

PROJECT STATUS REPORT

JANUARY 2017 - JUNE 2017

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
Crediticia

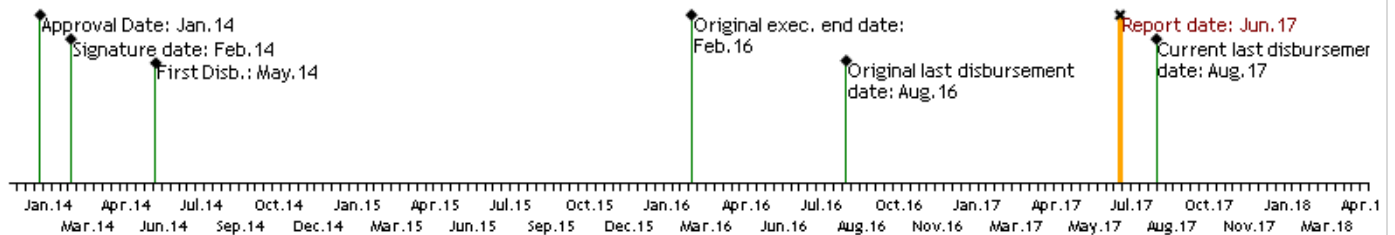
Design Team Leader:

VASHTIE DOOKIESINGH

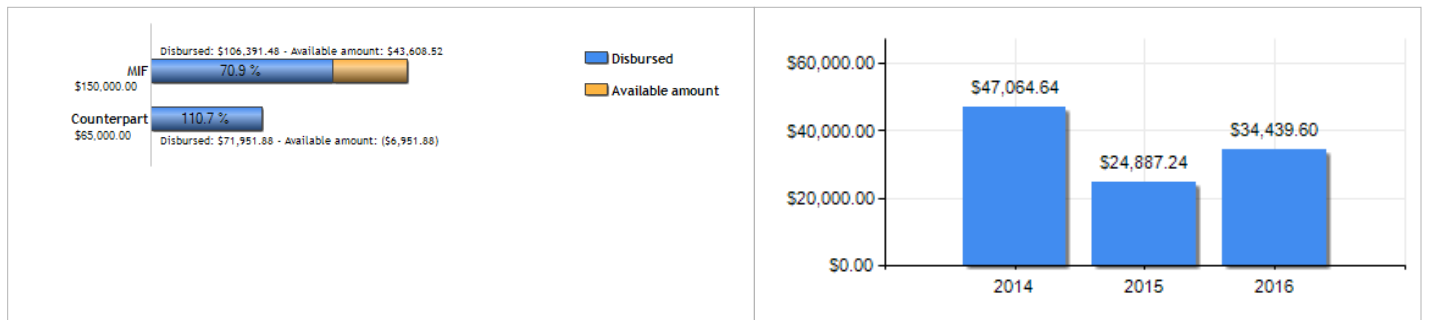
Supervision Team Leader:

VASHTIE DOOKIESINGH

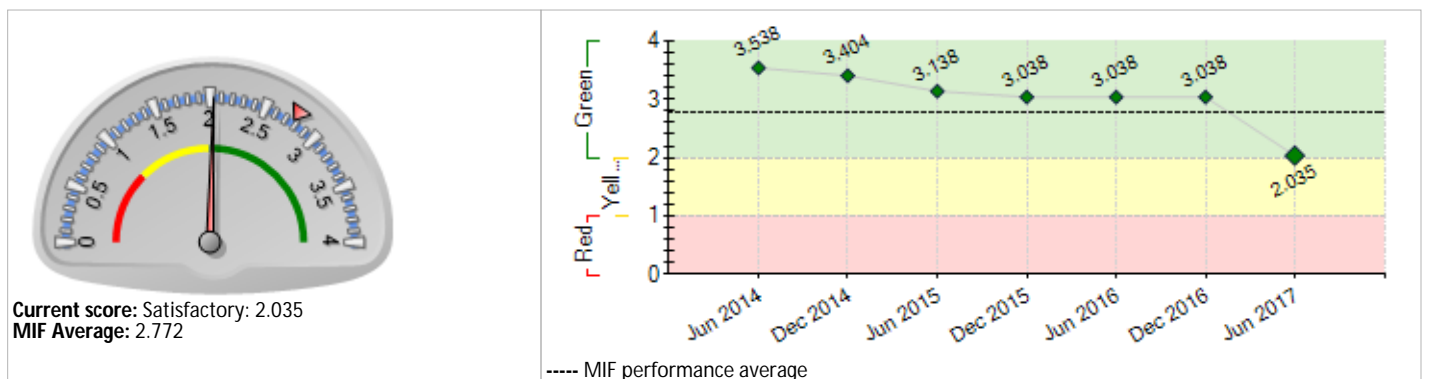
PROJECT CYCLE



FUNDS



PERFORMANCE SCORE



EXTERNAL RISKS

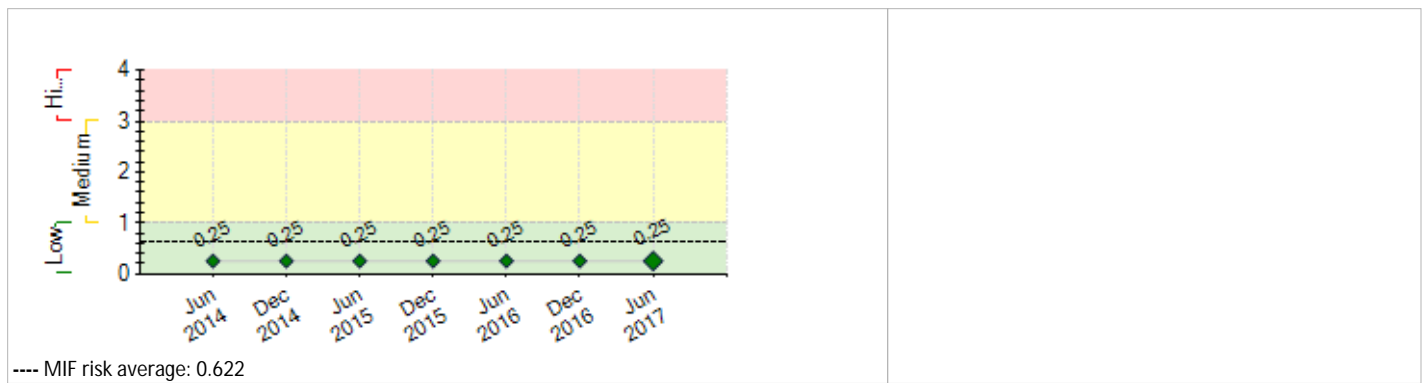
INSTITUTIONAL CAPACITY

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), (b) Risk Management in banks (Jamaica, June 2016 and T&T, October 2016), (c) Enterprise Risk Management (Barbados, May 2017) and (d) Risk Management of Investment Portfolios (Guyana, June 2017), (4) the rating of 16 SMEs and (5) the development of a CariCRIS hosted, web-based SME rating tool to be licensed to credit unions and other financial institutions.

Comments from the Supervision Team Leader

Agree with the Executing Agency comments

Summary of project performance in the last six months

During the semester, CariCRIS developed its web-hosted SME credit rating tool targeting the needs of credit unions and other interested financial institutions. At the end of the semester, a beta-version was uploaded to CariCRIS' hosting environment. In the upcoming July-December 2017 semester, final debugging will be conducted with commercialization expected to begin during the September-December quarter. During the review semester, 2 skills/capacities workshops were held targeting regional institutions. The first, "Enterprise Risk Management: Key Steps to Developing and Maintaining an ERM", was held May 11th - 12th in Barbados and was attended by 19 persons representing central banks, commercial banks and credit unions from throughout the region. The second workshop, "Risk Management of Investment Portfolios" was held June 27th - 28th in Guyana and was attended by 20 persons, also representing central banks, commercial banks and credit unions from throughout the region.

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	C1.11 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	5 Jun 2017	Finished
Component 4: Knowledge Dissemination and Communication Weight: 25%	C4.11 Infographic created	0				1 Jun 2017		
	C4.12 Final evaluation conducted	0				1 Jun 2017		

Classification: Satisfactory

Milestones	Planned	Due Date	Achieved	Date of achievement	Status
M0 Conditions Prior	1	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

[*] Indicate that the milestone has been reformulated

CRITICAL ISSUES THAT HAVE AFFECTED PERFORMANCE

[X] Others, which?: Adoption of SME credit rating tool by banks has been extremely low due to lack of interest in SME lending

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 extensive sensitization and training for credit officers at commercial banks, take up of the rating tool has been low as banks adhere to high levels of securitization instead of a risk based approach to SME lending
[X] Relevant actor's opposition or lack of interest to continue with the project's activities or services	SME sector is not of primary to local banking sector

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

CariCRIS continued with the development of the hosted SME online rating tool which is intended to be licensed to credit unions and other financial institutions and as such, increase the use of credit ratings in the assessment of loans and enable greater access to credit by SMEs.

SECTION 6: PRACTICAL LESSONS**[No lessons learned found]**