



Financing and guarantees to support SME's in the Caribbean

Credit guarantees; The approach in Suriname



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Country background

Republic of Suriname

- ▶ Member of CARICOM
- ▶ Parliamentary democracy
- ▶ Latest elections: May 25, 2015
- ▶ Country size: 163.270 sq km
- ▶ Population (GBS, 2012): 541.638
- ▶ **Official language: Dutch**
- ▶ Neighbours:
 - ▶ Brazil (Mercosur)
 - ▶ French-Guyana (EU)
 - ▶ Guyana (CARICOM)





The economy at a glance

- ▶ Currency: Suriname Dollar (SRD)
- ▶ Main exports: Gold, Oil, Bauxite, Shrimps, Fisheries
- ▶ Official exchange rate : SRD 3.35 per USD (selling)
- ▶ GDP (CBvS, 2014): SRD 18.2 billion
- ▶ Inflation 2014 EOY (CBvS): 3.9%
- ▶ Inflation 2014 average (CBvS): 3.4%
- ▶ Average lending rate commercial banks (CBvS): 12.5%
- ▶ Average deposit rate commercial banks (CBvS): 7.4%
- ▶ Fiscal deficit 2014 (% GDP): -5.3%; (2011: -2.7%)
- ▶ Current account balance (%GDP) BOP 2014 : -0.8%; (2011: 1.1%)

Financial institutions supervised by Central Bank (CBvS) per year end 2014

- ▶ Primary banks: 9
- ▶ Credit Unions: 19
- ▶ Saving Funds: 1
- ▶ Finance Companies: 6
- ▶ National Development Bank



Recent Economic Developments (2013 - present)

- ▶ Deterioration prices international markets
 - ▶ Gold
 - ▶ Oil
 - ▶ Bauxite
- ▶ Weakening BOP
- ▶ Weakening fiscal balances
- ▶ Immediate fiscal actions by new administration:
 - ▶ Increase revenues
 - ▶ Drastic reduction and tight rein expenditures



Outlook (Short run)

- ▶ Unfavorable International environment next two years;
- ▶ Economy has to settle again;
- ▶ Financing restraints government and banking system;
- ▶ Economy however has to be diversified;
- ▶ Assistance to SME's therefore more than ever important.



Credit Guarantee Fund Suriname





Credit Guarantee Fund Suriname Historical overview / Background

1. Established February 1979;
2. Operated between 1980 -1997;
3. Became inactive since 1997;
4. Effectively reactivated September 2014:

Current Board nominated by order of Minister of Finance

Board mandate based on adapted bylaws of July 2014

Operations commenced August 2015



Credit Guarantee Fund Suriname Historical overview / Background (Cont'd)

1. CGFS = Independent institution;
2. Accountable to Minister of Finance;
3. Fund management / Executing Agency:
National Development Bank (NDB).



Main purpose

Except for trade, promotion of investments in all sectors of the economy, in particular those investments of small and medium enterprises and those of starting companies.



Mission statement

Promotion of the national economic development through creation of facilities aimed at satisfying financing needs of small and medium enterprises which will contribute to production growth, create employment and alleviate poverty.



Strategy



- Partnership with credit institutions;
- Continued dialogue with private sector organizations;
- Monitoring of national and international developments;
- Compile and analyze statistics and where necessary adjust policies;
- Further development of the credit guarantee system in Suriname.



Basic assumptions (No conflicting objectives!)



- Commercial banks / credit institutions eager to extend credit;
- Commercial banks / credit institutions operate prudently;
- Companies need financingagainst prevailing conditions;
- Production growth / employment main policies
Government



Procedures

- Credit institution (CI) considers loan application as usual;
- Applicant (company) meets all requirements but lacks sufficient collateral;
- CI applies for guarantee at CGFS on its own discretion to cover its risks;
- NDB assesses guarantee application;
- NDB makes proposal to CGFS;
- CGFS approves proposal;
- NDB and credit institution sign guarantee contract (GC).



Guarantee contracts

Key elements

- (GC) = contract between CI and CGFS;
- Only CI's recipients of guarantees;
- Company = customer CI → Credit to company sole discretion of CI;
- CI therefore has to meet requirements CGFS;
- Guarantees up to 80% of a loan;
- Constant monitoring of loan by CI;
- Compensation up to outstanding balance of loan;
- Reporting requirement to CGFS.



Infant stage but moving forward!

- GC format, procedures and conditions accepted by Credit Institutions;
- August 2015, Master contract signed with Credit Institutions.....;
- Credit Guarantee Fund Suriname now ready for business!



Support to SME's

- ▶ Credit Guarantees just one form of support;
- ▶ Much more has to be done;
- ▶ Where Governments slow down / lack resources, we have to pick up the slack with creativity, cooperation, continued efforts and devotion;
- ▶ National Development Banks, Multilateral Institutions, Regional Organizations pivotal in our efforts;
- ▶ SME's will remain backbone of our economies;
- ▶ We have to remain focused!

Existing Government programs Micro/Small and Medium Enterprises

- ▶ **Micro Credit Fund:**
 - ▶ 2nd tier financing;
 - ▶ max loan per project: SRD 10.000
 - ▶ managed by a credit institution.
- ▶ **Agriculture Credit Fund:**
 - ▶ 1st tier financing;
 - ▶ Only argri-business;
 - ▶ SRD 200.000 max loan per project
 - ▶ Managed by Agriculture bank
 - ▶ Business Agriculture Bank will be transferred to NDB effective end of October 2015

National Development Bank Eager to play its role

Existing programs

- ▶ Investment Fund:
 - ▶ 1st tier financing;
 - ▶ not specifically focused on sme's
 - ▶ no caps on loans;
- ▶ Technical assistance to private sector:
 - ▶ Non-interest bearing loans for feasibility studies, marketing studies, training, pilot projects, sub sector research and short term management assistance.

National Development Bank Eager to play its role Cont'd

- ▶ New initiatives
 - ▶ Special SME program in cooperation with IIC in preparation;
 - ▶ Expansion existing “Agri-business credits program” with special focus on small “primary agriculture” enterprises;
 - ▶ Financial inclusion program with regard to SME financing in cooperation with GPF (Global Partnership for Financial Inclusion);
 - ▶ SME Capacity building:
 - ▶ Gear education towards demand private sector
 - ▶ Enhance / upgrade technical skills of staff



Credit Guarantee Fund Suriname now up and running

- ▶ Months ahead to become more visible:
 - ▶ Awareness Campaign;
 - ▶ Website up and running;
- ▶ Continued dialogue with all stakeholders;
- ▶ Cooperate with regional and international partners



Credit Guarantee Fund Surinameserving the community

Contact us

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Thank you for your attention!

Questions???



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An interesting link.....



► <https://www.youtube.com/watch?v=dmpjxKNMVOI>