

MONDAY 11TH AUGUST 2008

The Deputy Speaker, Mr Kengava took the Chair at 9.50am.

Prayers.

ATTENDANCE

At prayers all were present with the exception of the Ministers for Foreign Affairs & External Trade, Commerce, Industries & Employment, Energy, Mines & Rural Electrification, Environment, Conservation and Meteorology, Communication and Aviation, Women, Youth & Children Affairs, Home Affairs, and the Members for West New Georgia/Vona Vona, West Guadalcanal, Central Makira, Central Honiara, South Vella La Vella, Temotu Vatud, North Guadalcanal, Shortlands, Malaita Outer Islands, Aoke/Langa Langa and South New Georgia/Rendova/Tetepare.

QUESTIONS AND ANSWERS

Funds - Western Province Tourism Development

8. **Mr SOGAVARE** to the Prime Minister: Can the Prime Minister inform Parliament whether or not the \$4million promised to the Western Province for tourism development has been released?

Hon. SIKUA: Mr Speaker, I wish to thank the honorable Leader of Opposition for his question. Mr Speaker, I wish to inform Parliament that \$4million is not what I promised. This is what was requested by the Western Province existing operators that have suffered the effects of the tsunami.

In my meeting with them early this year, I requested them to come up with a complete project proposal outlining the various costs and who has suffered loss during the tsunami and who is to be what and costs so that the relevant the Ministry being the Ministry of Culture and Tourism should consider the proposal for inclusion in the Ministry's 2008 Supplementary Budget submission since it was late for the 2008 Budget proper, Mr Speaker.

Since that meeting, my office as well as the Ministry have not received a complete project proposal except an undated letter from the Western Province Tourism Minister requesting the sum of \$4million. The proposal submitted then was incomplete in terms of the costing and activities and which existing operators in the Western Province are going to receive what amount and so forth. To date I am still awaiting a complete proposal from the existing operators of tourism in the Western Province. However, recognizing the huge contribution that Western Province continues to make to

our tourism industry, the government through the Ministry of Culture and Tourism will work closely with the Province on this proposal. Meanwhile, the Ministry of Culture and Tourism is currently assisting existing operators in the Western Province with a budget of \$400,000. Thank you very much.

Mr Sogavare: Thank you, Mr Speaker. May be the Ministry can further explain the explanation given by the Prime Minister whether the Ministry can confirm that it is actually working with the Western Province and those that are affected to finalize the project proposals, Mr Speaker?

Hon GUKUNA: Mr Speaker, I can confirm that we have already had two meetings with the Province and we are working on that very thing.

Mr Sogavare: Mr Speaker, I thank the Prime Minister and the Minister for Tourism and Culture for answering the question.

Engagement of former Labor Party Parliamentary Secretary

9. **Mr SOGAVARE** to the Honorable Prime Minister: In respect of the engagement of the former Labor Party Parliamentary Secretary for Pacific Affairs in the Prime Minister's Office, can the Prime Minister inform Parliament as follows:

- (a) The nature of his engagement in the organizational structure of the Prime Minister's Office?
- (b) What his specific roles are in the Prime Minister's Office?
- (c) Who is he answerable to?
- (d) Who pays for his salary?

Hon SIKUA: Mr Speaker, I once again thank the honorable Leader of Opposition and Member for East Choiseul for his question.

The former Labor Party Parliamentarian assists the Prime Minister as special advisor on specific matters such as coordinating and promoting interested investors and trying to work with us to promote and coordinate the labor mobility issue and some TAFE College issues.

This person, Mr Speaker, is assisting the government on a voluntary basis, and is not paid by government or anybody. He is doing this to help government on a voluntary basis.

In terms of his appointment, approval is yet to be deliberated on by Cabinet and that he is simply assisting the Prime Minister's Office to ensure that interested investors in terms of things like the labor mobility in Australia is coming up very soon as well as training with TAFE Colleges will happen.

Mr Speaker, he is just assisting on a voluntary basis and no one pays him. Thank you.

Mr WAIPORA: I would like to ask the Prime Minister whether he is satisfied that this arrangement is good because we have voluntary people who can do the work in the country. There used to be volunteers coming from Australia. Why do you take a parliamentarian to come and undertake voluntary work in the Prime Minister's Office, the highest office in the country? Are you satisfied that this arrangement is better?

Hon Sikua: Mr Speaker, I am satisfied that the engagement of this former Labor Party Parliamentarian is very timely for the government, especially when he has knowledge of the existing government in Australia especially in terms of our bilateral relations with Australia for 2008 to 2009, Australia has given an additional AUD\$10million over and above its previous allocation.

Mr Sogavare: Mr Speaker, supplementary question. One of the roles of this person, as explained by the Prime Minister is to promote investment and another is to promote labor mobility. Mr Speaker, I just want to know, if the Prime Minister can explain what is the place of origin of the investors with whom this person is going to work with, Mr Speaker? Secondly, where is the government at, in terms of arrangements, negotiations and dialogue in relation to the labor mobility issue?

Hon Sikua: Mr Speaker, the investors that are interested to invest here are those that are interested in bio-fuel, cattle and other areas in agriculture and forestry. The interests, Mr Speaker, are varied as there are people who are interested to come and invest in Solomon Islands in various forms, like I said in agriculture, forestry, bio fuel, aviation and things like that. These people will be coming to talk with the government. I could not get the last part of the question, Mr Speaker, so can I get the Honorable Leader of Opposition to repeat the last part of the question?

Mr Sogavare: Actually it is a second question: where are we at with the labor mobility arrangement?

Hon Sikua: Mr Speaker, on the labor mobility question, we are expecting the Prime Minister of Australia, Mr Rudd to unveil the program which will be further looked at in the next Forum Leaders Meeting in Niue. Fortunately, Mr Speaker, we are now included in the arrangement, unlike in the past when we were not included as part of the arrangement.

Mr Sogavare: I think the first question was not really answered and so we take it that the person will be here to advise government on every aspect of investment regardless of the originality of the investors, whether they come from Asia or from other parts of the world. He will not only be dealing with investors from Australia, is that the role of the person?

Hon Sikua: Mr Speaker, the former Labor Party Parliamentarian in question is just a bridge to the government given the improved relations we had with Australia to ensure that we maximize the opportunities that are out there, and it is up to the government to give and take what is on offer from various investors whether they be from China, Australia or Taiwan. Everything is just on the proposal stage and they are under consideration by the government as to how we can move forward with all these interested investors, Mr Speaker. Thank you very much.

Mr Sogavare: Supplementary question, Mr Speaker. With regards to investment, the government has made justification on its employment or engagement of this person. Does this mean that the whole department that currently deals with investment is not providing the services to the expectation of the government, and that is why there is the need to engage this person?

Hon Sikua: Mr Speaker, I think the issue is that we identify people who are interested to invest in whatever area and that the investors will come and talk to Caucus and Cabinet before the government makes its decision. He is just a point of reference, a point of contact to the outside, Mr Speaker, as someone who knows these people. Otherwise we would be fooled by Tom, Dick and Harry and if wrong decisions are made on that regard we would cause more trouble to ourselves. He acts like a filter to filter those that really matter and those that we can trust so that these people can come and talk to Caucus and Cabinet, make representations and then we decide whether they are worth listening to or are just conmen. Thank you, Mr Speaker.

Mr Waipora: Mr Speaker, one of the works of this officer is labor mobility as was mentioned by the Honorable Prime Minister. This is the very interest of ordinary Solomon Islanders. I would like to ask a question on this issue to allow the Prime Minister elaborate more on it so that they can be aware of it.

What questions and what actual areas and matters of interest would the officer be looking for when considering the possibility of sending people to work in Australia so that he would talk with the Honorable Prime Minister and his Cabinet and all that. I would like the Honorable Prime Minister to elaborate more on this so that our people who are listening outside can hear it so that they can say: "The Prime Minister has said this so now we can go to New Zealand and Australia to do apple picking," something like that. Thank you Mr Speaker.

Hon Sikua: Mr Speaker, as I have stated earlier the details will be unveiled by the Prime Minister of Australia in the upcoming Forum Leaders Summit in Niue on 18-21st of this month. The details will be made known to us then. Thank you, Mr Speaker.

Mr Sogavare: Mr Speaker, before I thank the Prime Minister, I would like to say that what you have said is totally unacceptable. Mr Speaker, if you want to do due diligence to investors to see whether they are genuine, we already have established institutions to

do that, and that is the Central Bank of Solomon Islands. The CBSI can be contacted to assist in the due diligence of investors. And I would have thought that if this person is to deal with investment then the right place he should be working in is the Ministry that deals with investment. With that, Mr Speaker, I thank the Prime Minister for answering the questions.

STATEMENT OF GOVERNMENT BUSINESS

MOTIONS

Mr Speaker: You may recall last week on Thursday 7th of August, the Hon. Minister of Finance and Treasury moved that Parliament resolves into a Committee of the Whole House to consider National Paper No. 6 of 2008, "The Solomon Islands National Provident Fund Annual Report 2007".

The question was proposed but the debate was adjourned until the next Government Business day, which is today, hence, debate is to commence and conclude today. I now call on the Honorable Minister for Finance to deliver his opening speech after which I will open up the floor for debate.

Hon RINI: Mr. Speaker, allow me to humbly lay before this Honorable House, the Solomon Islands National Provident Fund Annual (SINFP) Report in respect of Financial Year ending 30th June 2007. This is a requirement in compliance with the Solomon Islands National Provident Fund Act (Cap. 109) Section 12(2).

Sir, the Report features extraordinary results that had never been achieved since the inception of the Fund. I have confidence that these extraordinary results and continuous positive trends will continue to be realized in future for the benefit of members and our beloved country's economic endeavors.

Mr Speaker, the Fund has indeed gone through very trying times and experiences in the recent past. This had posed serious negative impacts on its investment portfolios, financial performance and return to members. The ethnic unrest in the early 2000 coupled with the political turmoil in 2006 had been very unpleasant to the Fund's overall operations. Nonetheless sir, the lessons learnt from these experiences enabled the Board and the Management to pursue appropriate reform agendas that have now repositioned the Fund into a sound and vibrant financial institution in the country. A well defined and simple vision and practical policies have been developed and implemented to further enhance the Funds' financial performance and to achieve high returns to members in the long term future.

Mr. Speaker, Members of this Honorable House will note in the Annual Report a number of key positive performance indicators for the Financial Year 2007. This demonstrates that the Fund is firmly established with upward level of total investment portfolio and strong financial performance. This had been attributable to improved efficiency ratio due to well defined operational cost structure and prudent management.

Consequently, sir, 18% rate of interest had been declared to be payable to the credit of members' accounts with the Fund. This translated to about \$80.2 million. Some of the main attributes to the positive financial result were as follows:

- a) A record breaking contribution balances totaling about \$620 million, compared to \$480 million recorded in the previous financial year 2006/2007. This is an upward increase of 21% compared to 12% increase in the previous financial year.
- b) New membership increase to 6,152 compared to 4,570 in the financial year 2006/2007, providing opportunity for contribution increase and investments.
- c) Total investment portfolio amount to record level of \$656.8 million compared to \$503 million in the previous financial year which gave rise to income enhancement.
- d) The Fund's total shareholding in Solomon Telekom Limited remains at 64.7%, thus enabling the Solomon Islands National Provident Fund Board to receive \$19.5million dividend payment or 21% investment return.
- e) The Solomon Islands National Provident Fund divested its 49% shareholding in the former National Bank of Solomon Islands to the Bank the South Pacific (BSP) valued at \$34.6 million. This led to the acquisition of 2.3 million shares by the Solomon Islands National Provident Fund, an improved ranking of 12th major shareholder in the Bank South Pacific. Emanating from the sale, the Solomon Islands National Provident Fund realized \$26.4 million capital gains and special dividend of \$15.7 million. This equity investment never delivered dividends to the Fund since the departure of the former National Bank of Solomon Islands (NBSI) shareholder – the Bank of Hawaii.
- f) SIG's full or partial repayment of provincial governments and State Owned Enterprises Loans totaled \$42.4 million resulting in reasonable write-backs against financial provisioning accounted for in past years

Mr. Speaker, I believe the Board and Management of the Fund have demonstrated genuine commitment and exercised the principles of good governance to realize the vision and principal objectives of the Fund in tangible terms. I am sure that they will continue to manage members' funds in a prudent and sound manner with the support of the professional and hardworking staff and that they will continue to be committed to achieving greater financial returns to members and to support our economic development efforts.

Mr. Speaker, Members of the Honorable House may wonder as to what are the catalysts for change that drives the turnaround of the Solomon Islands National Provident Fund.

Firstly, the domestic economy rebounded after the ethnic unrest with gradual economic growth. This provided a conducive investment environment and restoration of business confidence. During the year, the local economy enjoyed reasonable growth and this provided positive impact on the operations of the Fund during the financial year.

Secondly sir, the restoration of law and order resulted in improved government finances and stabilized with good fiscal management. Sir, this led to the government normalization of its development and restructuring security debts with local creditors including the Solomon Islands National Provident Fund (NPF).

The Government also assisted some State Owned Enterprises and Provincial Governments in normalizing their debts owed to the Fund through partial cash payment and amortization process and full repayment of the loan due in the case of provincial loans.

Sir, the government is current with its amortization debt servicing obligation with the Fund. These debts have been impaired without any income but are now performing to the satisfaction of the Fund.

Thirdly sir, the Central Bank of Solomon Islands continues undertaking its regulatory and supervisory responsibility in ensuring the Fund and Management comply with the requirements of the Financial Institutions Act. These supervisory roles have been helpful to ensure members' funds are prudently managed and protected from any possible adverse effect on value of members' contributions wealth.

Mr. Speaker sir, the Fund is now experiencing high cash liquidity from its debts servicing from the national government and contribution inflows. This is envisaged due to continue in future. Unfortunately this inflows were being invested in low rate, low rate return in commercial banks and security bonds in accordance to the funds investment portfolio by asset plus.

The obvious reason was due to limited viable investment opportunities available locally thus depriving the fund from realizing high yield return for its members. In this respect sir, the fund has been geared to identifying and investing in high and medium investment asset opportunities both locally and overseas, such as equity, bonds and properties that will provide high return and growth to members' wealth.

Pertinent to offshore investments, the fund has been granted approval by the Honourable Minister of Finance and Central Bank in the later part of 2007. The fund is now progressing investing \$115million offshore this financial year and this being guided by an approved investment policy and guidelines. The approved amount was equivalent to 30% of the total investment portfolio of the fund then. Under the policy on investment portfolio by market, 70% of total investment portfolio is invested locally while 30% would be invested offshore in different investment assets and currencies that envisaged to yield high return to members in future.

Mr Speaker, sir, this prospect for the funding years ahead looks very positive and exciting. This would continue to be realized if conducive investment environment and future positive economic growth of Solomon Islands is sustainable. The funds financial position is financially sound and it is envisaged to strengthen that all investment

portfolios are performing to expected levels. Sir, this had been demonstrated by the first six months of the funds financial performance ending 31st December 2007 from 30th June 2007. Compared with the financial year 2006 and 2007 results, the members' total contribution continues to enhance by 7% total investment portfolio assets increase to \$740m or by 11%. Offshore investment now stood at \$468m, new equity investment totals \$40m in South Pacific Oil, which is expected to deliver a good rate of return and reasonable surplus envisaged at the end of this current financial year for better interest rates to members.

Mr Speaker, sir, the Board and management have pledged their commitment and effort to further place Solomon Islands National Provident on a positive growth path for the future with support from its shareholders. With this in mind the members will envisage to enjoy reasonable investment return and social benefits during and after retirement.

Mr Speaker, I commend Solomon Islands Provident Fund Annual Report 2007 to the floor of Parliament and I beg to move.

Mr Speaker: Honorable Members, may I kindly remind all to be mindful of time so as to give everyone an opportunity to contribute. Please, confine your contributions to the general principles of the Report that we are to consider. The floor is now open for debate.

Hon SOGAVARE: Mr Speaker, I would like to start debate on the motion moved by the Honorable Minister for Finance that: "Parliament resolves itself into a Committee of the whole House to consider this Report," I fully support that motion, Mr Speaker.

I think first of all I would like to commend the management of the Solomon Islands National Provident Fund for this very outstanding result we see in 2007 Report. As rightly pointed out by the Minister one of the very outstanding results compared to the previous years Mr Speaker. I would like to take this opportunity to commend those who are directly involved in managing the fund for the employees, the people who work and contribute to this fund.

In fact looking at the statistics Mr Speaker, Solomon Islands National Provident Fund is a very, very powerful financial institution in the country with the high asset base for well over \$680.2 million. Mr Speaker, I think if combining all the banks, I'm not sure but with the benefit of doubt, I think their asset base will not reach that of this very, very powerful financial institution, the SINPF. As when the important statistics were highlighted, such as the total members' accumulated contribution stands about \$20m, and this is a very big money. Also year by year we are having more people contributing to the Fund. New people, new employers and that is a very good indicator for an economy that is growing; a lot of people are being employed in the private sector companies.

If we compare the National Provident Fund with other Financial Institution, SINPF is a unique financial institution in that its revenue is actually guaranteed by law as it is enforced by law. It does not operate like a business or like the other banks where

you will have to make deposit based on attractive interests introduced by them or produce attractive products so that you attractive people to invest. That makes NPF a very unique financial institution in that its income is guaranteed by law. If you do not contribute, that is if employers do not deduct contribution of employees and employers have not put in their own contributions into this contributory fund Mr Speaker, they will take you to Court and be imprisoned. In that sense, as far as income earning with regards to contribution, most part of it, is guaranteed by law. Okay, the other part of the income, of course, is through investment. And that is where the concern is. Deposits are funds guaranteed by law, it plays a very important responsibility on the Management, on the Board of Directors and also the Solomon Islands Government to have connection with the Ministry of Finance.

Before we used to have the Permanent Secretary of the Ministry of Finance that chairs the Board of NPF, and I think they moved a person who is directly connected with the Minister. I think that is a very good move. Now we have somebody outside of the government circle as Chairman of the Board. I think that is a very good move. I think it is an example that may be we need to follow too in the other statutory boards that now see Members of Parliament heading them. You just see the result of the SINPF to justify the point raised here.

Statutory organizations, Mr Speaker, are extended arms of the government to carry out specific government policy, and we should have the right people, people with the right knowledge, people with the right ability to run these organizations.

The point I would like to raise here is that because of the nature of the Fund, Mr Speaker, it places a very important responsibility on the management, the board of directors and the Solomon Islands Government.

Such areas as management of the Fund on behalf of members, investment decisions, are very important decisions because it is like this. Financial resources, depending on where you move them and at what quantity, can actually influence the way the economy behaves. If you move it more towards housing, for example, you will see more activity coming up in that area. If you move it to shipping or other sectors, then that is where you will see behavior change in the economy.

The NPF, Mr Speaker, has the ability to influence the way the economy behaves because of its powerful nature and the volume of resources that is in the custody of the board, the management and the SIG jointly. It can actually influence the behavior of the economy. It is good that the government wants to be at arms length so that the Fund is not unnecessarily interfered with, but it is a very, very powerful tool if the government and the board sit down and just look at how a general direction from the Minister, not to necessarily direct the board to do it but a general policy direction to the Board so that when it makes very important investment decisions on where it wants to put NPF funds into, it is put into areas that advance as well the policy directions of the government of the day.

The government is clear about its position and the direction that it wants to take the economy, and so may be tools like this can be used. That is raising some concerns, but may be at the committee stage, I have no problem if we can look into this report in

some detail, and may be ask questions to the Minister and officials who are here to may be explain to Parliament how they justify some of the investment decisions that are made. I think that is what this actually boils down to when we discuss issues pertaining to the NPF.

Sir, I notice that the report also talks about an executive apartment –24 units, which the NPF is going to invest \$48million almost \$50million into that investment. The committee urges that some more information is needed on that particular investment.

Subject to whatever decisions and whatever explanations would come, Mr Speaker, there are important areas that the NPF and the Government should seriously sit down and consider investing in. For example, Public Service Housing. May be the decision to sell all government houses is based on the assumption that somehow NPF will pick up, banks will pick up in its housing schemes and the Home Finance Corporation will pick up on that area. The government lets go of the houses and these institutions will come up with building of houses and people buy those houses or rent them. I think it has now come to a point where that decision really needs to be revisited because the government right now is hard up. If you look at the budget Mr Speaker, we cannot even rent a reasonable standard house for senior government executives. A Permanent Secretary, for example, you talk about a rent that must be above about \$17,000, \$20,000 before it is appropriate for the standard of Permanent Secretary. Before, you can rent an executive house for people like that at \$5,000 or \$6,000. May be let us look at that area because it is an area that is quite pressing now, and may be a long-term investment by the government itself, is what we should be looking into, Mr Speaker.

Investment in police housing, Mr Speaker, is an issue that is serious and outstanding, and there is really nothing the government can do at a level that it can provide houses to Police Officers, not only in Honiara but throughout the country. Direct investment by the Fund with the government, I think is probably an area that should be looked into as well, Mr Speaker.

I am just trying to make some suggestions as to how we should look at investment decisions. Of course, may be questions later on will be raised on the interest of the Fund in Telekom. We understand that the Fund is currently the majority shareholder of the Solomon Telekom, and we would like to know what is going on there. Mr Speaker, we heard of takeovers, we heard of Telekom as being up for sale.

Sir, when it comes to important infrastructures we need to seriously take careful though first before making such decisions. Maybe at the Committee stage we would like the Ministry and officials here to further explain to us what is going on there at Telekom.

I would have thought like, the Ports Authority, for example, the Water Authority, Solomon Islands Electricity Authority, Transportation, Telecommunication are areas that I feel should continue to be under the direct control of the Solomon Islands Government, because of their very, very essential nature. Or if it is corporatised or whatever we might be doing, or we privatized, what guarantee is there that the government still has control over where people capitalized on their monopoly situation

and victimizing people using the services. May be at the Committee Stage we will be asking for more information on that.

Also the shareholding structure may be of the South Pacific Oil is another big investment pointed out in the report. How is the shareholding structure, the management structure, who has control, who has major say in how that particular investment is managed, and on what basis are those responsibilities determined.

I think another investment that is also raised in this report, Mr Speaker, is the Ranandi land, which NPF bought for \$3million. That one too, may be at the Committee Stage, Mr Speaker, we would like to get more information as to the basis of the decision made to commit members' funds to invest in that particular property, and I think the legal question surrounding that particular investment.

Sir, I have nothing more to say but when we come to the Committee Stage, we will ask the Minister with their officials to answer some of our questions.

Mr Speaker, I have no problem supporting the motion by the Minister to have this report fully discussed at the Committee Stage. Mr Speaker, I support.

Hon HUNIEHU: Mr Speaker, first of all I would like to thank the Honorable Minister for Finance for the introduction of this very important report pertaining to THE Solomon Islands National Provident Fund (SINPF) Annual Report 2007.

Sir, I think the National Provident Fund, as the Minister has alluded to is a shining example of what state owned enterprises in the country should be. It is well managed and is producing positive outcomes annually. And I would like to take this opportunity to encourage the other state owned enterprises to do the same, even if there are difficulties under their own circumstances they should try their very best to produce good results. This all depends, Mr Speaker, on how we manage resources and how we make decisions.

If the reason why the NPF is very successful in its financial endeavors is because of less political interference, then I would like to see all the other SOEs in the country to follow suit. I say this because sometimes political interference could also affect the profitability of these enterprises.

Mr Speaker, my contribution to the debate of this motion will be structured on something, which I have heard since the inception of the National Provident Fund (SINPF) in 1976 or thereabout when the Act of Parliament was passed in 1973 or thereabout.

What the general public at large knew at the inception of the NPF was that it was supposed to be a superannuation scheme replacing the government's superannuation scheme where when one retires he/she can continue to draw on savings until they die. That was the perception. Even myself, I believe that was what the NPF is supposed to be all about. Unfortunately many people in the public were misled by that perception. And if that was so, Mr Speaker, I think the Act that established the NPF CAP 109, is fundamentally flawed.

Mr Speaker, the very Act that establishes the NPF does not state the aims and objectives of the Fund were to be. I fail to see the aims of the Fund. The only provision I

found in the Act is that it is giving a lot of powers to the Board to do almost whatever it wants to do with members' funds.

I think it is prudent to start reviewing the National Provident Fund Act so that the Parliament or the Board, in particular Parliament should decide whether there should be a superannuation scheme for old age people.

I believe, Mr Speaker, the old age superannuation scheme is benefiting many Solomon Islanders than the National Provident Fund. That is my belief, Mr Speaker. Although a Solomon Islander may retire with a big lump sum of money may be \$100,000 or \$200,000, Mr Speaker, at the end of the day he will be worse off, because by the time the funds dry up, Mr Speaker, he is still in his active working life, looking for job, and contribute again to the National Provident Fund. We will have to, as a government, state clearly what is the intention of the National Provident Fund. I for one believe that the superannuation scheme introduced by the Colonial Administration is the best option for Solomon Islanders.

I know there are some old retired pensioners who are still receiving a couple of thousand dollars fortnight at the moment until they die. This is more long term, and I know Mr Speaker, that there are many members of the National Provident Fund who have withdrawn their funds at the age of 50 and have become worse off.

I also know that there are many Solomon Islanders pledging 80% of their funds to borrow funds from the bank only to realize that their business endeavors did not make up what they think it is supposed to be. Is this how we want to develop old aged pension for our people or are there other alternatives that we should be looking at?

The other issue I would like to raise, Mr Speaker, is the ownership of the National Provident Fund. Who owns it, Mr Speaker? Who owns it? At the moment it is the members who own it. But as soon as a member withdraws his funds then that is the end of his ownership to the bank. But there are thousands of members whose funds help to build up the NPF to what it is now. It has accumulated may be \$600million worth of reserves. As soon as you withdraw your money you are finished. All you receive from the National Provident is the interest rate you get at the end of each trading year. I believe it is time to start looking at the structure of ownership of the NPF. We should consider a cooperate structure where if a member wants to withdraw his shares he must get a good valuation for his money because it is his lifetime investment. Paying interest is just an appreciation.

I want to seriously recommend to this House that the objectives and the aims of the NPF must be seriously looked into so that justice is practiced. Under the existing law, Mr Speaker, it is justifiable to do that. Is this what we want to do with Solomon Islanders who own the Fund? I do not think so.

I also wish to raise a few points too, Sir, in terms of investment policies. I think the investment policies of the NPF right now is the best - investing on higher profit investment as low risk investments are not entertained. That is the way to properly manage a fund. But I also understand from the Minister's speech that 30 percent of the NPF's portfolio is invested overseas. I want to know which companies overseas are funds invested into. I understand that the NPF some years ago purchased a building in

Brisbane, Australia. Is that building making sufficient revenue to warrant that sort of investment? Are there no better investment opportunities in Solomon Islands that should attract massive investment funds from the National Provident Fund?

I believe, Mr Speaker, if we have 20,000 hectares of registered land in Solomon Islands to plant palm oil, for example, and if NPF invests with an investment partner from overseas to develop this kind of project, it will make more sense to me creating more employment, more membership for the NPF, Mr Speaker, and we will be doing justice to our own country. We do not have to invest members' funds overseas.

I think there are some local investments in customary land that can be made absolutely secured for investment. Nowadays, it only takes 14 months for palm oil to be harvested. In my constituency, we are trying to register up to 10,000 hectares of customary land for investment. We will be looking for people to invest, and the only people who have money in the country is none other but the NPF and the government.

Why should we waste our time looking overseas for investors when funds are readily available? The liquidity here, Mr. Speaker, as I understand, the surplus liquidity and they are also paying depositors very low and small interest rate of .5%. This is because of the high liquidity.

Sir, .5% interest rate is very small for somebody's deposits. At the same time, you know how much they charge, Mr. Speaker, 18%. That is an injustice. I think the NPF can influence the monetary system so that we can be fair to depositors. We should be encouraging deposits in our banks. We should not be chasing away depositors. But with .5%, Mr. Speaker, I do not need to save, I consume.

Sir, I therefore come back to my original point, and that is the need to create a safer investment locally by investing on local resources in partnership with the government, the National Provident Fund and overseas investors that have the technical expertise and our local resources should be investigated more fully. It can work for this country. We can do it by developing conducive policies to induce investment in our country.

As I have said, Mr. Speaker, there are many things the Fund can do to help its members. A couple of years ago, I saw in the Paper the NPF advertising members' houses left and right for sale. Hundreds and hundreds of houses have to be advertised for sale because of the mortgage they have and because of members' inability to repay those loans. Is there any other way out? How can the Fund help the struggling members of its Fund to overcome their financial difficulties?

In most cases Mr. Speaker, the difficulty that members faced was during the social ethnic tension. It is something beyond their control. But wet we can find \$30 million to invest in the BSP, yet we can find some \$20 to \$30 million to invest in the oil company. These are not members of the NPF; it is the local people who are real members of the Fund.

Sorry, Mr. Speaker, if I may sound too negative, but these are the issues that I have heard many members of the Fund are raising and it is only on this floor of Parliament that I believe we can address issues that our local people are raising about this Fund.

I believe, Mr. Speaker, that NPF has the biggest role to play in the economic diversification of this country. With the world economy growing at may be around 4%, local economy growing at 6%, the NPF will continue to see an upsurge in its profitability. I only hope that our local members' interests are taken care of in future policies and endeavors to make the Fund more profitable.

I understand that maybe they have taken over the Housing Authority. That is a very good positive sign, Mr. Speaker, but at the same time I must also warn that otherwise members of the Housing Authority do not pay up and then we start selling their houses again. We must encourage Solomon Islanders to own properties, and one fundamental policy of the Fund must be to encourage members of the Fund have their own property in whatever forms in our own country.

With those few comments, Mr. Speaker, I would like to congratulate the Management of the Fund and the Board for a report well done. As far as I am concerned, this is the best report that I have ever seen produced by the NPF. The cover looks very nice but this human being in here is what I do not understand about its relevance to this Report. But he made a good smile and may be that is the reason why he is featured here. Good smile means a good future for the Fund in the future.

With those few comments, I support the motion.

Hon GUKUNA: Mr Speaker, let me first of all thank the Minister of Finance for this motion in which he brought in this paper for us to discuss a very important report. We are so lucky to view this report because a lot of the members have not seen this report.

Let me also thank the Management of the NPF for a job well done. Just look at the figures and they are very impressive and one would be very proud of such achievement and I think that they should be commended

First of all, the Leader of Opposition has raised some very important points in regards to the National Provident Fund. I think there are points that are pertinent to this Report and some of them are not reported here. I think this Report should be inclusive of every fact so that we get a broader view of the NPF. Earlier on this year in April, I made some remarks about this Report, not knowing that it would be tabled. I would like to comment on its investment policy. It took them a very long time to move. It took them up to this year to move a policy that is totally driven by the need to create more profit. In a way that is the way it should be. Any organization that deals with big money should be driven by the need to make more.

I think it is only sad in the sense that here is a very powerful institution taking on the objective of creating money. It has been pointed out that this Institution has a lot of money, and I would have thought that the NPF with that huge amount of resources should move towards creating an atmosphere in this country that is conducive to running business. That is going to bring more benefit to the Fund in terms of creating business opportunities, in terms of creating employment, hence the contribution by employers to the Fund. That would be a very, very ideal objective of an investment policy.

As I see it now, this investment move is a stand-alone policy. It is stand-alone in the sense that the NPF is solely targeting its investment like in the Bank. For instance, Mr. Speaker, the banking system here is burdened with a lot of capital costs. One of the difficulties we have in this country is that the banks apart from not being willing to lend, if you happen to get something from the banks in terms of loan is very expensive. I would have thought that the National Provident Fund with a huge amount of resources it has, should think about trying to drive down the cost of capital in this country because that is what we need in this country. We need low capital, and I believe the NPF has the ability to help sort out this high capital cost problem that we have.

The other thing too is telephone costs. This is a cost that is very essential to making business in this country. There is very high telephone cost. Again the NPF is in a very good position to try driving down telephone costs. Apparently, with these two important costs in making business in this country, the NPF is taking the opposite. It is driving to make more profit out of these two institutions. I think that is wrong, and the NPF can do better in these two areas. It has the capacity to do it.

Again as I said, the long term benefit of driving down capital costs and communication costs in this country far outweighs the short-term objective of trying to get a high return at the end of its financial year.

Then you look at oil. Again the NPF is not intending to help drive down oil costs. It is taking the objective of trying to drive it up. If you are aiming to make profit, the only way to do it is to drive up your selling costs. Again the objective of this policy, new shift in policy adopted by the Fund is not conducive in trying to discourage the increase in fuel costs. Mr. Speaker, that is the concern I have on this policy.

The other thing I would like to touch on a little bit is the property investment of the Fund. Again this is a very powerful institution and what it has done over the last years is that it distorts property market in this country. The property market in this country is very important, not only as a business avenue for people who want to invest in property but here we have a very powerful institution guaranteed by law, its cash flow, getting involved in an industry, in a market that is important. I believe the involvement of the National Provident Fund on property market, apart from housing is driving the cost of rentals in terms of office space.

If you look at the Report, it actually says that the main objective of investment in the property market is to drive up rentals. That is very sad. I would have thought that the NPF should be helping out because the only people that are having difficulty in rentals here are the locals. The locals cannot secure a good place to make business, and so they go out of business because of high rentals.

This new approach to property is driving them out of business. And I am afraid that this property objective by the Fund is only killing the locals and is killing the government. The people who come in to do business here have the money and so can afford to pay the rentals but the locals are very much affected. Not to mention, of course, the point raised by the Honorable Member for East Are Are about locals having their houses taken by the NPF. I do not see this in the Report. There is nothing in this Report to tell us how many houses were repossessed by the NPF, and how many poor souls

have lost their homes. I think we need to know because that is a sad fact that is not reflected in this Report.

The other thing that I have interest in this Report is the operating costs of the National Provident Fund, which is put down in this Report as \$24 million. That is a huge operating cost. If you look at the income statement of last year, it made a total income of \$141 million, and out of that \$141 million \$61.6 million was interest and dividends, which really means that the operation cost of that amount of money has nothing to do with the NPF. Take that \$60 million away from \$141 and you are left with \$80 million. \$24 million on top of \$80 million is 30% operating cost. That is a huge amount of operating cost.

Mr Speaker, I am not a member of the Fund but I can speak on behalf of those members who cannot read this Report. You take this \$24 million out of this \$80 million, and there is 30% operating cost. We are not told the details of this \$24 million. There is no detail of that cost in this Report but we would like to know where this \$24 million is expended on. With this age of IT, with this age of innovation, this \$24 million is a huge amount of resources being expended on operation cost.

I made a very important point that \$60 million of that amount earned last year is not related to NPF operation. It was paid as dividends. That is a small concern I have on the operating costs.

The other point I am interested in, which might not be very important is the treatment of contributions in the accounts. The contribution is treated in these accounts as non current liability. This is interesting because I would have thought that each member should have the freedom to withdraw any time. Maybe I am not an accountant by profession but I thought the treatment should be that particular liability, which is members' contribution, should be treated as a current liability because it makes a lot of difference to the cash flow system of the NPF when you treat it as non-current liability. Once you move it to current it has a lot of impact on the ability of the Fund.

Again, it emphasis the fact that its law that makes the Fund run better; take that law away or make it on the same footing as other financial institutions or other State Owned Enterprises (SOE) then may be we should not look too close.

Mr Speaker, those are the few points that I would like to raise on my observation of this Report. Otherwise it is not my intention to stand here and take praises away from the NPF Management. I think within whatever is permitted under our law they have done a good job and they deserve our thanks and appreciation for what they have done. Thank you Mr Speaker.

Hon KEMAKEZA: Mr Speaker, I would also like to contribute to this important motion. Mr Speaker, in doing so, I would like to thank the Minister through the Board and Management for this report. Thank you very much indeed Mr Speaker, for making it possible for us to consider the National Provident Fund 2007 Annual Report because this is a public fund of members and also a statutory body of the SIG under the Ministry of Finance.

Sir, I would like to congratulate the Board of Directors of NPF in 2007. On the same token congratulation also goes to the management and staff of the NPF for the great job they have done for this institution for members and the country. This is also another financial institution operating in the country.

I thank the founders for their very noble intention, Mr Speaker, and now it has become one of the biggest companies or investment currently operating in the country. This is because they have close to billions of dollars investment.

This is usually determined by the investment environment of the country. In saying that, I would like to thank RAMSI for giving us the environment that enabled NPF to grow in 2007. You can see from the various reports, Mr Speaker, that the NPF did very well in 2007 because there is an increase in job creation. Job creation increased from 39,000 jobs to 44,350 new jobs in 2007. Because of that increased membership, Mr Speaker, the NPF must also be in a healthy position because more members mean more contribution and the funds become healthy financially. That is the significance of why we must acknowledge the presence of RAMSI for giving us the environment for which more jobs were created in 2007; an extra 5,250 new jobs created in that year.

This came about because of good environment and increased confidence of investors to invest in the country. Not only that, it is a major player in the economy of the country. As I have said in my contribution last week, more positions were created in the public sector is due to the reform programs of the government. And when I am referring to government, this includes successive governments from 2002 to 2007. I congratulate and thank the governments of those days for the work they have done.

Of course, the extension, that is why I would like to rise Mr Speaker, is to say that there is a suggestion from the wise man from East Are Are, if at all wise, that the investment package of the Fund is quite interesting because in September 2007 the first strand of \$150million was sent offshore by the Fund for its property overseas. I do not where this money was sent to but I believe it was sent to Australia. Mr Speaker, I do not want the Fund to repeat a similar scenario that happened in Nauru. Nauru invested offshore when it was financially healthy and only to learn later that the lawyers and bankers took all of its properties and Nauru was left with nothing. We are trying to compete with the big boys, Mr Speaker, and the point I would like to drive home here is that we must be very mindful of where we want to invest. If we are to learn from Nauru and look at our situation that is where Nauru was lost. If there is security, Mr Speaker, where members' funds are transferred offshore to buy new assets or new investments, we have to be very mindful of that.

I am happy that we are investing, Mr Speaker. Locally, there is more than 50% share in the Bank of the South Pacific and NPF has recently taken over the Home Finance Corporation, which will form part of the Fund. It is encouraging to see that.

The idea proposed by the Member for East Are Are is worth looking at. That is, to invest in our local situation by building more houses in the provinces, instead of government building houses for the provincial governments of our provincial offices or government offices or police.

Here in Honiara, Mr Speaker, most tenants of the NPF is the SIG, looking after five or six ministries. Likewise if NPF builds in the provinces and invests in valuable resources through the provinces, perhaps it would be a better investment than competing with big boys in Australia, NZ, America and so forth.

I am not saying it is not a good initiative but I think it is very important for us to consider this very carefully. For the Fund to take over rather than the public service or the government build accommodation or offices and so on, so that money circulates only within our system. Not forgetting, of course, the other private sectors that want to play in this field, Mr Speaker.

That is my warning, Mr Speaker on offshore investment, because of the situation as I said that happened to other neighbors in the Pacific that have got rich so that they have a lot of money but seem to be a little careless. That is the only area I would like to touch on, otherwise the report is very good and a healthy one. Mr Speaker, we need more of such reports. I do not know of the situation now in 2008 whether it will be much better because job creation continues.

Although the Minister of Rural Development concentrates on this Fund on the informal sector of our country, it is very important that the Ministry of Public Service and the foreign embassies too continue to come into the country Mr Speaker, and also the non-government organizations – NGOs these are the people who will create more jobs to become members of the NPF Mr Speaker.

What I am saying here is that a lot of these organizations who have come here to establish their offices in turn will employ a lot of our people to work and in turn they will pay NPF contributions. And that has been indicated very clearly in the Central Bank's Report of 2007 too, Mr Speaker. I read the Report during the weekend as I thought it is the Report to be debated today, but instead it is NPF. But they are complimentary. Both of them are complimentary to each other and that is why I have not read the figures in the Report but instead memorized the figures in the Central Bank Report, unlike others who do not study their papers. In fact I prepared a lot of points on the Central Bank Report. However, as I said, as they are both complimentary, I congratulate the General Manager and his staff for a great job they have done for our Fund. Continue to do that. I think that is an institution the government can borrow some finances from to implement some of its programs. The important thing is not to fail to make repayments. That is the only point I wish to raise.

Sir, I support the motion.

Hon MANETOALI: Thank you, Mr Speaker, for the opportunity for me to make a few comments on this Report. I would also like to thank the Minister of Finance and Treasury for this Annual Report of NPF in 2007. It is a very good Report and it is a successful story of an organization. Everything is being covered already in this Report sir so I shall be brief in contributing my few points.

Mr Speaker, if you look at the Report you will see at the front page the photo of NPF building, the Westpac bank is there and green trees with flowers with some people standing nearby. The tree is also a very healthy tree and if you look in the report you

will see mostly Solomon Islanders that preside as Board of Trustees and they look very happy. Then you will see inside the book the Chief Executive Management team. And at the back of the book you will see Solomon Islanders paddling a Solomon Islands and that canoe carries NPF forward. It is Solomon Islands canoe.

Mr Speaker, what I want to get at is that the NPF is an organization that is home-grown. It is an organization set up by Solomon Islanders for Solomon Islanders. This 2007 Report tells us about the administration and financial aspects of the NPF and that Report tells us that NPF was successful in 2007.

Mr Speaker, as other speakers have stated, NPF is one of the successful organizations and I totally agree with MP for East Are Are, that one of the reasons why NPF is successful- one of the contributing factors is that politicians do not have any direct involvement in NPF. No one is inside the Board. No politician is in the NPF Board. So it runs free in accordance with the rules and regulations and the laws of the National Provident Fund.

Mr Speaker, I think I shall agree for the first time with my friend, the Leader of the Opposition on one of his proposals, his idea on this Housing for Police. I think it is one area that the Board of NPF would like to have a go at it in looking at any options or ways that can look into the needs that, for example, the Police Housing is required.

Mr Speaker, also I would like to say that NPF being a homegrown organization, the Solomon Islanders Members of NPF be afforded fairness and benefits in which also be fair to the NPF as well as has been raised by the other Speakers earlier on.

Also, sir, I would like to join the Minister of Forests for thanking the presence of RAMSI in this country, which helps to boost employment opportunities.

I also would like to thank the Solomon Islands Police Force for a job well done in maintaining law and order so that the people of this country are free and safe to find employment. The more people are employed the more contributions to NPF.

Mr Speaker, as I have stated earlier on, I will be very brief. I thank the Minister of Finance and Treasury for introducing this Report on this floor of Parliament and lastly, I too agree with this Report. Thank you.

Hon FONONO: Thank you, Mr Speaker, for allowing me to contribute. I think some Members who have contributed had indicated they are not financial members and so it is only fitting for a financial contributor to NPF. I talk on behalf of the 130,000 members.

In so doing, Mr Speaker, from the outset, I would like to thank my colleague, Minister of Finance for bringing this Report so that we can look at Mr Speaker because as others have indicated this is a shining light for a local organization that is so profitable as can be reflected in the Report.

Also Mr Speaker, I would like to acknowledge the wisdom and vision of the late Anthony Saru, who moved a private Member's Motion for the establishment of the Solomon Islands National Provident Fund, hence the government at that time brought in an Act of Parliament that established this Fund. So you can see private member's motions are very important for government to consider and implement. That is why we see the establishment of this Fund.

In my contribution today Mr Speaker, I will be also revisiting three private members motion pertaining to NPF that can be seen in Hansard Reports of 2001, moved by me in this Chamber and passed. I am still waiting for amendments to the NPF Act to take into account those motions.

By introducing or by briefly touching on these motions in my contributions, my good Minister of Finance would bring- after it goes through the Management and Board- certain amendments to the National Provident Act so we can try and increase the benefits to the members.

Furthermore Mr Speaker Sir, I must congratulate the Board of Directors or the Board of Trustees and the hardworking management for their commitment and hard work in achieving the financial results of the National Provident Fund, in particular this year 2007 Report. I also hope 2008 Report would be on a similar footing because they have already declared an 18% interest. Mr Speaker, 18% interest declared and paid out to dividend as dividends to members is a very high interest rate compared to any investment in Solomon Islands, as the MP for East Are Are and Minister of Mines has alluded to. The commercial banks are not giving us any incentives in terms of interest rates neither the Central Bank. Their interest rates are quite low. Therefore this 18% declared as interests to members' dividends totaling \$80.2million in 2007 is a very, very good return on investment of members. Mr Speaker, the Board and Management must be highly commended and congratulated for this achievement.

The rate of return on the investment portfolio of NPF Mr Speaker, is very excellent when you look at the report, rate of return or dividends that the investments of NPF are paying to NPF is very interesting and very encouraging to the members particularly the dividends that Solomon Telekom, the South Pacific Oil, the Bank South Pacific are paying as rate of return to the NPF. However, Mr Speaker as I have said earlier on, my contributions would touch on the motions that I have moved in Parliament and were passed in year 2001.

Mr Speaker, the Board and Management needs to revisit the Urban and Rural Housing Schemes which used to be given to members in the past, although its a pity that some members lost or forfeited their investments through houses that NPF has taken from them and sold. It is a pity that Solomon Islanders were not given opportunities to invest in housing.

One of the reasons I've seen which I would like to recommend to the Board and Management to look at, is the way in which they calculate housing loan interests. Being a borrower myself, Mr Speaker, when I look at the way they are calculating the interest it is quite different to how commercial bank calculate interests on loans. I am recommending here that the Board and Management should re-look at the way interest is calculated. Because I can cite an example, like myself who borrowed under the housing loan scheme and made repayments for nearly 15 years, I ended paying up 3 or 4 times the total amount of loan I acquired.

Mr Speaker, who owns NPF? The ownership is of the members' interest and it should be looked at. Although interest is lower the way it is calculated makes it difficult to reduce the principle, but over number of years you only repaid the interest rate. That

is the difference compared to when you borrow from commercial banks that when you repay it reduced the principle of your loan.

I am seeing here that that interest calculation is a bit unfair to members and it reflected on number of members who have forfeited their housing loans and even the reclaim and selling of their houses by NPF. Therefore, the NPF Board and Management, in my humble view Mr Speaker Sir, should re-look at the way they are calculating interests.

As I have said earlier Mr Speaker, there were three motions that I moved in this Honorable Chamber and were passed unanimously. One is related to the NPF paying on annual basis 50% or half of the dividends declared annually as cash dividends to members. Given the high interest rate that NPF is now declaring, no member in his right sense would withdraw his contributions. Even if he reaches the retirement age because he is well aware that his investment is attracting very high interests rate now 18% last year and this year. So I for one would not want to withdraw my savings. But it would be advantage to me as a member if half of that is paid out as cash dividends at the end of each financial year so that I use that cash payments to involve in any income generating project that would help sustain my livelihood as a financial member. That was the first motion this Parliament has passed. I am looking forward to an amendment to the NPF Act so that half of the dividends declared annually should be paid out as cash dividends to financial members of the fund.

Mr Speaker, mark my words members would not withdraw their savings because NPF is giving a high return on their contributions. So that's the first motion which this Parliament has passed in 2001 and I would like to see amendments to the NPF Act so that by next year's financial report if its good, and its declaring another 18%, the 50% of that is given out as cash dividends to Members.

My understanding, Mr Speaker, is that certain members that have \$100,000 or \$200,000 contributions are receiving more than \$30,000 dividends per year. Half of that once paid to a member will enable him to start a project whilst he is working. We should help his livelihood, we should sustain his living. Even in town the cost of living is high. So one would receive that sort of cash dividend and involve in any small project so that he can sustain his livelihood, which is the overall mission statement that is highlighted Mr Speaker: "To improve members welfare and standard of living".

Mr Speaker, the second motion which was moved and passed relates to the special death benefit provisions of the NPF Act. As I see in this report, Mr Speaker, currently \$5.00 is deducted at the end of each financial year from member's contribution to go towards the special death benefit which has now increased to \$3,500.00 as provided for in this report. Mr Speaker whilst the term of special death benefit means that it relates to death of an individual member. My motion is that, there needs be an amendment to the Act so that the special death benefit can be paid out as funeral expenses of the member when he/she died. It cannot be taken by his family or his relatives after a number of days or weeks or month's, even years after the member died. Sometimes when a member is dead, they come knocking on us MPs to charter planes or to pay coffin when the member is a big contributor to the NPF.

The proposal I am making here under the motion that Parliament passed in 2001 is to increase the special death benefit, say from \$5 to even \$50 or \$100 from members' contribution and go towards a fund to be paid out as funeral expenses of members of the Fund when they die. All that is needed should be a certification from the doctor or a religious Church Pastor certifying that the member has truly died. All funeral expenses will be paid for under the fund to cater not only for his/her coffin but also chartering. This is to stop members coming to Members of Parliament to charter planes or boats for dead members.

That is basically what the special death benefit should be for. It should not wait until a member died, and we struggle with funeral expenses until some time later the family members or beneficiaries go and get the \$3,500. What is that for, Mr Speaker? Even the member's contribution is also there for them to collect. That is the logic behind the proposed motion that this Honorable Chamber has passed. That is the second motion I moved in this Chamber and was passed. If one is to look at the Hansard Reports you will find the motion I introduced, debated and unanimously passed by this House.

Mr Speaker, the third motion if my recollection is right is on the pension scheme that was also raised by my colleague Minister of Mines. The original intention of establishing the National Provident Fund is for social security. But when you look at some members who have contributed to the Fund and when they withdraw, they no longer have interest in the Fund. Yet, the Fund is using members' contributions to build up its reserves to build up its net worth to what it is now.

The idea here, Mr Speaker, is for the board and management to look at establishing a pension scheme so that even if members withdraw their actual hard contribution, they are still entitled to some kind of pension payment until they die. That is the logic, Mr Speaker.

It is a pity to see a lot of Solomon Islanders withdrawing their contribution from the Fund, and after that no longer have a say in the NPF, even with its annual assets building up its net worth.

That pension scheme, even if it requires part of your contribution to be deducted towards that scheme, say \$50 or \$100 every year towards a pension scheme so that if you retire you would continue to enjoy until you die. Because the phrase NPF always promote is "no lasting peace without social justice, no social justice without social security". It is supposed to be advocating that. This proposed pension scheme should create social security for members of the scheme.

I am raising here the three motions that I moved in 2001, the Parliament passed, and I believe and have confidence that most members of the NPF fund now who are listening to this debate will agree with me that if the NPF Board accepts these proposals, it must bring them in and this current government under my good Minister of Finance will introduce amendment to the NPF Act so that members would benefit in the long term. I am looking forward to these amendments either in the November Meeting or the February Meeting next year under the tenure of this CNURA Government.

Mr Speaker, that is all I want to raise in my contribution to this motion. This is a very good opportunity to revisit some of the motions this Parliament has already passed and moved by none other than the current member now speaking who has vested interest in NPF being a financial contributor, and still is a contributor.

With these few comments, Mr Speaker, I fully support the motion.

Mr WAIPORA: Mr Speaker, I must thank the Honorable Minister for Finance for bringing this motion for us to discuss this very important document on the Solomon Islands National Provident Fund.

Mr Speaker, I cannot agree anymore to what the Minister for Mines has said that the NPF has been operating for a long time now, but may be we lost track of the aims and objectives of the Fund. But I can see the management starting to do something about it. I think the objective of the Fund is catered for in the legislation of the NPF, but I think it is very important that we must know its real aims and objectives.

I agree with the points made by the Deputy Prime Minister because they are very important points and facts. And I am happy that he is in the government now and he has almost two more years to go for the government to start implementing these things for members of NPF to benefit fully from their contributions.

Mr Speaker, we may talk very highly about this report and it is telling us that the NPF is very successful. This is a very good report. It is a good report mainly because I think the management is doing its job. I think they have been guided by a good board of trustees, and so I think we should thank the management for a very good work it has done.

Unlike the SIEA, and I can tell you, Sir, that I am a board member of the SIEA twice. Advancing money is a very big thing in the SIEA. I only hope the NPF staffs are not doing the same thing the SIEA staff are doing. I am talking about my time when I was appointed member and I used to see the reports and there were some very outstanding advances mentioned in the report.

We hope that if the NPF works properly it will continue to produce good reports because it all depends on the management. I do not know why but there was an argument recently and the Chairman had to resign. I do not know why he resigned. But for me, it was under his leadership and chairmanship that this report was produced. I do not know what made him to resign but I think it was his own decision. That is one point I want to express here.

Mr Speaker, about loans from provincial governments, I remember when I was the Provincial Secretary of Isabel Province, we requested a loan from the NPF to purchase alienated lands starting from Kia to Maringe. We tried to get a loan from the NPF but they would not allow us. They said that it would not be viable. But I am surprised that when others wanted to loan for ships they were given money. That is the reason for this huge debt of \$23million. If you look at page 49, the government repaid \$23million for loans to provincial governments. About \$23.87million was paid during our time in government to the provincial governments.

What I am saying is that if you compare the things they loaned money for with what we requested money for to purchase land during that time because land is land, and so we should have been given money. As you can see, those who loan for ships, you could hardly see any of the ships today. Of course, there is a package from NPF may be for a housing estate in Noro, and that is why these two Provinces have outstanding loans that time, and we managed to repay them.

Mr Speaker, there is concern about new investors coming into the country and employ our people, a lot of complained. For instance, logging companies have been trying to evade some of our laws on income tax and NPF. I heard a lot of people, employees of logging companies who come complaining to me that they are not sure whether their employers pay their NPF contributions after they have worked two or three years. I am raising this concern because it is not only one time that this was raised to me but many times. I told them to go and ask their bosses or go to the NPF to sort this out with them. Those are some of the things affecting our very low paid workers. They complained that their employers might not be paying their contributions in time to the NPF.

Mr Speaker, I think we have a very strong institution here that if the management is strong, I believe that it will continue to be strong. It will continue to grow from strength to strength. In fact a lot of people talked very highly about this institution. Why? Because it involves a lot of people, ordinary people who are not recognized. They are people working on the streets, and sweating out there. It is their money that makes this institution to be strong.

I remember before during the Colonial Government times when the paying of basic rates was imposed, someone with a coconut plantation has to count his coconuts to determine the rate. Today, I want to point out that may be if farmers and business people form an association so that their copra or cocoa can be assessed depending on the number of bags they produce, they should contribute to the Fund. I believe if that is done, the Fund will be much stronger. But may be that sounds impossible. But if somebody gets down and looks at this thinking and implements it, I think it will work because everybody that has a small business or whatever can contribute towards the Fund. This will enable them make small investments in the Fund.

Today we are talking about the Solomon Islands National Fund as belonging only to working people. But there are many people who have money living in the rural areas who are not banking their money.

Mr Speaker, if you look at your bank statements, you will see how much money the banks charge you for every month. There are just too many bank charges today. I ask the CNRUA Government to look into this. It is very painful to our ordinary people. If you look at a bank statement you will see bank charges of \$5 every month or may be weekly or something. I say to myself that goodness me they are taking out everything from our bank accounts. Also if you do not make any deposits they will take everything out leaving nothing in your accounts. If you go and ask they will say to you that you do not have any account or passbook with us.

We must try to start the Peoples Bank. I am not saying that if it is started there will be no charges. Of course, we will. But I am trying to raise the concern that there are a lot of bank charges and deductions. Interest on savings is less but the interests they take from you is big. That is how I see it.

Mr Speaker, I am just trying to raise very few concerns and I hope that people who contribute towards the NPF, I am happy that this organizations is working well. We must look at building houses, because some complained that they are giving their money only to build buildings belonging to the NPF. Policies like that are very important for the government to look at because it is something we are happy about set up by our ordinary people, which we can see as strengthening the economy of our country as well.

Mr Speaker, I cannot go on any more but the points raised by the Honorable Deputy Prime Minister are very important and those of you on the government side must try to implement it so that it can benefit the ordinary people.

I think with those few remarks, I support the motion.

Sitting suspended for lunch break

Hon TOZAKA: Mr Speaker, thank you for giving me this opportunity to contribute to the debate of this report. Since the inception of the Fund and this extra ordinary results is positive to the National Provident Fund, not only to the National Provident Fund but also to members and so the country as a whole.

Mr Speaker, the Minister also highlighted in his speech some of the main attributes to the positioned financial results which include membership increases of the fund to 6,152 compared to 4,570 in 2007 and also he mentioned the shareholding in Solomon Telekom, as well as others. I also, Sir, recognize the performance of the National Provident Fund from its experiences in the past in which it has gone through very hard times and out of those experiences, this Board and management came up with this reform.

One thing I would like to say in my contribution is the capability of our people. If they are given the right environment to work in, they have proven that if government gives them the right environment and support to perform in the institutions like the National Provident Fund and others, has proven on this particular report, the fine professional performance in this report. If you look and read you will see how this has happened. It happened because they have carried out their job very well. One is that they had reformed the National Provident Fund looking at some of the difficulties and the experience in the past, experiences of some of things that we have been doing. Some of the things we cannot hide and even the government encountered a lot of difficulty in catching up with payment on behalf of their people to pay up their dues to the National Provident Fund, including contributions of Public Services or workers. Of course at times we too have not been able to fully honor our obligations to make contributions.

If you read further you will find that some provinces, Mr Speaker, have been given funds, they Sir, borrowed from the National Provident Funds. In these policies

they have been flexible to accommodate these things, accommodating our development of the country as well as to our people and they have some very bad experiences in our performances. We were not able to keep up to our commitments and repay our loans here in NPF.

Some of the things that I have said, Sir I am also personally a member of the National Provident Fund at one point of time and I can quite proudly that the National Provident Fund has helped me to build a house at home and help out in things I need. So this particular institution Sir has helped us a lot and is very helpful, and it is how we work with these institutions. That is very important.

I would like to support the National Provident reform program. It is not a very long period of time. It is only since 2007 that it started its reform program. When I see the good performance and that they have extra money like as such, I too am pleased and am also asking the question as to whether we could look at it and perhaps give it out to our people.

I think the timing is important to management and to the NPF Board. One of the speakers this morning highlighted the importance of neutrality and impartiality of the institutions and one of these institutions is the National Provident Fund. I think they have done this, they have carried out their work and they have tested it and I am sure that very hard decisions have been made to come up with this very good performance. Some decisions that does not make famous or feel better and I think they have done it and as a result something very good have come out of it.

I would like to congratulate the Management and Board through the Ministry of Finance for the work well done. I would like them to continue with what they have done and they will serve as models for us and other institutions, not only in the State Owned Enterprises but also the Public Service that this is a model for them. The Management that they have used in here is commercial management, the management that is beyond the culture of government administration. The result of that is the good performance of the National Provident Fund.

Having said that, the two areas that I would like to mention here are. One, concerning their offshore investment. I am also of the same view as my other Honorable colleagues who have mentioned that this is not to be overdone. If we over do it we will strain our country's economy.

The other thing is with regards to property investment that is also in the process of being carried out. We must not lose focus of the initial aims and objectives of the Provident Fund that is to help our common people that are not very well versed with the policies of the commercial banks to acquire loans. I am referring here Mr Speaker Sir, to one of the investments that they are currently undertaking. Opposite of Telekom Office at Town Ground there is a building coming up belonging to the National Provident Fund, I gather.

I am just concerned that when the building is completed and the apartments are put out for rent, I was just wondering how much would be the rental of those apartments. Whether it is going to be the same as the market at the moment, or if it is going to be pitched up to \$12,000 or \$15,000 then we will be missing our people who

have no houses at the moment, especially those that colleagues have referred to, from the Public Service. Some of them want houses, they want to own properties but it would be too high for them.

Those are the things I would like to highlight or contribute towards this report. Whilst we have a very good reform program on the NPF, the performance is good, it must not go out of its focus on what it was originally established, and that is to help our people and country.

Mr Speaker, I think those are the two points I would like to raise, and once again thank the Minister for the Report. I would like to encourage the Management to continue with the good work and the decision that I see as to how it will sustain in future, I think it is in the very good hands of professional staff of the Fund. Thank you very much indeed, Mr Speaker.

Hon Rini: Mr Speaker, first of all, I would like to thank all the Members who have contributed to this motion since this morning. I will try to clarify or answer some of the issues raised.

Mr Speaker, the decision the Board made in allocating funds for investment is firstly to preserve members' contributions against inflation. That means the return on investments that NPF is going into must be more than the inflation rate. Returns must be more than inflation rate. For example, the inflation rate is currently between 8% – 10% and the NPF should be expecting return on its investment of about 12%, 13% or up to 15%.

Also one of the major things the Board did in making the decision is to make sure the Fund has enough liquidity so that the Fund can invest more in order to gain more for members, to meet the withdrawals of members and to meet the operating cost of the Fund. These are the two most important factors the Board has in mind when making any decision for investment.

Mr Speaker, there were questions raised on the objective of the Fund. I think my good colleague, the Minister for Mines and Energy raised this very, very important point. Mr Speaker, if you look through Hansard Reports, the late Anthony Saru said this when delivering his private members' motion. The objective of setting up the Fund is for people who work in plantations and go back home with empty hands. He said that people working for the government are covered by the Pensions Act and so when they retire they get money from their pensions. But for people working in the plantations they have nothing. That is the main objective of setting up the Fund. It is for people working in plantations after finishing from work should at least have something when they retire from work. That is the main objective of the Fund.

There were also issues raised by Members on NPF's investment offshore. The NPF investment offshore is buying of shares in the Bank of the South Pacific, which is about \$34.8million, and that ranks us as the 12th major shareholder in the Bank. The NPF has also put in \$130million in term deposits at the ANZ Bank in Singapore and invested as follows: In AUD\$33m, in US \$45million, in Euro \$40million, in Great Britain Pound \$19million, which is \$130million plus and \$20million on manage funds. These

investments earn very, very good rates of interest. They are earning between 5% to 8% rates of interest. And the Fund is getting good returns out of these investments.

There was concern raised on our property in Brisbane. That property was already sold by the Fund. The Fund sold that property for AUD\$1.1million and the Fund invested this amount in term deposit in commercial banks in Australia, and is receiving a very good rate of return.

Mr Speaker, there were also other issues raised concerning the Statement of Income and Expenditure and also some transactions in the balance sheet. I think my good Minister for Culture and Tourism raised the \$24million expenditure. This is made up of about \$22million of normal operating expenses with members' expenses of \$763,000, which adds up to \$1.2million.

On the \$22million, most of this is for repair and maintenance of the Anthony Saru Building. Because Auditors said that it must not be capitalized but treated as expenditures, and that is why it puts a very big bill on expenditures for 2007.

Also a major expenditure here is electricity, water and telephone. These are the major expenses that make up this \$22million.

On the balance sheet, there is concern raised by the same Minister of Culture and Tourism on the \$620million members' contribution on why it is under non-current/liabilities and not under current liabilities. This is a long term liability and that is why it is under non-current. Current liabilities are transactions that only happen one year. This is for members' contributions, which will go on for the next 30 to 40 years. It is a long term liability and that is why it is under non current liabilities.

Points raised by the Deputy Prime Minister are very, very valid points. I think this House had already passed a motion to that effect. The only reason why the NPF did not implement the intention of that motion is because of financial problems it faced in the last five years. During that time the Fund just tried to survive. Interest to members is bare minimum from 2.5% to 4% in the last five years. It was only in 2007 that interest went up to 18%. The areas raised by the Deputy Prime Minister are very valid points and the Management and the Board are now taking these into consideration. I am hoping that the next amendment bill of the NPF Act will come at the end of this year or early next year and this should be included. They are very, very good points.

On the area of pension, yes, the NPF is looking into that as well. There was a Regional Forum of NPF in which this issue of pension was discussed and they have already agreed. Fiji has implemented this already. The SINPF will be venturing into this as well. They are just waiting for the expertise of an ILO to come and start this work. That has been taken on board already.

Mr Speaker, as all the Members have said that they are very happy with the Report, I am also very, very happy with the Report and I am hoping to table the next 2008 report again when the accounts are completed and as soon as it is distributed to this Parliament I will be able to table another motion.

With these few remarks, Mr Speaker, sir, I beg to move.

The 'Solomon Islands National Provident Fund Annual Report 2007 passed its Second Reading.

Committee of the Whole House

Mr Chairman: The paper before this Committee is the “Solomon Islands National Provident Fund Annual Report 2007”. It was presented to Parliament in accordance with Standing Order 17, on 1st of April 2008.

I propose to go through the substantive parts of this report page by page starting from page 12 and ending on page 52. To ensure that debate goes smoothly, I would like to remind all Members that this is the Committee of the Whole House, and a member may speak more than once during the course of these proceedings. But during these proceedings no questions will be debated and no amendments can be proposed on the motion.

Pages 12, 13,

Hon Gukuna: Mr Chairman, I am just interested on the Telekom shares. I think it is important for us to know the performance of shares so there is \$19.4m dividend from Solomon Telekom. I am just wondering what is total of shareholding so that we have some idea on the performance of each share. Thank you.

Hon. Rini: Mr Chairman, the shares of NPF in Telekom is 67.4% and the dividend paid is \$19.5m and that is a return of 22%.

Hon. Gukuna: I understand that I have read that 64.7% shares. I think one very important consideration here is the performance of shares. I mean, how much are the actual shares- \$20m or \$30m or \$19m from which the return is earned? It is important to know that so that we know what the shareholding of Telekom is. Maybe just 50 cents or?

Hon. Rini: Mr Chairman, that 64.7% equals to \$89million.

Mr Wale: Mr Chairman, I know you have directed that we start on page 12 but I am interested on page 7 – the highlights. Is it alright to go back there or should we totally rule it out?

Mr Chairman: I made the decision to start from page 12 and I thought that is where the real report comes in. Page 7, it depends on the Committee, if you want to ask general questions.

Mr Wale: Well, I have specific questions on the highlights but I suppose that is spread across the number of pages. Just seems it is a very good projection of these highlights here, Mr Chairman and I wonder with your indulgence, probably can explain a lot of what is in the subsequent pages.

Mr Chairman: You can make comments on it if you wish.

Mr Wale: Mr Chairman, on page 7, on the highlights, the second point says. "Annual Membership Increased by almost 26%," I would like to know how that compares prior to the conflict in terms of the number of membership of fund. That is immediately prior to the conflict. Have we reached the levels of employment and membership prior to the conflict or have we surpassed it or are we still come through it? That would be my first question. I've got a number of other questions Mr Chairman, but that's that one.

Hon. Rini: Thank you Chairman, this is an increase of a new membership from 2006 – 2007. If you look back at the previous years, it is very low say, from 2005, and backwards it is very low. The rate of employment, our members is very low. But this figure has increased after 2006 because of more business were established and business environment has improved and more employment rate increases. So, that is why this is a very big increase compared to prior to the ethnic tension or after the ethnic tension.

Mr Wale: Mr Chairman, just to clarify my question. It was not so much concerned about after the conflict but before the conflict. Whether the levels membership have reached say, '97, '98 year in terms of the total which would make your increase of new membership and put it into context or perspective. That is my question, Mr Chairman.

Hon. Rini: Thank you, Chairman. That is a very important point and we'll take note of that. In our next report we might be able to separate statistics by year so as to clearly indicate the rates for each year. That is a very good point and we'll take note of that.

Mr Wale: Page 7, Mr Chairman. Fourth points further down the page: "total surplus realized prior to interest credited to members charged to a \$117.3m representing an increase of almost 80%." What percentage of that is due to settlement of government and SOE loans, arrears and so forth?

I am referring to the fourth paragraph. I am asking this question because this particular Report highlights the un-sustainability of these profit levels, as it is one-off. We hope the government does not default again, the SOEs don't default again because the government bails them out, so we would not have these record profits. I am just wondering what percentage of this surplus is derived from settlements the government has done to all the SOEs, government arrears and debts. Thank you.

Hon Rini: The percentage that is paid by the government is about 50% of that \$17 million.

Mr Wale: Supplementary question. I forgot on what page this is where I saw SIEA, Malaita Province, Western Province and Soltai that the arrangements would be far more in excess of 2%. I am not sure if that figure is correct.

Hon Rini: I said 50%.

Mr Wale: I am still on page 7. If you look further down to 'total investments portfolio increased to record level of 23% to \$656 million'. I am just wondering what sectors are these new investments from that represented this increase or is it just an increase of existing portfolios.

Hon Rini: The increase on this is mainly on equity investments from both Our Telekom and the Bank of South Pacific and also normal investment of the Fund on properties and others.

Mr Wale: I am still on page on the highlights. The shares acquired from the Bank of South Pacific Limited is one twelfth, I assume it is one twelfth, we are in the top twelve shareholders. Where in the top twelve, what percentage shareholding do we hold and does that qualify the NPF for a directorship to the Board of the Bank of the South Pacific?

Hon Rini: We are not given the percentage of shares in this yet but we ranked in the 12th shareholding arrangement.

Mr Wale: Do we hold any directorship in the Bank of the South Pacific?

Hon Rini: Mr Chairman, no.

Mr Wale: On the efficiency ratio, Mr. Chairman, it improved from 17 to 48%, depending on where one is standing going the other way. I am just wondering because efficiency there was a statement made by the Minister for Culture and Tourism about operational costs basically asking about the efficiency, the rate of return per dollar spent.

My question is, what is the main driver/s of this efficiency ratio improvement? What are the major productivity gains, if you like?

Hon Rini: That percentage might be wrong. It is the other way round of 48% to 17%, and the improvement here is due to cost of investment by the Fund.

Mr Wale: The other way around makes sense more than the way it is stated here.

My next question is in regards to Telekom, which is the next point down, dividends in the light of further reform and deregulation in this industry, there will be competition. This is just a general policy question whether the Fund in its projections and planning for the future, what are some of the major issues it can see to try and safeguard its investment in Telekom with the onset of deregulation and competition.

Hon Rini: The Fund in trying to safeguard its investment on Telekom is its long term desire to be part of the new industry.

Pages 8 to 22 - no comments

Page 23

Mr Wale: Mr Chairman, under withdrawals, I heard rumors going around that there were some frauds or some scandal in any case, the racket of people who operate on withdrawals to get the withdrawals of people who would otherwise not qualify under those seven grounds. And I know there have been terminations of some senior people and may be even some junior people. I am just wondering how much by percentage of those withdrawals is due to this fraudulent scam on fictitious grounds and whether there have been any prosecutions of officers and outside individuals implicated in this scheme.

Hon Rini: Yes, there are cases that involved senior officials of the Fund but this is nothing to do with the withdrawals. This is a project on the IT project, which somehow has been manipulated and which eventually was brought to light and also the officers involved have been terminated and investigations still going on.

Mr Wale: So are you saying categorically that no fraud related to early withdrawals of ones who otherwise would not have been qualified to withdraw?

Hon Rini: Not to my knowledge.

Pages 24, 25, 26 - no comments

Page 27

Mr Sogavare: I want the Minister to update Parliament on the current status of the SMI scheme of arrangement.

Hon Rini: The situation of that organization is that it has been liquidated and all the people have received their money. It is now waiting for the High Court to finalize the process.

Mr Wale: Just a follow up on the question by the Leader of Opposition on SMI. The quantification of losses to the Fund, not only in this financial year but perhaps the prior financial year as well when the liquidation process started for SMI, the total loss on this whole SMI debacle, which is sustained by the Fund.

Hon Rini: There were no losses incurred. All the policy holders have been paid and the value of the assets more than the liabilities

Mr Sogavare: Mr Chairman, I think the broader policy issue of SMI is whether the government is convinced that we can afford to run a local insurance company. I think that is the broader policy question.

What is the view of the NPF and the government on this issue because I feel that the SMI is in fact a victim of a concerted effort by foreign based insurance companies to control investment business in Solomon Islands? That is basically what is driving the issue and it ended up victimizing SMI.

What is the government's view because I feel that the broader policy issue is whether we can afford to run a local insurance company in Solomon Islands because those others are just brokers of overseas insurance companies? Can the Minister enlighten us?

Hon Rini: I think the policy on this issue by the government and the NPF is that in future if there is any opportunity arising, they would be able to start their own insurance with a reputable company.

Mr Wale: Still on the SMI matter. The last paragraph says "to support the Scheme of Arrangement endorsed by the High Court", the NPF bought 15% shareholding valued at \$2.5 million. It paid \$2.5 million and then further down it says "to allow the Scheme to realize its objectives, the Fund provides a \$3 million loan to the liquidator or administrator" and so it is a total of \$5.5 million. Is the intention there for SMI to continue and somehow it will pay back or are you going to repossess the land?

I suppose following on from the previous question, what will happen? What is the final fate of SMI you are loaning funds to the Scheme Manager and for the shares of \$2.5 million? That is my question.

Hon Rini: This \$3 million was not lent to SMI because it owns the policy holders. But in return the NPF will take charge of the property, which is more than the Fund's money given to this Scheme of Arrangement.

Hon Gukuna: Mr. Chairman, the National Provident Fund is using a lot of reserve funds for the SMI. I am just wondering whether those funds have already gone or are these assets going to cover some of the reserve funds? I know it is reserve funds but it is still NPF money.

Hon Rini: As I have said earlier all the money advanced to SMI to clear all its debts are all mortgaged against that property, and the property is worth more than the money advanced

Mr Wale: When we loan or mortgage property, we give the loan in anticipation of loan repayment, and not in anticipation of liquidating the property. So the underlying question is, is there an expectation that SMI will trade and do normal repayments? If they default and we liquidate that property the question is still begging whether the intention is for SMI to get back into trading.

My supplementary question to that I will just ask it in addition to the previous one so that the Minister can answer both of them at once is, whether the NPF now holds a 100% shares of SMI or the person who previously managed it is still holding some shares? This question is asked because only Workers Mutual Insurances' (WMI) 15% share holding was bought by NPF. What about the shares of that person, the previous manager who has now left the country? Thank you.

Hon Rini: Mr Chairman, according to the High Court, SMI is still trading but not as an insurance company, but it will be trading as a property company.

Mr Wale: Mr Chairman, just the second part of my question, that is whether NPF now holds 100% shares in SMI or not?

Hon Rini: Yes, we are in the process of buying of shares WMI and also SIWA so that NPF can own 100% shares. So the process is now going on in paying off the other share holders so that NPF can have 100% equity on SMI.

Page 28

Mr Sogavare: Mr Chairman, thank you in respect of the Fund's investment of \$48million on this reconstruction of a 24 unit executive rental apartment. Can the Minister just brief Parliament of the economics, I guess, the rationale taken up by the Management and hence their advice to the Board for the Board's approval of this investment of \$48million on a 24 units executive rental apartment? For example, may be questions like, what is the pay back period for the \$48million investment of that property, and how much rent are we looking at in terms of rental rates for each apartment, Mr Chairman?

Hon Rini: As I have said in my speech, since the government has normalized its debts through the SOEs and also the increase of contributions, there is a lot of liquidity in the Fund. The problem is where to invest these funds. The banks have very small interest rates, even internally very low interest rate.

The NPF is looking for what type of investment it should go for in order to get higher returns in its rate of interest. So when this assessment was made and the best investment considered is in this property investment. The recovery period is envisaged within 10 years. Thank you.

Mr Sogavare: Mr Chairman, if we look at the recovery or pay back period of 10 years, you have to rent these apartments about \$30,000 a month, which is almost \$1,000 a day. This is a one room thing, Mr Chairman, and looking at say rooms at the Pacific Casino, they are currently rented out at \$700.00 per day. The Pacific Casino rooms are big. Is the Fund confident that you would be able to rent out \$30,000 per month for a recovery period of 10 years?

Hon Rini: I think this apartment unit will be executive units and they will attract high rents and they are also in a prime allocation. Yes, I am sure and that NPF is confident that that investment should be recovered within the next ten years.

Mr Wale: Still on page 28 looking at the last paragraph, there are graphs on the other page that graphically show the categories of low return asset and medium and high risk high return. My question is, what is the average rate of return for each of those categories?

Hon Rini: On the lower rates they are between 10 to 15, the medium about 15 to 20 and the higher one at 24. So the average return on will be roughly 18 to 20% at return on investment.

Hon Gukuna: My question is with regards to investment assets by risk. Last year 23% of it was of high risk, 14% medium, 33% low risk. Putting aside the relationship between risk and return, that arrangement has made a lot of results last year. It was a very high return and has supposedly kept the investment of members very safe. Under the new investment policy of the Fund they are intending to generate more income and one of the ways of doing that is to increase the risk level of all investments.

I would just like to have some assurance that that will not affect the safety of the funds? I would also like to have some idea on what kind of money are you still trying to gain when existing arrangements are safe and generating enough money. Can there be an assurance that increasing the risk of investments will still be safe for members' contribution?

Hon Rini: A bulk of the money has been put into lower risk and lower return investment. For example, if money is invested in the banks, it will be more secure but with very low returns. So that is why the Fund is looking into other medium risk investment and they have allocated 14% on that and 23% on high risk investment. Now, as seen in this Report, it's the medium return and high return investments that have created more money for the Funds in 2007. That is why the Fund was able to pay out 18% interest to its members. Thank you.

Mr Agovaka: Thank you, Chairman. I think the Minister earlier informed the House about term deposits in Singapore of \$115million. There is another term deposit - these

are the off shores investment in Australia. Can the Minister inform the House which financial institution these term deposits were based in?

Hon Rini: The A\$1.1million has been moved from Australia to a bank in Singapore, the ANZ bank in Singapore. So all our \$130million in various currencies and \$20million on the managed fund and A\$1.1million are all in the ANZ bank in Singapore. As I said earlier, Mr Chairman, they are earning a very good rate of return and very good interest rate. And the reflection of this investment will be seen in the 2008 financial year of the fund. Thank you.

Mr Sogavare: Mr Chairman, question regarding Solomon Telekom, Mr Chairman. Can the Minister brief Parliament of the future of NPF's investment in Solomon Telekom?

Hon Rini: The investment in Telekom by the Fund will still be protected. When the new investor comes in, that will be one of the conditions that will be put before the new investor that NPF must continue to invest in the Telecommunication, whether it be that 64.7% or 50% or less than 50%. But government policy is that NPF must have a share in the new investor in telecommunication.

Mr Sogavare: Mr Chairman, what is the current status of new negotiation to sell NPF's share in Telekom, and who will it be sold to?

Hon Rini: That is a business deal and the government is not involved in that. We have allowed the shareholders to deal with it amongst themselves so that they can deal with the new investors on that issue. The government has nothing to do with that. It is a business deal and that has been left completely out for the shareholders to deal with it.

Mr Sogavare: Mr Speaker, in terms of the fact that telecommunication is a very important infrastructure in our country. In terms of policy, when it comes to important infrastructure like telecommunication and others that we have mentioned during our debate, what is the view of the government in terms of government's continual control of the important infrastructure like this? They are so important to the economy that if government loses control on them in terms of becoming a minority shareholder or the agent of government becomes a minority share holder and it could lose control of important infrastructure like telecommunication. May be the Minister can inform Parliament of the government's plans if are you venturing into that kind of idea. What is the control mechanisms that are being put in place so that the government ensures that we are not unnecessarily victimized by anything that adverse might happen to important infrastructure like telecommunication?

Hon Rini: The government's policy on telecommunication is that we want to end this monopoly. We would like to end this monopoly and open up the telecommunications industry to encourage competition. That's why we have told the intended investor of

our recognition of its intention to come and invest, but that government policy is that for it not to pay off the existing company. This is because it will be still be another monopoly. So we have agreed for the investor to come in but as a competitor.

Now the arrangements of how the shares are to be sold and who to own are left completely to the share holders to negotiate. But, as I have said earlier, the government will protect the NPF shares in the new investors on Telecommunication.

Mr Sogavare: Sorry maybe this is a question outside of the issue, but would the Minister be in a position to tell me what is the total value of Telekom?

Hon Rini: Mr Chairman, I do not have figures with me at the moment but I think the share holders will negotiate and make up that valuation whilst they try to sell their shares. But at the moment I don't have that total valuation of that company. Thank you.

Hon Gukuna: Mr Chairman, I would like to ask question with regards to investment by market exposure. That is 30% of NPF's total investment is offshore investment. I would like to know how safe is that investments? How do you class that investment is it medium or low or high risk? This is because if you invest overseas and you keep on realizing the investment and transfer them within banks, I should be very worried because there is something wrong with such investment to look unsteady to me. I just want to know whether the 30% investment overseas is low, medium or high risk.

Hon Rini: As I have said earlier that before the NPF Board makes those investments it has to consider that first of all the investment must be of high returns. Secondly, it has to consider how secure that investment is.

Now these investments which were placed in the Bank in Singapore are very much secured and NPF receives weekly information through their agency in Australia concerning these investments. If they know that risk will be coming in or in the horizon they will advise NPF on what to do with the investment. They have a monitoring system in place to monitor the investments. Thank you.

Mr Sogavare: Just one more question on page 28 and that is in respect of the Fund's investment on a land at Ranadi Industrial Estate, costing \$3million. Mr Chairman, can the Minister inform the House whether that investment is free from any legal encumbrances. Mr Chairman.

Hon Rini: Mr Chairman, can the Leader of Opposition repeat the question again?

Mr Sogavare: The question is on the investment of \$3million on a land in the Ranadi Industrial Estate. The NPF has already paid \$3million for this land. And the question now, Mr Chairman is for the Minister to inform Parliament whether that investment is free from any legal encumbrances.

Hon Rini: Yes, there are some problems with that property. But with the High Court clearing the caveat last week, the project can now go ahead, and it will be in next year's budget of the Fund.

Pages 29 – 43 - no comments

Page 44

Mr Wale: Mr Chairman, during my absence someone may have raised it but in the qualification of the Auditor General, is the matter of days under the Financial Institutions Act in compliance with reporting deadline?

Sorry, I am going back to the auditors report on page 35, with your indulgence, Mr Chairman. Page 35, the top paragraph, which is the basis for qualified audit opinion. Under the requirement of the Financial Institutions Act, quoting deadline is three (3) months within financial year end.

I wonder whether the Minister can give assurance to Parliament that this will be complied with, and disqualification will not happen again this year. Thank you Mr Chairman.

Hon Rini: The delay here is only for about three days and the delay is for the Price Water House to send its auditing work to Australia before it comes back. That is the reason for the delay, which is really not a problem, it is just a minor incidence, but yes in future it should be on time. And I am expecting other SOE's to do the same. The Fund is giving us a good example by producing its financial statements as required, and I hope the other SOE's would follow the Fund's example. Thank you.

Pages 45 – 48 - no comments

Page 49

Mr Wale: Mr Chairman, on Note 5(d) on shares in South Pacific Oil, the second paragraph says that the agreement between shareholders provides for GRP Limited to increase its shares up to 25%, which means the Fund's shares would be diminished by that extent.

In the agreement what ways are there, what are the means of increasing that shareholding of GRP and diminish that of the Fund.

Hon Rini: That is the management agreement signed between GRP and also the NPF. In that agreement I think it was said that they are going to pay 5% to the other shareholders until the amount is fully realized.

Mr Wale: Mr Chairman, just for clarification purposes. By what means can they increase their shareholding so that the Fund can let go. That is basically the core of my

question. Does the Fund just give away after a number of years? What is the basis of increasing shareholding and a decrease in the funds? Thank you.

Hon Rini: This is the 5% annually management fees.

Mr Wale: Mr Chairman, just for clarification because maybe I am confused. What you are saying Minister is that annually they are paid management fees, and those management fees are credited each year into shareholding account, which increases over a number of years. So it is 5% each year. Are there any criteria for that? Is there a profit base that it must make a certain amount of profit before it is paid a certain level of management fee before they exercise share option?

Hon Rini: Yes, under the management agreement, what you said in the first place is right, that is how it should be done. This is really based on management fees and for the next five years. As I have said, this will be based on management fees that will be credited to GRP to increase its share for the next five years.

Page 50 - no comment.

Page 51

Mr Wale: On commercial land and buildings, the land component as we know appreciates as oppose to depreciate. It is building that depreciates. I want to know the policy adopted by the Fund in carrying the value of land on their properties. Thank you.

Hon Rini: The current valuation was done in 2003 and no valuation has been done up to now. But the fund will be looking into revealing all the assets.

Page 52

Mr Wale: I am still on page 51 concerning this 'work in progress' of \$5.9million. Can you explain further on that 'work in progress'?

Hon Rini: This work in progress of \$5.9million is the work done on the IT system of the fund. This is also for payment of the block at Ranadi and also the costs that are involved in the area in Honiara to build the executive apartments.

Mr Wale: Is that cost for the acquisition of land at Ranadi and Honiara or the actual work done on that land? Presumably, the land would have been capitalized into fixed the assets register. I'm just wondering that \$5.913m for rental land and building, whether that is the work that have already started or the actual cost of the acquisition as well?

Hon Rini: These are for actual work done. They will be capitalized after the projects have been completed.

Mr Chairman: Honorable Members, pursuant to Standing Order 18(2) the only question before the Committee now is that the Honourable Minister for Finance and Treasury, as the mover of the motion reports to Parliament that the committee has considered the 'Solomon Islands National Provident Fund Annual Report 2007'.

Parliament resumes

Hon Rini: Mr Speaker, I wish to report that the Committee of the whole House has considered the 'Solomon Islands National Provident Fund Annual Report 2007'.

Mr Speaker, I now move that in accordance with Standing Order 18(3) Parliament agrees to the proposals contained in the 'Solomon Islands National Provident Fund Annual Report 2007'.

Parliament agrees to the proposal on the 'Solomon Islands National Provident Fund Annual Report 2007'.

Hon Sikua: Mr Speaker, I move that Parliament do now adjourn.

The House adjourned at 3.30pm.