



Development Bank of Jamaica Limited

Facilitating Economic Growth & Development

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Microfinance Services Division

“MONEY TALKS: CAPITAL FUNDING”

Presented at
Jampro’s #DoBizJA Agriculture Investment Forum
November 15, 2016

INCREASING ACCESS TO FINANCING FOR SMALL-SCALE FARMERS

A discussion of the objectives, challenges and opportunities for financing the expansion 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**



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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



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DEVELOPMENT BANK OF JAMAICA - OVERVIEW

DBJ CORE FUNCTIONS:

- Loan Origination & Portfolio Management
- Microfinance Lending Window
- 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
- In 2015/16 issued over 1,300 loans valued over \$580 million



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



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OBJECTIVES & OPPORTUNITIES:

- Food Security
- Import Substitution
- Foreign Exchange Savings / Earnings
- Employment
- Research & Development
- Engineering & IT Technology
- STEM Education & Skills
- Bio-energy, Nutraceuticals etc.



- Domestic Demand
- Tourism Market
- Agro-Processing
- Generate and Exploit Linkages
- Manufacturing
- Export Markets



ACCESS TO FINANCING

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



ACCESS TO FINANCING

DISTRIBUTION CHANNELS – AFIs and MFIs

Approved Financial Institutions (AFIs)

- DBJ provides loan financing through 22 AFIs
 - 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 13 MFIs



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ACCESS TO FINANCING

DEDICATED LINE OF CREDIT

Caribbean Development Bank (CDB) 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 (US\$)

Borrowers can access combined loans up to \$100 million



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Credit Enhancement Facility Provides Collateral Support:

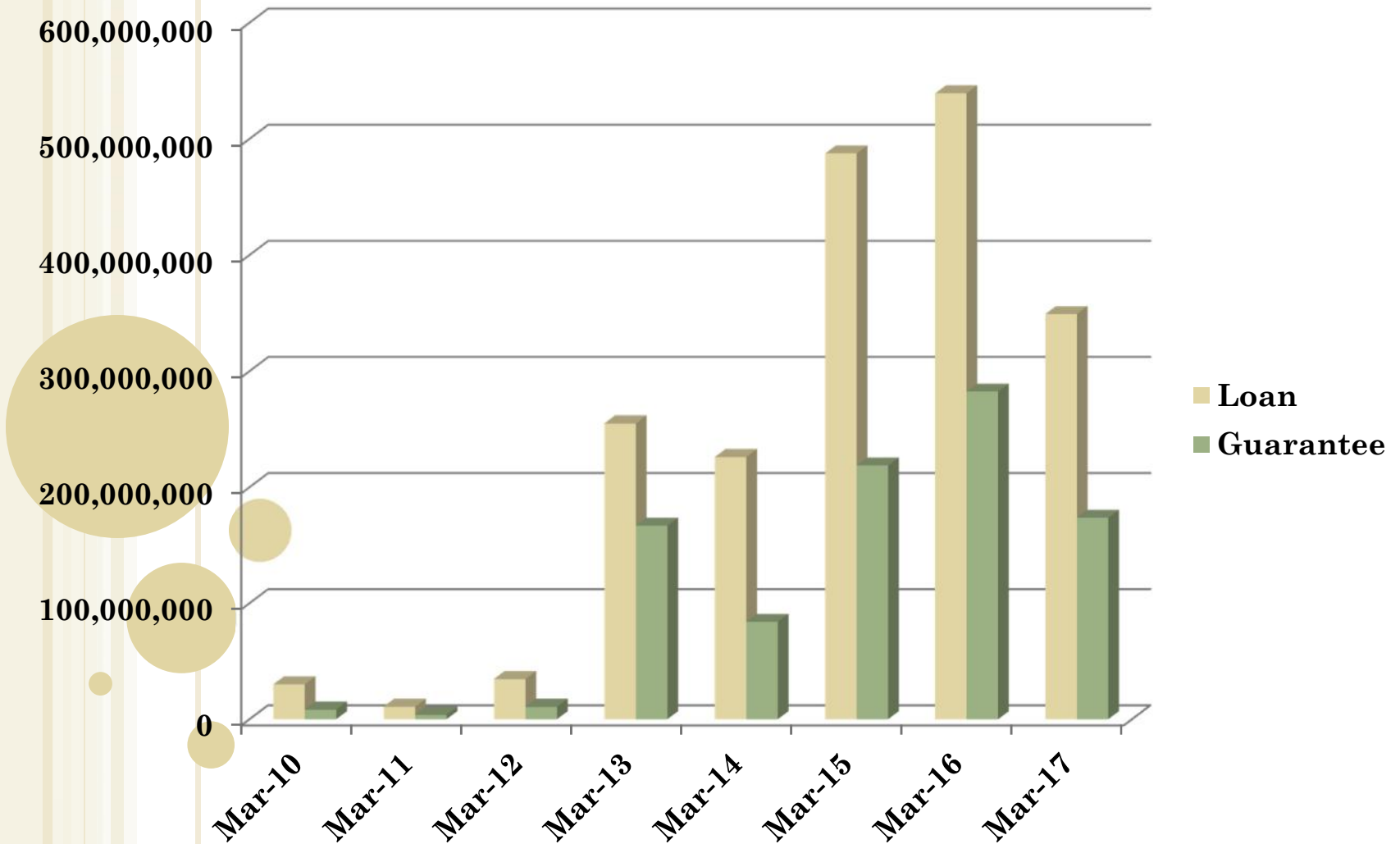
DBJ will provide guarantee assistance of:

- 50% of SME loans up to \$15M
- 80% of small loans up to \$6.25M (i.e. Maximum of \$5M)
- 80% of Energy loans up to \$15M for SMEs
- Since 2010, the DBJ has issued over 250 guarantees, facilitating close to JMD1.6B in loans





CEF GUARANTEE PERFORMANCE





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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 \$2.8 billion to finance 265 projects

Inter-American Development Bank – DBJ-GreenBiz Project

- Energy Auditors, Demonstration Projects, Public Education





ACCESS TO FINANCING

COLLATERAL SUPPORT

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

CEF Guarantee Terms:

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

CEF Guarantee Results:

- Issued 274 guarantees valued \$949 million supporting loans of \$1.9 billion
- Agriculture received 27% or 139 guarantees valued \$211 million supporting loans of \$348 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)



- Developing ecosystem for venture capital and private equity industry
- Investor in Venture Capital Funds
- Support entrepreneurial initiatives and projects which provide coaching, mentoring, grants and equity for persons with new ideas such as:
 - **National Business Model Competition**
 - **Start up Jamaica**



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- IGNITE – A pilot project under which grants were provided for innovative activities to support the creation & growth of entrepreneurs & new firms.
- Entrepreneurs were asked to pitch their business models and were awarded grants between JMD1M – JMD4M.
- There are 27 grant recipients
- Mentorship will be provided by Business Services Intermediaries (BSIs) over the next 18 months





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The VTA provides assistance to MSMEs that need business development services:

- DBJ pays the BDO 70% or the value of the voucher (whichever is lower)
- Each MSME can access a maximum of 2 vouchers
- Apply through AFI or online through the DBJ's VTA web portal.
- Last year , DBJ issued 250 vouchers to MSMEs



INNOVATIVE AGRICULTURE PROJECTS

- Turner Innovations – Sorrel processing
- Herboo Enterprises – Shampoo from plants
- Guardana – Plant based repellent, sunscreen & moisturizer
- Jelsolve – Packaging to increase fresh food shelf life
- Revo Farms – IT based efficient farming solutions
- Agrocentral – IT based solution for agri-marketing



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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

- Sine 2007 has executed over 70 projects in primary and junior high valued \$18 million to enhance agricultural programmes
- 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 (RTALF) through which over 220 students have benefitted, valued over \$16 million

Agriculture Partnerships

- DBJ works with Jamaica 4H Clubs etc. on various projects



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 \$500,000 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 AFI's



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)



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- Jamaica Business Fund (JBF) - A Grant scheme to strengthen businesses through support to SME supply chains
- The supply chain approach will use larger 'anchor' firms to initiate & coordinate the JBF application & upgrading programs as an active partner.

Fund size - US\$4.5M

- Grants from US\$20K - \$350K per supply chain.
- Per individual Firm - US\$5,000 – \$30,000
- Required Co-payment
33% - 50%

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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

Mobile Money / Mobile Wallets

- To increase financial inclusion by deploying 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

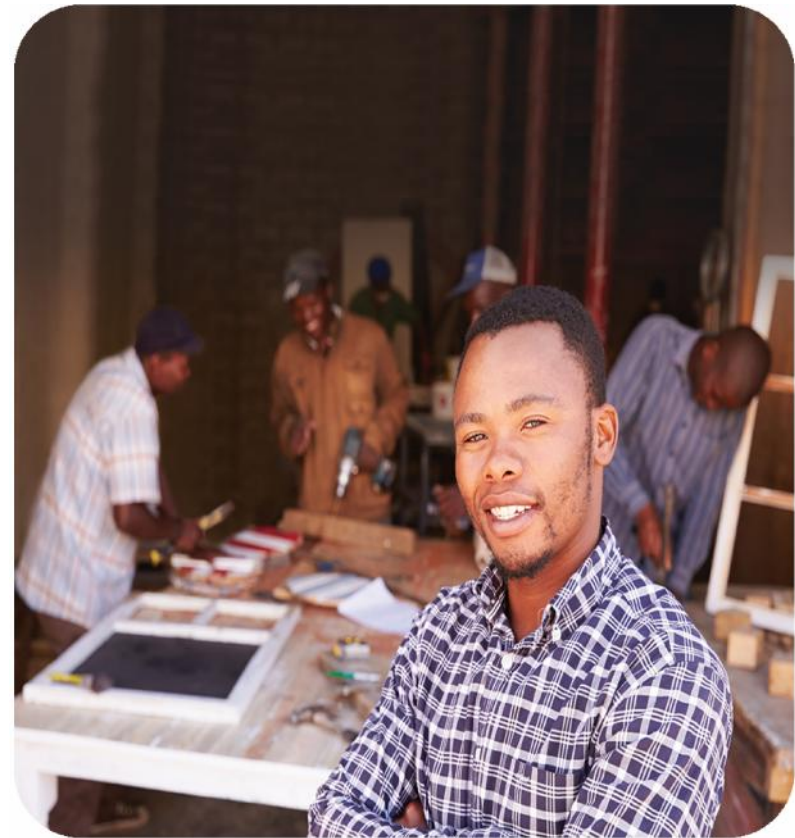


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WHAT'S IN IT FOR ME?

- Lower Interest Rates calculated on the reducing balance
- Longer Loan Tenures
- Flexible moratorium on principal repayment
- Partial Guarantees up to JMD15M to meet the Banker's security requirements
- Grants up to JMD300,000 for Business Support Services (VTA)
- Energy Audit Grants up to JMD200,000





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Thank You

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