

EXPERIENCE WITH MICRO FINANCING IN CORONIE THROUGH THE CREDIT UNION SYSTEM: INFORMATION, FINANCING CONSULTANCY AND PERFORMANCE

1. Introduction

With a population of only 2,887 people Coronie is the least populated District of Suriname.¹ According to the census of 2004 there were only 932 households with an average size of 3.08 persons, which was the lowest in the nation. Thus it is definitely not the population pressure which is to blame that Coronie is one of the poorest districts with the highest unemployment rate in the nation (27.3% in 2004, compared with the national average of 9.5%).

This was not always so, and in fact Coronie was one of the more affluent districts up to the 1950s. At that point it had a strong agricultural base, mainly produced by small farmers. For instance in 1953 the district harvested more than 8 million coconuts and produced 315.000 liters coconut oil. It also produced 63.620 liters honey. Furthermore substantial amounts of rice, bananas, vegetables, roots, as well as some corn, peanuts and peas and beans. The almanac 1955 even listed 7 production facilities for banana and cornmeal, and 4 rice mills.

During that period the population in Coronie had money and it was circulating. Let me illustrate it with a story that stuck with me. I spoke with an older man in Paramaribo about Coronie and he gave me the following anecdotal evidence of the affluence of Coronie in that period. As a young teenager he went with the Boy Scouts to Coronie after the Second World War. They had some money in their pockets, mainly 10 cents and 25 cents, but in those days you could treat a group of boys with 25 cents. They thought that they would play rich in Coronie with the teenagers there, but when they arrived it turned out that the boys there were not impressed. On the contrary the Coronian boys had bills of one guilder and even 2.50 in their pockets. The Boy Scouts from Paramaribo were shocked by this affluence.

In 1966 Doorson did a survey in Coronie and registered 230 Creole farming households. There were also Javanese farming households at the time.² The Javanese population migrated to Coronie during the 1920s and were also small farmers. They are predominantly Muslims and make up about 15% of the population. Thus probably about 30% of all households in Coronie were engaged in full-time farming in the mid 1960s.³

2. Reasons for decline

Coronie has a tremendous climate, which is very beneficial for the growth of all kinds of agricultural crops and fruits. It also seems a healthy place since 2% of the population is over 80 years, while in the other 9 districts this is 1% or even less. On the other hand many of the younger generations have

¹ According to the Census documents only 69% of all people born in Coronie resided in that district in 2004. Only district Marowijne had a lower permanent residence percentage with 65%.

² Andre E. Doorson: Coronie, een geïsoleerde gemeenschap (scriptie, Paramaribo 1966).

³ According to the census of 1964 the total population of Coronie was 3,782 of which 336 (or 9%) were Javanese. No figures on households per district are given, but the census data list 857 inhabited houses. If we roughly equate the number of houses with households we can derive the estimate of 30% from the data.

migrated out of the district to pursue more education in Paramaribo or just to find better employment. Thus Coronie had the second lowest residency rate of persons who were born in the district.⁴

When I asked the old guard in Coronie for the reasons why the district had lost its affluence two reasons were often mentioned. The main one was the intrusion of party politics, which was blamed of breaking up the traditional social and economic fabric and replacing it with a system of patronage and nepotism. As a consequence of the working population in 2004 a staggering 78% were employed by the Government, often in low salary jobs, while only 11% were self-employed (including small farming), and another 11% were employed by others.⁵ Party bosses had promised development, but had not been able to deliver on their promise. The second reason for decline was the earlier mentioned out-migration of young people.

The dramatic shift in employment structure since the 1960s endorses the claim that party politics has spoiled the traditional affluence of Coronie by replacing well-paying agricultural jobs with easy, but marginal Government jobs. But below the surface there probably were other forces at work as well.

The deterioration of the irrigation system was evident, which in the end resulted in a shortage of water for farming purposes. This became an even bigger problem when in the late 1970s the Government build a Southern dam to seal off the free flow of water from the large Coronie Swamp, without provisions for the more than twenty creeks that where depending on this water basin.

Another factor that should be taken into account is the access to credit for the farmers and self-employed people. I will turn to this in more detail.

3. Early financing models

The plantation system in Coronie –with cotton, sugar, coffee and indigo as its main staple crops- was developed only in the 19th Century and lasted about 50 years. The last cotton plantation was closed in 1880. After emancipation most plantations were given to the former slaves, who became small farmers.

During the plantation period the planters had their own sources of finance, but the small farmers had a problem in securing funds. They had to live at a subsistence level and gradually made some money with cash crops, and some farms increased in size. For most farms, however, production could increase only through investments. In the old days the major churches played an important role in stimulating production and securing loans. For instance the Coconut production and oil production was facilitated by the Kersten Company, which was linked with the Moravian Church. Likewise the Roman Catholic Church stimulated small rice farming, introduced the first rice mill in the district and organized the farmers in cooperatives.

In the meantime the Government itself was giving loans without interest to farmers. In the law of 1862 which ended slavery some regulations where inserted to specify the conditions for small farming and support that the Government could give. One of the regulations was that the Colonial Government was entitled to provide small interest free loans (*voorschotten*) to “colonists” if these persons “behaved properly and had demonstrated a willingness to work”. Later indentured laborers were also listed as an eligible category for these loans. Nevertheless the first actual loans were handed out in 1887 when the Government allocated Sf 1500 for such loans on the budget. By that time the loans were only given to indentured laborers, because in 1898 the Governor stipulated that an additional Sf 2500 should be budgeted specifically for Creole farmers. This amount was doubled a year later. In

⁴ Of all people in the census of 2004 who were born in Coronie, and still lived in Suriname, 69% also resided in the district. Only the district of Marowijne had a lower residency rate with 65%, but this district had lost many of its inhabitants as a consequence of the Internal War. All other districts scored 80% or higher in terms of residency. Census Results Vol. 1 (ABS 2005).

⁵ Press release 12-7-2004 of the results of a survey done by the Democracy Unit of the University of Suriname.

1904 the loans for both the former indentured laborers and those for the Creole farmers were budgeted for Sf 10,000 each.⁶

This system was replaced, however, in 1907 by a system of cooperative banks (*boerenleenbanken*). The Almanac of 1909 wrote “The system of interest free loans will be terminated. In view of the establishment of small agricultural credit banks (*Landbouwcredietbankjes*), of the Raiffeissen system (i.e. cooperative system), interest will be charged also for loans which will be given by the Government.” Loans were small (not more than Sf 300 and often not more than Sf 100), with a repayment period of one year, while interest rates varied between 4% and 6%.

The “*Volksbank Coronie*” (= People’s Bank Coronie) was established in 1907, but according to the Government unlike the Banks in the other districts the one in Coronie was not a real cooperative, probably because of the small population. Nevertheless these institutions were met with great enthusiasm by the farmers.⁷ In 1911 the *Volksbank* was one of the smallest bank with only 37 members. The Government had put Sf 1375 in the bank and the members Sf 430 ; the maximum loan was Sf 200 and interest stood at 6%. The *Volksbank* had issued 11 loans for a total amount of Sf 578.⁸ By 1915 de *Volksbank* had disappeared from the statistics, while there still were 10 other cooperative banks listed, plus another one that was in liquidation.⁹ By 1918, however, the almanac makes mention only of cooperative banks in the districts of Saramacca and Nickerie, thus it seems that the one in Coronie had disappeared.

In 1914 the savings association “Small Power” (*spaarvereniging Kleine Kracht*) was established by the local population.¹⁰ This association still existed in 1959, but seemed to be in decline. We do not have more data on this local credit union. In fact mention is also made of a second savings association “Peace” (*Vrede*). Both were connected to the Moravian Church.¹¹ The Roman Catholic Church had its own organizations, including the St. Joseph’s association, which was established in 1921 and which was active in agriculture. In 1926 they introduced the first rice mill in Coronie.

4. More recent financial models

There are two financial institutions in Coronie in 2006: the Agricultural Bank (*Landbouwbank*) and the Credit Union “*De Bijenkorf*” (the Beehive).

The Agricultural Bank was established in 1972 in an effort to stimulate agricultural production through more and specialized credits. The bank traces its roots back to the Cooperative Banks of the early 20th Century and in fact it was established as a joint effort between the Surinamese Government and the Dutch Cooperative Central Farmers Bank (*Coöperatieve Centrale Boerenleenbank*). In 1978 the Agricultural bank started its activities in Coronie from the Ministry of Agriculture and opened a

⁶ H.D. Benjamins & J.F. Snelleman (red.): *Encyclopaedie van Nederlandsch West-Indië* (S. Emmering, Amsterdam, 1981, reprint from original 1914-1917), blz. 239-242. The budget for 1910 for the agricultural credits was Sf 22,200 (*Gouvernements Advertentieblad* 30 maart 1910, nr. 27). In 1917 the original budget still stood at Sf 22,200 but was later reduced to Sf 8,696 (*GAB* 8 mei 1917, no. 41).

⁷ “Uitgezonderd de bank in Coronie zijn alle op cooperatieve grondslag geschoeid. Het Raiffeisensysteem vindt in het algemeen groote bijval bij de kleinlandbouwers, vooral die van Britsch-Indische aard” (*Koloniaal Verslag* 1909).

⁸ *Koloniaal Verslag* 1911 bijlage P³, which reports over 1910. There were 8 banks listed with a total of 2135 members. The Government had provided Sf 43,375 in capital, while the members had saved Sf 14,937. In total 569 loans were distributed to the members for a total amount of Sf 36,589. Total profit for that year was listed as Sf 2,490.

⁹ *Koloniaal Verslag* 1916 bijlage P³, which reports over 1915. These 10 banks had a total of 2771 members. The Government had provided a total capital of Sf 62,900, while the members had saved a total amount of Sf 11,768. The total amount in loans was Sf 82,015 given to 1202 persons. Total profit was given as Sf 6,141.

¹⁰ Mentioned in the Almanac of 1928.

¹¹ Both are mentioned in “*Jaarboek van de EBG 1927/28, uitgave Hernhutter Comite, Paramaribo 1927*”.

branch in 1981. From the beginning the Bank has mainly supported the rice farmers and sector, which became very successful during this period. Rice became the biggest business in Coronie in the early 1980s and the Bank made its profits as well. In 1981 the Bank had issued loans up to US\$ 1.4 million to Coronie rice farmers, who often operated as cooperatives.¹²

The golden age of the rice sector in Coronie was short-lived, however, due to mismanagement (also by the Bank), poor water infrastructure, declining prices at the World Market and some other factors. Many Rice Farmers still owe large debts to the Agricultural Bank and the Bank itself took very long to recover from its heavy reliance on loans to one sector. In fact it is doubtful whether Coronie still has an agricultural future in rice.

In 1983 a civil servant at the Ministry of Agriculture, Mr. R. Tolud, and some others established the Credit Union “*De Bijenkorf*”. In 2001 there were 1006 members i.e. one in every three persons in Coronie was a member or virtually every household had a member. After 30 years this Credit Union is the third largest one in Suriname (out of 27) and only the three largest ones are obliged to file annual auditing reports to the Central Bank. The credit union had humble beginnings, but has grown due to local savings. In 2001 total loans stood at Sf 256,844,000 (i.e. US\$ 116,750). Every year since the credit union started it made a profit. The profit flows back to the members, while a certain percentage is added to the reserve fund.

According to a survey one third of the members of “*De Bijenkorf*” only had an account at this Credit Union and thus did not have any bank account. This underlines the importance of this financial institution within Coronie. In general most members were satisfied with the services and interest rates they received at “*De Bijenkorf*”, both in terms of loans as well as savings.¹³

5. From Credit provider to Development Institution

In 2001 the NGO guide of Coronie was published by NIKOS.¹⁴ The main purpose of this publication was to get a better view of the social and economic situation in Coronie. This guide was based on research among all local organizations in Coronie and identified almost 70 organizations. Unfortunately many of these organizations are very small and have limited capacity. The small population of Coronie and the geographical extensiveness through ribbon development (*lintbebouwing*) are the main reasons for this situation, in addition to the earlier mentioned out-migration of young people. The underlying concept for the study was to find one or more ways to push local development, since it was clear that Coronie was a poor district.

An assessment of the organizations inventory showed that “*De Bijenkorf*” was not only a strong organization, but also the most successful NGO in Coronie.¹⁵ Based on this information NIKOS challenged the board members and staff of the Credit Union to broaden its scope of activities into the realm of development activities, thus making them a more responsible community development organization. The leadership of *De Bijenkorf* accepted the challenge and was motivated to expand their horizons, while it was agreed that in the process the organization would further be strengthened to deal better with their new activities. NIKOS was asked to help them with this process because of the experience they had with community development work and experience in strengthening other organizations in the past. The main development idea to challenge and work from an already established organization had already shown success in the neighboring district of Nickerie. Sahara, an intermediary NGO in Nickerie, was also identified by NIKOS as an organization with enough potential to help grass root organizations in Nickerie to improve their capacities.

¹² A.H. Loor: 25 jaar Landbouwbank 1972-1997.

¹³ Verslag ledenonderzoek De Bijenkorf, NIKOS, 2003.

¹⁴ M. Schalkwijk, M. Eduards & R. Mohan: Gids van NGO's in Coronie 2001 (NIKOS publicatie Nr. 7, Paramaribo, 2001).

¹⁵ This model has been explained in “Zijn NGO's sterk of zwak? Presentatie van een Surinaams meetmodel”, *OpeningscollegeFMijW, ADEK, 2000*.

The basic idea was to use *De Bijenkorf* as a vehicle for stimulating economic production activities through expansion of their credit services with a special window for production credits. This window would have lower interest rates and hopefully would draw members to take loans for productive activities, which would increase their incomes, and thus alleviate poverty. NIKOS would assist the Credit Union to write a project proposal, which would be used to seek donor funding. It was agreed, however, that before writing a proposal that a survey would be done among the members of *De Bijenkorf* to make a proper assessment of its current activities and of potential loans. This was another way in which the leadership of the organization was assisted with relevant information that could be used to take decisions for the project.

In December 2002 the survey was done.¹⁶ A random sample of 105 members, from different households in four regions, was drawn from the file of 600 active members i.e. members who saved and lend regularly. There was also a group of 400 less active members who still had money at the union but for a certain period were not saving and lending anymore. Also a number of these inactive members had moved out of Coronie. Also members younger than 18 years were excluded, since it was expected that they would not yet be interested in a small business loan.

The census of 2004 shows that there were only 932 households in Coronie, which means that given a membership of 1000 people for the Credit Union, probably most households were covered and thus the survey would also be very representative for the whole District. The sample of 105 members meant that more than 11% of the households were interviewed.

The survey showed that the credit union *De Bijenkorf* has a stable membership, because at least 40% were members for longer than 10 years, with 38% membership between 5 and 10 years. Also 57% of the members had an account at the *Landbouwbank* and 9% at another commercial bank. Notable is that one third of the members held no other bank accounts, which meant that they depended totally on the financial services of the credit union. Almost half of the active members visited the office at least once a month. The members were quite content with the products and the services of *De Bijenkorf*. Thus 89% stated that they found the way information was provided good (i.e. they got the right information), while 84% found that the employees of *De Bijenkorf* were working on a professional level. Furthermore 92% of the interviewed members found the employees customer friendly, while 90% were impressed by the way transactions were being handled. This was a very positive assessment for the credit union, which underlined the fact that it was a strong and successful organization.

With respect to the overall development potential of the district one third of the members had problems answering this question. The other two thirds, however, listed the following sectors as the most potential sectors for development: agriculture (25%), fishery (20%), animal husbandry & bee keeping (17%), vegetables & fruit (14%), rice farming (11%), and others (13%).

The members were asked several specific questions about their own interest for special credits, including the sector, size, interest rate, and repayment period. The answers were very encouraging and indicated an overall estimated need for credit in Coronie between a minimum of € 450,000 and € 1,064,000. Thus the survey underlined the need for additional credit in Coronie.

6. Project elements and general assessment

The project “More Development in Coronie through Productive Credits” was financed as a grant by the NGO fund, which was supervised by the Foundation Bureau Forum NGO’s. An independent Project Commission –not linked to the Bureau forum- had to approve each project. The approved budget for this project was € 60.550,- not including the monitoring fee of Bureau Forum NGO’s and project preparation costs. The budget consisted of:

1. Institutional capacity strengthening of *De Bijenkorf* for € 6.850. This part of the budget was for the purchase of inventory and office equipment such as desks, computers, copy machine, etc. All

¹⁶ See M. Schalkwijk: Verslag ledenonderzoek De Bijenkorf (NIKOS, 6-1-2003).

equipment was bought for a total amount of € 5,858. It has further improved the capacities of the organization, and was in use during a visit by the authors in December 2006.

2. Training and coordination costs € 12.200. The budget for training was meant for capacity strengthening of the Board, the Credit Committee and total staff of *De Bijenkorf* and also for the future micro entrepreneurs. It also paid for the consultant who had to work with those who applied for a loan, and for the project coordinator (reporting costs). The budget was later reduced by the Bureau Forum to € 9.145, but € 10,825 was realized, which meant that part of the cost had to be taken from the production loan facility.

We were aware of the importance of advisory services for micro-entrepreneurs and had given special attention in the proposal to the technical assistance for micro entrepreneurs and managers in the agriculture sector. To guarantee the success of this project assistance was needed for the content as well as the administrative and management part of the project. For this job Ing. Andre Graanoogst was hired who had settled down in Coronie a few years ago. For a long time he worked for the ministry of LVV and had lots of experience with development projects at the community level and other agriculture projects. He was hired for a period of 10 months to assist about 34 micro entrepreneurs with writing a business plan before they could apply for a loan and was supposed to assist them in the field during the implementation phase of the project. After the business plan was submitted to the credit union a special credit committee of 3 persons looked at the plan and based on their advise a loan was given.

The project proposal also provided for cooperation with the Institute for Women Entrepreneurship (IVVO) and GODO (the biggest credit union operating in Suriname). IVVO was asked only one weekend to train the future micro entrepreneurs in Coronie in financial administration, cost price calculation, marketing, etc. This training was part of the selection criteria to get a loan approved. If the future micro entrepreneur did not have time to take part in this training, the loan was not approved, even if the business plan was good.

GODO was asked to train the board, the credit committee and the whole staff of "*De Bijenkorf*" for two weekends in Paramaribo. The training consisted of handling production loans, which criteria to use before approving a loan, financial indicators, balance analyses, cash flow analyses, etc. A project can be very interesting on paper, but based on certain criteria such as financial indicators, cash flow analyses, market analyses, etc. the project will still not be good enough to get approval. The training was experienced as very good and fruitful.

3. Production loans € 40.000 for an estimated 40 loans of around € 1.000 each. The Credit Union received the total amount to work with. We will come back to a more detailed assessment of the loans.
4. Information € 1.500 was approved for information material. Later the Bureau Forum cut this amount in half to € 750 of which € 565 was realized.

Thus overall € 56,745 of the approved project funds (i.e. 93.7%) were received by *De Bijenkorf*, but there were some cuts in parts of the project. Not all of the budget, however, was realized.

In the Results that were expected from this project the following indicators were listed

- a. The aim of this project was to help at least 25 to 100 people with a loan (also those who were not yet a member of the credit union) which meant that 25 to 100 households could benefit from this opportunity, because the loans were only for productive investments. By investing the money in a productive way was seen as a direct manner to generate income and reduce poverty.
In the end 29 loans were distributed, which was within the scope of the expected results. We do not yet have a good picture of the effect on income and poverty reduction (see next chapter).

- b. Also the expectation was to create at least 25 jobs and thus reduce unemployment. Most loans were given to people for a loan in a job, which they did not hold as a full-time job, but most often as an informal job (second job or extra income).. In fact the survey had shown that 61% of the Coronie households had a second informal source of income, most often in the agricultural sector. Many of these people had official jobs with the Government and were not (yet) willing to give that job up, since it provided for some security (notably health insurance). Thus although we lack hard information, it seems that most loans went to the informal activities that did not create full-time jobs, but rather some additional income.
- c. The project also aimed to improve the position of women by helping them to start their own business. The survey had indicated that men and women were equally interested in a loan, while it had also shown that membership of *De Bijenkorf* was equally divided between men (51%) and women (49%). Of the 29 loans that were distributed, however, only 8 (28%) were taken by a woman, while the distribution in terms of the overall amount of the loans also showed that women had taken up 28% of the loans.
- d. Another expectation was that the amount of credit would rotate i.e. repayments would be available for another round of productive loans. Thus it would be a sustainable form of credit. Board members of *De Bijenkorf* have assured us that this is still the policy, although most loans have not yet been repayed.
- e. Furthermore *De Bijenkorf* would establish itself as a Development Organization in addition to a Credit Union. This is not yet the case, but the organization may grow into it.
- f. Finally the project would have a positive impact on the fairly pessimistic outlook of most Coronians on the future. It is simply too soon to make any statements in this regard, but one would expect the members of *De Bijenkorf* to notice the new credit window and its effects, which may than have a further impact.

7. Assessment of credits

The interest rate of the loans were put at 1,5% per month by *De Bijenkorf*, which was half of the normal interest rate (3% per month) for a loan. The maximum repayment period was 3 years (36 months), depending on the kind of production activities.

Before people could apply for the new loan facility they had to be aware of its existence. This was the reason why there was a budget for information (folders, meetings, advertisement). The budget was small, but when it was cut in half it meant that the information campaign was not as effective as it should have been. This seems to be an important factor why in the end less people applied for loans than could have been expected, especially since the credit facility was very attractive.

About 34 members and non-members applied for a loan. All the loans were approved in SRD (local currency) but due to inflation risk all loans were converted into US Dollars. It is worth mentioning that the non-members became members of the credit union. Only 29 of these projects seemed feasible and were given a loan, still a very high approval rate of 85%.

Table 1 gives an overview of the loans by type of production, the amount given in USD and the distribution by sex. The table shows that most of the approved loans went to pig breeding, both by number of loans and by amount (7, USD 10.380,-) followed by agriculture (4, USD 3.764,-). For poultry (4) and trade (4) eight loans were approved. Three micro entrepreneurs got a loan for

charcoal, two for apiculture (bee keeping), two for horeca, two for home industry and only one for fisheries.

If we look at the distribution of the credits by sex we see that 21 males and 8 females got a loan. Only one third of the 29 loans were applied for by women and for the following sectors: pig culture, horeca, poultry and home industry. It is typical that only women applied for horeca and home industry and only men applied for bee keeping, charcoal, agriculture, fisheries and trade. For poultry and pig breeding it was a mixed situation.

CREDIT UNION "DE BIJENKORF"									
Table 1: Overview Productive Credit by Type, Amount given in USD and by Sex									
NR	TYPE	Loans by Type	Total Amount of Credit	In % by Type	In % by amount of Credit	by Sex			
						MALE	%	FEMALE	%
			USD	%	%				
1	pig breeding	7	10,380.23	24%	34%	5	71	2	29
2	bee keeping	2	3,511.25	7%	12%	2	100	0	0
3	charcoal	3	1,492.09	10%	5%	3	100	0	0
4	horeca	2	1,863.12	7%	6%	0	0	2	100
5	agriculture	4	3,764.26	14%	12%	4	100	0	0
6	fisheries	1	1,520.91	3%	5%	1	100	0	0
7	poultry	4	3,079.23	14%	10%	2	50	2	50
8	trade	4	3,081.15	14%	10%	4	100	0	0
9	home industry	2	1,520.91	7%	5%	0	0	2	100
		29	30,213.15	100%	100%	21	72%	8	28%

Analyzing the amount of credit that was standing out from august 2003 till the end of November 2006, we see that only one third of the total amount had been paid back. Only the people who had taken loans for agriculture and charcoal had paid half back, while all others were further behind.

It should be mentioned here that the NGO Fund was terminated in 2003 and that the project of *De Bijenkorf* was among the last ones that were approved. The project was supposed to be implemented over the period of a year, but this was cut short due to several reasons. First the project was approved in March 2003, with the contracts signed about one month later. The transfer of project funds started only in August 2003, which would have been no problem if the time to implement the project was extended. It turned out, however, that the NGO Fund had to close its books by December 2003, which meant that projects with a longer duration were suddenly cut short. Thus while the project was planned for 12 months, this became 8 months due to contracting procedures, but effectively *De Bijenkorf* had only less than 5 months to implement the project. This could have been less of a problem if all energy could have been directed towards the implementation of the loans. But due to the deadline the coordinator had to put extra time and effort in bookkeeping and reporting rather than implementation. It also meant that the Bureau Forum was working under stress to make the deadline and thus had little time for monitoring and assistance. The project coordinator of *De Bijenkorf* mentioned this as one of the reasons why he had to spend much more time than planned on buying equipment, comparing prices, banking, and traveling to Paramaribo,

This then was the reason why the first 9 loans were given in August 2003, while there were only 5 months left of supervision. All the loans that were approved after august 2003 had even less supervision available and there were also 5 loans in 2004 without any supervision because the contract with the supervisor, Ing. Andre Graanoogst had expired at the end of December 2003, so there was no assistance available anymore. Mr. Graanoogst told us that his experience was that he and

De Bijenkorf had been able to supervise the distribution of the credit, but not the implementation of the credit. He mentioned that this was not good, because the people needed more supervision during the implementation phase.

Another problem which came up during the discussions was that most loans had been given out at once, which again was a consequence of the deadlines given, combined with a lack of experience with such special loans. Thus there was little supervision during the implementation phase from *De Bijenkorf* and therefore some persons may have fallen for the temptation to finance something else with parts of the loan. It was agreed that such special loans need closer supervision e.g. give people letters to order certain supplies that they need rather than giving them cash to buy it themselves.

This led to another aspect of the credit facility which was lacking i.e. funds were given based on a short business plan, but during the loan period no checks were done on performance. In fact with production credit facilities it would have been better to introduce performance based loans i.e. a person would not get all the money at once, but based on performance.

One woman who took a loan for pig breeding told us that she had not been able to make a profit, because she had made her business plan with the assistance of the consultant, but during the implementation phase the prices of animal feed increased, while the prices at the market for pig meat fell. Thus she met unexpected costs and less profits, which created problems for the repayment. She also mentioned problems with marketing e.g. she had send some pigs to Nickerie for sale upon request of a buyer. When the pigs arrived the buyer gave a different weight for the pigs. At the same time he lowered the price per kg. that they had agreed on by phone. She had already paid for transport and thus was trapped and had to sell at a much lower price than expected.

Changing weather conditions made it difficult for bee keeping (less blossoms) and for the micro entrepreneurs to pay their loan back on time.

8. Conclusions and Recommendations

Overall the first series of loans from the productive credit facility of *De Bijenkorf* seems to be less promising than expected. The facility is still there and the Credit Union is learning from the first experiences. The exercise to write this paper has been a learning process for all involved. What are the main lessons that we can learn?

1. Implementation periods for a special credit facility have to be longer than a year, and certainly not shorter.
2. Information has to be given prior to the availability of the facility and has to be maintained in order to draw the most promising loans to the facility.
3. Training has to be part of the facility, but should be continuing during the implementation of the loan.
4. Advisory services should be available to the people who want to apply for loans in order to write a short and simple business plan. These services should be available during the implementation phase as well. Many of the micro entrepreneurs in Coronie are less educated, which makes training and advisory services (consultancy) very import for the long term success of these enterprises.
5. Most probably training and advisory services should be available from a specialized institution for small businesses, rather than from the financial institution.
6. Credit Unions can be a very good instrument for the implementation of special credit facilities, but they also need to be guided both during the period of the facility in order to assist them in adjusting their policies to the real needs.
7. It is advisable that people who borrow from a specialized production facility should receive close supervision from the financial institution. Thus supervised credit probably works better, while cash transfers should be avoided as well.