



STANDING COMMITTEE ON ECONOMIC AFFAIRS

Review of Fiji Development Bank 2019 Annual Report



PARLIAMENT OF THE REPUBLIC OF FIJI
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Chairperson's Foreword

The Standing Committee on Economic Affairs is pleased to submit to Parliament, the Review Report of the Fiji Development Bank 2019 Annual Report.

The Fiji Development Bank plays a pivotal role towards Fiji's economic development. This was evident in its 2019 report as the Bank's lending portfolio grew to \$539.75M at the end of the financial year with the loan portfolio representing a customer base of 5,149 accounts.

The Committee welcomed and commended the recent initiatives and services, namely, Yau Bula Term deposit facility , FDB Agriculture Loan Facility, Strategic Partnership in FDB, Ministry of Agriculture and International Fund for Agricultural Development (IFAD)- Matching Grant Support Scheme for SME's to promote market oriented agricultural production for farmers in remote and rural areas.

The Committee extends its appreciation to the team at Fiji Development Bank for successfully executing its accreditation with the Green Climate Fund. This milestone brings potential for the Bank to increase foreign investment in local climate change mitigation and adaptation projects. Furthermore, the Committee was very pleased to note that the Fiji Development Bank dedicated a section of its report to include its progress towards achieving the Sustainable Development Goals relevant to them. Such initiatives strongly reaffirms the Bank's commitment toward fulfilling its Goals.

The Bank also plays an important role towards increasing financial knowledge through its financial literacy initiatives as well as its community based expositions and roadshows and this was evident through the outreach programs conducted during the period under review.

Moving on, the Committee perused FDB's website and was very pleased to note how easy it was to access information about the various loan packages offered.

I would like to take this opportunity to extend our appreciation to CEO of FDB and his team for being prompt in answering the various queries and questions raised by the Committee.

Finally, I would like to thank our Committee Members who were part of the team that produced this report: - Deputy Chairperson Hon. Veena Bhatnagar, Hon. George Vegnathan, Hon. Inosi Kuridrani and Hon. Ro Filipe Tuisawau. 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 Review of the Fiji Development Bank 2019 Annual Report to Parliament.



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Chairperson – Hon. Vijay Nath

1.0 Introduction

1.1 Background

The Fiji Development Bank works with the mission, in accordance with FDB Act, to provide finance, financial and advisory services to assist in the economic development of Fiji, and in particular in the development of Agriculture, Commerce and Industry. It is an autonomous statutory body, the operations of which are controlled by the Board of Directors appointed by the Minister of Economy.

The Bank operates in twelve (12) strategic locations in Suva, Nausori, Sigatoka, Nadi, Lautoka, Ba, Rakiraki, Labasa and Savusavu. Additionally, it also operates full offices in more remote locations such as Nabouwalu, Seaqaqa and Taveuni.

As a Development Financial Institution, the Bank has the responsibility of improving standards by incorporating social and environmental safeguards in its operations and those it finances. FDB contribute towards building a robust financial sector in Fiji by stepping in to fill gaps in credit supply, allowing it to lend to businesses and projects that cannot normally access finance from commercial banks.

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 Findings and Recommendations

1. The Committee noted that despite the challenging market conditions, tightened funding availability, rising funding costs, staff and operational costs and increased allowances for expected credit losses, FDB made a net profit of \$4.07M. The Committee commends FDB for maintaining its profitability.
2. The Committee acknowledges that the Focused sector portfolio is more closely aligned to the Bank's Mission and Vision. The Focused Sector accounts comprise 79.55% of the FDB portfolio worth \$234m which represents an increase of \$13.02m whilst the non-focused sector comprised 20.45% of the FDB portfolio worth \$305.75m. The Committee recommends that the Bank continue to enhance improvements to the focused sectors contribution in value to the Bank's total portfolio.
3. The Committee welcomes and commends the recent initiatives and services such as the Yau Bula Term deposit facility, FDB Agriculture Loan Facility, Strategic Partnership in FDB, Ministry of Agriculture and International Fund for Agricultural Development (IFAD)- Matching Grant Support Scheme for SMEs. These initiatives would enhance the focused sectors of the Bank.
4. The Committee noted that FDB introduced its Agriculture Family Loan Facility which enables farmers who previously did not qualify due to absence of savings, assets or formal land leases as collateral for loans, to now access loans for land development. The Committee commends this initiative as it promotes sustainable agriculture in Fiji as well as promotes rural development and recommends for the Bank to hold vigorous awareness sessions in all parts of Fiji to ensure all farmers take advantage of this loan facility.
5. The Committee is aware of the important role played by SMEs towards Fiji's economic growth and recommends FDB to work with Stakeholders (such as MCTTT) to develop lucrative packages to attract more Youths to invest in Modern Agriculture through initiatives such as YES Scheme.
6. The Committee commends the Fiji Development Bank for executing its accreditation with the Green Climate Fund which became effective on 28th March, 2019. This milestone provides the Bank with opportunities to increase foreign investment in local climate change mitigation and adaptation projects.

7. The Committee noted that the Bank undertook significant upgrading works in its ICT departments to enhance its security and service delivery online. Whilst the Committee commends this transition to digital platform, it recommends the Bank to enhance its Cyber Security protocols against potential threats.

3.0 Sustainable Development Goals

The Committee was very pleased to note that the Fiji Development Bank dedicated a section of its report to include its progress towards achieving the Sustainable Development Goals relevant to them. Such initiatives strongly reaffirms the Bank's commitment toward fulfilling its Goals.

According to the Bank's SDG Report on page 63 of the Annual Report, FDB has contributed towards realizing the goals by supporting and promoting inclusive socio-economic development, reducing unemployment, promoting food and nutrition security initiatives, access to clean and safe water, proper sanitation, clean energy, quality education and healthcare facilities. Additionally, the Bank has also addressed youth unemployment and promoted women in business.

Listed below are some of the Goals that FDB had been working towards during the period under review.

1. SDG 1 No Poverty, SDG 8- Decent Work and Economic Growth and SDG 9; Industry, Innovation and Infrastructure

Agriculture: The portfolio value of \$110.62 million reflected FDB's commitment in supporting a competitive, sustainable and value-adding agriculture sector in Fiji. This value represents 20.50% of FDB's total portfolio. In 2019, the Bank approved 919 loans in the Agriculture Sector.

Sugar: FDB invested \$20.77 million into the market during 2019 to support a sustainable sugar industry in Fiji. With the industry playing an important role in Fiji's socio-economic development, FDB had committed to support the adoption of mechanization. Loans advanced to FSC, cane co-operatives and individual farmers in 2019 were allocated to the purchase of harvesters and other machinery.

Quarrying: FDB's investment in promoting a sustainable mining sector that has continued to provide employment, income, foreign exchange earnings and revenue for the government saw the portfolio stand at \$0.55 million in 2019.

Manufacturing: In 2019, FDB disbursed \$7.49 million through approval to 11 new accounts. By value, this reflected 3.99% of total approvals and 0.69% by number of loans in the Focused Sector. FDB's market share for this sector stood at 9.46%, with 14.73% in the food, beverages and tobacco sectors; 2.42% in the textiles, clothing and footwear sectors, and 0.46% in the metal products and machinery sector.

Building and Construction: In 2019, there were 29 approvals, 1.82% by number to the value of \$19.60 million. This represented 10.45% of the Bank's total approvals by value. Of the total approvals for the year, two loans were approved to SMEs, to the value of \$0.18 million.

Real Estate (Development) there were 13 approvals in 2019 (0.82%) valued at \$22.47 million, comprising 11.98% in total value of approvals. Of the total approvals for the year, nine loans were approved to SMEs, to the value of \$1.07 million.

Wholesale, Retail, Hotels and Restaurants: This portfolio, FDB's largest at year end, stood at \$162.29 million, comprising 393 loans by number. FDB committed \$51.84 million to this sector through approval of 133 accounts in the year. This reflected an increase in the market share as well. This reflected 8.34% of the approvals for the year, by number and 27.64% by value.

Transport, Communication and Storage: FDB's third largest investment of 2019 was its disbursement of \$22.70 million in the Transport, Communication and Storage sector, comprising 12.10% by value of the total approvals for the year. There were 218 approvals, reflecting 13.67% of the total approvals for the year.

Professional and Business Services: FDB committed \$5.39 million to this sector through approval of 34 loans in the year. This reflected an increase in the market share as well. This sector includes businesses providing services in the legal, dental, accounting, beautician, photography and consultancy and domestic services industry.

Non-Bank Financial Institutions: FDB approved \$1.69 million in the year to this sector. This reflected two approvals which saw the portfolio stand at \$2.67 million. There were three loans in total for this portfolio. Of the total approvals for the year, one loan was approved to SMEs, to the value of \$0.19 million.

Public Enterprises: The portfolio stood at \$10.67 million with only one loan account.

SME and Agriculture Sectors: At the end of 2019 Financial Year, FDB achieved its 'Mission 500', targeted at a portfolio worth of \$500 million that was set for 2018 Financial Year. Total portfolio at end of 2019 Financial Year stood \$539.75 million compared to \$487.05 million in 2018. The SME and Agriculture Sector contributed to the achievement of this target.

Financial Literacy: Working on having customers become financially literate was a key pillar for the Bank in 2019. The approach undertaken included a collaboration between the Bank and Ministry of Agriculture and iTaukei Affairs. The wider collaborative ensures that more customers are educated.

Access to Financial Services (Loans): FDB was firm in its commitment to promote an entrepreneurial culture by supporting micro, small and medium as well as large enterprises by providing access to financial solutions by committing \$187.59 million through loans by approving a total of 1,595 applications.

2. SDG 5: Gender Equality

In its effort to empower Women in Business, FDB through collaboration with Ministry of Women, Children and Poverty Alleviation had award category labelled as “Women Entrepreneur of the Year”.

FDB also covered a story of a female garment factory worker who ventured into aqua farming. The two page story on page 60 and 61 of the report discussed in great detail the journey of this fisherwoman which hopefully inspires many other women to take up similar initiatives.

The Fiji Development Bank’s journey in 2019 focused on financial literacy initiatives. Those initiatives involved designing templates for improving skills related to managing financials, use of cropping plans, creating business linkages for value chain financing, investing in term deposits, advocating for a culture of savings, involving women and youths in business, promoting record keeping and debt management, improving marketing and securing access to markets.

3. SDG-7 Affordable and Clean Energy Electricity, Gas and Water:

FDB was looking to broaden support for greater energy access by also identifying innovative solutions, sharing information with partner development institutions, and with the private sector. In 2019, the portfolio stood at \$16.21 million, comprising 17 loans. This reflected 0.33% by number and 3.00% by value.

4. SDG 13 Climate Action

Green Banking

The Fiji Development Bank (FDB), was the first development bank in the South Pacific to be accredited to the Green Climate Fund (GCF), the world’s largest climate fund, as a Direct (National) Access Entity in 2017. By accessing the global funds directly, FDB will be able to engage and manage financing that better enables Fiji’s businesses to implement projects that are climate resilient.

FDB’s Climate Action Initiatives

The Fiji Development Bank’s (FDB) message to its stakeholders has been ‘to be strategic towards climate action’. The Bank moved towards digitization and reduced use and movement of paper with the aim to substantially digitize all files by its next financial year. The Bank also recognized SMEs for being responsive to the impacts of Climate Change through its SME Awards in 2019.

Forestry

FDB was the first Financial Institution to collaborate with Ministry of Forestry to support its 4 Million Trees in 4 years initiative. The Bank also introduced mangrove restoration programs as part of its staff community projects.

5. SDG-14 Life Below Water

Fisheries: In 2019, FDB invested \$4.94 million into the market in supporting one of Fiji's key resource-based sectors, the fisheries sector. The Bank continued to finance projects that implements sustainable fisheries practices.

4.0 Conclusion

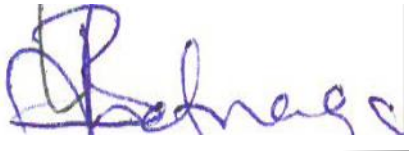
The Committee commends the overall performance of the Fiji Development Bank and acknowledges their contribution towards achieving Sustainable Development Goals.

The Bank must continue to enhance its service delivery and must vigorously invest in Research and Development initiatives to maintain a competitive edge in the Banking sector.

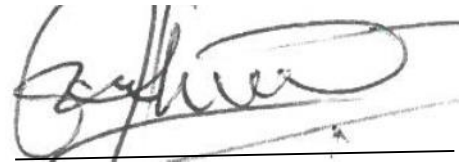
Members Signature



Hon. Vijay Nath (Chairperson)



Hon. Veena Bhatnagar (Deputy Chairperson)



Hon. George Vignathan (Member)



Hon. Inosi Kuridrani (Member)



Hon. Ro Filipe Tuisawau (Member)