



Monday 27th May 2019
MEMBERS PRE-SITTING BRIEFING

A total of 35 Members of Parliament, including the Hon Speaker met at the Maota Tofilau Eti Alesana Building (MTEA) Conference Room for its Pre-Sitting Briefing. There were 4 Bills on the agenda; presenters included the CEO for the Samoa National Provident Fund (SNPF), for the Samoa International Finance Authority (SIFA) and an ACEO from the Ministry of Commerce, Industry and Labour (MCIL). A summary of these presentations and main issues raised by Members is provided.

(1)National Provident Fund Amendment Bill 2019

Presenter: *Pauli Prince Suhren - CEO*

Responsible Ministry: *Samoa National Provident Fund (SNPF)*

The CEO presented on the objects and reasons of the Bill noting that the aim of the Bill was to amend the National Provident Fund Act 1972 (Principal Act). Pauli expressed that the changes put forth was an initiative put forth by the Board and the Management so as to increase funds available for members of the National Provident Fund “the Fund” or be able to fund a life pension at retirement. He further noted that currently employees are working hard just so there is an increase in their funds when it comes to their retirement. The NPF in turn is also working to increase its investments in projects and those overseas so as to achieve the same purpose.

Various Members commented on the Bill, which are as follows:

The Member for Urban West queried the Management as to what is the forecasted amount to be collected if the rates proposed in the amendment become effective. He also spoke in regards to transparency issues and stated that it seems very easy for the Fund to collect people’s contributions but very conservative when it comes to releasing information as to what investments the Fund has invested in. The Member also relayed grievances from representative of the Samoa Chamber of Commerce that the private sector do not support the change put forth by the Amendment as it will place more burden on them (this is in regard to paying employees contribution to the Fund).

The CEO responded that a total of \$78 million was collected in 2018 with a surplus of almost \$46 million which is a significant increase if compared to the previous financial years. The total amount forecasted by the Fund to be collected when the amendments become effective is more than 100 million.

In regards to the issue of transparency, the Fund operates like all commercial banks no one has the right to release information regarding a person's loan or account. Furthermore, there is no rule that requires the Board to release out to the public all its decisions. The common process for options for investments by the Fund, all proposals go to the Investment Committee for review before an approval is made by the Board.

There are two representatives from the Samoa Chamber of Commerce in the Board and they understand clearly the motive of the amendment. The CEO further expressed that more than 5 meetings have been held with the Chamber of Commerce to clarify the objects of the Bill so that business owners can understand the raise and the implications thereof.

Other members noted their support of the Bill however raised a common concern on the effects the Bill will have on the Private Sector and whether there is a possibility for a leeway for them.

The CEO clarified that the changes put forth though at first instance seems as if the private sector and the government are being penalized but in depth they are not. He further clarified this statement by using last year experiences as an example. Last year, 10% of the contributor's funds were given back to the member and according to research, 99% of that money distributed went back into the economy. Simply, at the end of the day, expenditures of our members are put back into the private sector and government.

The CEO further noted that there is an initiative by the Fund to assist private sectors once the amendment is effective and that penalty fee will be waived at the first stages of the Bill's implementation (a time given to people to adjust to the change).

A member for Palauli Le Falefa expressed disappointment at the process in which this Bill was put forth to Parliament. He explained that although a Cabinet directive was issued out for the Fund to go ahead with the changes, it should not have been publicized until Parliament officially approves the change (in the form of a Bill). He further added that this was a form of undermining Parliament's supremacy in the three arms of government system.

The CEO responded that Cabinet had directed him to go ahead with the changes and for such change to be made public. The Minister of Finance (whom owns the Bill) added to the response provided by stating that the government from time to time issues general policy announcements to introduce the changes and at the same time letting the relevant Ministry know that it is time to commence preparations to implement the policy which includes drafting of the Bill. This was the case with the current Bill.

The Member for Alataua West stated that in the Fund's financial statements there was a significant increase of surplus yet there is a decrease of funds allotted for loans offered to the private sector. The Member noted that this is an important aspect and there should be a raise as it is through this avenue if private sectors are well supported by the Fund, more employment opportunities will be created thus more contributors for the Fund. She also queried why the Fund has invested in a hotel in Fiji yet our local hotels need their assistance instead.

The Member for Gagaifomauga No. 3 queried as to whether enough consultations were held before the Bill was brought to Parliament.

The Member for Falealili East also stated that even with unsecure loans with the Fund of just \$10,000 maximum it is very difficult to get due to the numerous conditions. A member also for Anoamaa West also queried that there is so much money with the Fund yet the Fund is asking for more increase and wondered where this money would be spent on and whether the Fund had any projects in mind.

In response to Members queries, the CEO first attempted to correct the false accusations regarding the Fund investing in a hotel in Fiji that this was false and that the Fund often assists its sister organisations (when needed) such as the Development Bank of Samoa, Samoa Housing Corporation as well as the SPPD. Mr. Pauli also confirmed that sufficient consultations were made before the Bill was drafted and submitted to Parliament. In addition to this, the Fund is available for more consultations if people need more clarification about the change. In regards to the comments on numerous conditions for unsecure loans, the Fund takes very seriously loans given to borrowers thus the high standard of conditions as these are the people's money being borrowed. It is the Fund's belief that the high standard conditions are in place so as to ensure that the people's money will be paid back. The CEO further asserted to Members that the real reason behind the Bill is not to raise more money for the Fund but to raise funds for its contributors. In regards to where the Fund's money will be spent, there are projects in the pipeline that will need these funds. A broad example of these projects is the attempt by the Fund to tap onto overseas markets.

(2)Trustee Companies Amendment Bill 2019

Presenter: *To'oto'olea'ava Dr. Fanaafi Aiono-Le Tagaloa- CEO*

Responsible Ministry: *Samoa International Finance Authority (SIFA)*

The CEO provided a brief background of the Bill and stated that the Bill seeks to amend the Principal Act which was passed in Parliament in 2017. She further stated that Samoa is a member of certain international finance institutions and with that membership comes with conditions to which Samoa should comply with. In saying that, Samoa is a member

of the (Organisation for Economic Cooperation Development) OECD. The OECD conducts reviews of its member countries to assess its compliance with its conditions. This review took place in Samoa in 2018 which required the collaboration between SIFA, the Ministry for Revenue, Ministry of Finance, Central Bank, Attorney General Office and the Ministry of Commerce, Industry and Labour. The review confirmed that there were weaknesses to the current legislation thus the submission of the amendment bill to date.

She further explained that the Bill seeks to provide a process of how to deal with records belonging to a trustee company that has closed (current law only provides the timeframe in which such records should be kept which is 7 years) as well as clarify the process to take in relation to the revocation or surrender of a license by a Trust Company Service Provider. The Bill also seeks for consistency as it provides for the changing of the name of the Act in Samoan. The CEO added, the translation of the name of the Act currently being used is “Kamupanu Tausi Mavaega”, Mavaega in Samoan means a lot of things thus the need to change the translated name of the Act to avoid confusion.

Several Members commented on the fact that it has been noted that most Bills belonging to SIFA have always been brought under Urgency, they then added as to whether this Bill will be the last amendment to the Act.

The CEO explained to the members that changes are out of their control. Where the international institutions agree to amend a condition, the amendment will also be made to the Act thus no guarantees this would be the last. CEO also explained to members that Samoa has a stable standing with OECD. With the current changes in place, Samoa will move from a ‘partially compliant’ country to a ‘largely compliant’ country.

Other members expressed their support of the Bill and the importance of safe record keeping. They also encouraged the Authority to not take seriously the recommendations put forth by the European Union experts that SIFA should be based offshore as where it is to date, is perfectly fine and effective.

(3) Foundations Amendment Bill 2019

Presenter: *To’oto’olea’ava Dr. Fanaafi Aiono-Le Tagaloa- CEO*

Responsible Ministry: *Samoa International Finance Authority (SIFA)*

The CEO explained to the Members that Foundation Act is used for civil law jurisdictions whilst trust laws are used in common law jurisdictions such as Samoa thus Foundation and Trust Acts are related Acts. She further explained that under the law, trusts are not licensed and therefore there is no income generated from such however if foundations are registered then the Authority is able to generate revenue from this, thus the establishment of such law. The Bill seeks to correct errors that were in the Principal Act.

(4) Companies Amendment Bill 2019

Presenter: *Houlton Faasau- ACEO*

Responsible Ministry: *Ministry of Commerce, Industry and Labour*

The ACEO explained to the Members regarding the objects of the Bill very briefly by stating that as a result of the OECD review that was previously mentioned by the CEO of SIFA, a recommendation was given to the Ministry to increase the timeframe for liquidated domestic companies to keep accounting records from one year to 5 years as this was an international requirement, thus the submission of the Companies Amendment Bill.

The Hon. Speaker concluded with a Prayer and the Briefing was adjourned.