

# PROJECT STATUS REPORT

JULY 2015 - DECEMBER 2015

## 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

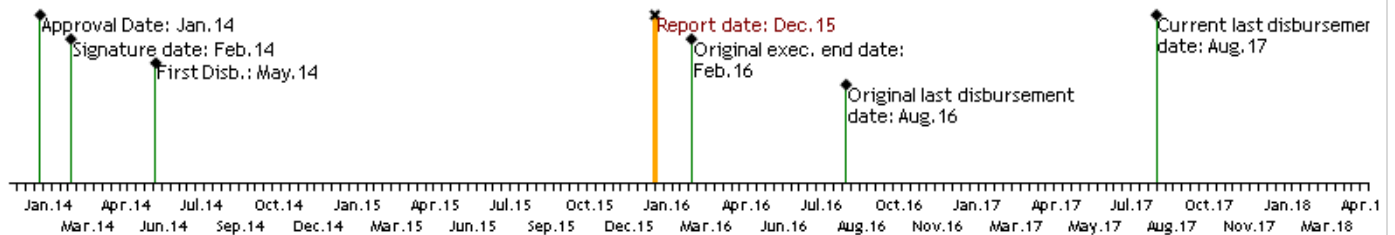
**Design Team Leader:**

WINSOME LESLIE

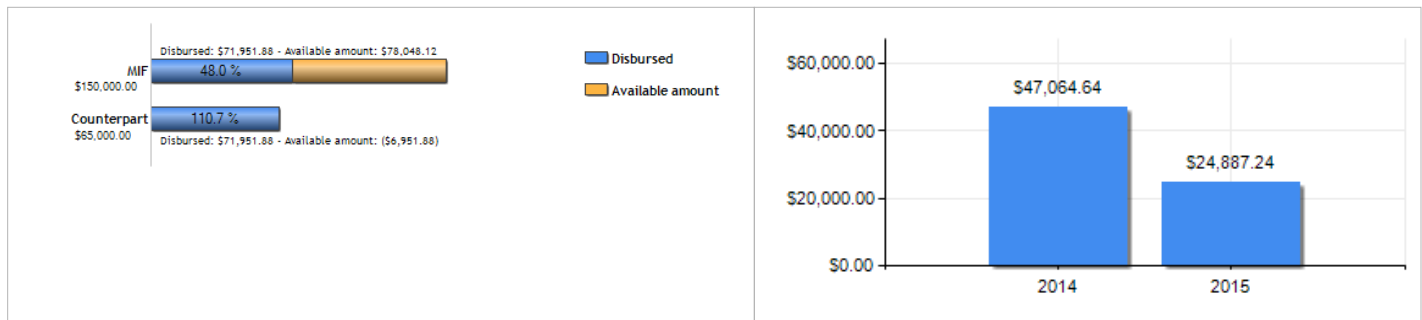
**Supervision Team Leader:**

VASHTIE DOOKIESINGH

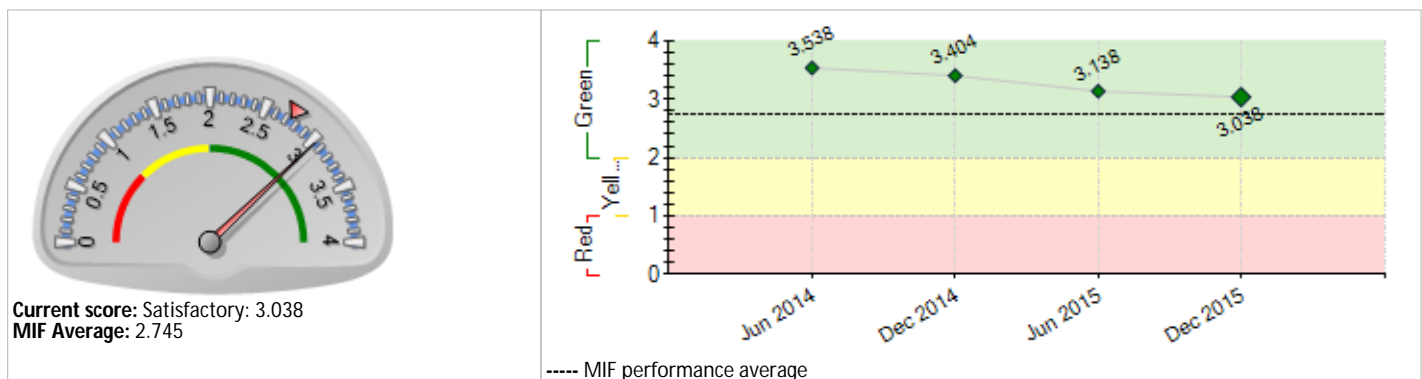
### PROJECT CYCLE



### FUNDS



### PERFORMANCE SCORE



### EXTERNAL RISKS

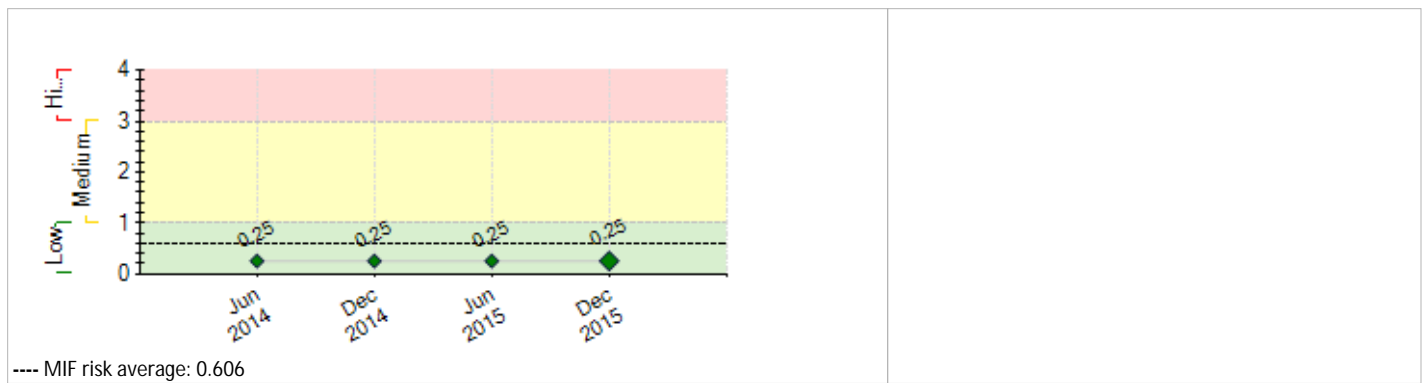
### INSTITUTIONAL CAPACITY

**Risk**

**Financial Management:** High

**Procurement:** Low

**Technical Capacity:** Medium



## SECTION 2: PERFORMANCE

### Summary of project performance since inception

The project has thus far achieved skills-building and institutional strengthening, with training for CaricRIS' staff provided by a consultant, sensitization and knowledge sharing through participation in three seminars which were attended by 90-100 SMEs and banking officers, and 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

The semester's efforts were spent on pursuing project based partnerships for bulk uptake of the credit ratings. No new SMEs were rated during the semester.

#### Comments from the Supervision Team Leader

Agree with the Executing Agency comments

Despite considerable effort and engagement of lending officers in participating banks and SMEs demand for the SME rating has not materialized as expected. This may be related to a general decline in loan applications from SMEs given a downturn in the local economy. The subsidy provided by the project is not acting as an incentive and CARICRIS has limited resources for mass sensitization of the business community. A decision has been taken to engage one or two CEOs of major banks again to revive the utilization of credit ratings as well as potential licensing of the methodology to banks. To accommodate these changes the project has been extended by 12 months

## SECTION 3: INDICATORS AND MILESTONES

Indicators		Baseline	Intermediate 1	Intermediate 2	Intermediate 3	Planned	Achieved	Status
<b>Purpose:</b> 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	0	
	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	
<b>Component 1:</b> Sensitization and Knowledge Sharing <b>Weight:</b> 25% <b>Classification:</b> 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	90 Apr 2015	Finished
	C1.13 Number of seminars of industry actors (SMEs, lenders, regulators) featuring CaricRIS rating system	0	2 Aug 2016			3 Jan 2018	1 May 2014	On Course
<b>Component 2:</b> Expansion of SME Risk Rating Program <b>Weight:</b> 25% <b>Classification:</b> 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
	C3.11 CaricRIS management, technical staff and rating committee members trained by external consultant	0				1 Jan 2017	1 Apr 2014	Finished
<b>Component 3:</b> Institutional Strengthening of CaricRIS <b>Weight:</b> 25% <b>Classification:</b> Satisfactory	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		
	C4.11 Infographic created	0				1 Jun 2017		
<b>Component 4:</b> Knowledge Dissemination and Communication <b>Weight:</b> 25% <b>Classification:</b> Satisfactory	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			
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?: Demand for ratings by participating banks and SME borrowers has been weak

**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**

[X] A **market** is not generated for the project's services and/or activities (low payment capacity or low demand for those services)

[X] Relevant actor's **opposition or lack of interest** to continue with the project's activities or services

**Comments**

Despite engagement and commitment of 5 local banks demand for the SME rating has not materialized as expected

As SME lending is not an area of focus for local banks and given a reduction in demand for credit by SMEs demand for the SME rating is lower than anticipated

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

The project's sustainability is dependent on buy-in and participation by key stakeholders such as the commercial banks who have already been sensitized to the benefits of the credit rating. It is also important to showcase to the market these potential benefits. To that end, CariCRIS engaged in a press promotion on November 4th 2015 whereby one of the project's rated clients, Baked by Chow, spoke of their credit rating and its role in helping them access financing.

**SECTION 6: PRACTICAL LESSONS**

	Relative to Implementation	Author
1. Slow uptake by the market of the project's funding has underscored the need for: (1) engagement of partners for bulk, project-based credit ratings and (2) regional expansion of the project's focus.		Dass, Wayne
<p>With regard to the first lesson, CariCRIS began discussion with the Arthur Lok Jack Graduate School of Business' "Biz Booster" SME incubator programme. Other partnerships in T&amp;T to be pursued are energy efficiency projects, also from the Biz Booster programme and various other projects of the Business Chambers, esp. the Energy Chamber where SME credit ratings could be done on suppliers in the industry.</p> <p>With regard to the second lesson, it is suggested that possible collaborations with regional guarantee programmes may be beneficial. Also, a prior relationship with the Development Bank of Jamaica and the Jamaica Manufacturers Association could be expanded.</p> <p>These efforts will be pursued in 1st semester 2016.</p>		