



# PARLIAMENT OF THE REPUBLIC OF FIJI

## STANDING COMMITTEE ON ECONOMIC AFFAIRS

### Reserve Bank of Fiji August 2017 – July 2018 Annual Report



**Parliamentary Paper No. 11 of 2019**

*April, 2019*

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# Table of Contents

<b>Chair's Foreword .....</b>	<b>3</b>
<b>Acronyms: .....</b>	<b>5</b>
<b>1.0 Introduction.....</b>	<b>6</b>
1.1 Background.....	6
1.2 Committee Remit and Composition.....	6
<b>2.0 Findings and Recommendations .....</b>	<b>7</b>
<b>3.0 Gender Analysis.....</b>	<b>9</b>
<b>4.0 Conclusion .....</b>	<b>10</b>
<b>Members Signature .....</b>	<b>11</b>
<b>Appendices</b>	



## Chair's Foreword

The Committee, upon deliberating on the August 2017 – July 2018 Annual report was pleased to note that Fiji's foreign reserves remained above the benchmark, with the foreign reserves level being \$2,161.9 million at the end of July 2018. Further to this, the committee was also pleased to note that RBF had made a profit of \$31.5 million in the 2017-2018 financial period. The committee is satisfied that RBF, as the financial system regulatory authority in Fiji continues to undertake relevant supervisory activities to ensure the safety and soundness of the Fijian financial system.

The Committee, after scrutinizing the annual report and consulting with various stakeholders made observations and recommendations. The Committee supports the Governor's statement of the need to gather data on Small Medium Enterprises in Fiji, considering that about 95% of businesses in Fiji are SME business.

Further to this, we welcome the initiative of introducing e-services which provide customers greater ease of access to the services provided by Banks as IT literacy has significantly improved amongst the population.

In the year to June 2018, tourism earnings grew by 4.6% to \$838.5 million compared to 6.1% growth in the same period in June 2017.

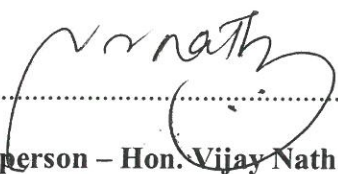
The Committee further notes that local participation in the tourism industry has also grown significantly.

It was also noted with interest that the Bank works in alignment with Sustainable Development Goals. For instance, the Green Bond Project aligns perfectly with SDG 13 – Climate Action. Further to this, SDG 5 – Gender equality was evident. Taking into consideration the principle of gender equality, the Committee noted that RBF have taken initiative to be more gender inclusive. This has been done through collecting disaggregated data from all licensed financial institutions, including insurance companies in order to better understand and design products and services that are suitable to the financial needs of Fijian women. Further to this, RBF has also made a commitment under the National Financial Inclusion Strategic Plan (2016 – 2020) to include additional 65,000 women into the formal financial system.

Finally, I would like to thank our Committee Members who were part of the team that produced this report: - Deputy Chair Hon. Veena Bhatnagar, Hon. George Vegnathan, Hon. Filipe Tuisawau, Hon. Inosi Kuridrani and Hon. Viliame Gavoka. I also take this opportunity to acknowledge and thank the Parliamentary Staff who have given us invaluable support.



On behalf of the Standing Committee on Economic Affairs, I commend the RBF AUG 2017 – JULY 2018 report to Parliament.

  
.....  
Chairperson – Hon. Vijay Nath





## Acronyms:

RBF	-	Reserve Bank of Fiji
SME	-	Small Medium Enterprises
SDG	-	Sustainable Development Goal
SO	-	Standing Orders



## **1.0 Introduction**

### **1.1 Background**

The Reserve Bank of Fiji (RBF) works with the vision of leading Fiji to Economic success. The principal purposes of the RBF are as follows:

- To regulate the issue of currency and the supply, availability and international exchange of money.
- To promote monetary stability which is executed through low inflation and having adequate level of foreign reserves by formulating and implementing appropriate monetary policies.
- A sound financial structure is also promoted by licensing and supervising banking, credit, insurance and superannuation institutions as well as foreign exchange to foster credit and exchange conditions, conducive to the orderly and balanced economic development of the country and to regulate the insurance industry as well as capital markets and securities industry.

The Bank provides banking, registry and foreign exchange services to Government and plays the lender of the last resort role to commercial institutions. Further, as mentioned on page 2 of the Annual report, under its mission 'providing proactive sound advice to Government' the Bank, when requested gives policy advice to the Government, undertaken through interactive committee meetings and various inter-agency fora.

The Committee will focus on the content of August 2017 – July 2018 Annual report and present its finding through the recommendations.

### **1.2 Committee Remit and Composition**

The Committee is made up of five (5) Members of Parliament, three (3) of which are Government members and two Opposition members. According to Section 109(2)(a) the Standing Committee is responsible for matters related to economic development, finance, banking and taxation.



## 2.0 Findings and Recommendations

1. The Committee strongly agreed with the Governor of the Reserve Bank on the need of gathering data on Small Medium Enterprises (SME's).  
Considering that 95% of all businesses in Fiji are SME businesses, the Committee recommends that SME data gathering must be enhanced and consolidated
2. The Committee noted that RBF is currently drafting the Fiji Sustainable Finance Roadmap with the assistance of Alliance for Financial Inclusion as well as Sustainable Banking Network.  
The Committee commends the progress to date but notes the key role played by international institutions and overseas consultants.  
The Committee recommends that capacity building for local staff be undertaken to enable them to conduct such policy formulation in future rather than being dependent on overseas consultants.
3. The Committee commended the efforts undertaken with the Green Bond project as it perfectly aligns with SDG 13 – Climate Action. The Fiji Sovereign Green Bond Impact Report 2018 clearly states the details of the projects that have been initiated as well as the project selection, monitoring and evaluating criteria.  
Given that such initiatives need to progress satisfactorily, the committee recommends that the monitoring and evaluation component be consistently reviewed to improve on project effectiveness and efficiency.
4. The Committee welcomed the introduction of e-service platform for foreign dealers as IT literacy has significantly improved amongst the population, therefore we recommend that more public awareness s to be conducted about such e-services and that stringent measures must continuously be taken to ensure that customer data is protected.
5. In the year to June 2018, tourism earnings grew by 4.6% .., the Committee further noted that local participation in the tourism industry has also grown significantly and recommends that more initiatives must be introduced to attract local investors and resource owners to venture into the tourism industry for it to continue to thrive.
6. The Committee noted that personal remittances is the second largest foreign exchange earner in Fiji. It further noted that the Banks had reviewed remittance fees to an affordable level, therefore the Committee recommends awareness programs to educate people on the importance of investing thus inculcating a saving culture.
7. The Committee mirrored the sentiments of the Governor on the importance of maintaining sufficient level of foreign reserves to avoid issues such as devaluation which would eventually contribute to high inflation rate.



8. The Committee commended the vigorous planning and consultation undertaken by the RBF in formulating their Strategic Plan, including inviting former Governors as well as staff members for their contributions.
9. The Committee noted and commended the performance frameworks that RBF has developed in order to evaluate and upgrade performance of their staff. The Committee believes that such measures are imperative in order to ensure that only the best are recruited and retained for the crucial roles played by the various departments in RBF.





### **3.0 Gender Analysis**

Gender is a critical dimension to parliamentary scrutiny. Under Standing Order 110 (2) the Committee is required to ensure full consideration to the principle of gender equality so as to ensure all matters are considered with regard to the impact and benefit on both men and women equally.

Taking into consideration the principle of gender equality, the Committee noted that RBF have taken initiative to be more gender inclusive. This has been done through collecting disaggregated data from all licensed financial institutions, including insurance companies in order to better understand and design product and services that are suitable to the financial needs of Fijian women. Further to this, RBF has also made a commitment under the National Financial Inclusion Strategic Plan (2016 – 2020) to bring another 65,000 new female (women) into formal financial system.



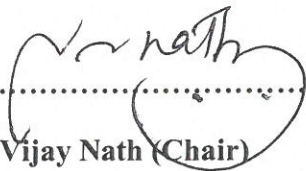
## **4.0 Conclusion**

The Committee was satisfied with the work being done by the Reserve Bank of Fiji and its contributions towards achieving their shared vision of leading Fiji to economic success.

The Committee was pleased to note the incorporation of Sustainable Development Goals (SDGs) into the RBF framework. For instance, SDG 5, gender equality as mentioned in the report was evident through the different initiatives being taken by RBF to ensure that employment contracts are based on merit and performance and that policies have been put in place to ensure equal opportunities for all staff. SDG 13 – Climate Action was also evident through the Green Bond Project as well.



**Members Signature**



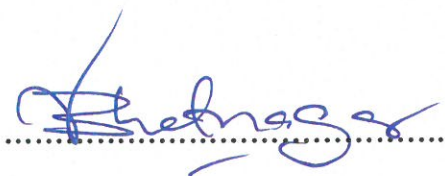
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**Hon. Vijay Nath (Chair)**



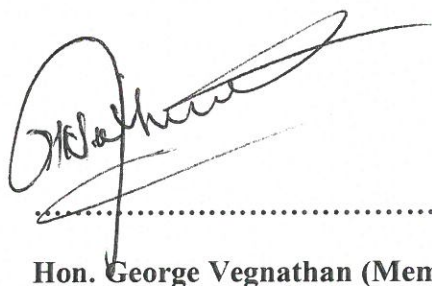
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**Hon. Viliame Gavoka (Alternate)**



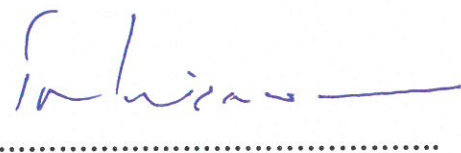
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**Hon. Veena Bhatnagar (Deputy Chair)**



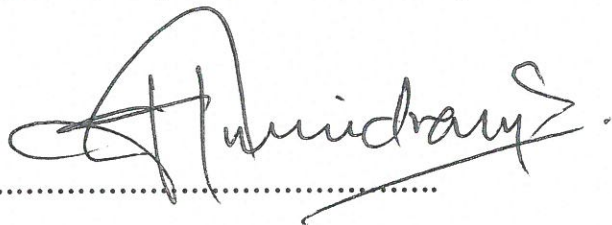
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**Hon. George Vegnathan (Member)**



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**Hon. Ro Filipe Tuisawau (Member)**



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**Hon. Inosi Kuridrani (Member)**



# **APPENDICIES**





# RESERVE BANK OF FIJI



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PRESENTATION TO THE STANDING COMMITTEE ON ECONOMIC  
AFFAIRS BY THE GOVERNOR OF THE RESERVE BANK OF FIJI,  
MR ARIFF ALI, ON THE RESERVE BANK OF FIJI (AUGUST 2017-JULY  
2018) ANNUAL REPORT AND THE 2017 INSURANCE ANNUAL REPORT

*01 February 2019*

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## A. INTRODUCTION

1. Thank you Honourable Chair, and Honourable Members for the invitation to present to you today, highlights of the Reserve Bank of Fiji's Annual Report for the period 01 August 2017 to 31 July 2018, and the 2017 Insurance Annual Report. We have also prepared responses to the specific questions that we have received from the Standing Committee, and these will be part of our presentation.
2. I acknowledge with appreciation the opportunity I had last week, to present at the Workshop you had at the Warwick Resort, an overview of the roles and responsibilities of the Reserve Bank of Fiji. Having an appreciation of how we conduct our central banking activities, would augur well in understanding the information we produce in our annual reports.
3. However, may I at the outset re-iterate a quote I mentioned to you last week, a quote that has always put our role as a central bank in perspective, by the former Governor of Bank Negara, Malaysia's central bank, who stated that "**central banking is not for the faint of heart!**" I further quote Alice Rivlin, a former Federal Reserve Vice Chairperson, who aptly said that the "**the job of the central banks is to worry**". *By the way these are statements by two women regarded as leading central bankers in the world.*

**B. 2017 – 2018 RBF ANNUAL REPORT HIGHLIGHTS**

4. Honourable Members, as I had highlighted in my presentation to you last week, the RBF is tasked to maintain three (3) core mandates:
- (i) Price stability in ensuring that inflation is low and stable;
  - (ii) External (currency) stability, in that foreign reserves level are comfortable; and
  - (iii) Financial stability, in ensuring that the Fijian financial system is safe and sound.
5. I will therefore discuss the highlights of our 2017/2018 Annual Report under the key outcomes we achieved in ensuring the protection of these three mandates, and then provide some key updates of our financial performance.

**Price Stability**

6. Honourable Members, inflation in Fiji had somewhat subsided in the 2017-2018 fiscal year at around 3.1 percent on average, when compared to an average of 4.4 percent in the 2016-2017 fiscal year. While the supply and prices for market items were normalising after Tropical Cyclone (TC) Winston, adverse weather conditions from TC Keni and Josie and associated flooding, placed upward pressures again on prices.
7. In addition, the impact of the higher oil prices throughout 2017 and early 2018 translated to higher domestic fuel prices in the fiscal year. Honourable Members would take note that the increase in global crude oil prices and supply shortages caused by natural disasters, are beyond the control of the central bank.

8. Consequently, inflation at the end of the 2017-2018 fiscal year stood at 4.7 percent driven by both domestic and imported inflation. Nevertheless, inflation excluding alcohol, tobacco and *yaqona* is around 1.9 percent.

### **External Stability**

9. Honourable Chair, I stated in my presentation last year that as a small open economy dependent on imports of a variety of goods, we need to maintain a sufficient level of foreign reserves, otherwise there will be pressure on our exchange rate.
10. The International Monetary Fund (IMF) has set a benchmark on the level of foreign reserves which states that it should be sufficient to cover 3 months of imports. Given the external shocks and risks we face such as the hike in oil prices and natural disasters we experienced in April 2018, we built in an additional buffer above this benchmark.
11. I am pleased to inform you that Fiji's foreign reserves remained above the benchmark throughout the review period. At the end of July 2018, our foreign reserves level stood at \$2,161.9 million and was sufficient to cover 4.8 months of retained imports. In addition, there was approximately \$553.1 million in foreign reserves held by non-bank financial institutions. Currently (31/01), foreign reserves are around \$2,031.3 million, sufficient to cover 4.5 months of retained imports.

### **Financial Stability**

12. Honourable Chair, ensuring a safe and stable financial system is vital in the continued sustainable growth of our economy. The Reserve Bank as the

financial system regulatory authority in Fiji continues to undertake relevant supervisory activities to ensure the safety and soundness of the Fijian financial system.

13. The Fijian financial system continues to expand, recording a growth of 8.1 percent (or \$1.3 billion) to reach \$19.8 billion in July 2018. Over the reporting period of August 2017 to July 2018, financial soundness indicators underpinned a satisfactory outlook on the stability of the financial system.
14. The commercial banking industry continues to dominate the Fijian financial system taking up nearly 50 percent of the financial system assets. The FPNP as the single largest financial institution continues to remain sound and its sustainability underpinned through recent reform actions. The insurance industry as we will highlight later in this presentation, managed to recover well from the losses arising from TC Winston and subsequent natural disasters.
15. Work on the implementation of the IMF Financial Sector Stability Review (FSSR) recommendations has started and this is expected to further strengthen the capacity of the RBF to undertake its supervisory role, and closely monitor emerging risks and vulnerabilities in the system.
16. Honourable Chair, please allow me to provide some highlights of the outcome of our 2019/2018 operations, before I move on very briefly to the 2017 Insurance Annual Report.

## **Financial Performance**

17. Honourable Chair, we have always emphasised when making presentations such as this, that the objective of the central bank is not to maximise profit. While profit maximisation is not our goal, making losses is also not acceptable. For important policy making institutions like us, financial losses often results in reputational risk which translates to loss of confidence of our key stakeholders, in our ability to effectively carry out our mandates.
18. For the 2017-2018 financial year, the RBF made a profit of \$31.5 million and transferred to Government a total of \$32.5 million which included one-fifth or \$2.0 million, of the revaluation reserve account (RRA). Of the \$31.5 million in profits, the RBF Board with the approval of the Minister transferred \$1.0 million to the General Reserve Account to strengthen the Reserve Bank's capital base.
19. This compares with a transfer of \$29.4 million to Government (\$27.3 million profits and one-fifth RAA totalling \$2.1 million) for the financial year ended 31 July 2017 with a transfer of \$1.0 million to the General Reserve Account.
20. As would be expected, RBF's profit is underpinned by the income earned from our foreign reserves holdings which are invested in safe and liquid assets offshore. In the 2018 financial year, the Bank earned \$45.0 million in net foreign exchange income, boosted by elevated levels of foreign reserves.
21. As a public institution aspiring to best governance and disclosure practices, the RBF was again able to sign off on its annual audited financial statements for the twelve months ending 31 July 2018, on 28 September 2018, within two months of our financial year. Following the signing of the audited accounts

and in line with the provisions of the RBF Act, the Bank provided to the Honourable Minister for Economy a certified auditor's copy of its financial accounts along with its Operations Report, on 28 September 2018.

**C. 2017 INSURANCE ANNUAL REPORT**

22. Honourable Chair, I will move on to provide key highlights of the 2017 Insurance Annual Report.
23. 2017 was a favourable year for the local insurers as Fiji was spared of experiencing any major catastrophe events as it did in 2016, allowing the local insurance industry to recuperate from the devastation left behind by TC Winston and TC Zena. However, claims from the 2016 events continued to be paid in 2017.
24. The risk transfer role that the insurance industry plays is key to the growth of our economy. It provides the necessary safeguard for the financial health of individuals, families, communities, businesses, financial institutions and the economy as a whole. The industry also plays an information role in providing an indication of existing risks in the economy and probability of loss, and a developmental role in the capital markets, by mobilising savings for productive use.
25. The Fijian insurance industry remain solvent way above the prudential minimum requirement, supported by good quality assets. Total assets of the Fijian insurance industry stood at \$1.7 billion, an increase of 5.8 percent from 2016. Total liabilities also increased by 4.8 percent to \$1.4 billion, in 2017.

26. The insurance industry's viability position improved in 2017, with a combined after tax profit of \$45.2 million for the life and general insurance sectors, a turnaround from the net loss of \$8.0 million reported in 2016.
27. Total gross premium income as an indicator of volume of business increased by 3.8 percent to \$323.7 million in 2017, attributed to new policies underwritten by general insurers. Life insurers however, registered a decline in gross premium income, as a result of lower premiums received for endowment products. An endowment policy is a life insurance contract designed to pay a lump sum after a specific term (on its 'maturity') or on death.
28. In terms of claims, net policy payments and net claims paid grew to \$210.7 million, in 2017. Net claims paid by general insurers increased by 8.5 percent to \$97.0 million, attributed due to the 'spill over' payments for TC Winston claims from the previous year. Similarly, net policy payments by the life insurance sector increased by 17.8 percent to \$113.7 million due to matured and surrendered life policies.
29. Honourable Chair, the Reserve Bank of Fiji continues to liaise with individual companies on the sustainability of their operations and like any other business during times of crisis, some companies' underwriting capacity have been challenged by the impact of recent loss events. The Reserve Bank, as the regulator of the insurance industry has the necessary powers to enforce requirements to ensure that individual companies remain safe and sound, and the insurance industry as a whole continues to be stable.

30. Climate change and the imminent upsurge in insurance losses globally and in Fiji in recent years have underscored the importance of insurance affordability, challenging insurers to bridge the insurance protection gap. This has highlighted the ongoing need for the industry to not only promote insurance awareness to the general public, but to also develop and offer innovative insurance solutions that meet the needs and affordability of the underserved in our communities.

31. We note that the Standing Committee has some specific questions on these initiatives, so we will take this time to respond to your questions. If you may allow us Honourable Chair to begin with our responses to the specific questions relating to the 2017-2018 RBF Annual Report and then move on to the questions on the 2017 Insurance Annual Report, before we close with a summary.

#### **D. RESPONSES TO QUESTIONS BY THE STANDING COMMITTEE**

32. Honorable Chair, we have provided detailed responses to the specific questions of the Standing Committee, and these have been provided to you.

33. I will now go through our response to each question (*refer attachment*).

#### **E. SUMMARY**

34. Honourable Members, in closing, I wish to highlight a few key points for your noting as an update on the current economic environment:



- [1] The inflation rate while noting an uptick to the end of 2018 remain at an acceptable level. We are fully aware of the reasons behind the increase and are closely monitoring the relevant indicators. It is to be noted that inflation excluding alcohol, tobacco and *yaqona* is around 1.9 percent.
- [2] Foreign reserves continue to remain above the benchmark, and as of yesterday, 31 January 2019, foreign reserves were around \$2,031.3 million, sufficient to cover 4.5 months of retained imports.
- [3] 2018 was another year of positive growth and the economy is estimated to have expanded by 3.2 percent.
- [4] The financial system is stable with gross assets rising to \$20.7 billion at the end of 2018.

35. However, in being reminded by the quote we stated earlier, that our job as central banks is to worry, it will be remiss of us if we do not acknowledge that there are significant risks to our economic outlook due to current global developments underpinned by the intensification of international trade tensions and the possibility of a larger deceleration in the Chinese economy, further financial market stress, and overall policy and geopolitical uncertainty.

36. Domestically, risks brought about by natural disasters remain elevated as we currently go through the cyclone season, with the continued need to review and implement necessary strategies for the viability of our export sector. While the RBF has no control over risks emanating from global developments, we

continue to engage with relevant stakeholders in Government and the private sector on actions to mitigate domestic risks.

37. I would like to conclude by thanking the excellent team we have at the Bank, and we hope these remarks are helpful background for the Standing Committee's review of our annual reports.

We would be happy to answer any further questions.

*Vinaka.*

**Reserve Bank of Fiji**

01 February 2019

**RESPONSES TO QUESTIONS BY THE STANDING COMMITTEE ON  
ECONOMIC AFFAIRS ON THE 2017-2018 RBF ANNUAL REPORT  
AND THE 2017 INSURANCE ANNUAL REPORT**

*(Provided as part of the Presentation by the Reserve Bank of Fiji to the Standing Committee on  
Economic Affairs, 01 February 2019)*

**ON THE 2017-2018 RBF ANNUAL REPORT:**

*[1] The Committee notes the Strategic Plan and Annual Corporate Planning cycle within RBF. Is there a Monitoring and Evaluation Framework in place? Please elaborate?*

There is a Monitoring & Evaluation Framework in place for our annual workplans, which are reviewed at Group levels every quarter, and at the Bank-wide level every six months, where a 6-Monthly Work Progress Report is submitted to the RBF Board, in February every year for review (used to be July under the old financial year).

The monitoring and evaluation of our progress regarding the Bank's 5-year Strategic Plan is undertaken annually, and we admit that this process has been identified by our internal auditors as an area that can be further strengthened. In this regard, we have put in place necessary arrangements to ensure this is undertaken when implementing our new Strategic Plan from August 2019 – July 2024.

*[2] We note that there is a significant growth in inflation to 4.7% despite economic indicators showing positive trends. What strategies would you suggest to alleviate high inflation rate?*

It's important to highlight that inflation normally trends to pick up when economic growth accelerates. There are a number of reasons as highlighted earlier as to why inflation rose to 4.7 percent in the review period.

The main drivers of inflation are either import inflation or domestic inflation arising from either demand or supply side. Foreign factors contributing to inflation are usually beyond our control, but they play a key role since a large composition of the consumer basket (around 40%) is composed of imported items.

Domestically, supply shortages emanating from natural disasters (cyclones & floods) have continued to influence prices of market items (local fruits and vegetables) and *yaqona*, pushing up inflation post TC Winston in 2016. In addition, fiscal policy changes such as increases in excise and import duties have also led to an increase in prices of alcohol and tobacco.

During the same period, Fijian participation in the tourism industry has increased substantially. An increasing number of hotels are now owned locally and some large ones including a few prominent ones are owned by the FNPF, Vision Group & Tanoa Group. Since tourism earnings have grown significantly and local participation has also improved, it is safe to conclude that we are now retaining more from every tourism dollar received, and leakages have declined.

*[5] On page 21 of the report under Exchange controls, we note that spot checks were carried out to monitor operations of Foreign Exchange Dealers. What are some of the checks that are carried out? What were some of the common breaches, if any, that were encountered during the checks? How were these breaches dealt with?*

Exchange controls are a safeguard for developing economies, to ensuring that we continue to maintain adequate reserves. One of the channels through which money can be transmitted out of the country is through the foreign exchange dealers.

I am pleased to inform the Honourable Members that no major breach has been identified in recent spot checks, and all issues identified have been addressed.

During a spot check, a thorough examination of the documentation submitted by customers (a selected sample) in support of their applications is carried out to ensure compliance with the mandatory requirements, the transaction limits are checked against the delegated amounts as per the Exchange Control Guidelines, and the OET (Overseas Exchange Transactions) codes assigned to each transaction by the dealer are verified. Following the spot check, a letter outlining the breaches is sent to the dealer, and depending on the severity of the breaches, a warning letter can be issued. A follow-up spot check is conducted to assess the implementation of the corrective measures proposed.

*[6] On page 21, we further note the initiative of e-Service system for foreign exchange dealers. This is a great initiative however what measures are put in place to ensure that customer information will be protected. What are some of the tools that is being used to raise awareness regarding this platform?*

Security has been built into the Exchange Control eService Application and its infrastructure at different layers, to protect sensitive, including customer information and includes:

- (i) Access control to allow only authorised users to have access to sensitive information;
- (ii) Internal policies in the Bank on the handling, use and storage of sensitive information. A Declaration of Allegiance and Secrecy is signed by all RBF staff to ensure maintenance of all confidential and sensitive information;

*[8] On page 34, of the Annual report, the Housing facility was increased to \$60 million which the Committee welcomes however it has been noticed that only \$14.9 million was approved for the year. Could you please state the reasons as to why the full allocation was not utilized? What are some of the factors that are considered while approving applications?*

The Reserve Bank had established a Housing Facility in 2013 with an allocation of \$25 million that was fully disbursed to Housing Authority in 2014. In 2017, the RBF increased the amount allocated under the facility to \$60 million and extended lending to commercial banks, licensed credit institutions and the FDB.

While the Facility provides concessional funding to eligible homeowners through lending institutions, many of these lending institutions in particular commercial banks also provide their own competitive home loan packages which are equally attractive to new homeowners. Nevertheless, the uptake of the Facility continues to grow and by the end of January 2019, a total of \$49.7 million was approved to eligible customers.

As stipulated under the Housing Facility guidelines, the criteria for eligibility are: (1) single applicants or joint applicants earning not more than \$50,000 per annum singly or jointly at the time of application; (2) purchasing of a first home or property; (3) refinancing of the first home or property from another approved lender; (4) meeting all other standard housing loan credit requirements of the approved lender.

*[9] According to your submission for the RBF August 2016 – July 2017 Annual report, under Housing Facility, we note \$22.8m remained available for lending to be utilized within 12-18 months. What is the current status of this?*

As highlighted above, as at 30 January 2019, only \$10.3 million remains available for lending to eligible customers as \$49.7 million has been approved.

*[10] On page 32, on e-ticketing system under the Mobile Money development. What happens to the unrecovered balance of the disposable cards?*

Feedback from Vodafone is that the unused balance is channeled to the ICT Development Trust Fund.

*[11] On page 35 under MSME, it states that a MSME diagnostic study was being conducted. Could you please advise the Committee on the status of the proposed report on the study? If this was finalized, could a summary be provided?*

*rate of this initiative? (monitoring and evaluation of loan performance)  
How do you measure success of the scheme which is managed by RBF?*

SMECGS was established to improve SME's access to finance and at the same time enable lending institutions to share part of the credit risk with the Government. Under the scheme, Government will guarantee to pay 50 percent of the principal outstanding on defaulted SME loans up to a limit of \$50,000 per business. A total of \$4 million was allocated by the Government for the scheme.

The number of active SME loans registered by the scheme continued to increase over the years, reaching a total of 1,950 active SME loans (\$114.2 million) that were covered under the scheme as at November 2018. Of these SME loans, only four loss claims with a combined value of \$0.08 million were able to access the guarantee claim. links

This means that the loss ratio from the scheme is 0.08% only or the alternatively almost 99.9% of the loans have not been defaulted.

*[14] On Page 35 under the National Financial Inclusion Taskforce, the Committee would like an update on the Financial Literacy programs as well as its effectiveness including the extent of youth and women coverage.*

Financial literacy seminars are conducted by various providers such as the commercial banks; microfinance institutions; mobile operators and other financial institutions including the RBF.

In November 2017, an independent impact assessment by the USP on ANZ's Money Minded Financial Literacy Program showed favourable results. This was reflected in participants being assessed as less vulnerable to shocks, greater financial independence and healthy saving habit and ability to meet payments of bills and credit on time.

Training by three commercial banks has been conducted for over 8,500 participants in rural and urban centers of which more than fifty percent were women and youth, during January to December 2017.

*[15] On page 36, under Sustainable Finance, please provide an update on the progress of the Fiji Sustainable Finance roadmap?*

The Roadmap is in its second draft and following the Alliance for Financial Inclusion (AFI) and RBF Workshop on Smart Policies for Green Financial Inclusion in November 2018, the draft has been revisited to incorporate suggestions from the Workshop, and is anticipated to be finalised in the first quarter of 2019.

practices of the insurance industry. The Act is also due for review being in place now for 20 years.

As part of the assistance by the PFTAC, the RBF was able to attend a regional workshop to initiate the review, with a number of Pacific central banks which are also undertaking their countries' insurance legislations. We have received a first draft of the proposed bill, and are now awaiting a second draft after some amendments made in the first draft. The second draft will again be reviewed by the Bank, before we submit to the Solicitor General' Office for legal vetting, to be followed by the usual legislative review process.

*[3] On page 17, under Public Sector Participant and Partnership, there have been discussions about developing other types of insurance. Please advise on progress.*

Discussions are still underway on the initiative to introduce insurance products for households in Fiji, and agriculture insurance for crop and livestock. Consultations with the various stakeholders are ongoing due to the nature of the products and the lack of data, and local expertise on such a technical area.

However, we can update on the following:

- The Agriculture Insurance National Working Group has been established (AINWG) with participation of all relevant stakeholders (including line-ministries, the Fiji insurance industry and other private sector and international development agencies) for the design and introduction of agriculture insurance in Fiji. The Working Group is tasked with discussing, designing and implementing an action plan for the provision of agriculture insurance, and had its first meeting in December 2018.
- The Government of Fiji has agreed to become a member of the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) program, meaning Pacific Catastrophe Risk Insurance Company (PICRIC) can now offer sovereign parametric insurance cover to the Government of Fiji for both tropical cyclone and earthquake/tsunami.
- The Pacific Financial Inclusion Programme (under the United Nations Development Programme) is currently working on a Pacific regional climate risk adaptation and insurance project (a parametric index-based micro insurance for households) which is expected to be implemented in June 2019.

*[4] On page 17, under Inclusive Insurance, could you please indicate what type of initiatives were/are being introduced to bridge the insurance coverage gap (from 12%)?*

*[7] Have there been any recent developments in Climate Change financing related to insurance (outcomes of COP 23)?*

The developments discussed above under question numbers 3 and 6 are also part of the outcomes of COP 23.

*[8] Based on the supervisory role of RBF, what is the compliance rate of these insurance companies? If below average, what methods have been used to ensure higher rate of compliance?*

Insurers are required to be compliant with all regulatory and supervisory requirements relevant to their operations. In instances where insurers are not compliant, the Reserve Bank under the Insurance Act 1998 can issue directives to rectify prudential concerns.

*[9] In some cases, the processing time of applications are much longer than they are supposed to be despite all requirements being met. What are some reasons for the delay?*

In the context of claims processing, if all documentary requirements are provided by the insured, insurers also undertake due processes such as engaging loss adjusters for fire and motor vehicle claims, fire reports to verify the loss and reduce the risk of fraudulent claims. There are not many loss-adjusters in Fiji, and the process they undertake takes some time.

However in events of significant disasters like major floods and cyclones, the RBF initiates a regular follow-up process to ensure claim payments are not delays if all requirements are satisfactorily met.

*(10) How can the Bank promote SDG 5 – gender equality and women empowerment in the insurance industry?*

The RBF is in the process of finalising a Policy on collecting *Disaggregated Data* from all licensed financial institutions, including the insurance companies. Having access to adequate disaggregated supply side data will assist the RBF and financial services providers better understand, and design products and services that are suitable to the financial needs of Fijian women.

The RBF has also made a commitment under the National Financial Inclusion Strategic Plan (2016 -2020) to bring another 65,000 new females (women) into the formal financial system. In doing so, RBF is collaborating with various government agencies and private sector to achieve this goal.

*(11) How can the bank strengthen the capacity of the insurance companies to encourage and expand insurance services to all people in Fiji? (SDG 8).*