

Barry Whiteside: “Financing Day” in Fiji

Opening address by Mr Barry Whiteside, Governor of the Reserve Bank of Fiji, at the Official Opening of the Financing Day, Lautoka, 9 August 2012.

* * *

Welcome

Mr Ropate Ligairi – The Permanent Secretary for Agriculture,

Distinguished Guests

Students, Teachers

Ladies and Gentlemen

Cola Vina, Namaste and thank you very much for joining us here at the inaugural “Financing Day” organised in conjunction with the Crest Agriculture Show. It is a pleasure and an honor for me to be here today. I grew up as a primary school student in Lautoka in the sixties, attended Drasa Avenue Primary School and have many fond memories of this place.

I thank the organisers, the Department of Agriculture, for the excellent arrangements. I also thank all our fellow stakeholders from the Ministry of Education, Ministry of Health, Lautoka City Council, Association of Banks in Fiji, other financial institutions, Department of Energy and renewable energy companies for their participation and warm hospitality.

We are proud to be part of the Crest Agriculture Show. This year, the Reserve Bank significantly increased its financial sponsorship for this event in what we see as our wider role in helping develop Fiji’s economy.

Recently the RBF Board and Executive Management visited some industries and projects in Vanua Levu as part of our on-going efforts to get down to the “grassroots” level, or “coalface” as some might say. We were able to see first-hand the challenges faced by rural communities in the North. But we also witnessed a lot of optimism about what was evolving on our second largest island. Our team met with the business community and saw the exciting new developments that are in progress to improve roads, create more jobs and support income generating opportunities. This general positiveness, I feel, is not just restricted to the North, but is seeping through the whole economy. We at the Reserve Bank have witnessed it from our recent face to face discussions with people from both the private and public sectors.

Ladies and Gentlemen, boys and girls, apart from issuing the currency notes and coins that you have in your pockets today, let me explain a little about the other important things we do at the Reserve Bank. One of our major roles, like many other central banks, is to ensure that the economy is on a stable growth path. We do this by ensuring that inflation is under control; that we have sufficient foreign reserves (or foreign currency) to meet Fiji’s external payment obligations; and that our financial system is sound.

You may ask how do we do this? The Reserve Bank independently sets monetary policy by managing the nation’s money supply to achieve a set policy interest rate. In doing so, we indirectly influence the interest rates of commercial banks, that is, the deposit and lending rates. These in turn will lead to changes in the amount of money that is circulating in the financial system and the availability of credit in the economy.

Our presence here at the Crest Agriculture Show is a testament of our commitment and support to grow what we see as critical sectors of our economy. We are trying our best to raise awareness and bring about unity and support, from all stakeholders, to work together to improve the conditions and living standards of all our fellow citizens in Fiji.

The main focus of today's Financing Day is to raise awareness and understanding of the different products and facilities that are available from our various financing institutions that have been targeted to assist the agriculture and the renewable and sustainable energy sectors.

You might be asking, why are we facilitating finance to these sectors?

As a resource-based economy, our greatest competitive advantage lies in the development of our resource-based sectors. This means that we need to continue to work together as a nation to grow Fiji and increase the production and utilisation of our own natural resources for both domestic consumption, as well as exports.

As such, the agriculture, fisheries and forestry sectors will continue to play an integral role in Fiji's overall development.

The agriculture sector, which includes sugar cane, other cash crops, livestock and subsistence farming, is vital to Fiji's economy, contributing notably to Fiji's Gross Domestic Product (GDP). The sector provides food and livelihood security, promotes community development in rural areas, generates income for approximately 65 percent of our population, and earns foreign exchange for the country.

Unfortunately, Ladies and Gentlemen, boys and girls, the sector has been performing well below par in recent years. As an illustration, for 2010, total agriculture exports were around \$581 million with sugar earnings accounting for 12 percent or \$70 million. Back in 2008, agricultural exports were much higher at \$670 million and sugar earnings accounted for 37 percent or \$248 million.

Over the past decade, the contribution of the agricultural sector to Fiji's GDP has also declined from 12.3 percent in 2001 to 9.2 percent in 2011. The decline in performance in our agricultural sector is the result of a combination of factors, including the vulnerability it has to natural disasters, minimal private sector investment, inadequate infrastructure, marketing deficiencies, soaring production costs and the limited access to finance.

Apart from agriculture, the Reserve Bank is also committed to help grow the renewable energy sector. At the national level, we are aware that any increase in economic activity means higher energy demand; a substantial portion of which comes from fossil fuels. Fiji imports all its mineral fuels and this dependence on imports has huge implications for our current account.

Over the five years from 2006 to 2010, the current account deficit averaged around 13.4 percent of GDP. Over the same period, domestic mineral fuel imports accounted for around 25 percent of total retained imports, on average per year. Given the hikes and volatility in international crude oil prices, the need to lessen our dependence on mineral fuels is critical. Policy development, macro monitoring as well as creating greater public awareness and support for projects involving renewable energy, are thus essential to rein in Fiji's high fossil fuel usage and import bill.

The associated environmental cost also has a direct impact on the economic well-being of our country. In this regard, investment in renewable and sustainable energy is important to mitigate all the allied risks.

Ladies and Gentlemen, the Reserve Bank and the Government are also promoting local value adding, which basically means using our own local resources where-ever and when-ever we can. This also means that we work towards conserving energy and developing and supporting greater use of renewable energy sources such as hydro, solar, biomass, bio-diesel and wind farms, where feasible. The Reserve Bank has been working with various stakeholders in exploring opportunities to incorporate more local value-added content into food and beverages, renewable energy and handicraft to name just a few. The Fiji National University (FNU) is one of these stakeholders, given its critical role in training a skilled workforce for both the domestic and international markets.

In 2010, the Reserve Bank sponsored a local chef from the FNU for training in Malaysia to support and develop innovative new ways of using local foods and produce in our hotel industry, and on resort menus. Additionally, in March this year, we sponsored three local chefs to attend the inaugural South Pacific Food and Wine Festival in Denarau. In the past, this was an area of concern to the Bank as a lot of the food used in the tourism industry was imported. At this point, I must commend the Department of Agriculture which has been at the forefront in working with various players in the industry. As a result, most of the hotels and resorts now use a lot more local produce. In fact a number of hotels have developed their own backyard gardens and are now linked with local suppliers to ensure a steady supply of quality and fresh produce. Complementing this is the growing trend and awareness amongst chefs and travellers on the diversity and the richness of our local cuisine and diet.

Ladies and Gentlemen, all too often access to affordable finance has been cited as a major challenge to growth in the sectors I have highlighted this morning. The Reserve Bank, as the financial sector regulator, is taking a more proactive approach to this issue. Our most recent efforts include the streamlining of our Export Finance Facility and Import Substitution Facility into a single entity called the Import Substitution and Export Finance Facility (or ISEFF). The Facility will continue to focus on improving Fiji's balance of payments position by assisting exporters, large scale commercial agricultural farmers and renewable energy businesses to obtain credit at concessional rates of interest. In addition, the Bank has further reduced the administrative requirements and streamlined the approval process for funding under the scheme.

In February this year the RBF issued a policy to commercial banks' which required them to lend at least four percent of their deposits to businesses in the agriculture sector and a further two percent to the renewable energy sector.

In addition, the Reserve Bank recently required all banks to establish Local Advisory Boards to guide senior expatriate management to better understand, and align their strategies to Fiji's regulatory and supervisory environment, as well as national development objectives, which will include the provision of financial services to the wider community.

Ladies and Gentlemen, the RBF will continue to play a proactive role in ensuring accessible finance is provided to these key sectors with a view of creating opportunities for farmers and families to improve their livelihood and contribute to economic growth.

We hope that you will also make the most of the opportunities that the Crest Agriculture Show has to offer and take the time to visit the finance providers and find out about their available services and products.

This morning I would also like to introduce and launch a new recipe book that was compiled by a local chef – Mr Simione Toanikeve, whom the Reserve Bank sponsored in 2010 for training in Malaysia. This scholarship came about through the support of the Intercontinental Hotel Group here in Fiji and the Crowne Plaza Mutiara Hotel in Kuala Lumpur, Malaysia.

This recipe book is a product of lessons from Simi's Malaysian experience, as well as his many years of work experience in the tourism industry both in Fiji, and abroad. The book has been written for every chef, whether you work in a large commercial kitchen, small restaurant or home kitchen. It has been designed to promote the innovative use of locally grown foods and produce. The book titled "Kana Mada – Fiji Style" was produced through the collaboration of the Fiji National University and the Reserve Bank. We hope that you will buy a copy today and continue to support our farmers, market vendors and manufacturers in Fiji by buying their produce.

Finally, I do urge you all to visit the booths and stalls set up by the various financial institutions, and indeed by the Reserve Bank and other stakeholders. This is your golden opportunity to learn more about the facilities and various products that are available. I am sure our staff and colleagues will be more than willing to assist you and perhaps do some business!

Ladies and Gentlemen with these words, I have much pleasure in officially opening our inaugural “Financing Day” at this year’s Crest Agriculture Show, and in Launching the “Kana Mada Fiji Style” Recipe Book.

Vinaka.