

Merkur Development Loans Ltd.

Merkur Development Loans Ltd. extends loans on fair terms to small and medium-sized enterprises (SME) and cooperatives in developing countries. In order for a business to qualify for a loan, the business must be involved with organic or biodynamic production, fair trade, responsible forest management (FSC), or the advancement of renewable energy.



Examples of loan projects

About Merkur Development Loans Ltd.

The main purpose of Merkur Development Loans Ltd. is to assist ecologically sustainable economic development in developing countries. Loans are extended to small and medium-sized enterprises (SME), as well as cooperatives that face difficulties obtaining loans on fair terms.

Businesses that wish to take out loans with Merkur Development Loans Ltd. must have a certification, or be in the process of being certified, in the fields of organic or biodynamic business, fair trade, or responsible forest management. Loans for the advancement of renewable energy are also granted.

Merkur Development Loans Ltd. was founded in 2009 and is a partnership between Merkur Cooperative Bank and the Industrialisation Fund for Developing Countries (IFU). In order to assist Merkur Development Loans Ltd., an associate advisory group of Danish NGOs has also been formed.

Merkur Cooperative Bank is Denmark's leading financial institute with special emphasis on environmental, social and ethical aspects, and possesses more than twenty six years of experience in lending to projects aimed at sustainable development in Denmark. In 2005, Merkur Cooperative Bank started extending credits to ecologically sustainable producers in developing countries.

The Industrialisation Fund for Developing Countries (IFU) advises Danish companies and invests with them in developing countries and emerging markets. Investments are carried out on commercial terms by issuing capital stock or extending loans. Since 1967, IFU has invested more than DKK 7.5 billion (1 bill.) in more than 650 companies in Latin America, Asia and Africa.

Supporters include a number of private investors and companies, who have bought shares in the company. Merkur Development Loans Ltd. has at its disposal a share capital of DKK 15 mill. (Euro 2 mill.).

Read more at

- www.merkur.dk
- www.ifu.dk

Eligibility Requirements

In order for a business or cooperative to obtain a loan with Merkur Development Loans Ltd., the business or cooperative must possess a certification or be in the process of being certified by one or more of the following brands or organisations:

- World Fair Trade Organization (WFTO)
- Fair Trade Labelling Organisations International (FLO)
- Forest Stewardship Council (FSC)
- Organic Certification
- Biodynamic Certification

Merkur Development Loans Ltd. may also extend loans according to credible criteria for sustainability - e.g. loans for the advancement of renewable energy. Each application is evaluated on an individual basis.

You can read more about certification programmes at the following sites:

- www.wfto.com
- www.fairtrade.net
- www.fsc.org
- www.ifoam.org
- www.demeter.net

Loan Purposes

Merkur Development Loans Ltd. offers loans to small and medium-sized businesses (SME) and cooperatives in developing countries that use sustainable production methods.

Examples of loan purposes:

- Production and storage buildings.
- Production plant equipment and machinery.
- Operating equipment, e.g. trucks.
- Working capital in order to finance the final stages of certification, including the purchase of additional equipment, fees, etc.
- Financing tied-up funds in inventory and outstanding claims.
- Purposes connected with renewable energy.

Credit terms:

- The size of loans will typically range between Euro 40,000 and Euro 70,000. The maximum for individual loans is at Euro 200,000
- Interest rate: Annual interest rate: 8-16 % for loans in EUR, USD or DKK (interest rate as of January 20, 2010). Interest rates are determined on an individual basis according to an overall assessment of a company's equity, operating profit, historical performance, collateral and specific elements of risk in connection with the proposed investment/business activity.
- Loan Period: Three to five years. For loans involving investments in land and buildings, the loan period may be prolonged to a maximum length of ten years.
- Requirements may be made concerning collateral and asset insurance.
- Upon establishing a loan, a loan establishment fee of 2% of the borrowed amount is paid.

Loans may be granted in other currencies, following more detailed assessment. In this case, the borrower pays an extra charge that matches the local inflation rate. As a general rule the interest rate is variable, but local financing practices and competitive parameters are also taken into consideration.

Trade Credits

Merkur Cooperative Bank offers trade credits for, and pre-financing of, production costs related to exports of organic, biodynamic, fair trade and FSC-licensed products to Scandinavian countries.

Read more at www.merkur.dk

Project Loans

Merkur Development Loans Ltd grants loans to third world companies working with organic or biodynamic production, fair trade, sustainable forestry (FSC) or renewable energy.

Loan Applications

Applicants are to submit applications with Merkur Development Loans Ltd. in English. The application should as a minimum contain the following information:

- A brief description of the persons responsible for the company (i.e. resumes), the company's history, activities, products, key clients, suppliers, market placement, etc.
- A brief financial statement.
- A brief statement describing what the loan is to be used for, including the amount, currency, purpose and preferred loan period. Also included, should be a statement outlining the impact on business operations if investments are carried out as planned.
- Annual reports (income statements, balance sheets) going back at least two years. In addition, interim financial statements and trial balances for the present year.
- Budget for the present year and the coming twelve months.
- Documented certification of status as an organic, biodynamic, fair trade or FSC-approved business, or a statement outlining ongoing efforts to achieve such status.
- Documentation of the company's registration with the appropriate local and national authorities.
- Collateral in the form of potential security or guarantees.
- Filled-in application form (contact details, bank connections, key persons, etc.) [Download Application Form](#)

The procedural language is English. However, to a lesser degree, Merkur Development Loans Ltd. is capable of receiving documents and financial accounts, reading home pages and pamphlets etc. in Spanish and French.

Terms

- As a general rule, repayment of the loan is done through payments taking place at a minimum frequency of quarterly instalments.
- Quarterly reports are to be submitted to Merkur Development Loans Ltd. about the status of the company's operations and balance sheets are to be forwarded.
- Adjusted annual accounts are to be submitted no later than six months following the completion of the financial year.

Contact

Loan applications and questions may be sent by e-mail or by mail to the following addresses:

E-mail: development@merkur.dk

or

Merkur Development Loans Ltd.
Vesterbrogade 40, 1.
DK-1620 Copenhagen V

You may also contact Merkur Development Loans Ltd. by phone. Ask for:

Loan Officer: Kirsten Arup
Information Officer: Henrik Platz

Phone: (0045) 70 27 27 06
Fax: (0045) 70 27 27 66