



National Parliament of Solomon Islands

Bills and Legislation Committee

# Committee Report

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Report on the Development Bank of Solomon Islands  
Bill 2018 (No.7 of 2018)

NP-Paper No. 37 of 2018

Presented on 1<sup>st</sup> Nov 2018

National Parliament Office



## COMMITTEE MEMBERS

The current members of the Bills and Legislation Committee (10<sup>th</sup> Parliament) are:

Hon. Matthew Cooper Wale, MP (Chairman)

Hon. Dr Derek Sikua, MP

Hon. Manasseh Maelanga, MP

Hon. Douglas Ete, MP

Hon. Peter Tom, MP

Hon. Christopher Laore, MP

Hon. Alfred Ghiro, MP

**Secretariat:**

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## CHAIR'S FOREWORD



Hon. Matthew Cooper Wale, MP, Chairman

## REPORT OF THE BILLS AND LEGISLATION COMMITTEE

Mr. Speaker,

Pursuant to Standing Order 71 (g) of the National Parliament of Solomon Islands, it is an honour for me, Sir, to present the Report of the Bills and Legislation Committee on the Inquiry into the **Development Bank of Solomon Islands Bill 2018** for laying before Parliament.

**Hon. Matthew Cooper Wale, MP**

Chairman

Bills and Legislation Committee

1<sup>st</sup> Nov, 2018



## COMMITTEE FUNCTIONS

The Committee is established under *Standing Order*<sup>71</sup>; an Order made pursuant to the *Constitution*<sup>1</sup> and has the functions, together with the necessary powers to discharge such, to:

- (a) examine such matters as may be referred to it by Parliament or the Government;
- (b) review all draft legislation prepared for introduction into Parliament;
- (c) examine all subsidiary legislation made under any Act so as to ensure compliance with the Acts under which they are made;
- (d) monitor all motions adopted by Parliament which require legislative action;
- (e) review current or proposed legislative measures to the extent it deems necessary;
- (f) examine such other matters in relation to legislation that, in the opinion of the Committee require examination; and
- (g) make a written report to each Meeting of Parliament containing the observations and recommendations arising from the Committee's deliberations.

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<sup>1</sup>Section 62, *Constitution of Solomon Islands* 1978.

## EXECUTIVE SUMMARY

The Bills and legislation Committee conducted its enquiry into the Development Bank of Solomon Islands Bill 2018 from the 3<sup>rd</sup> to the 4<sup>th</sup> of Oct 2018.

The Committee sees the need for a development bank as a catalyst for economic activity in the rural areas of Solomon Islands.

The Committee notes the challenges posed by the operating environment in Solomon Islands, given its geographical spread.

The Committee is concerned that given the high risks associated with development financing, especially to rural areas where collateral is a problem, that the cost of borrowing may be too high and become a disincentive to borrowing or increase the financial burden placed on rural businesses.

The Committee is pleased to note the proposals that the DBSI will be exploiting opportunities offered by technology to achieve operational efficiencies. However, the Committee urges the bank to seriously consider opening some branches in some provinces to drive its lending policies.

The Committee notes, with appreciation, the improvements contained in the Bill on governance and management. It is important that lessons from the past are not forgotten.

The Committee urges the government to explore other financing platforms for economic activities/initiatives that may fall outside the scope of DBSI financing.

The Committee commends the Bill to the House.

## TABLE OF CONTENTS

COMMITTEE MEMBERS .....	i
CHAIR'S FOREWORD .....	ii
COMMITTEE FUNCTIONS .....	iii
EXECUTIVE SUMMARY .....	iv
1.0 INTRODUCTION .....	1
2.0 BACKGROUND INFORMATION.....	2
3.0 ISSUES DISCUSSED.....	4
3.1 Policy Issues .....	4
3.2 Contents Issues .....	6
4.0 RECOMMENDATIONS .....	11
5.0 APPENDICES .....	13
Appendix 1: Witnesses .....	13
Appendix 2: Minutes of Proceedings .....	13
Appendix 3: Submissions.....	15



## 1.0 INTRODUCTION

This Report presents the findings and recommendations by the Bills and Legislation Committee ('the Committee') after inquiring into the **Development Bank of Solomon Islands Bill 2018** ('the Bill') as required under the Standing Orders of the National Parliament of Solomon Islands ('the Standing Orders').

Relevant stakeholders<sup>2</sup> were invited before the Committee to make presentations or provide submissions on the contents, policy matters, and intentions of the Bill.

The hearings into the Bill were held from the 3<sup>rd</sup> to the 4<sup>th</sup> of October 2018. The List of witnesses that appeared before the Committee and minutes of these proceedings are contained in Appendices 1 and 2.

No written submissions were received from the public. The sponsoring Ministry however, provided documents on the consultations and policy background of the Bill. A list of these submissions can be found in Appendix 3.

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<sup>2</sup>See Appendix 1



## 2.0 BACKGROUND INFORMATION<sup>3</sup>

### 1. Introduction

The predecessor to the Development Bank of Solomon Islands was the Agriculture and Industrial Loans Board which was established by the *Agriculture and Industrial Loans Board Ordinance Cap. 70 No.1 of 1955*. This was repealed by the Legislative Assembly on 12<sup>th</sup> of December 1977 when it enacted the *Development Bank of Solomon Islands Ordinance 1977, No.19 of 1977*.

By operation of the Independence Order, the *Development Bank of Solomon Islands Ordinance 1977, No.19 of 1977* became the *National Development Bank of Solomon Islands Act* in 1978. When all Acts of Parliament were consolidated in 1996 under the *Revision of Law Act* it became the *Development Bank of Solomon Islands Act Cap. (50)*, and it has remained as such to this day.

In mid-2004, as a consequence of institutional and governance weaknesses, further compounded by the civil unrest, DBSI became insolvent. As a result Central Bank of Solomon Islands (CBSI) applied to the Court to be appointed as the Court Appointed Manager under the *Financial Institutions Act*. The timeframe was supposed to be only for six months, but to date the management of DBSI remains under Court Appointed Manager. It is believed the liquidation process has been extended due to difficulties faced in realizing recoveries of loans borrowed and the indecisiveness of the Government to take ownership of the bank.

Ten years later, in December 2014, after being elected, the DCC Government announced its intention to 'facilitate the re-establishment of the Development Bank of Solomon Islands (DBSI) to cater for SMEs and other micro-financing schemes in rural areas.'

### 2. Cabinet Sub-Committee

In [May] 2015, Cabinet agreed to establish a Task Force and Cabinet Sub-Committee to progress this work.

One of the major tasks of the Sub-Committee was to review the current Development Bank of Solomon Islands Act. The current legislation, is out of date and does not contain current best practice for the prudent operation of a development bank. Current provisions in the law are inadequate to provide for good governance practices and sound financial operations of the bank.

On 15<sup>th</sup> July 2015 Cabinet endorsed the Terms of Reference of the DBSI Sub-Committee and its establishment.

The Cabinet Sub-Committee consulted with the development banks of Fiji and Papua New Guinea. A report titled "*Comparison of National Development Banks in the Pacific*" was produced after this consultation.

A provincial consultation was then conducted which included consultations with the Members of Provincial Assemblies, business people and other stakeholders in Malaita, Guadalcanal, Western and Isabel Provinces. These consultations were to determine the appropriate business model to be adopted by DBSI. A Report titled, "*National Consultation on Development Bank of Solomon Islands*" was produced after these consultations. A business model was designed by the Committee and submitted to Cabinet.

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<sup>3</sup> Cabinet Sub-Committee on DBSI, Drafting instruction, 2018, pg.1-2

Cabinet by way of a conclusion on 5<sup>th</sup> May 2017 adopted the *“Setting the Groundwork for a Business Model in the Solomon Islands Report”* as an operating policy paper for the revitalisation and recapitalisation of DBSI. Cabinet also endorsed the final phase work program of the DBSI Sub-Committee that included bringing to Cabinet the proposed amendments of the current DBSI Act, which captures the proposed policy recommendations in the *“Business Model Report”* for Parliament consideration at the next sitting. Further consultation was done on the business model in Choiseul, Temotu, and Makira and in Honiara with former workers of DBSI. A *“Policy Framework”* was prepared in June by the Economic Consultant after these consultations for the Committee.

The drafting instructions are based on issues raised under these reports. The Cabinet Sub-Committee recognised that only certain issues need to be reflected in legislation while other issues are best captured under regulations and policies of the Bank.

### 3. Focus of the Bill

The financial sector in the country today is robust and competitive, however there are clearly significant gaps in the provision of financial services. Such gaps include the lack of access to credit and other essential financial services for many of our small and medium enterprises and lack of access to transactional and savings accounts in our rural areas.

Fundamental to addressing this gap is the current government's conviction to revitalize the service of the former Development Bank of Solomon Islands. This bill is vital for economic advancement in this country. The Bill is aimed to provide an opportunity for the 80 percent of Solomon Islanders who live in rural areas to participate in various economic activities through access to basic financial services and products.

This Bill therefore proposes a new legal framework that aims to mitigate the lessons learnt from the former DBSI in order to achieve the policy intention of the government and to service our people and businesses.

The intention of the Bill is to repeal the current DBSI Act as well as provide an adequate legal underpinning for the prudent operation and the management of the Bank. The Bill will address the following:

- Develop a legal regime for DBSI that is in conformity with good governance and international best banking practices, and to provide transparency and accountability;
- Enhance good governance.
- To provide an effective governance platform for the prudent running of the bank, including by ensuring transparency and robustness in the selection of the Board of Directors and the executive management of the bank;
- Development of the financial system, in particular, the Bill supports the financial deepening which will serve a niche market that cannot be reached by other players in the financial market, the commercial banks.

In a nutshell, the Development Bank of Solomon Islands, will fill the void left by the reluctance of the commercial banks to offer long term financing outside of Honiara. It is evident that the absence of a development bank has had the effect of pushing rural Solomon Islanders to a point of economic exclusion.

Members would be well served by reading and understanding the Bill to know the significance and effect of the proposals contained in it. Members are advised to refer to the final pages in the Bill containing the Bill's objects and the explanatory memorandum to understand the structure of the Bill, when read in light of the Table of Provisions page.



## 3.0 ISSUES DISCUSSED

### 3.1 Policy Issues

During the scrutiny of the Bill the Committee considered the following policy issues:

#### 1. Improvement in banking technology

As mentioned, the intention and focus of the Bill is to advance development and assist economic activity in rural areas.

In their presentation, officials from the Cabinet Sub-Committee on DBSI commented that one of the contributing factors to its demise was the cost of operating a development bank in a high risk environment. In terms of operations for instance, DBSI had branches in all the provinces. This represented a significant contributor to operational and cost inefficiencies.

It is hoped that improvements in technology, communications and financial services and products will help to mitigate the costs of providing financial services in the provinces through branchless banking using cell phones and merchant agents.

Further, it is hoped that the bank will collaborate with savings clubs and credit unions in rural areas in the provision of services. There will obviously be need for training for those who will be collaborating with the bank.

#### Committee comments:

The Committee agrees that the use of technology will be an important improvement in the provision of financial services to the rural areas. However, the Committee is concerned that potential borrowers should not be forced to travel to Honiara to submit loan proposals and other incidental activities. It will be important that the bank establish some branches in some provinces, and that the government may consider subsidizing administration costs of branches that may be deemed not viable, additional to the capitalization. Viability in any rural setting will take a number of years and the government must be prepared to absorb some of the costs of that.

Further, the government will need to properly plan, in close collaboration with the bank, to ensure that the DBSI is not operating alone in the rural areas. The government must support the bank in creating an eco-system of support services from agriculture extension services, business advisory, fisheries extension, forestry extension, and so forth. Rural borrowers must be given the maximum support possible to ensure their projects are successful and the bank is able to recoup its funds and make a reasonable return on the borrowings.

It will be important for the DBSI to remain focused on the purpose of its establishment, which is to bridge the gap in borrowing left by the commercial banks.

**The Committee recommends that the board carefully consider opening branches in some provinces.**

**The Committee recommends that the government, after consultations with the board, include in the budget an allocation to subsidize provincial operations of the DBSI for an initial period of years.**

## 2. Constraint on powers of the Minister

As a lesson from the demise of the former DBSI, the Bill curtails the powers of the Minister under clause 9 to policy directions of a general nature only, consistent with government's plans. Such directions are to be accompanied by written justification for its issue.

### Committee comments:

The Committee is pleased to see this provision. It is important that the Board and the management are exercised by professionals with the appropriate relevant qualifications and experience and that they are trusted to run the operations of the bank, without political interference. Further, it would be difficult to attract the right quality of professionals to the bank, if there is capacity for political interference that has the potential to affect the profitability and governance of the bank.

Clause 9(1) requires the Minister to consult with the bank's board and CBSI before issuing directions. Although the Committee appreciates the supervisory role of the CBSI and therefore the rationale for its involvement in the consultations provided for here, the Committee is concerned that this has the potential to compromise the CBSI's prudential supervisory responsibilities. The DBSI has been roped in under the Financial Institutions Act for purposes of banking supervision. Therefore, the CBSI will be regularly monitoring and regulating DBSI's activities, governance, direction, lending policies, exposures, and so forth. It is critical to the effectiveness of this broader banking prudential supervisory role that the CBSI is kept at arm's length from the DBSI. **Consequently, the Committee recommends that clause 9(1) be amended to remove CBSI from the consultations requirement.**

Clause 9(3) permits the Minister to issues directions targeting specific sectors or types of enterprise the bank should focus on. It is unclear, if the bank is compelled to follow such directions or if such directions are persuasive only and may be declined by the board. What are the consequences of the bank not complying with directions from the Minister?

The committee notes that there will be projects that will be game-changer catalysts in the economy that the government may want to pursue in the future. As the wording currently stands, the Minister will be acting beyond his/her powers to require the DBSI to fund such initiatives. The necessary policy choice made here points to the need for other financing platforms for major initiatives in the economy.

## 3. Shareholding

Clause 30 outlines the shareholding of the DBSI as a mandatory minimum 51% shares to be held by the Investment Corporation of Solomon Islands (ICSI), on behalf of the government, and potentially up to 49% to be held by other persons/partners.

The Committee urges the government to ensure that the bank is adequately capitalized to cover both the establishment phase, and its lending. Experience with SOEs over the years has demonstrated that these organizations' challenges partly emanate from inadequate initial capitalization by the government. **The Committee recommends that the government invest the total \$100 million capital requirement in cash, and build up the value of the bank over the first few years before looking to sell up to the maximum 49% shares at a higher value to suitable partners to recoup some of the initial investment.** This will also have the added benefit of mitigating against country risks that may be used in the valuation of shares in DBSI by potential foreign partners.



**Further, the Committee urges the government to be extra cautious and engage reputable firms to independently conduct due diligence on any potential buyers of shares in the bank and to provide appropriate advice to the government on the suitability of such candidate partners.**

Specific Members of the Committee raised the possibility that all fifty constituencies invest \$1 million each in the bank's shares, so that it truly becomes the people's bank. Additional to this, that portions of the RCDF are channeled through the DBSI to be administered under its lending policies targeting the relevant constituencies. The Committee notes that the former DBSI had some experience in administering the equivalent of today's RCDF. The Committee urges caution on these matters, and that lessons from those experiences ought to inform any direction on these matters.

The Committee recommends that the government study the possibility of constituencies investing in the shareholding of the DBSI.

## 3.2 Contents Issues

### Part 2 Establishment, Functions and powers

#### Clause 8: Operating principle

The clause states that in exercising its powers and performing its functions, the Bank is to be guided by accepted banking principles and aim to be commercially viable.

#### Committee comment:

The Committee is concerned that "...accepted banking principles..." appear to be minimum standards. It is preferable that reference is made to a specific internationally accepted body of standards/principles for banks (if such exists), against which DBSI's performance can be measured regularly.

### Part 3 Board and Staff

#### Division 1

#### Clause 11: Membership

In sub clause (2) the Minister must appoint each appointed member in accordance with the nomination of a nominating committee.

#### Committee Comment:

The Committee notes that the use of a nomination committee is an improvement on the current board appointment process of SOEs. However, the Committee is concerned that the Minister is not given any discretion in the appointments. You might as well just have the nominating committee make the appointments. It is important that the Minister, an elected official who is accountable to parliament, is given discretion in the appointment of board members. This power will ensure that, even with their operational independence, the board will be sensitive to government policy and legitimate directions. **The Committee recommends that clause 11 be amended to give a meaningful role to the Minister in exercising some discretion in the appointments of board members. The amendment may require that the Minister give written justification for each appointment made.**

Further, the Committee notes that the nominating committee of three persons are appointed by the Minister acting on the advice of the board. You might as well just have the board appoint the nominating committee. There is potential here for conflicts of interest. Effectively, the board's nominees will be appointed as the nominating committee. It is not unreasonable to be concerned

that the nominating committee, or some of its members, may want to return the favor in their nominations to the board. And the poor minister is the one that has to sign the appointment instruments. **The Committee recommends that clause 11(2) be amended to make the nominating committee truly independent of the board.**

#### Clause 13: Term of Office

In sub clause (2) a person may be reappointed for a further single term of up to 3 years. So a person can potentially be a board member for a maximum of six years.

##### Committee comment:

The Committee is concerned that this is a limitation that may be harmful to ensuring the bank will be served by quality persons. The Committee notes that there is a shortage of persons of appropriate qualifications and experience to fill board membership positions. Such persons should be able to serve on the board without any term limits. Rather, members of the DBSI's board ought to be subjected to regular performance appraisals against the bank's performance, growth and stability. A board membership should only terminate on resignation, lack of performance or misconduct, as provided for under clause 14. **The Committee recommends that clause 13(2) be amended to allow flexibility in the term of members.**

#### Clause 16: Remuneration

This clause empowers the Minister to set remuneration and allowances for board members. **The Committee recommends that remuneration/allowances for board members be set at competitive industry rates to attract quality membership.**

#### Clause 24: Disclosure of interest in matter being considered

The Committee is pleased with the provisions in this clause, although it would have been better for the Bill to have required a register of interests to be maintained by the bank. **The Committee urges the board to establish a register of interests to be maintained for board members and management staff.**

#### Clause 27: Chief Executive Officer – powers, functions and appointment

This clause details the powers, functions and appointment of the Chief Executive Officer (CEO).

##### Committee comment:

The Committee is concerned that clause 27(4)(a)(iv), sub clauses(6) and (7) are referenced to the age of 60 as the limit for a CEO. The Committee is of the view that the kind of person to fill the position of CEO of the bank will need to have many years' experience at the strategic management level in the banking industry. Such a person is more likely to be close to 60 or even older. The Committee is of the considered view that the bill need not use age to limit the appointment or service of a CEO. The CEO's appointment should only be limited by performance and conduct, subject to the assessment of the board. **The Committee recommends that clause 27 be amended to remove age as a qualification for appointment as CEO. Further, that the board be required to regularly assess the performance and conduct of the CEO, as the basis for his/her continued employment.**



#### Part 4 Financial Matters

##### Clause 34: Rules and regulations relating to shares and shareholders

This clause outlines guidelines for the Board to make rules and the Minister to make regulations relating to shares and shareholders.

##### Committee Comment:

In the event that partner shareholders hold up to 49% of the shares in the bank, ICSI would hold the government's 51% shares. ICSI is under the direction of the Minister. In such a situation, sub clause (3) which empowers the Minister to make regulations prescribing requirements for holding shares and procedures for meetings of shareholders could be perceived to be prejudicial to the interests of the other shareholders because the Minister who effectively holds the 51 percent government shares has sole jurisdiction on determining the holding of shares and procedures for shareholders' meetings. It would be better that such procedures are set in the Bill.

**The Committee recommends that clause 34 be amended and requirements for holding shares and procedures for shareholder meetings are set in the bill.**

##### Clause 36: Raising loans

This clause allows the Bank to borrow funds for the purpose of carrying out its functions subject to any limitations and conditions approved by the Minister.

##### Committee comments:

The legal draftsman explained that the Bank is not a state own enterprise (SOE), and therefore not subject to the Public Finance Management Act (PFM Act).

All borrowing by SOEs, provincial governments, are subject to the PFM Act. The Committee notes that it is important the DBSI is given the independence to raise funds and manage its operations. However, the Committee also notes that, like SOEs and provincial governments, all borrowings and guarantees by the DBSI will be liabilities to the government, in the event of insolvency. Therefore, there is a duty of care, from a fiscal policy standpoint, that DBSI borrowings are within limits (perhaps). Such limits could be set by the Minister, from to time.

**The Committee recommends that clause 36 be improved to enable fiscal management of total public sector borrowing by the Minister.**

##### Clause 37: Investments

This clause allows the Bank to invest monies not immediately required to meet its obligations on the terms and conditions approved by the Minister.

##### Committee comments:

The Committee does not see the need for the Minister to be involved in investment decisions by the bank. This should be a matter left entirely to the board.

**The Committee recommends that clause 37 be amended to replace the Minister with the board as authority for approving investments and the realization of such.**

#### Clause 40: Accounts and audits

This clause directs the Bank to keep proper accounts and records of all its transactions. In sub clause (2) these accounts and statement of accounts for each financial year must be audited by a person appointed by the Board with the approval of the Auditor-General.

##### Committee comments:

In sub clause (2) the Committee is of the considered view that the Auditor General be the sole appointing authority for auditors. It is important that the appointment of an auditor is independent from the board. As is current practice, the Auditor General may, at his/her discretion outsource the audit work, subject to due process, and pay for any such contract auditors. The Auditor General would then, as is current practice, invoice the bank for the audit fees. The Auditor must not be paid directly by the bank.

**The Committee recommends that clause 40(2) be amended to make the Auditor General the sole appointing authority of auditors.**

In sub clause 3, the Committee is concerned about the use of the term "As soon as practicable...". The Committee notes that there is sufficient experience with SOEs that fulfill their reporting obligations on time, with the audit report included. The Committee is therefore of the view that the term be replaced with a definite time period, say within 90 days of the end of the financial year (as is the standard reasonable requirement on other SOEs).

**The Committee recommends that clause 40(3) be amended to state "Within 90 days after the end of the financial year, the board must give the Minister a copy of the statement of account and the auditor's report thereon."**

#### Clause 43: Confidentiality of information

This clause makes it an offence for a person who is a Board member, the CEO or a staff member to obtain information from the Bank and engages in conduct that results in the disclosure of the information. The penalty imposed is 50,000 penalty units or imprisonment for 5 years or both.

##### Committee comments:

The committee views the number of penalty units as too low. The persons will be dealing with financial information, and there is a need to ensure deterrence against any temptation to engage in such conduct.

**The Committee recommends that the number of penalty units in clause 43(1)(b) be increased to 100,000.**

#### Clause 45: Regulations

As discussed earlier, sub clause 2 requires the DBSI board to consult the CBSI before making recommendations of desirable regulations to the Minister.

##### Committee comments:

CBSI already has supervisory responsibilities and they would be recommending improvements or changes from their supervisory function.

The legal draftsman explained that Section 34(2) of The Financial Institutions Act (FIA), the Minister having consulted the Central Bank can apply any provision of the FIA to the

Development Bank. Under clause 48 amends section 34(2) of the Financial Institutions Act to rope DBSI under that Act. This is to ensure that CBSI's regulatory and supervisory responsibilities extend to DBSI, as with other licensed financial institutions.

The Committee is, therefore, concerned, that CBSI be kept independent of the DBSI so that its supervisory function isn't compromised. There is no real benefit in requiring the board to consult with CBSI before making recommendations to the Minister. However, it is essential to its supervision that the Central Bank is at arm's length and continues to be independent and exercising its oversight that way. Where the regulatory authority is part of the consultation in issuing regulations, the CBSI's reputation will be called into question, in the event of (hopefully unlikely) adverse outcomes in the DBSI. This would adversely affect the reputation of the Central Bank. That is a risk that is better avoided. The consultation here does not really add value but the potential risk to the CBSI's independence is much greater.

#### Clause 46: Rules

This clause requires the Board to consult the Minister before making rules prescribing the form and manner of applications for loans, any fees to be paid, the interest payable on loans, the form and manner for the receipt of money, the form and the terms and conditions of instruments, the procedures for power of sale, the way in which documents must be given to the Bank, matters relating to good governance and ethical conduct and anything else required or permitted to be prescribed.

#### Committee comments:

The Committee is of the view that the Minister need not be involved in any consultation on the matters listed under clause 46(1)(a) to (i).

**The Committee recommends that clause 46(1) be amended to allow the board to make rules, without the need to consult the Minister.**



## 4.0 RECOMMENDATIONS

1. The Committee recommends that the board carefully consider opening branches in some provinces.
2. The Committee recommends that the government, after consultations with the board, include in the budget an allocation to subsidize provincial operations of the DBSI for an initial period of years.
3. The Committee recommends that clause 9(1) be amended to remove CBSI from the consultations requirement.
4. The Committee recommends that the government invest the total \$100 million capital requirement in cash, and build up the value of the bank over the first few years before looking to sell up to the maximum 49% shares at a higher value to suitable partners to recoup some of the initial investment.
5. The Committee urges the government to be extra cautious and engage reputable firms to independently conduct due diligence on any potential buyers of shares in the bank and to provide appropriate advice to the government on the suitability of such candidate partners.
6. The Committee recommends that clause 11 be amended to give a meaningful role to the Minister in exercising some discretion in the appointments of board members. The amendment may require that the Minister give written justification for each appointment made.
7. The Committee recommends that clause 11(2) be amended to make the nominating committee truly independent of the board.
8. The Committee recommends that clause 13(2) be amended to allow flexibility in the term of members.
9. The Committee recommends that remuneration/allowances for board members be set at competitive industry rates to attract quality membership.
10. The Committee urges the board to establish a register of interests to be maintained for board members and management staff.
11. The Committee recommends that clause 27 be amended to remove age as a qualification for appointment as CEO. Further, that the board be required to regularly assess the performance and conduct of the CEO, as the basis for his/her continued employment.
12. The Committee recommends that clause 34 be amended and requirements for holding shares and procedures for shareholder meetings are set in the bill.
13. The Committee recommends that clause 36 be improved to enable fiscal management of total public sector borrowing by the Minister.

14. The Committee recommends that clause 37 be amended to replace the Minister with the board as authority for approving investments and the realization of such.
15. The Committee recommends that clause 40(2) be amended to make the Auditor General the sole appointing authority of auditors.
16. The Committee recommends that clause 40(3) be amended to state "Within 90 days after the end of the financial year, the board must give the Minister a copy of the statement of account and the auditor's report thereon."
17. The Committee recommends that the number of penalty units in clause 43(1)(b) be increased to 100,000.
18. The Committee recommends that clause 46(1) be amended to allow the board to make rules, without the need to consult the Minister.

END OF REPORT



## 5.0 APPENDICES

### Appendix 1: Witnesses

Date	Name	Position & Organisation
Wed 3 Oct 2:34pm – 4:14pm	Trevor Manemahaga	Economist, Prime Minister's Office
	Mckinie Dentana	Undersecretary, Economist, MOFT
Thurs 4 Oct 10:48am – 1:50pm	Trevor Manemahaga	Economist, Prime Minister's Office
	Mckinie Dentana	Undersecretary, Economist, MOFT
	Margaret Leoa	Policy Analyst, MOFT
	Catriona Steele	Legal Drafts Lady, AG Chambers
1:55pm – 2:40pm	Mary M. Loea	Policy Officer, CBSI
	Ronsley Pana	Policy Officer, CBSI
	Luke Forau	Deputy Governor, CBSI
	Chris Robertson	Head of Relationship, BSP
	Jennifer Torea Pascal	CEO, SIWIBA
	Rebecca Gilbert	Training Officer, SIWIBA
	Dilip K.	Manager Risk & Compliance, POB

### Appendix 2: Minutes of Proceedings



NATIONAL PARLIAMENT OF SOLOMON ISLANDS

BILLS AND LEGISLATION COMMITTEE

P.O. Box G19,  
Honiara.  
Tel: 28520/23424.  
Fax: 24272

#### Minutes of Proceeding

#### Committee Hearing into the Development Bank of Solomon Islands Bill 2018

Day 1/Wed 3 Oct 2018, CR II, Parliament House @ 2:34pm.

#### 1. Members Present

Hon. Matthew Cooper Wale, MP, Chairman  
Hon. Dr Derek Sikua, MP  
Hon. Alfred Ghiro, MP

#### Secretariat

Wilson Anii, Committee Secretary  
Gregory Finea, Committee Secretary

#### 2. Chairman call meeting to order

#### 3. Welcome and Opening Remarks

The Chairman made opening remarks, welcomed the witnesses and informed them of the Parliamentary privileges applied and the recording of the proceedings. The Chairman introduced Members of the Committee and invite the witnesses to make their presentations.

#### 4. Committee hearing into the DBSI Bill 2018.

The hearing proper commenced and the following witnesses were admitted.

##### Hearing 1 Witnesses:

Trevor Manemahaga	Economist, Prime Minister's Office
Mckinie Dentana	Undersecretary, Economist, MOFT

The Committee questioned the witnesses on their presentations and on the contents of the Bill. The witnesses answered, made clarifications and commented on issues raised.

The Chairman thanked the witnesses for their attendance and conclude the proceedings.

#### 5. Adjournment

The Committee adjourned hearing at 4:14pm

**Day 2 /Thurs 4 Oct, 2018, CR II, Parliament House @ 10:48am.**

#### 1. Members Present

Hon. Matthew Cooper Wale, MP, Chairman  
Hon. Dr Derek Sikua, MP  
Hon. Alfred Ghiro, MP

##### **Secretariat**

Wilson Anii  
Gregory Finea

#### 2. Chair call meeting to order

#### 3. Welcome and Opening Remarks

The Chairman made opening remarks, welcomed the witnesses and informed them of the Parliamentary privileges applied and the recording of the proceedings. The Chairman introduced Members of the Committee and invite the witnesses to make their presentations.

#### 4. Committee hearing into the DBSI Bill 2018

The hearing proper commenced and the following witnesses were admitted.

##### Hearing 2 Witnesses:

Trevor Manemahaga	Economist, Prime Minister's Office
Mckinie Dentana	Undersecretary, Economist, MOFT
Margaret Leoa	Policy Analyst, MOFT
Catriona Steele	Legal Drafts Lady, AG Chambers

The Chairman made opening remarks and invite the witnesses to introduce themselves and make their presentations.

Members of the Committee then question and seek clarification from the witnesses on their presentation and on the contents of the Bill.

Evidence concluded and the Chairman thanked the witnesses for their attendance and presentation on the Bill. Evidence concluded at 1:50pm, hearing suspended.

The Hearing resumed at 1:55pm and the following witnesses were admitted:

Hearing 3 Witnesses:

Mary M. Loea	Policy Officer, CBSI
Ronsley Pana	Policy Officer, CBSI
Luke Forau	Deputy Governor, CBSI
Chris Robertson	Head of Relationship, BSP
Jennifer Torea Pascal	CEO, SIWIBA
Rebecca Gilbert	Training Officer, SIWIBA
Dilip K.	Manager Risk & Compliance, POB

The Committee questioned the witnesses on their presentations and on the contents of the Bill. The witnesses answered, made clarifications and commented on issues raised.

The Chairman thanked the witnesses for their attendance and conclude the proceedings.

### 5. Adjournment

The Committee adjourned hearing at 2:40pm

**Hearing Concluded.**

## Appendix 3: Submissions

No.	Title	Author	Date Received
1	DBSI Consultation Report	Cabinet Sub Committee on DBSI	2/10/18
2	Drafting Instructions	"	"
3	Policy Memorandum	"	"
4	Regional Consultation Report	"	"

