

PROJECT STATUS REPORT

JANUARY 2011 - JUNE 2011

SECTION 1: PROJECT SUMMARY

PROJECT NAME: Institutional Strengthening of the Savings and Loan Cooperatives Sector

Project Number: BA-M1001 - Operation Number: ATN/ME-9586-BA

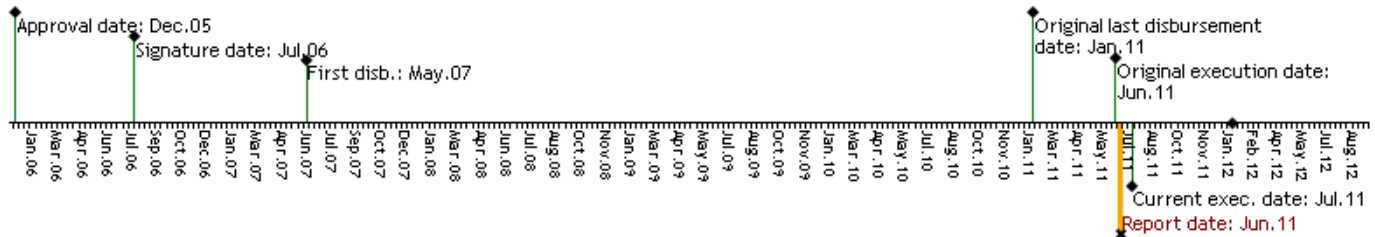
Purpose: Strengthen the capacity and sustainability of the Credit Unions and the ability of the supervisory agency to implement risk-based supervision.

Country Administrator BARBADOS	Beneficiary Country BARBADOS	Group MIC - Microenterprise Development	Subgroup COOP - Credit Cooperatives
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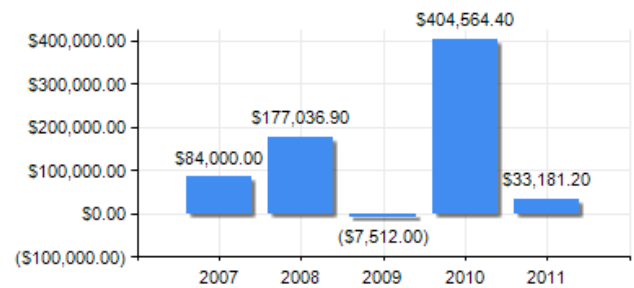
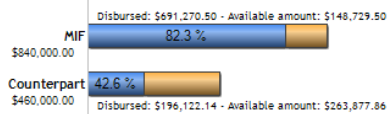
Executing Agency: BARBADOS COOPERATIVE AND CREDIT UNION LEAGUE LTD.

Design Team Leader: Escobar A., Alejandro
Supervision Team Leader: Dookiesingh, Vashtie

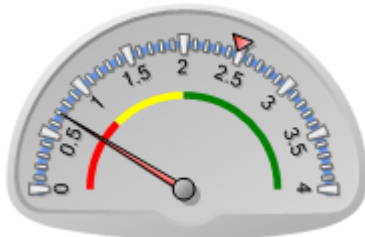
TIMELINE



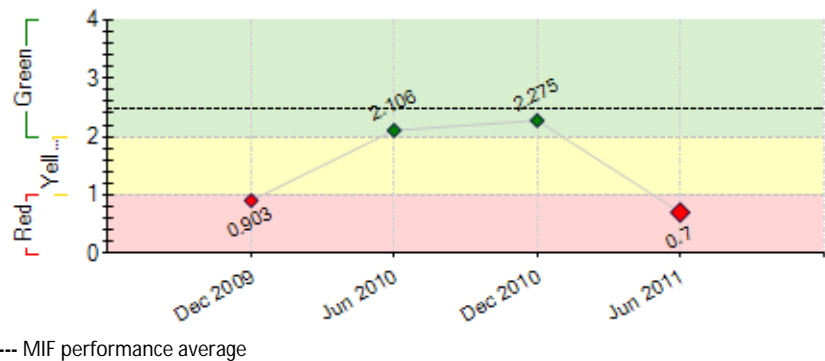
FUNDS



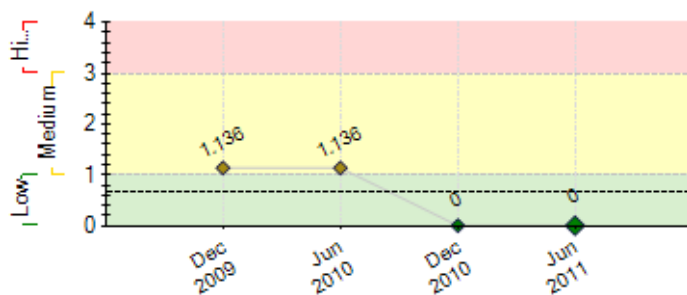
PERFORMANCE SCORE



Current score: Very Unsatisfactory: 0.7
MIF Average: 2.476



EXTERNAL RISKS



INSTITUTIONAL CAPACITY

Risk
Financial Management: Low
Procurement: Low
Technical Capacity: Low

SECTION 2: PERFORMANCE

Summary of project performance since inception

To date the following reports have been completed; Report #1 - BCCULL Evaluation of Training and Education Department; Report #2 - B'dos Credit Union Needs Assessment; Report #3 - B'dos CU Service Cost-Benefit Analysis; Report #4 - B'dos CU Mid-term Evaluation Report (CCA); Report #5 - Evaluation Report Course Modules 5 - 8; Final-Midterm Evaluation Report (IDB); Study - Financial Analysis of Co-operators General Insurance Co and Mutual Benefits Plan; Report #6 - Final Report (CCA).

Component I - In terms of training and T/A, Series I and II courses have been offered in two tranches. Several workshops and seminars have been conducted dealing with Credit Risk Mgmt, Corporate Governance, Strategic Planning, Financial Mgmt for Non-Accountants, Mergers and Alliances, and Formation of a Service Centre Facility. Eleven (11) individual consultancies were also conducted during the July-December semester.

Component II - Was geared towards providing assistance to facilitate improvements in and extend the scope of the risk-based supervision at the Co-operatives Department. It provided the tools necessary to implement risk-based supervision by providing a ladder of intervention, draft Guidelines, an early warning system through enhanced financial analysis and practical on-site examinations to further develop the examination skills of the officers in assessing risks.

Comments from the Supervision Team Leader

Agree with the Executing Agency comments

Summary of project performance in the last six months

The primary output in the Jan-Jun semester was the final offering of Series II - Block II courses between Feb 12 - May 7, 2011. Preliminary indications are that of the 60 persons (14 CUs) registered for 95 modules, thirty-three (33) wrote the final exam covering 57 scripts.

Component II - With effect from April 2, the new Financial Services Commission became operational and all matters pertaining to this component were transferred to that office. However, as the tools and technical assistance were well completed prior, this component was for all intents and purposes at an end.

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: Strengthen the capacity and sustainability of the Credit Unions and the ability of the supervisory agency to implement risk-based supervision.	P.I1 Total loan delinquency as a percentage gross loan portfolio (Tier 1)	4.4	4			3.5	0	
		May 2007	Dec 2009			Jul 2010		
	P.I2 Net income as a percentage of average total assets (Tier 1)	3.1	3.3			3.5	0	
		May 2007	Dec 2009			Jul 2010		
	P.I3 Growth (in percentage) in loans to members Increased (Tier 1)	20.4	25			30	0	
		May 2007	Dec 2009			Jul 2010		
	P.I4 Total loan delinquency as a percentage gross loan portfolio (Tier 2)	7.7	6			5	0	
		May 2007	Dec 2009			Jul 2010		
	P.I5 Net income as a percentage of average total assets (Tier 2)	5.3	5.4			5.5	0	
		May 2007	Dec 2009			Jul 2010		
	P.I6 Growth (in percentage) in loans to members (Tier 2)	6	15			20	0	
		May 2007	Dec 2009			Jul 2010		
	P.I7 Total loan delinquency as a percentage gross loan portfolio (Tier 3)	12.2	10			8	0	
		May 2007	Dec 2009			Jul 2010		
Component 1: Institutional Strengthening of credit unions and the League Weight: 60% Classification: Unsatisfactory	P.I8 Net income as a percentage of average total assets (Tier 3)	2.4	2.5			2.5	0	
		May 2007	Dec 2009			Jul 2010		
	P.I9 Growth in loans to members (Tier3)	14.6	17			20	0	
		May 2007	Dec 2009			Jul 2010		
	P.I10 Loan delinquency as a percentage of the gross loan portfolio. (Tier 4)	24.9	20			15	0	
		May 2007	Dec 2009			Jul 2010		
	P.I11 Net income as a percent of average total assets. (Tier 4)	3.9	4			4	0	
		May 2007	Dec 2009			Jul 2010		
	P.I12 Growth in loans to members. (Tier 4)	24.2	26			30	0	
		May 2007	Dec 2009			Jul 2010		
	P.I13 Stronger financial indicators of the credit unions supervised	0				1	0	
						Jul 2010		
Component 1: Institutional Strengthening of credit unions and the League Weight: 60% Classification: Unsatisfactory	C1.I1 League provides technical assistance to all levels of credit unions						Yes	Finished
		May 2007				Jul 2010	Jun 2011	
	C1.I2 League has a sustainable educational department in house.						Yes	Finished
		May 2007				Jul 2010	Jun 2011	
	C1.I3 Two new products developed.	0				2		Delayed
		May 2007				Jul 2010		
	C1.I4 Loan delinquency as a % of loan portfolio (tier 1)	4.4	4			3.5	5.2	Finished
		May 2007	Dec 2009			Jul 2010	Dec 2010	
	C1.I5 Net income as a percent of assets (tier 1)	3.1	3.3			3.5	1.2	Finished
		May 2007	Dec 2009			Jul 2010	Dec 2010	
	C1.I6 growth in loans (tier 1)	20.4	25			30	27.4	Finished
		May 2007	Dec 2009			Jul 2010	Dec 2010	
	C1.I7 Net income as a percent of assets (tier 2)	5.3	5.5			5.5	1.5	Finished
		May 2007	Dec 2009			Jul 2010	Jan 2011	
	C1.I8 growth in loans (tier 2)	6	15			20	4.4	Finished
		May 2007	Dec 2009			Jul 2010	Dec 2010	
	C1.I9 Loan delinquency as a % of loan portfolio (tier 3)	12.2	10			8	15	Finished
		May 2007	Dec 2009			Jul 2010	Dec 2010	
	C1.I1 Net income as a percent of assets (tier 3)	2.4	2.5			2.5	1.9	Finished

0		May 2007	Dec 2009			Jul 2010	Dec 2010	
C1.11	growth in loans (tier 3)	14.6	18			20	17.1	Finished
1		May 2007	Dec 2009			Jul 2010	Dec 2010	
C1.11	Loan delinquency as a % of loan portfolio (tier 4)	24.9	20			15	29.6	Finished
2		May 2007	Dec 2009			Jul 2010	Dec 2010	
C1.11	Net income as a percent of assets (tier 4)	3.9	4			4	1.4	Finished
3		May 2007	Dec 2009			Jul 2010	Dec 2010	
C1.11	growth in loans (tier 4)	24.2	27			30	9.9	Finished
4		May 2007	Dec 2009			Jul 2010	Dec 2010	

Component 2: Improving the regulatory environment.

Weight: 40%

Classification: Unsatisfactory

C2.11	Loan delinquency as a % of loan portfolio (tier 1)	5.6	4			3.5		Delayed
		Jul 2006	Dec 2009			Jul 2010		
C2.12	Net income as a percent of assets (tier 1)	2.7	3			3.5		Delayed
		Jul 2006	Dec 2009			Jul 2010		
C2.13	Loan delinquency as a % of loan portfolio (tier 2)	20.6	15			10		Delayed
		Jul 2006	Dec 2009			Jul 2010		
C2.14	Net income as a percent of assets (tier 2)	3.1	4			5		Delayed
		Jul 2006	Dec 2009			Jul 2010		
C2.15	Loan delinquency as a % of loan portfolio (tier 3)	45.1	30			15		Delayed
		Jul 2006	Dec 2009			Jul 2010		
C2.16	Net income as a percent of assets (tier 3)	2.2	2.5			3		Delayed
		Jul 2006	Dec 2009			Jul 2010		
C2.17	Loan delinquency as a % of loan portfolio (tier 4)	24.9	20			15		Delayed
		May 2007	Dec 2009			Jul 2010		
C2.18	Net income as a percent of assets (tier 4)	3.9	4			4		Delayed
		May 2007	Dec 2009			Jul 2010		

Milestones	Planned	Due Date	Achieved	Date achieved	Status
M0 [*] Previous Conditions	3	Apr 2007	3	Apr 2007	Achieved

[*] Indicate that the milestone has been reformulated

CRITICAL ISSUES THAT HAVE AFFECTED PERFORMANCE

[None reported in this period]

SECTION 4: RISKS

MOST IMPORTANT RISKS AFFECTING FUTURE PERFORMANCE

	Level	Mitigation action	Responsible
1. Lack of collaboration and communication between the BCCUL and the Registrar undermines development impact	Low	---	---
2. The Registrar's department does not build requisite capacity to strengthen supervision	Low	---	---

PROJECT RISK LEVEL: Low **TOTAL NUMBER OF RISKS:** 5 **IN EFFECT RISKS:** 2 **NOT IN EFFECT RISKS:** 0 **MITIGATED RISKS:** 3

SECTION 5: SUSTAINABILITY

Likelihood of project sustainability after project completion: P - Probable

CRITICAL ISSUES THAT MAY AFFECT PROJECT SUSTAINABILITY

[X] Lack of interest and engagement by the regulator of credit unions and co-operatives to embrace and drive a risk based approach

The regulator's lack of engagement and commitment to adopting a risk based approach does not provide the impetus required for smaller credit unions and co-operatives to fully embrace proposed changes

Actions related to sustainability which will be or have been implemented:

An out of contract consultancy was arranged for the period July 4-15 to deliver 18 workshops and 3 seminars covering Service Centre Facility; New Products and Services; and Regulation and Compliance. All functions are now the responsibility of the newly established Financial Services Commission.

SECTION 6: PRACTICAL LESSONS

1. Component I - Since the first courses were offered, the League has made significant progress with the ISP courses. These improvements are clear from the results of the most recent course offering and bode well for the future of these courses. It appears that the courses, consultancies and efforts of the League have resulted in renewed efforts at strategic planning, improving corporate governance and delinquency management as well as increased awareness of other risks and problems facing credit unions.	Relative to Implementation	Author Johnson, Anthony Keith
Future prospects: Further Technical Assistance is needed in the areas of developing a Service Centre Facility; New Products and Services; Regulation and Compliance; and promotion of the ISP in the OECS. In addition discussion will ensue with Dalhousie University on post-project alliance in		

terms of server hosting of the Blackboard Learning System, quality assurance of course material and possible award of Diploma to participants who have completed all eight (8) ISP courses.

Component II – Practical Lessons Learnt – Questions of protocol and structural framework seem to have loomed large in project implementation, co-ordination and reporting. Nevertheless, the project has proved to quite beneficial and feedback from some in the movement has been generally positive. The risk-based supervision has not been fully rolled out, but the officers of the Department have been trained and the training has been applied as far as possible. The ladder of intervention has yet to be implemented and this can only be done after the requisite performance indicators are known for each credit union and a process of consultation undertaken with the movement.

Henceforth all functions fall under the ambit the FSC and it is anticipated that enhanced IT capability and management systems will facilitate a more integrated frame and financial reporting system, in addition to charting a new direction for the credit union movement.