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Home Loan Interest Rate Reduced



It was an early Christmas present for Choice Home Loan clients of the Fiji Development Bank. The Board in its November (2011) meeting agreed to reduce the interest rates on residential (owner-occupier and investment property) loans with effect from 1 December, 2011.

The 1.5% reduction applies across the board for the variable interest rate for this portfolio and impacts as follows:

1. All Choice Home Loans (owner occupier) from 10.25% to 8.75%;
2. Line of Credit (LOC – for owner occupier homes) from 12.50% to 11%; and
3. Residential Investment Property loans from 10.75% to 9.25%.

To ease repayments and allow CHL clients with LOCs meet their financial

obligations, the two loans will be merged and the interest rate adjusted accordingly. Additionally, the LOC and Investment loans will be reviewed individually with due consideration to any impact such changes would have on FNPF transfers and charges.

“Since the global financial crises started in 2008, interest rates increased as a result of high cost of funds and tight liquidity and this affected a lot of our home loan clients with repayments increasing accordingly,” says FDB CEO Ratu Deve Toganivalu.

“The reduction in the interest rate will result in a reduction on the repayment and hopefully this will alleviate some of the hardships faced by many of our clients.”

In 1990, the Bank introduced a home loan product in an effort to diversify its portfolio and assist the construction sector by providing an additional source for financing for housing. This portfolio grew steadily until 1996 when rising interest rates and stiff competition forced the Bank to reconsider this product as a viable revenue stream.

In 2004 the Bank re-entered the home loan market by offering the CHL product which allowed people to purchase a home for their family (owner-occupier) or purchase a home/flats as an investment property (for rental). Included in this product also was an LOC, an extension to the home loan facility which allowed the borrower to take a personal loan.

In January 2008, a directive from the Minister of Finance saw the lending focus of the Bank change to what is now described as the Focused and the Non-Focused Sector. Lending to home buyers was suspended accordingly with no new lending for potential home buyers. The last interest adjustment was made in 2007.

Meanwhile, the Bank is currently reviewing this market segment with the view to reinstating this product.

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Board & about us

FDB Board

Chairman:	Bob Lyon
Deputy Chairman:	Jitoko Tikolevu
Directors:	Joseva Serulagilagi Manasa Vaniqi Isikeli Tikoduadua Mason Smith Olivia Pareti Saiyad Hussein
Board Secretary: Chief Executive Officer:	Deve Toganivalu

Our Vision

To be a dynamic financial service provider in the development of Fiji.

Corporate Objectives

To be a profitable and self-sustaining financial institution.

Our Mission

We provide finance, financial and advisory services to assist in the economic development of Fiji and in particular the development of agriculture, commerce and industry.

About Us

The Fiji Development Bank was established under the Fiji Development Bank Act (Cap 214) on 1 July 1967. The Bank is an autonomous statutory body, the operations of which are controlled by a Board of Directors appointed by the Minister of Finance.

Under the Act, the Bank provides finance for projects that contribute to the development of the Fiji economy and to improve the quality of life for the people of Fiji. Loan funds are provided for Agricultural, Small and Medium Enterprises, Corporate and Micro Enterprise projects. The Government also uses the Bank, as a financial instrument in its development projects/plans and special assistance programmes that may be necessary from time to time.

Over the years Bank has introduced a range of loan packages and services aligning it with its strategic objectives and customer demands. At the same time, the Bank has the challenging task of matching its competitiveness level with that in the banking and finance sector.

The Bank has played a significant role in developing the various economic sectors of the country and believes in a strong corporate social programme which it undertakes through Money Smart™, a financial literacy programme in secondary school and its annual Small Business Awards.

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BulaKin is a composite of bulletin and bula the Fijian greeting. Kin represents a group of descendants of a common ancestor.

Talking point



Development banking with its many challenges, also bring with it enormous satisfaction when businesses we finance, that are considered extremely risky, come good. Over the years we have given start to a number of successful entities – the Suva Stock Exchange (now the South Pacific Stock Exchange), the Unit Trust of Fiji and Fiji Television Limited to name a few. These entities are now operated independently and continue to make positive contributions to the commercial sector.

As a development financial institution, our lending policies are pro-poor in that certain products are designed to allow those with the least in terms of tangible assets and equity, to borrow funds for the purposes of starting a legitimate enterprise. Such lending, you will agree are not only risky but also have a low success rate (read more on p.10).

The work of FDB therefore, fills an important place in our economy. Having said that, the challenge for FDB and development banks the world over is to remain relevant and profitable. I am pleased to say here, that in all our years of doing business, we have since 1972, maintained a positive bottom line and it is my fervent hope that we will continue to maintain a sustainable operation in years to come for the people of Fiji.

I wish you and yours Season's Greetings and all the very best for 2012.



Deve Toganivalu
Chief Executive Officer

Editorial



In a challenging economic climate, there are three types of businesses that exist – the one that is going-out-of-business, the business that services a need and is therefore doing well and the one just starting out. Anyone venturing into business for the first time at such a time has my respect and admiration.

If you own a business based in the resource-based sector, you may like to take a look at the 2012 Budget highlights (p.4&5) and see how you may be able to benefit from the various grants and incentives on offer.

To honour those small businesses making a mark, the 2011 FDB Small Business Awards was presented in Suva in December (p.6&7). Paradise Handling from Savusavu (featured on p.3) walked away with the Special Award in addition to the award for the Manufacturing Category. A total of 10 businesses were rewarded and our heartiest congratulations to these Goliaths of small business.

And to get 2012 started on a good footing, our home loan clients were gifted with a 1.5% reduction on the loan interest just before Christmas (see cover story). In this issue we also have our regular client features – a soap manufacturer in Labasa (p.8) and a small holder broiler farmer, also in Labasa (p.12).

Wishing you all good business in 2012!



Sylvia Low
Editor

Master Tool Maker



Dinesh Prasad (L) serves a customer in his Savusavu shop.



Shinal Sandeep.

Dinesh Prasad, 51, wore a smile warmer than the hot springs of Savusavu on the evening of 15 December, 2011. It was the night that this humble manufacturer from Buca, Savusavu walked away with the 2011 Fiji Development Bank Small Business Award for the Manufacturing Category sponsored by New India Assurance as well as the Special Award sponsored by FDB.

“I feel very good, very good” is all he could manage when asked how it felt to be honoured with a double at the eighth annual SBA.

Every good farmer or avid gardener knows that the right tools are important to getting the job done. Mechanized farming is still a long way away from the commercial agriculture mainstream so much of the clearing for new farmland still has to be done manually.

Hand blisters are part and parcel of a long day’s work in the farm as are broken handles for axes, spades and cane knives. Broken spokes for digging forks are also common place. Hidden off the main street in Savusavu, is Paradise Handling, a small outlet that caters for the more durable farming implements and then some.

Dinesh is the sole proprietor of this unique business, which he runs with the help of his wife, Sarojini Devi 43 who usually manages the retail end of the business and son, Shinal Sandeep, 21, who helps him in the workshop where they fashion handles from local hardwood timber as well as other metal tools.

“

This is a very needy shop,” Dinesh explains. “I get all sorts of clients – businessmen, pig hunters, fishermen, restaurant workers – all sorts, because everyone needs some sort of knife and the ones that I make have solid blades and handles that are rounded and easy to hold.”

“I buy discarded band saw blades from the timber mills and use that for cane knife blades and the bus springs which are about 10mm thick are ideal for making digging forks out of because they don’t break.”

Dinesh’s collection of tools also extends to making moto, traditional fishing spears which are quite popular amongst nearby villagers. The demand for tools that he produces always surpasses his ability to supply most times.

“Moto spears are high in demand because the ones I make are out of quarter inch rods which I tighten in a cram and spin. Spinning makes the spokes stronger,” he said. Not only does Dinesh make his own tools, he also buys and modifies the ones available in local hardware shops as well.

“I buy these readymade tools and change the handles to make them last longer. The timber that I use often for this is kaudamu, a redwood because it has a lot of oil in it and therefore it doesn’t break as easily as the other wooden handles that usually come with these tools,” he said.

Dinesh also refashions the blades of cane knives to the design that his customers prefer. He is the consummate “thinking” businessman.

“I can pretty much manufacture any tool people want provided they can provide me a proper design because I have a proper workshop at home where I make them.” It is clear that Dinesh feels most at home when he is in his workshop creating his works of art, “I like making new and different things.”

Savusavu is well known for its copra production. Dinesh offers a simple electrical coconut scraper to anyone who is interested. In addition, he has designed and built a copra mill that can grind up to 200 (copra) coconuts at a time into fine particles ready for squeezing.

Paradise Handling was started by Dinesh’s late father Rupan, on the family’s 500 acres estate in Buca. Having learnt his trade skills as a construction foreman, Dinesh took over the family enterprise in 2001 after his father got sick and couldn’t cope with the continued demand for his tools. His father passed away the same year.

“I gave up my job and decided to extend the business by opening an outlet shop in Savusavu Town. In the first two months business was very hectic and by the third month, it was getting very hard to cope with the demand and I needed help. My son, Shinal who is a very good joiner, decided to quit school and help me with the business,” Dinesh said.

Paradise Handling also supplies special order farming implements to hardware stores in Savusavu, Lautoka, Ba and Nadi. His services also extend to repairing electrical items and small engine repairs.

“There is no one else in Savusavu doing the kind of business that I’m doing and I don’t think there is anyone else in Fiji that does as well,” Dinesh says confidently.

Apart from Paradise Handling, Dinesh also has a 25 acre farm in Natewa Bay where he has 3,000 grog plants in the ground.

Dinesh’s creations are limited by the size and shapes of the scrap metals that he uses. For the future, he is looking to source a supplier of sheet metal which will allow him to cut his knife blades without wasting metal as well as plasma cutting machine – his dream machine for the job.

Empowered Fijians and a Modern Economy – 2012 National Budget



Aquaculture



Timber products

Empowering Fijians, modernizing the nation and strengthening the economy are three objectives set in the *People's Charter for Peace, Change & Progress*.

Said Prime Minister Frank Bainimarama in his 2012 Budget Address on 25 November, 2011: “By empowering Fijians, we are ensuring all citizens are placed on a level playing field while processing the tools to compete with their peers in the global community.

“By modernising Fiji, we are making our country, institutions and legal system strong, independent and world class.

“By strengthening our economy, we are lessening the dependence we have on others. We are spreading our risk – by diversifying our economy and by building ties with new partners and businesses around the world.”

The 2012 budget provisions for small businesses, the development of infrastructure and the resource-based sectors particularly in the rural areas provides opportunities for Fijians to access grants and subsidised financing or plan the next phase of their business.

Below are the highlights.

FDB Subsidy Grant

For 2012, Government has increased its interest subsidy grant to FDB for all citizens from \$2.50MM in 2011 to \$3.98MM. Additionally, an increase was also noted for interest subsidy for Northern Division Projects from \$0.50MM in 2011 to \$0.55MM for 2012. These

subsidies support loans given by FDB to small businesses including those in the resource-based sector.

Micro, Small and Medium Enterprises (MSMEs)

SMEs allow some of the most marginalized and vulnerable groups to diversify income, create new sources of economic growth and generate employment in rural areas. In Fiji, MSMEs are concentrated in the populated urban and peri-urban areas where they provide a valuable auxiliary service to major sectors such as tourism, agriculture and manufacturing.

To support the development of this sector, \$3MM has been allocated in 2012 for Start-up and Medium Enterprise Development, \$0.50MM for the operations of the National Centre for Small & Medium Enterprise Development (NCSMED) and \$1MM for the Northern Development Programme.

Infrastructure Development

Major road projects for 2012 include Buca Bay, Moto, Serea as well as the Sigatoka Valley and Queens Road at a cost of \$91MM financed by the EXIM Bank of China and the EXIM Bank of Malaysia.

\$5MM has also been allocated for the commencement of an international seaport for Middle Point, Labasa.

\$86MM allocated to Water Authority of Fiji to improve the supply of consistent and safe water supply to all areas. For low-income earners, \$0.30MM has been set aside for the connection fee for new

meters - the cost of which will be recouped over two years at no interest.

\$10MM allocated for rural electrification projects as well as \$3.70MM for the grid extension from Seaqaqa to Dreketi. There are also plans for similar works to the grid for Naikasakasa, Waidewara and Wainadoi.

Sugar Industry Reforms

Government has allocated \$40.90MM for the review and reform of the Fiji Sugar Corporation's (FSC) organisational structure. The review is expected to reorganize the company into a lean, efficient and cost-saving entity.

Agriculture and non-Sugar Crops

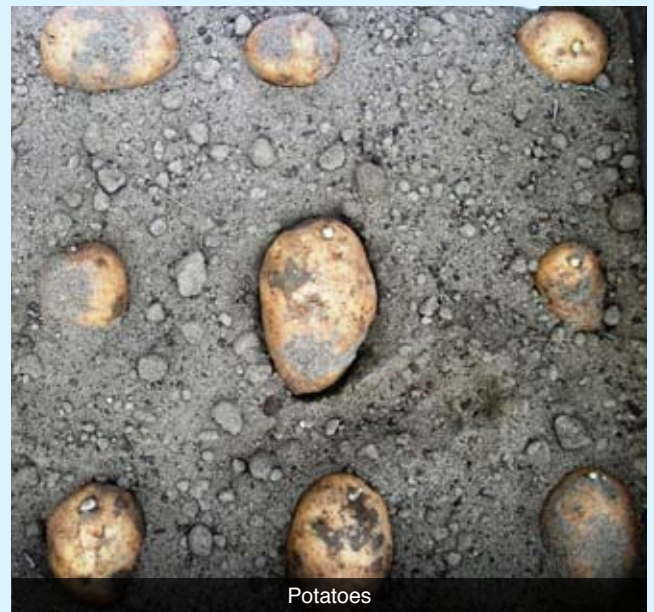
For the period 2005 – 2010, the non-sugar agriculture sector contributes an average of 7.5% towards the national GDP. The main commodities that constitute this sector are root crops (dalo, cassava, yams, sweet potatoes and yaqona), tropical fruits (pineapple, pawpaw and mango), vegetables, spices, coconut products and livestock.

In an effort to promote greater food security and reduce the demand on agricultural imports Government has set aside \$0.26MM for potato development, \$0.60MM to revitalize the rice industry, \$0.30MM for the Sigatoka Valley Development, \$0.50MM for Saivou Valley and Nadarivatu Development Programme as well as \$0.35MM for cocoa, ginger and vanilla development programmes.

In support of export development, \$1MM has been allocated to ensure



Cane farmer in Rakiraki



Potatoes

market needs are met and production standards improved. The strategic use of public-private partnership under the National Crop and Livestock Council and the National Research Council will be strengthened to support the efficient and effective use of resources.

Additionally, \$3.60MM has also been allocated for livestock research.

Fisheries

Export earnings from this sector are estimated at \$206MM for 2010, equivalent to 13% of total exports. Fish production has averaged 20,000 metric tonnes in the last 10 years of which offshore fisheries accounts for 67%, artisanal fisheries 28% and the remaining 5% is attributed to aquaculture.

Offshore fisheries earning accounts for 89% of all export earnings (\$206MM in 2010). This sector is expected to see improvements in 2012 following Fiji's successful re-enlisting as a fish exporting country to the European Union (EU) market. Government, through the National Export Strategy have assisted two local companies comply with EU standards. The establishment of the Food Unit with the Ministry of Health is also expected to strengthen quality control measures and fish handling procedures to conform to EU standards.

The Inshore & Aquaculture Fisheries development programme covers three main areas – mariculture, freshwater culture and brackishwater culture. \$0.50MM is allocated for the Coastal Fisheries Development Project and a

further \$0.59MM for the Marine Resource Inventory Survey.

Forestry

This sector accounts on average, 1.2% of GDP and 4.1% of total domestic exports. In 2010, export earnings reached \$80MM with \$86MM expected for 2011. Pine woodchips exports to Japan comprise a large part of this export.

The Department of Forestry continues to play an integral role in the laying foundation to harness Fiji's rich forestry resources through the review of the Forestry Decree (2009), the National Forestry Inventory, the formalization of the Fiji Forestry Policy Statement and the National Forest Programme.

To this end, \$0.34MM has been allocated for the Ecosystem Rehabilitation Project, \$0.25MM for the Fiji Mahogany Trust, \$0.20MM for the Timber Industry Training Centre, \$0.15MM for the research and development of wood and non-wood species; and \$0.30MM for the implementation of the Fiji Reducing Emissions from Deforestation and Forest Degradation (REDD) Policy.

Mining and Groundwater

The mining and quarrying sector on average accounts for 1.5% of GDP and accounted for around 9% of total domestic exports in 2010. The main gold production is from the gold mine in Vatukoula. In 2010, gold exports earned nearly \$90MM and is forecasted to surpass the \$100MM mark in 2011.

The Namosi Joint Venture has been granted a Special Prospecting Lease by Government to explore for copper and other minerals in the Waisoi area in Namosi. The Environmental Impact Assessment study for the mine is expected to be completed by mid-2012. The project is expected to inject \$2 billion into the domestic economy.

Newcrest Exploration (Fiji) Limited was selected as the preferred bidder to embark on exploration works for Mt. Kasi Goldmine. Field work is expected to start shortly.

In Nawailevu, the bauxite mining lease awarded to Aurum Exploration (Fiji) Limited saw mining operations commence in May 2011. Bauxite exports are expected to reach \$30MM for the first two years.

Over the past decade, the underground water resources have proven to be an important industry. In 2010, export earnings from bottled mineral water were estimated at around \$119MM, this is expected to surpass the \$120MM at the end of 2011. For 2012, Government has allocated \$0.62MM towards the Groundwater Assessment and Development Project.

Renewable Energy

The provision of sustainable energy is essential for economic development and growth. Government through the Department of Energy is promoting the development and use of renewable energy sources such as hydro, wind, wave, tidal, biomass, geothermal and bio-fuels. For 2012, \$2.70MM has been allocated for the Bio-Diesel Implementation Project.

Austin Encourages Small Entrepreneurs To Keep Striving



FDB CEO Ratu Deve Toganivalu (L) and Gaetane Austin.



Spurred by a \$5,000 loan drawn on their mortgaged home 14 years ago has grown Pure Fiji to what it is today because a lot had to be sacrificed along the way, says Gaetane Austin, Director of Pure Fiji.

Speaking as Chief Guest at the 2011 FDB Small Business Awards in Suva on 15 December, Ms. Austin said that deciding to go into business means having to borrow money and it becomes a situation of bank loans, interest and providing security.

“In our case, we had to mortgage our home and that was very hard to do as I felt if the business wasn’t successful, I would lose it and have to pitch a tent somewhere! Jokes aside, it is a very difficult decision to make,” she said.

Pure Fiji started on a kitchen table and progressed steadily to a rudimentary mezzanine in a factory manufacturing tents and cold weather clothing, then to a little factory in the same street before moving into its own factory complex in Vatuwaqa.

“When you have your own business, you derive enormous satisfaction, but it also requires a lot of sacrifice,” Ms. Austin said.

“Be mindful of the two “s” words: Success cannot come without sacrifice. Sometimes, this is difficult to sustain. In our circumstances, it has meant that every cent goes back into the business. Holidays and travel to other countries are not on the agenda if you want to maintain the momentum of development in your business. If your business is going to be successful, you have to be aware that it will become an integral part of your life.”

Acknowledging the Award recipients, Ms. Austin said, “I want to reiterate that this room is full of extraordinary, potentially very successful entrepreneurs. All your businesses, no matter how small, contribute to the economic strength of our country,” continuing, “If you are proud of what you do, or what you are producing, you will ensure that it is the best you can do,” she said.

“I have seen some otherwise intelligent people try and make a little more here and there by skimping on the quality - taking the attitude that if there are hundreds of products – whether it be nuts and bolts, cosmetic products, or clothing – that if you slip in a few that aren’t quite perfect, it won’t matter as the volume will absorb the imperfections. This simply isn’t true, and it isn’t right.”

Benchmarking she said, also helps to:

- **Reduce Costs:** Small entrepreneurs often do not have the deep financial pockets of big business to “re-invent the wheel”. By learning what other companies have successfully done, a small business can save money without having to research and test new ideas.
- **Avoid Mistakes:** Solving business problems on your own can result in costly errors. Learning what others have done can keep your business in business.
- **Find New Ideas:** Adopting the “Not-Invented-Here” attitude can spell disaster for small business. Learn to borrow the best from beyond your company and your immediate environs.
- **Improve Performance:** When your business looks for best practices

outside your business, a wonderful thing happens. You raise the bar of performance and set new standards of excellence to propel your company forward.

Pure Fiji is the only cosmetic manufacturing factory in Fiji and in the South Pacific Islands (excluding Australia and New Zealand). Pure Fiji can now be found at the finest resorts and spas across the globe and every Pure Fiji product is an ambassador of our beautiful country. It has also won numerous awards including the Prime Minister’s Exporter of the Year Award twice in the last 10 years.

The theme for this year’s award was **Growing Fiji** in reference to Government’s efforts to reduce reliance on imported goods and encourage people to buy locally grown and locally made products.

In addition to the five main categories, entrants were also considered for two new awards: The **Special Award** and the **Best Business Practice Award**. The Special Award was given based on environmental considerations, innovation and uniqueness.

The Best Business Practice Award was given based on an assessment of the entrant’s ability to properly manage financial records, availability of a business and marketing plan, monthly cash flow projections and proper employment records for staff amongst others.

Category winners received \$1,500 and Commendation Award recipients received \$500 in prize money.

2011 FDB SMALL BUSINESS AWARDS WINNERS



WHOLESALE/ RETAIL CATEGORY

WINNER: AKSHAAL'S CAKES 'N'
COFFEE

COMMENDATION AWARD:
TOKAMO SHOPPING CENTRE

SPONSORED BY
SUN INSURANCE



PROFESSIONAL SERVICES CATEGORY

WINNER: SEWAK'S ELECTRICAL

COMMENDATION AWARD:
VANUALEVU MEDICAL
DIAGNOSTICS

SPONSORED BY
THE RESERVE BANK OF FIJI



TOURISM CATEGORY

WINNER: TOKMAN IMAGEZ

COMMENDATION AWARD:
VITI SURF LEGEND

SPONSORED BY
THE FIJI TIMES



AGRICULTURE CATEGORY

WINNER:
SATENS POULTRY

COMMENDATION AWARD:
MANUELI VAKAVILABA

SPONSORED BY
CREST CHICKEN



BEST BUSINESS PRACTICE

WINNER: VITI SURF LEGEND

SPONSORED BY
JOES FARM & FDB



SPECIAL AWARD

WINNER: PARADISE HANDLING

SPONSORED BY
FIJI DEVELOPMENT BANK

FDB acknowledges the continued sponsorship support of the Reserve Bank of Fiji, Crest Chicken, New India Assurance and Sun Insurance. The Bank also welcomes on board The Fiji Times and Joes Farm as new sponsor and co-sponsor respectively for 2011. Special thank you also to British American Tobacco for their support.



MANUFACTURING CATEGORY

WINNER:
PARADISE HANDLING

COMMENDATION AWARD:
HOME FURNISHING BUILDERS

SPONSORED BY
NEW INDIA ASSURANCE

Soap Manufacturer Captures Rural Market

Six years ago when Ikbal Hussein decided to go into business for himself, he did so after carefully doing his homework.

“I saw that soap is a daily use item and at the time, there was only one other soap factory here in Labasa catering to the demand. I did my research and saw that it was a profitable venture. It was then I decided this was the business that I wanted to do,” the one-time credit-officer said.

The sole competitor has since closed down, allowing Ikbal’s Global Manufacturing Limited, a larger slice of the bath and washing soap market in Vanua levu and nearby rural islands.

Getting his start with a loan from a commercial bank, Ikbal started GM Ltd in Labasa Town in 2006 with a staff of three people. After paying rent for his factory space for about a year, Ikbal decided that it would be cheaper in the long term to build and own the factory, which he managed with a loan from the Fiji Development Bank under its Land and Building Purchase facility. Located at

Vakamasi, Suvasua, the factory is located on the ground floor and the family home on the first floor. That loan has since been paid off.

In 2010, FDB also financed GM Ltd working capital under its Small Business Scheme to purchase a coconut oil extractor.

“Coconut oil is the base for soap making as you very well know. The rising price of copra resulted in increased cost for coconut oil which I was buying at \$720 per drum for 200 litres. With the machine, I buy the copra direct from the farmers and just extract the oil at the factory at a much lower cost of \$300 for 200 litres,” the savvy businessman said.

The popularity of virgin coconut oil, the establishment of coconut bio-diesel plants around Fiji and the increasing demand for coconut oil in the production of cosmetic as well as food products peaked copra prices at around \$1,300 per metric tonne in March this year. Future forecasts for this commodity is positive with Government encouraging the establishment of new coconut plantations in Fiji to cater for the

rising demand for coconut oil. Apart from the Flox brand bath soap produced by GM Ltd, the company also produces the Vanua Soap brand, 900gm bars of washing soap, which wholesales at \$2.95 a bar. The Flox bath soap wholesale at \$1.40 for packs of four.

Producing around 2.5 tonnes of washing bars in an eight hour day, the demand for his products are largely in the maritime zone where he sells his soaps through the Post Fiji outlets.

“I get a nominal shipping rate from the shipping company that services the Post Fiji routes and this allows me to keep my overheads low,” Ikbal said.

With six employees now on the payroll, this once small business has grown in such a short time to medium enterprise status with annual turnover exceeding \$500,000 per annum.

“I am thinking of expanding but not right now. I have the room to expand production at the factory but I will see what other opportunities exist before I do,” Ikbal said.



Soap noodles on the floor of the factory.



Global Manufacturing products.



Ikbal Hussein (right) with his workers.

Staff Spread Festive Cheer



Staff from FDB took time out on 20 December to visit four special children at the Colonial War Memorial Hospital. The staff took gifts, a cake, Happy Meals and festive cheer to an otherwise quiet corridor of the Paediatric Oncology Unit at CWMH.

The children aged between 10 months and 14 years were all smiles when they were handed their gifts - items ticked off a Wish List the children put together themselves. The gifts included digital cameras, a trolley bag, toy piano and LEGO.

Sister Pasepa Pareti of the Fiji Cancer Society said that the visit was a huge lift to the children, some of whom had been in hospital for the past few months.

"This is a wonderful thing for them and I am so happy that staff from FDB have

taken the time and brought these children the gifts that they personally wished for. This is truly special for them," she said. For a lot of FDB staff, the visit was emotional with one senior manager remarking how hard it must also be for the mothers who stay in the hospital with their children.

"I realised that it wasn't about taking grand gifts but more about saying to those mums, 'here take a few hours off and go watch a movie or something' – I can imagine that that would be of great assistance in helping them cope with what I can only imagine to be a very stressful time for their families as well," she said.

To help the mothers, staff also took daily necessities like washing powder and other essentials.

Five year-old Senileba from Koro Island is one of the longest residents at the hospital, where over the past 18 months she has been receiving treatment for a blood disorder. Initially apprehensive when faced with a large number of well meaning people; a couple of Christmas carols, a slice of cake and several gifts later, she was soon blowing kisses and waving off her well wishers with a smile.

For 14 year-old Raneel all the way from Savusavu, spending his second Christmas in the hospital is but a means to an end. Having started his chemotherapy regime, each day he says, he feels a little better and he hopes to go home as soon as he completes treatment.

Christmas is indeed a time for reflection and giving thanks for the many blessings and challenges that have come our way.

Using Innovative Collateral for Agricultural Credit

Below is an edited excerpt of FDB CEO, Ratu Deve Toganivalu's presentation at the Pacific Regional Capacity Building Workshop on Improving Access to Finance for the Agriculture Sector held in Nadi (20-21 October, 2011). Ratu Deve presented a paper on *Improving access to agricultural credit by developing an enabling secured transactions framework*. A full extract can be accessed at <http://www.fdb.com.fj/pages.cfm/about-us/news/2011/pacific-regional-capacity-building-workshop-on-improving-access-to-finance-for-agriculture-sector-nadi-20-21-october-2011.html>

For-Profit Social Enterprise.

Over the years our policies, products and services have been designed based on the Bank's and government's strategic objectives as well as market demands. To help meet these objectives, government provides interest subsidies to the Bank so that it can on-lend at very low interest rates to SMEs including the agriculture sector.

As a development financial institution, our lending policies are pro-poor in that, certain products are designed to allow those with the least in terms of tangible assets and equity, to borrow funds for the purposes of starting a legitimate enterprise. Such lending, you will agree are not only risky but also have a low success rate.

Add that to the nature of agriculture as a business where you have inclement weather, pests and diseases, fluctuating prices and poor market access etc as additional considerations, you will appreciate that the level of risk absorbed by FDB is over and above that of other commercial financial entities.

After years of observing, implementing and designing lending policies based on social goals at FDB; easing access to credit, particularly agricultural credit, is in my opinion, a small part of a more holistic approach that we all need to take if we are to ensure that the credit provided is utilized correctly for the purposes intended and that sustainable livelihoods are created as a result.

Collaterals Accepted by FDB

In the traditional banking model collaterals are taken as a safeguard to cover the

value of the debt should the borrower default. These collaterals are taken in the form of mortgages, charges, bill of sale, term deposits, guarantees etc.

If we really want to be innovative, we should assess loan applications based purely on the potential of the project to maintain a positive cash flow and have access to a ready market as well as the requisite support – labour, cartage, good planting material and Agriculture Extension advice. FDB has done this with past projects.

To be innovative also means increasing your risk exposure when lending to the agriculture sector. To minimise this risk, financing for such projects can be assessed based on:

- Sweat equity – evidence of work undertaken;
- Evidence of a sound business plan – this is where Agriculture Extension or incubation centres can play a pivotal role in helping the farmer select profitable crop(s) and identifying/securing markets before planting;
- Evidence of a 12 month cash flow projection – the lender can take into account previous months' cash flow as an indicator if the project has already started; and
- Guaranteed market access – if there is no market, the ability to repay is significantly reduced.

To cover the requirement for collaterals, consider the following:

- Placing a cap on the loan amount – this could be anywhere between \$500 or \$5,000 per project based on acceptable risk;
- Limiting the project lifespan. In Fiji, it is FDB's experience that group-based enterprises rarely survive past two years. The loan amount should be repayable within this time frame.
- Provisioning an amount each year – this amount can be determined based on acceptable exposure; and
- Taking third party guarantees – this is a safeguard and can come from friends, family members, Government or any acceptable third party.

For every client that we finance, we try to ensure that each project achieves the following:

- Develops the resource-based sector;
- Creates long term employment; and
- Helps enhance a better standard of living for all.

General Observations

Yes, there are things I feel we can do better to increase our success rate within the agriculture sector. But to be able to do that, we will need to also improve the support services or structures that will enable the following:

1. Improving financial literacy amongst the general population. Simple things like budgeting, financial planning and savings must be understood by those attempting to go into business.
2. Encouraging entrepreneurship. Stringent regulatory requirements by municipal councils, rural local authorities and the State also impact businesses.
3. Improving technical knowledge. Farming is a science. In Fiji, farming is a traditional occupation passed down over the generations. Growth is hampered because these farmers don't have the technical knowledge or expertise to understand market forces, finding alternative markets for their crops, off-season planting, farm management, sourcing the best planting materials, improving variety of fruits and vegetable etc.
4. Expanding incubation centres and improving monitoring and supervision. Small businesses whether they are start ups or in the juvenile stage of growth, require constant mentoring and supervision.
5. Ready buyers and a better export/wholesale/retail network for fresh produce. The majority are small holder farms where the principal have limited education and do not understand the vagaries of market forces.
6. Agricultural insurance. The loss of crops to pests, diseases and inclement weather does have a serious impact to this sector.

Measuring the Impact of Agricultural Financing

At the end of the day, the real measure of impact will be reflected in our respective country's GDP. A look at Fiji's GDP (current prices) for 2005 and 2010 as an example, we can see a decline.

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RBF Extends ISEFF List



The Reserve Bank of Fiji announce in early November (2011), the inclusion of new and existing businesses engaged in poultry, honey and pig farming as part of sectors approved for financing under its Import Substitution and Export Finance Facility (ISEFF). This facility also includes financing of renewable energy projects that qualify under FDB's Sustainable Energy Financing Project (SEFP) facility.

The ISEFF is a merger of RBF's Export Finance Facility and the Import Substitution Facility. To facilitate quicker processing, the RBF has also reduced administrative requirements and streamlined the approval process for funding under the scheme. The ISEFF is available through the Fiji Development Bank.



The ISEFF focuses on improving Fiji's balance of payments position by assisting exporters, large scale commercial agricultural farming and renewable energy businesses to obtain credit at concessional rates of interest. The RBF has a total of \$40MM available through this facility with loans limited to a maximum of \$1MM per business. The RBF may under special circumstances, approve amounts greater than \$1MM.



Eligibility

- **Export Finance**
Funding is available for the export of:
 - **All goods by primary and secondary exporters:** Primary exporters produce/manufacture while secondary exporters act as agents and distributors for their clients.
 - **Certain professional services** e.g. architectural, engineering and maritime services.
- **Import Substitution**

This Facility is available to new and existing local agricultural businesses involved in import substitution. Businesses may apply for concessional funding for the production of the following:

- Fruits;
- Vegetables;
- Root crops;
- Dairy produce;
- Beef;
- Poultry;
- Pig farming;
- Honey;
- Aquaculture; and
- Renewable energy.

This list is compiled at the discretion of the RBF and may be changed at any time and applicants must satisfy RBF that their business is import substitution related. Businesses that produce items in which Fiji is already self-sufficient, such as canned meat will not be able to access funds under the Facility unless the produce is to be exported.

Below are key features of the ISEFF:

- Reduced administrative requirements.
- Streamlined approvals process.
- No minimum eligibility funding amount but businesses can borrow up to \$1MM. RBF reserves the right to raise the credit ceiling under special circumstances.
- Interest rate is set at 6%* per annum.
- Loan term of six months with option to roll over for a maximum term of 5 years. Interest on all loans to be paid six-monthly.
- The advance value provided to primary and secondary exporters is based on FDB's credit evaluation.
- Normal FDB screening for credit assessment applies.

* Variable based on cost of funds at the time of borrowing.

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In 2005, Fiji's GDP for the agriculture sector including Fisheries and Forestry was \$608.50MM and in 2010, this dipped to \$603.85MM. Conversely, FDB's portfolio for agriculture increased from 1,964 accounts valued at \$48.7MM in 2005 to 3,414 accounts valued at \$157.73MM in 2010.

Clearly, there is a disparity in lending on our part and the resulting agricultural production noted in the annual GDP. A credit impact study has to be done to find out why there isn't a corresponding growth between lending and production.

Anecdotally, given the impairment rate of 50% of our agricultural lending, it is possible that sustainability is a major factor affecting production.

Other measures of impact would be an increase in employment rates in the sector and a reduction in rural poverty where vast tracts of agricultural land lie.

Anything outside of that would simply be just financing subsistence to semi-commercial level farming with minimal returns and no real impact.

Meena's Vision



Meena (L) and Govind (R)



Meena Gounder can add businesswoman cum poultry farmer to the list of roles that she already occupies – daughter, wife, mother and employee at a local computer company. The 34 year-old broiler farmer and farmer's daughter of Soqeloa, Labasa is also a visionary.

"One day I was thinking about what kind of future my two daughters were going to have then I realized that I had to do something more so that they could have a better education later on," she said of her decision a year ago, to take on the challenge of going into business.

"Life is very tough right now and business in town is not very good. I asked my father if there was something that we could do together. I have always raised chicken in my backyard so it made sense to do broiler farming as a business."

With a small loan from a family member for equity, Meena applied for and received a grant from the Northern Development Programme to help her get started. Topped with a loan for broiler farming from the Fiji Development Bank, Meena built her poultry shed on a section of her father, Govind Sami Gounder's, six acre farm and filled it with 150 layer birds in August last year.

"My uncle lives overseas and when he heard that I wanted to do this business he

was very encouraging and didn't hesitate to lend me the money for my contribution and within a few months, I managed to repay the loan."

FDB's Broiler Farm (Small Chicken Holder Farm Project) loan covers the:

1. Construction of the chicken shed;
2. Development of site – bulldozing & leveling;
3. Water and Plumbing costs – installation of Water Tanks and Water Pumps; and
4. Infrastructure construction- contractual work on maintenance of roads, drains, etc.

Borrowers need a minimum of 20% equity contribution. The value of the land or costs incurred to acquire the same and improvements thereon can also be eligible to be counted as equity contribution.

A year on, Meena has 200 layer birds in full production with another 200 young chicks awaiting maturity. At current production, the layers provide 170 to 180 eggs a day to make up between 36 to 40 crates of 30 eggs each a week. The eggs are sold to people in neighbouring Vunivau as well as a local hotel in Labasa Town.

"Depending on the size of the eggs, I sell each crate for \$10 or \$11 and I manage to make a small profit after deducting the cost of feed, which is a lot more expensive

now at \$31.50 a bag then when I started, which was \$25.50," she said.

"In the near future, I want to increase the number of layers to about 1,000 because in this business you will only see a good profit if you have a higher production."

To compliment her income from eggs sales, Meena also sells meat birds the side but only on a small scale because her sales are at the farm gate.

Govind is proud of his daughter's achievement and says that what she has managed so far is all of her own doing.

"I didn't do anything - this is all her own hard work. All I did was provide her a space on the farm so she could build her shed," he said.

A farmer since he was 16 years-old, the 54 year-old plants rice, beans, cucumber and water melon on two acres. The rice is purely for subsistence he says, because of the high cost involved in rice farming.

"Before, the cost of ploughing one acre was \$30 for diesel and now that cost has risen to about \$100 per acre for rice planting so I concentrate mainly on beans, cucumber and water melons for the market and plant rice only for my family's needs," Govind said.

The Fiji Development Bank provides financing for Agriculture, Small & Medium Enterprises (SMEs), Corporate and Micro Enterprise. These loans are broadly categorized into Focused and non-Focused Sectors as follows:

FOCUSED

- Agriculture including Forestry and Fishing
- Mining & Quarrying
- Manufacturing
- Transport, Communications and Storage
- SME and Micro Loans in
 - Wholesale, Retail, Hotels and Restaurants
 - Professional & Business Service Sectors

NON-FOCUSED

- Building & Construction
- Private Individuals
- Real Estate
- Larger Loans in
 - Wholesale, Retail, Hotels and Restaurants
 - Professional & Business Service Sectors

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