to go into the committee and debate this report. Thank you.

**Mr DANNY PHILIP** (*MP South New Georgia/Rendova/Tetepare*): I would also want to contribute briefly to this report. You can also see my signature inside the report. No one thanks this board because the mindset of everyone is on the downside of things and not necessarily the highlights. And I want to congratulate the Government for bringing these papers because they are parliamentary papers and they need to be debated. I made the decision just before I resigned in Parliament and this was the basis of my first government business, and that is for us to debate parliamentary papers so that Parliament as an oversight institution has the chance to be a critic also to these reports. Unfortunately, I do not see one or two papers that I recommended, they were not here. One is the tsunami fund and the others, which I hope the Government will include so that we look at all of them.

I am going to say very briefly about this report that I am very happy about this NPF report because for the first time this is the best board that came out with this report and a success story for the NPF. I think let us look at the positives first. All of you have been dwelling on the negatives and if we think negative like that, this country will also look negative. This is the last house, and the last speaker who just taken his seat has made wild sweeping statements, and I want him to refrain from making wild and sweeping statements unverified and try to look at the positives. This country needs some positive minds to take us forward because if we are negative, every two steps we take we take 10 steps behind. Somebody was saying yesterday, I think it was the Leader of Independent, he was saying what are we doing in this house? We are only politics, and I think there is a lot of truth in that. The 50 of us must look inwards, inside ourselves to see the reality that is happening in this country today.

Social security has a lot of dimensions. It is not something where every payday you put something and then at the end of your retirement age, the end of your working life the institution gives you a cheque of \$200 every fortnight. Yes, but is that what NPF is all about? We have to come up with some kind of answers to that question. Do we want to turn NPF around and share the money now? The NPF in 2011 is the single largest credit institution in this country. And so if you are talking about who owns it, there are a lot of people who owns it. Those of you who are still contributing to the NPF are members.

Voluntary by definition, we are not qualified to contribute unless the Minister of Finance makes a declaration, but some of us are already more than 60 years old and so let it be.

The total accumulated in members' contribution balance surge to a level of \$875 million. That is a highlight in this report. It supersedes any other years. Active members hold 81 percent of the total accumulated contributions valid. Members' contributions have reached \$121 million, an increase of \$14 million. Is that a bad story? New registered employment recorded was 210 compared to 187 in the financial year 2008. It means more employment is created in our country.

Social security also means providing opportunities. If we are not investing in the economy of this country how can we create jobs? If you increase employment you will receive more. I am not an economist like the member for East Honiara. But it is just simple. You put in money, you create more jobs, you get more NPF. Providing opportunities is social security in this country. The reason why we are trying to build growth centres in the rural communities is basically to provide opportunities for people who are not employed to have formal employment to contribute to the economy of the country. Providing opportunities is social security.

Only about 15 percent in this country are in formal employment. What about the other 85 percent? So what are you talking about? A financial institution like the NPF is huge. The total capital outlay and resource that is available in terms of cash, NPF needs investment. The last speaker was saying that 9 percent rate of return on investment is too low. My friend, can you get to an investment somewhere that goes up to 25- 30 percent rate of investment. Where, you tell me now? Where?

The total amount withdrawn by members has reached \$46million compared to \$41million. The Board is keeping up to its commitment by giving members their withdrawals, and in 2009 we gave a little bit more than the previous financial year.

Net contributions is the difference between contributions receipted and paid, continues to increase to \$75million from the previous year. All these are increases. Total investment assets surge to unmatched record level of \$982million compared to \$848million, an increase of 14 percent. New equity investments made in Solomon Islands Home Finance Limited is \$13.8million. Total assets increased from \$848million in 2008 to \$982million in 2009.

I just want to make a distinction that the NPF as a financial institution is progressive. It is not retarded like us. It is progressive.

One thing we must understand in this country is that the private sector is the engine of growth. If you fail to invest in the private sector, the economy of this country will not progress. The problem that the NPF has now is that it has so much money that it does not know where to invest it. I am telling you the truth. And that is why it is invested overseas in the banks and hedge funds managers overseas to at least get a little bit more than if it is kept in this country. And the interest is low. If money is invested in industry then we can expect to get a little bit more, maybe 10 percent. Our lowest rate of return on average we targeted is 10 percent, unless it is in mining it will reach 25 percent or 30 percent. But

investment in Heritage Park Hotel is fully justified. NASFUND in Papua New Guinea also invests there. It is like the NPF of those over there. We want to take a little bit of ownership and put some money belonging to our NPF here, members' money, to create some employment opportunities. And we have a beautiful prime hotel in the city of Honiara to boost economic development, to boost tourism industry in this country. We cannot just sit down quietly with this money - it has to be invested.

This is 2011, and we are talking about an institution that came out of the wisdom of an old man from South Malaita in 1973. What are we doing for this country to remember us? That is a very serious question. Solomon Taiyo came out from the brains of the late honourable Kausimae. And this House is the best house to criticize Solomon Taiyo, killing it. It virtually means take the 1,000 plus employees in Noro and throw them into the sea and the amount of money they are contributing to the NPF, the very institution you are talking about right now. You create employment industry you create employment. You create tax you create NPFs.

The SIPL, an agro forest industry on this island of Guadalcanal, who made it, is it us? It is employing thousands of our people of Guadalcanal. Who made those things? The Solomon Airlines, the first flag carrier of this country, which governments made those investments? Is it those of us sitting down here? The Henderson International Airport is just a small runway. Some people in those days have the wisdom to invest more money into it - talking to people who have money to set up a big national asset. And the Noro International Port. All these things are not small money. But I truly believe that the great minds have gone. They have no economic degrees, they are not super accountants, they do not have big papers like those of you sitting down here right now. But ideas are coming out from them. The double lane road in Honiara, some people said to us at that time, 'you are stupid, Honiara is just a small town, how do you make those two roads?' See, what is the problem today?

**Mr Speaker:** Can you withdraw the word 'stupid'.

**Mr. Phillip:** I withdraw that word. People think that I was absurd. That is another meaning of stupid and so if you rule that one out, I will also withdraw it.

They thought that the Government at that time, including yourself Mr. Speaker, we were absurd by putting a two lane road within Honiara town. People wrote about us in the papers saying that we were not in our right minds. Now we need another road here in Honiara. But those were visions; those were ideas that none of us here contributed to. Of course, times might change but men alive, you have to start something now otherwise nobody will remember you in the annals of this country in history. And the question comes back to us whether we deserve to be here too. This building that we are sitting underneath now, whose idea is it to build it? One or two of us are here, but we start talking about establishing big things for this country.

When I came to Parliament we used to meet down at the High Court building and when the High Court is in session we moved to Kalala House. We learn a lesson from that and so we asked the Americans to put some money to build a nice house like this one. We did not criticize nobody, we just work, we just think, we talk and we build.

The Solomon Islands College of Higher Education used to be just a teachers training college. Some people thought that we have to go up to bigger things than just a teachers college. We did. The Minister for Education, when I was your boss you told me that by January this year you are going to declare the Solomon Islands College of Higher Education into a national university. That is good, I congratulate you. Let us exercise some political will rather than being critical of each other and shooting each other.

The National Referral Hospital is a Quonset Hut, an ex-army hospital. Some people thought that was not good, but it is not us in here. Some people think that it might be a tin shed, but at least it is a National Referral Hospital.

The National Provident Fund is the single most important credit facility in this country and although you may say the government does not own it, the government is very much in control. The NPF Board and the NPF need our assistance to come up with the kind of investment that must happen in this country so that NPF investments will become more inclusive rather than exclusive - creating more opportunities for education and training for employment and for housing.

I travelled a bit in this region, in Port Moresby, Port Villa, Suva, the capital cities of the Pacific, and one thing I am very proud to say is that 80 percent of the houses in Honiara, between 60 to 70 percent is owned by Solomon Islanders. Is that not investment? Is that not social security providing housing for the city? You go to Port Villa and you ask around who owns all those houses in Port Villa, and they will tell you 'people from Australia people, people from Caledonia, people from United States'. In this city alone we have given opportunities through the NPF in the past for people to build homes. Some of the homes the people live in them, some cannot repay their loans and so the NPF forfeited them, and some are successful and they put them in investment. But those are things we called creating opportunities in this country.

Do not be narrow minded. Do not, otherwise we constrict this country. Some people might complain that we are supposed to be debating the NPF report, but I am going into the principles and philosophy of things to open our minds so that we look at the broader and the bigger picture. If you say that the working class owns the NPF then we might as well share the money now. The way we speak about ownership in this Chamber is going to create something very big for this country in the future. In fact that is what happened to the first NPF office building in Port Vila; it was burnt down because some politicians stood up in Parliament at that time and rubbished the NPF in Port Vila, and so people got up and burnt it down. We are responsible for all the bad things that are happening in this country - the ethnic uprising, the burning of China Town, the riots. It is those of you in this Chamber that created those problems.

The biggest crime, as I always mention in this Chamber many, many times over now is those people who know better capitalising on the ignorance of the masses. You must look carefully. Do you want to create and grow this country or you want to destroy it? The answer is on the 50 members of Parliament. You are the ones who are continuously putting policies. You are the ones who put regulations to control or restrict the growth of the economy of this country.

There is a photo on page 6; and you have rubbished these people very much, but I can tell you that this is the first board that brought international reporting standard into NPF. Some people are very highly critical about the Chairman of the NPF; you said he is not a national of this country. But man, look at the results! Look at the results! Some people just basically hate people. I do not think this is our job. Just because somebody is of a different colour and he has done a beautiful job that we must condemn him.

The NPF has been managed by all of us for 30 years, and we struggled doing that. And so I am very happy with the report, I totally agreed with the opinion of the Auditor General; I am happy with the board which I was a part of before I went to the elections. I am happy with the rest of the board members. There were problems we met where there were a lot of people not doing the right thing that we have to discipline. But we are investing to create opportunities in this country and we have huge capital outlay investment assets out there. If we bring all the money into this country, this place will be a disaster. And so we put NPF moneys outside. Maybe not 10 percent, maybe not 15percent, but they are attracting some interests on members' contributions in this country.

And so in talking about social security, in this country it has a very big broader meaning. We cannot be like the developed countries to start paying people the dole. No, we have our own social security and we must find ways of harnessing it. If no ships come into our country for the next 12 months, no Solomon Islanders will die from hunger! I can tell you straight. Why, because our social security is different. The society security that we all depend on, and we have two constitutions, one is the wantok system and the other one is making the parliament happen. And we have not yet taken the time to link those two as yet, and that is why we are trying to go into reforms. Reform is just a magic word. It is something we are trying to invent, to try and articulate what we have with the modern requisites for development. That is exactly why this country is going into land reform.

I do not want to take much of your time, but this is the annual report of the NPF board 2009, and it is a very good report. We have improved from the past by creating NPF into a premium organisation to what it is today. I can tell you that our NPF here is the admiration of many other pacific countries. We are progressing very well, maybe only second to Papua New Guinea and somewhere. But I would like to congratulate everyone who are working in that institution whether you are just a truck driver or a janitor on the halls, in the rooms or a chief executive or an accountant, middle management, board members, you have done well and keep doing the right thing and improve on this institution that has been a blessing to this country in times of hardship.

Somebody was saying yesterday that the NPF never looks after the workers when the Sylvania ran away. The NPF is not a NGO. If you do not pay, you do not get. The contributions that the company did not pay on behalf of its workers to the NPF were paid by the government as their redundancy. The NPF cannot pay for redundancy, it is the SIG that can do that. Do you know that a lot of things we are doing is unlawful. Goodwill, it has no legal basis. But when disaster strikes you have to do it. That is the nature of this country. If someone stops his land from you and asks a demand from you, you have to pay it, otherwise the Auki wharf and the market will not progress, Ziata will be closed. So this is an exciting place to make governments run; it is exciting, difficult. But you have to be wise, you have to be somebody to try and run this country, a country that is so diverse. That is the challenge to leadership. It is not just taking one thing, look at it and say this is how it is done. No, you have to look at the bigger picture.

Do not run the state like an institution. We have to run a country. These are two different things. Running a country is totally different from running a state institution - just looking after ministries and provinces, no. This country is bigger than 24 ministries and nine provinces. We can become so schizophrenic that we forget about people based developments and institutionalise our minds only to see the easier format to follow, a template I called it.

With those few words, I do not want to take up much of your time, but I think if what I have said sounds wrong to you, then it is up to you, but this report is a very good one and the board has done very well, and the Minister of Finance. We must encourage them, we must encourage more investments so that we create more jobs, more opportunities, more training and more growth for this country. Thank you and I support the motion.

**Mr MATTHEW WALE** (*MP Aoke/Langalanga*): I listened to the member for Tetepare and I almost cried.

*(Members laughing)*

You should not laugh for nothing because some of the things he said are true. The era of big ideas and the era of big thinking and he cited some of our old people who have been leading us in past years, where you two, Mr Speaker, maybe when you two were still young that you joined them and you saw those big ideas. And I think it is an important point for us to think about that we do not become parochial in our thinking and saw politicking consuming too much energy and too much of our time and so the visions of what this country ought to look like over the next 100 years falls by the way and we are taken up with the detailed day to day grind of the politics, that is mostly personal politics with some money, some portfolio, some chairmanship and a bit of here and there are all consuming us and no big ideas are left. And as a, I suppose a long serving member of Parliament and a former prime minister, his observations are right on that particular point.

The NPF law makes NPF to be compulsory, it makes NPF into a monopoly and therefore compelling those who are working to contribute to it. And so to whom much is given much is expected. And this comes with responsibilities and when it comes with responsibilities there is a right of members and of stakeholders, institutional stakeholders of which the government is obviously a key one, to ask questions with regards to the accountability loop. So it is in that regard that this report comes to us in Parliament.

Speaking in support of this motion, I want to say firstly, this report is a very good one. I went through it, I did not understand all of it, but the little that I understand of it, I am happy about it. There are some points that I have that I want to raise for the Minister to take note and I am sure the trustees too to hear and think about it.

It is important that in any pension scheme, within a superannuation industry or sector that the demographics of a country is kept well in focus. When I look at this report I am not really convinced that demographics had been featured properly, but perhaps this is a matter that I will be disabuse of by the Minister in terms of how investment activities, for instance, are done because of perhaps a target rate of return over an extended period of time, targeting a base amount of reserves they want to build so that we do not talk about the 2.7percent interest all the time. When we talk, and the member for Rendova/Tetepare has gone out, but he said where can you find the rate of return at 20 percent? Hey, in many places! Which places is he looking at that he did not see it? There are places, there are managed funds, there are portfolios, but all of these things are governed by the kinds of investment outlook and polices or trustees agree on them. In this instance, it would seem to me that they have taken an extremely conservative approach on investment on those funds. We put it on low risk, low return portfolios so that we do not risk losing anything. But when that is done, we expect 2.7 percent, and that is enough. Because as the member for Tetepare said, they were looking around 10 percent if they were lucky, and so therefore out of that, we only get 2 percent or 2.7 percent. It is important that demographics are featured firmly on the planning of trustees, on their outlook, on investments and other activities they are doing.

On other jurisdictions, retirement schemes consist of three things or a combination of the three. One, some countries have mins tested government age pension scheme and also private savings generated through compulsory contributions just like the NPF and then voluntary savings through a deregulated industry where there is choice. If you are not happy with your superannuation fund, you can go shop around and see where they offer the kinds of products and benefits that you think suits your future retirement needs and that is where you invest your contributions or your savings. Here, we do not have such schemes. We do not have dole as the member for Tetepare has said and we do not deregulate the sector and therefore we only have the NPF. Because it is compulsion by law, therefore, the duty of care on the trustees, the level of responsibility must also be high.

Also, of course, at the macro level, it is important that we encourage a savings culture because it has been said, I think in this House and in other forums that our ability to save without compulsion by law is not really strong, some like we have heard, I think those



from Choiseul are really good in saving; they took some coins and bury them in the ground. But some other parts of our country, we do not have this strong thinking of saving. It is important the fact that law compels us through the NPF Act to save some money and this money because it is increasingly becoming the largest cash holdings and asset holdings in any single institution and in all our financial institutions, it is one important pool of resources available to the economy. The use of it is what we are talking about now. Whether those resources are put to optimum use that earns the best return at a reasonably managed level of risk is what we are talking about. The fund, the trustees have taken a particular approach and some of us think that perhaps there ought to be some way of improving it further.

Perhaps the Minister of Finance and the Government need to think about government providing some incentives, for example, by way of matching co-contribution schemes or something like that for certain income thresholds, for lower income thresholds. Perhaps even the Act is opened up a bit, our farmers cutting the copra and cocoa or the fishermen can put some money in and the government entering into co-contribution approach to encourage this savings culture to become strong and empower members much more in terms of what is available for future. But also perhaps some products that might become available if this kind of scheme can come in that enables a portion of the savings to become available to members when they are still members, not only when they withdraw and are no longer members.

The report is very clear page 7 talks about corporate governance where the Fund operates as a trust and the directors as trustees are responsible for the prudential operation of its resources and in formulating and implementing a robust and a dynamic investment strategy. Whether the strategy taken is dynamic enough is obviously open for debate.

The duties and obligations specified in the NPF Act and other obligations are subject to general trust law; it is in the common law. There is a fiduciary responsibility on the part of trustees to look after the resources and make decisions in the best interest of the Fund. This thinking of board representation where some members represent unions, some represent employers, some government and so forth, this thinking perhaps we should start reviewing it too because governance dictates in an increasingly dynamic financial sector, it requires that we harness the best expertise and skills to be the Board of NPF, but that also the fact of representation must not overcome the governance fiduciary responsibilities of the board to NPF as an institution; the governance of the institution itself.

There is a need for the NPF Act to be a little bit more specific than it is at present about the duties and obligations of trustees and any liabilities or penalties for breaches of the duties and obligations and the obligation to ensure that funds are invested prudently, yet seeking to maximise returns on the funds invested and maintaining a relatively reasonable level of liquidity. In the current circumstances, there is excess liquidity in our financial system, and because of that it is a bit difficult for money sitting down in term deposits to earn a big interest. And so, for example, the level of funds kept by the Fund domestically within our financial services sector here, its maximum is very low. It is constrained by the

level of interest paid to on call accounts, term deposits and so forth. This raises the issue that has been raised from all corners of this House that the Fund in consultation with the Central Bank ought to look at a little bit more dynamic and an open approach, looking at the international markets, and perhaps the trustees determining the level of risk they are comfortable to take on with regards to investing activities of the Fund.

The Act also needs to clearly set a higher bar for qualification and suitability to be considered for appointment to the board of trustees. This is not to disparage current members or former members or prospective future members, but this is merely to say that the demands of being a responsible trustee require that we bring the best talent to it, so that we can hope to achieve the best results that members deserve.

The Act also needs to establish stricter compliance demands on the Fund that the Fund must have adequate resources, expertise, robust risk management systems and skills available to it. I note from the report that this capacity is slowly being developed. But given the pool of resources, perhaps they need to work a little bit more on this aspect.

The NPF Act also needs to set out more clearly requirements that determine good conduct and misconduct rules and set out the requirements regarding what information must be provided to members and the regularity of such reporting. This is because currently, other than this annual report there is no other reporting mechanism to members. Any member that wants to know or who wants to take a pledge to loan from the Credit Union or from a bank is when you will go and find out what your balance is and so forth. But there is actually no reporting mechanism going to members of the Fund, and so perhaps that needs to be strengthened in the Act.

Currently, as we know under the Financial Institutions Act, the Central Bank provides the essential supervisory role to the Fund, and this supervision is largely to ensure prudential management of the Fund's operations and assets holdings. However, the Financial Institutions Act does not specifically set out any requirements against which the operations, management and the accounts of the Fund are to be measured for compliance. This weakness is both in the supervisory functions under the Financial Institutions Act and also in the National Provident Fund Act. This is a weakness that we must remedy. It is good for the Minister to come back to Parliament to fix and strengthen this. Because given the lessons learnt around the world, regular testing of the Fund is important, but also clearer requirements for compliance by the Fund, specifically to the Fund because it is the only superannuation fund that we have. This could be specifically outlined in one of the two acts or perhaps in both so that the management and trustees are clear as to expectations of the supervisor, the Central Bank on the Fund itself.

I touched a bit earlier on in regards to reporting to members and I think that the NPF Act does need to empower members. In its present form, the NPF Act is very disempowering to members of the Fund. What the member for Tetepare said is very true on the point of members owning the fund and so forth, and the debate is a healthy one and the debate must go ahead. But there is a role for the government to play, but it seems that only the government has monopoly in the roles as a stakeholder in the role that it plays through

the Minister of Finance in the appointment of the board of trustees and also in influencing how the Fund has operated over the last 20 or so years. Members have had little or no say at all. The representation perhaps of employers and employees on the Board, that representation is not proxy for the place and the role of members in a more democratised superannuation fund structure.

It is almost as if the NPF Act assumed that members either do not have any idea at all on how the Fund ought to be managed or that members do not care or maybe both. These assumptions cannot simply be allowed to stand any longer. Members do have an interest and ought to be given a greater say and a greater role, perhaps not to the exclusion but held in balance with the government's interest in ensuring the long term sustainability of the Fund because of the importance that it plays in the wider economy and the stabilising role it plays in our financial service sector. But the point for the Fund to be democratised is an important one, and perhaps the Minister ought to list that as one of the issues in any review they need to do to consider how they can hold the interests in balance.

But members ought to have access to appropriate reliable information in a timely manner. This total darkness at present of members must be a thing of the past. We must remedy it. Perhaps there ought to be annual general meetings where member are able to hold the board of trustees to account, there are able to raise questions directly. The powers, perhaps even to have some influence through an appropriate process on the nomination and appointment of members of the board of trustees. In that way, the role of the Minister of Finance must be reviewed.

It is clear from history, though not all but most problems encountered by the NPF over the years on large loan defaults were the result of loans forced upon the Fund or the Fund operating under some pressures to take on from the Minister of Finance on behalf of the Government. You know the quasi government ones are provincial investment arm loans and so forth. Most of those loans, had they been assessed purely on commercial grounds, the trustees would have been acting negligently in their fiduciary duties, in their trustee relationship with members in accepting and funding projects and proposals which they know very well will fail or do not have appropriate levels of rate of return to make it worthwhile to the Fund. But that is the context in which we find ourselves in, and also the need to develop out in the provinces and the need to balance commercial activities. All of these factors conspire, they make everyone of us to collude in the hope that these things work well. But time is passing. It is important, looking to the future role of the Fund, whether still in its current monopoly role or in a more open and deregulated sector, it is important that the role of the Minister of Finance on behalf of the government is reviewed to reflect the changing times.

Somebody raised the question "should the NPF now be subject to some level of taxation?" I will not comment on this point, but I think it is a moot point that perhaps the government in its review of the NPF Act looks at it as well. It is important that the future retirement benefits that are contribution accounts of members are not subject to tax, if that can be avoided. But it is important as well, and this is almost in all other jurisdictions, there

is some levels of taxation, very modest, but there is some level of taxation on resources held in their superannuation funds. But I leave this matter here for the Minister and the Government to think about.

I wish to congratulate the Fund for producing this report. I wish to also register the point that it is important that in producing this report that they keep in mind that they must allow members to be able to read and understand the report. This report, I wonder how many of us in this House really understand it. It is a bit complicated to some extent. I mean it is done according to the requirements of the international financial reporting standards, but those standards, about 99.9 percent of members of the Fund will not understand it. So there is the need to perhaps have a copy of this report in pidgin and explain a little bit more clearly everything that is happening. It is an important part of empowering our members to have information to know what is being transacted by their trustees in their name and on their behalf. And so it is important.

It is also important that this report is not just for us in Parliament or for the Central Bank or for auditors or for people that look after investments and the stakeholders of the NPF. The place of members is what we seem to forget. The Act assumes too much, it takes members for granted too much, and then in its reporting the trustees are taking members for granted too much. This is not a criticism but it is just an observation and something that is good for the Minister to relay to the trustees so that in their next report they make it easier for people like me to understand it a bit, a simple people on the street. Do not pitch it too high that only some people understand it, and the rest of us just look like people waking up in the middle of the night and do not understand what is happening. But I am sure the Minister of Finance will explain the report in greater details to us when we are in the committee later today.

The reporting requirements in the NPF Act and the Financial Institutions Act, in their present form, they have taken a rather minimalist, in my view, approach, but given the lessons learnt from other jurisdictions around the world, I think it is important that this be reviewed and that greater, more stringent prudential requirements are outlined and reporting requirements as well.

One thing that I think is missing also is the Act itself does not require trustees to publish a statement of intent for any given financial period against which the Fund's performance is reviewed annually. Because of the absence of this, I note that the board of trustees has gone and actually outlined a vision, a mission and so forth. But this must not substitute for a clear statement of intent on what they expect to do and get, and also how they are going to do it and the kind of returns they aim at getting, and at what level of risk they find it acceptable and at what cost, so that at the end of a financial period, it is a little bit easier to say 'okay, this is what you have said you will be doing, how you will do it, at this sort of cost to gain this kind of return, but when the results comes, it is little bit different 'or you have gone beyond' and things like that so that members and stakeholder have a better way of objectively assessing how the trustees perform their roles.

In the absence of that kind of information and that kind of statement of intent, I suppose we will have to settle on the statement of the MP for Rendova/Tetepare, who is a member of the board of trustees. If he says everything is all right, are we going to say also that everything is all right or how? Because in the absence of that kind of objective information, it is difficult to objectively assess performance.

In these matters also, it is important that we hold these things in balance. This is not a criticism to spoil another person, no. These are institutions that have a sizeable role in our economy and an institution that has a large membership base in which their interest must be protected and advanced. And so it is important that when trustees accept an appointment to the board, he/she should not accept it for the sake of getting sitting allowances and monthly stipends and so forth because that kind of thinking is also very common, this kind thinking of overreaching. If we sit down and soberly assess ourselves whether we are fit and therefore we will accept the appointment on that basis, that thinking must come with an understanding of the duties and responsibilities put to our shoulders when we take on that role. And therefore, it is active in our minds when performing that role on a day to day basis. If it is not, membership to those boards is becoming like a wages or salaries or allowances and then the board of trustees, their role becomes a very passive one where we only wait for what the management proposes and we say 'yes or no' or this way or that way. But the trustees themselves, the board itself does not provide leadership direction because it does not have the capacity to be able to do that. And this is why it is important to think about this aspect and the reporting requirements that the NPF Act itself or the Financial Institutions Act or both need to require.

But I note in the report that the report comprises financial statements of the Fund and trustees for the financial year 2009. The statement of responsibility for the financial statements of the Fund, this is a very important one; the audit report on the financial statements; a level of analysis and explanation on the performance of the Fund in the 2009 financial year. The part that is missing which I touched a little on is the need to include a comparison of performance with expectations of trustees which ought to be set out in a statement of intent relating to that particular financial year, but this is a matter for the government to take up. And importantly, when we look at the performance of the Fund during the financial year, the role of trustees in the performance of the Fund ought also to be reported on so that it is clear what the trustees are doing within the overall performance of the Fund.

Also important is a clear statement of investment policies and attitude by the trustees. If there was a statement of intent, it would be clearly articulated there. There are some statements with regards to how the trustees, how the Fund has managed fund, for example, and the attitude towards risk that it is taking. But this is on an ad hoc, case by case basis as opposed to a clear policy on risk tolerance of the Fund over an extended period of time.

That statement perhaps should also include a statement certifying whether or not investment policies, standards and procedures of the Fund have been complied with

throughout in financial year. This is missing. These issues will feature in the review that is being talked about.

**Mr Speaker:** No, I was thinking about suspending the sitting and when we come back in the afternoon, you could continue with your debate.

**Mr Matthew Wale:** Oh, we could do that. That is all right.

*Sitting suspended at 12.06pm*

*Sitting resumed at 2.00pm*

**Mr Speaker:** Member for Aoke/Langalanga to continue with his debate.

**Hon Manasseh Maelanga:** Point of order, I think the Member for Aoke/Langalanga is not here.

**Mr Speaker:** He is not here, and so I will suspend the sitting for five minutes to wait for him.

*Sitting suspended for five minutes*

*Parliament resumed at 2.06pm*

**Mr Speaker:** Member for Aoke Langalanga to continue with your debate, please.

**Mr Manasseh Sogavare:** Point of order. We are debating a government business and we expect the Government Bench to be here. We are below quorum; I just want to raise the issue of quorum.

**Hon Manasseh Maelanga:** Point of order. I think the quorum consists of the Opposition and the Government together and it does not mean the government itself. It is the opposition, the government and independent together.

**Mr Speaker:** We wait again for 15 minutes for members to come in.

The House waited 15 minutes for quorum to be formed

**Mr Speaker.** Members, 15 minutes has lapsed and there are only 20 members present. It should be 24 members to form the quorum. In accordance with Standing Order 12 as read with section 67 of the constitution we cannot proceed with the business of Parliament and therefore I accordingly....

**Hon Manasseh Maelanga:** Point of order, Mr Speaker. I just want if you could clarify the point of quorum because the House has already formed a quorum in the meeting this morning and this is just a continuation of the sitting that adjourned this afternoon.

**Mr Speaker:** Thank you Deputy Prime Minister. There must be quorum in the morning as well as at the starting of the meeting in the afternoon according to Standing Orders. I still maintain my position that there is no quorum to continue with the meeting in the afternoon and so I accordingly adjourn Parliament until 9.30 am Thursday, the 8<sup>th</sup> of December 2011.

*The House adjourned at 2.23pm*