

Post-Evaluation Report (2011-4)

Microcredit Project — St. Kitts and Nevis

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EXECUTIVE SUMMARY

On August 31, 2001 the government of the Republic of China (Taiwan) pledged to assist its eastern Caribbean partner countries. One initiative was a Microcredit Project, for which the Taiwanese government pledged US\$200,000 to each partner country in the region.

In coordination with government policy, the TaiwanICDF made a loan to the Foundation for National Development (FND)¹ of St. Kitts and Nevis from 2001 to 2010.

To ensure that the project objectives had been achieved, the TaiwanICDF dispatched a mission to perform project post-evaluation.

The post-evaluation mission called on the FND (the “Executing Agency”) and associated sub-borrowers in St. Kitts and Nevis to understand whether these stakeholders had genuinely obtained the intended project benefits. In order to make a fuller judgment on the effectiveness of the project, the team also visited the Taiwanese embassy and the Taiwan Technical Mission to understand the point of view of participating Taiwanese stakeholders.

The project had some impact on the project objectives, which were to promote the development of the private sector and strengthen credit delivery, thereby raising incomes and generating employment while reducing poverty. However, at the time when the TaiwanICDF loan was provided to the FND, the amount provided represented only five percent of the FND’s total sources of funding, for which reason the FND did not monitor or record the effects of TaiwanICDF funding when it re-lent the loan. Therefore, it is not easy to identify or evaluate any outputs and outcomes specific to the TaiwanICDF project. Although there is no clear evidence to prove that the project directly contributed to organizational strengthening at the FND, the TaiwanICDF loan

¹ In the past, this organization has been known variously as the Foundation for National Development and the National Development Foundation of St. Kitts and Nevis, including during the period over which the Microcredit Project was carried out. For purposes of consistency, the organization is referred to in this report only by the former name.

did broaden the FND's pool of available funding and indirectly led to its transition into a credit union.

In conclusion, the recommendations of the post-evaluation mission are as follows:

- (a) The scale of a project should be dependent upon demand within the country of implementation for it to achieve the desired effects. Financial support, i.e. loan funding, provided through projects such as this should be of sufficient size for an Executing Agency to open and manage an independent, dedicated account. Furthermore, specific requirements should also be established to ensure that the monitoring and control of loans are sufficiently adequate to keep track of sub-borrowers' situations.
- (b) Setting proper project indicators or targets of specific value: Project design should set out indicators or targets of specific value, which would allow projects to be monitored over time and measured in terms of effectiveness and efficiency. Furthermore, any problems that would otherwise obstruct the project from being implemented in a timely manner could be identified more readily.
- (c) Additional assistance: Project objectives could be supported through technical assistance as well as financial resources. Technical assistance – such as training courses for the Executing Agency and sub-borrowers – would represent an important means of offering qualitative support before and after loans were disbursed.

I. BASIC DATA

A. Loan Identification

1. Country	St. Kitts and Nevis
2. Program Title	Microcredit Project
3. Borrower	Foundation for National Development of St. Kitts and Nevis Limited
4. Executing Agency	Foundation for National Development of St. Kitts and Nevis Limited
5. Source of Funding	TaiwanICDF
6. Loan Amount	US\$200,000

B. Loan Data

1. Date of Appraisal	February - March 2001
2. Date of Loan Negotiations	May - June 2001
3. Date of Board Approval	July 2001
4. Date of Loan Agreement	November 14, 2001
5. Date of Loan Effectiveness	
– In Loan Agreement	November 14, 2001
6. Closing Date	
– In Loan Agreement	November 14, 2010
7. Loan Terms	
– Interest Rate	5%
– Commitment Fee	0.75%
– Default Rate	Libor + 4.00%
– Maturity	9 years
– Grace Period	3 years
– Commitment Period	36 months

8. Disbursements

	Initial Disbursement	Final Disbursement	Total
Date	March 18, 2002	June 3, 2002	
Amount (US\$)	100,000	100,000	200,000

C. Taiwan ICDF Missions

Type of Mission	Date	No. of Persons	No. of Person-Days
Appraisal	Feb. – Mar. 2001	2	10
Implementation Evaluation	Nov. 2003	2	8
Project Completion Evaluation	Dec. 2008	2	10
Post-Evaluation	Jun. 2011	2	14

II. PURPOSE OF EVALUATION

Post-evaluation is performed within a few years of the completion of a project or program and represents an important phase of the project cycle. The process refers to the objective assessment of the efficiency and effectiveness of the implementation of a development program, along with its logic and socio-economic impact among intended beneficiaries. The purpose of such evaluation is to obtain a comprehensive and independent appraisal of the extent to which the objectives of a project or program have been achieved or are likely to be achieved, and to learn from that experience.

To ensure that the project objectives were achieved and to learn from the experience of implementing the project, the TaiwanICDF dispatched a mission to perform project post-evaluation. The mission was led by Alex Shyy, Director of the TaiwanICDF's Auditing Office, accompanied by Chen Shu-ping, a Project Manager from the same office.

During the evaluation, the team called on the Executing Agency and associated sub-borrowers in St. Kitts and Nevis to understand whether these stakeholders had genuinely obtained the intended project benefits. In order to make a fuller judgment on the effectiveness of the project, the team also visited the Taiwanese embassy and Taiwan Technical Mission to understand the point of view of participating Taiwanese stakeholders.

III. BACKGROUND

According to a report from the World Bank in April 2011, about 1,374 million people live on less than \$1.25 a day². Since persons on a low income often have little collateral and rarely have good credit records, they have difficulty applying for bank loans. As such, microcredit is an effective and popular measure by which to alleviate poverty and support MSMEs, enabling

² "Global Statistics," prepared by the Development Data Group, World Bank, April 2011.

those without access to lending institutions to borrow at bank rates and start MSMEs. In developing countries, the ultimate purpose of microcredit is to promote economic growth by making financial resources more readily available among those on a low income.

Nongovernmental organizations (NGOs) have emerged as a key player in the field of microcredit, playing various intermediary roles and actively starting and participating in microcredit programs. Their operations have raised awareness of the importance of microcredit within local communities, as well as among various national and international donor agencies, and developed resources and tools with which communities and microcredit organizations can monitor progress and identify good practices. They have also created opportunities to learn about the principles and practice of microcredit through publications, workshops and seminars, and training programs.

On August 31, 2001 the government of the Republic of China (Taiwan) pledged to assist its eastern Caribbean partner countries by donating computers and medical equipment, offering scholarships, dispatching volunteers, strengthening microcredit projects and offering technical assistance to micro-, small- and medium-sized enterprises (MSMEs). One of these initiatives was a Microcredit Project, for which the Taiwanese government pledged US\$200,000 to each partner country in the region.

In coordination with government policy, the TaiwanICDF dispatched an appraisal mission to the eastern Caribbean in February 2001. An associated Loan Agreement was then signed with the FND on November 14, 2001.

The background and goals of the Executing Agency are as follows:

The FND was established in 1985, originally as the Foundation for National Development, through grant funding from the United States Agency for International Development (USAID) and the Canadian International Development Agency (CIDA). The remainder of this donated funding was allocated toward credit and business counseling programs. The government of

St. Kitts and Nevis also supported the establishment of the FND by donating EC\$10,000 and conferring duty-free status on imported office equipment. Various domestic business houses and church organizations also donated EC\$39,000 in cash and services around this time.

The FND is a community-based development finance institution serving the needs and articulating the aspirations of the micro-sector. It is dedicated to exceeding the expectations of its customers through superior financing and development assistance services, to increase the capacity of the people of St. Kitts and Nevis to participate in and own viable productive enterprises.

The FND's goals are to: (i) create new jobs; (ii) protect and/or expand existing jobs; (iii) reduce unemployment; (iv) increase import substitution and export earnings; (v) raise incomes and living standards among MSME-operating households; and (vi) strengthen the private sector by broadening its base. The TaiwanICDF negotiated a Loan Agreement with the Executing Agency because its goals were in broad agreement with those of the project and because it was known to be well-managed organization.

The project objectives were to promote the development of the private sector and strengthen credit delivery mechanisms, raise incomes, generate employment and reduce poverty.

In accordance with the Loan Agreement, the TaiwanICDF provided US\$200,000 to the FND. The agency channeled loan proceeds, in Eastern Caribbean (EC) dollars, to finance the activities of MSMEs in St. Kitts and Nevis.

IV. EVALUATION OF PROJECT DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

The design and formulation of the project were consistent with the TaiwanICDF's strategy as laid out in its contemporaneous, rolling three-year

core plan, whose policies outlined assistance to partner countries and their citizens on the basis of improving self-reliance and incomes, and reducing poverty. The same plan also emphasized an increased role for the private sector and NGOs. The project, which would serve as an instrument to implement these policies and increase the role of NGOs, was exclusively designed to improve social and economic conditions in St. Kitts and Nevis.

In line with Taiwanese government policy at the time, project identification was done by the government, and preparation was combined with the direct dispatch of an appraisal mission. The period from the beginning of appraisal through to project approval lasted three months. Project design did not set out indicators or targets of any specific value, which presented difficulties in monitoring the project over time and measuring its effectiveness or efficiency.

B. Project Outputs

At the time when the TaiwanICDF loan was provided to the FND, the amount provided represented only five percent of the FND's total sources of funding. The FND did not maintain a separate account for the loan, nor did it manage the loan independently of its wider funds, and loan resources originating from the TaiwanICDF were mixed with other resources prior to being re-lent to sub-borrowers. Therefore, it is difficult to independently identify or evaluate the outputs and outcomes of the TaiwanICDF project. Moreover, the Chief Financial Officer of the FND was unavailable at the time of the post-evaluation mission's visit and the FND stated that they did not have sufficient manpower to offer lending data, financial information, socio-economic impact performance indicators or other such data.

The data below are sourced from the TaiwanICDF's 2008 Completion Evaluation Report and, where indicated, the figures and amounts discussed refer to the FND's whole microcredit operation, not the TaiwanICDF loan.

(a) Total Loan Disbursements and Number of Beneficiaries

According to data provided, the loan of US\$200,000 (EC\$537,640) was re-lent nine times over. The FND issued 504 sub-loans, with total loans issued amounting to in excess of EC\$5 million to June 30, 2008.

In terms of its whole microcredit operation, the FND offered 2,896 sub-loans worth a total of EC\$30,237,576. From 2002 to 2008, the average loan was for EC\$10,441 (Table 1) and the average interest rate was 15 percent. Compared with the average lending rate in St. Kitts and Nevis from 2001 to 2010, the FND offered loans at a higher rate (Figure 1).

Year	2002	2003	2004	2005	2006	2007	2008
Number of Loans Disbursed	258	362	447	440	422	520	447
Value of Loans Disbursed (EC\$)	2,294,559	3,392,770	4,188,902	4,134,807	4,835,548	7,109,558	4,281,432
Average Loan Size (EC\$)	8,894	9,372	9,371	9,397	11,459	13,672	9,578

Table 1: Basic Lending Data; Source: Microcredit Project Completion Evaluation Report of St. Kitts and Nevis, TaiwanICDF, 2008, and 24th Annual Report 2008 of FND.

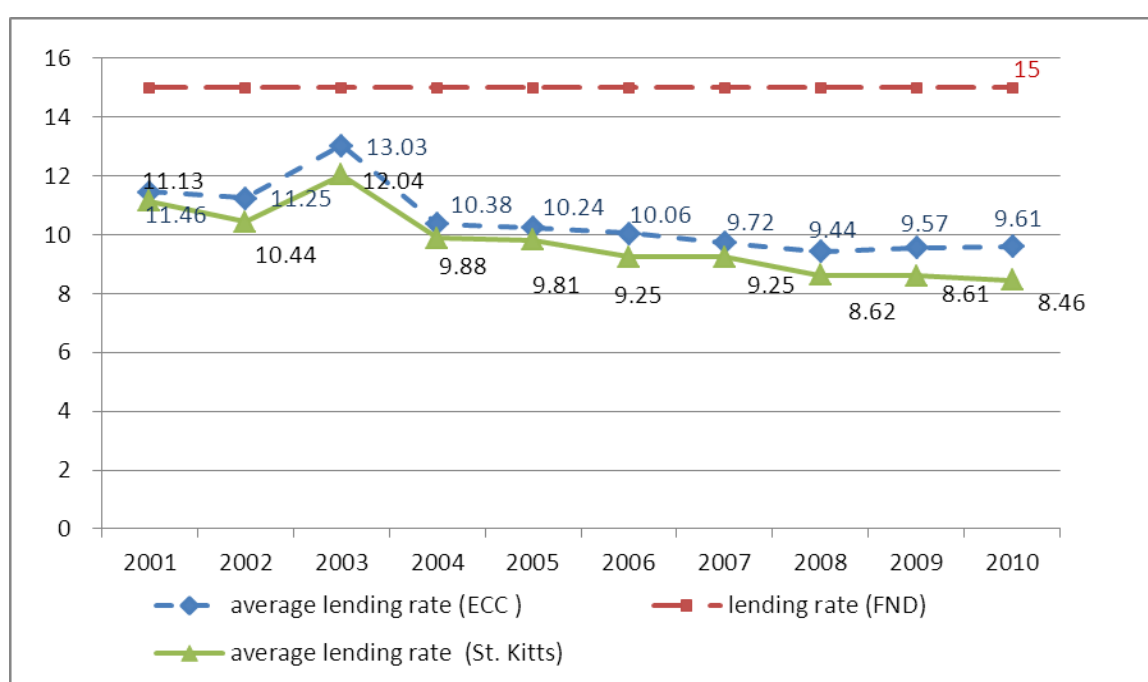


Figure 1: Lending Rate; Source: Financial Statistics Yearbook 2011, Eastern Caribbean Central Bank

(b) Distribution of Loans by Sector and Gender

The majority of loans were used for activities in the service sector. The proportion of sub-borrowers in agriculture and fisheries was relatively low (Table 2). In contrast, the three sectors receiving the most loans from commercial banks over the same period were agriculture, tourism and construction (Table 3).

Men comprised approximately 85 percent of sub-borrowers; about 60 percent of sub-borrowers were rural dwellers.

Sector	Service	Retail	Agriculture	Fisheries	Manufacturing	Tourism	Construction
Lending Distribution	40%	30%	12%	5%	5%	5%	3%

Table 2: Basic Lending Distribution by Sector; Source: FND

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 ^e
Agriculture	179,601	216,478	221,311	248,591	275,168	271,404	271,948	350,206	352,716	350,686
Fisheries	739	648	417	302	167	213	172	171	272	220
Mining & Quarrying	992	838	607	926	1,027	1,031	655	642	599	3,012
Manufacturing	21,856	21,479	19,300	19,140	17,382	22,836	24,295	23,241	23,263	20,940
Utilities	11,555	19,279	26,477	34,749	70,007	138,464	146,667	150,711	145,952	138,442
Construction and Land Development	42,531	42,261	31,724	86,923	115,625	142,419	184,776	223,170	247,638	256,415
Distributive Trades	106,777	126,698	109,357	122,991	128,414	128,991	130,664	153,203	147,764	137,944
Tourism	56,515	56,550	52,473	69,364	68,985	67,423	73,400	77,768	68,963	90,966
Entertainment & Catering	13,286	5,169	4,454	7,477	6,848	7,414	8,377	12,315	10,813	12,060
Transportation & Storage	7,023	5,209	6,663	7,153	7,909	10,202	12,830	12,200	11,542	11,982
Financial Institutions	8,519	6,275	10,330	31,068	28,523	27,432	27,215	27,021	18,932	18,529
Professional and other Services	43,406	40,504	40,343	36,214	39,752	39,006	58,391	63,577	69,308	70,186
Government Services	136,293	118,497	70,163	158,384	225,294	350,738	433,352	302,480	367,597	470,823
Personal	416,605	425,710	473,195	506,833	556,002	617,748	713,259	789,757	839,486	883,366
Acquisition of Property	234,822	238,769	270,924	248,004	300,526	344,593	361,813	402,019	443,287	462,010
House & Land Purchases	67,397	71,424	91,768	108,063	149,300	178,790	118,696	133,973	147,185	158,759
Home Const. & Renovation	167,425	167,345	179,156	139,941	151,226	165,803	243,117	268,046	296,102	303,251
Durable Consumer Goods	18,017	16,685	15,956	19,280	26,443	29,048	32,584	40,517	42,618	40,076
Other Personal Loans	163,766	170,256	186,315	239,549	229,033	244,107	318,862	347,221	353,581	381,280
Total Loans & Advances and Overdrafts	1,045,698	1,085,595	1,066,814	1,330,115	1,541,103	1,825,321	2,086,001	2,186,462	2,304,845	2,465,571
% of Long Term Loans to Total Loans and Advances *	40.5	38.0	45.5	45.0	43.0	45.4	59.1	66.3	71.4	70.3

Table 3 : St Kitts and Nevis , Sectoral Distribution of Commercial Banks' Credit , In thousands of Eastern Caribbean dollars

Source: Eastern Caribbean Central Bank

* Long Term loans are loans over 5 years.

C. Project Outcomes

Under the original project design, the project was intended to promote private sector development, strengthen credit delivery mechanisms, raise incomes and reduce poverty, and generate employment. More specifically, the project sought to: (i) raise incomes, generate employment and reduce poverty by enhancing the availability of credit and associated assistance provided to target beneficiaries by an NGO; (ii) support the continued provision of viable, small-scale financial services to MSMEs by strengthening the sustainability of an NGO's operations; and (iii) enhance the efficiency of the Executing Agency's resource mobilization by providing financial support.

The data below is sourced from the TaiwanICDF's 2008 Completion Evaluation Report and the figures and amounts discussed refer mainly to the FND's whole microcredit operation, not the TaiwanICDF loan.

(a) Institutional Strengthening and Capacity Building of Non-Governmental Organizations (NGOs)

According to financial data for the FND, the organization's return on total assets (ROA) ratio was positive and increased at an average rate of 0.58 percent from 2003 to 2007. The average ROA was 3.27 percent from 2003 to 2007 and 2.8 percent from 2003 to 2005 (Table 4). Compared with the average ROA (3.8 percent)³ for microfinance activities in Latin America and the Caribbean from 2001 to 2005, the financial operations of the FND were acceptable.

St. Kitts and Nevis' GDP growth rate from 2003 to 2007 indicates that economic expansion peaked in 2004, with the country's economy contracting from 2004 to 2007. During this same period, however, the

³ Sergio Navajas and Luis Tejerina, "Microfinance in Latin America and the Caribbean: How Large is the Market?" Sustainable Development Department Best Practices Series, No. MSM 134 (Washington, D.C.: Inter-American Development Bank, 2006).

FND's financial conditions continued to display an upward trend, which does not corresponded to wider economic trends throughout the country (Figure 2). The fact that the FND consistently maintained positive growth indicates that the organization was not overwhelmingly affected by the economic downturn. The organization used its assets productively.

Recovery rates and arrears rates associated with the FND's microfinance operations indicate that the organization was effective at recovering loans disbursed. The recovery rate increased from 2003 to 2005 and then decreased slightly in 2006 and 2007, indicating that the organization's ability to recover loans improved. Moreover, the average arrears rate remained at 5.52 percent from 2003 to 2007, which, at a rate lower than their lending interest rate deducted their fund interest rate of 11 percent, indicates that the organization's loan collection activities were performed well.

The FND's operating self-sufficiency (OSS) ratio, which exceeded 100 percent at the beginning of 2003, increased at an average rate of 8 percent from 2003 to 2007, indicating that the organization controlled its administrative costs efficiently and strengthened its operations.

Year	2003	2004	2005	2006	2007
ROA ⁴	1.69%	3.30%	3.40%	3.94%	4.01%
Recovery Rate of Microfinance ⁵	94.65%	96.61%	96.81%	95.06%	95.44%
Arrears Rate	7.19%	5.11%	4.67%	5.48%	5.16%
OSS Ratio ⁶	110%	122%	130%	138%	141%

Table 4: Detailed Lending Data; Source: Microcredit Project Completion Evaluation Report of St. Kitts and Nevis, Taiwan/CDF, 2008.

⁴ Return on Total Assets Ratio = (Net Income + Interest Expense + Taxes) ÷ Total Net Assets

⁵ Recovery Rate = Loan Collection ÷ Total Loans

⁶ Operating Self-Sufficiency Ratio = Financial Income ÷ (Financial and Administrative Expenses + Provisions)

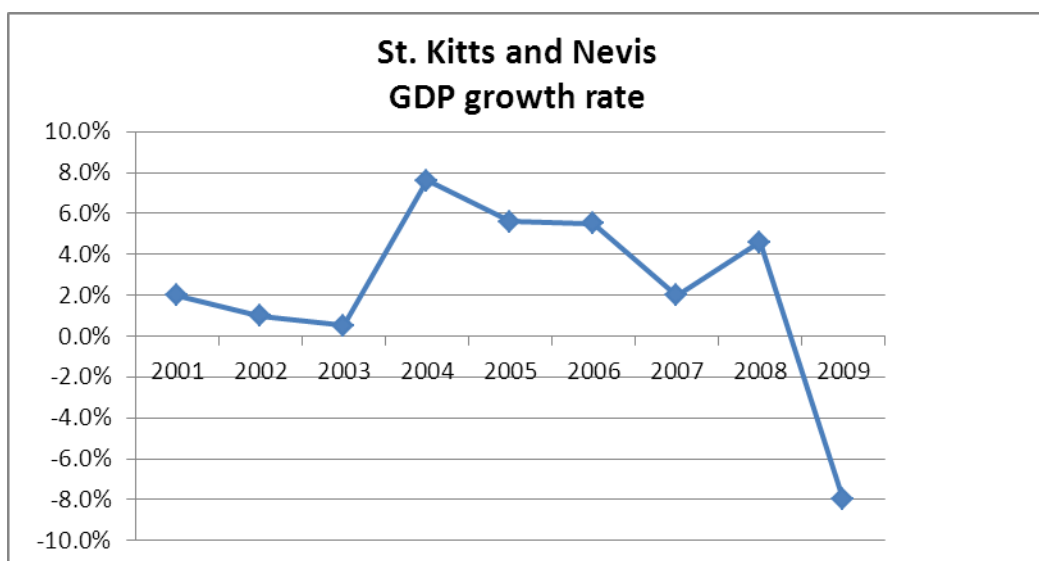


Figure 2: GDP Growth Rate of St. Kitts and Nevis; Source: World Bank
 (<http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>.)

(b) Raise Incomes and Reduce Poverty

The post-evaluation team distributed questionnaires to sub-borrowers via the FND and received 28 responses. Of these, 18 respondents stated their incomes before and after receiving their loans (see Appendix 2).

For the purposes of post-evaluation, these 18 sub-borrowers will be used as a sample. Although the sample only represents a small percentage of project sub-borrowers, it is the only direct testimony available.

The incomes of all respondents increased after receiving loans, on average by 78 percent. Therefore, the project had the effect of raising incomes among such clients. Almost all respondents approved of the project, stating that it had helped their businesses.

However, data indicates that only three respondents used their loans to start businesses, while 25 used their loans for an existing business. Moreover, 68 percent of respondents said that they did not hire staff prior to receiving their sub-loans, while 44 percent of respondents hired

one or two more staff after receiving their sub-loans. These data indicate that the majority of sub-borrowers were not in the lowest of income brackets at the time they received their loans. Nevertheless, the project did still have the effect of reducing poverty.

(c) Generate Employment

According to the FND's project data, the first and second years during which the organization lent microcredit had the most significant impact in terms of jobs created or sustained, with 382 jobs being created or sustained per year, on average. This effect decreased dramatically to 212 jobs in 2005, decreasing to 187 jobs in 2006 and increasing to 253 jobs in 2007 (Table 5).

Over the course of five years, the organization therefore supported a total of 1,416 jobs, of which 17 percent were newly created and 83 percent were existing jobs; and of which 69 percent were held by men and 31 percent by women. These data indicate that the TaiwanICDF loan was relevant to the generation of employment, but mainly for the purpose of sustaining jobs for men (Figure 3).

Microfinancing			2003	2004	2005	2006	2007
Jobs Created or Sustained by Gender	Male	Created	31	38	23	19	45
		Sustained	183	243	127	121	141
	Female	Created	20	23	7	9	20
		Sustained	100	126	55	38	47
	Total		334	430	212	187	253

Table 5: TaiwanICDF-Funded Lending by Gender; Source: Microcredit Project Completion Evaluation Report of St. Kitts and Nevis, TaiwanICDF, 2008.

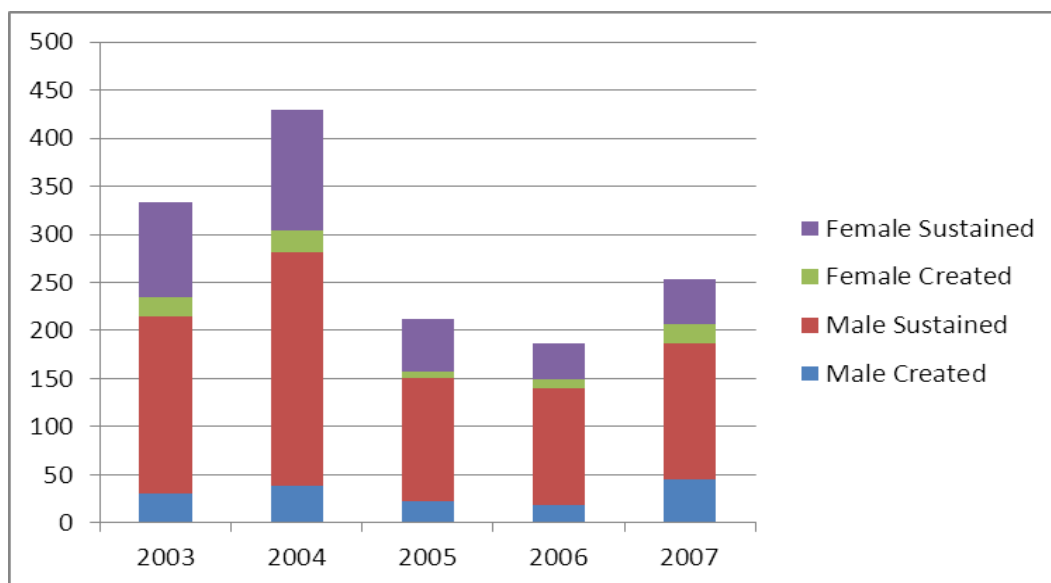


Figure 3: FND Lending by Gender; Source: Microcredit Project Completion Evaluation Report of St. Kitts and Nevis, TaiwanICDF, 2008.

D. Implementation Arrangements

The TaiwanICDF supported the Executing Agency with a combined US\$200,000 in loans, which the agency then used to finance the activities of MSMEs, i.e. sub-borrowers. Such financing was channeled to sub-borrowers in Eastern Caribbean (EC) dollars. The terms of credit that were agreed with sub-borrowers varied in accordance with the specifics of each sub-project and were established upon approval of each sub-project. Although in principle the Executing Agency was expected to re-lend its TaiwanICDF loan to sub-borrowers at prevailing market rates, in practice procedures followed the existing policies and strategies of the agency. Risk was shared through an incentive mechanism built into the project: For any given sub-project, the Executing Agency was permitted to finance a maximum 90 percent of the total cost in accordance with its assessment, while sub-borrowers were required to contribute a minimum 10 percent of the costs independently.

The Executing Agency utilized and re-lent TaiwanICDF loans to sub-borrowers in accordance with the project design. The project was carried out on a nationwide basis.

The loan to the Executing Agency was approved and made effective in May 2001. The initial disbursement to the FND was made on March 18, 2002 and the second and final disbursement was made on June 3, 2002. The total amount disbursed was US\$200,000.

The TaiwanICDF dispatched an implementation evaluation (/monitoring) mission during the project implementation period, and a project completion evaluation mission shortly before the completion of the project. Although the Loan Agreement stated that the Executing Agency should deliver a Completion Report within three months after the expiry of the Commitment Period, the agency had not delivered the report after six months had elapsed.

E. Conditions and Covenants

During the appraisal mission in February 2001, Taiwanese stakeholders drafted a Memorandum of Understanding (MOU) in cooperation with the FND. TaiwanICDF authorities then signed Loan Agreement with the organization in November 2001. The content of the Loan Agreement complemented the content of the MOU. Conditions for loan effectiveness were complied with on time and the loan was declared effective on November 14, 2001 for the FND.

Covenants were broadly adequate to ensure sufficient control and quality of project implementation. The TaiwanICDF performed regular follow-up work, including an implementation evaluation (/monitoring) mission, to ensure that the covenants continued to comply with project implementation, while the Executing Agency produced a regular series of quarterly and annual progress reports. Although all of the reports required during project implementation were eventually produced, some were delivered only after delay. Furthermore, after receiving these reports, the TaiwanICDF did not respond to recommendations made by the Executing Agency therein. Although the TaiwanICDF did not have the obligation to respond to these reports, it would have been better to respond to the Executing Agency if there was any

comment.

Most relevant covenants were satisfactorily complied with; however, according to the Loan Agreement, the Executing Agency should have maintained records and accounts of sufficient adequacy and accuracy to record and monitor the progress of the project. At the time when the TaiwanICDF loan was provided to the FND, however, the amount provided represented only five percent of the FND's total sources of funding. The FND did not maintain a separate account for the loan and was subsequently unable to provide information on the division of lending resources prior to their being re-lent to sub-borrowers.

Moreover, according to the Loan Agreements, the Executing Agency was obliged to deliver a Completion Report within three months after the expiry of the Commitment Period. Although the Commitment Period expired on November 13, 2004 for the FND, to date the agency has not delivered this report.

F. Related Technical Assistance

Project design did not incorporate relevant technical projects as part of assistance provided. Therefore, the operations of the project more closely resembled those of a business loan to the FND.

G. Performance of Sub-Borrowers and the Executing Agency

(a) Implementation and Interaction

The Executing Agency and associated sub-borrowers showed strong commitment during project implementation. The FND monitored its clients by phone and by making site visits, and submission of quarterly and annual progress reports was satisfactory. A uniform set of procedures were introduced for loan applications, guidance was

provided towards writing simple business proposals, and loan contracts clearly stipulated terms and conditions relating to the utilization and repayments of loans.

As part of project implementation, the FND offered training programs on (i) orientation and entrepreneurship; (ii) bookkeeping. However, the agency's drive to gain further funding resources and secure long-term development led it to become a credit union in 2009. Following this date, which coincided with the last period of the project, training programs and site visits were both reduced.

In the questionnaire completed by sub-borrowers, most sub-borrowers said that their loan had helped them to start or expand their business and expressed their appreciation to the FND.

(b) Performance

The performance of the Executing Agency was measured against five indicators:

1. Outreach: Prior to the TaiwanICDF's post-evaluation mission, the FND was unable to calculate how many sub-borrowers had benefitted from the project and, since the project did not set any targets or standards for an ideal number of sub-borrowers, it is not possible to draw any conclusions as to the value of this result.
2. Client poverty levels: The FND was not able to specify which clients had received financing from the TaiwanICDF loan, rendering it impossible to confirm whether sub-borrowers were impoverished prior to receiving loans or whether they had benefitted from the project.
3. Recovery: The FND's total loan recovery rates increased from 2003 to 2005 and then decreased slightly in 2006 and 2007, for an average rate of 95.71 percent over the whole period. It therefore appears that

the agency controlled the recovery of loans well.

4. Financial sustainability: The FND's ROA rate was positive and increased at an average rate of 0.58 percent from 2003 to 2007. The average ROA was 3.27 percent from 2003 to 2007. These data indicate that the organization gradually became better at managing its assets. However, since the TaiwanICDF loan represented only five percent of the FND's funding resource, it is not possible to identify the effect of the project on the agency's financial performance.
5. Efficiency: The FND's operating self-sufficiency (OSS) ratio, which exceeded 100 percent at the beginning of 2003, increased at an average rate of 8 percent from 2003 to 2007, indicating that the organization controlled its administrative costs efficiently and strengthened its operations. However, for the same reasons already stated, it is not possible to evaluate the effect of the project on this aspect of the FND's performance.

Since it was not possible to evaluate the performance of the Executing Agency and associated sub-borrowers against key indicators, it is not possible to draw any firm conclusions as to the overall performance of the project.

H. Performance of the TaiwanICDF

The performance of the TaiwanICDF was *satisfactory*. Essential support, assistance and supervision were provided towards project implementation and examination of the disbursement of documents and loans was performed at appropriate times. Project design did not set any standards for monitoring the project and supplementary forms of technical assistance were not incorporated into project activities, which might otherwise have increased the likelihood of the project achieving its objectives. Furthermore, although only one

implementation evaluation (/monitoring) mission was conducted during project implementation, the mission's review activities and subsequent recommendations were *highly relevant* to the administration of the project.

Feedback received from the Executing Agency indicates that its personnel appreciated the assistance and cooperation extended to them by the TaiwanICDF, and that they considered the performance of the TaiwanICDF to have been satisfactory.

V. EVALUATION OF PERFORMANCE

A. Relevance

The project's objectives and its overall purpose were *highly relevant* to both the TaiwanICDF's development strategy and the foreign assistance policies pursued by the Taiwanese government. The project contributed towards its stated intention of raising incomes and reducing poverty.

Evidence gathered indicates that sub-borrowers benefitted from loans provided by the FND and that the agency strengthened its institutional capacity. However, since the TaiwanICDF loan represented only five percent of the FND's funding resource, it is not possible to measure the real effect of the project on the agency, or sub-borrowers, including whether the project had any positive impact on social status and living standards.

B. Effectiveness and Efficiency in Achieving Project Outputs and Outcome

For reasons already discussed, it is not easy to evaluate the effectiveness and efficiency of the project.

Commentary on the project given by the FND, sub-borrowers, the Taiwanese embassy and the Taiwan Technical Mission is summarized as

follows:

(a) FND

1. The project helped to increase the company's/ credit union's assets and allowed the agency (credit union) to provide a more widerange of services to its clients/ members.
2. The project had a positive impact on the lives of stakeholders/ recipients, allowing them to access business funding over comfortable repayment periods. Some recipients were able to expand their businesses, tap into new markets, increase their market share or purchase the necessary equipment that allowed their businesses to become more competitive.
3. The FND has successfully transitioned to become the FND Enterprises Co-operatives Credit Union. We are interested in partnering with similar credit unions in Taiwan. This could be done by facilitating job exchanges (i.e. secondments) to observe and learn about credit union resources, products and successful case studies.

(b) Sub-Borrowers

The post-evaluation team distributed questionnaires to sub-borrowers via the FND and received 28 responses.

Among the 28 questionnaires returned, 20 sub-borrowers (71 percent) did not receive any training at the FND before or after receiving their loans. All sub-borrowers preferred loans from the FND rather than commercial banks, saying that the FND's applications process was easier to complete, and that loans were easier to qualify for and, subsequently, manage. Eleven sub-borrowers (39 percent) were satisfied with the interest rate of their loan, 14 (50 percent) were unsatisfied and three did not offer comment.

During visits by the post-evaluation mission to six sub-borrowers,

most of these borrowers said that their loan from the FND had been important to their businesses.

- (c) Taiwanese Embassy (Note that the Taiwanese Embassy was not a project stakeholder; therefore, opinions given are for reference and are not related to project operations.)

The TaiwanICDF loan did support local business activities, albeit in a limited fashion. If the TaiwanICDF continues to support the same or similar projects in this country in the future, it could consider offering higher loan amounts.

- (d) Taiwan Technical Mission (Note that the Taiwan Technical Mission was not a project stakeholder; therefore, opinions given are for reference and are not related to project operations.)

1. Project Outcomes: The project assisted local business activities and the Executing Agency to a degree.
2. Project Problems: The loan amount and project scale was too small, which limited the effects of the project.
3. Feasibility of Integration with other Programs: The project design should have been more dependent on specifics within the local country and those at the Executing Agency, rather than being based mainly on a common loan framework.

C. Preliminary Assessment of Sustainability

The Executing Agency played an active part in project implementation and their operations were good. Financial data provided by the FND indicates that the organization is growing year by year, and its OSS ratio has exceeded 100 percent since 2003.

FND loans enabled sub-borrowers to expand or upgrade their existing

enterprises. However, more than 50 percent of sub-borrowers did not receive supplementary training or suggestions on organizational development from the FND.

These indicators suggest that the operations of the Executing Agency will be sustainable, with those of associated sub-borrowers less certain.

D. Impact

The project had some impact on the project objectives, which were to promote the development of the private sector and strengthen credit delivery, thereby raising incomes and generating employment while reducing poverty. However, at the time when the TaiwanICDF loan was provided to the FND, the amount provided represented only five percent of the FND's total sources of funding, for which reason the FND did not monitor or record the effects of TaiwanICDF funding when it re-lent the loan. Therefore, it is not easy to identify or evaluate any outputs and outcomes specific to the TaiwanICDF project.

However, the responses of sub-borrowers indicated that they would, or will, return to the FND for further loans, so it could be said that end-borrowers are generally satisfied with the FND's financing.

VI. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

The project is rated as successful in terms of its relevance; however, uncertainties remain over project efficacy, efficiency, sustainability and impact on institutional development due to a lack of available information. Sub-borrowers benefited from the social and economic empowerment brought about by the FND, but there is no clear evidence that project outcomes can be

sustained among the group.

The rate at which the FND re-lent sub-loans was a higher than other business loan rates available locally. More than 50 percent of sub-borrowers said that they were unsatisfied with their loan rate.

Most sub-borrowers used loans to start or expand their businesses. However, the overall economic environment in St. Kitts and Nevis at the time was not conducive to such activities and subsequently affected their incomes. Sub-borrowers therefore used almost all of their incomes to maintain their households, and rarely used their incomes to make reinvestments.

B. Lessons Learned

(a) Project design: The size of the loan provided through the project was determined by policy rather than local demand, for which reason the loan provided to the Executing Agency was too small. In turn, the FND did not monitor or record the effects of TaiwanICDF funding when it re-lent the loan, and it therefore proved difficult to identify or evaluate any outputs and outcomes specific to the TaiwanICDF project.

(b) Project implementation: The performance of the Executing Agency and associated sub-borrowers was as follows:

1. The Executing Agency monitored its sub-borrowers appropriately and managed and collected sub-loans well. However, the agency's drive to gain further funding resources and secure long-term development led it to become a credit union in 2009. Following this date, which coincided with the last period of the project, training programs and site visits were both reduced, thereby making the sustainability of client benefits a more uncertain prospect.
2. Setting the interest rate on sub-loans above average market rates increased repayment pressures on sub-borrowers. Although agencies

providing microcredit routinely charge interest at a higher rate than commercial banks due to the relatively high cost of administering small-sized loans, such rates and associated calculations could be fully disclosed to the donor.

(c) Institutional strengthening and capacity building: One of the project objectives was to support institutional strengthening and capacity building at the Executing Agency. Although there is no clear evidence to prove that the project directly contributed to organizational strengthening at the FND, the TaiwanICDF loan did broaden the FND's pool of available funding and indirectly led to its transition into a credit union.

(d) Technical assistance resources: The project did not provide technical assistance and a lack of similar projects being implemented concurrently meant that there were no opportunities to explore integration and cross-sector linkages. This may have reduced the resources that would otherwise have been available, impacting the sustainability of the project.

C. Recommendations—Program Related

(a) The scale of a project should be dependent upon demand within the country of implementation for it to achieve the desired effects. Financial support, i.e. loan funding, provided through projects such as this should be of sufficient size for an Executing Agency to open and manage an independent, dedicated account. Furthermore, specific requirements should also be established to ensure that the monitoring and control of loans are sufficiently adequate to keep track of sub-borrowers' situations.

(b) Setting proper project indicators or targets of specific value: Project design should set out indicators or targets of specific value, which would allow projects to be monitored over time and measured in terms of effectiveness and efficiency. Furthermore, any problems that would otherwise obstruct the project from being implemented in a timely manner could be identified more

readily.

(c) Additional assistance:

1. Project objectives could be supported through technical assistance as well as financial resources. Technical assistance – such as training courses for the Executing Agency and sub-borrowers – would represent an important means of offering qualitative support before and after loans were disbursed.
2. The General Manager of the FND (Mrs. James Wendeww Webbe) participated in the Workshop on Micro-Credit Experiences in Taiwan, which was sponsored by the TaiwanICDF in 2003.