

SOLOMON ISLANDS GOVERNMENT



GOVERNMENT COMMUNICATION UNIT

MEDIA RELEASE

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FINANCE MINISTER ACTED WITHIN BOUNDS OF THE LAW

The Minister of Finance and Treasury, Hon. Harry Kuma has acted within the bounds of the Public Financial Management Act (PFMA) (part 8 of PFMA: Government Borrowing) to seek further information and details from Mr. Terry Wong who was the promoter of a US\$100 million financing offer.

Media reports carrying prematurely leaked correspondences between Minister Kuma and Mr. Wong appears to imply that the Minister was careless on his part to strike a financing deal with an individual promoter.

However, the media and others running a crusade of distorted attacks against Minister Kuma have failed to understand that those correspondences were intended to collate necessary and accurate information from the promoter. This was only the initial stage of dialogue not even entering pool one of the Annual Borrowing Pool as per the Debt Management Strategy (DMS), which has four (4) pools. These 4 pools have strict requirements to satisfy.

Minister Kuma has the legal mandate in so far as government borrowing or guarantees is concerned under the Public Finances Management Act 2013 (PFMA) to seek accurate information regarding the US\$100 million offer.

Given the development challenges and needs of the Government as prescribe under the Policy Implementation Framework of the Government outlined in the 2020 Budget Strategy, and along with the mandated power of the Minister of Finance and Treasury under the above mentioned Act, consultation with prospective financiers is a standard component of due process to identify potential funding sources which by no means places public finances at risk.

In fulfilling these obligations, the purported correspondences was nothing more than a written request to Mr. Wong to provide accurate and detailed information of the proposal, for purposes of investigation to warrant further assessment and not an attempt to secure a loan or other forms of financing which would incur unnecessary liability on public finances.

This is not a first time such an offer has reached the Ministry or Government. In 2014, the government also received a similar proposal but after assessing the offer, the government had anonymously rejected the funding.

OFFICE OF THE PRIME MINISTER AND CABINET, P.O. Box G1, HONIARA, SOLOMON ISLANDS, TEL: 677 24465 / 677 21863 / 677 7494520, Email: gherming@pmc.gov.sb / gherming@gmail.com or visit <https://solomon.gov.sb/>

The Minister also complied with proper procedure to seek advice from the Debt Management Advisory Committee (DMAC), after receiving some information from the promoter. DMAC met on 7th January, 2020, as required under the PFMA, to assess the proposal as requested by the Minister.

The proposed funding is the largest ever dealt with by DMAC and the material evidence provided was insufficient to make a firm recommendation to the Minister.

The position of the DMAC is to carry out a full due diligence assessment on the offer and Mr. Wong as the Promoter, in order to ascertain the authenticity and viability of the proposal. Since the DMAC assessment was made nothing has been progressed because the proposal does not meet the requirement to be dealt with by DMAC. DMAC only deals with loan funding and NOT investment funding.

The Government is very well aware that any financial commitment should not undermine our sovereignty or has contractionary impact to the economy which includes inflationary risks.

Contrary to media speculation, these are areas of concern to the government which the current SIG Debt Management system is designed to safeguard.

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