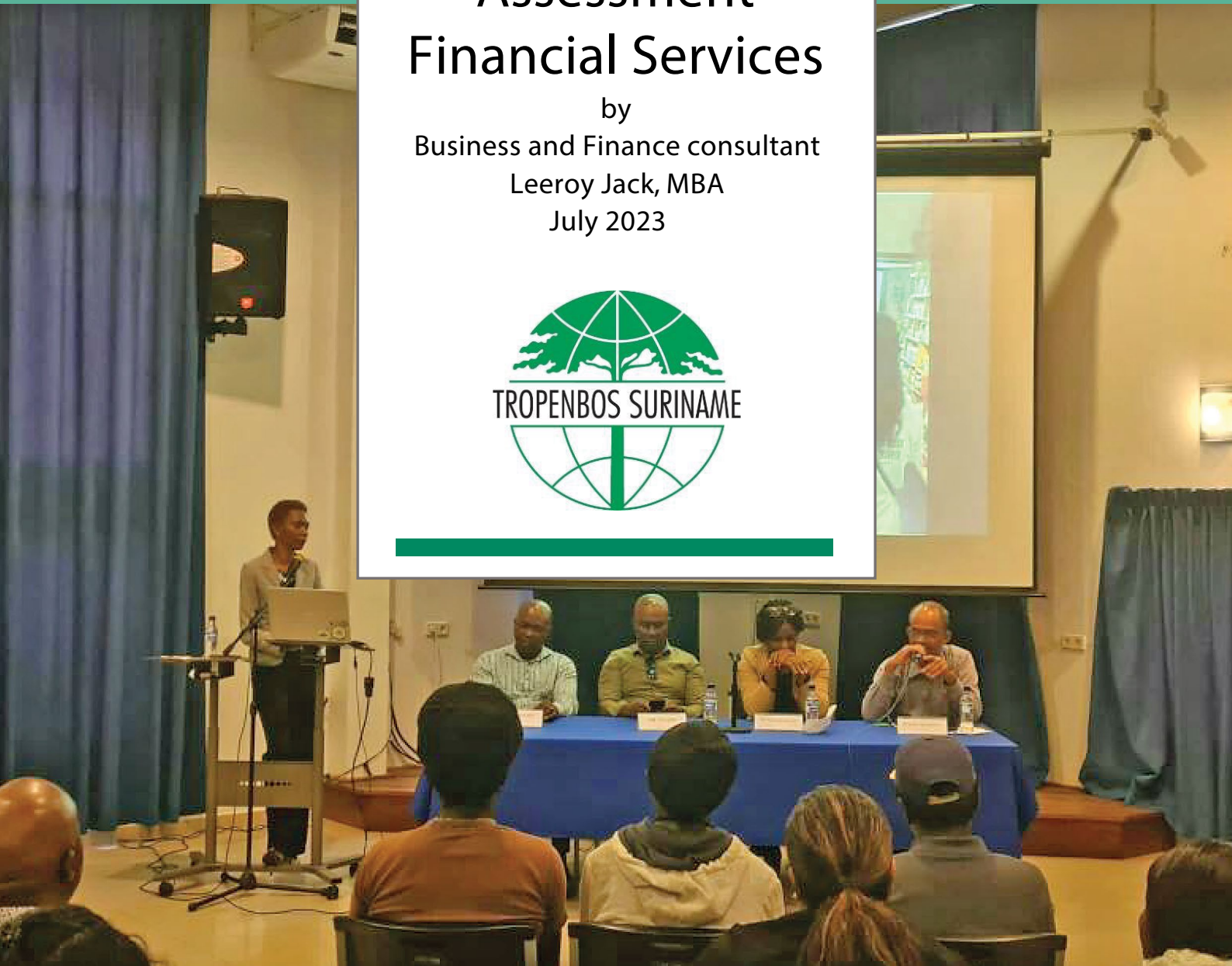


Report Assessment Financial Services

by
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July 2023



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The report is based on research results that have shown that agro producers face many obstacles in accessing financing for necessary investments.

Through the report Assessment Financial services 'Upper Suriname', Tropenbos Suriname wants to discuss the research results with other relevant stakeholders. The conclusions and recommendations can be used for the development of financial products that can meet the needs of agro-cooperatives and individual producers in the Upper Suriname River area.

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**BUSINESS AND FINANCE CONSULTANCY CONTRIBUTING TO THE
WORKING LANDSCAPE PROGRAMME OF TROPENBOS SURINAME**

REPORT ASSESSMENT FINANCIAL SERVICES

Assessment on the available of financial services of banks and funding agencies for local producers in the Upper Suriname river area based on the Draft Suriname Forest Financing Strategy

**Submitted to the Director of Tropenbos Suriname Dr. Rudi van Kanten
Prepared by Business and Finance consultant Leeroy Jack, MBA**

July 2023

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1. General forest finance strategy

The rationale for a forest finance strategy is that the value chains generating products and ecosystem services could be scaled up in a sustainable way with improved business environment and capacities de-risking and catalysing investments with appropriate finance from multiple sources. The forest finance strategy aims at catalysing investments and mobilizing sustainable finance for four different types of value chains: (1) wood-based value chains; (2) non-wood product-based value chains; (3) nature-based tourism and (4) ecosystem services. The investment cases could also be combinations of these value chains (FAO Suriname, 2021). In this Forest Finance Strategy document, the following key issues have been identified regarding financial services for the Non-wood forest products (NWFPs):

- Lack of finance for NWFPs. Banks in Suriname are hesitant to finance NWFPs collectors due to the large risk that is associated with the gathering and manufacturing of the products.
- Upscaling the plant based NWFPs (for the export market) is quite complex and requires management capacities.
- The sector in Suriname is not regulated and not structured yet.

The report financial service need assessment for agro-cooperatives and local producers of the Upper Suriname river area (USRA), as part of this consultancy, indicated that small capital investments are needed to upgrade the small businesses. The agro-cooperatives and local producers have indicated that there are a lot of barriers to accessing funding. Together with the financial sector, the possibilities for improving access will have to be examined. The insights of the banks and other funding institutions are of great importance in this respect. Nowadays, most of the banks perceive forest-based companies and local agriculture producers as high-risk ventures. They apply the same compliance principles for the hinterland as for the coastal region. The operators in the hinterland are often informal without capacities in financial management and reporting as well as lacking collateral. The banks also perceive that forest operations are not environmentally sound and are prone to illegal activities as the government is not able to control all the operators. The awareness of the sector is limited and often biased leading to the perception of high-risk ventures (FAO Suriname, 2021). To increase access to finance for small and medium-sized businesses in Suriname, the government has set up several financial instruments. In these studies, these funds, and the international funds of IDB and GEF have been mapped.

2. Methodology of the study

To obtain a clear view of the available funds for local investment projects as well as the existing barriers for local people in the USRA, a quantitative survey has been conducted. The following research questions will be answered:

1. How much and what type of funding is actually provided by financial institutions which can appeal to agroforestry businesses finance for the USRA?
2. How do FSP rate the attractiveness and risks of agroforestry based businesses in the USRA?
3. How do the legal system, financial infrastructure, and social norms and customs support impede financial services to and within the USRA?

In-depth interviews were conducted to examine how the various available funds and financial institutions work. For the operationalization the Diagnostic Framework for Industrial Value Chains (2011) has been used. The table 1 below provides an overview of the parameters and indicators. These parameters and indicators were further elaborated in a questionnaire (appendix 1).



Table 1: Parameters and indicators of the study

Parameter	Indicators
Financial attractiveness	<ul style="list-style-type: none"> ✓ Giving/ Lending motives ✓ Sectors, Themes and Goals ✓ Cost ✓ Profitability ✓ Qualitative judgments on financial attractiveness ✓ Type of funding/finance ✓ Amount of funding/finance ✓ Understanding of the agricultural and forestry sectors ✓ Proven financially sound business cases ✓ Identifying investable projects
Financial risks	<ul style="list-style-type: none"> ✓ Supply risks ✓ Production risks related to weather, pests and diseases, or their own health; ✓ Sales/market risks related to trading challenges ✓ Financial risks such as inflation and fluctuating exchange rates ✓ Customer risk such as creditworthiness, integrity and due diligence ✓ Other risks
Norms and practices	<ul style="list-style-type: none"> ✓ Legal and judicial infrastructure: ✓ Social norms and customs ✓ Costs of providing credit; ✓ Regulations to offering tailor-made solutions to local needy people; ✓ Financial infrastructure such as lack of clarity regarding land rights, lack of collateral and insecure land ownership; ✓ Financial literacy ✓ Technical know-how of client ✓ Barriers in accessing financial institutions; ✓ Insufficient capital or income of client ✓ Poor internal organization of the cooperatives

The currently active and available (governance) funds were approached with a written letter of TBS (appendix 2):

- A. Nationaal Ontwikkelingsfonds voor Agribusiness (NOFA) with Trustbank Amanah as administrator. English: National Development Fund for Agribusiness
- B. Fonds Technische Bijstand Particuliere Sector (FTBP) with Nationale Ontwikkelings Bank (NOB) as administrator. English: Private Sector Technical Assistance Fund
- C. Productie Krediet Fonds (PKF) with NOB as administrator. English: Production Credit Fund
- D. Agrarisch Krediet Fonds (AKF) with NOB as administrator. English: The Agricultural Credit Fund
- E. Klein en Midden Ondernemers Fonds (KMO) with SPSB/ Ministry of Economic Affairs, Entrepreneurship and Technological Innovation (EZOTI) as administrator. English: Fund for Small and Medium Enterprises
- F. Inter-American Development Bank (IDB)
- G. Small Grants Programme (SGP)

The interviews took place in person or by telephone or digitally (via zoom). Prior to the in-depth interview, it was indicated what will happen with the data provided. For a smooth process, the interviews were recorded with the consent of the respondents using a recording equipment. The duration of the interviews was approximately 1 hour.

GROEP 2

① Juiste Klanten identificatie :

- TRADITIONEEL GEZAG
- Cooperaties / NGO's

2

② Klanten

- Actieve ONDERNEMERS
- LEDEN VAN Cooperaties

1

③ TOEGANG TOT FINANCIERING

- Opzetten cooperaties / ^{NGO's} slimme leeren van Samen - werken
- Opening REKENINGEN voor leden (documenten)
- presentaties / kennis uitwisseling diverse Actoren
- Crediet faciliteiten bv. NAVA, PKF, etc

3

3. Results

3.1 General

Section 3.2 describes the government funds that are managed by the banks. Subsequently, the international funds IDB and FEF will be discussed in section 3.3. Finally, section 3.4 discusses the identified barriers for the Financial Service Providers.

3.2 Government financing facilities

3.2.1 General information funds and eligible bodies

The general status of the funds during the study period was as follows:

A. Nationaal Ontwikkelingsfonds voor Agribusiness (NOFA) – Trustbank Amanah

English: National Development Fund for Agribusiness

Het NOFA is a credit facilitating fund for Small and medium-sized agricultural enterprises.

Entrepreneurs in the agricultural sector are given more opportunities to increase their production and expand capacities through financing from the fund. The launch of this credit fund took place on August 4, 2022 at the Trustbank Amanah, which manages the financial resources. Producers can apply for financing via the bank's website. In addition, applications can be personally addressed to the Agribusiness Unit of Trustbank Amanah. Trustbank Amanah indicates that it is also working on increasing its national accessibility by setting up 'lite branches' (physical locations) and 'agency banking' and developing an e-wallet. The government put SRD 90 million in the fund. Up till February 2022 the board has issued a total of 26 loans and invested 10 million. The applications that are currently pending are an amount of SRD 20.1 million.

B. Fonds Technische Bijstand Particuliere Sector (FTBP) - NOB

English: Private Sector Technical Assistance Fund

The FTBP was established in November 1992 as part of a targeted package of government measures to promote and stimulate private investment. Since 2008 there has been no board. In February 2022 the (FTBP) had a new board led by Jaswant Doekharan (on behalf of the ministry of Finance & Planning), Helyante MacDonald (representative of the Association of Surinamese Businesses) and Aditpersad Moensi (representative of the Association of Surinamese Manufacturers). The manager of the fund is the National Development Bank of Suriname NV (NOB). From this Fund, local entrepreneurs can obtain loans on favorable terms to prepare their investments. At the FTBP, all companies in the agriculture, livestock, fisheries, forestry, mining, industry, building and construction, transport and tourism sectors are eligible for financing. This includes the implementation of pilot studies, subsector studies, marketing plans, training and certifications. The emphasis is placed on sustainability and innovation. Companies in trade are excluded from participation. The good lessons of the FTBP from the past are now being used for renewed activation. Currently, this fund does not provide loans.

C. Productie Krediet Fonds (PKF) - NOB

English: Production Credit Fund

The board of the Production Credit Fund (PKF) was installed on 9 February 2023 by Minister Stanley Raghoebarsingh of Finance and Planning. The board is appointed for 3 years. The appointment follows the approval of the Production Credit Fund Act on 22 December 2022.

An amount of SRD 100 million has been made available for this fund in the year 2023. The manager of the fund is the National Development Bank of Suriname NV (NOB). The Ministry of Finance and Planning will provide the fund with additional resources when this seed capital is fully invested. The PKF focus on small and medium-sized enterprises, producers of goods and services that add value, replace imports or are intended for export. PKF excludes primary agriculture because Nova covers agriculture but includes agricultural processing. The financing from this fund must meet a need that is not covered by the general banks. The fund has a revolving character, which means that the lending must generate returns that are reinvested in the fund.

There is a safety valve built into the PKF law to alleviate political risk in the decision-making process. The manager will not enter into the credit agreement with the borrower until both the board and the manager have issued a positive advice. The fund has a publication obligation in the law in the context of transparency. As an additional task for the manager, it was included that the National Development Bank (NOB) would publish a six-monthly report on the status of the applications. Work will be done to make the fund accessible in all districts. Language barriers will be worked on. Traditional media, social media and the supervisory boards will also be used to provide the information.

D. Agrarisch Krediet Fonds (AKF) - NOB

English: The Agricultural Credit Fund

The Agrarisch Krediet Fonds (AKF) is a credit facility for the agricultural sector to financially support farmers. The AKF was set up a few years ago to help farmers financially. The target group of the fund are small and medium-sized entrepreneurs in the fields of agriculture, livestock and fisheries. The AKF has now been placed within NOB.

After approval of a submitted agricultural project, people could qualify for a loan from the Fund at a low interest rate. Due to various causes and the fact that many farmers were unable to repay their loans in the past period, a situation has arisen in which interest rates have risen. Farmers who proved unable to repay their loans from the Agrarisch Krediet Fonds (AKF) have been forgiven for paying penalty interest.

E. Klein en Midden Ondernemers Fonds (KMO) – SPSB

English: Fund for Small and Medium Enterprises

The relaunch of the KMO Fund take place on the 4th of March 2022. The KMO fund provides support and guidance to entrepreneurs during and after their application for financing. The board consist of Reza Amirkhan as president, Wilgo Bilkerdijk (representative ministry of EZOTI), Sima Sultan (representative ministry of Finance and Planning), Genti Mangroe (representative ministry of AWJ) and Chanique Bipat (representative ministry of ROS). The applications must be submitted to the Ministry of Economic Affairs, Entrepreneurship and Technological Innovation (EZOTI). In two years' time, more than SRD 140 million will be available for projects to stimulate Small and Medium-sized Enterprises (SMEs). The fund manager is the Surinaamse Post Spaar Bank (SPSB). The bank will lend at attractive interest rates. All type of entrepreneurs can apply for financing through the KMO fund. A total of 10 million SRD has already been put in the fund. KMO could receive a combination of financial resources from the fund and guidance from the Entrepreneurs. The starting entrepreneurs could also give movable property, such as purchased machines, as collateral.

3.2.2 Availability, Maximum amount, Interest rates and payback period

The maximum that FTBP can finance depends on the type of project and is between USD 15,000 and USD 36,000; feasibility study max. USD 25,000. marketing study max. USD 25,000, sector and (Sub) Sector study max. USD 15,000, pilot study or project max. USD 25,000, temporary management or specialist assistance max. USD 36,000. FTBP requires a personal contribution between 10% to 15%.

The maximum amount that can be borrowed from NOFA is SRD 1.000.000, from KMO fund SRD 150.000 and from PKF SRD 2 million. The amount that is requested differs per project. The requested amount is based on several aspects. A personal contribution of at least 10% of the total project value is required by NOFA, KMO is 10% and AKF is 15%.

The interest rates of FTP differ per currency. The interest for loans in SRD is 4%, for USD and EURO is 3%. The interest rate of the NOFA is 5,5 % per year. PKF has a minimum rate of 5%. KMO has an interest rate of between 4 and 7%.

For most lending funds, the average payback time depends on the type of project. The maximum term of FTBP is 3 years while that of NOFA is 10 years. AKF give grace periods depending on the project. PKF has a grace period of one year for the repayment of the interest and at least two years for the repayment of the loan. The KMO fund has indicated that the average payback period is 1 – 2 years. Character, capacity, business plan and profitability.

All the funds require the following documents to apply for financing: valid ID and business permit, CBB extract, KKF extract, Business plan, copy of vehicle papers, Diplomas and Certification, Rental agreements or receipts, Last payslip, Employer's statement, Mortgage extract and plot map, Approved construction drawing and budget and valuation report not older than 2 years.

The funds require a business plan in order to determine the profitability. If the clients do not have a business plan, an SME form is filled in together with the client, with which an image can be formed of the financial profitability of the project.

Applications to NOFA are also assessed based on submitted feasibility studies tailored to the specific nature and risk profile of the applicant's company.

At the NOFA are required financial, banking aspects and the analysis of the company's strengths and weaknesses. The KMO fund also requires the financial figures of the past 6 – 12 months, balance statement and bank statements of the past 3 months.

PKF and AKF require financial records. Entrepreneurs must be able to keep simple financial records. The Ministry of Economic Affairs offers standard entrepreneurship training and they also have standard financial administration training for entrepreneurs.

Other organizational points are taken into consideration when assessing an application: Applicants must be Surinamese citizens or have lived in Suriname for at least 10 years. If the applicant is a legal entity, the partner must own 60% of the shares and have a business plan. Applicants must have demonstrable skills in agriculture/horticulture/livestock/fishery; The applicant must have basic accounting knowledge or be prepared to be trained or advised to do so.

When applying for funding at the FTBP and NOFA, formal proofs are required, such as annual reports, collateral and financial figures from the applicant. The NOFA requires the financial figures of the past 3 years and the forecast for the next 3 years, including the budget and liquidity forecast of the project.

3.2.3 Capital and Collateral

The FTBP, NOFA and the KMO fund must be provided with collateral in order to qualify for financing. The FTBP requires collateral of at least 20%. Feasibility studies a minimum collateral of 40% is required, Marketing studies a minimum of 40%, Pilot studies a minimum of 50% and Temporary Management Specialist Assistance a minimum of 40% is required.

With the NOFA, collateral must also be provided by the applicant. These are: 1st mortgage on real estate; transferring the applicant's assets into fiduciary ownership or a potential real estate co-asset; a surety agreement must be signed. Before the agreement is signed, the assets of the guarantor will first be discussed and determined. Furthermore, cash cover can also be provided as security. The banking aspects of the applicant/project such as profitability and repayment capacity also provide a degree of security or guarantee to provide the loan.

3.2.4 Know Your Client and Creditworthiness

It turned out that the fund managers are familiar with the state of affairs in the agricultural and agroforestry sector. The NOB bank indicate that it has been informed by the GODO bank that the need for financing in the upper Suriname area is very low. People do open bank accounts but don't actually apply for funding.

The banks indicate that small producers living in the interior have little information about the availability and application procedure of special funds. What they experience is that there is fear among the producers to apply for the loans. The producers experience threshold fear, fear to filling documents and the Dutch language as barrier to access financial institutions. If the banks go to them and explain the conditions to them and help the people, the fear drops and then they also come to you.

NOB plans to work with the district commissioner and NGO to bring the information to potential producers. In this context, there is a plea to work with an NGO that can close the information gap. The NGO can then act as a bringer and guide for the clients. The NGO could also make an inventory of the needy producers and make this list available to the banks. The banks that manage the government funds also can cooperate with GODO bank because GODO bank already has a branch on Atjoni and the producers are already used to it.

The banks have experienced that the loans made available are not always used according to plan. The financial administrative records are not kept sufficient. There is a need for guidance from the producers after they get the loans to increase the chances of success. If it turns out that the producers are unable to keep simple records of expenditure and income, the loans will not be granted.

The banks find it very important to know if potential customers are creditworthy. The NOFA requires the following: a positive evaluation of the applicant, moral ethical track record and credit history.

The KMO fund also requires the applicant's customer history to determine creditworthiness. If the annual reports are available, they must also be submitted for the processing of the application to the FTBP.

Experience has shown that having a business plan is not a prerequisite for success. Many producers are unable to draw up a business plan because of their education, while the investment project is a very good one. But by talking and getting information from them, then you can see that it's a good business. The NOB bank looks at attitude, perseverance, succession, how long they've been in that business and how they approach it to form an opinion. It is the experience that makes them strong.

3.2.5 Disbursement of cash

According to the funds interviewed, most funds are disbursed in instalments. After each successful phase of the project, the next instalment is paid out. At the FTBP, the financed amounts for the feasibility study, marketing study, sector and (sub) sector study and pilot project the whole amount is paid out ones in full. The KMO fund makes an exception for smaller amounts. Smaller amounts can be paid ones in full.

3.2.6 Risks

Production risks

It is generally known that from time to time production areas in the Upper Suriname area get under water due to extreme rainfall. The people lose everything and there is no compensation from the government. Banks take this into account when assessing a financing application. Producers located in places that are occasionally flooded are not financed.

Market risks

Sales and marketing obstacles. The producers indicate that it is difficult for them to sell their products. In those cases, the banks are not inclined to lend. The chance of default is then very high.

Access to International funds and financial risk

NOB bank indicates that access to green climate finance is difficult. There are strict preconditions. One of the conditions is that the banks must be certified as institutions to tap into those funds. Quite a few conferences and abbreviated information sessions have recently been held through the Ministry of Spatial Planning. It is expected that concrete matters will not be known until the year 2024 or 2025. For now, NOB as a development institute will have to make a strong case to be able to meet the hard certification requirements and what we as a banking institution must do to comply with them. The banks and government ministries simply have to come forward more, because the funds are there.

In this context, cooperation with a Dutch organization such as universities and organizations such as Tropenbos International is of great importance. Knowledge transfer, training and supervision can then be done to quickly meet the requirements. could do.

Financial risk due to changing currencies exchange rates

When drawing from international funds, despite the low interest rates on loans, the characteristics of a currency loan must be taken into account, i.e. currency risk. If you borrow the SME in SRD, you will still have to pay the international fund in currency. NOB is part of an IDB capacity enhancement program in this regard.

Usually, it is 3% interest and usually pay back after 10 years.

If the government gives a guarantee, so the state borrows from the IDB and the state gives NOB SRD to invest, then there is no exchange rate risk. But in connection with the IMF program, the state is not allowed to borrow anymore because the external debt ratio cannot go up.

At the time of this research, the Central Bank of Suriname weighted average rate of SRD34.20 equivalent to USD1.

3.2.7 Default and penalties

NOB: “We go with the people as long as possible and the moment they stop we stop too, then we will just win as how you do that commercially. Look when the person has a default, it can be for various reasons, sometimes the business can restart slowly, then you also give the person space and then we make other agreements because we also have progressive repayment agreements. You start low and then it climbs as you earn more, so then you have to restructure, but the moment the entrepreneur says he is stopping, we stop too.”

Movable property is also accepted as a guarantee at the NOB. In default, the goods are sold through a legal process.



3.3 International Funds

3.3.1 General information funds and eligible bodies

The active international funds in Suriname include the Inter-American Development Bank (IDB) and the Small Grants Program (SGP). IDB goal is to bridge key funding gaps for start-ups and innovative companies driving inclusion and systemic change. The IDB Invest is open to finance initiatives in wood processing, nature-based tourism operators and NWF based companies. In general, IDB Invest does not finance direct forestry, such as forest concessions, logging, and transport. IDB Invest provides different loan instruments as well as equity and technical assistance. The focus areas of the IDB are Climate Smart Agriculture, Inclusive Cities – Essential Services, Knowledge Economy – Future of Work / Knowledge-based Start-ups, Climate Change, Gender and Diversity. Project proposals in the agricultural sector are also eligible at the IDB. Other sectors that IDB also supports are Education, Talent and Employment, Financial Inclusion, Health and Essential infrastructure services.

The project proposals at the IDB must meet the following requirements in order to be eligible for funding:

1. Innovative solutions such as Collaborative Economics, Behavioural Sciences, Circular Economy, Artificial Intelligence, Blockchain, Robotics, Internet of Things and Big Data.
 2. Impact to achieve scale: How the proposed solutions will have a systematic and transformative impact on the lives and/or environments of hundreds of thousands or millions of people in vulnerable situations. For example, reducing poverty and economic inequality, promoting diversity and gender equality and/or ecological sustainability.
 3. Geographic alignment: The proposed solution must impact one or more of the following 26 countries in Latin America and the Caribbean: Argentina, Bahamas, Barbados, Belize, Brazil, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Suriname, Trinidad and Tobago and Venezuela.
 4. The project must be sustainable. After IDB support has ended, the project must be maintained.
 5. Robust implementation capacity: What track record, team, business model and, if applicable, technology mastery the organization must ensure the success of the project.
- By providing financial and technical support, to projects that protect and restore the environment while improving people's well-being and livelihoods, SGP demonstrates that community action can maintain the fine balance between human needs and environmental imperatives. Climate Change is also one of the focus areas of the GEF Small Grants Program, just like the IDB. Other focus areas of the GEF Small Grants Program are Land Degradation, International Waters, Chemical and Waste, Biodiversity and Sustainable Forest Management. The entities eligible for the GEF Small Grants Program are Non-Government Organizations (NGO) or Community-Based Organizations (CBO), which have legal personality, constitutional status, and/or statutes.

For the GEF SGP, the project proposal must correspond to one of the working areas of the GEF focus areas Climate Change, Land Degradation, International Waters, Chemical and Waste, Biodiversity and Sustainable Forest Management. The organization must be

an NGO or CBO that has legal personality, has statutes with an active board and must have been in existence for at least one year and be registered at the KKF.

3.3.2 Availability, Maximum amount, Interest rates and payback period

GEF SGP can finance an amount of up to USD 50,000 for a project with a 50% equity contribution. The amounts of the grants and loans from the IDB depend on the type of projects. Prototype projects: max USD 150,000 / Spark projects: between USD 250,000 and USD 700,000 / Ecosystem projects: requires USD 1,000,000 or more. With the donation, a personal contribution of at least 50% is required for the project financing, of which at least 50% must be in cash.

The duration of the financing at IDB Lab depends on the amount financed or the project proposal. It can vary per project. With the GEF SGP, financing lasts for a maximum of 24 months. If the project deadlines are not met within this period, a request can be made for an extension. A “Request for Grant Award Amendment” will then be signed.

Financial overviews and documents about the organizational structure are also required at the IDB. This is important in order to carry out the risk assessments to determine whether the applicant falls within a low or high-risk category. The KKF extract, articles of association and business licenses (if applicable) are required with the GEF SGP and NOFA to apply for funding. The GEF SGP also requires financial and technical progress reports to continue funding.

For most lending funds, the average payback time depends on the type of project.

On the other hand, no interest rates are linked to IDB and GEF SGP, because this is not a loan, but a donation. IDB also provides loans at market interest rates.

3.3.3 Character, capacity, business plan and profitability for international funds

Financial statements and documents about the organizational structure are also required at the IDB. This is important in order to carry out the risk assessments to determine whether the applicant falls within a low or high-risk category. The KKF extract, articles of association and business licenses (if applicable) are required with the GEF and SGP to apply for funding.

The GEF SGP also requires financial and technical progress reports to continue funding.

To determine a certain degree of guarantee, various assessments are first carried out by IDB, such as a Risk Assessment. However, with the GEF SGP there are no collateral or guarantees in the form of collateral or cover. GEF SGP does not provide loans, only grants / donations. To guarantee that the money is actually spent according to the project proposal, all executive activities must be communicated at all times with the National Coordinator of the GEF SGP. The Grantee will receive 50% of the approved amount upon signature of the contract. After the financial and technical progress report has been approved, the second instalment (40%) may only be paid. After the second amount has been reported and approved, the last instalment (10%) will be paid. In this way, the GEF SGP monitors that the amount is spent according to the project proposal. Organizations already blacklisted by the GEF SGP cannot be considered for funding.

3.3.4 Capital and Collateral

At IDB and GEF SGP, the applicant must provide at least 50% of the project financing. At the GEF SGP own contribution can be in the form of cash or cash in-kind. At IDB, at least 50% of your own contribution must be in cash.

3.3.5 Disbursement of cash

According to the funds interviewed, most funds are disbursed in instalments, because the progress of the project must be monitored or evaluated. After each successful phase of the project, the next instalment is paid out.

The GEF SGP make an exception for smaller amounts. Smaller amounts can be paid in one go. But the larger sums are disbursed in instalments. GEF SGP will pay the full grant of up to USD50,000 in instalments of 3.5% of the amount upon signing of the project contract by the grantee, 40% of the amount upon approval of the first progress report and 10 % on approval of the second report (progress report)

IDB always pays the amount in instalments, because of the Results-Based Management strategy. Payment is only made for the next phase after a milestone has been achieved.

3.3.6 Default and penalties

The IDB involves loans and donations. A Result-Based Strategy is used for both the loan and the donation. Regular evaluations are carried out to monitor project progress. If the milestones / targets are not achieved, no funding will be provided for the next phase and funding will be discontinued. If, after the various assessments, it is determined that the organization will no longer achieve its goals/targets, the financing can be stopped and the loan converted into a donation (if included in the contract). This is called the Contingency Recovery Loan.

Deviating from the contractual agreements is considered a risk by the bank/funds. Examples include theft, dereliction of duty, no reports on the amount spent and when milestones are not achieved.

In case of deviation from the contractual agreements with the GEF SGP, the contract can be terminated (termination contract). Before it gets to that point, a reminder is first given repeatedly to send the progress reports. If the grantee does not report on the amount spent, the Deputy Resident Representative will sign the withdrawal contract on the advice of the National Coordinator. The organization will then be blacklisted and there will be no future collaboration. The National Steering Committee also assists in overseeing the implementation of the project.

4. Conclusion and Recommendations

How much and what type of funding is actually provided by financial institutions which can appeal to agroforestry businesses finance for the USRA?

The funds relevant to the agroforestry sector are the FTBP, NOFA, KMO and AKF. The following table shows the amount that can be borrow from the different funds and the main required conditions.

Table 2: The amount that can be borrowed from the different funds and the main required conditions.

Fund	Max. Amount	Personal contribution	Interest rates p.y.	Payback time
FTBP	USD 15,000 and USD 36,000	10%	3.0%	3 years
NOFA	SRD 1.000.000	10%	5,5 %	10 years
KMO	SRD 150.000	10%	4.0% - 7.0%.	1 – 2 years
AKF	SRD 2 .000.000	15%	5.0%	Grace periods depending on the project

To reduce the risks and secure the investment, certain guarantees are required from the applicant. The FTBP, NOFA and the KMO fund must be provided with collateral in order to qualify for financing. Collateral is understood to mean immovable property, movable property, assignments of receivables, guarantees and guarantees. Most funds are disbursed in instalments. After each successful phase of the project, the next instalment is paid out. In the event of a breach of duty or payment default, the funds are entitled to the collateral provided or may be demanded if the applicant fails to meet its obligations.

How do FSP rate the attractiveness and risks of agroforestry based businesses in the USRA?

The banks are aware about the production environment, related risks and value chain obstacles in the USRA. Also they know that the local producers have little information about the availability and application procedure of special funds. They also know that government agencies and NGOs active in the area can be used to overcome these challenges.

Nevertheless, these information sessions take place very sporadically or not at all.

The banks indicate that hardly any financially sound business cases are offered for financing by the USRA. Contrary to what lives in the community that there is insufficient financing available for small entrepreneurs, the private banks indicate that there is enough financing for small entrepreneurs such as those from the USRA. The banks indicate that there are many issues that prevent producers from using the available financial products, private loans or governments funds.

There is a need for guidance from the producers after they get the loans to increase the chances of success. If it turns out that the producers are unable to keep simple records of expenditure and income.

In line with previous studies and what is generally known, this study also highlighted that the FSP considers the attractiveness of agroforestry-based businesses in the USRA low and the risks very high. This low attractiveness has more to do with the it has more to do with the risk related to financial literacy, production risks related to weather, Sales and Marketing risk. Because of the risk profile of many small producers FSP are hesitant to finance local producers. The conventional banks perceive these risks to be too high.

How do the legal system, financial infrastructure, and social norms and customs support impede financial services to and within USRA?

Previous studies have also shown that there are many obstacles hindering the availability and access to financing from banks and funds and that the available funds barely contributed to the transformation to sustainable land-use practices, e.g. contribute to income and well-being of the local producers.

One of the notable obstacles mentioned is lack of access to information about available funds. To overcome this problem, the banks indicate that they will work with government agencies such as the district commissioner and NGO that have their working area in the interior. TBS already plays an important role in this context and can expand this role. Attention must be paid to the sustainability character of the role of NGOs as their role cannot be fulfilled permanently.

The discussions with the financial institutions did not reveal a lack of knowledge by the FSP about the agriculture and forestry sectors. The FSPs do take production and harvesting cycles into account within the available government funds. Also did this study not show that the FSPs have problems in the field of client risks such as creditworthiness, integrity, due diligence.

Financial literacy has been identified as prerequisites to financial inclusion for the local producers by the banks. The producers have to be trained in basic financial administrative skills such as how to keep track of profits and losses, how to open a bank account, and how to apply for a bank loan.

It can be concluded that the local producers of USRA require funding that goes beyond the financial instruments offered by conventional microfinance institutions. There is a need for the development of finance mechanisms that are more locally based, meet local needs and aspirations. A range of activities can help overcome the challenges of inclusive finance for the ARSA in areas such as collaboration between FSP and local stakeholder such as NGO's, Strengthened financial literacy of local producers, business case development and risk management.

5. References

- FAO Suriname (2021). Suriname Forest Finance Strategy. Draft for stakeholder consultations.



6. Appendix

Appendix 1: Questionnaire

GENERAL

1. What are the main motives for giving/lending? (emotional/rational/social) What goals and/or activities does your organization finance?
2. Which bodies are eligible for funding/finance? (sector / size of the company) What type of funding/finance are available for the agro forestry sector?
3. What is the maximum amount that your organization can finance?
4. What requirements/conditions must the organization meet in order to be eligible for funding/finance? (organizational / financial / creditworthiness / required guarantees / other)
5. To what extent are proof of formal collateral, audited financial statements required?
6. How long can the financing last?
7. What are the interest rates and repayment methods?
8. How much money is often requested?
9. What is the average payback period?
10. How is the money disbursed (e.g., in installations or all at once)?
11. Who is held responsible in case of default? What are the penalties and procedures in case of default?

FINANCIAL ATTRACTIVENESS AND RISKS

12. Do you have a clear understanding of the agricultural and forestry sectors?
13. Are there any proven financially sound business cases?
14. How will you identify investable projects?
15. What costs of the project/investment can be financed?

Which risks do the bank/funds consider that the investment will not pay off as expected or, in the worst case, be loss?

16. Production risks related to weather, pests and diseases, or their own health;
17. Sales/market risks related to trading challenges
18. Financial risks such as inflation and fluctuating exchange rates
19. Customer risk such as creditworthiness, integrity and due diligence
20. Other risks

NORMS AND PRACTICES

21. What does the bank do in case of lack of clarity regarding land rights, lack of collateral and insecure land ownership?
22. To what extent are the weak legal and judicial systems and other mechanisms for accessing information and enforcing contracts an important factor in determining how, and to whom, banks will lend.
23. How is the financial literacy of local client?
24. How do you estimate the technical know-how of client regarding agriculture production?
25. Which barriers in accessing financial institutions do these clients experience?

26. How do you plan to overcome the insufficient capital or income of clients?

27. How do you experience the internal organization of the agro cooperatives regarding their supporting role?



Appendix 2: Letter to FSP

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Aan: De directeur van de Nationale Ontwikkelingsbank van Suriname
Mr. Jaggernath Lachmonstraat # 160-162
Paramaribo

Uw referentie	Onze referentie	Datum
	025/RVK/1031	31 oktober 2022

Betreft: Verzoek bespreking onderzoek financieringsmechanismen agro-producenten Boven-Suriname gebied

Geachte directeur,

Middels dit schrijven naderen wij u met het verzoek dhr. Leeroy Jack, consultant Business & Finance bij Tropenbos Suriname (TBS) te ontvangen voor een bespreking inzake een onderzoek naar financieringsmechanismen voor agro-producenten in het Boven-Suriname gebied.

Het beleid van Tropenbos Suriname is er primair op gericht om het bos duurzaam te gebruiken teneinde de voordelen van het bos voor de wereldgemeenschap te behouden. Het bos biedt de bewoners van het Boven-Suriname gebied ook emplooi en het behoud daarvan is zwaar onderdruk als gevolg van houtkap, het steeds openkappen van het bos t.b.v. kostgrondjes en andere niet duurzame commerciële activiteiten zoals overbejaging.

Momenteel is TBS samen met andere partners bezig agro-producenten in het Boven Suriname gebied te trainen in agroforestry technieken. Ook worden zij ondersteund in hun sales en marketingactiviteiten. In het voortraject is naar voren gekomen dat deze agro-producenten vele obstakels hebben m.b.t. de toegang tot financiering van noodzakelijk investeringen opdat de agro-forestry technieken, sales en marketingactiviteiten verder kunnen worden ontwikkeld.

De toegang tot financiering is voor deze groep agro-producten een grote uitdaging. In de bijlagen van deze brief zijn een aantal knelpunten opgesomd waarover graag met u van gedachten gewisseld kan worden in het gesprek. De onderzoeksresultaten van dit onderzoek zullen in een workshop met andere relevante stakeholders worden bediscussieerd. De conclusies en aanbevelingen kunnen worden ingezet voor de ontwikkeling van financiële producten die kunnen voorzien in de behoefte van deze agro-producten.

De afspraak met u zal worden gemaakt door dhr. Leeroy Jack, MBA, Consultant Business & Finance Working Landscape Program, Mobiel: (597) 8596968, Email: leeroyjackvalue@gmail.com

Rekenend op een positieve reactie uwerzijds, verblijven wij met de meeste hoogachting,

Dr. Rudi van Kanten
Directeur Tropenbos Suriname

Bijlage 1: Achtergrondinformatie onderzoeksproject

Tropenbos Suriname (TBS) is een op kennis gebaseerd Niet-Gouvernementele Organisatie. Onze missie is om het duurzame beheer van tropische bossen en bomen te verbeteren ten behoeve van gezonde ecosystemen en het welzijn van mensen.

Website <https://www.tropenbos.sr>. Tel. 532001 of 8810798

Wij zijn lid van het Tropenbos International (TBI) Network, vertegenwoordigd in drie continenten in de tropen. Wij zijn sinds 2014 actief in het Boven Suriname gebied, een zeer bebost landschap met beperkte (maar toenemende) commerciële activiteit, voornamelijk bewoond door de Saamaka Marron bevolking. Onze activiteiten variëren van participatieve ruimtelijke ordening tot forest governance en klimaatadaptatie. TBS heeft goede contacten en werkrelaties opgebouwd met de lokale bevolking en de traditionele autoriteiten.

Het balanceren van economische, sociale en ecologische belangen vereist de ontwikkeling van financieringsmechanismen die lokaal gebaseerd zijn, voldoen aan lokale behoeften en aspiraties volgens de 'Inclusive financial mechanisms at landscape level' benadering. 'Inclusive financial mechanisms at landscape level' kunnen bijgedragen aan de transformatie naar duurzamere landgebruikspraktijken, verbetering van lokale ecosystemen en verbetering van het inkomen en welzijn van de lokale bevolking. Het faciliteren van de financiering van levensvatbare projecten van lokale kleinschalige agroforestry producenten en commercieel gerichte agroforestry coöperaties staat hierbij centraal. In vorige studies zijn enkele knelpunten hieromtrent naar voren gekomen w.o.:

- het gebrek aan wederzijds begrip;
- een onvolledig begrip van de land- en bosbouwsectoren;
- de beperkte omvang van bewezen financieel gezonde business cases;
- moeilijkheid om investeerbare projecten te identificeren;
- relatief hoge kosten van het verstrekken van krediet;
- regelgeving die de flexibiliteit van financiële instellingen beperkt bij het aanbieden van maatwerk aan lokale behoeften;
- beperkende financiële infrastructuur zoals een gebrek aan duidelijkheid aangaande de grondenrechten, gebrek aan onderpand en onzeker grondbezit;
- gebrek aan financiële geletterdheid van de lokale producenten;
- onvoldoende technische know-how over het omzetten van conventionele landgebruikspraktijken in duurzaam praktijken;
- drempels die ervaren worden bij toegang tot financiële instellingen;
- onvoldoende kapitaal of inkomen;
- slechte interne organisatie van de coöperaties;
- de relatief hoge risico's:
 - o productie risico's gerelateerd aan het weer, plagen en ziekten, of hun eigen gezondheid;
 - o financiële risico's zoals inflatie en fluctuerende wisselkoersen;
 - o marktrisico's zoals handelsuitdagingen;
 - o klant risico's zoals kredietwaardigheid, integriteit en due diligence.

TBS wil deze knelpunten voor coöperatieve verenigingen en agroforestry producten in het Boven Suriname gebied nader in kaart brengen en tezamen met stakeholders '*Inclusive financial mechanisms at landscape level*' ontwikkelen.



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