



**ADDRESS BY MR. SADA REDDY, GOVERNOR OF THE RESERVE BANK
OF FIJI AT THE 3RD FIJI HUMAN RESOURCES INSTITUTE ANNUAL
CONVENTION ON 23RD OCTOBER 2009, WARWICK RESORT**

LEADERSHIP IN A COMPETITIVE AND TURBULENT ENVIRONMENT

The President of the Fiji Human Resources Institute,
Distinguished Guests,
Ladies and Gentlemen

Good morning

It gives me great pleasure to be here this morning to deliver the keynote address at this Convention. I commend and congratulate the Executives of the Institute for hosting the 3rd Convention with the theme ***People, Key to Economic Success***.

I have been asked to speak to you today on the topic of **Leadership in a Competitive and Turbulent Environment**.

I accepted the Institute's invitation because I support the Institute's role in growing dynamic future leaders for the nation and the opportunity to share my leadership experience with you since assuming office as the Governor of the Reserve Bank of Fiji.

Ladies and gentlemen, before I talk to you about the challenges of leadership let me take this opportunity to put into context the economic and financial environment in Fiji.

My appointment as the Governor of the Reserve Bank of Fiji in April this year came at a time when the whole world was going



through a turbulent time with the global recession and financial meltdown. What we are witnessing globally is the deepest and longest recession since the Great Depression. All our major trading partners (with the exception of Australia) are in recession.

The good news is that the recession may be over in a global context as most countries are now expected to grow from next year. All the economic indicators are pointing to a turnaround both in the developed and developing world. In fact, at present Asia is leading the recovery with China and India taking a lead. Most of the South East Asian countries have revised their GDP growth forecast upwards for next year.

Closer to home as well, we are seeing that countries are also revising their GDP forecast upwards. But the pace of recovery for each country is different given their unique situations.

In Fiji's case we are optimistic of a positive growth of around 2 percent for next year. We expect the recovery to be on the back of a rebound in tourism and substantially higher investment by the Government in infrastructure.

Challenges

For the last two years, as you know, the global crisis compounded the economic difficulties we were already facing in Fiji. The unprecedented flooding in the Western Division early this year further complicated economic management. The floods severely affected our two main industries namely tourism and sugar. There



was significant amount of damage to the infrastructure in terms of roads, drainage, water supply etc.

As you know a number of our traditional industries have not been performing well for a number of years. Our sugar industry, for instance has been facing major issues for some years. Our fish and timber industries have also not been performing to their potential.

On the imports side, we experienced rising oil and food prices that stretched our import bill beyond limits and our balance of trade went into a tail spin. The global economic downturn also adversely impacted our tourism and inward remittances, which have in the past, assisted to alleviate a good part of the trade deficit. The higher prices for oil and food saw inflation reach a twenty year high.

The situation became very critical with our foreign exchange reserves plummeting very rapidly.

We also saw that with massive shifts in global financial flows, the currencies of our major trading partners depreciated significantly against the US dollar and with the Fiji dollar appreciating against the currencies of important tourism source markets like Australia and New Zealand, we became very uncompetitive in terms of tourism.



These were the daunting challenges faced by Fiji when I took office.

Devaluation

I had to act decisively and strategically, but most importantly, in a timely manner, to overcome the extreme challenge of salvaging the economy, our foreign reserves and to protect our financial position.

One of my first tasks upon my appointment was to immediately brief the Government of the difficult and critical state of our balance of payment and convince them of the need to realign our currency.

The 20 percent devaluation in April was necessary to stop the bleeding of our foreign reserves. This was a very difficult and heart wrenching decision to take. But as leaders of important policy making institutions, we have to take decisions in the best interest of the country with courage and conviction. If not, we will let our country and our people down.

As you know devaluation affects each and everyone in the country one way or the other. Some people benefit and others may lose out. However, from the country's point of view, devaluation is supposed to stabilize the balance of payment.

As you may know the foreign reserve levels reached a very critical stage in April. Our foreign reserve level was around one month of



imports and the forecast was for it to decrease even further in the next few weeks. However, since the devaluation, our reserve levels have now recovered to comfortable levels and have reached over a billion Fijian dollars now.

Of course, this turn around in the reserves did not come about without much pain. Our import prices naturally went up quite significantly and are still going up. This, of course, leads to higher inflation and affects people's livelihood. You are noticing that the inflation rate has been going up gradually and is expected to increase further before decelerating to around 2 percent by mid-next year.

Let me now touch on a few other policies we have put in place to assist economic recovery.

Interest Rates

The interest rate environment that we faced in Fiji early in the year was not conducive for economic recovery. Under normal circumstances, when you have balance of payment difficulties, you would expect to see interest rates rising.

But we were not in normal circumstances. The whole world was not going through normal circumstances. Countries all over the world took unprecedented and non-traditional measures to deal with the grave financial and economic situations they were faced with. Governments pumped in trillions of dollars into their economies to fend off the financial crisis.



We had a situation in Fiji where our economy was buffeted by factors beyond our control. Our export incomes were drying up as our exports started to decline due to the fall-off in global demand for our exports. Inward remittances which became a major source of foreign exchange for Fiji over the last four to five years started to also fall-off significantly due to the global crisis as our people who worked abroad started to lose their jobs and fewer people were getting new employment abroad.

Now, when faced with this kind of situation and then you have some banks still increase their interest rates despite being asked to show restraint, there is no choice but to put regulations in place. It is against this background, that interest rate controls on banks and other financial institutions were put in place in April this year.

These controls included a ceiling on lending rates and also controls on the spreads. The “spread” is the difference between the lending rates and deposit rates. I am pleased to say that these policies are working well. Interest rates have started to trend downwards while deposit rates are gradually edging up.

Now that foreign reserves have stabilized, the credit ceiling that was put in place in December 2006 has been lifted. As the economic situation normalizes, we will also consider further roll-back of the current policies. However, it is critical that we see both domestic and foreign investments start to pick up.



Micro-finance

Let me now talk a bit about micro-finance. I believe that as we move forward it is critically important that the rural sector plays a more active role in the economic growth of our country. We have to get more of our people who are currently economically inactive or underemployed into the economic mainstream. By doing this we will - not only bring up the living standards of our people but also reduce the growing poverty in the country. But this has not been an easy task, as we discovered in the past. It is important that we do not give up. Our leaders must continuously seek to identify the constraints of rural development and work to overcome these.

Microfinance is one area which I hold very dear to my heart. Over the years, I have been closely observing how our rural sector was being neglected. I have witnessed how past policy failures and poor governance issues attributed to the increased poverty in the country. These are clearly seen in the huge increase in the squatter population mainly over the last ten years or so.

I believe, with the right kind of financing and support our rural sector can grow and dominate the growth of the economy. I believe that we need to get the capital to work with the resources, somehow.

I have challenged and am encouraging the commercial banks to change their banking practices and not only concentrate on big businesses. Micro finance is done very successfully in Asia and South America. Almost every central bank in Asia and South



America has special micro-finance areas and they expect all their commercial banks to be actively involved in rural development.

I am convinced that there is no reason why commercial banks in Fiji cannot have micro-finance specialisation as part of their operations. If this is working well in Asia and South America – why not Fiji? I believe that the key is to change mindsets and styles of their operations through designing their banking services to suit the banking needs of the rural areas. I have set a time frame with commercial Bank's to set up microfinance centres in each of their branches by January 2010.

We are also playing our part in micro finance at the Reserve Bank. We have set up a special department in the Bank to lead research, development and implementation of financial system products, projects and initiatives such as micro-finance, small micro and medium enterprise, rural banking, financial inclusion and literacy.

The Reserve Bank in partnership with some donor agencies such as the UNDP will conduct a two-day workshop on micro-finance in the next couple of weeks. The aim is for all the key stakeholders to come together and discuss the best way to provide financial and credit facilities to the rural poor specially those who are termed as “unbankable”.

Road Shows

I believe that constant, effective and quality communication is extremely vital to the success of policies. This will ensure that key players are fully informed and have a good grasp and



understanding of the policies implemented by the Reserve Bank and how they themselves fit into the “bigger picture”.

I sent a team of my senior staff to go out and explain to all the key stakeholders, the policies that were put in place by the Reserve Bank and the reasons behind these policies. I believe people must be fully informed of why the Fiji dollar was devalued as it affects each and everyone of us.

To date the Road Show Team has made around 30 presentations around the country - to the business community, commercial banks and organizations, statutory corporations, non-governmental organizations and other interest groups. Feedback has been very positive and queries and issues raised by people who are not in the area of the RBF have been taken up with the appropriate authorities.

Reforms

Our country is at the juncture where we need to direct all our energies to making the economy grow sustainably. To make the economy grow and grow sustainably, we need to **reform**.

I mentioned earlier that a number of our traditional industries have been in decline for a number of years. There are a number of issues to deal with in terms of the public sector delivery of services. Not only in the civil service but also in statutory bodies as well. This also holds true in the private sector.



If you look closely at the reasons behind the poor performance of some of our industries and poor service deliveries in the public sector, you will find that the most common problems are linked to human resources and governance issues at institutional and at national level.

I am therefore very pleased to see that the Fiji Human Resources Institute is addressing some of these key human resources issues during this Conference.

Corporate governance and effective human resources management are two critical issues closely linked to the success or failure of any institution or country. With my experience in the RBF and also in my role as Chairman and member on several boards, I have developed a good grasp and appreciation of human resources and governance challenges faced in Fiji.

These issues are interlinked and are complex in nature. Every organization is trying to grapple and address human resources and corporate governance issues in their own way. Sharing ideas and experiences is important in improving the effectiveness and productivity in the way we do things.

I urge each organization to strategically explore the challenges they face in employing and retaining a quality work force and to take corrective actions to deal with the situation. This I believe is easier said than done. In the Reserve Bank, we also lose well-trained staff to migration each year. It is therefore important that



developing strategies to retain a quality workforce is addressed in a timely manner – failing which our organizations will undoubtedly suffer and experience low performance and productivity.

The leadership of an organization must take a lead role in human resources issues. This role cannot and must not be delegated down to other people in the organization and expect to achieve good results. I believe that strategic human resources issues must be dealt with by the top leaders in the organization both at the Chief Executive and Chairman levels.

I have observed that important human resources policies and strategies are left to Human Resources Managers (HRM) to manage in a number of organizations in Fiji. The leaders of these organizations believe that it is not their job to be concerned about human resources issues and are more concerned with the business acumen for the organisation.

I believe that this attitude and leadership style in any organisation will undoubtedly result in their demise and poor performance.

Theodore Roosevelt once said ***“I dream of men who take the next step instead of worrying about the next thousand steps”***.

I believe that as a good leader we must never lose sight of the “bigger picture”. The “big picture” for the Reserve Bank of Fiji which we have set for ourselves is our ***Vision of “Leading Fiji to Economic Success”***. This of course is very challenging particularly during these global and national events.



We also have a simplified version of the RBF Vision which helps all our staff understand the challenges of their jobs – the Vision is translated as ***“My work in the Reserve Bank of Fiji helps create jobs, puts more food on everyone’s table, provides more opportunities to our people to own a home, gives our children a better education and secures a brighter future for us all”***. This is indeed quite a mouthful, but clearly what many of us desire for our country.

Many of you will already be wondering how is it ever possible for the Reserve Bank to achieve their ***Vision of Leading Fiji to Economic Success*** given the current state of Fiji’s economy, which we all agree is going through some tough times. There are not enough jobs for everyone, food prices are high and our people are finding it difficult to put food on their tables.

The environment has made achieving our Vision a daunting task and the Reserve Bank has not been challenged with such intensity before as our problems seem to be compounding more in recent times. I believe that despite these challenges, the Reserve Bank has been able to manage these challenges over the years and more recently as well. I believe that the Reserve Bank has the leadership and capacity to overcome these challenges by working with the Government and all stakeholders – including us all here today - to ensure better policy coherence and coordination to safeguard our country’s future. Let us all take “the next step together” and “Lead Fiji to Economic Success”.



It has been said that it is relatively easy to lead when things are plain sailing and that Leaders are challenged most when things are tough. There is also a popular saying **“When the going gets tough, the leaders get going”**. When the situation gets tough and in a quest to be more competitive and survive, Leaders will need to think “outside of the box” and move “out of our comfort zones”. Major adjustments and paradigm shifts are required. Creative thinking and in some cases unpopular policy decisions need to be implemented to address economic and financial challenges. It is however logical that change will be opposed and difficult to accept initially. There is a high premium on being level-headed, keeping emotions and feelings under control and being an optimist.

I believe that a vibrant energy for “hard work” and taking tough decisions, being consistent and following through on these are some traits of a good leader leading in turbulent times. An effective leader is always optimistic “even when the going gets tough”, never a pessimist.

An effective leader sees opportunities where others only see problems and continuously raises the bar for excellence in an organisation. An effective leader believes in his or her people and their potential and capabilities and imposes challenges beyond their limits to harness their creativity and talents.



Leaders not only need to be knowledgeable, they now need to inspire and lead a very knowledgeable and highly qualified team.

General George S Patton once said **“Never tell people how to do things. Tell them what to do and they will surprise you with their ingenuity.”**

Conclusion

Let me conclude and leave you with a few challenging thoughts in line with the theme of today’s convention “People – Key to Economic Success”.

- 1] How can the Institute contribute to capacity building and leadership for our nation?
- 2] How can the Institute prevent the “brain drain” – of our professionally trained staff leaving Fiji for greener pastures abroad?
- 3] How can the Institute raise the bar for productivity and fulfil the expectations and aspirations of the people of Fiji – and contribute to Leading Fiji to Economic Success?
- 4] How can the Institute ensure the recognition and importance of human resources management in organisations in Fiji?



5] How can the Institute encourage human resources as a career of choice for students?

I anticipate that these five challenges will pave the way for discussions over the 2 days and will assist with the Institute's future plans and activities. I wish you well in your deliberations.

Thank you