



**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)**

**Revised 5 July 2019**

**Financial Markets Group**



# RESERVE BANK OF FIJI

## 1. Introduction

In July 2010, the Reserve Bank of Fiji rationalised its Export Finance Facility and Import Substitution Facility into an Import Substitution and Export Finance Facility (hereafter referred to as **the ISEFF**). The merged Facility focussed 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. In addition, the RBF has further reduced the administrative requirements and streamlined the approval process for funding under the scheme.

Whilst the Export Finance arm of the ISEFF aims to advance the competitiveness and ensure the availability of credit to the export sector, the Import Substitution arm promotes and allows competitiveness in domestic commercial agricultural production and agricultural produce as well as to renewable and energy efficiencies businesses.

The Facility also covers advances for public transportation, allowing operators to access funding at concessional rate of interest in order to purchase public service vehicles that would provide energy efficient, reliable, safe and affordable public transportation.

The Facility is available through '**approved lenders**' being commercial banks, Fiji Development Bank (FDB) and LCIs<sup>1</sup>. Eligible borrowers must meet requirements stipulated by the respective approved lender and the eligibility criteria of ISEFF.

The interest rate charged on these advances is 1 percent per annum. The approved lenders can borrow from RBF at this rate and on-lend to eligible applicants at a maximum rate of 5 percent per annum for a maximum term of up to 5 years. The total amount available for this Facility is \$200.0 million<sup>2</sup>. 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 on special circumstances.

Advances to eligible businesses are at the risk of the lender with no recourse to RBF.

This Facility is effective and available for use immediately.

## 2. Approved Lenders

The following institutions may access advances under this Facility:

- i. Licensed commercial banks
- ii. Licensed credit institutions
- iii. Fiji Development Bank

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<sup>1</sup> LCIs include Credit Corporation Fiji Limited, Merchant Finance Company Limited, BSP Finance (Fiji) Limited and Kontiki Finance Limited.

<sup>2</sup> In June 2019, the RBF raised the total ISEFF funding to \$150 million from \$100 million in August 2017. Prior to this, funding of \$80.0 million was approved in December 2012 from the established funding of \$40.0m in July 2010.



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## 3. Eligibility

Funds under this Facility will be made available to approved lenders to on lend to borrowers meeting the following eligibility criteria:

### 3.1 Exports - new or existing business involved in:

- **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.

### 3.2 Import substitution - new and existing businesses involved in:

- i. the production of import substitutes;
- ii. Industries or businesses that promote renewable energy sources;
- iii. Initiatives that have a direct reduction on importation of non-renewable fuels.

#### *Import Substitutes:*

- Fruit;
- Vegetables;
- Root-crops;
- Rice
- Dairy produce;
- Beef;
- Poultry;
- Pig farming;
- Honey;
- Aquaculture;

#### *Renewable Energy*

#### *Initiatives*

- Public transportation

There are no size restrictions on businesses accessing ISEFF advances under any of the above categories with the exception of those classed under 'initiatives'.

### Public Transportation

**Bus companies** with an annual turnover up to a maximum of \$1.5 million.

**Other public service operators** that own only one taxi, minibus or carrier.

The RBF reserves the right to make changes to the above list at any time under advice to the approved lenders<sup>3</sup>.

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<sup>3</sup> Clarification on the above eligibility requirements can be sought from the Reserve Bank. Applicants must satisfy RBF that their business is import substitution related.



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Note that the funding eligibility also applies to refinancing loans for existing eligible businesses.

## 4. **Loan Application**

Applications from eligible businesses must be completed by the lender on behalf of the client and submitted through their commercial bank, FDB or LCI using a copy of the attached *Import Substitution and Export Finance Facility Application Form*.

Applications must be submitted through an approved lender three (3) working days before the proposed drawdown date.

## 5. **Loan Term**

The maximum loan term under this Facility is six (6) months and can be rolled over for up to five (5) years.

Where extension is sought to roll over, the approved lender must inform RBF at least 3 working days before maturity of the current loan.

## 6. **Interest Rates**

The Reserve Bank will charge approved lenders an interest rate of 1 percent per annum for all advances under this Facility. Interest on all loans is payable twice annually on 30 June and 31 December.

Approved lenders must advance these funds at a maximum spread of 4 percent per annum. Therefore the maximum interest rate that can be charged to eligible businesses will be 5 percent per annum.

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

## 7. **Loan Disbursement**

Upon approval, the advance will be credited to the approved lender's nominated account with the Reserve Bank.

## 8. **Repayment**

All advances under this Facility are due and repayable on maturity. On instances where the Facility is rolled-over, only interest due must be paid twice annually on 30 June and 31 December.

Should a borrower effect settlement or refinanced within the agreed term, the approved lender is required to immediately reimburse the funds advanced under this Facility to the Reserve Bank.



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## 9. Approved Lenders Responsibility

Granting of the loans is at the discretion of the approved lender. Eligible applicants 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 approved lender's account with the Reserve Bank will be debited with the total outstanding amount loaned and the interest owing.

## 10. Exceptions and Clarifications

The Reserve Bank undertakes to exercise reasonableness and accord due consideration in case there is any doubt or queries arising from these guidelines. However, regrettably our decision, once taken, will be final.

**Reserve Bank of Fiji**  
**Private Mail Bag**  
**Suva**  
**Fiji**  
**Telephone: (679) 331 3611**  
**Fax: (679) 330 1688**  
**Email: [info@rbf.gov.fj](mailto:info@rbf.gov.fj)**



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## IMPORT SUBSTITUTION AND EXPORT FINANCE FACILITY APPLICATION FORM

Application Details	
Company Name	
Address	
Phone/ Mobile	
Fax/ Email	
Type of Business	
<input type="checkbox"/> Existing Exporter <input type="checkbox"/> New Exporter <input type="checkbox"/> Import Substitution <input type="checkbox"/> Renewable Energy/Energy Efficiency <input type="checkbox"/> Public Transport	
Funding Details	
Total Funding Required (\$)	
Estimated Funding Duration	
Interest Rate Offered (%)	Year 1 <input type="checkbox"/> Year 2 <input type="checkbox"/> Year 3 <input type="checkbox"/> Year 4 <input type="checkbox"/> Year 5 <input type="checkbox"/>
Proposed Drawdown Date	
Declaration of the Applicant(s)	
I/ We hereby certify that the information provided is true and correct to the best of my knowledge.	
Name of Contact Person: .....	Signature:.....
Position:.....	Date:.....
<i>Names and Signature(s) of applicant</i>	
Declaration of the Lender	
I hereby certify that the information provided has been verified and the applicant(s) above has fully satisfied all our lending and credit requirements.	
Institution Name	
Name of Assessing Officer	
Signature	
Date	
<b>ii) Note:</b> 1. In the event that the lender is unable to pay the RBF on the specified date, the RBF will debit the respective lending institution's ESA/Call/Advance account for the total outstanding advance, including interest accrued. 2. RBF may request for additional information when necessary, to make a decision on the application. 3. Completed forms to be submitted to Manager Domestic Markets, Tower 2, Reserve Bank of Fiji.	