

PROJECT STATUS REPORT

JULY 2016 - DECEMBER 2016

SECTION 1: PROJECT SUMMARY

PROJECT NAME: Using credit ratings to facilitate financing for caribbean SMEs

Project Number: TT-M1028 - Project Num.: ATN/ME-14291-TT

Purpose: The result is to increase the access of credit-worthy SMEs to diversified financial products by mainstreaming an external and independent credit risk rating methodology for SMEs and non-bank financial institutions

Country Admin

TRINIDAD AND TOBAGO

Country Beneficiary

TRINIDAD AND TOBAGO

Executing Agency:

Servicio Caribeño de Información y Calificación
Credicitia

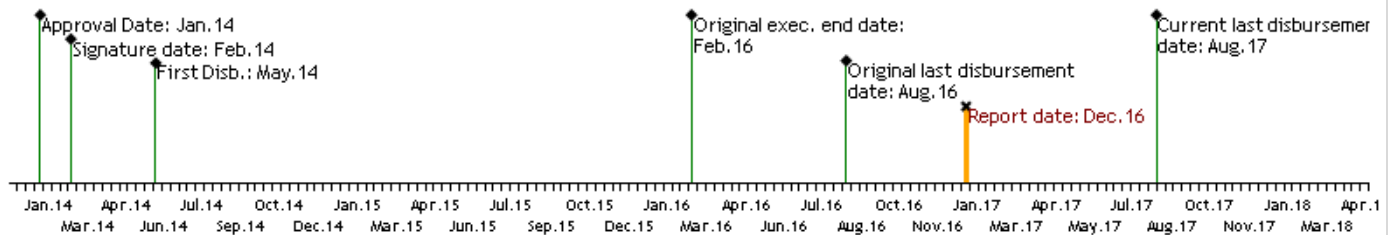
Design Team Leader:

VASHTIE DOOKIESINGH

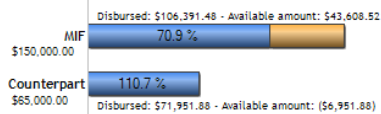
Supervision Team Leader:

VASHTIE DOOKIESINGH

PROJECT CYCLE

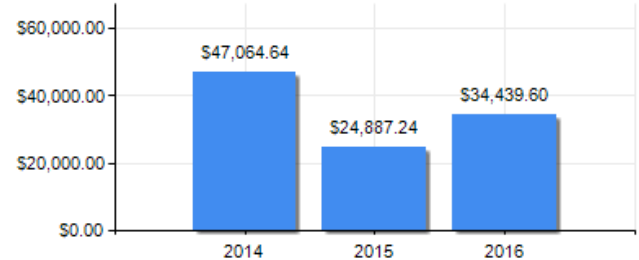


FUNDS

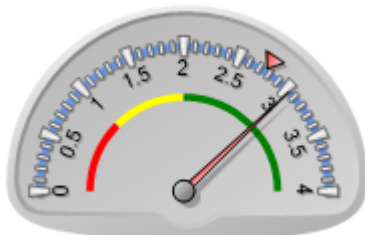


Disbursed

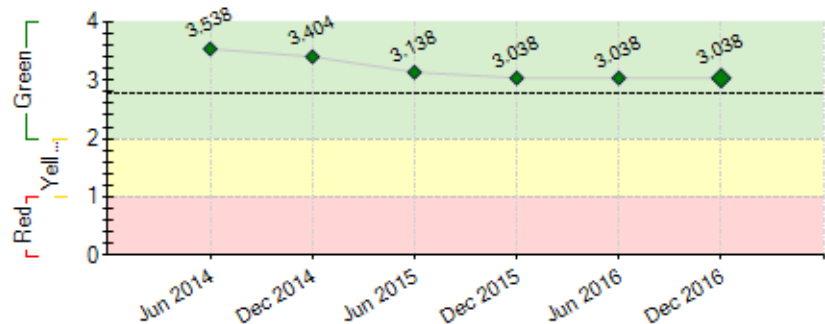
Available amount



PERFORMANCE SCORE



Current score: Satisfactory: 3.038
MIF Average: 2.763



----- MIF performance average

EXTERNAL RISKS

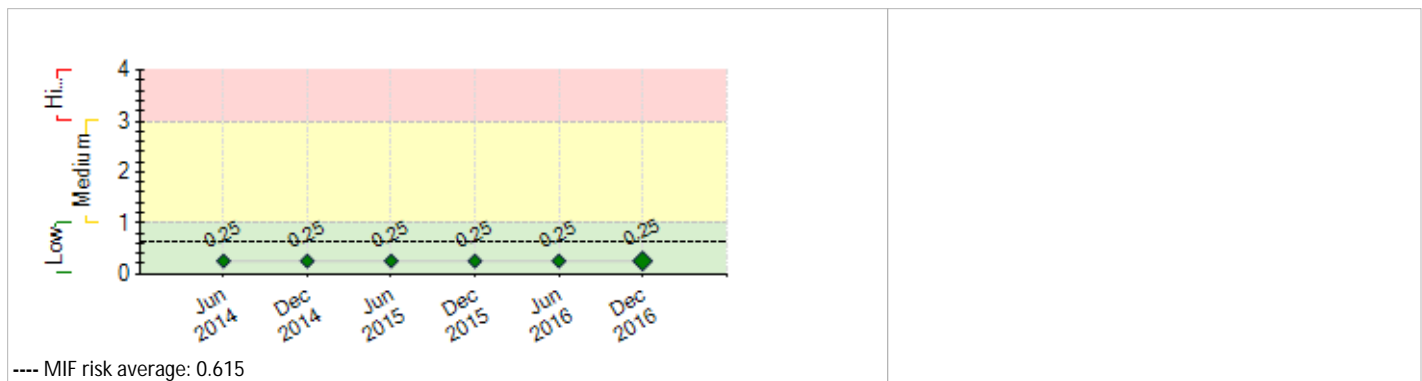
INSTITUTIONAL CAPACITY

Risk

Financial Management: High

Procurement: Low

Technical Capacity: Medium



SECTION 2: PERFORMANCE

Summary of project performance since inception

The project has thus far achieved: (1) skills-building and institutional strengthening at the Executing Agency, with training for CariCRIS' staff provided by an ex-Standard & Poors Managing Director, (2) sensitization and knowledge sharing through participation in three seminars which were attended by 90-100 SMEs and banking officers, (3) institutional strengthening in the market by providing training in (a) Early warning signals in insurance companies (Trinidad and Tobago, March 2016) and (b) Risk Management in banks (Jamaica, June 2016 and T&T, October 2016), and (4) the rating of 16 SMEs.

Comments from the Supervision Team Leader

Agree with the Executing Agency comments

Summary of project performance in the last six months

Following amendments made to the project ((1) reducing the subsidy provided to participating SMEs from 50% to 25% to free resources for (2) widening the target clientele through the licensing of the SME rating methodology, (3) offering the ratings to Corporations for the assessment of the credit worthiness of suppliers and (4) enhancing CariCRIS' capacity to engage in credit risk analysis of insurance companies and other non-bank financial institutions given current regulatory weaknesses and the necessity to comply with international banking standards), CariCRIS spent the semester in pursuit of the realigned goals. CariCRIS was successful in initiating engagement with software designers for the licensing of the SME rating methodology - expected to be rolled out in Semester 1 2017, and CariCRIS also successfully carried out training in 'Risk Management in banks' and 'Early warning signals in insurance companies' in Jamaica and T&T, attended by 75 persons from throughout the Caribbean.

Comments from the Supervision Team Leader

Agree with the Executing Agency comments

SECTION 3: INDICATORS AND MILESTONES

	Indicators	Baseline	Intermediate 1	Intermediate 2	Intermediate 3	Planned	Achieved	Status
Purpose: The result is to increase the access of credit-worthy SMEs to diversified financial products by mainstreaming an external and independent credit risk rating methodology for SMEs and non-bank financial institutions	R.1 Number of SMEs that receive new credit lines from banks as a result of being rated (disaggregated by sex of owner)	0				20 Jan 2018	1 Nov 2015	
	R.2 Number of SMEs rated by CariCRIS (disaggregated by sex of owner)	0	30 May 2017			60 Jan 2019	16 Jun 2016	
	R.3 Number of commercial banks utilizing CariCRIS rating information in their credit assessment process of SMEs	0	1 May 2016			3 Jan 2018	1 Nov 2015	
Component 1: Sensitization and Knowledge Sharing Weight: 25% Classification: Satisfactory	C1.1 Media campaign implemented	0				1 Jan 2018		
	C1.12 Number of SMEs, regulators and lenders made aware of CariCRIS ratings	0	100 Aug 2016			300 Jan 2018	177 Jun 2016	On Course
	C1.13 Number of seminars of industry actors (SMEs, lenders, regulators) featuring CariCRIS rating system	0	2 Aug 2016			3 Jan 2018	6 Jun 2016	Finished
Component 2: Expansion of SME Risk Rating Program Weight: 25% Classification: Satisfactory	C2.11 Number of commercial bank staff trained on the inclusion of SME credit ratings into the credit assessment process	0	30 Aug 2016			45 Jan 2018	90 Apr 2015	On Course
	C2.12 Number of training sessions of loan officers of commercial banks	0	3 Jan 2016			6 Jan 2018	3 Apr 2015	Finished
Component 3: Institutional Strengthening of CariCRIS Weight: 25% Classification: Satisfactory	C3.11 CariCRIS management, technical staff and rating committee members trained by external consultant	0				1 Jan 2017	1 Apr 2014	Finished
	C3.12 The risk assessment process and procedures of CariCRIS in evaluating non-bank financial institutions is developed	0				1 Jan 2016	1 Apr 2014	Finished
	C3.13 Number of CariCRIS staff that are trained to rate credit unions and non-bank financial institutions	0				6 Jan 2016	9 Apr 2014	Finished
	C3.14 Seminars held on risk management and BASEL 2 & 3 implementation for financial institutions	0	2 Oct 2016			3 Jul 2017	3 Oct 2016	Finished
Component 4: Knowledge Dissemination and Communication Weight: 25% Classification: Satisfactory	C4.11 Infographic created	0				1 Jun 2017		
	C4.12 Final evaluation conducted	0				1 Jun 2017		

Milestones	Planned	Due Date	Achieved	Date of achievement	Status
M0 Conditions Prior	6	Aug 2014	6	May 2014	Achieved
M1 Completion of CariCRIS Capacity Building to rate non-bank financial institutions	1	Nov 2014	1	Apr 2014	Achieved
M2 [*] Completion of 2 sensitisation workshops	2	Apr 2015	3	Apr 2015	Achieved
M3 [*] Completion of 15 SME ratings	15	Sep 2015	16	Jul 2015	Achieved
M5 2 Risk Mitigation Sessions convened for institutions in the financial sector	2	Oct 2016	2	Jun 2016	Achieved
M4 [*] Completion of 50 SME ratings	50	Jun 2017			

[*] Indicate that the milestone has been reformulated

CRITICAL ISSUES THAT HAVE AFFECTED PERFORMANCE

[X] Others, which?: lack of active participation by partner commercial banks

SECTION 4: RISKS**MOST IMPORTANT RISKS AFFECTING FUTURE PERFORMANCE**

	Level	Mitigation action	Responsible
1. Sector Risk: Although banks utilize credit ratings in their credit assessments, this may not lead to an increase in bank financing for SMEs.	Low	Identify alternative financing options for SMEs outside of current banker	Project Guest
2. Sustainability Risk: The business viability of CariCRIS should be monitored. Its sustainability as a business depends on increasing revenues from its current target audience, including SMEs, as well as expanding its rating services to include non-bank financial institutions	Low	Executing Agency to identify other revenue streams outside of the current SME sector and the region	Project Guest
3. A deterioration in economic conditions may weaken business profitability and negatively affect employment and sales.	Low	Monitor economic climate and adapt project activities if needed	Project Guest
4. Sector Risk: There may not be sufficient SME demand to conduct 60 ratings despite the co-payment supplied by the project.	Low	EA to partner with other agencies that work with SMEs to identify potential participants	Project Guest

PROJECT RISK LEVEL: Low **TOTAL NUMBER OF RISKS:** 4 **IN EFFECT RISKS:** 4 **NOT IN EFFECT RISKS:** 0 **MITIGATED RISKS:** 0**SECTION 5: SUSTAINABILITY****Likelihood of project sustainability after project completion:** P - Probable**CRITICAL ISSUES THAT MAY AFFECT PROJECT SUSTAINABILITY**

Issue	Comments
[X] A market is not generated for the project's services and/or activities (low payment capacity or low demand for those services)	Despite interest of SMEs and articulated commitment at senior and technical levels of participating commercial banks there is lack of demand for the rating tool via financial institutions, in part due to a lack of focus on the SME segment and embedded practices of securitization
[X] Relevant actor's opposition or lack of interest to continue with the project's activities or services	Despite intensive efforts to deliver training and secure support from commercial banks there appears to be little interest in utilizing a credit rating tool on the part of commercial banks.

Actions related to sustainability which have been taken in the reporting period:

The uptake of direct-CariCRIS provided SME credit ratings has been poor with just 16 SMEs rated. The Executing Agency recommends that the subsidy be completely removed as it has not been effective in stimulating demand and the funding used to better achieve the project's objectives by supporting the licensing of the SME Rating Methodology to the financial institutions themselves and a furtherance the market's institutional strengthening with additional risk management and Basel 2 & 3 workshops over the remaining project life.

SECTION 6: PRACTICAL LESSONS

	Relative to Sustainability	Author
1. The uptake of direct-CariCRIS provided SME credit ratings has been poor with just 16 SMEs rated. The Executing Agency recommends that the subsidy be completely removed as it has not been effective in stimulating demand and the funding used to better achieve the project's objectives by supporting the licensing of the SME Rating Methodology to the financial institutions themselves and a furtherance the market's institutional strengthening with additional risk management and Basel 2 & 3 workshops over the remaining project life.		Dass, Wayne