

ABOUT MERKUR Merkur is the leading social and ethical bank in Denmark. Amongst many other services Merkur offers credit facilities against specific orders to facilitate sustainable trade exports from developing countries to primarily Denmark, but also to Norway, Sweden and Finland. As a member of IFAT - the global network of Fair Trade Organizations – we wish to improve the livelihoods and well being of disadvantaged producers by offering trade credit facilities at reasonable rates of interest for the producer.

HOW DO YOU APPLY?

To apply for a Sustainable Trade Credit please send the following documentation to Merkur in English or Danish:

- Description of the business: brief history and description, products, outlets etc.
 - Description of the economic status
 - Profit and loss accounts for at least two years
 - Budget for the next 12 months
 - Description of the specific order to be financed
 - Cashflow for the production and payment of the specific order
- Copy of the specific order (it may not be available at the time of application. If so, Merkur must have it as soon as possible, and before the credit is effective)
 - Copy of certification with one of the above organisations
 - Copy of registration documents for the business (with registration number etc)
 - Filled-in application form (You can download the form on www.sustainablecredit.dk or have it sent by e-mail or post by contacting us)



Fotos: Max Havelaar, Østrig. Fair Trade Import. Nepenthes.

CONTACT

If you want more information about Merkur and Credit for Sustainable Trade you can visit our web-site www.sustainablecredit.dk or contact us on aarhus@merkurbank.dk

Phone: +4587309760, ask for loan officer Kirsten Arup or Henrik Platz.

CREDIT FOR SUSTAINABLE TRADE





PURPOSE

The purpose of Credit for Sustainable Trade is to assist producers and exporters in developing countries in pre-financing their export contracts with buyers in Scandinavian countries. The credits provide the producers with the funds needed during the production, harvest and shipment period – all at reasonable rates of interest for the producer.

Export contracts form the basis of each Sustainable Trade Credit. To be eligible for a credit the producer must be certified under one or more of the following labels/organisations:

- International Fair Trade Association (IFAT)
- Fairtrade Labelling Organisations International (FLO)
- Forest Stewardship Council (FSC)
- Organic certification (according to IFOAM rules)
- Biodynamic certification (according to DEMETER rules)

We offer credits to either producers or exporters in developing countries or to import firms in Scandinavia. In both cases the aim is to alleviate

poverty by enabling producers to finance their production and fair trade exports of foods, hand-crafts etc.

WHAT DOES IT COST?

Merkur offers the sustainable trade credits at a rate of interest which reflects the actual costs. At the same time we strive for transparency, so everyone can see where the money goes.

The interest rate on sustainable trade credits amounts to 7-10 % per annum, calculated as follows:

Interest for the depositor: 2 % per annum
 Administration cost: 4 % per annum
 Credit risk buffer: 1-4 % per annum

The 1-4 % buffer premium from all sustainable trade credits is pooled in a credit risk buffer. If a loss should occur, the buffer carries the first risk. If the pooled sum is not sufficient to carry the loss, the depositors carry the remaining risk.

There is a fee of 1.5 % on the credit granted (min. 1,000 DKK)

The quoted interest rate is for credits in DKK or in Euro. For credits in other currencies, a pre-

mium to cover the exchange risk will normally be necessary. (All prices as of 2007.04.18).

WHERE DOES THE MONEY COME FROM?

We are able to offer these credit facilities because individuals in Denmark have deposited some of their savings on special Sustainable Trade Accounts. They wish to lend some of their money to people in other parts of the world who are denied access to credit at reasonable rates. The depositors earn a fair rate of interest on their saving accounts, but also in turn accept to carry part of the risk involved. Only money deposited on sustainable trade accounts in Merkur may be used for these credit facilities.

HOW DOES IT WORK?

The credit helps the producer to finance costs during the production period up to 80 % of a specific order. The procedure is as follows:

- 1 The producer applies for a credit under the sustainable trade credit scheme (see below). If Merkur has the information needed, an answer to an application may be expected within a month.
- 2 If the producer is found eligible for a credit, documents concerning the credit are sent (if

possible by e-mail) to the producer to be signed. The producer accepts the credit by his signature.

3 When we receive the signed documents, we send a letter of undertaking to be signed by the buyer, in which he accepts to pay directly to Merkur any sum due in respect of the specific order.

4 Merkur transfers the credit sum to the producer, sometimes in rates. Interest is calculated on the basis of the actual sum borrowed at any given time, not on the total of the credit granted.

5 At the shipping date, the producer mails a copy of the shipping documents to Merkur.

6 When the payment is due (as specified in the order) the buyer pays the bill directly to Merkur.

7 Merkur recovers the amount lent plus interest and costs and without undue delay transfers the remaining sum to the producer.