



# PARLIAMENT OF THE REPUBLIC OF FIJI

## STANDING COMMITTEE ON ECONOMIC AFFAIRS

### Fiji Development Bank 2017 Annual Report



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## Contents

<b>Chair's Foreword .....</b>	<b>3</b>
<b>Acronyms: .....</b>	<b>5</b>
<b>1.0 Introduction .....</b>	<b>6</b>
1.1 Background .....	6
<b>2.0 Recommendations .....</b>	<b>7</b>
<b>3.0 Gender Analysis .....</b>	<b>8</b>
<b>4.0 Conclusion .....</b>	<b>9</b>
<b>Members Signature .....</b>	<b>10</b>
<b>Appendices</b>	

## **Chair's Foreword**

The Standing Committee on Economic Affairs was tasked by Parliament to review the Fiji Development Bank 2017 Annual report.

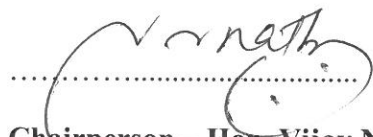
The Fiji Development Bank operates with the mission to provide financial and advisory services to assist in the economic development of Fiji. The Bank places core focus on agriculture, commerce and industry. Their objectives specifically state that they aim to improve the socio economic status of people by making the right development investments and financing while staying financially and economically sustainable.

The Committee whilst deliberating, appreciated that FDB is the biggest lender to agriculture and sugar but given that competition in the banking sector is quite intense, FDB must engage in aggressive marketing and raise more awareness of its other product offerings in attempts to attract more customers that they are designed to serve. Further to this, the efforts of revitalizing the beef industry was also acknowledged by the committee and would recommend more schemes are considered such as that with the 25 Nadroga beef farmers under the Tilivalevu Beef Scheme.

Furthermore, the Committee was happy to note that FDB continues to play its part towards the Sustainable Development Goals. SDG Goal 7 which is Affordable and Clean Energy has been portrayed through the Bank's Sustainable Energy Financing Facility (SEFF) introduced with the aim of scaling up renewable energy investment in Fiji in order to encourage farmers and businesses to adopt green technology and reduce reliance on fossil fuel. Moving on, SDG 13 was evident through initiatives such as Green Climate Fund accreditation which was submitted in the year 2017. If successful, this would make FDB the first development bank in the region to be fully accredited and be granted access to GCF adaptation and mitigation funds. This would give way to government plans for cushioning negative impact of global climate phenomena and achieving 90% renewable energy by 2030. Additionally, the annual SME Awards, together with the bank's financial literacy programs such as Money Smart and Invest Smart were in the process of being remodeled to encompass SDGs and the Climate Change action framework for a re-launch in 2018.

Finally, I would like to thank our Committee Members who were part of the team that produced this report: - the Deputy Chair Hon. Veena Bhatnagar, Hon. George Vegnathan, Hon. Filipe Tuisawau, Hon. Inosi Kuridrani and Hon. Viliame Gavoka. I also take this opportunity to acknowledge and thank the Parliamentary Staff who have given us invaluable support.

On behalf of the Standing Committee on Economic Affairs, I commend the FDB 2017 Annual report to Parliament.

A handwritten signature in black ink, appearing to read "Vijay Nath", is written over a horizontal dotted line.

**Chairperson – Hon. Vijay Nath**

## Acronyms:

FDB	-	Fiji Development Bank
GCF	-	Green Climate Fund
SDG	-	Sustainable Development Goals
SME	-	Small Medium Enterprises
SO	-	Standing Orders

## **1.0 Introduction**

### **1.1 Background**

The Fiji Development Bank (FDB) was established under the Fiji Development Bank Act (Cap 214) in 1967. It has been classified as an autonomous statutory body, operations of which are controlled by a Board of Directors appointed by the Minister for Economy.

The Act ensures that the finances of the Bank are dedicated towards projects that would promote development as well better quality of life for all Fijians. Small Medium Enterprises are also placed in priority amongst other sectors such as Agriculture and Corporate loans. FDB is collated into various government schemes to provide special assistance to those who have capabilities of operating businesses but do not have sufficient funds to do so.

In the last few years, FDB have introduced and upgraded their range of loan packages and services according to customer demand and strategic objectives. The packages are designed in a way that it is lucrative and competitive. Another special focus for FDB is effective support and encouragement for entrepreneurs and operators of SME's.

Despite Fiji's considerable socio-economic challenges, the Bank additionally achieved a record net profit for the year of \$8.15m, an increase of 11.63% on the figure for 2016. It is believed that implementation of stringent cost control measures played a significant role in the recorded performance. The Bank's total loan portfolio increased by \$62.58m to \$438.09m in the 2017 financial year, an increase of 16.67% from the previous year.

### **1.2 Committee Remit and Composition**

The Committee is made up of five (5) Members of Parliament, three (3) of which are Government members and two Opposition members. According to Section 109(2)(a) the Standing Committee is responsible to look into matters related to economic development, finance, banking and taxation.

## 2.0 Recommendations

1. As part of its advisory roles in the development of Agriculture, the Committee recommends that FDB work with the stakeholders and determine ways to make better use of the collection centers that have been set up in parts of Fiji. The total value chain with all its components from production to the 'end user' are to be properly established on which the FDB could play a pivotal role.
2. The Committee appreciates that FDB is the biggest lender to agriculture and sugar but given that competition in the banking sector is quite intense, it is imperative that FDB engages in aggressive marketing and raise awareness of its other product offerings. This would broaden customer base and attract more people that they are designed to serve.
3. The Committee is concerned with the perception that it takes too long to obtain approval for a loan with FDB compared with other players. The Committee notes that FDB is undertaking a process engineering so that it becomes more automated and improve on turnaround times. The Committee would recommend that they continue to focus on this key area.
4. The Committee recommends that initiatives such as the special loan schemes aimed at first time small borrowers be reintroduced. These were available in the past and assisted local borrowers who were otherwise unable to start up their businesses through traditional lenders.
5. The Committee appreciates that efforts are being made to lend to revitalize the beef industry and recommends that more schemes are considered such as that with the 25 Nadroga beef farmers under the Tilivalevu Beef Scheme.
6. The Committee notes that under the lending portfolios, the bank's exposure to 15 borrowers stands at approximately \$97m or 22.2% of total lending. The Committee recommends that due diligence on such lending should be at the highest level possible.
7. Given the high risks with development banking, the Committee recommends that sufficient provision is always made for bad debts and for this to be reflected in the Annual report.
8. The Committee appreciates that Cost of Funds continues to be a challenge with FDB and is heartened that the corporate sector and other institutions are gradually considering placing term deposits with FDB. The Committee recommends that all efforts are made to ensure FDB is not handicapped in any way in the quest for such deposits.

### **3.0 Gender Analysis**

In the 2017 financial year, the Bank had a total of 171 staff of which 44.57% were female and 55.43% were male as in comparison to 2016 where the Bank's female staff represented 39.77% of the total.

The major milestone achievement in the Bank's history in terms of gender equality was the appointment of a woman to an executive management role, and appointments of women to four other new key positions. These five women from diverse professional and social backgrounds are leading FDB's capacity and talent development, strategic business growth, risk management, brand management, and the largest relationship and sales unit.

Other fundamental business practices which the Bank has adopted over the years to live and breathe diversity are:

- Acknowledgement and respect of individual beliefs, practices and backgrounds, and recognition of the importance of a diversity of approaches to a problem.
- Championing equality policies.
- Promotes and encourages open dialogue and understanding amongst the bank's employees.
- Ensures equality training is part of the recruitment and onboarding process for new employees.
- Has a clear process to deal with complaints or issues in relation to equality for all stakeholders.
- Uses an employee profile management system to keep track of employee skills, qualifications, and other notes. A complete employee profile makes sure the best possible candidates are selected for promotions and special projects on merit.

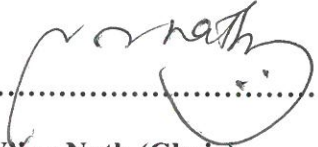
In terms of the Bank's lending policy, there is no discrimination. The lending policy is the same for both genders. In this regard any one can apply for loan. The Bank's focus in coming years will be product development targeted at increasing the participation of women and youths.



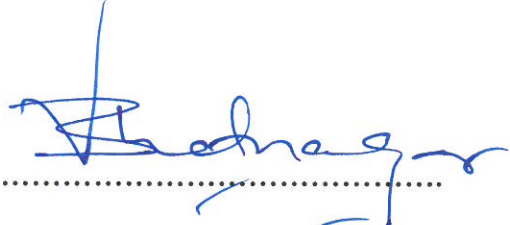
## **4.0 Conclusion**


To conclude, FDB continues to meet the expectations consistent with its developmental role and is competitive in relation to its place in the banking community. The company plays an important role towards Fiji's economic development and should be given all the support it deserves so that they are able to fulfill their aim to provide a better quality of life for all Fijians.


## Members Signature

  
.....  
Hon. Vijay Nath (Chair)

  
.....  
Hon. Viliam Gavoka (Alternate Member)

  
.....  
Hon. Veena Bhatnagar (Deputy Chair)

  
.....  
Hon. George Vegnathan (Member)

  
.....  
Hon. Ro Filipe Tuisawau (Member)

  
.....  
Hon. Inosi Kuridrani (Member)

## **STANDING COMMITTEE ON ECONOMIC AFFAIRS**

### **FDB ANNUAL REPORT 2017**

#### **1.0 Introduction**

The Fiji Development Bank's 2017 Financial Year performance was robust, once again demonstrating sustainability and resilience that constitute the FDB hallmark.

The year saw the completion of upgrades designed to enhance our capacity for dispensing development funding through a variety of short, medium and long-term mechanisms.

The Bank also instigated structural reforms and internal process re-engineering, under the 2015-2017 Strategic Plan, to improve on service delivery and turnaround times for core lending functions.

New strategies, again introduced under the 2015-2017 Strategic Plan, proved successful in achieving reductions in non performing account numbers and cost of funding.

The Bank expanded its portfolio and recorded increases in the profit margins in the 2017 financial year. New loan repayment platforms were introduced and revised policies relating to the acceptance of term deposits completed.

The Bank also moved closer to establishing a presence in the global arena through Green Climate Fund (GCF) accreditation application. Accreditation would open up new opportunity for the Bank in project lending and advocacy, where Bank's climate mitigation and adaptation initiatives dovetail with Government plans for cushioning the negative impact of global climate phenomena, and achieving 90% renewables by 2030.

#### **2.0 The Board**

Under the Fiji Development Bank Act, the Minister of Economy appoints the Board of Directors. The Board is ultimately responsible for all decision making while upholding the interest of Shareholders and all Stakeholders.

The Board of Directors during the 2017 financial year were as follows:

- |                     |   |                                       |
|---------------------|---|---------------------------------------|
| 1. Mr. Robert Lyon  | ; | Chairman                              |
| 2. Mr. Wella Pillay | : | Deputy Chairman                       |
| 3. Mr. Inia Naiyaga | : | Member                                |
| 4. Mr. Rajesh Patel | : | Member                                |
| 5. Ms. Olivia Mavoa | : | Member (Appointment expired 5/1/2017) |

The Board meets very second month and Board Committee meetings are held very quarter.

The Board Committees are as follows:

Audit Committee

Credit Risk Committee

Talent and Organizational Development Committee

Given the urgency for approval of large loans, the Board Credit Risk Committee usually delivers decisions by flying minute.

### **3.0 Executive Management**

The Executive Management for the financial year 2017 were as follows:

- |                           |   |   |
|---------------------------|---|---|
| 1. Mr. Deve Toganivalu    | : | Chief Executive Officer (Retired in March 2017) |
| 2. Mr. Nafitalai Cakacaka | : | General Manager Business Risk Services          |
| 3. Mr. Saiyad Hussain     | : | General Manager Finance and Administration      |
| 4. Mr. Tevita Madigibuli  | : | General Manager Relationship and Sales          |

The Executive Committees meetings are held every second week

### **4.0 Achievements and Key Highlights for Financial Year 2017**

As a Development Finance Institution (DFI) crucial to the national economy, the Bank's challenge is to finance higher risk projects while remaining self-sustaining. The Banks success is measured by the ability to contribute to national economic growth on a continuing basis. This is particularly true for the agricultural sector.

The completion of the 2017 financial year was a milestone year for the Bank, as it embarks on a new journey celebrating its 50 years of existence in Fiji and the launch of a new Strategic Plan. Despite the challenges faced in the market, the Bank achieved a record net profit of \$8.155M. This is an increase of 11.63% compared to the prior year. Effective cost control measures and lower levels of allowances for credit impairment achieved through prudent credit and account management processes have largely contributed to the growth in the Bank's profitability.

Income Statement (\$MM)	2017	2016	2015	2014	2013	2012	2011
Net Interest Income	17.958	17.330	18.865	19.208	18.651	21.943	17.830
Other Operating Income	6.564	10.842	6.982	6.813	9.187	13.053	12.029
<b>Total Operating Income</b>	<b>24.522</b>	<b>28.172</b>	<b>25.847</b>	<b>26.021</b>	<b>27.838</b>	<b>34.996</b>	<b>29.859</b>
Operating Expenses	12.363	12.289	11.904	10.548	9.831	10.659	10.496
<b>Profit before Allowances</b>	<b>12.159</b>	<b>15.883</b>	<b>13.943</b>	<b>15.473</b>	<b>18.007</b>	<b>24.337</b>	<b>19.363</b>
Total Allowances	4.004	8.578	7.803	10.586	13.873	21.479	16.859
<b>Net Profit</b>	<b>8.155</b>	<b>7.305</b>	<b>6.140</b>	<b>4.887</b>	<b>4.134</b>	<b>2.858</b>	<b>2.504</b>

#### 4.1 Operating Income versus Operating Cost

The Bank's total operating income for the 2017 Financial Year was \$24.52 million, against total operating expenses of \$12.36 million. Total allowance for credit impairment (loan provision) declined by \$4.57 million compared to the preceding financial year, contributing significantly to the healthy profit recorded.

#### 4.2 Asset Growth

The Bank's financial position strengthened during 2017 with an increase in total assets from \$374.91M to \$402.06M. The Bank's gross loan portfolio stood at \$438.09M, a growth of \$62.58M (16.67%) in comparison to the prior year. Coupled with disbursements of \$107.286M, greater marketing, the use of efficient lending methods and effective management of customer relationships have resulted in the overall growth of the Bank's loan portfolio.

	Portfolio	% of total portfolio	No of Accounts
Focus Sector	: \$197.89 M	45.17%	3985
Non focus Sector	: \$240.21 M	54.83%	958

There were 1251 loan approvals valued at \$87.79M in the focus sector, which were in Agriculture, manufacturing, SME, transport, communication and storage. Agriculture had the highest number of approvals of 831 accounts.

#### 4.3 Market Share

The Bank remained committed to supporting the Government's strategic focus on the Agriculture and Resource Based sectors, with a 47.05% market share of the business overall and 99.45% of the market share in the Sugar Cane sector alone.

Recent growth in the latter sector was achieved through loans for mechanical cane harvesters under the Bank's Agricultural Services Loan facilities. To May 2017, the Bank provided financing to the value of \$10.78 million to customers across the cane belt areas.

The Bank was a prominent contributor during the year to other key economic sectors such as Building and Construction, Manufacturing, Transport, Communication and Storage, and Professional Business Services. With growth anticipated in Fiji's Tourism and Infrastructure Development industries, the Bank is slowly gaining market share there also.

The Bank has maximum outreach to the remote /rural areas with potential for economic growth, particularly in Agriculture and SME sectors. The Bank has Branches in Suva and Nausori in the Central/Eastern Division, Sigatoka, Nadi, Lautoka, Ba and Rakiraki in the Western Division, and Nabouwalu, Seaqaqa, Labasa, Savusavu and Taveuni in the Northern Division.

#### **4.4 Capacity Development**

As part of the Banks strategic plan, strategies were devised based on the following two objectives:

- Promote the Bank's corporate identity in the national, regional and international arenas.
- Expand the Bank's engagement profile to include a wide network of development partners.

To improve on its service delivery both internally and externally, the Bank is working on creating more dynamic and empowering teams backed by efficient processes. The re-engineered focus was on promoting team building, career and personal development, coaching, innovation and leadership development and training. This will ensure that the Bank has increase excellence, high customer satisfaction levels and improved overall financial performance.

#### **4.5 Cost of fund**

As a development Bank, FDB has the challenging task of balancing low lending rates against a high cost of funds, an area where commercial banks have the upper hand. The cost of funds as at June 2017 was 3.27%, an increase of 0.22%. The Bank usually borrows from the market to on-lend to customers.

To diversify its funding base, the bank decided to accept term deposits from Corporate, institutions and larger Customers. In the 2017 financial year the Bank has been working with the policy documents to meet the RBF requirement. The product was launched in 2018.

#### **4.6 Corporate Social responsibility and Community and Environment**

##### **1. The Banks Small and Medium Enterprise Awards**

Held annually to encourage the growth of Micro and Small Enterprise by providing a platform for competitive recognition and national exposure.

##### **2. Financial Literacy – two programmes are;**

Money \$mart – part of the Commercial Studies syllabus of 162 Fiji Secondary Schools. Key elements include, budgeting, opening a saving accounts, and starting a saving plans

Invest \$mart - teaches students how to identify opportunities for investing their savings

Each year close to 30,000 students benefit from the two programmes.

The Bank also stepped up as a good corporate citizen by lending its support to various initiatives fostering community and environmental development, through enhanced sponsorship programmes.

#### **4.7 Government Seed Grants**

The Bank continued its collaboration with the Ministry of Industry, Trade and Tourism (MITT) in dispensing Micro and Small Business Grants throughout the 2017 Financial Year. The Bank looks favorably on recipients of these grants later seeking finance from the Bank in expanding their businesses.

#### **4.8 Recognition from the Bank's Regional Peers**

The Bank received an award from the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) for its role in creating development impact. The presentation took place at an Outstanding Development Project Awards ceremony during the 40th ADFIAP Annual Meeting in Macao SAR, China. FDB emerged as the 2017 winner in the financial inclusion category.

The Bank's winning submission highlighted how FDB, as Fiji's only national development financial institution, continued to support the country's largest microfinance body, South Pacific Business Development Microfinance Ltd (Fiji), and in doing so demonstrated strong and continuing commitment to projects contributing to poverty eradication and the economic empowerment of women and youths.

#### **4.9 Affordable Clean Energy**

The Bank introduced the Sustainable Energy Financing Facility (SEFF) with the aim of scaling up renewable energy investment in Fiji, continued to encourage farmers and businesses to adopt green technology for the generation of electricity and reduced reliance on imported fossil fuels.

The World Bank supported this FDB Facility through partial guarantee of individual loans relating to the use of solar and hydro power, and coconut oil fuel for diesel generators. The arrangement expired on 31 December, 2017.

Despite the expiry of arrangement with World Bank, the Bank still continue to progress private sector-led infrastructure development that supports clean and affordable energy.

### **5.0 Gender Equality and Diversity**

FDB is an inclusive organization which respects and protect the principles of fairness, dignity, diversity and respect for all workers. Promoting equality for all employees is the core focus for the Bank.

In the 2017 financial year, the Bank had a total of 171 staff of which 44.57% were female and 55.43% were male. For the 2016 Financial Year, the Bank's female staff represented 39.77% of the total.

The major milestone achievement in the Bank's history in terms of gender equality was the appointment of a woman to an executive management role, and appointments of women to four other new key positions. These five women from diverse professional and social backgrounds are leading FDB's capacity and talent development, strategic business growth, risk management, brand management, and the largest relationship and sales unit.

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- Has a clear process to deal with complaints or issues in relation to equality for all stakeholders.
- Uses an employee profile management system to keep track of employee skills, qualifications, and other notes. A complete employee profile makes sure the best possible candidates are selected for promotions and special projects on merit.

In terms of the Bank's lending policy, there is no discrimination. The lending policy is the same for both genders. In this regard any one can apply for loan. The Bank's focus in coming years will be product development targeted at increasing the participation of women and youths.

## **6.0 Conclusion**

2017 once again saw the Bank making exhaustive efforts to identify the best possible financial products and services, in order to contribute significantly to the expansion of the Fijian economy, emerging markets and an improved quality of life for every Fijian.

In keeping with its promise of Your Partner in Progress, the Bank will continue to offer enhanced access to products providing funding for agricultural businesses, and new service providers, that will help maintain or enhance their cash flows. Products will be designed or reviewed specifically to assist investors in meeting changing needs and challenges.