

Joint SDG Fund – Component 2 – SDG Financing

Template for the Joint Programme Final Progress Report (preparatory funding)

Cover page

Reporting period: June 30 – December 30, 2020

Country: Suriname

Joint Programme (JP) title: The Accelerator for Agriculture and Agroindustry Development and Innovation Plus (3ADI+)

Short title: Sustainable Pineapple Value Chain Development

List of PUNOs:

- Food and Agriculture Organization of the United Nations (FAO)
- United Nations Industrial Development Organization (UNIDO)
- International Labour Organization (ILO)
- United Nations Population Fund (UNFPA)

RC: Marina Walter, marina.walter@un.org

Representative of Lead PUNO: Reuben Robertson - FAO Representative to Trinidad and Tobago and Suriname; Reuben.Robertson@fao.org

Government JP Focal Point: Ministry of Agriculture, Animal Husbandry and Fisheries, minlvv@sr.net

RCO JP Focal Point: Jessica Chandnani, Strategic Planner and Team Leader **E-mail:** jessica.chandnani@un.org

Lead Agency JP Focal Point: David Neven, Senior Economist, Food and Agriculture Organization of the United Nations **Email:** david.neven@fao.org

Budget (Joint SDG Fund contribution): **USD 100,000.00**

Budget Expenditures: **USD 71,323**

Delivery Rate – 71% *Prep Funding Rate (%) = $\frac{\text{Expenditures PUNO}}{\text{Total transferred funds Jan 2020 to December 2020}}$:*

Short Description of the Joint Programme (1 paragraph for each section)

This description will be used to update your country page in our online platform (please scan the website before answering) <https://sdginvest.jointsdgfund.org/proposals>

Financial leverage (estimated target in US\$): USD 11.35 million

At the start of the programme, an investment of USD 3.85 million will be channeled into the sector for setting up the financial structure, the innovation hub and providing technical assistance, targeting 250 ha of pineapple production. This includes the UN SDG Fund of USD 2.25 million, the PUNO contributions of about USD 0.6 million, and the committed USD 1 million from the Islamic Development Bank (IsDB). When this milestone has been achieved, the pineapple sector will have become attractive to bring in more private investors. We expect that private trading and processing companies will then invest into processing and handling facilities in the amount of approximately USD5 million. In parallel, additional investors will enter the Guarantee Fund, which may co-guarantee investments in processing and trading, by way of capital increases. Furthermore, we assume that additional financing from private banks will be lent above the securities provided by the Guarantee Fund. During this phase the aim is to grow towards and then beyond 600 ha of pineapple production. By facilitating the combination of different financial instruments, the JP is expected to incentivize the private sector and attract an initial **private investment sum of USD 5.75 million. The estimated private finance leverage is 2.6** (USD 2.25 million of Joint SDG Fund leverages USD 5.75 million). Furthermore, the JP aims to attract development finance institutions (DFI) investment into the loan guarantee fund and unlock large-scale funding from IFIs, such as the World Bank (WB) and the Inter-American Development Bank (IADB). The team has also conducted high-level meetings with the line ministries of Agriculture, the Ministry of Economic Affairs to mobilize public sector investment, such as contribution to the Innovation Hub. Altogether, the expected investments from the aforementioned sources translate into **a co-finance of USD 5.6 million, which puts the co-finance leverage at 2.5** (USD 2.25 million of Joint SDG Fund leverages USD 5.6 million). The total financial leverage of the project is **5.1**.

Challenge:

Explain the key challenge(s) the JP aims to tackle with reference to both development and financing challenges and how they interconnect.

Through inclusive and sustainable value chain development, the Joint Programme (JP), which brings together UN partners FAO, ILO, UNFPA, and UNIDO, will enable pineapple value chain actors to increase their productivity and competitiveness in a sustainable manner while facilitating improved access to markets. Suriname has abundant agricultural land, suitable ecological conditions and diverse local varieties, cultivated primarily by the indigenous populations, who are nevertheless underserved by traditional financial service providers and lack the necessary know-how to develop viable business plans and connect with international buyers. Building on a solid analysis (already conducted in 2018-2019), the JP offers a unique opportunity to channel investments into productive activities and generate incomes for rural communities. The JP aims to promote SDG-aligned investments by de-risking them through a variety of financial instruments and sustainable technical assistance, which in turn will contribute to generating substantial economic, social and environmental impacts. If investments are promoted towards the development of the pineapple VC, there is potential for increased investments in infrastructures and services, contributing to raising the living standards for the interior populations.

Innovation (financial instrument/mechanism/approach):

Summarize the financial mechanism(s) proposed and why the approach is different from conventional and/or alternative approaches and how it is fit for purpose to address the challenge described above.

The proposed financial intervention consists of three separate yet interconnected entities, that each tackles a key bottleneck in the value chain.

1. The Investors' Loan Guarantee Fund (the "Fund") addresses the access to finance constraints faced by the pineapple value chain actors by de-risking bank loans. The first loss tranche will consist of USD 500,000 from the project, transferred to a custodian (e.g., the National Development Bank) who will manage the funds during the project period. Initial funds for the mezzanine tranche of USD 1 million are expected to come in through the Islamic Development Bank (IsDB). USD3 million in additional mezzanine funds are expected to come in the third and in the fourth year of the project. Senior tranche funds are expected to come in from private investment funds toward the end of the project.
2. The Pineapple Cooperative Development (PCD) is a company owned by farmers that will aggregate their demand for inputs and supply of outputs. The establishment of the PCD will improve the overall organization of the VC. The PCD company will acquire financing facilities or loans from commercial banks, which are at the start of the project 100% covered by the Loan Guarantee Fund, and set-up contracts with individual farmers, providing access to finance and inputs using smart vouchers. Moreover, the PCD company is responsible for marketing the pineapples supplied by the farmers under outgrower contracts in the PCD company remains the owner of the pineapples growing in the fields.
3. The Pineapple Innovation Hub (the "Hub") will provide the agronomic/technical/business support and management services for the PCD company. It will play an imperative role in providing access to modern pineapple industry practices. It is a Public Private Partnership that will be set up in form of a foundation. It will involve the Ministry of Agriculture (LVV) and research institutes as key parties on the public sector side and will benefit from existing IADB loan programs. The Hub will employ international pineapple experts working with national counterparts and provide reliable and high-level extension services for enrolled farmers in sustainable pineapple production. The Hub, as manager of the PCD company, will take on a range of additional responsibilities, amongst others: establishing a database of the farmers; set-up a credit committee to carry out farmer loan risk assessments together with local banks and prepare monthly financial reports; setting up contract production plans with farmers and monitoring plan implementation; making input and services supply arrangements, including the associated working capital financing; identifying and negotiating deals with national and overseas buyers; and the accounting for the PCD company.

SDG Impact:

Please describe the development impact the JP aims to achieve. Do not list the SDGs.

This JP aims to contribute to the acceleration of several SDGs. One of the SDGs directly impacted is SDG 2, by contributing to increasing productivity of pineapple production and incomes of small-scale farmers in an ecologically sustainable manner. Moreover, the JP aims to contribute to SDG 5, with an emphasis on target 5.5 as the project gives priority to ensuring that trainings and mentoring sessions are tailored to address the challenges of gendered roles. In this context, the project will also facilitate effective participation and equal opportunities for women. Furthermore, the programme will address SDG 9 with activities geared to supporting small-scale enterprises in value addition through processing and access to finance. The JP will also contribute to SDG 8, as another primary area of focus is promoting entrepreneurship (with special emphasis on business management) to enhance decent work for both men and women. Furthermore, the JP aims to set up a financial mechanism to attract SDG-compliant investments in the pineapple value chain, facilitate linkages between Value Chain actors and service providers, bring in national and international investors to strengthen and institutionalize knowledge in local institutions, and contribute to a conducive policy environment, which are all factors that contribute to the acceleration of SDG 17. Finally, the JP will also indirectly have an impact on SDG 12, as it will introduce improved organic production techniques that will reduce pressures on forests and the wider ecosystem. It is important to note that due to the interlinked nature of the SDGs, other SDG targets will also marginally be influenced through this Joint Programme.

Partners:

Please list key partners involved in implementation as well as secured investors. Do not mention more than 4-5 partners. Do not mention generic stakeholders (e.g. Government, private sector), but only specific institutions/partners.

1. Ministry of Agriculture, Animal Husbandry and Fisheries (will take the lead in coordinating activities related to the sector's overall development);
2. Ministry of Economic Affairs, Entrepreneurship and Technological Innovation (will lead efforts to introduce innovative processing technologies and create market linkages);
3. Center for Agricultural Research in Suriname (CELOS) (partner to support the implementation of the technical component of the JP);
4. Islamic Development Bank (IsDB) and Inter-American Development Bank (IDB) (to support the financial mechanism and sectoral investments).

Final Progress Report (MAX 3 PAGES)

1.1. Progress achieved

Provide brief description of the project's developments, results and achievements during the preparatory phase including 1) financial vehicle design; 2) market assessment; 3) feasibility study; 4) pipeline assessment; 5) legal assessment; 6) investor mapping and matching; 7) others. Please list the names of strategic documents developed (if any).

The JP has been designed based on a thorough value chain analysis, carried out within the scope of the 3ADI+ initiative in 2018-2019. The key binding constraints and leverage points along the value chain and its enabling environment have been identified, upgraded business models have been developed, and concrete actions have been designed to address the key challenges simultaneously and in an integrated manner. The team mobilized a wide range of stakeholders in the pineapple sector including high-level policymakers, brought in best practices from international experts, facilitated linkages to end markets and encouraged multi-stakeholder dialogue.

Thanks to the UN SDG seed funding and technical support from the participating agencies, further in-depth studies have been carried out in September and October 2020 to assess the baseline situation of the value chain and the potential impacts of the proposed interventions

- 1)** An innovative financial mechanism was designed to facilitate SDG-aligned investments into the value chain. Regular dialogues with international development banks and national banks, as well as relevant stakeholders, were maintained to validate the financial mechanism and ensure local ownership and buy-in.
- 2)** A market assessment carried out within the scope of the 3ADI+ value chain analysis in 2018/2019, was complemented through interviews with potential international buyers and marketing intermediaries, such as Albert Heijn, Anabela Foods, and Bardini & Keller AG.
- 3)** An analysis of the main employment challenges within the pineapple growing regions in the Savannah Belt was conducted and recommendations were formulated to ensure the JP contributes to the strengthening of fundamental labour rights and working conditions, allowing for the creation of decent work. Similarly, a gender analysis was commissioned to map the differentiated roles and responsibilities, paid and unpaid, of women and men at the different nodes of the value chain, as well as identify initial actions that could facilitate a more equal presence and distribution of benefits by both genders. Furthermore, from preparatory fieldwork and engagement with local communities, the need for an adequate communication strategy and conflict resolution mechanisms, particularly with regards to the introduction of the financial mechanism and contract farming model, was highlighted and the JP activities were designed accordingly. In addition, the PUNOs worked with an international pineapple expert to carry out an environmental assessment of the current production model (shifting cultivation with seasonal production) and compare it with that of the first upgraded business model (shifting cultivation with seasonal production, applying improved production methods) and second upgraded business model (permanent and year-round production).
- 4)** The UN SDG Fund seed funding was used to complement the 3ADI+ value chain analysis that was carried out in 2018 and 2019. Further in-depth studies were conducted to better understand potential social and environmental sustainability implications of the proposed JP and to design activities to improve the sustainability of the JP. Furthermore, the innovative financial mechanism has been developed in a joint effort by UN value chain specialists and rural finance experts. The process, which involved weekly discussions and interactions between members of an interdisciplinary team of national and international experts, allowed focusing on investment packages that tackle all critical value chain constraints.
- 5)** Consultations with the responsible financial and legal experts of the PUNOs were carried out to align the financial mechanism with the existing legal structures and to ensure that the JP can be implemented without encountering internal legal barriers.
- 6)** The investors' mapping that was carried out during the VC analysis in 2018/2019, was complemented during the preparatory phase. Building on the relationships established during this phase, the discussions with previously identified potential investors were deepened and new contacts were established.

Strategic documents that were developed include:

- Financial projections of the JP
- Analysis of the main employment challenges within the pineapple growing regions
- Gender assessment for the pineapple value chain in Suriname

- Environmental Sustainability Analysis and Mitigation Measures for the Business Models identified in the Pineapple Value Chain in Suriname

1.2. Challenges faced

Did the UNCT face any major challenges in the preparatory phase? Briefly explain the challenges, their impacts, and how you overcame those.

There were difficulties in conducting fieldwork to assess the baseline situation of the value chain especially in terms of gender and labour and the potential impacts of the proposed interventions due to COVID-19 restriction; however, they were overcome thanks to the commitment and networks of the national consultants on the ground and the creative use of virtual methods. Internal UN process and possibilities regarding the set-up of the financial mechanism created additional challenges that were considered in the design. Further, onboarding of consultants took time and therefore the team was not in place until early/mid-September, which resulted in only 2.5 months to develop the full JP. However, analysis from the previous phase built on the 3ADI+ programme led by FAO and UNIDO provided a strong foundation to develop the financial mechanism. The team made significant progress in dialoguing with key stakeholders and promoting investments in the sector in the allocated timeframe while conducting additional studies on markets, employment, gender, and environmental aspects. More time (an additional two months) would have helped to continue exploring investors’ interests and building trust and buy-in from local stakeholders, especially given that we plan to introduce quite new and innovative concepts to the indigenous communities.

1.3 Partnerships leveraged Did you leverage new partnerships during the preparatory phase (e.g. government, private investors, IFIs, bilateral/multilateral banks, etc.)?

- Yes
- No

Provide in bullet points the main highlights on strategic partnerships and with whom.

New partnerships were established, amongst others, with:

- the Inter-American Institute for Cooperation on Agriculture (IICA) in Suriname to jointly implement trainings of pineapple farmers and extension officers on improved sustainable production practices.
- AgriLedger and FarmForce, two organizations that are specialized in digital solutions for sustainable agriculture, to introduce blockchain solutions in order to enhance traceability and build trust as well as to facilitate communication between VC actors.
- International buyers and marketing intermediaries such as Anabela Foods and Bardini & Keller AG to get a better understanding of requirements in international niche markets as well as to explore opportunities to facilitate export market entry.
- National banks such as Trust Bank Amanah and Hakrinbank to invest in the sector by means of working capital loans to the PCD company. These finance facilities are initially fully secured by the Guarantee Fund. Over time, the banks are expected to accept the balance sheet of the PCD company to become part of the security package.

1.4. Co-funding mobilized.

Did you secure additional funding or in-kind support for the proposal during the preparatory phase?

- Yes
- No

If yes, please include amounts committed during the prep-phase.

Source of funding	Yes	No	Type? (\$ or in kind support)	Name of organization	Amount (USD)	Comments
Government	<input type="checkbox"/>	<input type="checkbox"/>				

Donors/IFIs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$	<i>Islamic Development Bank</i>	<i>1 million</i>	<i>Confirmed.</i>
Private sector	<input type="checkbox"/>	<input type="checkbox"/>				
UN/PUNOs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>Both</i>	<i>FAO, UNIDO, ILO, UNFPA</i>	<i>599,204</i>	
Other partners	<input type="checkbox"/>	<input type="checkbox"/>				

1.5. Budget changes (if relevant)

If there were changes in the actual budget from the one shared as part of the Fund Transfer Request, please briefly justify these changes.

Please, explain briefly:

NA