



STANDING COMMITTEE ON ECONOMIC AFFAIRS

Consolidated Review Report of the Fiji Development Bank Annual Reports 2022 and 2023



PARLIAMENT OF THE REPUBLIC OF FIJI
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List of Acronyms

AFD	-	Agence Française de Développement
FCEF	-	Fiji Commerce and Employers Federation
FDB	-	Fiji Development Bank
FEE	-	Fiji Enterprise Engine
FCEF	-	Fiji Commerce and Employer Federation
GESI	-	Gender Equity and Social Inclusion Policy
MSME	-	Micro, Small and Medium Enterprise
NDP	-	Northern Development Plan
SDGs	-	Sustainable Development Goals
SMART	-	Special Measurable Achievable, Relevant and Timebound
SME	-	Small and Medium Enterprise
TSLs	-	Tertiary Scholarship & Loan Services

Chairperson's Foreword

The Standing Committee on Economic Affairs is pleased to submit to Parliament the Consolidated Review Report of the Fiji Development Bank ("FDB") Annual Reports for 2022 and 2023.

In 2023, FDB showed remarkable improvement in its financial performance, achieving a net profit of \$3.83 million which is still below pre-Covid level. It was noted that FDB 's market share declined from 7.35% to 5.5%, which indicates private sector prefer other commercial banks. The reason for this is high interest rate currently offered by FDB which is not competitive. In addition, FDB has high operational and funding cost resulting in lending rate of 5.3% making credit expensive for borrowing. To compete in the market, FDB needs to lower its operational cost.

There was a slight reduction in non-performing loans, from \$152.31 million in 2022 to \$116.94 million in 2023 which is still high in comparison to Government guarantee of \$150 million.

In the 2021-2022 National Budget, the Government made available \$200 million for COVID-19 Recovery Credit Guarantee Scheme and also approved \$5 million for the RBF to manage the Guarantee. Under this scheme \$63 million was disbursed 4,567 customers, currently 42% are non-performing loans which is \$28.2 million. In the 2022-2023 National Budget the Government allocated \$40 million to the Micro, Small, and Medium Enterprises ("MSMEs").

While these achievements are commendable the Committee identified areas of concern. FDB had not undergone a significant independent review to modernise its operations to better serve customers and to support the Government's development agenda. The Committee recommends a thorough review of FDB, considering the last review was undertaken in 2004 by the Commonwealth Bank of Australia. Currently, the bank's financial focus appears to be heavily tilted towards staff benefits rather than focus on its core role of leveraging finance to develop key focal sector as prioritised by the Government. The absence of clear performance targets makes it difficult to assess the performance of FDB.

The Committee met with FDB representatives in a public hearing to seek clarifications on key findings and issues raised in the Annual Reports and to assess FDB's performance through its clients. Additionally, the Committee visited several FDB loan recipients, including those with non-performing loans and applicants whose loan requests were rejected. This exercise provided valuable insights into the challenges faced by clients in securing and repaying loans, helping to identify areas to improve FDB's services and better support the Government's economic growth objectives as outlined in the National Development Plan.

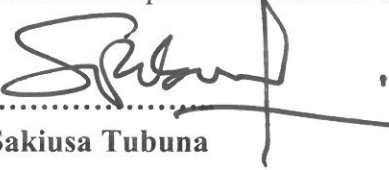
Following these visits, the Committee engaged with FDB's officials and key stakeholders, including Business Assistance Fiji ("BAF"), Agriculture Marketing Authority ("AMA") and

Ministry of Trade, Commerce, Micro, Small and Medium Enterprises and Communication. Unfortunately, key stakeholders such as Ministry of Agriculture, Ministry of Fisheries and Ministry of Forests did turn up for the round-table discussion even though an invitation to attend was sent and follow-ups made. Discussions focussed on issues raised by FDB clients, challenges related to non-performing loans and strategies to strengthen partnerships with Government agencies. The Committee also explored ways to streamline the referral of project-ready applications to FDB for consideration and to use training and mentoring programs for projects that are facing difficulty. This meeting with the agencies will ensure better outcomes for loan recipients and economic development.

I extend my sincere appreciation to FDB staff for their cooperation throughout this review process.

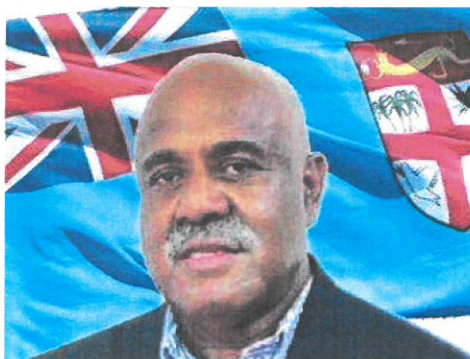
I also acknowledge the valuable contributions of my fellow Committee Members - Hon. Premila Kumar, Hon. Semi Koroilavesau, Hon. Aliko Bia and Hon. Shalen Kumar as well as the former members and secretariat for their support in producing this report.

On behalf of the Standing Committee on Economic Affairs, I present this Review Report to Parliament and request all members of this august House to take note of its findings in the report.


.....
Hon. Sakiusa Tubuna
Chairperson

1.0 Committee Membership

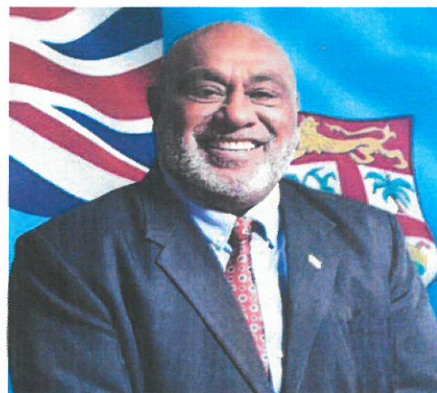
Pursuant to Standing Order 109(2)(a) the Standing Committee on Economic Affairs is mandated to look into matters related to economic development, finance, banking and taxation. The members of the Standing Committee on Economic Affairs and are as follows:



Hon. Sakiusa Tubuna
Chairperson



Hon. Premila Kumar
Deputy Chairperson



Hon. Semi Koroilavesau
Member



Hon. Aliko Bia
Member



Hon. Shalen Kumar
Member



Hon. Sashi Kiran
Deputy Chairperson (Former)



Hon. Tomasi Tunabuna
Member (Former)

1.1 Committee Secretariat

The Committee is supported by a team of Parliament Officers serving as the Committee Secretariat. These officers are appointed and delegated by the Secretary-General to Parliament under Standing Order 15(3)(i). The Secretariat team consists of the following Parliament officers:

- Ms. Marica Tuisoso – Senior Committee Clerk
- Ms. Awantika Raj - Deputy Committee Clerk

Committee contact details.

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2.0 Background and Terms of Reference

The Standing Committee on Economic Affairs ('the Committee'), was tasked with reviewing the Fiji Development Bank Annual Reports for 2022 and 2023. The 2022 Annual Report was referred to the Committee on the 14th of July 2023, while the 2023 Annual Report was referred on the 15th of April 2024, in accordance with Standing Order 38(2) of the Parliament of the Republic of Fiji. The Committee was mandated to examine these Annual Reports and present its findings to Parliament.

2.1 Procedure and Programme

- 2.1.1 The Committee began its review of the Annual Reports in October 2024. The review process adopted by the Committee was agreed upon through consensus by the Members which involved a thorough examination of the reports.
- 2.1.2 The Committee analysed the content of the Annual Reports, identified key issues, and engaged in discussions to assess its findings. Based on these discussions, the Committee developed key questions and listed key findings and issues for further clarifications.
- 2.1.3 A workplan was developed for public submissions with key stakeholders, liaison with FDB and other agencies to identify FDB clients for site visits and finally a round table meeting before the report was finalised.

2.2 Oral Evidence Received

- 2.2.1 The Committee received public submissions and briefing from the Fiji Development Bank, FDB loan recipients and the MSME Council. At the end of the review, the Committee made recommendations based on the discussions with stakeholders and on the content of the Annual Reports.

2.3 Written Evidence Received

- 2.3.1 The Committee received written submission from Fiji Commerce & Employers Federation (FCEF) and MSME Council.

2.4 Site Visit and Consultation

- 2.4.1 The Committee undertook consultations and site visits with the FDB loan recipients from the 7th to 12th April 2025 in the Central, Western and Northern Divisions.

3.0 Committee Deliberations and Analysis

3.1 Background

- 3.1.1 Established in 1967, the Fiji Development Bank, is the country's sole national development financial institution. It plays a pivotal role in Fiji's economic growth by providing financial support to key sectors such as agriculture, commerce, and industry. FDB supports projects that improve the socioeconomic well-being of Fijians and bridge the credit gaps by financing businesses and development projects that may not qualify for commercial bank loans.

3.2 Summary of the 2022 and 2023 Performance and Achievements

A summary of achievements for the periods under review are listed below:

Key Financial Highlights for Financial Year 2022 and 2023

- 3.2.1 The Bank's lending portfolio was reported to be \$502.34 million at the end of the 2023 financial year, reflecting a decrease of \$126.70 million, or 20.14%, from the previous year. Additionally, the total portfolio encompassed a customer base of 9,366 loan accounts in 2023, compared to 8,526 loan accounts in 2022. For more details on lending activities refer to *Annex 1: Lending Activities During the Year 2023*.

The table below illustrate the lending portfolio by sector.

Table 1 – Comparison of Lending Portfolio by Sector

Industry	2023	2022
	\$	\$
Agriculture	98,296,428	91,970,981
Building & Construction	76,066,419	72,097,630
Manufacturing	6,918,618	53,776,564
Mining & quarrying	962,054	920,396
Private Individuals	9,817,945	11,393,188
Professional & business services	11,674,585	11,285,060
Real estate	38,281,852	55,979,184
Transport, communication & storage	35,002,416	43,825,210
Wholesale, retail, hotels & restaurants	215,733,883	276,245,051
Others	9,579,720	11,544,970
Total gross loans and advances	502,333,920	629,038,233

- 3.2.2 The performing loans portfolio in 2023 was \$385.40 million, while non-performing loans totalled \$116.94 million whereas in 2022 was \$152.31 million. The ratio of performing loans to the total portfolio experienced a slight increase, rising from 75.79% in 2022 to 76.72% in 2023. Additionally, a slight reduction was noted in non-performing loans decreasing from 24.21% to 23.28%, amounting to \$35.37 million. This improvement was primarily attributed to successful recovery efforts.
- 3.2.3 In 2022 the net profit was \$1.79 million and in 2023 it increased to \$3.82 million which is still lower than pre-Covid level. The Committee have noted that even though FDB have been making profits over the years, it failed to invest its profit in FBD Nominees Pte Ltd.

Table 2: Profitability Structure

Income Statement (\$mm)	2023 (\$mm)	2022 (\$mm)	Change (\$mm)	Change rate (%)
Total Operating Income	32.945	36.592	(3.647)	(0.10)
Operating Expenses	(14.774)	(13.709)	(1.065)	0.08
Profit before Allowances	18.170	22.883	(4.713)	(0.21)
Total Allowances	(14.343)	(21.098)	6.755	(0.32)
Net Profit	3.828	1.784	2.044	1.15

- 3.2.4 FDB Nominees Pte Ltd do not own any asset and in 2023 it had a cash balance of \$271,954 in comparison to \$270,217 in 2022 which is an insignificant increase of \$1,737.
- 3.2.5 The Committee noted despite an overall increase in the customer base, the Bank recorded a 9.97% decrease in total operating revenue, declining from \$36.59 million in 2022 to \$32.95 million in 2023. This decrease was primarily driven by a reduction in interest income from loans and advances, attributed to intense competition among financial institutions.
- 3.2.6 The Bank's operating expenses recorded a slight increase of \$1.06 million, or 7.77%, amounting to \$14.774 million in 2023 compared to \$13.709 million in 2022. This increase in expenses was primarily driven by a general surge in the prices of goods and services, additional employer FNPF contributions for all staff, and investments made in technology and infrastructure to improve service delivery. The breakdown of the total operating cost is shown below (Table 3). It is to be noted that the staff cost is more than 70% of the total operating cost.

Table 3: Breakdown of the Total Operating Cost

	Cost (\$)	% of Operating Expenses
Auditors Remuneration	39,996.00	0.27%
Directors Fees	107,676.00	0.73%
Depreciation and Amortisation	1,169,679.00	7.92%
Right of Use Amortisation	454,664.00	3.08%
Staff Cost	10,430,324.00	70.59%
Finance Cost	72,617.00	0.49%
Other Operating Expenses	2,501,148.00	16.93%
	14,776,104.00	

3.2.7 The Bank incurred a total of \$7.263 million in Interest and Borrowings expenses in 2023 and \$10.806 in 2022. To fund the lending activities, the Bank has mostly borrowed through term deposits and RBF special facilities during the year 2023. The excess liquidity in the banking system exerted a downward pressure on borrowing interest rates, resulting in lower borrowing costs compared to year 2022.

3.2.8 The Bank financial position decreased from \$625.98 million in 2022 to \$593.95 million in 2023.

Table 4: Summary of the Bank's Asset Structure as at 30 June 2023

Balance Sheet Review (\$mm)	2023	Composition (%)	2022	Composition (%)
Liquid Assets	179.10	30.15%	104.03	12.41%
Investments	11.02	1.85%	0.04	0.33%
Net loans and advances	367.80	61.92%	488.78	81.45%
Receivables	1.85	0.31%	2.74	0.75%
Right of Use	1.15	0.19%	1.57	0.25%
Fixed Assets with Intangibles	33.04	5.56%	28.83	4.81%
Total Assets	593.95	100.00%	625.98	100.00%

3.2.9 The Committee observed that, according to the 2023 Annual Report, out of the total 175 staff members, 119 were stationed at the Suva office while other FDB branches around Fiji had 56 staff which did not reflect appropriate staff client ratio. Adequate staffing in the field should be prioritised to ensure swift response to clients.

4.0 Findings

The Committee visited several FDB loan recipients, including those with performing loan portfolio, non-performing loans and applicants whose loan requests were rejected. This exercise provided valuable insights into the challenges faced by clients in securing and repaying loans. The Committee's aim was to identify issues faced by clients to improve FDB's services to support the Government's economic growth objectives as outlined in the National Development Plan (*Refer to Annex 2 – Site Visit Findings*).

Key Findings

- i. Lack of collaborative partnerships between FDB and key Government agencies servicing the sectors which is funded by FDB. There are Government agencies that are mandated to increase the economic activities and improve people's livelihood.
- ii. Lack of specific attention to the natural resources sector specifically agriculture, fisheries and forests. There were 48,000 farmers and FDB funds only 1,000 of which 90% are sugarcane farmers.
- iii. Loan processing timelines are excessively long, resulting in considerable delays in both approval and disbursement.
- iv. The interest rate charged was excessively high, making the loan more burdensome for the client.

The Committee conducted a thorough review of the annual reports and identified several key findings as stated below:

- 4.1 The Committee noted that the recommendations from the FDB 2020-2021 review report were not implemented and FDB did not provide a response to these recommendations to the Parliament (Tables and Journals Unit) as required under the *SO 121(6)(b)*.
- 4.2 That FDB's Annual Reports have consistently focused on activities rather than measurable impacts, with no clear targets or performance indicators. This lack of impact-based reporting limits the Committee's ability to assess the Bank's effectiveness in fulfilling the government's development agenda as outlined in the National Development Plan.
- 4.3 In 2023, FDB approved loans amounting to \$93.4 million but disbursed only \$46.10 million- just 50% of the approved loan. The Committee expressed concern over this low disbursement rate, as it translates to less economic activities on the ground.

- 4.4 The Committee noted that in 2023, FDB received 4,490 loan applications worth \$175.54 million. However, only 1,965 applications were approved, amounting to \$59.31 million – an approval rate of just 37%.
- 4.5 The Committee commends FDB for offering unsecured loans (no collateral) through Agencé Francaise Development (AFD), with 70 percent of non-recoverable loan guaranteed.
- 4.6 The Committee noted that while digital transformation has enabled 94% of applications to be submitted online, businesses continue to face processing delays and documentation complexities, impacting timely access to finance.
- 4.7 The Committee is concerned that FDB has not been able to recover non-performing loans amounting to \$112 million, with \$11 million written off as bad debts during the review period.
- 4.8 The Committee noted innovation gaps with less than 5% of the loan portfolios directed towards new and emerging sectors such as the green and climate-resilient projects, creative industries, and logistics and supply chain services.
- 4.9 The Committee noted that FDB need to work Ministry of Agriculture, Forestry and Fisheries to embrace initiatives such as the Northern Development Plan.
- 4.10 The Committee noted that FDB has not established effective partnerships with key government agencies such as Ministry of Agriculture, Ministry of Fisheries and Ministry of Forestry in formulating bankable projects.

5.0 Recommendations

The Committee makes the following recommendations to enhance FDB's efficiency, accountability, and impact on national economic development:

- 5.1 That Tables and Journals Unit must strictly ensure adherence to SO 121(6)(b) which states that: '*the Minister responsible for the relevant government department must table a substantive response to the standing committee's report within 21 days of receiving the report*'.
- 5.2 That a comprehensive independent review of FDB by using local consultant to assess its structure, governance and operational effectiveness considering its current performance.
- 5.3 That FDB must adopt a reporting framework that includes Specific Measurable Achievable, Relevant and Timebound (SMART) targets for all key performance areas such as loan processing and disbursement timelines, reduction in non-performing and sector specific lending performance to align with national development goals. Additionally, FDB must track the impact of its loans on economic growth, job creation and business sustainability.
- 5.4 That FDB should review its policies and lending conditions, including streamlining loan processing and disbursement timelines to improve efficiency and accessibility.
- 5.5 That FDB should actively utilise social media platforms to educate the public on the loan application process, eligibility criteria and decision-making timelines.
- 5.6 That FDB should require all new business loan recipients to undergo compulsory financial literacy and business training. Additionally, struggling businesses should be referred to the TSLS Incubator and FEE Business Accelerator Program for mentorship and advisory support to reduce loan delinquency.
- 5.7 That FDB establishes a strategic "handholding" framework with key Government Ministries such as Ministry of Agriculture, Ministry of Fisheries and Forestry to jointly identify and finance bankable projects.

6.0 Sustainable Development Goals

The Committee noted that Fiji Development Bank Annual Reports for the period under review captured elements of SDGs.

However, the key SDGs that were prominent through the sectors and FDB products are SDG1 - No Poverty, Financial Inclusion for Rural and Underserved community that has been the focus in terms of some of the products that FDB have introduced through Agriculture, MSME and SMEs as well.

In terms of SDG5 – Gender Equality, loans for women, FDB had to put together through a proper Gender Equity and Social Inclusion Policy (GESI) and where they were assisted by the Ministry of Women, Children and Social Services. Additionally, the women portfolio grew from 19.16% to 26.09%, reflecting FDB's dedication to fostering economic development and supporting the diverse needs of Fijians. The Committee were informed that SMEs and women enterprise loans were guaranteed by Agence Francaise de Développement (AFD).

The SDG 8, which focuses on job creation, it was reported that many high-end SMEs have shown an increase in both casual and established employment. These employment figures are considered by the FDB when assessing loan proposals.

Fiji Agro Photovoltaic Project in Ovalau

The project milestone achieved during the year was the receipt of the power purchase agreement from Energy Fiji Ltd. It has set the Bank one step closer to implementing a paradigm shifting project for Fiji. More importantly, it paves the way for scaling up across Fiji and other countries in the Pacific Region. A first for Fiji and the Region, a concerted effort is being made to embark on the full implementation of the project.

In terms of climate action, FDB continue to pursue it as they want a business to transition into eco-friendly or adoption of some things like solarization or reduction in waste or improving waste disposal. When talking about climate action FDB not only talking about climate action in terms of business, the bank also see transition into the agriculture sector, that they promote sustainable and include some of the eco-practices in their cultivation and farming for that matter.

7.0 Conclusion

After reviewing the Fiji Development Bank Annual Reports 2022 and 2023, the Committee urges FDB to address the issues and align its strategies with national development priorities for more effective financial support and economic growth.

8.0 Committee Members' Signatures

 Hon. Sakiusa Tubuna Chairperson	
 Hon. Premila Kumar Deputy Chairperson	 Hon. Semi Koroilavesau Member
 Hon. Alikia Bia Member	 Hon. Shalen Kumar Member

9.0 Annexure

Published evidence

Written evidence, transcripts and supporting documents can be viewed on the Parliament website at the following link:

<https://www.parliament.gov.fj/committees/standing-committee-on-economic-affairs/>

Annex 1 – Written Submission and PowerPoint Presentation

Annex 2 – Site Visit Findings

Annex 3 – Verbatim Reports