

Recapitalization and Revitalization of DBSI

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Introduction

- This presentation answers two fundamental questions and these are;
 - What is the direction the DBSI Sub-Committee and the Taskforce is taking towards the re-establishment of DBSI?
 - What prospect does DBSI hold to offer and support local investments including tourism in Solomon Islands?

Background

- ❑ Predecessor to Development Bank of Solomon Islands (DBSI) was the Agriculture and Industrial Lands Board.
- ❑ In December 1977 the Legislative Assembly enacted the Development Bank Ordinance 1977.
- ❑ In 1978, the ordinance become the National Development Bank Act and in 1996 it became the Development Bank of Solomon Islands Cap (50) and this remains to this day.
- ❑ In 2002, legal notice was gazetted under S34 of the FIA to apply provisions of the FIA to DBSI.
- ❑ In mid-2004 the DBSI underwent a liquidation exercise under a Court Appointed Management Scheme and CBSI is currently the Court Appointed Manager (CAM)
- ❑ In December 2014, after being elected, the DCC Government announced its intention to *‘facilitate the re-establishment of the Development Bank of Solomon Islands (DBSI) to cater for SMEs and other micro-financing schemes in rural areas.’*
- ❑ In [May] 2015, Cabinet agreed to establish a Task Force and Sub-Committee to progress this work.



Cabinet Sub Committee to re-establish Development Bank of Solomon Islands

The Cabinet Sub Committee Taskforce was set up to further the aims of the DCCG Government, under the Solomon Islands Policy Strategy and Translation Document No.: 4.2.1

(c.) *The re-establishment of the
Development Bank of Solomon Islands (DBSI)*

*“in order to cater for SMEs and other micro financing
schemes in rural areas”*

DCCG Flagship Policy Priority

Prime Minister of Solomon Islands Hon Manasseh Sogavare

‘..Our Country had learnt lessons for DBSI, it was not immune to capital shortages, debt burden and poor management, However, the mandate to re-open DBSI for business has been explicit and expressed; as responsible Government, we are determined to review, recapitalise and re-open the bank...’ July 2015.

Minister of Finance and Treasury Hon Snyder Rini

Revitalization of Development Bank of Solomon Islands (DBSI) is high amongst the flagship policy commitment of the government. This is to ensure that the 80% of the rural population equally receives that opportunity to participate in various economic activities; (Statement of Policy Intention)

What DBSI can offer, its objective?

- Overall policy objective of DBSI does not change from previous DBSI as set out in the law.
- Assist in the economic and social development of Solomon Islands (Section 4 of the DBSI Act).
- Provide access to finance and credit to local SME's and entrepreneurs.
- DBSI re-opens the door for potentially game changing opportunities for local and rural SME's.
- Provide a pivotal role in stimulating growth in the rural areas.
- Revitalisation of DBSI underpins the need to stall the social and economic marginalisation of local.
- Promote economic and social inclusiveness by reigniting growth in the rural areas.

Work achieved so far?

- ❑ Cabinet has endorsed the decision to re-vitalise Development Bank of Solomon Islands (DBSI).
- ❑ Consultation on the **Business Model**;
 - ❑ The DBSI Cabinet Sub Committee Working Group went to PNG and Fiji to consult with their respective National Development Banks.
 - ❑ The group also consult locally in Honiara and in the provinces.
 - ❑ Cabinet endorsed the business model in May 2017.
- ❑ Desk policy review of existing legislation, other available documents, prepare draft report on required and necessary legal changes.
- ❑ Drafting Instruction Policy Matrix completed, basis for drafting the amended law.
- ❑ Costing and Recapitalisation Assessment commence.

Business Model

- ❑ The Cabinet agreed on the Business Model in May 2017.
- ❑ The Model has some of the following important features;
 - ❑ Establish physical branches in provincial centres and towns
 - ❑ Commercially Oriented
 - ❑ Conform to prudential practices and good governance
 - ❑ Target Niche Market – Focus and Non-Focus Sectors
 - ❑ Digitized Product and Service Delivery Channel through mobile phones and tablets.
 - ❑ Establish Agency Network through Credit Unions and Savings Clubs
 - ❑ Government Support through subsidies and guarantees

Target Niche Market

- ❑ **Focus Sector proposed at 60% of the portfolio**
 - ❑ Rural Small and Medium Enterprises (SME's)
 - ❑ Agriculture, Tourism, Fishing, etc.
 - ❑ Indigenous, Women and local businesses
 - ❑ Green and environmentally friendly industry (e.g. Tourism)
 - ❑ Local infrastructure
- ❑ **Non-Focus Sector (40%)**
 - ❑ Commercial sector or Large businesses – This will be the income generating (financial sustainability) component of the portfolio.
 - ❑ Lend to similar markets to traditional banking models

Legislative Review

- ❑ Legislative amendment is necessary to improve the governance and to provide for good practices and prudential standards.
- ❑ Fundamental areas for amendment;
 - ❑ **Good Governance**
 - ❑ This looks at strengthening the legislative framework underpinning the Board and Executive Appointment
 - ❑ Properly defined the powers of Minister in terms of giving direction to the bank.
 - ❑ **Prudential Supervision**
 - ❑ Specify in the law, regulation or policy the prudential requirements for DBSI
 - ❑ Set in the law legal parameters that provide for the bank to operate on sound banking practices and standards.
 - ❑ **Other Issues** – Change of names, interest rates etc.

Products and Services Delivery

- ❑ Through physical presence in Honiara and the provincial centres and towns.
- ❑ Advance in technology provided a new platform for DBSI to operate and deliver its products and services efficiently and cheaper.
 - ❑ Cloud Computing
 - ❑ Digital Banking – Use of mobile phones and tablets to deliver products and services
 - ❑ Agent Network – Engage with existing local networks such as savings clubs and credit unions.

Next Step and the proposed timeline

- Legal Drafting Instructions for Cabinet Approval by August 2017
- Drafting of Bill – September
- Parliamentary Review – Revitalization of Development Bank of Solomon Islands – October 2017
- Costing assessment report to Cabinet for purpose of budget and recapitalization by August 2017
- Appointment of Interim Board and Management – October/November 2017
- Launching of DBSI – to be confirmed.



Conclusion

- ❑ DBSI revitalisation and recapitalisation is a DCCG flagship project.
- ❑ Attracts a strong public support both in Honiara and in the Provinces.
- ❑ There is a strong political support for its re-establishment.
- ❑ Re-establishment of DBSI will be a game-changer and has the potential to stimulate growth and advance livelihood for indigenous SI'ders.