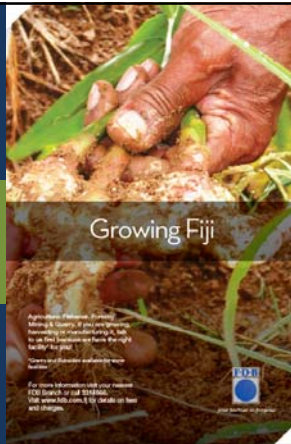


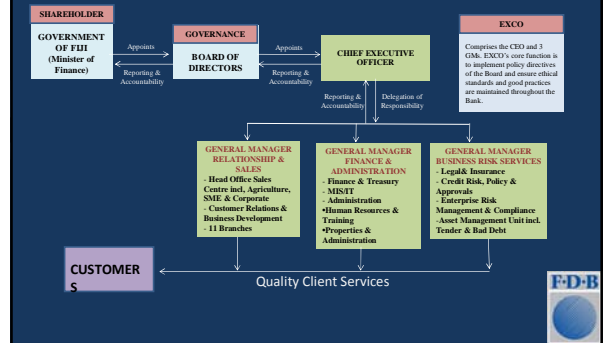
Pacific Regional Capacity Building Workshop on Improving Access to Finance for the Agriculture Sector. Nadi, 20 October, 2011.

Using innovative collaterals to improve agricultural credit – FDB perspective.

PRESENTER:
Deve Toganivalu,
Chief Executive Officer,
Fiji Development Bank.



OVERVIEW



FDB PORTFOLIO & MARKETSHARE

- As at 30 September, 2011 FDB's Agriculture (excl. Fisheries & Forestry) portfolio numbers 3,689 accounts valued at \$37.30MM - 72.2% and 11.1% of our business respectively.
- Overall market share (incl. Fisheries and Forestry) as at 30 June, 2011 is 58% - up 4% from 2010.



FOCUS OF PRESENTATION

- Collaterals accepted by FDB for Agricultural Loans;
- Business Models created & Lessons Learnt; and
- Measuring the Impact of Agricultural Financing.



WHAT INNOVATION MEANS

To minimise risk assess the project based on the following:

- Sweat equity
- Evidence of a sound business plan
- Evidence of a 12 month cash flow projection
- Guaranteed market access



WHAT INNOVATION MEANS

Substitute collaterals with the following:

- Cap on the loan amount
- Provisioning
- Limit project lifespan
- Take third party guarantees



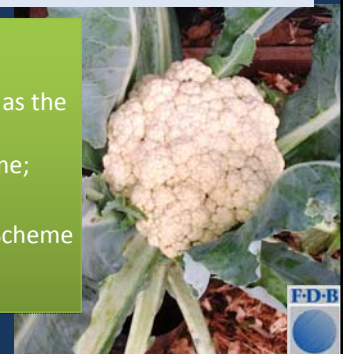
FDB PROJECT FOCUS

- Develop the resource-based sector;
- Create long term employment; and
- Help enhance a better standard of living for all.



SOCIAL BANKING FACILITY

- The Micro-credit Scheme (MCS), previously known as the Small Rural and Agricultural Scheme; and
- The Agri-finance Scheme (AFS).



MICRO-CREDIT SCHEME

- Designed to address the social needs for the most vulnerable sections of the committee.
- Loan value between \$500 - \$5,000.
- Open to individuals, farmers and partnerships earning less than \$7,500 p.a. (individual or joint).
- Agricultural portion of MCS focused on sugar cane, fruits, vegetables, root crops, broiler farms, livestock farming and apiaries.
- TOTAL: 662 accounts valued at \$2.31MM.



AGRI-FINANCE SCHEME

- Designed to meet all farm related costs including coconut, dairy and livestock farmers.
- Available to any local individual, farmer, partnerships or cooperatives with a viable project.
- Loan value between \$5,001 and \$10,000.
- Loans given for farming of fruits, vegetables, root crops, sugarcane, apiaries, livestock, farm improvements as well as the purchase of machineries and fertilizers and other farm-related costs.
- TOTAL: 416 accounts valued at \$1.61MM.



SOCIAL BANKING FACILITY

EQUITY REQUIRED

- 20% but flexible, project considered on merits including proven sweat equity.

SECURITY

- Flexible but prudent - Crop Lien, Mortgage, Personal Guarantees or any security that the client had to offer including Bill of Sale, Lien over Fixed Deposits and Notifications.

LOAN PERIOD & REPAYMENT SCHEDULE

- MCS: 3-5 years and AFS:5 years – payable monthly, quarterly, bi-annually or annually depending on the nature of the project or the farm.



SBF IMPAIRMENT RATIO

(BY NUMBER) OF
ALL AGRICULTURAL
LOANS UNDER:

- AFS: 52%
- MCS: 63%



COLLATERALS ACCEPTED BY FDB

- **EQUITY REQUIREMENTS:** between 10 to 35% of project cost. Bank also accepts sweat equity in lieu of cash equity for certain projects.
- **SECURITY:** Flexible - Crop Lien, Mortgage, Charge on Lease, Personal Guarantees, Bill of Sale, Lien over Fixed Deposits and Notifications.



COLLATERALS ACCEPTED BY FDB

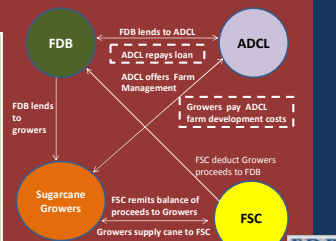
- FDB also accepts Charges over Class "J" lease for all agricultural purposes. No other financial institution accepts this as a collateral.
- Class "J" leases refer to land reserved for the exclusive use of the *tokatoka* (family unit) land or the *mataqali* (clan).



BUSINESS MODELS CREATED AND LESSONS LEARNT

ACME'S BUSINESS MODEL

- Farmers held individual titles.
- FDB had two , mutually exclusive agreements.
- Between FDB and Farmers security included assignment over proceeds.
- Between FDB and ADCL, security included debenture, guarantees and bill of sale.
- ADCL is a Farm Manager NOT a Grower.



BUSINESS MODELS CREATED AND LESSONS LEARNT

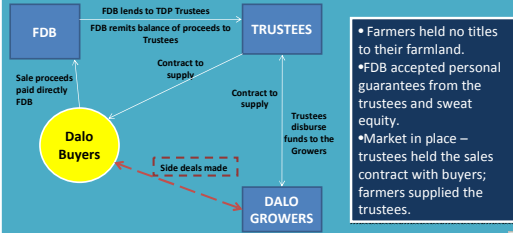
ADCL LESSONS LEARNT

- Model good but the ADCL management lacked experience.
- Collaterals inadequate to cover the debt in the case of ADCL.
- Average business lifespan is two years – managing expectations is a problem in group settings.



BUSINESS MODELS CREATED AND LESSONS LEARNT

TAUSALA DALO PROJECT MODEL



BUSINESS MODELS CREATED AND LESSONS LEARNT

TDP LESSONS LEARN

- Differences in opinion on growth – managing expectations.
- Farm production affected because of differences.
- Inability by trustees to hold the farmers to the supply contract.
- Security offered was a personal guarantee from the head of the clan



IMPACT OF AGRICULTURAL FINANCING

IMPACT ON GDP

	2005	2010
GDP (INCL. FISHERIES & FORESTRY)	\$608,501MM	↓ \$603,846MM
FDB PORTFOLIO (BY NUMBER)	1,964	↑ 3,414
FDB PORTFOLIO (BY VALUE)	\$48.7MM	↑ \$157.73MM

Credit impact study needed.

Other measures include employment rates and a reduction in rural poverty.



CONCLUSION

Easing access to finance or make financing readily available for the agricultural sector through innovative collaterals is not a solution in itself. It must be done in conjunction with:

- Improving Financial Literacy;
- Encouraging entrepreneurship;
- Improving technical knowledge;
- Incubation centres/supervision and monitoring;
- Finding/identifying the market; and
- Agricultural insurance.



**Thank
you.**

