



Development Bank of Jamaica Limited

Facilitating Economic Growth & Development

www.dbankjm.com

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“INCREASING ACCESS TO FINANCING FOR SMALL-SCALE FARMERS”

Presented at

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INCREASING ACCESS TO FINANCING FOR SMALL-SCALE FARMERS

A discussion of the objectives, challenges and opportunities for expanding the financing of micro, small and medium-sized (MSME) agricultural enterprises - from the perspective of the Development Bank of Jamaica (DBJ).

- **Development Bank of Jamaica – Overview**
- **The Importance of Agriculture**
- **Access to Financing**
- **Capacity Building**
- **Other Considerations**

DEVELOPMENT BANK OF JAMAICA - OVERVIEW

- Wholly owned by the Government of Jamaica
- Established in 2000 - merger of Agricultural Credit Bank, National Development Bank, National Investment Bank of Jamaica

VISION 2030 National Development Plan: To make Jamaica, the place of choice to live, work, raise families and do business.

MISSION:

The Development Bank of Jamaica provides opportunities to all Jamaicans to improve their quality of life through development financing, capacity building, public private partnership and privatisation solutions in keeping with Government policy.

FOCUS:

MSMEs, Financial and Social Inclusion

DEVELOPMENT BANK OF JAMAICA - OVERVIEW

DBJ CORE FUNCTIONS:

- Loan Origination & Portfolio Management
- Strategic Services (Capacity Building)
- Privatization & Public Private Partnerships
- Venture Capital

DBJ LOAN IMPACT:

- In 2014/15 DBJ issued over 9,000 loans valued \$7.7 billion to support investments of \$15.7 billion and create over 3,600 new jobs

DBJ MSME LENDING FOR AGRICULTURE:

- Between 2011-15 DBJ issued 4,800 loans valued \$4.2 billion

IMPORTANCE OF AGRICULTURE TO JAMAICA

5-year Average Annual Real GDP Growth

- Jamaica 0.7%
- Agriculture 4.3%

Agriculture accounts for:

- 6% of Jamaica's GDP
- 17% of Employment ~215,000

OBJECTIVES & OPPORTUNITIES:

- Food Security
- Import Substitution
- Foreign Exchange Savings / Earnings
- Employment
- Research & Development
- Bio-energy, Nutraceuticals
- Domestic Demand
- Tourism Market
- Agro-Processing
- Generate and Exploit Linkages
- Manufacturing
- Export Markets

ACCESS TO FINANCING

- **Dedicated Agriculture Line of Credit**
- **Distribution Channels** – AFIs and MFIs
- **Collateral Support** – CEF Guarantee, RTALF Guarantee
- **Grants** – IGNITE (Innovation Grant From New Ideas to Entrepreneurship)
- **Jamaica Venture Capital Programme / Angel Investor Network**

ACCESS TO FINANCING

DBJ provides loan financing...

**In Jamaican dollars at 9.5%
to 10.0%
and at 7.25% United States
dollars
for up to 7 years**

**primarily through a network
of Approved Financial
Institutions (AFIs)**

**for 90% of the Project Cost
for Micro and Small
Enterprises and
70% for Large Enterprises**

**to viable
projects in...**

Agriculture
Agro-processing
Manufacturing
Mining and Quarrying
Technology
Tourism
Services
Energy
Retail & Distribution

ACCESS TO FINANCING

DEDICATED LINE OF CREDIT

Caribbean Development Bank Small Agricultural Line

- Up to \$8.4 million at 9.5% to farmer
- Tenor: Up to 10 years
- Moratorium: Up to 48 Months
- 90% of Project Cost
- Registration with RADA/ MOA required

Other Lines of Credit Available include:

- National Insurance Fund
- World Bank SME
- PetroCaribe Development Fund

Borrowers can access combined loans up to \$100 million

ACCESS TO FINANCING

ENERGY EFFICIENCY & RENEWABLE ENERGY

DBJ Energy Loans:

- Up to \$30 million at 10%
- Repayment up to 7 years

Loan financing from PetroCaribe Development Fund, World Bank

Energy Audit Grants - \$200,000

Energy Loan Impact:

- Over \$2 billion to finance 240 projects

Inter-American Development Bank – DBJ-GreenBiz Project

- Energy Auditors, Demonstration Projects, Public Education

ACCESS TO FINANCING

DISTRIBUTION CHANNELS – AFIs and MFIs

- **Approved Financial Institutions (AFIs)**
- DBJ provides loan financing through 13 AFIs plus Credit Unions
 - All Commercial Banks
 - National Peoples Cooperative Bank
 - National EXIM Bank
 - Credit Unions

- **Micro-finance Institutions (MFIs)**
 - DBJ promotes the development of the Micro-finance Industry
 - Accredits and lends through 12 MFIs

ACCESS TO FINANCING

COLLATERAL SUPPORT

DBJ's Credit Enhancement Facility - provides guarantee to lenders to support borrowers without adequate collateral

CEF Guarantee Terms:

- General SME loans - 50% of loan up to J\$15 million
 - SME Energy loans - 80% of loan up to J\$15 million
 - Small loans (<J\$6.25 million) 80% of loan up to J\$5 million
- 1% Reduced Fee for Agriculture & Energy (versus 2%)

CEF Guarantee Results:

- Issued 198 guarantees valued \$500 million supporting loans of \$1 billion
- Agriculture received 39% or 135 guarantees valued \$197 million supporting loans of \$324 million

ACCESS TO FINANCING

IGNITE - Innovation Grant From New Ideas to Entrepreneurship

- DBJ provides grants of up to \$4 million to MSMEs developing innovations
- Turner Innovations (Invented Sorrel Picking Machine)

Venture Capital / Angel Investor Network

- Developing ecosystem for venture capital and private equity industry
- Investor in Venture Capital Funds
- Support entrepreneurial initiatives and projects which provide coaching, mentoring for persons with new ideas such as:
 - **National Business Model Competition**
 - **Start up Jamaica**
- Herboo Enterprises - Shampoo; mAGRO.com; Digital Farm;

CAPACITY BUILDING

- **Adopt-a-School Programme**
- **Agriculture Scholarships**
- **Technical Assistance Grants**
- **Voucher for Technical Assistance**
- **Supply Chain Development**
- **Markets and Information**
- **Payment Mechanisms**

CAPACITY BUILDING

DBJ's Adopt-a-School Programme

- Executed 70 projects valued \$18 million to enhance agricultural programmes in schools
- To promote school feeding, use of technology , agri-business
- Includes crops, livestock, green houses, bio-digester, de-feathering machines, egg production, apiculture, and horticulture, etc.

Agriculture Scholarships

- DBJ provides 3 tertiary scholarships for Agriculture / Economics
- DBJ manages the Rio Tinto Alcan Legacy Fund that has issued over 100 scholarships valued over \$8 million to secondary and tertiary students

Agriculture Partnerships

- DBJ works with Jamaica 4H Clubs etc.

CAPACITY BUILDING

Technical Assistance Grants

- DBJ provides grants of up to \$7 million to support the projects being undertaken by entities for MSME technical assistance and training
- Call for Proposals
- Has included Universities, BEEP, MSME Alliance, Incubators, BDOs

Voucher for Technical Assistance

- Grants from \$100,000 to \$300,000 are available to assist MSMEs for:
 - Accounting, Financial Statements, Marketing, Training, Software, Business Process Improvement, Standardization, Product Development, Formulation, Shelf-life Studies, Patents etc.
- Since May 2014 94 Vouchers valued \$19 million were issued to assist MSMEs access potential loans of \$777 million through 9 AFIs

CAPACITY BUILDING

Supply Chain Development

- World Bank – Foundations for Growth & Competitiveness
 - Develop linkages between large firms and small firms for export
 - Provide training and technical assistance to small firms
- Agro-parks (geographical and contractual)

Markets and Information

- Tourism Linkages Programme (Manufacturing and Agriculture)
- Jamaica Agriculture Marketing Information System - www.ja-mis.com
- RADA Agriculture Business Information System - www.abisjamaica.com.jm
- DBJ-UWI MSME Finance Website - www.findmsmefinancing.com.jm

CAPACITY BUILDING

PAYMENT MECHANISMS

IDB-DBJ Mobile Money for Microfinance - M3 Project

- To increase financial inclusion by deploying micro-finance services and transfers on mobile devices for unbanked
- Loan application, disbursement, repayment
- Additional payments; Bill payment, P2P transfer, B2B

Factoring Platform

- DBJ is exploring the establishment of factoring / reverse factoring to allow small suppliers (farmers etc.) immediate payment for goods supplied
- Liquidity to reinvest in next production cycle
- Lower interest rate based on credit rating of purchaser

OTHER CONSIDERATIONS

Risk Management

- Information Asymmetry
- Technical Support
- Use of Technology
- Protected Agriculture
- Water Harvesting
- Insurance – Life, Casualty, Weather

Thank you.

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