

EXPORT FINANCE FACILITY

Objective

The export sector contributes significantly to Fiji's economic growth. While there are some established exporters, there are many small and new exporters that may need financial support before and after they sell their exports. For instance, an exporter may wait for three months before the export proceeds are received, and may need money during that period. Similarly, a small exporter may obtain a large export order, but need additional finance to be able to export the products. In order to assist these small and developing exporters, the Reserve Bank of Fiji (RBF) in 1983, introduced the Export Finance Facility (EFF) scheme. The scheme enables exporters of eligible products to obtain short-term credit from the commercial banks and Fiji Development Bank (FDB) at a concessional rate of interest.

Types

There are two types of finance available under the EFF. These are as follows:

- **Pre-shipment finance** allows an eligible exporter to obtain credit from lending banks for the period prior to the shipment of the goods, to facilitate the production of eligible goods for exports. There are two types of pre-shipment finance available: a **90 day Facility** and a **Lump Sum Facility**. The 90 day facility is where exports take place on firm export orders and an exporter may borrow up to the full amount of the export order subject to the drawdown rules. Under the Lump Sum Facility, the exporter will be entitled to borrow up to 20 percent of the total value of exports. An eligible exporter is permitted to use only one of the facilities at a time.
- **Post shipment finance** allows exporters to discount export bills with banks at concessional rates. This facility is available for a maximum period of 180 days.

How the Scheme Operates

The scheme is available through the commercial

banks and FDB. The RBF provides finance to these lenders, if needed. Commercial banks and FDB have been delegated to approve funding under this scheme. The Reserve Bank's approval is only needed if funds are advanced from the RBF. Apart from the EFF eligibility rules and value added criteria, exporters also need to meet the commercial banks/FDB's lending criteria.

Eligibility Rules

All exports, except for exports of sugar, molasses and gold, qualify provided they satisfy the value added rules. The EFF is also available for the construction of up-market hotels and exports of certain professional services such as architectural, engineering and maritime services.

Value Added Rules

All exports (except those excluded under the eligibility criteria) under the SPARTECA or Cotonou Agreements (known as LOME agreement prior to February 2000) automatically qualify for the EFF. The item exported must have at least 50 percent domestic content from SPARTECA or Cotonou countries. Exports to other destination must have at least 40 percent local (Fiji) value added.

Interest Rates

Under the EFF, the maximum interest rate charged to customers by their commercial banks/FDB is set by the RBF from time to time. Currently, finance to exporters under the EFF is available from the commercial banks and FDB at an interest rate of 6 percent per annum. The RBF refinances the commercial banks/FDB at 2 percent per annum.

Further information

For more information on the use of the Export Finance Facility, please contact your commercial bank, FDB or RBF's Financial Markets Group 322 3378/322 3351. You may also visit the RBF's website on www.reservebank.gov.fj.