

Post-Evaluation Report (2011-3)

Microcredit Project — St. Vincent and the Grenadines

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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 National Development Foundation of St. Vincent and the Grenadines (NDFSVC) from 2002 to 2009.

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 NDFSVC (the “Executing Agency”) and associated sub-borrowers in St. Vincent and the Grenadines 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 is *satisfactory* in terms of its relevance, sustainability, and impact on institutional development. The project contributed significantly towards the mobilization and empowerment of participating MSMEs and increased their access to income-generating opportunities, but did not have a direct influence on building capacity among NGOs, i.e. the NDFSVC. Stakeholders benefited from the social and economic empowerment brought about by the project and there is clear evidence that its outcomes can be sustained. The training activities provided by the Executing Agency effectively achieved the expected project outputs and the microcredit, i.e. loans, that they provided was effective. However, follow-up support is needed to further consolidate the project benefits and ensure long-term sustainability.

Finally, project design did not set out clear indicators or targets of any

specific value, which presented difficulties in monitoring the project over time and measuring its effectiveness or efficiency.

Recommendations following post-evaluation are as follows:

- (a) Set 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.
- (b) Project design: Project scale should be based on conclusions drawn during project appraisal, and on market needs.
- (c) Additional assistance: Project goals should 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. Vincent and the Grenadines
2. Program Title	Microcredit Project
3. Borrower	National Development Foundation of St. Vincent and the Grenadines
4. Executing Agency	National Development Foundation of St. Vincent and the Grenadines
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	January 15, 2002
5. Date of Loan Effectiveness	
– In Loan Agreement	January 15, 2002
6. Closing Date	
– In Loan Agreement	January 15, 2009
7. Terms of Loan	
– Interest Rate	5%
– Commitment Fee	0.75%
– Default Rate	Libor + 4.00%
– Maturity	7 years
– Grace Period	3 years
– Commitment Period	36 months

8. Disbursements

	Initial Disbursement	Final Disbursement	Total
Date	April 25, 2002	April 25, 2003	
Amount (US\$)	100,000	70,767.4	170,767.4

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
Program Completion Evaluation	Dec. 2008	2	10
Post-Evaluation	Jun. 2011	2	12

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. Vincent and the Grenadines 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 day¹. 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 micro-, small- and medium-sized enterprises (MSMEs), enabling those without access to lending

¹ "Global Statistics," prepared by the Development Data Group, World Bank, April 2011.

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 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 a microcredit appraisal mission to the eastern Caribbean in February 2001. An associated Loan Agreement was then signed with the NDFSVC on January 15, 2002.

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

The NDFSVC, a non-profit development agency, was established and incorporated on October 26, 1983 through grant funding from USAID. The main purpose of the NDFSVC is to promote self-help development among less privileged sectors primarily through the provision of credit, technical assistance and training in the initiation and/or development of owner managed enterprises.

Although its main goal is to promote employment and income generation, the NDFSVG also works to develop a greater sense of self-worth and an understanding of fundamental human values among its clients, and improves the small business environment by advocating and promoting changes in the institutional arrangements needed for MSME development in St. Vincent and the Grenadines.

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 operated.

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

In accordance with the Loan Agreement, the TaiwanICDF provided US\$170,767 to the NDFSVG. The agency channeled loan proceeds, in Eastern Caribbean (EC) dollars, to finance the activities of MSMEs in St. Vincent and the Grenadines.

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 the country.

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

(a) Total Loan Disbursements and Number of Beneficiaries

According to data provided, the loan of US\$170,767.40 (EC\$463,948) made to St. Vincent and the Grenadines was re-lent 1.8 times over, with total loans issued coming to approximately EC\$857,711. The average loan was for EC\$13,235 (as in Table 1). The average loan period was three years and the average interest rate was nine percent. Compared with the average lending rate in St. Vincent and the Grenadines from 2001 to 2010, the NDFSVG offered loans at a lower rate, which reduced borrowers' repayment pressures (as in Chart 1).

A total of 82 sub-loans were issued to 64 sub-borrowers, with two sub-loans remaining overdue. Excluding these overdue sub-loans, the total number of sub-borrowers was 62 (see Appendix 1).

Year	2002	2003	2004	2005	2006
Number of Loans Disbursed	30	24	5	15	6
Number of Borrowers	29	24	2	15	6
Value of Loans Disbursed (EC\$)	267,507	222,243	32,405	122,760	199,994
Average Loan Size (EC\$)	8,916	9,260	6,481	8,184	33,332

Table 1: Basic Lending Data; Source: NDFSVG

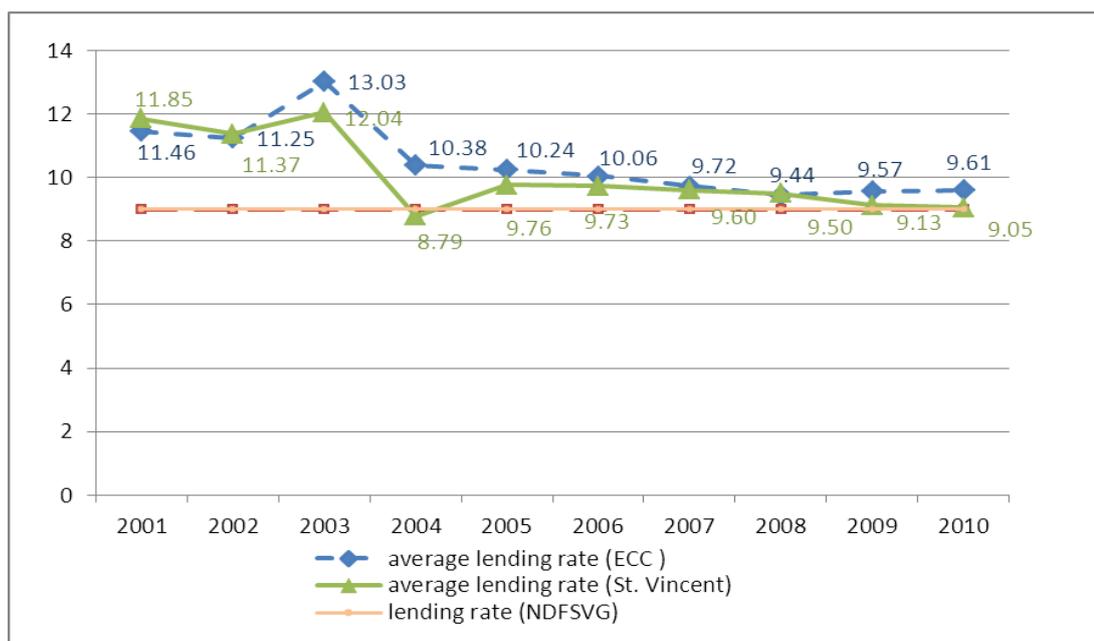


Chart 1: Lending Rate; Source: Financial Statistics Yearbook 2011, Eastern Caribbean Central Bank

(b) Distribution of Loans by Sector and Gender

The majority of loans were used for activities in the fisheries sector. The proportion of sub-borrowers in manufacturing and agriculture was also high (as in Table 2). In contrast, the three sectors receiving the most loans from commercial banks over the same period were tourism, construction and transportation (as in Table 3). Therefore, the project was relatively helpful to those in the agriculture and fisheries sectors, where it has traditionally been very difficult to acquire loans from commercial banks.

Men comprised approximately 70 percent of sub-borrowers; about 70 percent of sub-borrowers were also rural dwellers.

Sector	Fisheries	Manufacturing	Agriculture	Retail	Construction	Service
Lending Distribution	31%	19%	17%	6%	3%	24%

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 ^P
Agriculture	21,853	14,671	14,608	12,282	11,401	10,734	12,951	15,870	1,809	980
Fisheries	552	676	730	622	709	1,080	1,685	2,040	1,211	220
Mining & Quarrying	644	745	1,268	634	380	194	140	105	197	101
Manufacturing	18,253	19,122	19,891	16,879	18,272	38,288	42,851	52,584	60,145	58,295
Utilities	2,464	1,696	3,493	5,433	5,449	8,655	33,663	25,847	18,370	14,148
Construction and Land Development	26,000	22,231	22,450	28,377	22,087	36,219	43,024	48,255	47,549	30,920
Distributive Trades	95,076	88,410	84,598	87,894	98,698	90,152	86,810	91,936	105,736	110,128
Tourism	30,508	29,942	17,919	28,719	28,844	28,865	41,164	40,141	36,238	58,988
Entertainment & Catering	7,999	8,181	5,176	5,438	4,403	5,123	5,207	6,037	7,321	4,568
Transportation & Storage	23,711	20,930	23,970	21,420	18,918	20,599	65,224	35,050	27,292	15,244
Financial Institutions	13,749	10,787	32,444	11,118	7,894	6,043	3,373	2,695	6,583	6,933
Professional and other Services	31,478	33,906	28,198	28,054	36,944	63,691	73,408	86,311	111,855	121,326
Government Services	52,123	103,346	98,665	122,897	151,650	164,030	195,830	232,611	176,580	83,187
Personal	387,300	432,647	429,853	453,766	481,697	529,631	568,799	612,830	612,240	615,774
Acquisition of Property	231,185	279,464	283,625	307,390	332,002	360,201	341,704	358,488	350,423	346,140
House & Land Purchases	87,789	99,670	121,764	107,737	137,594	159,614	109,445	113,039	108,948	104,117
Home Const. & Renovation	143,396	179,794	161,861	199,653	194,408	200,587	232,259	245,449	241,475	242,023
Durable Consumer Goods	24,446	20,930	20,045	17,729	18,992	23,145	24,815	24,116	25,650	23,115
Other Personal Loans	131,669	132,253	126,183	128,647	130,703	146,285	202,280	230,226	236,167	246,519
Total Loans & Advances and Overdrafts	711,710	787,290	783,263	823,533	887,346	1,003,304	1,174,129	1,252,312	1,213,126	1,120,812
% of Long Term Loans to Total Loans and Advances *	65.9	70.8	72.2	71.5	73.3	71.4	67.9	66.8	68.2	70.4

Table 3 : St Vincent and the Grenadines 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.

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

According to financial data for the NDFSVC, the organization's return on total assets (ROA) ratio was positive only during 2006.

However, trends in the data imply slow but steady growth (as in Table 4).

St. Vincent and the Grenadines' GDP growth rate from 2002 to 2009 indicates that the economy expanded from 2001 to 2006, peaked in 2006 and then rapidly contracted from 2006 to 2009. Therefore, the NDFSVC's financial operations corresponded to wider economic trends throughout the country as a whole (as in Chart 2).

The fact that the NDFSVC's financial operations remained stable and exhibited growth indicates that the organization was not overwhelmingly affected by the economic downturn. Despite negative values, the ROA shows an upward trend, which indicates that although the organization did not use its assets productively, it has been generally improving.

Recovery rates of microfinance and arrears rates indicate that the NDFSVC was effective at recovering loans disbursed. The recovery rate of microfinance increased from 2003 to 2007 and then decreased slightly in 2008 and 2009, indicating that the organization's ability to recover loans is improving.

The NDFSVC's operating self-sufficiency (OSS) ratio shows an upward trend and has exceeded 100 percent since 2009, indicating that the organization has been controlling its administrative costs efficiently.

However, data on the NDFSVC's microcredit activities indicate that TaiwanICDF-funded microcredit loans represented 25-35 percent of the NDFSVC's total volume of microcredit loans made in 2002 and 2003, sharply decreasing to a share of 3-10 percent from 2004 to 2006 (as in Table 5). This was possibly because the NDFSVC's average loan terms are for three years, which is the same as the grace period of the project. Moreover, repayments required on loans made the operation of the project relatively costly — many of the other funding resources available to the NDFSVC come from grants. This led the organization to assign loans to

longstanding, well-trusted clients who already had good credit records. Accordingly, re-lending activities and their primary effects occurred during the first three years of the project. The NDFSVM did not use project funding to re-lend to sub-borrowers after 2007.

The most significant effects of the project were seen during 2003 and 2004. The importance of the project as a share of the NDFSVM's overall operations sharply decreased to a small percentage in 2005, to the point where no activities after 2007.

All of these data indicate that over this period, institutional strengthening at the NDFSVM was proceeding slowly but steadily. The TaiwanICDF loan did not have a significant or long-term impact relative to the NDFSVM's total loan portfolio. However, we may assume that the project had an indirect influence on building capacity at the organization.

Year	2003	2004	2005	2006	2007	2008	2009	2010
ROA ²	-9.62%	-6.88%	-4.58%	0.28%	-0.34%	-3.00%	-0.03%	-0.11%
Recovery Rate of Microfinance ³	68.74%	75.55%	84.02%	89.62%	92.30%	92.60%	88.49%	87.64%
Arrears Rate	33%	26%	17%	11%	8%	8%	12%	12%
OSS Ratio ⁴	41%	45%	57%	103%	97%	76%	105%	103%

Table 4: Detailed Lending Data; Source: NDFSVM

² Return on Total Assets Ratio = (Net Income + Interest Expense + Taxes) ÷ Total Net Assets

³ Recovery Rate = Loan Collection ÷ Total Loans

⁴ Operating Self-Sufficiency Ratio = Financial Income ÷ (Financial and Administrative Expenses + Provisions)

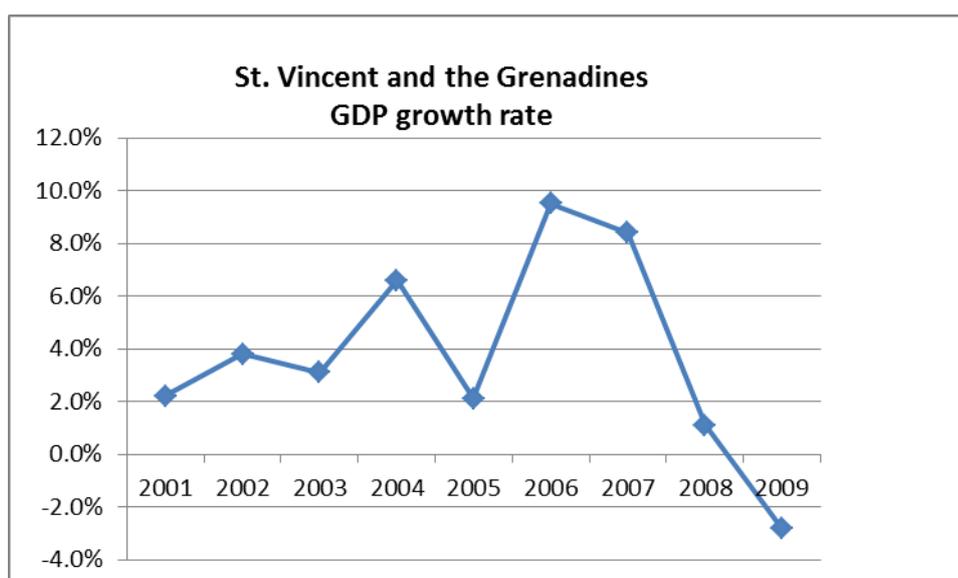


Chart 2: GDP Growth Rate of St. Vincent and the Grenadines; Source: World Bank
(<http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>.)

Year		2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of Loans Disbursed	Total Microcredit	95	96	122	145	131	103	81	68	82
	TaiwanICDF-Funded Microcredit	30	24	5	15	6	-	-	-	-
Value of Loans Disbursed	Total Microcredit (EC\$)	755,897	798,301	1,039,200	1,646,813	2,214,316	2,913,510	2,632,019	836,871	1,500,000
	TaiwanICDF-Funded Microcredit (EC\$)	267,507	222,243	32,405	122,760	199,994	-	-	-	-

Table 5: Comparison of Total Lending from the NDFSVG and TaiwanICDF-Funded Lending; Source: NDFSVG

(b) Raise Incomes and Reduce Poverty

The post-evaluation team distributed questionnaires to 62 sub-borrowers and received 23 responses. Of these, only 13 respondents stated their incomes before and after receiving their loans (see Appendix 2).

For the purposes of post-evaluation, these 13 sub-borrowers will be used as a sample. Although the sample only represents 21 percent of project sub-borrowers, it is the only direct testimony available from

sub-borrowers.

The incomes of all respondents increased after receiving loans, on average by 129 percent. Almost all respondents approved of the project, stating that it had helped their businesses. Therefore, the project had the effect of raising incomes.

However, data indicates that only three respondents used their loans to start businesses, while 20 used their loans to expand or stabilize an existing business. Moreover, 74 percent of respondents said that they had hired staff prior to 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 NDFSVC's project data, the first and second years of the project had the most significant impact on jobs created or sustained, with 140 jobs being created or sustained per year. This effect decreased dramatically to 19 jobs in 2004, increased to 77 jobs in 2005 and decreased to 42 jobs in 2006. The project had no effect on job creation in 2007 and 2008 (as in Table 6).

Over the course of five years, the project therefore supported a total of 418 jobs, of which 15 percent were newly created and 85 percent were existing jobs; and of which 76 percent were held by men and 24 percent by women. This data indicates that the loan was relevant to the generation of employment, but mainly for the purpose of sustaining jobs for men (as in Chart 3).

TaiwanICDF-related Microfinancing			2002	2003	2004	2005	2006	2007	2008
Jobs Created or Sustained by Gender	Male	Created	15	15	-	7	3	-	-
		Sustained	94	94	16	42	33	-	-
	Female	Created	10	10	-	2	-	-	-
		Sustained	21	21	3	26	6	-	-
	Total		140	140	19	77	42	-	-

Table 6: TaiwanICDF-Funded Lending by Gender; Source: NDFSVM

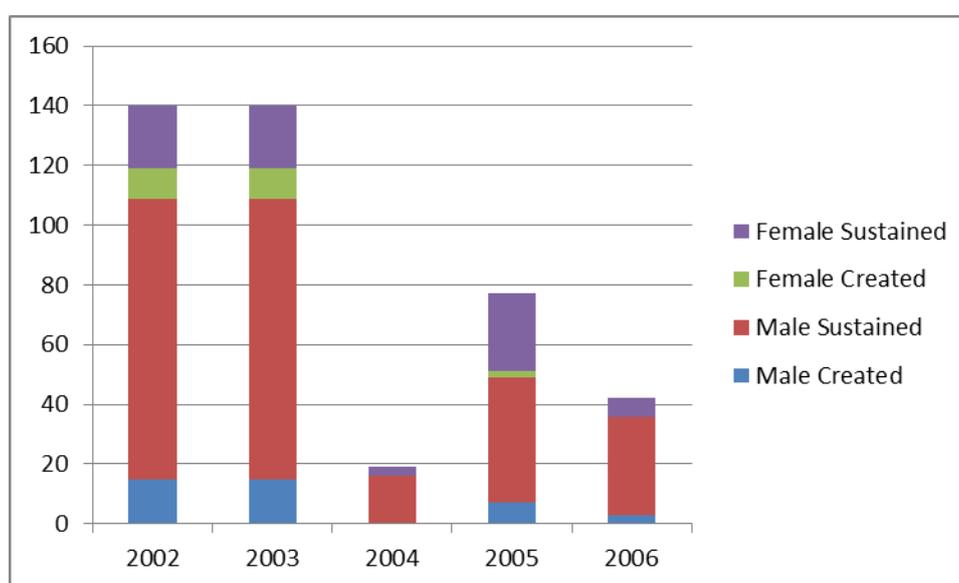


Chart 3: TaiwanICDF-Funded Lending by Gender; Source: NDFSVM

D. Implementation Arrangements

The TaiwanICDF supported the Executing Agency with a combined US\$170,767 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 NDFSVM was made on April 25, 2002 and the second and final disbursement was made on April 25, 2003. The total amount disbursed was US\$170,767.

The TaiwanICDF dispatched an Implementation Evaluation (/Monitoring) Mission during the project implementation period, and a Project Completion Evaluation Mission shortly before the completion of each 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 did not deliver the report after six months had passed.

E. Conditions and Covenants

During the appraisal mission, Taiwanese stakeholders drafted Memoranda of Understanding (MOU) in cooperation with the NDFSVM in February 2001. TaiwanICDF authorities then signed Loan Agreement with the organization in January 2002. 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 January 15, 2002 for the NDFSVM.

Covenants were broadly adequate to ensure sufficient control and quality of project implementation. The TaiwanICDF performed regular follow-up work, including a review 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 Annex1 of the Loan Agreement, it was agreed that the NDFSVC would cooperate with the Taiwan Technical Mission to grant priority to farmers participating in the mission's agricultural projects. Yet according to data on sub-borrowers, no such farmers succeeded in their applications for sub-loans. Some sub-borrowers whose interests related to agriculture and food processing were accepted, but not in connection to the mission's projects.

Moreover, according to the Loan Agreements, the Executing Agency was obliged to deliver Completion Reports within three months after the expiry of the Commitment Period. Although the Commitment Period expired on January 14, 2005 for the NDFSVC, 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 NDFSVC.

In contrast, the NDFSVC received EC\$463,948 along with associated training from EU agencies between 1999 and 2005. The EU continues to dispatch personnel to conduct short-term training workshop for the NDFSVC and its clients on an irregular basis.

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 agency maintained separate accounts for the project, which its fund managers audited monthly, 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.

The NDFSVG provided free assistance on preparing business proposals for loan applications. All such loan applications were subject to a full review and appraisal, with assessment focused especially on financial viability, management skills, creditworthiness and market potential.

In selecting sub-borrowers to receive TaiwanICDF-financed loans, the Executing Agency took a more serious approach toward evaluating applicants' abilities and the feasibility of their business proposals. Established clients with whom the agency had good relationships were given priority use of the TaiwanICDF's loan.

The Executing Agency made a regular round of site visits to sub-borrowers, two days per week, to offer advice.

Most sub-borrowers visited by members of the post-evaluation mission said that they welcomed visits from the NDF and would be willing to borrow from the agency again in the future, because of the friendly and reliable advice they had received.

As part of project implementation, staff at the Executing Agency

participated in a series of teacher-training programs, which last year included (i) Orientation & Entrepreneurship; (ii) Book Keeping; and (iii) Sewing Machine Maintenance. These staff informed members of the Post-Evaluation Mission that this training was useful and had ultimately enhanced the performance of sub-borrowers. The Executing Agency performed these duties well during project implementation.

In a 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 NDFSVG.

(b) Performance

The performance of the Executing Agency can be measured in five areas:

1. Outreach: A total of 62 sub-borrowers received a share of the loan. Since no target or standards were initially set for the number of sub-borrowers, it is not possible to draw any conclusions as to the value of this result.
2. Client poverty levels: Since the project Loan Agreement drawn up by the TaiwanICDF did not require the Executing Agency to record sub-borrowers' income per year (or associated rises or falls in living standards), it is not possible to confirm whether sub-borrowers were poor prior to receiving loans. However, responses to the TaiwanICDF's questionnaire together with data gathered during site visits by the post-evaluation mission indicate that sub-borrowers were running micro-sized businesses. It is therefore probable that sub-borrowers were in a relatively low income bracket, but not impoverished.
3. Recovery: Loan recovery rates increased from 2003 to 2007 and then decreased slightly in 2008 and 2009. The average arrears rate from

2007 to 2010 was 10 percent. In general, the NDFSVC is enhancing its capacity to recover loans but room for improvement remains.

4. Financial sustainability: The NDFSVC's ROA rate increased from 2003 to 2006 and then decreased slightly from 2007 to 2010. The ROA shows a growing trend, but only reached positive figures in 2006. The organization has not been good at using its assets productively, but is improving.
5. Efficiency: The OSS ratio increased over the project period and has exceeded 100 percent since 2009, which indicates that the NDFSVC has been controlling its administrative costs efficiently.

Overall, the performance of the Executing Agency and associated sub-borrowers was *moderately satisfactory*.

H. Performance of the TaiwanICDF

The performance of the TaiwanICDF was also *moderately 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 ensured that the project could achieve its objectives. Furthermore, only one Implementation Evaluation Mission was conducted during project implementation; however, this 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 to raising incomes and reducing poverty.

Evidence gathered indicates that the Executing Agencies and most associated sub-borrowers benefitted from the project. Sub-borrowers' businesses became more active and their incomes increased. At the same time, the client bases of the Executing Agencies, and associated operations, both increased.

However, the NDFSVC did not record sub-borrowers' incomes prior to or subsequent to the disbursement of loans. For this reason, it is practically impossible to measure the real effect of the project on its 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

Project operations were *relevant* to the project objectives. All project operations had an effect on achieving the three initially identified project objectives – (i) build the capacity of non-governmental organizations (NGOs); (ii) raise incomes; and (iii) generate employment – to a degree, but not to the extent that such operations had any strong, direct or long-term effect on project outputs. Funds offered by the TaiwanICDF were not complemented by technical assistance, which might otherwise have sustained and supported project implementation.

Commentary on the project given by the NDFSVC, sub-borrowers, the Taiwanese embassy and the TTM is summarized as follows:

(a) NDFSVC

The NDFSVC suggested that if the TaiwanICDF offered guarantees for farmers working with the Taiwan Technical Mission, they would be willing to re-lend to such farmers.

The NDFSVC also suggested that the interest rate of the TaiwanICDF loan had been relatively high, which had led its staff to take too cautious an approach towards choosing sub-borrowers and meant that the refund rate was lower than its other funding resources.

(b) Sub-Borrowers

The post-evaluation team submitted questionnaires to 62 sub-borrowers and received 23 responses. Among the 23 questionnaires returned, 14 sub-borrowers (61 percent) attended training at the NDFSVC before or after receiving their loans; 22 sub-borrowers (96 percent) preferred loans from the NDFSVC rather than commercial banks, saying that the NDFSVC's applications process was easier, its interest rates were lower and its staff were very friendly, supportive and gave sound business advice; 19 sub-borrowers (83 percent) were satisfied with the interest rates of their loans.

During the post-evaluation mission's site visits to 13 sub-borrowers, all of these borrowers recounted good interactions with NDFSVC staff, and many of them expressed thanks for the NDFSVC's loan. The majority of these sub-borrowers had become proficient in business after receiving their loans.

(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.)

1. **Project Outcomes:** Farmers participating in the Taiwan Technical Mission's projects were not successful in applying for sub-loans. In response, the NDFSVM said that such farmers were not able to provide guarantees against loans and were therefore not sufficiently qualified. In this sense, the project did not match expectations. However, in terms of providing financial support to MSMEs and enhancing the NDFSVM's operational capacity, the project achieved its initial goals of reducing poverty and increasing employment.
2. **Project Problems:** At nine percent, the NDFSVM's loan rate was not significantly lower than the loan rate of other local businesses, which ranged from nine percent to 15 percent during the project implementation period.

Separately, farmers associated with the Taiwan Technical Mission could not meet conditions stipulated in NDFSVM's loan application, which meant that the project did not benefit such farmers.

3. **Feasibility of Integration with other Programs:** Since farmers associated with the Taiwan Technical Mission were not able to apply for loans, this excluded the possibility of integration with other programs, and these farmers did not benefit from the project. In the future, the TaiwanICDF could add a specific clause into the Loan Agreement to give priority to such farmers and guarantee that they receive full consideration.

(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 loan helped to enhance the NDFSVM's operational capacity and the NDFSVM relied on this project to fund its other projects. However, the effect of enhancing economic activities was not so clear.

2. **Project Problems:** The NDFSVM's internal costs are high and the conditions placed on sub-borrowers' requests were strict — both factors that reduced the relative number of beneficiaries. Furthermore, no specific definitions were drawn up to clarify the purposes of re-funding or re-lending loan rates.
3. **Feasibility of Integration with other Programs:** In the future, this kind of project could be integrated with projects involving farmers working with the Taiwan Technical Mission, with special loan interest rates and with repayments audited by the Taiwan Technical Mission. Moreover, the Taiwan Technical Mission could help the NDFSVM to purchase materials and machines, and provide loans to the NDFSVM's clients. This would help to reduce the NDFSVM's operational costs.

C. Preliminary Assessment of Sustainability

The Executing Agency played an active part in project implementation and their operations and reputation within the community improved as a result. Financial data provided by the NDFSVM indicates that the organization is growing slowly but steadily, with its OSS ratio already exceeding 100 percent.

The project enabled sub-borrowers to expand or upgrade their existing enterprises. Many sub-borrowers received supplementary training and were exposed to new ideas regarding organizational development.

These indicators suggest that the operations of the Executing Agency and associated sub-borrowers will prove to be sustainable.

D. Impact

Project goals were to promote the development of the private sector and strengthen credit delivery mechanisms, thereby raising incomes and generating

employment while reducing poverty had some outcomes. However, project design did not set out indicators or targets of any specific value, which presented a few difficulties in monitoring the project over time and measuring its effectiveness or efficiency.

VI. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

The project is rated as *satisfactory* in terms of its relevance, sustainability, and impact on institutional development. The project contributed significantly towards the mobilization and empowerment of participating MSMEs and increased their access to income-generating opportunities, but did not have a direct influence on building capacity among NGOs, i.e. the NDFSVC. Stakeholders benefited from the social and economic empowerment brought about by the project and there is clear evidence that its outcomes can be sustained. The training activities provided by the Executing Agency effectively achieved the expected project outputs and the microcredit, i.e. loans, that they provided was effective. Overall, the project has contributed towards the development of an alternative financial system for MSME-operating households. However, follow-up support is needed to further consolidate the project benefits and ensure long-term sustainability.

From the questionnaires, most of the sub-borrowers did express their thanks to the NDFSVC, particularly because their loan came with consultation and training. Most sub-borrowers used loans to start or expand their business. However, the overall economic environment in St. Vincent and the Grenadines was not good, which affected sub-borrowers' incomes. Sub-borrowers therefore used almost all of their income to maintain their households, and rarely used their income to make reinvestments.

B. Lessons Learned

(a) Project design: Project design did not set out indicators or targets of any specific value, which presented a few difficulties in monitoring the project over time and measuring its effectiveness or efficiency.

(b) Project implementation: The performance of the Executing Agency and associated sub-borrowers was *moderately satisfactory* due to the following factors:

1. The Executing Agency assigned loans to longstanding, well-trusted clients who already had good credit records, monitored the activities of such sub-borrowers and offered suitable business advice. Moreover, the organization held training courses for the benefit of sub-borrowers, which strengthened their business capacity and sustained the operations of the project.
2. The interest rates of sub-loans did not exceed that of the market rate, which reduced repayment pressures on sub-borrowers. The majority of sub-borrowers had already proven their knowledge of business and the market, which increased the likelihood of their businesses and the project succeeding.

(c) Institutional strengthening and capacity building: One of the project goals was to support institutional strengthening and capacity building at the Executing Agency. However, neither of these concerns was incorporated into project design.

(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 reduced the resources that might otherwise have been available and impacted the sustainability of the project.

C. Recommendations—Program Related

(a) 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.

(b) Project design: Project scale should be based on conclusions drawn during project appraisal, and on market needs.

(c) Additional assistance:

1. Project goals should 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. If the TaiwanICDF believes that an Executing Agency's financial ratios are becoming worse, it should be proactive by asking the Executing Agency to apply for technical assistance from available resources.
3. The Executive Director of the NDFSVG (Mrs. Hermia Neehall) participated in the Workshop on Micro-Credit Experiences in Taiwan, which was sponsored by the TaiwanICDF in 2003.