

MAKING THE FIJI NATIONAL PROVIDENT FUND WORK FOR WORKERS

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**INTERNATIONAL
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EXECUTIVE SUMMARY

The Fiji National Provident Fund (FNPF) is Fiji's largest financial institution and only superannuation (pension) fund. While the FNPF is financially sound, questions have swirled around its governance in recent years. Allegations of conflicts of interest and mismanagement have been levelled at the Fund, potentially exposing the workers of Fiji who are its ultimate beneficiaries to undue risk and financial hardship. This report critically examines the governance and asset management of the FNPF, making recommendations that would put the Fund on sound footing for the future.

About the FNPF

The FNPF is a government-mandated, fully-funded, defined contribution pension scheme – one made up of individual accounts in which contributions and investment returns are collected and paid out at retirement on a periodical basis. It is mandated by law to collect compulsory contributions from workers and employers towards the retirement savings of all workers in Fiji, and in a separate fund, towards life necessities, such as housing, education, and healthcare.

The FNPF is a major investor in Fiji and is one of the largest property owners in the country. It has 446,658 members as of 2021, F\$1.5 billion in general reserves, F\$8.2 billion in total assets, and paid out 5% interest to its members that year. The FNPF is well diversified by international standards and includes a balance between government securities, equities, loans, and cash reserves.

Provident funds such as the FNPF typically pursue two objectives that can sometimes be at odds: advancing national economic development objectives and maximizing member returns. This dual mandate is a central feature of provident funds; it is both an attractive feature but also creates risks for the security of retirement savings. Investment decisions that advance national development objectives may not always be the decisions that also maximise returns for fund members, especially in the short run.

FNPF governance and its discontents

FNPF governance structures and practices are not consistent with international best practice. The Fund's Board of Directors controls and manages all aspects of the Fund, including all functions related to the management and allocation of its assets. Best practice states that provident fund boards should not have direct control of asset allocation and management, leaving this to an arms' length body to minimise undue political influence on investment decisions.

There are also concerns with the make-up of the FNPF Board. While it is not unusual for government representatives to sit on the boards of government-manged pension funds, these interests should be balanced by the presence of other stakeholders. In most cases, both worker and employer representation is included on the boards of national pension funds, thus creating a fair, tripartite representation of interests. The lack of representation of workers and employers,

the two funders of the scheme, on the board of the FNPF is concerning and nonstandard. This absence of representation of other interests on the Board has been criticised by the Fijian government itself.

Finally, the function of the Reserve Bank of Fiji (RBF) as the supervisory body of the FNPF also sparks concern. The RBF has outdated policies, drafted prior to major changes in regulations of the Fund in 2011. The director of the RBF (and the acting Permanent Secretary of the Economy) is also an FNPF Board member, creating a conflict of interest between the supervisor monitoring the fiduciary duty of the FNPF Board and the target of supervision.

Conflicts of interest?

An analysis of the many roles played by current FNPF Board members raises the spectre of potential conflicts of interest. Some Board members, for example, also sit on the boards of subsidiary companies of the Fund. One Board member in particular, Sanjay Kaba, is also the owner of a large engineering and construction company, which was awarded contracts worth hundreds of millions of Fijian dollars to maintain FNPF-owned properties and businesses. The lack of transparency around how these contract award decisions are made is a real cause for concern.

Decisions made by the FNPF in recent years have been criticised by international bodies, in peer-reviewed studies, and by critics in the media and among opposition political parties. The Fund has been accused of benefitting a narrow elite, while disadvantaging the workers who fund it. Questionable decisions include the appointment of Board members without the requisite “fit and proper” test, the purchase and quick re-sale of Energy Fiji Limited by the FNPF, and the granting of loans to numerous hotels.

These examples and others detailed in the report are real cause for concern about decision-making at the FNPF and cast doubt on the best interests of Fund members being served.

Playing catch-up

While the FNPF has moved to investing in a diversified range of asset classes, moving beyond a majority of government bonds prevalent in the early stages of provident fund maturity, the development of the Fund’s governance structures has not kept pace. It does not have the rules and practices in place commensurate to its more mature investment portfolio. More sophisticated safeguards are required as funds grow and diversify to eliminate potential mismanagement, fraud, and conflicts of interest. Evidence suggests that the lack of more developed governance structures is potentially allowing for undue political influence over the Fund.

While it is common for provident funds to balance the interests of national economic development and retirement security for members, striking this balance must be done in a transparent and accountable manner.

Accountability and transparency are a must

Together all the concerns raised in this report create major risks for the workers of Fiji who are the members and ultimate beneficiaries of the FNPF. The main issues identified throughout this report are a lack of accountability and transparency in how and why decisions are made. These are evident, for example, in a lack of proper representation on the Board as well as governance practices and structures not fit for purpose. Introducing accountability and transparency into FNPF governance structures will improve the Fund, decrease the risk to members, and create a pension system that operates in the best interests of all Fijians.

INTRODUCTION

This report provides an overview and critical evaluation of the structure, governance, and asset management of the Fijian National Provident Fund (FNPF), seeking to identify gaps and risks associated with them.

This report was prepared at the request of the International Transport Workers' Federation.

Analysis was conducted to identify whether the best interests of the members to the FNPF are being served by the Fund. The members to the Fund are workers of Fiji, who fund the FNPF from their wages alongside a contribution from employers.

To answer this question and provide recommendations, this report identifies possible risks by comparing FNPF regulations, laws and publicly available policies with 'best practice' guides on pension fund management as well as with other pension funds globally, in particular those similarly structured to the FNPF. A review of official reports, peer reviewed literature and media stories about the Fund was included in the critical discussion section of the report.

Overall, the current FNPF governance structures lack the safeguards required to protect the assets of its members from fraudulent and self-

interested behaviour. Of particular risk is the lack of representation of worker interests on the small, five-member, FNPF Board of directors who, under the FNPF Act 2011, have an unreasonable level of control over the structures and investment decisions of the FNPF. This is coupled with outdated policies from the Reserve Bank of Fiji, the supervisory body of the FNPF. Evidence of potential conflicts of interest and undue political influence on the investment of the Fund are gathered and reinforce the real gap that exists in the fundamental governing structures of the Fund.

The report opens with a brief introduction to Fiji's economy, followed by an overview of the FNPF and its key performance measures. The report then details FNPF regulations and policies around governance, asset management, and ESG, listing its existing Board members and assets. The second section of the report offers a critical review of the content from the first section in the context of international practice, guidelines, evaluations and commentary. This includes potential conflicts of interest found through information on open sources about both the Board members and existing and past FNPF assets and loans. The report concludes with recommendations for reforming the FNPF and its regulatory environment.

OVERVIEW OF FIJI'S ECONOMY

In 2020 Fiji had a population of around 936,000, it mainly consists of indigenous Fijians called iTaukei, who represent approximately 57% of the population, and Indo-Fijians, who are decedents of indentured labourers imported to Fiji from British India under colonial rule for work on sugarcane farms between the late 19th and early 20th centuries.¹ Indo-Fijians represent around 37% of the population.²

The labour force in Fiji was estimated to be about 353,000 in 2017 (39% of the total population³), with most employed in agricultural or the service sectors. 28% of the population in Fiji were estimated to be living below the poverty line in 2017.⁴

Fiji is considered one of the most developed of the Pacific islands' economies. Tourism, sugar,

fisheries, and exports of bottled water are the most important economic sectors of Fiji's economy. Most key industries are susceptible to the region's cyclone risk and damage.

A former British colony, Fiji gained independence in 1970, and became a republic in 1987. Fiji has a parliamentary republican form of government, with the prime minister as head of government. Coups have disrupted democratic rule in the country on several occasions. The current prime minister, Frank Bainimarama, was elected in 2014 (and re-elected in 2018) after successfully leading the most recent military coup in 2006.

Fiji is a member of the Commonwealth of Nations and maintains close relations with United Kingdom, Australia, and New Zealand.

Measure	Count
Total population	884,887
Median age	27.5
Urban population	494,252 (55% of the total population)
Labour force participation rate (of those over the age of 15 in the population)	57.1% (356,789 people)

1. D'Souza, E. J. (2000). INDIAN INDENTURED LABOUR IN FIJI. Proceedings of the Indian History Congress, 61, 1071–1080. <http://www.jstor.org/stable/44144422>
2. Pieters, D. (2021). Social Security Law in Small Jurisdictions. Springer.
3. <https://www.fiji.gov.fj/Media-Centre/News/Fiji-Bureau-of-Statistics-Releases-2017-Census-Res>
4. <https://fijivillage.com/news/22826-families-being-assisted-under-Poverty-Benefit-Scheme-r529ks/>

OVERVIEW OF THE FIJI NATIONAL PROVIDENT FUND

The Fiji National Provident Fund (FNPF) is Fiji's largest financial institution. Established over 50 years ago, it is Fiji's only superannuation (retirement) fund. The operations of the Fund are guided by the FNPF Act 2011.

FNPF is mandated by law to collect compulsory contributions from employees and employers towards the retirement savings of all workers in Fiji. Apart from

retirement savings, the Fund also provides pre-retirement benefits such as housing, medical and education assistance.

The FNPF is a "provident" fund". Government provident funds are mandatory, fully-funded, government-managed, defined contribution systems. Generally, they function as all-purpose savings programs rather than dedicated retirement systems.⁵

A brief overview of retirement scheme structures

To place the FNPF into context, it is useful to understand how retirement funds are categorized. The OECD offers a three-tier typology of pension schemes globally. Fiji retirement system is placed into this typology below:

First tier pensions systems offer the first layer of social protection in old age by the public sector. These schemes target an absolute, minimum standard of living in retirement. Currently Fiji does not offer a first tier pension system; however, the government of Fiji offers an old-age social pension of F\$100 a month for those who are retired and do not/have not received any payments from the FNPF.

The second tier of pension systems are mandatory, earnings-related components. Second tier pension schemes generally aim to smooth out the transition from work into retirement. There are a few types of schemes under this tier:

- **Defined benefit** schemes depend on the number of years contributions are made, accrual rates and individual responsible earnings.
- **Points** schemes award workers with points based on their earnings that are converted into pension payments at retirement.
- **National defined contribution** schemes are public pension individual

accounts which apply a national rate of return to contributions made and paid out at some frequency (e.g. monthly) at retirement.

- **Funded defined contribution** scheme contributions flow into individual accounts, the contributions and investment returns are converted into periodical payments at retirement. The Fiji National Provident Fund (FNPF) falls under this category of pensions schemes.

Third tier schemes are voluntary provisions (most often private), which are individualised or employer provided.

5. Pieters, D. (2021). Social Security Law in Small Jurisdictions. Springer

The Fiji National Provident Fund (FNPF) is entirely funded by its members and their employers. There are two types of individual accounts for each member: a **Preserved Account**, which is primarily meant for retirement, and a **General Account**, which can be accessed by members prior to retirement to cover the costs of education, medical care, unemployment, housing, and other approved expenses. The preserved account balance is accessible at retirement age (55 and over), as a single-life, joint-life or term annuity (for terms of 5, 10, or 15 years) – or a combination of these options.

FNPF is a major investor in Fiji and one of the country's largest property owners. The Fund also owns majority shares in Amalgamated Telecom Holdings Limited, Vodafone Fiji Limited, and HFC BANK. It also fully owns a number of hotel properties, including the Natadola Bay Resort Limited (InterContinental Fiji Golf Resort & Spa), Holiday Inn Suva, Momi Bay Resort Pte Limited (Fiji Marriott Resort), Marriott Denarau Properties (Westin Fiji, Sheraton Fiji and Denarau Golf & Racquet Club) and the Grand Pacific Hotel.

FNPF is governed in accordance with the provisions of the Fiji National Provident Fund Act 2011 and FNPF Regulation 2014. Relevant parts of the FNPF regulations will be outlined and discussed in more detail in subsequent sections of this report.

As of 30 June 2021, the total gross assets of the FNPF accounted for 34% (or F\$8.3b in Fijian dollars – the currency for all subsequent figures) of Fiji's total financial system's assets (an increase of 2% on the previous year). In June 2021, the fund reported a net surplus of F\$113.6 million, declaring interest to members at 5 percent, with F\$297 million distributed to 389,986 members. This is despite reporting net member contributions of negative F\$197 million for the year due to special additional withdrawals by members affected by Covid-19.⁶

In its 2021 annual report, the FNPF reported:

446,658 members

of which

208,574

were compulsory contributing members (accounts for 58% of the working population of 356,789 people). An incomplete coverage of the labour force is often an issue of labour market informality (WBG, 2018).

6,632

were contributing voluntary members; and

44,578

members were in their retirement age (aged 55 or over)

- F\$1.51b in general reserve
- F\$8.2b in total assets
- F\$592.1m investment income
- F\$6.4b member fund
- F\$321.3m in contributions made for the year
- F\$302.8m (5%) interest credited to members
- F\$500.8m in benefit payments
- F\$496.5m net increase in assets

Member balances of:

Balance	Members
Zero Balance	58,712
F\$0.01 and F\$5,000	188,288
F\$5,000 and F\$20,000	112,516
F\$20,000 and F\$40,000	46,5108
F\$40,000 and F\$100,000	32,043
F\$100,000 and above	8,591
Total	446,658

6. <https://www.rbf.gov.fj/rbf-annual-report-august-2020-july-2021/>

Governance of the Fund

The FNPF Board of Directors has responsibility for the overall control of the Fund, including the responsibility to:

- (a) collect and manage contributions;
- (b) hold, invest and manage the funds;
- (c) develop and offer financial products and services;
- (d) conduct education and information programs, and carry out other activities, to encourage people in Fiji to make informed and appropriate arrangements, through saving and effective money management, for income after they retire from the paid workforce;
- (e) provide to the Government of Fiji and its agencies information and advice on matters affecting retirement savings policy and post retirement income policy;
- (f) conduct and promote research into matters affecting retirement savings and post retirement income.⁷

Regarding governance procedures, FNPF Decree No 52 (section 6) states that

“(4) The Board shall strive to manage the affairs of the Board in an efficient and effective way, and shall strive to establish and implement appropriate and effective governance systems and processes, including quality assurance processes and process for measuring the performance of the Board, Board members and staff members, having regard, among other things, to internationally accepted standards in these matters. “

Board members must “ensure that [the Board’s] duties and power are performed and exercised solely in the best interests of the FNPF members and annuitants” (section 9(c) of the FNPF Act 2011).

The Board must meet at least eight times in each financial year. A majority of the total number of Board members are required to form a quorum. Board members present decide on the matters raised by vote (FNPF Act 2011).

7. https://myfnpf.com.fj/wp-content/uploads/2019/09/FNPF_DECREE_No_52.pdf

8. https://myfnpf.com.fj/wp-content/uploads/2019/09/FNPF_Regulations_2014.pdf

Selection of Board members

The process of selecting members of the FNPF Board of Directors is detailed in the Fiji National Provident Fund Regulations 2014 . When a vacancy on the Board arises, the Secretary of the Board is required to carry out a skill assessment gap (in accordance with the skill requirements outlined in the Act) and create a position description for the vacancy (Part 2, S4). The Secretary then selects a suitable candidate and makes a submission to the Reserve Bank of Fiji (RBF) for a “fit and proper” assessment of the candidate. The RBF next provides a report on this assessment. Given a positive assessment, the prospective member is appointed to the Board by the Minister of Finance.

The Minister should only appoint a member to the Board where:

01. the RBF reports to the minister that there is no reason to believe that the person is not a fit and proper person to be a Board member;
02. no more than one member of the board is a public official; and
03. together, the board members have appropriate skills and expertise (these are listed as (i) investment management, (ii) corporate governance, (iii) accounting and auditing, (iv) finance and banking, (v) risk management, (vi) law, (vii) actuary or auditing experience, and (viii) information technology or similar).

The FNPF Act 2011 outlines that there should be at least 5 members and no more than 7 members on the Board. The Minister appoints the Chairperson but cannot select a public official representative for this role. The deputy chair is elected by the board.

A Board member holds office for 4 years from the date of appointment unless a shorter period is specified. No Board member is allowed to hold office for more than two consecutive terms but can be re-appointed after 2 years' absence. If a board member becomes disqualified, they are terminated from the role. The RBF is required to continue to monitor whether a member is “fit and proper”.

Board committees are required to include at least one Board member. The committees are specified by regulation; they include an Investment Committee; an Audit and Risk Management Committee; Human Resources Committee; and an Information Technology committee. Their responsibilities are outlined in the FNPF Regulation 2014.⁹ The committees are intended to include “independent members who are experts in the relevant fields” (pp. 38, FNPF Annual Report 2021). The committees meet on a quarterly basis or “as required to deliberate on specific matters recommended by management before these are tabled to the Board for decision” (pp. 38, FNPF Annual Report 2021¹⁰).

The RBF published the “fit and proper” checklist used for the appointment of directors and key management in 2020.¹¹ The checklist includes three categories, each specifies the required verification and a confirmation from the assessor on whether the criteria is met (Figure 2). The assessor is also able to make written comment on the candidate for each of the three categories.

9. https://myfnpf.com.fj/wp-content/uploads/2019/09/FNPF_Regulations_2014.pdf

10. <https://myfnpf.com.fj/wp-content/uploads/2019/09/2021-FNPF-Annual-Report.pdf>

11. <https://www.rbf.gov.fj/wp-content/uploads/2020/04/Fit-Proper-Checklist.pdf>

RBF Assessment Criteria	Documents Required for Verification Purposes	Criterion met (Y/N)
Reputation, Character, Reliability and Financial Integrity	1. References (2 character and 3 professional reference); 2. Shareholding details for assessment of conflict of interest situations; 3. Police clearance or Financial Intelligence Unit (FIU) background and credibility check; and/or 4. Confirmation from relevant industry bodies such as FIA, FIB, FLS etc that no disciplinary action has been taken against the applicant.	
Education, Other Qualifications and Experience	5. Curriculum vitae. The Content of curriculum vitae must at minimum include details of the following: <ul style="list-style-type: none"> • professional qualifications • Previous positions held and duties/responsibilities; and • Current position and duties/responsibilities. Documentary evidence is not essential for educational requirements.	
Financial Status or Soundness	6. Statutory declaration on financial soundness (Refer to Appendix 1 attached); and 7. Credit history check with Data Bureau (if possible).	

Figure 2 RBF Fit and Proper Assessment Checklist (2020)

FNPF's current Board of Directors (2022)

The following table lists each of the current FNPF board members and their specialisations.

Name	Trustee since	Specialisation
Mr Daksesh Patel (Chair)	01/2020	Businessperson, leader and entrepreneur with extensive experience in the Australian steel industry
Mr Sanjay Kaba	01/2020	Project development, project management, planning and civil/ structural engineering
Mr Mukhtar Ali	01/2020	Profitability enhancement, strategic lending initiatives, expert in banking regulation
Mr Shiri Gounder	03/2021	National budget formulation, taxation & customs policy, public financial management, macroeconomic policy and strategic management.
Mr Joel Abraham	04/2019	Accounting, business advisory, compliance, finance, regulatory, and research
Ms Kalpana Lal	04/2019	Extensive experience in financial reporting, management of procurement processes & other related functions, review and compliance of financing contracts, consultancies and local subsidiaries.

Figure 3 FNPF Board members, term start date and specialisations (2022)

The following chart (Figure 4) lists the members of the FNPF Board between 2010 and 2021. Currently serving Board members are bolded. The years during which each member served are highlighted in light blue, with the Board Chair highlighted in green.

Board member	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Chair													
Mr Daksesh Patel													
Mr Sanjay Kaba													
Ms Makereta Konrote													
Ms Kalpana Lal													
Mr Mukhtar Ali													
Mr Joel Abraham													
Mr Shiri Gounder													
Mr Ajith Kodagoda													
Mr Trevida Kuruvakadua													
Ms Bhavna Narayan													
Mr Tom Ricketts													
Mr Sashi Singh													
Mr Taito Waqa													
Mr John Prasad													

Figure 4 FNPF Board members 2010 - 2021

Investment and Risk Management committees of the FNPF

There are four committees prescribed under the Fiji National Provident Fund Regulations 2014:

- Investment Committee
- Audit and Risk Management Committee
- Human Resources Committee
- Information Technology Committee

The first two committees are of most interests for the purposes of this report. Their responsibilities are outlined below:

Committee	Functions
(a) Investment Committee	(i) Developing investment strategies, policies and guidelines
	(ii) In the development of these strategies, policies and guidelines, due consideration is to be given to the nature and terms of the liabilities to FNPF members and annuitants, recognising that the nature and term of these liabilities may change over time
	(iii) Developing policies regarding investment mandates, including such things as allowable investments, allocation ranges, benchmarks and risk control limits and trigger points
	(iv) Reviewing the definition of large, including non-standard transactions to assist the Board in deciding any changes to be made. This review is to be conducted at least annually
	(v) Reviewing the appointment, applicable terms and conditions, and termination criteria for external investment managers
	(vi) Monitoring the investment and fund manager performance
	(vi) Reviewing investment proposals and making recommendations to the Board, and any other functions delegated by the Board
(b) Audit and Risk Management Committee	(i) Financial reporting to ensure the integrity of the accounting and financial reporting process of each fund. This includes assurances of compliance with all applicable accounting standards to give a true and fair view of the financial position and performance of a fund
	(ii) In the development of these strategies, policies and guidelines, due consir time
	(iii) Developing policies regarding investment mandates, including control limits and trigger points
	(iv) Reviewing the definition of large, including non-standard made. This review is to be conducted at least annually
	(v) Reviewing the appointment, applicable terms and conditions,
	(vi) Monitoring the investment and fund manager performance
	(vi) Reviewing investment proposals and making recommendations

12. Fiji National Provident Fund Regulations 2014, Part 2, Regulation 5(a) and 5(b)

The following tables list the members of the Investment and Audit and Risk Management Committees, including their specialisations and indicating whether each member is also on the FNPF Board.

Members of the Investment Committee

Name	Specialisation/background	Are they also a current FNPF board member?
Sanjay Kaba (Chairperson)	(See details in the Board members table)	Yes
Mukhtar Ali		Yes
Kalpana Lal		Yes
Joel Abraham		Yes
Emily Yalimawai	Chief Information Officer for the Fijian Government's Fiji Revenue and Customs Service. She also previously worked as the Manager of Finance for the department, a senior accountant for the Ministry of Finance and Contract Auditor for the Office of the Auditor General.	No

Figure 5 FNPF Members of the Investment Committee 2021

Members of the Audit & Risk Management Committee

Name	Specialisation/background	Are they also a current FNPF board member?
Kalpana Lal (Chairperson)	(See details in the Board members table)	Yes
Mukhtar Ali		Yes
Geoffrey Rashbrooke	Advised the FNPF during the reform in 2011. ^{13,14} He was or is the Fund actuary and a New Zealander. He once worked as an actuary for the NZ Government.	No
Gitesh Nair	HFC Bank Head of Operational Risk & Compliance in 2019.	No
Nacanieli Rika	Senior Lecturer in Accounting at the University of the South Pacific. She is also an Associate Dean in Planning & Quality at the University. ¹⁵ She has a doctorate from the Australian National University.	No

Figure 6 FNPF Members of the Audit & Risk Committee 2021

13. <https://www.rnz.co.nz/international/pacific-news/201520/expert-says-original-fiji-pension-scheme-unsustainable>

14. http://www.actuaries.org/HongKong2012/Papers/MBR12_Rashbrooke.pdf

15. <https://www.linkedin.com/in/nacanieli-rika-24b871176>

Supervisory role of the Reserve Bank of Fiji

The Reserve Bank of Fiji (RBF) holds the responsibility to supervise and monitor the FNPf Board. The purpose of the supervisory role of the RBF is to ensure that:

- (a) the interests of FNPf members and annuitants are appropriately protected;
- (b) the Board manages its affairs in a prudent manner, including by appropriate internal controls and risk management and accounting systems; and
- (c) the Board appropriately understands and manages the risks associated with the conduct of its business.

The RBF's supervisory policy "Statement No 1" dated 2005 is the governance policy for the FNPf. This policy is currently in the process of being updated and released (FNPf Annual Report, 2021). The existing policy's purpose is to *"ensure that the FNPf establishes a transparent framework for the division of responsibilities in the operation and oversight of the pension Fund, and the accountability and suitability of all parties involved in the pension Fund process"* (paragraph 2).

The policy includes a statement on:

- "fit and proper" test requirements
- propriety
- conflicts of interests
- the requirement for the existence of a risk management and audit policy
- the Board's accountability to members
- the requirement to conduct a three-yearly governance review which needs to be disclosed in the annual reports
- the requirements to report to the RBF.

Disclosing conflicts of interest by Board members

The FNPf Act 2011 requires that FNPf Board members disclose potential conflicts of interest in writing. A Board member in conflict of interest should not perform their function in relation to conflicted matter, unless the Board member has disclosed the conflict and each of the other Board members consented to the function being performed despite the possible conflict (S21).

The FNPf 2011 Act Section 21 (Disclosure of interests), subsection 5, provides that where a Board member or their spouse, child or parent is a director or executive officer, or owns or controls the exercise of votes that is more than the percentage of shares prescribed in regulations (FNPf regulation 2014, part 2, section 6, stipulates this as 20%); or where, the Board member and another person are parties to a contract or arrangement to acquire, hold, sell or otherwise deal in securities in concert; or to exercise voting rights in a specified person in concert, the other party to the contract is considered a related party. In all the cases outlined above, the Board member is determined to have a conflict of interest which must be disclosed and approved by members of the Board.

16. https://www.rbf.gov.fj/wp-content/uploads/2020/03/FNPf-Supervision-Policy-1_Corp-Gov1.pdf

Asset Management

The FNPF board of directors has the ultimate responsibility to “hold, invest and manage the funds” of the FNPF (FNPF Decree 2011, Decree No.52).

The primary objectives of the Fiji National Provident Fund Act 2011 are to:

01. Ensure that workers will accumulate savings through their working lives to provide income after they cease working; and
02. Improve the operation and governance of the Fiji National Provident Fund (Section 2, (a) and (b)).

FNPF Decree No. 52 provides a set of “Investment guidelines” (Section 91). These are limited to the requirement that the Board formulate investment guidelines for each fund and review them once every 12 months. The Decree specifies that the guidelines:

- are formulated with a view to achieving the principal purpose of the Decree
- conform with prudential standards
- specify permitted and restricted classes of investment
- specify requirements or restrictions of the percentages required/allowed for each asset class
- specify criteria for selection of particular investments.

The Board are required to take the advice of an actuary when reviewing the guidelines and take account of such things as the composition of the fund, the risk association with investments, the likely return on investments, and adequate diversification.

The FNPF Act 2011 does not stipulate any explicit asset management requirements. The Act instead provides powers to the Reserve Bank of Fiji (RBF) to ensure that the interests of FNPF members and annuitants are appropriately protected and that the Board of the FNPF manages its affairs in a prudent manner, including by appropriate internal controls and risk management and accounting systems (Section 118, (a) and (b)).

The RBF also has the power under the Act to impose requirements with respect to “the conduct of the affairs of the Board with a view to ensuring that each fund remains in a sound financial position” and that “the conduct of the Board's affairs [is done] with integrity, prudence and professional skill.” The RBF is required to publicise these standards under the Act (Section 119 (1)(a), (1)(b) and (1A)). There is no limit to what the “prudential standards” may deal with under the Act, although a suggested list is provided and includes governance, liquidity, and risk management (Section 119 (2)).

Under Section 130 of the FNPF 2011 Act, the RBF also has the power to give a direction to the Board if it is of the opinion that the Board is following, has followed, or is likely to follow unsound or unsafe practices in the management of the fund, that those practices are likely to either jeopardize the interests of FNPF members, annuitants or creditors of the Board, or that those practices will adversely affect the operation or stability of Fiji's financial system.

There is also an FNPF-specific “Asset Management” supervision policy, last updated in 2007.¹⁷ The policy statement outlines the RBF’s minimum requirements for the management of Fund assets. The objective of the policy is to ensure that Fund assets are managed in a sound and prudent manner and available to pay members’ benefits when they fall due.¹⁸

The policy states the fiduciary responsibility is with the Board which must invest the Fund’s assets in the best interest of the Fund members. It also states that the responsibility for the investment functions can be delegated to the investment sub-committee, including the formulation of the Fund’s investment objectives and the balance between risk and return. The RBF policy stipulates that these objectives must be clearly communicable so that the members can understand the investment approach, measurable, able to be traced through a written record, and periodically reviewed for their effectiveness.

For the purpose of the investment strategy, the RBF require that the Board determine both (1) the level of risk and volatility of returns that the Board considers members are prepared to accept, and (2) the desired level of liquidity of the Fund.

Among other criteria, the policy requires that the investment strategy considers “the reasonable expectations of members”. The investment strategy must be clearly expressed so that members understand it. The Fund must also provide its members with a copy of the investment policy on an annual basis.

In its 2021 Annual Report, the FNPF reported that the Fund has met quarterly with the RBF for “prudential consultation meetings” and that the RBF conducted a review of conflicts of interest, culture and risk. The FNPF reported that the RBF will be releasing a revised “Statement no.1 on the minimum requirements for corporate governance for FNPF” (pp. 34).¹⁹ As of April 2022, the policy through the RBF official website remained outdated.

17. <https://www.rbf.gov.fj/core-functions/financial-stability/regulation/supervision-policies/>

18. https://www.rbf.gov.fj/wp-content/uploads/2020/03/FNPF-Supervision-Policy-2_Asset-Invest.pdf

19. <https://myfnpf.com.fj/wp-content/uploads/2019/09/2021-FNPF-Annual-Report.pdf>

FNPF equity investments and loans

The following tables list the equity investments of the FNPF and companies which have received substantial loans from the FNPF.

Equity investments

Company name	Industry	% owned by FNPF
Amalgamated Telecom Holdings Limited	Tele-Communications	72.7
Home Finance Company Pte Limited	Financial services (it's a bank)	75
Yatule Beach Resort Pte Limited	Resort Operations	100
FNPF Hotel Resorts Pte Limited	Resort Operations	100
FNPF Nominees Limited	Nominee Services	
Natadola Bay Resort Pte Limited	Resort Operations	100
Momi Bay Resort Pte Limited	Resort Operations	100
Dareton Pte Limited		100
Health Care (Fiji) Pte Ltd	Healthcare	80
Grand Pacific Hotel Pte Ltd	Resort Operations	100
Farleigh Limited	Resort Operations	100
Energy Fiji Limited (EFL)	Energy	20
Tropic Health Incorporated (Fiji) Limited	Medical	46
Active (Fiji) Co. Limited	Tourism	23
Halabe Investments Limited	Real estate	25
Fiji Ports Corporation Limited	Wharfage	39
Bligh Water Shipping Limited	Shipping	26
Vodafone Fiji Pte Limited	Telecommunications	49

Figure 7 FNPF equity investments 2021 (companies with over 50% share ownership are subsidiaries)

Loans by the FNPF

Company name	Loan value
Natadola Bay Resort Pte Limited	\$298,990,000
Farleigh Pte Limited	\$83,155,000
Barton Pte Limited	\$127,723,000
Dubbo Pte Limited	\$14,453,000
Grand Pacific Hotel Limited	\$42,822,000
Lotus Garments Limited	Unclear
Kalabo Investments Pte Limited	Unclear
Air Pacific	\$53.6 million
Nomi Beach Resort Limited	\$125,179,000
Vodafone Fiji Pte Ltd	\$71,761,000

Figure 8 Total value of existing loans (2021 Annual report, see page 110) ²⁰

20. <https://myfnpf.com.fj/wp-content/uploads/2019/09/2021-FNPF-Annual-Report.pdf>

ESG – Environmental, Social and Corporate Governance

The FNPF Act and relevant regulations (including the Financial Management Act 2004), the RBF's FNPF supervisory policy, FNPF annual reports, and all other publicly available guidelines or policy related to the FNPF do not contain explicit guidelines or accountability for socially or environmentally conscious investment or governance.

While the Act and all relevant regulation and policies reaffirm the duty of the board to its members as a matter of priority, there is no assessment or statements provided on what these members' priorities might be other than financial return maximisation.

The RBF's Prudential Supervision Policy Statement No:1 – Minimum Requirements for Corporate Governance of Licensed Entities²¹ (which does not explicitly refer to the FNPF) requires the minimum responsibilities of a board to include the promotion of “sustainability through appropriate environmental, social and governance considerations in the licensed entity's business strategies” (point 5.1.5, p. 6). Research for this report has found no evidence of the FNPF referencing or actioning this requirement.

21. <https://www.rbf.gov.fj/wp-content/uploads/2020/05/PSPS-1-CG-Policy.pdf>

CRITICAL REVIEW OF THE FIJI NATIONAL PROVIDENT FUND

A framework for analysing provident funds

Provident funds are an attractive choice for a retirement fund model for both governments and workers. Governments harness provident fund savings to advance national development objectives, while workers can utilise provident funds to service a wide range of savings needs, such as home purchase, education attainment, or health care. This is an advantage for countries where insurance and credit mechanisms are underdeveloped and where workers lack precautionary savings.

Provident funds help broaden and deepen the financial markets of demographically young and economically developing countries. By purchasing government debt, provident funds can reduce government borrowing costs and support government spending on other development priorities. When government-managed, as provident funds often are, they can be steered toward infrastructure and other social capital investments. Finally, as populations age, funds take pressure off government budgets. Government-managed funds are less risky for members, with some offering minimum return guarantees.

Some of the features that are attractive elements of the provident fund as a model also create risks for the security of retirement savings. Investment decisions that advance

national development objectives may not always be the decisions that also maximise returns for fund members, especially in the short run. Provident funds face a challenge in pursuing two objectives that can sometimes be at odds: investing to advance national development objectives and maximizing member returns. This dual mandate of national economic development and member return maximization is a central feature of provident funds. It is crucial that funds are explicit in their guidelines about this balance of interests and develop procedures to resolve conflicting objectives with clear metrics on how successful they are at achieving both.

A key challenge faced by government-managed provident funds is maintaining transparency and accountability. Investment decisions may be politically determined and give governments undue influence in financial markets. At early stages of fund maturity, most investment is directed at government debt and deposits, where simple safeguards against corruption can be sufficient. However, as economies and financial markets develop, and asset portfolios expand to include a range of domestic assets, more elaborate safeguards are needed and the rules governing investment decision-making processes should feature more prominently in governance.

FNPF asset allocation and diversification

The table below presents FNPF asset allocation in 2018 and 2021 (table 1 and figure 12):

Table 1 FNPF Asset allocation classes in 2018 and 2021

	2018	2018	2021	2021
	\$000	%	\$000	%
Term Deposits	466,505	7%	214,787	3%
Government securities	2,650,278	38%	3,495,699	44%
Other fixed interest Securities	248,009	4%	55,918	1%
Loans & Advances	948,240	14%	974,413	12%
Equities & Subsidiaries	1,494,334	22%	2,225,531	28%
Properties	306,392	4%	430,714	5%
Cash	786,580	11%	595,687	7%
Sum	6,900,338		7,992,749	

Distribution of assets - FNPF %

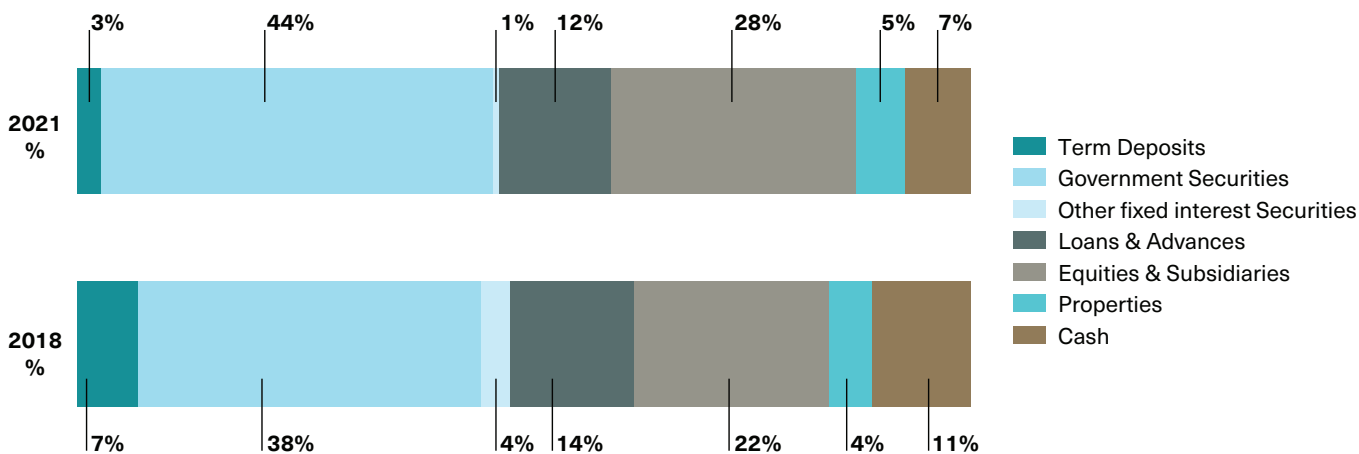


Figure 9 FNPF distribution of assets in 2018 and 2021

In most OECD countries bonds and equities are the two main asset classes in which pension assets are invested, making up more than half of investments in 25 out of 38 countries (see Figure 13 below). This is consistent with the FNNP's asset allocation structure (compare Fiji, highlighted in bold, to other nations in Figure 13).

The provident funds of India, Malaysia and Singapore are another comparator set for the FNNP (Figure 14). Comparison with these provident funds in three developing Asian economies shows that the FNNP is more closely aligned in its asset allocation structure with pension systems in developed nations. The FNNP is diversified in a way relatively consistent with other pension funds globally, displaying an average asset distribution structure.

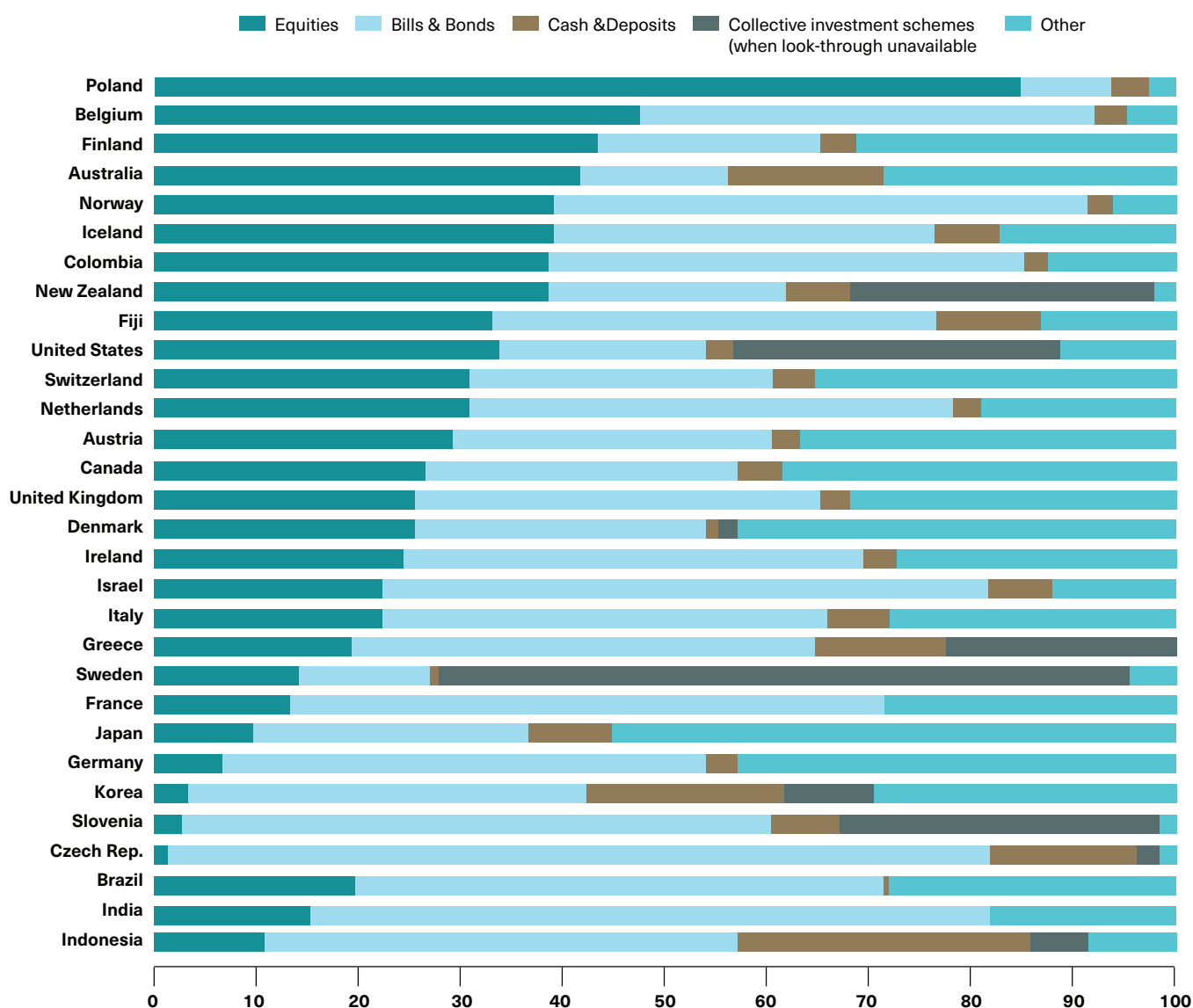


Figure 10 Allocation of assets in retirement savings plans in selected asset classes and investment vehicles (OECD, 2020)

Asset allocation at the end of 2018 or most recent year available

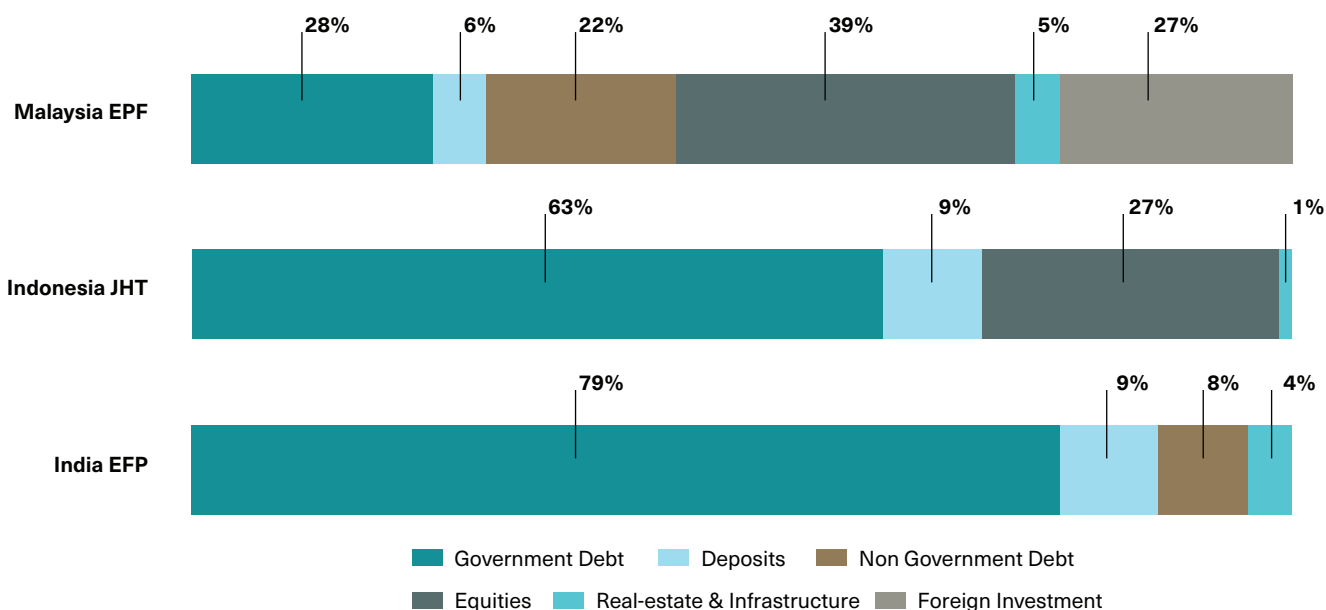


Figure 11 Asset Allocation at the end of 2018 or most recent year available²²

The FPNF is thus relatively well diversified. However, the FPNF’s governance structures do not match this diversification and remain relatively less developed. The FPNF has not created an appropriate governance structure to protect it from self-dealing and conflicts of interest, both of which become a greater risk for provident funds as they begin to diversify away from government bonds as a major asset type.

FPNF governance

Undue influence on the decisions made about the FPNF and its investments are particularly concerning because the Fund’s Board lacks a diverse representation from among interested stakeholders, such as workers’ representatives. This flaw of the FPNF governance structure has been widely criticized.

In the past, there were two representatives each of the government, employers, and workers on the FPNF board;²³ however, since the reform of 2011, selection is based on “merit”. It is unclear how the selection of the board members is made, other than that it is made by the Minister of Finance and based on a list of expertise/knowledge criteria. Candidates for worker representative would clearly possess such skills, yet it is unclear whether a representative of the workers has been considered in the selection process on the basis of “merit.”

In 2017 the Fijian government’s Standing Committee on Social Affairs reviewed the Fund’s Annual Report in accordance with S109 (2)(b) of the Standing Orders of Parliament.²⁴ The committee’s second recommendation was that a worker representative be appointed

22. Jackson, Richard; Inglis, Evan. 2021. Asian Provident Funds : Meeting Tomorrow’s Challenges. Equitable Growth, Finance and Institutions Insight; World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/35236> License: CC BY 3.0 IGO
 23. Souto, P., & Musalem, A. R. (2012). Assessing the governance and transparency of national public pension funds. Rev. Eur. Stud., 4, 148.
 24. http://www.parliament.gov.fj/wp-content/uploads/2018/05/Review-Report-FPNF-AR-2017_170418_final-copy.pdf

to the Board of the Fund. The FNPF “strongly” advised against this recommendation, arguing that the directors are appointed to act in the best interest of the Fund and its members, rather than to represent a particular group. The FNPF responded that as part the “reform program” board appointment changed to being merit-based. The Committee maintained its view that a worker representative should make a part of the board membership of the FNPF: *“The Committee think otherwise and feels that the Act should accommodate a representative of workers in the FNPF Board as Members should have a say on how their funds are invested and also on the returns on investment”* (pp.9). However, no changes to Board composition were made and in the report from the following year on the 2018 Annual Report, the Committee on Social Affairs no longer made mention of FNPF Board representation and governance. At the time of writing this report, no further reviews of the Fund’s annual statements by the Committee were available for any of the following years.

Wadan Narsey, Fijian economist and vocal critic of the governance of the fund, has also strongly criticised the lack of worker representation on the FNPF Board, calling it an “absolute conflict of interest” that the government nominates the majority of FNPF Board members while being the Fund’s largest borrower.²⁵

Comparable provident funds frequently have worker representatives on their boards. For example, Singapore’s pension system is managed by a tripartite board of government, employee, and employer and industry representatives, all of whom are appointed by the appropriate minister.²⁶ Similarly, Malaysia’s pension system is governed by a tripartite

board which includes representatives of employees, the government, and employers, industry and professionals (as set out in the governing law). The board consists of a Chairman, a Deputy, a CEO, and no more than eighteen other members, five of whom are government representatives, five of whom are contributing employers, and five of whom are workers. The remaining three members must have experience in finance, business, or another relevant field. The central bank screens the candidates. There are also no politicians, current or retired appointed to the board.

Finally, India’s Employee’s Provident Fund has a board made up of eighteen members, including five government, four employer and four employee representatives.²⁷

International best practice of representation on pension fund boards consistently calls for representation of workers as key stakeholders, namely the beneficiaries and members of retirement funds. Existing practice in other jurisdictions and best practice principles therefore do not align with the FNPF’s most recent view from 2018 which strongly opposed recommendations for worker representation on its board.

Defining the best interests of the members

As identified in the previous sections, there is little evidence for how the FNPF identifies or defines member priorities. Considering that its primary goal as stated in the Act is to serve the interests of members, it is unclear why a definition is lacking and why the interests of members are not regularly tested. The primary interests of the members are assumed to be solely related to return maximisation.

25. <https://narseyonfiji.wordpress.com/2019/12/28/fnpf-the-gloss-and-the-truth-ed-in-ft-28-12-2019/>

26. <https://www.pensionfundsonline.co.uk/content/country-profiles/singapore#:~:text=For%20the%20majority%20of%20the,increased%20by%201.5%20percentage%20points>

The latest OECD guidelines on “Responsible business conduct for institutional investors”²⁸ (OECD, 2017) call for engagement of stakeholders by investors: “engage with relevant stakeholders in order to provide meaningful opportunities for their views to be taken into account in relation to planning and decision making for projects or other activities that may significantly impact local communities” (p.19). This also means engaging them in shaping due diligence approaches, responsible business conduct policy, and, where appropriate, response to risks. The OECD guidelines identify beneficiaries as direct stakeholders of institutional investors.

The United Nations Environment Programme (UNEP) guidelines on “Fiduciary Duty in the 21st Century” stipulate that part of fiduciary duty includes accountability towards the definition members create as well as the way they view and understand their “best interests”.²⁹

There is no evidence available in the current regulations of the FNPF as well as the supervisory policy of the RBF of such engagement taking place within the FNPF investors’ committee or its Board of Directors. Currently members and annuitants of the fund can only provide feedback to the Fund via a yearly forum the purpose of which is to discuss the financial performance of the Fund, address member issues/questions and give members the opportunity to make suggestions for improvement of its services.³⁰ This is a gap in the regulation and governance of the Fund, one that undermines accountability towards its members.

Conflicts of interest

The lack of diversity in the representation on the FNPF board is also concerning because of the potential conflicts of interest of the current Board members. The following section outlines evidence of potential conflicts of interests on today’s narrowly-selected Board.

For much of the period between 2009 and 2021 only five (the minimum legal requirement) out of the seven roles available on the FNPF board have been filled. These are often filled by the same board members for longer than the term limits specified by the FNPF Act 2011, leaving the entirety of control over major decisions regarding the FNPF in the hands of a few individuals. Board members control the collection and management of contributions, investment decisions, and management of the Fund. The Board also hold an advisory role to government on the state of the fund, as well as establishing and managing the Fund’s governance systems and processes, its quality assurance, and the measurement of the performance of the Board itself. This level of control means that the Board has total power over the Fund and its governance.

Safeguards created by the Act and other FNPF regulations against conflicts of interest and undue influence do not seem to be fully respected. For example, Mr. Kodagoda, the chair of the FNPF and a board member between 2009 and 2019, held his position as a representative on the Board for 10 years, despite the regulation specifying that no more than two consecutive terms of four years each should be held by any board member. Similarly, it appears that Mr. Kuruvakadua held his position as board chair for longer than the legally allowed periods.

28. <https://mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf>

29. https://www.unepfi.org/fileadmin/documents/fiduciary_duty_21st_century.pdf

30. <https://myfnpf.com.fj/annual-member-forum/>

International bodies have also expressed concerns about the governance and makeup of the FNPF Board. The best example is the International Monetary Fund's (IMF) country report No. 20/80.³¹ The report points to shortcomings in term of tenure, independence, and expertise of the FNPF board members. The IMF found that the two board members nominated to the Board in April 2019, Mr Joel Abraham and Ms Kalpana Lal, did not pass the fit and proper test required by the FNPF Act. Both continue to sit on the FNPF Board and its investment committee. The report recommends that the FNPF "avoid conflicts of interest for its board members and all future nominations should be subject to a rigorous fit and proper test." (pp.14)

The table below details potential conflicts of interest among FNPF Board members, identified in light of recent FNPF investments. A number of Board members play a dual role as directors of companies in which the FNPF invests. There are also alleged close personal relationships between some Board members and the Attorney-General as well as claims of political influence on appointments to the FNPF Board.

Further analysis is warranted based on this initial scan. A more comprehensive examination would gauge the depth and seriousness of conflicts of interest present among FNPF Board members.

Name	Trustee since	Specialisation	Comments on existing and past associations and potential conflicts of interest
Mr Daksesh Patel (Chair)	01/2020		<p>CEO of InfraBuild 2019-21 (Australia's leading steel manufacturer), current director</p> <p>Founder of a large steel reinforcing company in Australia (Mesh & Bar)</p> <p><i>"Daksesh Patel's role in chairing both the FNPF and Energy Fiji Limited when F\$220-million recently passed between them is especially egregious. He has a close personal relationship with the Attorney-General and is a donor to the FijiFirst Party. And to any genuinely independent eye, the circumstances suggest that the AG installed him as FNPF chair – along with other supporters on the board – for the advantage of the government to make it easier for him to access the retirement savings of the Fijian people."</i>³²</p>

31. <https://www.imf.org/en/Publications/CR/Issues/2020/03/19/Republic-of-Fiji-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-49279>
32. <https://www.grubsheet.com.au/a-tangled-web-of-secrecy-and-control-pt-2/>

Mr Sanjay Kaba	01/2020	Project development, project management, planning and civil/structural engineering	Chair of the Investment Committee board Director of Vodafone Fiji Limited Owner of HLK Jacob ³³ – an engineering company which provided civil and structural engineering and construction services worth hundreds of millions of Fijian dollars to resorts owned by the FNPF fund ³⁴ There is evidence that he is involved with and a donor and influencer of the Fiji First Party ³⁵
Mr Mukhtar Ali	01/2020	Profitability enhancement, strategic lending initiatives, expert in banking regulation	EVP and CCO of the Community Bank of the Bay of Oakland, California, USA
Mr Shiri Gounder	03/2021	National budget formulation, taxation & customs policy, public financial management, macroeconomic policy and strategic management	Acting Permanent Secretary of the Economy (public servant in the Ministry for Economy) Director of the Reserve Bank of Fiji Director of Fiji Revenue and Customs Service, Energy Fiji Limited, Unit Trust of Fiji, and Fiji Investment Corporation Limited
Mr Joel Abraham	04/2019	Accounting, business advisory, compliance, finance, regulatory, and research	
Ms Kalpana Lal	04/2019	Extensive experience in financial reporting, management of procurement processes & other related functions, review and compliance of financing contracts, consultancies and local subsidiaries.	

33. <http://www.hlkjacob.co.nz/index.php/about-us/fiji-office>

34. <http://www.hlkjacob.co.nz/index.php/projects/resorts>

35. <https://www.nfpfiji.org/post/is-sanjay-kaba-involved-in-interviewing-fiji-first-applicants-for-elections>

The next table presents the major investments of the FNPF and provides an assessment of potential conflict of interests of the current Board members (but does not consider related parties) in relation to each.

Investment	Industry	% owned by FNPF	Potential conflict of interest	Other comments
Amalgamated Telecom Holdings Limited (ATHL)	Tele-Communications	72.7	Ms Kalpana Lal is both a director on the board of the company and a Board member of the FNPF	The government owns 17.3% of the shares and the remaining shares are owned by companies and individuals ³⁶
Home Finance Company Pte Limited	Financial services (it's a bank)	75		
Yatule Beach Resort Pte Limited	Resort Operations	100		
FNPF Hotel Resorts Pte Limited	Resort Operations	100		
FNPF Nominees Limited	Nominee Services	100		
Natadola Bay Resort Pte Limited	Resort Operations	100		
Momi Bay Resort Pte Limited				
Dareton Pte Limited				
Health Care (Fiji) Pte Ltd				Fiji Govt, the FNPF and Aspen Medical Pty (Australia) signed a public private partnership agreement and led to establishment of this subsidiary. Aspen Medical owns the other 20%
Grand Pacific Hotel Pte Ltd	Resort Operations	100		

36. <http://www.ath.com.fj/images/athannualreport2020.pdf>

Farleigh Limited	Resort Operations	100		
Tropic Health Incorporated (Fiji) Limited	Medical	46		I can't find any information on this company or find a record of it online
Active (Fiji) Co. Limited	Tourism	23		Same as above
Halabe Investments Limited	Real estate	25		
Fiji Ports Corporation Limited	Wharfage	39	Two FNPF reps are on the board. They are Mr. Shashi Singh and Mr. Tevita Kuruvakadua	41% is owned by govt, and another 20% owned by Aitken Spence (Sri Lankan company).
Bligh Water Shipping Limited	Shipping	26		I think this company is owned by Interlink Shipping, there isn't a lot of information on this that I can find.
Energy Fiji Limited (EFL)	Energy (was 20)	0		<p>In 2020 FNPF disposed its total equity of 20% in Energy Fiji Limited and instead acquired equity in Sevens Pacific Pty Limited.</p> <p>This sale happened only a year following the purchase of the shares by the FNPF from the government, bringing criticism that the government treats the FNPF as a "cash cow"³⁷</p> <p>44% of EFL is now owned by Seven Pacific Pte Ltd, which is owned by a Japanese bank and company. The Government remains the majority shareholder with 51% of shares, while other Fijian account holders own the remaining 5%.</p> <p>The Minister for Economy cited shared vision to carbon neutrality as a reason for the sale to Seve Pacific.³⁸</p>

37. <https://www.fijitimes.com/its-a-desperate-move-says-biman/>

38. <https://www.fijitimes.com/japanese-consortium-buys-efl-shares/>

Another source of potential conflicts are the FNPF's commercial loans, detailed in the table below.

Name of company	Loan value	Conflict of interest?	Notes
Natadola Bay Resort Pte Limited	\$298,990,000		"As at year end, the Fund is carrying a provision for impairment against the loan of F\$153,104,000"
Farleigh Pte Limited	\$83,155,000		"Loans towards the refurbishment of the Sheraton and Westin Resorts"
Barton Pte Limited	\$127,723,000		All three of these companies were named in a court case where owners of the land on which some resorts are build sought information about share sales ³⁹
Dubbo Pte Limited	\$14,453,000		Possible links between these companies and hotels owned by the FNPF
Grand Pacific Hotel Limited	\$42,822,000		Loan "as part of upgrade required towards rebranding to the Intercontinental brand"
Lotus Garments Limited		Padam Raj Lala The owner and founder of this company many political connections and is the deputy Mayor of Suva city council; ⁴⁰ he was previously a chair and member of the board of RB Patel Group limited	Drew on a pre-approved loan in 2021; trading as National Uniforms and is a family owned and managed company; the loan was first approved in 2017
Kalabo Investments Pte Limited			New loan approved in 2021. The company trade as Shop and Save and own 16 supermarkets in Fiji.
Air Pacific	\$53.6 million		Drew on loan approved in 2020. Repayment holiday approved. The company is 51% owned by the Fijian govt, 46% by Qantas and remainder is owned by Air NZ and governments of Tonga, Kiribati, Nauru and Samoa
Nomi Beach Resort Limited	\$125,179,000		
Vodafone Fiji Pte Ltd	\$71,761,000		

39. <https://fijisun.com.fj/2018/07/20/landowners-take-tltb-to-court/>

40. <https://www.suninsurance.com.fj/About-Us/Board>

Questions around the misuse of FNPF funds by the government

Commercial loans made by the FNPF have been the subject of debate in recent years, with the Fund accused of preferential treatment of some borrowers and political interference.

Wadan Narsey, an economist and former professor at the University of the South Pacific, has frequently criticised the FNPF, including some of its investment and loan decisions. He has singled out loans to Fiji Airlines, Fijian Hotels and Fiji's sugar corporation, all of which were unable to get loans from Fiji's banks.⁴¹ For example, Natadola Bay Resort Pte Limited was loaned F\$298.99 million (F\$202.84 million of which is free of interest) and Momi Bay Resort Limited is carrying a loan from FNPF in the value of F\$125.18 million.

During the Covid-19 crisis, the FNPF provided a loan of F\$53.6 million to Fiji Airways as a strategic investment for tourism. Opinions about it have been split. Some say the support was necessary to protect Fiji's tourism industry, while others see it as lending to a 'zombie company'. With Fiji so dependent on tourism, it is clear the airline is vital to the economy of the country; however, financial support should be combined with guarantees for working conditions and jobs for airline workers.

The loan was attacked by opposition politicians. Opposition MP Tanya Waqanika criticised the government guarantees to the airline, stating "our retirement savings are being used to prop up dead or life support government statutes

and the biggest threat is Fiji Airways".⁴² A motion was also passed unanimously in May of 2021 to conduct an enquiry into Fiji Airways following a proposal from Social Democratic Liberal Party leader Viliame Gavoka. Addressing Parliament, Govoka stated that "Fiji Airways can take the country down".⁴³ The airline's history of debt accumulation has also been raised by Mahendra P. Chaudhry, leader of the Fiji Labour Party and former prime minister of Fiji.⁴⁴

On the other hand, the Fiji Trade Union Confederation (FTUC) wrote in a 2020 report that the government had tried to minimise the impact of Covid-19 on the tourism and airlines sectors, as major sources of revenue for the government.⁴⁵ The FTUC claimed that the loan to Fiji Airways was a justified move and in the interest of the members.

The very existence of serious criticisms of loans made by the FNPF raise concerns that the savings of the fund's members are not being used in their best interest, or at the very least, they are evidence of risks under the current governance structure for conflicts of interest to arise. FNPF governance practices are clearly underdeveloped in relation to with international standards and the Fund's complexity. A lack of clear accountability, transparent structures and good governance rules that are commensurate to the fund's maturity make it vulnerable to practices that may not be in the best interest of its members. *Further analysis is required on whether the Fund's investment choices are in the best interest of its members.*

41. <https://fijisun.com.fj/2018/07/20/landowners-take-ttb-to-court/>

42. <https://www.fijitimes.com/waqanika-danger-of-government-guarantee/>

43. <https://www.fijitimes.com/fiji-airways-can-take-country-down/>

44. <https://www.fijitimes.com/time-for-a-hard-look-fiji-airways-is-seriously-troubled/>

45. https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-suva/documents/publication/wcms_754703.pdf

Asset Management

When most investment is directed at government debt and deposits, simple safeguards against corruption can be sufficient. However, as assets grow, economies and financial markets develop, and portfolios expand to include a range of domestic assets, more elaborate safeguards are needed. Rules governing investment decision-making processes should become an integral part of a provident fund's governance structure.

Provident funds face a challenge to pursue two objectives that can sometimes be at odds: investments intending to advance national development objectives (which generate social returns, often over the long run) and maximisation of members' returns. Funds must be explicit in their guidelines about this balance of interests, and develop procedures to resolve conflicts between these objectives with clear metrics of what constitutes success. The FPNF does not currently have any means to measure or resolve these tensions.

The risk of political influence over investment decisions is particularly high in the case of provident funds because of their structure. The World Bank recommends that the most effective method to manage undue political influence over investment decision-making is create a 'firewall' between government and the managers of the provident fund (for example, in Canada, the Canada Pension Plan is run as a quasi-public corporation). The Bank also expects that by the time a provident fund has a fully diversified portfolio, as is the case for the FPNF, the rules governing asset allocation and the entire investment decision-making process should have become a key part of the governance structure.

This is where the gap lies for the FPNF: while the FPNF portfolio is diversified and

consistent in its asset allocation with that of a developed economy's pension system, it lacks the safeguards needed to protect it from a range of undue influence, manipulation, and conflicts of interest. The FPNF lacks a modern governance framework that would create real accountability.

In contrast to the FPNF, Singapore's pension fund does not have any investment responsibilities, and is solely responsible for management and administration. A separate government agency, the CPF Investment Scheme, is responsible for asset management. Similarly, Malaysia's pension system's board does not make investment decisions; these are instead made by an Investment Panel, which is dominated by professionals from the private sector in addition to the pension CEO, its Chair, and representatives from the Central Bank and the Ministry of Finance. Appointments to the panel are made by the Minister of Finance. Finally, the assets of Canada's national pension fund, the Canada Pension Plan (CPP), which is recognised globally for sound management, are also managed by an independent Board of Directors that operates at arm's length from the federal and provincial governments, and is independent of the CPP itself.⁴⁶

Achieving a degree of separation between the fund's assets and government requires a concerted effort and must start with an appropriate legislative and regulatory framework. The current FPNF legislation awards the management of assets to the Board itself, making it harder to separate competing interests. The FPNF board are directly responsible for the investment decisions of the Fund, a nonstandard practice, under the watch of the RBF – and the RBF's guiding policies which outline these responsibilities are themselves outdated, dating back to 2005 and 2007, prior to major changes in regulations of the Fund in 2011.

46. <https://www.cppinvestments.com/about-us>

Additional risks from an ‘all purpose savings’ fund

It is common for provident funds to act as ‘all purpose’ savings mechanisms, where members can withdraw some funds before retirement for clearly specified purposes. While this feature provides protection for fund members in the case of a health emergency as well as a way to improve quality of life by obtaining an education or housing, it also poses a risk to members’ retirement security.

The “all purpose savings” nature of provident funds means that retirement savings can take second place to the immediate priorities of the members when other pressing life events arise. To be successful, provident funds should find a balance between these competing goals at the individual level. Nevertheless, the ultimate goal for such funds is to ensure retirement security.

This tension between providing social protection and securing retirement savings was evident during the Covid-19 pandemic. The FNPF rolled out withdrawal assistance programmes during Covid-19 to ease the social

and economic impacts of the pandemic. The FNPF reported negative net contributions of F\$197 million in the 2020-21 financial year.⁴⁷ This was the result of F\$104.9 million COVID-19 assistance payments paid from members’ funds during the year and a reduction in contributions totalling 8% (5% from employers and 3% from employees). This move has been criticised for depriving members of that employer contribution towards their retirement savings, instead transferring these to employers.⁴⁸ The move saw the total contribution fall from 18% to 10%. By comparison, the average effective contribution rate for public schemes in the 34 countries of the OECD is 15.4%.

At the same time, the FNPF appears to have weathered the pandemic successfully. In late 2021 the IMF reported that the FNPF has a robust financial position with comfortable cash reserves, supported by a healthy financial performance thus far in the pandemic.⁴⁹ The RBF gave the Fund a marginal prudential assessment in 2021 based on the Fund “meeting its solvency requirement of 110 percent backed by the 125 percent risk-based capital coverage”.⁵⁰

47. <https://www.rbf.gov.fj/rbf-annual-report-august-2020-july-2021/>

48. [https://www.fijitimes.com/the-great-fnfp-robbery-continues/#:~:text=If%20a%20robber%20accosted%20a,both\)%20for%20his%20obvious%20crime](https://www.fijitimes.com/the-great-fnfp-robbery-continues/#:~:text=If%20a%20robber%20accosted%20a,both)%20for%20his%20obvious%20crime)

49. <https://www.imf.org/en/Publications/CR/Issues/2021/12/03/Republic-of-Fiji-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-510770>

50. <https://www.rbf.gov.fj/rbf-annual-report-august-2020-july-2021/>

RECOMMENDATIONS

The total control the Board of the FNPF possess over all aspects of the governance, management and asset allocation of the fund creates serious concerns about a lack of transparency and accountability to Fund members. There are also concerns about the effectiveness of RBF's role as a supervisory body of the Fund. The first four recommendations below address these governance issues.

Recommendation 1: The FNPF's governance structure must be reviewed and reformed. The new structure should align with international best practice, safeguarding the Fund from undue political influence, self-dealing and mismanagement.

Recommendation 2: The RBF's supervisory role and oversight policies need to be updated to align with the revised governance structure. There must be no conflicts of interest between the RBF and the FNPF.

Recommendation 3: Workers should be represented on the FNPF Board of Directors as funders of the scheme and as the primary stakeholders of the Fund. This is crucial in creating accountability to members of the Fund and is standard international practice.

Recommendation 4: The asset investment and management functions of the Fund should be separated from the functions of the Board of Directors.

The next three recommendations deal with the dual mandate of the FNPF in supporting national economic development and maximizing member returns, ensuring that any conflicts between these aims are made explicit and resolved.

Recommendation 5: Regulations and laws governing the FNPF must stipulate clearly what fiduciary duty means in practice as well as stipulate how it is being managed and reported to members.

Recommendation 6: Regulations must stipulate how the interests of the members are defined and reviewed. These regulations should be created and reviewed with the engagement of members **themselves and monitored as key accountability criteria.**

Recommendation 7: The Fund must stipulate explicitly the balance of interests between meeting national economic development objectives and retirement security for members. The weighting of each objective must be stated and regular evaluations of decisions and outcomes should be made against these defined criteria.

The final recommendation outlines how the FNPF should incorporate ESG (Environmental, Social and Governance) criteria into its decision-making.

Recommendation 8: ESG considerations must be include in both FNPF regulations and the RBF's supervisory policy.

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