



RESERVE BANK OF FIJI

IMPORT SUBSTITUTION AND EXPORT FINANCE FACILITY GUIDELINES

**(For the use of Commercial Banks, Licensed Credit Institutions and the
Fiji Development Bank)**

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Financial Markets Group

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1. INTRODUCTION

The Reserve Bank of Fiji (RBF) has rationalised its Export Finance Facility and Import Substitution Facility into an Import Substitution and Export Finance Facility (ISEFF). The newly merged Facility will continue to focus on improving Fiji's balance of payments position by assisting exporters and large scale commercial agricultural farming businesses to obtain credit at concessional rates of interest. In addition, the RBF has further reduced the administrative requirements and streamlined the approval process for funding under the scheme.

The Export Finance arm of ISEFF aims to advance the competitiveness and ensure the availability of credit to the export sector. Likewise, the Import Substitution arm will promote both domestic commercial agricultural production and the competitiveness of local agricultural produce.

The Facility provides back-to-back finance through commercial banks, licensed credit institutions (LCI)¹ and the Fiji Development Bank (FDB). The interest rate charged on ISEFF advances will be initially set at 2 percent per annum. The commercial banks, LCI and FDB can borrow from RBF at this rate and on-lend to businesses with a maximum margin of 4 percent.

Advances to eligible businesses are at the risk of the lender with no recourse to RBF. The amount of advance under the Facility is now at the discretion of the lending institutions based on respective credit assessments. The total amount available for this Facility is \$40.0 million. Loans will be limited to a maximum of \$1.0 million per business and will be allocated on a first-in basis. RBF reserves the right to award loan amounts greater than \$1.0 million in special circumstances.

This Facility is effective and available for use immediately.

2. ELIGIBILITY

2.1 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.**

The value of advance provided to exporters under the Facility will be based on the credit evaluation of the respective lending institution.

¹ LCI include Credit Corporation Fiji Limited, Merchant Finance & Investment Company and Home Finance Company.

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2.2 IMPORT SUBSTITUTION

The 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 items: -

- Fruit;
- Vegetables;
- Root-crops;
- Dairy produce;
- Beef; and
- Aquaculture.

The RBF reserves the right to make changes to the above list at any time.

Applicants must satisfy RBF that their business is import substitution related. However, businesses that produce items in which Fiji is already self-sufficient, such as pork, canned meat and chicken will not be able to access funds under the Facility unless the produce is to be exported. Granting of loans is at the discretion of individual lending institutions as per their respective credit assessments.

Clarification on the above eligibility requirements can be sought from the Reserve Bank.

The Facility is available to both new and existing businesses.

3. LOAN APPLICATION

Commercial banks, FDB and LCI should only seek approval from the RBF if funds are to be advanced from the RBF. Applications from eligible businesses must be submitted through their commercial bank, LCI or FDB three (3) clear working days before the proposed drawdown date.

4. LOAN TERM

The maximum loan term under this Facility is six (6) months and can be rolled over for up to five (5) years. Interest on all loans is to be paid six-monthly.

Where extension is sought to roll over, commercial banks, LCI and FDB must inform RBF at least 3 working days before maturity of the current loan.

5. INTEREST RATES

The interest rate charged on the Facility to commercial banks, LCI and FDB will be initially fixed at 2 percent per annum. Commercial banks, LCI and FDB can then on-lend to businesses with an added 4 percent margin.

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The above rates are subject to periodic review. RBF reserves the right to make changes in line with movements in market interest rates.

6. LOAN DISBURSEMENT

Upon approval, the RBF will credit the commercial bank's exchange settlement account, LCI advance account or the FDB call account with the full amount of the advance.

7. REPAYMENT

Under this Facility, commercial banks, LCI and FDB are to repay principal plus interest on maturity. However, if the loan is to be rolled over only interest due must be paid every six months.

8. LENDER'S RESPONSIBILITY

Granting of loans is at the discretion of the commercial banks, LCI and FDB. Eligible businesses are subject to their lending institution's credit requirements since the institution bears the credit risk without recourse to the RBF.

In case of default, the commercial bank's exchange settlement account, LCI advance account or the FDB call account will be debited with the total outstanding amount loaned and the interest thereon.

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