

NATURAL RESOURCES SYSTEMS PROGRAMME
PROJECT REPORT¹

DFID Project Number

R8325

Report Title

Finance/credit availability and access.
Annex A, Appendix 1, of the Final Technical Report of project R8325.

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Date

2005

NRSP Production System

Land Water Interface

¹ This document is an output from projects funded by the UK Department for International Development (DFID) for the benefit of developing countries. The views expressed are not necessarily those of DFID.

SUSTAINING LIVELIHOODS FOR PEOPLE ON THE CARIBBEAN COAST

FINANCE /CREDIT AVAILABILITY AND ACCESS

by Winston Rennie

SUPPORTING SUSTAINABLE LIVELIHOODS

Enhancing linkages between policy intent and policy implementation, towards achieving sustainable livelihoods among marginalised communities along the Caribbean coast, was the major focus of a research project undertaken during 2004-2005 by the University of the West Indies Sustainable Economic Development Unit (UWI SEDU), with support from the UK Department for International Development (DFID). The concentration on Community-based Sustainable Tourism recognised the multiple possibilities of this burgeoning industry, in providing both product inputs and direct services, to enhance linkages between producers in the communities and mainstream tourism interests.

KEY POINTS: A policy gap regarding access to and availability of micro-credit and finance at the community level, was identified by UWI-SEDU and addressed through facilitating collaboration on mounting Credit/Business Fairs. This policy brief describes process, outcomes and lessons.

Introduction

This Policy Brief focuses on policy-relevant knowledge related to enhancing micro-credit availability and access, within an overall thrust towards poverty eradication among marginalised communities in the coastal Caribbean.

The project initially identified finance and credit access as one of seven major gaps existing between sustainable livelihood policy, and institutional frameworks and their implementation. The second phase of the project sought to demonstrate that the gap, predominantly an implementation one, can be filled by policy reform that focuses on the development of collaborative linkages among all stakeholders. In essence then, one strategy of the second phase was to facilitate the building of partnerships among policy making and implementation agencies, the providers of credit and finance services and the targeted communities. Policy-related lessons distilled from these activities are intended to constitute the basis for promotion of this approach to a wider Caribbean audience and beyond. The Policy Brief seeks to locate the proposed strategy within the general thrust of participatory approaches to poverty eradication and presents policy-related lessons that can inform policy reform specifically with respect to access of the poor to financing and credit facilities.

Findings of the Project

Phase one of the project demonstrated that notwithstanding the existence of national policy frameworks (formal or informal) as well as relevant institutional arrangements designed to promote the development of small and micro enterprises, community members continue to cite knowledge of and access to financing and credit facilities as a major constraint to developing the coastal resource-based livelihood strategies of the poor.

Generally, the project identified a lack of widespread knowledge at the community level on the range of financing and credit facilities available. Moreover, where such knowledge did exist, major constraints were identified as follows:

- Access in terms of processes and collateral requirements were complicated and difficult (user unfriendliness);
- The programmes were not always tailored to the specific needs and organisational capabilities of those seeking access;
- There existed serious concerns on the part of the potential beneficiaries with the possibility of losing control of their activities (i.e. aversion to credit as an integral aspect of business growth and development).

The results of a recently completed regionwide survey of NGOs/CBOs, covering 12 Caribbean Community (CARICOM) countries), generally supported this

finding. The survey results showed that across the board, NGOs/CBOs identified the “lack of finance” as the single most constraint and limitation on their operations.

The overall hypothesis formulated on the basis of these findings, and which informed the activities of the second phase of the project, can be summarised as follows:

- Livelihood strategies of the poor in the Caribbean coastal areas reflect significant gaps between the existing sustainable livelihood frameworks and their implementation.
- These gaps can be filled through targeted uptake of a programme of appropriate policy reforms that focus on the development of collaborative linkages among all stakeholders, within an overall framework of Community Based Sustainable Tourism (CBST).

The major characteristics of the finance and credit gap were:

- That the gap was predominantly a communication and/or a promotional one;
- That there was a disconnect between the existence of the financing and credit facilities and their appreciation, acceptance and active pursuit by potential beneficiaries; and,
- That the access processes lacked user-friendliness, simplicity and appropriateness.

Credit/Business Fairs

The mounting of Business/Credit Fairs was identified as a ‘do-able’ or manageable activity that could underscore the validity of a collaborative, community-based approach to closing the gaps identified with respect to finance and credit.

Specifically, it was intended that the Fairs would do the following:

- Promote ongoing collaboration among institutions which provide credit and business support to community-based micro enterprises;
- Promote the active participation of all stakeholders in the planning and implementation of strategies for enhancing the provision of credit and business support services;
- Provide opportunities for direct interface between the institutions and potential users in the communities in an atmosphere characterised by comfort and openness;
- Encourage a two-way flow of information that can constitute the basis for developing modified and/or alternative products and terms and conditions of access;
- Provide a model for the ongoing development and forging of such linkages as an integral part of the effort to close the identified gap between policy intent and implementation.

Two such Fairs were convened in the two case study communities in St. Lucia – Anse La Raye (28 February 2005) and Praslin (24 April 2005). A third mini-fair was convened in Hopkins, Belize (17 September 2005). The key characteristics of the approach adopted in mounting these Fairs were collaboration and consultation among all the relevant stakeholders in the conceptualisation, planning, designing and implementation processes and, as well, a promotional programme that responded to the cultural characteristics of the target communities. (Detailed reports on these Fairs are available from UWI-SEDU in separate country reports).

Process

- Agreement with target institutions on ‘do-ability’ of the activity;
- Preparatory meetings, facilitated by UWI-SEDU, with institutions and communities;
- Promotional activities: media strategy, alternative communication e.g. town crier, etc.;
- Logistical arrangements re venue, tables etc, electricity, formal programme, entertainment, collateral material e.g. development of ‘Credit Tree’ setting out available agencies, focus and offerings;
- Monitoring and evaluation.

Outcomes

The Fairs were generally successful in terms of participation and enthusiasm displayed by all stakeholders. Eleven credit and business support institutions participated in the two St. Lucia



Left: Hopkins, Belize – One and one discussions;

Right: Praslin, St. Lucia: Studying the 'Credit Tree';

Far right: Anse La Raye credit fair.



fairs and some 80 to 100 people visited each fair and interfaced with the institutions. In Hopkins, Belize, three institutions and 35 people participated. 'Exit' interviews conducted among the beneficiary participants indicated the following plusses to the activity:

- That the comfort and atmosphere created by the 'on the ground' activity, prompted open and frank one-on-one discussions, enquiries and actual commitments.
- The atmosphere also facilitated a flow of information on loans and credit availability which was not readily available before.
- Also, collaboration among the participating institutions was openly manifested in the number of referrals to more relevant sources present based on the needs articulated. Sixty three (63) such inter-institution referrals were recorded in St Lucia.

In Hopkins over 80 percent of the participants who responded to the Exit Survey indicated that they were able to get the information they wanted at the Fair and were optimistic about accessing credit in the future.

Written feedback from the participating institutions indicated an eagerness to replicate the activity in other communities, across their respective countries. Over the two Fairs in St. Lucia, the institutions recorded 28 actual requests for credit, 14 (50%) of which were subsequently converted to formal applications and loans successfully executed. There was also general agreement that continued discussions and collaborative activities among micro-credit and business support institutions should be actively pursued; but there was a clear need to identify a co-ordinating agency that can 'make it happen'.

However, there was no evidence at the time when this policy brief was prepared, 7—9 months after the St Lucia fairs were mounted, that the providing institutions had actually taken up suggestions made by community participants at the Fairs; prompting reconfiguration of their products and related terms and conditions of access. This was mainly due to the indication, by most institutions, that the 'fine tuning' of their operations and products was an ongoing process based on feedback from their clients. One institution, however, responded that the Fairs did reinforce "the need for the development of strategic microfinance packages as perhaps existing packages appear not to be meeting the needs on the ground" (*St Lucia Country Report—Attachment 3, 'Business/Credit Fairs Exit Surveys Report—See Project documents which will be posted at www.uwi.tt/sedu*).

Policy-Related Lessons

The following policy-related lessons, which can constitute the basis of promotion to wider audiences, are drawn from the experiences of the Business/Credit Fairs implemented in demonstration of the proposed approach:

- The Business/Credit "Fairs" have demonstrated that collaborative and participatory approaches can be effective in bridging the gaps identified between policy and implementation, not only with respect to the availability of and access to credit and finance but also

as an integral aspect of poverty eradication strategies. This is well in keeping with experiences and tendencies observed worldwide (See Box below).

- The Fairs can be designed to accommodate a multi-dimensional approach that addresses, in addition to credit access, relevant community-support issues such as linkages with formal sectors, particularly tourism and capacity-building within the communities with respect to business development and the role/use of credit.
- The need to ensure that the Fairs are structured so as to ensure that there is a reasonable chance of success with respect to overall stated objectives. The case in point here is the promotion of the articulation and uptake of new approaches by providers informed by community experiences and needs.
- Ongoing collaboration among all stakeholders as well as meaningful consultations with target communities are necessary ingredients and pre-requirements for the success of such strategies. A crucial issue is the need to identify a centrally and strategically placed institution that can, in an ongoing manner, broker and facilitate such collaboration and consultation i.e. to continue in a pro-active manner the role played by the Project Team).

References

- Guidelines for policy-makers have also been prepared based on all the collaborative projects facilitated by the UWI-SEDU team and this will soon be available on request or on the website: www.uwi.tt/sedu.

Stakeholder Participation and Collaboration in Micro Credit Access

The past two decades have seen a surge in the promotion of micro-finance/credit availability as a key aspect of the thrust toward poverty reduction. This trend had its genesis in the recorded successes of specific activities by institutions like the Grameen Bank in Bangladesh (since 1975) and the local Andhra Pradesh government in India (2001-2) (See 1 - David Mushinski and Ronnie J. Phillips, "Micro-Credit", Colorado State University, Fort Collins, CO, USA, <http://amar.colostate.edu/~rphillip/microcred.pdf> ; 2- Pravati Menon, "Micro-credit and mixed successes", in *Frontline Volume 19, Issue 19 September 14-27, 2002*). A notable and most relevant common feature in both these cases was the establishment of small, community-based beneficiary groups ('credit' groups in Bangladesh and 'Self Help' groups in India) which function as jointly liable borrower groups and interface directly with the lending institutions on behalf of their members. The joint liability of these community-based groups has contributed greatly to the resultant low rates of default and, as well, replaced the need for collateral with simple peer group pressure.

Additionally, aid donor agencies have increasingly been embracing the requirement of stakeholder participation throughout the life cycles of aid-assisted activities. While 'best practice' is still evolving in this regard, the then Overseas Development Administration (ODA) in 1995 issued a Technical Note as guidance to its staff; drawing on its own experiences as well as that of other donor agencies including "bilateral donors, NGOs and the World Bank". The Technical Note proposed that stakeholder analyses and proposals for stakeholder participation should be a required component as early as the project Concept Note. (*Overseas Development Administration, Social Development Department, "Note on Enhancing Stakeholder Participation in Aid Activities" April 1995*. Note: The ODA was replaced by the Department for International Development (DFID) in 1997.)

A participatory and collaborative approach to credit availability and access, that involves all stakeholders, is creating and defining a space in strategies designed to address the multi-faceted issue of poverty eradication.

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