

**CARIBBEAN DEVELOPMENT BANK**

**TWO HUNDRED AND NINETY-NINTH MEETING OF THE BOARD OF DIRECTORS**

**TO BE HELD VIRTUALLY**

**SEPTEMBER 22, 2022**

**PAPER BD 75/22**

**PAPER BD 75/22 Corr.1**

**SUPPORT TO THE MICRO, SMALL AND MEDIUM ENTERPRISES SECTOR**  
**POST CORONAVIRUS DISEASE – SAINT LUCIA**  
**(President Recommendation No. 1025)**

The attached Report appraises a proposal from the Government of Saint Lucia (GOSL) to support the post COVID-19 recovery and longer-term resilience efforts of Saint Lucia's Micro, Small and Medium Enterprise (MSME) sector as a significant contributor to Gross Domestic Product. The proposal seeks to provide grant and loan financing to qualifying MSMEs in the proportion of 70% and 30% respectively, as well as technical assistance to enhance operational capacity. Through these mechanisms, it is anticipated that the MSME sector in Saint Lucia will be more resilient, better positioned for growth and sustainability, and in so doing provide an even greater contribution to Saint Lucia's overall economic development.

2. On the basis of the Report, I recommend:

- (a) a loan to GOSL of an amount not exceeding three million seven hundred and four thousand United States dollars (USD3,704,000) from the Special Funds Resources of the Caribbean Development Bank (CDB), on CDB's standard terms and conditions and on the terms and conditions set out and referred to in Chapter 7 of the attached Report; and
- (b) a waiver of CDB's Private Sector Development Policy and Strategy to permit CDB to finance working capital to existing enterprises for other than longer term inventory investments.

3. Funds are available within CDB's existing resources and/or borrowing programme for the relevant disbursement period.



**CARIBBEAN DEVELOPMENT BANK**

**APPRAISAL REPORT**

**ON**

**SUPPORT TO THE MICRO, SMALL AND MEDIUM ENTERPRISES SECTOR  
POST CORONAVIRUS DISEASE – SAINT LUCIA**

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Considered at the Two Hundred and Ninety-Ninth Meeting of the Board of Directors Meeting on September 22, 2022.

**(BD 75/22 and BD 75/22 Corr.1)**

**AR 22/11 SL**

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**SEPTEMBER 2022**

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## **CURRENCY EQUIVALENT**

Dollars (\$) throughout refer to United States Dollars (USD) unless otherwise stated.

USD1.00 = XCD2.70

## **ABBREVIATIONS**

BRP	-	Business Recovery Programme
BCR	-	benefit-cost ratio
BSOs	-	Business Support Organizations
CES	-	Country Engagement Strategy
COVID-19	-	Coronavirus Disease
CTCS	-	Caribbean Technological Consultancy Services
EIB	-	European Investment Bank
ERRP	-	Economic Recovery and Resilience Plan ESMS
	-	Environmental and Social Management System
ESRP	-	Environmental and Social Review Procedure
GDP	-	Gross Domestic Product
GM	-	Gender Mainstreamed
GOSL	-	Government of Saint Lucia
MOC	-	Ministry of Commerce, Manufacturing, Business Development, Cooperatives and Consumer Affairs
MOF	-	Ministry of Finance, Economic Development and the Youth Economy
MSME	-	Micro Small and Medium Enterprise
MTDS	-	Medium Term Development Strategy
OCR	-	Ordinary Capital Resources
OECS	-	Organisation of Eastern Caribbean States
ORM	-	Office of Risk Management
PAO	-	Project Administration Officer
PAS	-	Performance Assessment System
PM	-	Project Manager
PSDPS	-	Private Sector Development Policy and Strategy
SBDC	-	Small Business Development Centre
SDF	-	Special Development Fund
SFR	-	Special Funds Resources
SIDS	-	Small Island Developing States
SLCSI	-	Saint Lucia Coalition of Service Industries
SLDB	-	Saint Lucia Development Bank
SLISBA	-	Saint Lucia Industrial and Small Business Association
UNDP	-	United Nations Development Programme

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**COUNTRY DATA: SAINT LUCIA**

<b>Item</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
GDP per capita (USD)	11,275.1	11,560.9	11,803.1	9,351.4	9,815.9
GDP at constant market prices (USD million)	2,006.4	2,065.1	2,063.8	1,643.3	1,843.8
<b>Sectoral Distribution of Constant GDP (%)</b>					
Agriculture, Forestry and Fishing	1.9	2.1	2.1	2.4	2.0
Mining and Quarrying	0.2	0.2	0.2	0.2	0.2
Manufacturing	3.6	3.7	3.7	4.1	4.1
Electricity	2.6	2.6	2.6	2.9	2.9
Water	0.9	0.9	0.9	1.0	1.0
Construction and Quarrying	5.2	4.4	4.1	4.6	4.8
Wholesale and Retail Trade	11.8	11.7	10.8	12.0	12.2
Accommodation and Food Services	23.1	23.8	23.7	11.7	20.4
Transport and Storage	5.2	5.2	5.3	4.2	4.0
Communication and Information Services	3.7	4.1	5.2	7.1	6.8
Financial Services	8.2	7.9	8.0	10.3	9.9
Real Estate Activities	12.1	11.8	11.6	15.0	14.1
Public Administration, Defence & Compulsory Social Security	5.8	5.7	5.9	7.5	7.0
Education	3.7	3.6	3.7	4.5	4.2
Health and Social Work	2.6	2.6	2.7	3.4	3.0
Other Services	9.6	9.9	9.8	9.0	8.6
GDP at constant 2018 prices (\$ million)	4,710.0	4859.2	4900.2	3905.2	4181.8
GDP (annual % change)	3.5	2.9	-0.1	-20.4	12.2
<b>MONEY AND PRICES</b>					
Money Supply (M2, annual % change)	1.6	3.9	3.8	(12.7)	14.9
Credit to the Private Sector (annual %)	(1.7)	(2.1)	(1.9)	4.2	(0.1)
Inflation (period average) (%)	0.1	2.6	0.5	(1.8)	2.4
<b>PUBLIC FINANCES (% of GDP)</b>					
Overall Surplus (Deficit)	(1.5)	(2.0)	(1.0)	(3.7)	(11.7)
Gross Public Debt	58.9	59.5	60.4	92.2	90.6
<b>BALANCE OF PAYMENTS (% of GDP)</b>					
Total Exports	51.9	53.9	57.1	27.6	50.4
Total Imports	48.0	47.7	45.7	41.6	47.9
Current Account Balance	-2.18	1.5	6.1	16.8	-0.2
<b>AVERAGE EXCHANGE RATE</b>					
XCD to 1 USD	2.7	2.7	2.7	2.7	2.7

Source: Saint Lucia Economic and Social Review, 2021; and Eastern Caribbean Central Bank

**COUNTRY DATA: SAINT LUCIA**

<b>Item</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>POPULATION</b>					
Population	173,149	173,165	170,914	169,145	169,254
Population (annual % change)	0.01	0.01	-1.30	-1.04	0.06
<b>EDUCATION</b>					
Net School Enrolment Ratio					
Primary	95	95	96	97	-
Secondary	84	82	84	84	-
Pupil-Teacher Ratio					
Primary	15	15	14	14	-
Secondary	11	11	11	11	-
<b>LABOUR FORCE</b>					
Unemployment Rate (%)					
Male	20.2	20.2	16.8	21.7	19.8
Female	18.1	18.5	14.9	18.6	18.2
	22.4	22.1	18.9	24.9	21.4
<b>HEALTH</b>					
Life Expectancy at Birth (years)					
Male	75.9	76.1	76.2	76.2	-
Female	77.3	77.4	77.6	76.3	-
	74.6	74.7	74.9	74.9	-
Mortality Rate, Infant (per 1,000 live births)					
	20.6	21.1	21.6	22	20.6
Human Development Index					
	0.759	0.758	0.759	-	0.759

*Sources: The Central Statistics Office, Saint Lucia; World Bank; UNDP*

## **PROJECT SUMMARY**

<b>Financial Terms and Conditions</b>					
<b>Borrower:</b>		Government of Saint Lucia (GOSL)			
<b>Implementing Agency:</b>		Ministry of Commerce, Manufacturing, Business Development, Cooperatives and Consumer Affairs (MOC) through Small Business Development Centre (SBDC)			
<b>Executing Agency:</b>		Saint Lucia Development Bank (SLDB)			
<b>Disbursement Period:</b>		December 31, 2022 to September 30, 2024			
<b>Sector Code:</b>		32130			
<b>Fund</b>	<b>Fund Source</b>	<b>Amount (000's)</b>	<b>Amortisation Period (years)</b>	<b>Grace Period (years)</b>	<b>Interest Rate (%)</b>
Special Funds Resources (SFR) - USD	Special Development Fund (SDF)	3,704	22	3	0.75% p.a. fixed
Loan Total:		3,704			
Counterpart Total:		427			
Total Project Cost		4,131			
<b>Office of Risk Management (ORM) Commentary:</b> Not applicable					
As this project does not involve Ordinary Capital Resources (OCR), no Risk Commentary is provided.					
<b>Project Summary</b>					
<b>Project Outcome and Description:</b>					
<p>The expected outcome is enhanced operational performance of Micro Small and Medium Enterprises (MSMEs) post-pandemic which will lead to improved resilience, growth and sustainability within the sector and contribute to Saint Lucia's overall economic development. This outcome is expected to be achieved through the provision of grant and loan financing to address critical financial needs and provision of sector-specific technical assistance through mentoring, and upskilling of entrepreneurs in business planning, financial management and marketing. Loan resources will be allocated as follows; capital financing (\$3.1 mn), capacity building (\$0.308 mn), and project management (\$0.213 mn).</p>					
<b>Exceptions to CDB Policies:</b>					
<p>A waiver of the Caribbean Development Bank (CDB) Private Sector Development Policy and Strategy (PSDPS) to permit CDB to finance working capital to existing enterprises for other than longer term inventory investments.</p> <p>The Project is classified as Category 'FI' under CDB's Environmental and Social Review Procedures (ESRP).</p>					



**Gender Marker Summary**

<b>Analysis</b>	<b>Design</b>	<b>Implementation</b>	<b>Monitoring &amp; Evaluation</b>	<b>Score</b>	<b>Code</b>
1.0	0.5	0.5	1.0	3.0	GM <sup>1</sup>

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<sup>1</sup> Gender Mainstreamed (GM): The Project has the potential to contribute significantly to gender equality.

## **1. STRATEGIC CONTEXT AND RATIONALE**

### **LOAN REQUEST**

1.1 By letter dated February 24, 2022, GOSL requested assistance from CDB to facilitate access by MSMEs to concessionary capital funding over a two-year period. Additionally, support would be provided to build resilience within the Saint Lucian MSME sector, so that business continuity is less dependent on government support.

### **BACKGROUND**

1.2 According to MOC, access to capital has been one of the major impediments to business growth and development in Saint Lucia. This is particularly the case for small and micro entrepreneurs in the MSME Sector, that often call on the MOC, seeking assistance to relieve some of the financial burden associated with operating their businesses. Businesses in the sector are often perceived as high credit risk by the traditional banking sector as they often fail to meet basic lending criteria. This has led to a general aversion to lending to MSMEs, highlighting the need to strengthen operational and financial management capacity within these enterprises to make them more bankable.

1.3 The current pandemic and its economic fall-out have only served to exacerbate vulnerability within the sector. In 2021, two separate surveys conducted on the impact of the Coronavirus Disease (COVID-19) pandemic on MSMEs by the MOC and the Organization of American States indicated that almost 50% of the businesses assessed had reduced staff temporarily. Businesses lost income due to lockdowns and the increased cost of operations in keeping with the new standards and protocols. Some have permanently closed their doors, whilst others are struggling to remain afloat. This has resulted in job displacements which places families under pressure to provide their basic needs. Recovery of the sector is therefore paramount for stabilisation of economic prospects in Saint Lucia.

1.4 Through the proposed MSME Loan-Grant Facility Project (the Project) the GOSL seeks to offer some financial relief to MSMEs, particularly those that have faced hardship from the ongoing pandemic and cannot meet the lending agencies' criteria for borrowing. This group includes existing businesses and aspiring entrepreneurs, in particular persons who have lost their jobs or otherwise displaced by the pandemic, especially women and single parent households. Qualifying MSMEs will be provided with capital financed via concessionary loans (30%) and grant funds (70%) to facilitate the establishment, expansion, or retooling of their businesses within targeted sectors. This project excludes youth and business owners under 31 years of age. This category of entrepreneurs is supported through the recently created Youth Economy, within the Ministry of Finance, Economic Development and the Youth Economy (MOF) which has a mandate to support youth empowerment and entrepreneurship. Support for this category is also provided through the European Union-financed Youth Enterprise Fund administered by SLDB.

1.5 The Project will also provide targeted technical support within key management areas as well as specific training and mentorship tailored to the industry or sector under consideration. Through these mechanisms, it is anticipated that the MSME sector in Saint Lucia will be better positioned for growth and sustainability, and in so doing provide an even greater contribution to Saint Lucia's overall economic development.

### **MACROECONOMIC CONTEXT**

1.6 Following a steep decline of real output by 20.2% in 2020 due to COVID-19 restrictions, growth of 12.2% was recorded in 2021 as the economy reopened and tourism activity registered robust recovery. The outlook for 2022 is upbeat, with real Gross Domestic Product (GDP) projected to further strengthen

by 5%; driven mainly by continued improvement in tourism performance and construction activity, both public and private. While the recovery in international travel buoyed by pent up demand could provide further impetus for tourist arrivals numbers, the medium-term growth outlook is marked by cautious optimism, as risks are tilted heavily towards the downside, given the continued presence of COVID-19 and a low vaccination rate of only 30%. The ongoing Russia/Ukraine war presents serious challenges, as it has exacerbated COVID-19 induced supply-side issues with spill-over impacts on global prices and supplies. Saint Lucia's inflation rose by 2.4% in 2021 (from price deflation in 2020), due to a confluence of factors that included increased consumer demand and global supply chain disruptions, part of which was linked to labour shortages. Inflationary pressures are expected to surge in 2022, with price rises of 6.4% projected; a situation that could put considerable strain on households and the operations of small businesses that are highly dependent on household spending.

1.7 Though not back to pre-pandemic levels, the fiscal position of the central government improved due to a higher revenue intake associated with the partial recovery in economic activity in 2021. In 2020, fiscal injections to mitigate the worst effects of the unprecedented COVID-19 shock and to help citizens cope with the significant economic losses, led to a spike in the overall deficit of 11.9% of GDP. This was reduced to 6.5 % of GDP in 2021, while the public debt to GDP ratio decreased to 92.2% from 96.9% in 2020. Fiscal deficits are forecast to further narrow in 2022 consistent with the projected rise in output. The overall and primary deficits are projected at 2.7% and 6.2% of GDP respectively, and public debt to GDP to taper to 91.8% of GDP.

1.8 Notwithstanding the improvement in macroeconomic conditions, a return to pre-COVID-19 positions is not expected until around 2024. Further, the sustainability of public debt is likely to remain a challenge should the COVID-19 crisis deepen or until conditions normalise. The underlying challenges that GOSL faces in managing a relatively difficult fiscal situation will continue to limit the degree to which government can finance its core obligations purely from revenue collections and could compromise its development objectives. In the wake of this developmental challenge, the Project proposed will have a two-fold positive impact; permitting GOSL to retain the flexibility needed to support growth recovery through funding the critical MSME sector at a time of continuing urgent need, while improving debt dynamics and supporting Government's commitments to long-run debt sustainability by contributing, through concessional debt finance, to a reduction in the overall average cost of debt.

## **SOCIAL CONTEXT**

1.9 According to the United Nations Human Development Report (2020)<sup>2</sup>, Saint Lucia, a Small Island Developing State<sup>3</sup>, ranked 86 out of 189 countries with a Human Development Index (HDI) value of 0.759 up from 0.758 in 2018, which placed it in the high human development category. Life expectancy stood at 76.2 years in 2019, with females (77.58 years) living 2.73 years longer than males at 74.85 years. Progress on several other health indicators has been encouraging. Saint Lucia's child mortality rate declined from 14.3 in 2017 to 13.4 in 2019 and compares favourably with other BMCs in the Organisation of Eastern Caribbean States (OECS). (Grenada - 14.7; St. Kitts and Nevis - 14.7; and Saint Vincent and the Grenadines - 13.4), as well as the global average of 26 per 1,000 live births. The health sector achievements are reflective of the country's commitment to ensuring the health and wellness of its citizenry, evidenced by health expenditure estimated at 6% of GDP, which continues to yield health and social development dividends.

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<sup>2</sup> United Nations Development Programme (UNDP) Human Development Report (2020). *The Next Frontier-Human Development and the Anthropocene*.

<sup>3</sup> Small Island Developing States (SIDS) are a group of small islands/states that tend to share similar sustainable development challenges, including small but growing populations, limited resources, remoteness, susceptibility to natural hazards, vulnerability to external shocks, excessive dependence on international trade, and fragile environments.

1.10 According to the 2021 Labour Force Survey (LFS), the overall unemployment rate increased to 21.9% from 17.1% in 2020<sup>4</sup>. The unemployment rate for males and females also increased during the period from 18.47% to 20.1%, and 19.3% to 23.9%, respectively. In keeping with historical trends, youth unemployment was recorded at 37.0% for the period, almost double the national rate. Poverty head count simulations, assuming a temporary income shock of 25% and 35% to households showed a significant increase in poverty rates, rising to 41.3% and 50.6%<sup>5</sup>, respectively when compared with the 2016 baseline of 25%<sup>6</sup> poverty rate). Gender inequalities persist that make women more vulnerable to poverty impacts, due in part to persistent gender wage gaps. Prior to the pandemic, in Saint Lucia, the average wage for women was 22% less than that of their male counterparts (United Nations Development Programme [UNDP], United Nations Children's Fund [UNICEF], and the United Nations Entity for Gender and the Empowerment of men [UN Women, 2020]).<sup>7</sup>

1.11 A 2020 COVID-19 assessment<sup>8</sup> highlighted the worsening socio-economic situation in Saint Lucia. It revealed that in addition to a reduction in labour income, over 50% of households experienced losses in non-labour income derived through remittances, unemployment benefits, and private transfers. Further, 71.2% of households experienced a decrease in total income from their main source of livelihood since the outbreak of COVID-19. The Assessment estimated that tourism alone accounted for 50.8% employment of the 64.5% in the services sector. Using 2021 LFS data, the Assessment estimated that 57% (47,867) of the employed (given a total employed of 83,977) would have been working in low-paying wage occupations with the largest proportion, 36% (30,231) in services and sales work and craft and related occupations linked to the tourism industry<sup>9</sup>. The Assessment further highlighted that among MSMEs, persons working in the services sector will continue to be hardest hit in terms of income loss. In industry, over 80% of businesses are sole trading MSMEs, a large percentage of which are unregistered and operating in the informal economy. Fifty eight percent of informal enterprise operators are male and 42% female with most of the enterprises being sole proprietors<sup>10</sup>. As a coping strategy, the Assessment informed that households withdrew savings during the period to manage their financial and household commitments. It further revealed that 15% of households experienced difficulty in accessing basic needs such as food and medicine, with poor households being 10% more likely to experience these constraints as compared to non-poor households.

## **SECTOR ANALYSIS**

### **Institutional Framework**

1.12 The MOC is the public sector agent charged with overarching responsibility for the development of the Saint Lucian private sector. In unison with the Private Sector and related supporting agencies, it seeks to promote and facilitate the establishment of a dynamic investment and trading environment, which anticipates changes in global circumstances, whilst strengthening and enhancing the productive capacities and competitiveness of Industry and Commerce, encouraging good business practices and promoting consumer interest.

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<sup>4</sup> LFS conducted by the Central Statistics Office in 2021 and reported in the Social and Economic Review (2021:48).

<sup>5</sup> COVID-19 HEAT Report: *Ibid*:24.

The Poverty Rate was calculated using data collected from the Survey of Living Conditions-Household Budget Survey under CDB's Enhanced Country Poverty Assessment Programme.

<sup>7</sup> *Ibid*: 25.

<sup>8</sup> *Monitoring the Socio-Economic Impact of COVID-19 through High Frequency Phone Survey*. The survey was undertaken in May 2020 by the Central Statistics Office with World Bank support.

<sup>9</sup> *Ibid*.: 22.

<sup>10</sup> *Ibid*.: 20.

1.13 The Micro and Small-Scale Business Enterprises Act Cap 13.19 of 1998 (amended 2006) (the MSE Act) established the Small Enterprise Development Unit (SEDU), now the Small Business Development Centre (SBDC) and gave it the authority to facilitate the sustainable development of the micro, small and medium business sectors. To this end, and as part of its mandate, SBDC provides guidance, technical assistance and training to existing and prospective entrepreneurs. The Act also seeks to do the following: Define Small and Micro Businesses: establish a multi-stakeholder MSE Advisory Board; establish a register for Small Business, provide relief for Small Businesses through incentives, and establish reporting by Small Businesses. Several subordinate departments also exist under MOC with roles and functions which also support MSME development. These include Commerce and Industry, Consumer Affairs, and the Office of Investment Coordination. The Commercial Information Centre, a department within the MOC, also provides support services to MSMEs that augment the services related departments provide. The Act also provides for the Minister responsible for Commerce to recommend relief to qualifying micro or small-scale business enterprise under the Fiscal Incentives Act. In addition, the current MSME support framework includes a number of organisations, some of which are in the development space. Details are provided at Appendix 1.1.

### **Contribution to GDP**

1.14 In Saint Lucia, MSMEs account for a large proportion of all private enterprises, employment, and contributions to GDP. While statistical data on the true contribution of MSMEs to GDP is somewhat dated, anecdotal information suggests that MSMEs contribute close to 40% of GDP and provide employment for 38,995 persons or 49% of the labour force. A 2014 Inter-American Development Bank (IDB) Private Sector Assessment Report, under its Compete Caribbean Partnership Facility, notes that the private sector consists primarily of small enterprises of which 77% employ fewer than 5 people, and only 1% of firms employ more than 50 persons. The sector is dominated by tourism, agriculture, wholesale and retail trade, construction, financial intermediation, and services. GOSL is seeking to complete an enterprise census by December 2022 which will provide updated statistical information on the contribution of MSMEs to GDP.

### **Classification of MSMEs**

1.15 The classification of MSMEs as defined in Saint Lucia's MSME policy is as follows in Table 1.1.

**TABLE 1.1: CLASSIFICATION OF MSMEs**

<b>Parameters</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
<b>Number of Employees</b>	0 – 5 employees	6 – 20 employees	21 – 50 employees
<b>Annual Turnover</b>	≥ XCD \$100,000 per annum	XCD \$100,001 - \$500,000 per annum	XCD \$500,001 - \$1 million per annum
<b>Net Assets</b>	≤ XCD 75,000 per annum	XCD \$75,001 - \$200,000 per annum	XCD \$200,001- \$500,000 per annum

### **Ownership**

1.16 Based on the database of MOC, the number of registered MSMEs is 6,469 comprising 2,636 (41%) and 3,833 (59%) of businesses owned by persons aged 18-35 years and 35 years and over, respectively. The overall gender ratio in terms of ownership is 49% female versus 51% male as reflected in Table 1.2 below. These businesses are engaged in operations related to agriculture, manufacturing, construction,

professional services, creative industries, information and communication technology services and spa and wellness services.

**TABLE 1.2: GENDER RATIO**

<b>Gender</b>	<b>Age (18-35 years)</b>	<b>Age (35 years and over)</b>	<b>Total</b>
Female	1,347	1,818	<b>3,165</b>
Male	1,289	2,015	<b>3,304</b>
<b>Total</b>	<b>2,636</b>	<b>3,833</b>	<b>6,469</b>

### **Challenges**

1.17 While access to affordable and appropriate financing capital remains a perennial issue, adding to the slow recovery of the MSME sector, other factors negatively impact the resilience of the sector as it pertains to long term growth prospects amidst an increasing frequency of endogenous and exogenous shocks. Noted factors impacting resilience and business continuity include:

- (a) **Informal Nature of Operations** - Even in cases where businesses may have a registered name, they continue to operate outside of financial and other regulatory frameworks. Many do not have a bank account and operate on a cash only basis without the possibility of tapping into the various financial products that will help grow their enterprise. Additionally, this issue of informality relates to MSMEs being unable to access the suite of support services that are available through the GOSL including fiscal incentives, technical support and capacity building opportunities.
- (b) **Poor Financial Management** - Apart from a reluctance to form a relationship with the commercial banks, most MSMEs are incapable of making appropriate financial decisions that would lead to the long-term growth of their enterprise. Central to this is the lack of bookkeeping or accounting to aid in decision-making. This issue also lends to their inability to attract financing either through investment, grant or loan capital.
- (c) **Inability to Access Main-stream Markets** – Where domestic market share can be seen as a pillar towards eventual exports, many MSMEs are unable to create or increase market share. A number of factors can be attributed to this including, lack of market research to guide product design, inability to meet market standards, poor networking and ineffective advertising or marketing.
- (d) **Slow Uptake of Digital Technologies** – MSMEs tend to show a limited capacity to maximise use of emerging technologies to enable the production, marketing and selling components of their operations. Marketing in terms of online presence via website or social media platforms is limited, while selling through e-commerce is at a nascent stage in Saint Lucia. This is partly due to the issues of banking and financial management noted above. There is significant need to build capacity in these areas and to facilitate the use of available technologies by the sector.

## **COUNTRY SECTOR STRATEGY**

1.18 CDB's current Country Engagement Strategy (CES) with Saint Lucia (2020-2023) proposes an integrated sectoral level programme of assistance in areas that are expected to assist with the achievement of key development outcomes set out in GOSL's Medium-term Development Strategy (MTDS) 2020-2023. In line with GOSL's priorities, the CES is focused on intervention areas that are key to strengthening the framework for delivering inclusive, resilient, and sustainable growth. The CES also supports GOSL's COVID-19 response to address the challenges brought about by the pandemic.

1.19 Saint Lucia's MTDS highlights the need to create an enabling environment for private sector growth and development as part of its crosscutting thematic area of productivity and economic competitiveness. As such, as part of its socioeconomic transformation programme, GOSL is focusing on initiatives aimed at enhancing the viability of MSMEs. Current initiatives span several ministries such as youth, agriculture and technology. In addition, GOSL is reviewing its procurement policy as well as legislation, specifically the MSME and the Fiscal Incentives Acts with the intention to modernise and facilitate access to critical inputs for the production of goods and services such as machinery and equipment.

1.20 GOSL has identified manufacturing, agro-processing and service-based businesses as priority sectors for support in recognition of their potential contribution to economic and social development. In that regard, a national services policy and strategy being implemented by the MOC was approved in 2017 to support and promote service sector development across all government and private sector entities. Consequently, government has amended the Fiscal Incentives Act, which previously catered for mainly manufacturing enterprises, to provide incentives (waiver of import duties on equipment, tools and supplies) to service-based businesses related to Professional Services, Creative Industries, Information and Communication Technology Services and Spa and Wellness. In addition, MOC in collaboration with the government's Statistical Department established a data capturing system in 2020 to collect data on the performance and contribution of the services sector to the economy. According to the MOC, the capturing of data has been challenging because of the poor record-keeping practices of MSMEs which the Ministry is seeking to address under this Project.

1.21 GOSL's support to MSMEs in response to COVID-19 is encapsulated in its Economic Recovery and Resilience Plan (ERRP), which lays the groundwork for recovery and building resilience to external shocks over the medium term. The ERRP includes the provision of grants/loans to MSMEs as addressed by several initiatives.

## **LINKAGE OF PROJECT TO CDB'S SECTOR STRATEGY AND POVERTY GOALS**

1.22 The Project is aligned with CDB's Strategic Objective of supporting inclusive and sustainable growth and development through building production resilience (private sector development including MSMEs).

1. The Project is consistent with the following of CDB's 2022-2024 strategic objectives:
  - (a) Building Social Resilience
  - (b) Building Production Resilience
  - (c) Building Financial Resilience.

2. The Project is consistent with the following of CDB's corporate priorities:
  - (a) Promoting private sector operations and MSMEs
  - (b) Improving private sector development and competitiveness.
3. The Project integrates the following of CDB's cross-cutting themes:
  - (a) Innovation
  - (b) Gender Equality.
4. This Project is consistent with the following of CDB's Sector and Thematic Policies:
  - (a) Private Sector Development Policy and Strategy
  - (b) Gender Equality Policy and Strategy.

## **RATIONALE**

1.23 As with many other countries, the MSME sector forms the backbone of the Saint Lucian Economy. The sector tends to employ a large share of the most vulnerable segments of the workforce, namely, less experienced, and less-educated workers belonging to poorer households, women, and young people. Consequently, GOSL have prioritised the provision of support for the sector to help in its recovery from the impact of the COVID-19 as well as the enhancement of its long-term resilience to exogenous shocks. The project supports this goal by providing immediate financial relief to qualifying business as well as capacity building to address inherent weakness in their operations.

1.24 As mentioned in 1.16 above, MSME performance and growth are limited by several challenges. As a result, small and micro enterprises, in particular, are often heavily reliant on Government for survival and development.

1.25 The current situation has underscored the need to create resilience in the sector. As such, GOSL has embarked on several initiatives to provide financial support to MSMEs, including a Business Recovery Programme (BRP)<sup>11</sup> and a European Investment Bank (EIB) funded Line of Credit to MSMEs<sup>12</sup> through SLDB. This Project will complement these initiatives by expanding the reach of support to MSMEs. It captures a significant number of micro-enterprises, with approximately 65% of resources targeted towards new entrepreneurs such as pre-ventures, start-ups, and businesses under 2 years of operations, several owners of whom have lost jobs or were otherwise displaced by the pandemic.

1.26 The provision of concessionary financing to MSMEs supports building resilience in the sector, assisting businesses in maintaining sustainability of operations while ensuring adherence to health guidelines, creating prospects for long term growth and productivity. The loan to GOSL is being funded

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<sup>11</sup> The BRP is a new facility under the SLDB's Climate Adaptation Financing Facility (CAFF) that supports Saint Lucia's COVID-19 Economic Recovery and Resilience Plan (ERRP) by providing financing and technical support to MSMEs affected by the COVID-19 pandemic. It provides a mixed loan/grant facility to potential borrowers with the grant being used to incentivise the adoption of climate smart technology and provide liquidity support to assist them to recover and become more resilient.

<sup>12</sup> In May 2022, GOSL guaranteed a USD5m line of credit to SLDB from EIB targeted at COVID-impacted business. The facility seeks to provide a blend of short-term financing to support the working capital and liquidity needs of the MSMEs affected by the COVID-19 breakout, along with medium-term financing to support investments in business expansion.



out of its allocation of SDF resources, which is justified given the nature of the sector and a desire to facilitate on-lending to businesses at concessional rates of 3%.

1.27 The Technical Assistance component of the Project will deliver a comprehensive package of training and technical support tailored to the specific needs of the individual enterprises, which will improve their viability and by so doing increase their access to financial products, including fiscal incentives, and other support services. The training and mentoring aspects of the technical assistance component will strategically position MSMEs to better attract future capital funding thus reducing the fiscal burden on Government.

## **2. PROJECT DESCRIPTION**

### **PROJECT OUTCOME**

2.1 The expected outcome of the Project is the enhanced operational performance of MSMEs post-pandemic, which will lead to improved resilience, growth and sustainability within the sector and contribute to Saint Lucia's overall economic development. A Results Framework outlining the actions necessary to accomplish this outcome is presented at Table 2.1.

### **PROJECT COMPONENTS**

2.2 The Project will comprise the components listed below, detailed descriptions of which are presented at Appendix 2.1.

- (a) Capital Financing – this involves the provision of funding to qualifying MSME beneficiaries. Depending on the category of business, beneficiaries may receive between \$3,700 to \$9,200 in the ratio of 70% grant and 30% loan. The loan portion will be disbursed at an interest rate of 3%. The resources of the Capital Financing component shall be totally committed by the Borrower for making MSME loans and grants by March 31, 2024, or such later date as may be specified in writing by the Bank.
- (b) Capacity Building – includes costs relating to technical assistance for capacity building and formalisation (\$0.45 mn). As a condition of the MSME loans, beneficiaries will receive a targeted training and technical support programme, customised to fit the needs of the individual enterprise or sector represented. The training programme will be monitored by the Project Management Office/SBDC and delivered by consultants. Training Support will also be provided by CDB's Caribbean Technological Consultancy Service (CTCS).
- (c) Project Management – This component includes the following sub-components:
  - (i) Project Management Office – This represents the costs of an assigned Project Manager (PM) and a Project Administration Officer (PAO) from within SBDC, supported by a Loan Administrator from SLDB (\$0.142mn)
  - (ii) Selection Process – refers to costs associated with the application process including the screening of applicants and the selection of eligible beneficiaries by the Evaluation Committee. See Appendices 2.2 and 2.4 for further information regarding eligibility requirements and the procedures for the programme.
  - (iii) SLDB Administrative Fee – consists of an agreed agency fee of \$0.185 mn to be paid to SLDB for the disbursement of funds, loan processing, and subsequent follow-up activities with clients. See Appendices 2.5 and 2.6 information regarding the Agency Disbursement Agreement (Agreement) and the roles and responsibilities of each agency.

**TABLE 2.1: RESULTS FRAMEWORK**

<b>Project Impact</b>				
Improved resilience of MSME sector–				
<b>Outcome</b>	<b>Indicator</b>	<b>Baseline</b>	<b>Target</b>	<b>Data Sources, Reporting Mechanisms and Report Frequency</b>
1. Enhanced operational performance of MSMEs /post-pandemic	Percentage of MSMEs remaining in business 3 years after receiving project support, disaggregated by sex of ownership  Number of jobs retained/created (p.a), disaggregated by sex  Percentage increase in sales output by the end of the programme.	100% 30/09/2022  0 30/09/2022  0 30/09/2022	70% 30/09/2025  1000 30/09/2024  5% 30/09/2024	SBDC performance reports  SBDC quarterly reports  SBDC performance reports (based on financial statements)
<b>Assumptions for achieving Outcomes</b>				
<ul style="list-style-type: none"> <li>• Global economy stabilises.</li> <li>• The Banking sector's lending Policies as it relates to MSMEs are unchanged</li> <li>• Project beneficiaries have capacity to implement recommendations. Low staff turnover</li> <li>• No major natural disaster or exogenous shock. Which could affect /disrupt the MSME sector</li> </ul>				
<b>Output</b>	<b>Indicator</b>	<b>Baseline</b>	<b>Target</b>	<b>Data Sources, Reporting Mechanisms and Report Frequency</b>
1. Loan/Grant financing provided to MSMEs	Value of concessionary funding provided to MSMEs  Number of MSMEs benefitting from financing, disaggregated by sex of business owner	USD 0 30/09/2020 0 30/09/2022	USD 3.1mn 30/09/2024 450 30/09/2024	SLDB Reports on Loan performance  SBDC quarterly reports on business performance
2. Capacity Building activities completed	Number of MSMEs completing training and benefitting from mentorship support, disaggregated by sex of business owner.  Number of MSMEs with developed business and marketing plans, (disaggregated by sex of business owner)	0 30/09/2022  30/09/2022	450 30/09/2024  30/09/2024	Programme evaluation forms  Consultant reports
3. Formalisation of businesses	Number of newly registered MSMEs among target group (disaggregated by sex of business owner)	0 30/09/2022	270 30/09/2024	SBDC reports
4. Marketing/communication strategy developed/updated	Gender-responsive marketing/communication strategy enhanced to target beneficiaries	No 30/09/2022	Yes 30/09/2024	Project Management Report
<b>Assumptions for achieving Outputs</b>				
<ul style="list-style-type: none"> <li>• Subject matter experts are readily available.</li> <li>• Effective collaboration between implementing agencies to ensure the uniformity in the application of standards.</li> </ul>				

## **LESSONS LEARNT**

2.3 CDB and MOC have a long-standing relationship regarding technical assistance support aimed at improving managerial and technical capacities, operational efficiency, and competitiveness of MSMEs. As the designated coordinating institution for Caribbean Technical Consultancy Services (CTCS) in Saint Lucia, MOC continuously provides relevant feedback on lessons learned from CTCS Technical Assistance interventions, especially regarding shortcomings which hinder the ability of MSMEs to realise desired outcomes. These are presented in the table below:

<b>Description</b>	<b>Project Response</b>
Informal status makes many businesses ineligible for fiscal incentives and programmes that support the business community.	Persons interested in applying for the programme are directed towards training and other support for business registration, and development of business plans, as a pre-requisite to application.
Absence of concessionary funding to facilitate the improvement of operations.	70% of total funding will be provided in the form of a grant. The remaining 30% will be a loan with a highly concessionary rate of 3%. This Project provides a boost to businesses, particularly pre-ventures and start-ups with limited access to capital.
Inability to reach the desired target market.	The SBDC will develop a comprehensive communications strategy to ensure maximum reach. This includes the use of digital and traditional media as well as conducting in person forums throughout the country.
Training sessions are often generic and do not address sector-specific needs.	Under the Technical Assistance component of the Project, each business will receive a 6-month training and technical support programme tailored to meet the needs of the individual, enterprise, or industry. This includes in-person training, virtual classes, and one-on-one mentoring support. See the Appendix 2.3 for the Terms of Reference for the Technical Assistance.
Rigidity of training schedules precludes participation of potential beneficiaries	This is addressed in two ways. First, completion of all training within the clients' tailored programme is a pre-condition to receiving all funds approved. Second, SBDC will build sufficient flexibility within the training programme to accommodate the diverse needs of participants.

### 3. **FINANCING PLAN**

#### **FINANCING STRUCTURE AND COSTS**

3.1 The project is estimated to cost four million, one hundred and thirty-one thousand United States dollars (\$4.131 mn) and will be financed by resources from CDB and GOSL. Cost estimates were prepared by SBDC, based on SBDC's assessment of the current financing requirements of a representative sample of MSMEs taking into account GOSL's fiscal constraints. Estimates for Project Management were based on current rates for this type of professional service. The administration fee has been agreed on with SLDB and is covered in the Agency Disbursement Agreement (see Appendix 2.5). Physical contingencies of 10% were applied to the Capacity Building component. A summary of the Project Cost and Financing Plan is shown below with the details presented in Table 3.1 (see Appendix 3.1 for further details).

3.2 The project will be financed by:

- (a) a loan to GOSL of an amount not exceeding the equivalent of three million seven hundred and four thousand United States dollars (\$3.704 mn) from CDB's Special Funds Resources allocated from the Special Development Fund; and
- (b) counterpart funding of not less than four hundred and twenty-seven thousand United States dollars (\$427,000) [XCD1.153 mn equivalent], representing 10% of the Project cost, to assist with preliminary costs, Project Management and Technical Assistance.

3.3 The loan will be repayable over a period of 25 years inclusive of a grace period of 3 years. The interest rate will be fixed at 0.75% per annum for the duration of the loan. SLDB will make sub-loans to qualifying entities under the project at a rate of 3% of which 1% will be retained by SLDB and 2% in addition to the principal amounts will be held in a separate joint account between GOSL and SLDB for the purpose of future continued support to MSMEs. It shall be a condition of the Loan that GOSL and SLDB establish a joint account for the revolving fund by March 31, 2024. Additionally, SLDB will establish and for the duration of the Project maintain an operative account in EC dollars which shall be separate from and not comingled with its own resources and used for the sole purpose of receiving, disbursing and managing the resources of the Loan

3.4 Under CDB's PSDPS, Section 2.08) (2017), CDB may finance initial working capital, i.e., for new enterprises, and longer-term inventory investments for both new enterprises and existing enterprises to which financing is provided directly to the private sector or indirectly through FIs. Given the loss of revenue from business interruption and closure during the COVID-19 pandemic, GOSL will provide liquidity support to meet working needs of existing enterprises. Accordingly, a waiver is being sought to permit CDB to use part of the resources available under the Project to provide working capital support to existing enterprises for other than for long-term inventory investments and that the applicable provision of the PSDPS be waived to permit this.

**TABLE 3.1: SUMMARY OF PROJECT COST AND FINANCING**  
**'000s USD**

	<b>CDB SFR(SDF)</b>	<b>Counterpart GOSL</b>	<b>Total</b>
Capital Financing	3,149	-	3,149
Capacity Building	308	142	450
Project Management	213	269	482
<b>Total Base Cost</b>	<b>3,670</b>	<b>411</b>	<b>4,081</b>
Physical Contingencies	34	-	34
<b>Sub-Total</b>	<b>3,704</b>	<b>411</b>	<b>4,115</b>
Interest during Implementation	-	16	14
<b>Total Project Cost</b>	<b>3,704</b>	<b>427</b>	<b>4,131</b>
<b>Eastern Caribbean Dollar Equivalent</b>	<b>10,000</b>	<b>1,153</b>	<b>11,153</b>
Percentage Allocation	90%	10%	100%

## **4. PROJECT VIABILITY**

### **CRITERIA FOR FUNDING AND APPLICATION PROCESS**

4.1 The criteria for applicants are aligned with the aim of formalising and building resilience within the MSME sector. The loan-grant facility will be made available to Saint Lucian nationals who are 31-60 years of age and who can demonstrate the “greatest need”, in other words, are unable to meet collateral or other lending requirements of traditional lending institutions. The application must include a business plan demonstrating the potential to create and/or sustain employment within two (2) years of receiving support. Finally, applicants must be willing to undergo training, as well as register or incorporate their businesses, and share information with SBDC for monitoring and evaluation purposes. SBDC will engage a consultant(s) to provide training, technical support, research and mentorship as required for each beneficiary in accordance with the TOR set out at Appendix 2.2.

4.2 Applications must be submitted to the SBDC either online or in person. The SBDC may, if necessary, aid in the preparation of the application. The SBDC will shortlist applications and, using needs analysis, recommend a programme of technical assistance for each applicant. At the same time, SLDB will conduct a credit check on the loan application. This is the only required check for applicants thereby making the facility more accessible. The shortlisted applications will be submitted to the Evaluation Committee for approval. The remit of the Evaluation Committee as defined by GOSL is provided in Appendix 2.4. The Committee’s assessment will be based on assessment reports from both SBDC and SLDB. Approval criteria include project viability, potential economic impact, degree of “need”, management team and credit history. Once approved, SLDB will proceed with fund disbursement as instructed. Over the course of each applicant’s programme, SBDC will be responsible for technical support and SLDB for managing loan repayments.

4.3 A review of the application process and accompanying selection criteria allow for sufficient transparency and independence in the selection of qualifying MSMEs with the potential to commit to meaningfully contribute to the economic development of Saint Lucia. This approach has proven to be effective in ensuring past interventions by the MOC achieve their intended outcomes. Further details on the process and criteria can be found in Appendix 2.2. It shall be condition precedent to disbursement in respect of the Capital Financing component that the Evaluation Committee is established.

### **INSTITUTIONAL ASSESSMENT**

#### **Institutional Analysis**

4.4 GOSL will enter into an agreement with SLDB setting out the roles, responsibilities, duties and functions of GOSL and SLDB in relation to their involvement in providing loan and grant disbursements to beneficiaries under the Facility (Agency Disbursement Agreement). It shall be condition precedent to disbursement in respect of the Capital Financing component that GOSL and SLDB enter into the Agency Disbursement Agreement. Under the Agreement, the SBDC will take the lead with overall responsibility for management of the loan-grant facility. During implementation, SBDC will pre-screen applicants and the SLDB will disburse funds and monitor loan performance as well as provide all other loan and grant administration services. SLDB will report to the SBDC on a quarterly basis. The overall purpose of this assessment is to evaluate the capacity of these agencies to provide the required services.

#### **Saint Lucia Development Bank (SLDB)**

4.5 SLDB is governed by a 10-member Board of Directors with representatives from Finance and key productive sectors including agriculture, industry and commerce and tourism. No more than four members

can be in the employment of the GOSL which allows for greater independence in decision making. Activities of the Board are supported by five active committees: Human Resources and Compensation, Audit and Governance, Finance and Budget, ICT, and Credit. Policies regarding loan selection, appraisal, approval, implementation, and administration are well documented and adhered to. In addition, SLDB is subject to periodic external audits by a reputable external audit firm which has provided a clean opinion on the operations for the past four years. CDB is satisfied that the current governance arrangements at the company are adequate to safeguard the interest of all stakeholders.

4.6 SLDB has a staff complement of 27 persons of which five are responsible for the administration of a Loan Portfolio of USD 30 mn. The current staffing levels are adequate to supervise the loan portion which amounts to 30% of the proposed total financing or USD 1.0 mn. An upfront administration fee of USD0.185 mn has been included in the project financing which allows for capacity augmentation as necessary. It shall be a condition precedent to disbursement in respect of the Capital Financing Component Project that SLDB assign a dedicated officer with specific responsibility for administration of the Facility. The duties and responsibilities of the Loan Administrator can be found at Appendix 4.1.

4.7 The current management team has a combined experience of 100 years. The CEO has been with SLDB for five months however he has over 30 years banking experience and is well placed to provide strategic direction for SLDB. He is supported by six executives who have a combined experience of 70 years. CDB staff is satisfied that the quality of SLDB's human resource pool is adequate to ensure the continued successful operation of SLDB.

4.8 SLDB currently administers two facilities targeting MSMEs and young entrepreneurs. It also currently administers lines of credit from CDB, CARICOM Development Fund, the European Union, the World Bank and National Insurance Corporation, and therefore has the capacity to effectively administer the proposed facility.

#### **Small Business Development Centre (SBDC)**

4.9 The Implementing Agency is MOC through the SBDC. The SBDC was officially launched in 2014 and its primary purpose is to provide consulting, training, financing, and market research services to entrepreneurs in the MSME sector. The operations of the SBDC are guided by the MSE Act. The MSE Act is currently under revision however the proposed amendments will not hinder or restrict ongoing operations. Rather they will serve to expand and enhance service to MSMEs.

4.10 The SBDC's role in the Project is well within its current scope of operations. The unit is adequately staffed with ten persons who are suitably skilled to provide the oversight, guidance and training as required by the Project. The unit's policies and procedures are expansive and well defined providing adequate guidance and controls to allow staff to perform effectively.

4.11 Currently, the 10-member team has a wide and varied client base of over 6400 clients across 46 business sectors. The SBDC's clientele has been steadily expanding over the last 10 years; from 408 in 2012 to over 1,430 clients in 2021. Given the expansion and no increase in resources CDB is satisfied that the current staffing levels can handle the expected volume of 450 additional clients over the two-year period.

4.12 The operations of the SBDC are guided by the MSE Act. The Act is being currently being revised to allow the Unit to carry out its mandate more effectively by expanding its role and giving it greater access to financing alternatives.



## **ECONOMIC ANALYSIS**

4.13 A cost-benefit analysis approach was used to quantify the economic benefits of this project. The nature of the businesses targeted by this intervention is small, informal and cash based whose income is mainly used to support consumption patterns. Accordingly, the main quantified benefit in this analysis relate to: (a) the level of incremental consumption generated from the loan and cash transfers; and (b) the multiplicative effect of this spending in the economy. This analysis yields an estimated benefit-cost ratio (BCR) of 1.23. Details of the calculation can be found at Appendix 4.2.

4.14 The BCR ratio of 1.23 is considered a conservative estimate of the net economic benefit due to the following qualitative reasons:

- (a) **Improved business continuity among MSMEs:** Access to concessionary financing by MSMEs provides additional liquidity to businesses and supports investments in equipment and machinery necessary for business operations. Additionally, training and technical support are likely to improve the managerial capacity of MSMEs, enabling better data-based decision making and increasing survival rates among MSMEs.
- (b) **Reduced risk associated with lending to MSMEs:** The delivery of targeted sector-specific training, along with mentoring support, will help to build business acumen among beneficiaries, placing MSMEs in a better position to secure additional funding from lending agencies for future expansion plans.
- (c) **Increased productive output and employment within MSME sector:** With comprehensive business plans, MSMEs have an improved sense of their target customers and are aware of processes needed to bring competitive products/services to market. This business growth is expected to positively impact employment within the sector.
- (d) **Increased investment within MSME sector:** Accessed funds would be used to purchase equipment and other inputs as needed to resume or improve production outputs. The technical support provided will allow MSMEs to maximise use of available technologies to enable production, marketing and selling components of their operations. As product quality improves businesses would be better able to meet market standards, increasing their capacity for export.
- (e) **Future benefits from the Revolving Fund:** The analysis does not consider the additional consumption and/or productive capacity to be generated by the support of the revolving fund to other MSMEs.

## **MACROECONOMIC IMPACT**

4.15 The significance of MSMEs to the Saint Lucian economy is well established due to their considerable contribution to instilling entrepreneurial endeavours that drive job creation, promote trade and economic growth, adding to GDP through production and exports, that spurs socio-economic change that has been instrumental in improving livelihoods and advancing the overall economy. These characteristics and impacts mean that by supporting the operations of MSMEs, the Project is likely to have a net positive macroeconomic impact on Saint Lucia.

4.16 Given the small size of the loan, this Project will not add significantly to the public debt. As such the project will not likely adversely affect debt sustainability conditions. In contrast, the highly concessional

nature of the borrowing augurs well for reducing the average cost of debt for GOSL, consistent with GOSL's debt management strategy.

### **SOCIAL AND GENDER IMPACT ASSESSMENT**

4.17 Access to credit for MSME development through SLDB will enable private sector development, economic diversification, and improve the entrepreneurial culture in Saint Lucia. An increase in business activity is expected to contribute to the income-earning potential for male and female business owners and the creation of employment opportunities within the sector. This is expected to contribute to business sustainability and improved livelihoods and build the resilience of beneficiary households to exogenous shocks. Increased formalisation of MSMEs and provision of coordinated services will improve opportunities for male and female entrepreneurs to build financial management skills within SLDB's institutional framework. Such outcomes are important for poverty reduction, particularly within lower quintile households that are headed by women entrepreneurs, given that the poverty rate remains higher within this category when compared to their male counterparts. The implementation of the gender-responsive marketing/communication strategy will complement MOC's awareness-raising and sensitisation programme that seeks to share information widely on the availability of resources, and the range of technical and business support mechanisms available to enhance MSME operations.

4.18 Project beneficiaries will be selected using eligibility criteria developed by the MOC. The criteria are acceptable to CDB. The Project is gender mainstreamed and the assessment is shown in the Gender Marker Score in Table 4.1 below. The Gender Marker Analysis and Gender Action Plan are shown in Appendices 4.3 and 4.4, respectively.

**TABLE 4.1: GENDER MARKER SCORE**

<b>Analysis</b>	<b>Design</b>	<b>Implementation</b>	<b>Monitoring &amp; Evaluation</b>	<b>Score</b>	<b>Code</b>
1	0.5	0.5	1.0	3.0	GM

### **ENVIRONMENTAL ASSESSMENT**

4.19 The Project's activities involve CDB's financing through SLDB for sub-projects in the productive sectors of manufacturing including agro-processing, ICT, beauty and wellness, creative industries, professional services, and agriculture. Some of these sub-projects may result in limited environmental and social (E&S) impacts including increased energy and water consumption; improper waste disposal; community and occupational health and safety risks. Sub-projects are also vulnerable to climate change and disaster risks. SBDC risk appraisal process includes E&S risk screening for all projects.

4.20 Given Saint Lucia's high vulnerability to the exposure of climatic impacts, GOSL has been supporting the development of business continuity plans in the public sector. As such, the MOC has demonstrated this commitment to climate change and natural hazard resilience by revising its Business Continuity Plans. This Project will support training to MSMEs conducted by SBDC on Business Continuity Planning to increase resilience to climate change.

4.21 As a pre-condition to lending, SBDC requires sub-borrowers to obtain and submit evidence of the requisite approvals from the relevant national authorities, e.g., planning approvals for construction projects and environmental health approval for specific manufacturing, agriculture and culinary/restaurant type projects. SLDB engages public sector staff as necessary for technical guidance during sub-project review and supervision.

**PERFORMANCE ASSESSMENT SCORE**

4.22 The composite performance rating based on CDB's Performance Assessment System (PAS) has been estimated as very satisfactory, which suggests that the Project is very likely to achieve its outcomes and that project performance is expected to be of an acceptable standard. The details of PAS are presented in the Table 4.2 below.

**TABLE 4.2: PERFORMANCE ASSESSMENT SCORE DETAILS**

<b>Criteria</b>	<b>Score</b>	<b>Justification</b>
Relevance	4	<p>This Project is considered a high priority of GOSL, and it is in accordance with its MTDS which highlights the need to create an enabling environment for private sector growth and development. GOSL's support to MSMEs in response to COVID-19 is encapsulated in its Economic Recovery and Resilience Plan (ERRP), which includes the provision of grants/loans to MSMEs as addressed by several initiatives.</p> <p>This Project is consistent with CDB's Strategic Objective of supporting inclusive and sustainable growth and development through building production resilience. The Project is also aligned with its other strategic frameworks, including: (a) Gender Equality Policy and Operational Strategy (2019); and (b) Private Sector Development Policy and Strategy.</p>
Effectiveness	3	<p>This Project is designed to build resilience in the MSME sector. Access to capital has been one of the major impediments to business growth and development. The Project provides financing access to small businesses and entrepreneurs who would not normally meet the collateral and other requirements of traditional lending institutions. The substantial (70%) grant component of the facility also provides much needed financial relief to MSMEs which have been negatively impacted by the COVID-19 pandemic. The eligibility criteria used to select beneficiaries are objective and adequate to address the issues of gender equality and social inclusion and mitigate inclusion and exclusion errors.</p>
Efficiency	3	<p>The efficiency of the Project as defined by its "cost-transfer ratio" is at a favourable level estimated as the ratio of all non-transfer costs, such as administrative fees, to the total value of the loan-grants made. The economic analysis also generated an overall BCR of 1.23. The BCR is greater than 1.0 and is sufficient to attest to the economic viability of this investment.</p>
Sustainability	4	<p>This Project targets pre-ventures and start-up businesses within two years of existence, where business survival is most vulnerable. The training and technical support provided in registration, business planning and financial management; as well as the targeted mentoring programme is likely to improve business output/sales, thereby increasing the survival rate among MSMEs. This would redound to the benefit of the local economy, contributing to increased GDP and employment. Additionally, funds from loan repayments would be retained for future continued support to additional MSMEs.</p>
<b>Overall Score</b>	<b>3.5</b>	<b>Very Satisfactory</b>

## **5. RISK ASSESSMENT AND MITIGATION**

### **RISK JUSTIFICATION**

5.01 The major Project risks and proposed mitigation measures are summarised in Table 5.1 below.

**TABLE 5.1: SUMMARY OF RISKS ASSESSMENT AND MITIGATION MEASURES**

Risk Category	Risk Type	Description of Risk	Mitigation Measures
Implementation	Governance	Political interference in selection process.	Selection will be decided by an Evaluation Committee of 7 persons from various disciplines. In addition to being paid a stipend, committee members are expected to adhere to a code of conduct as well as complete a detailed assessment form to support their decision.
Operational	Performance	Inadequate knowledge, technical and managerial skills of targeted beneficiaries.	The Project will have a capacity building component whereby technical assistance is tailored to meet the specific capacity needs of each beneficiary. Such targeted training and support will ensure a higher rate of success and survival.
Implementation	Performance	Low uptake among targeted beneficiaries.	The SBDC is developing a communications strategy using various forms of media to achieve maximum reach. This includes an extension of the current public outreach and sensitisation programme, Community Business Forum, to rural communities for sensitisation and networking with rural entrepreneurs.
Operational	Performance	Inadequate provision of technical support and monitoring of MSMEs, due to lack of financial and human resources within executing agencies.	Under this Project, a project manager will be appointed from within the SBDC and the training and technical support will be provided through a consultancy.  Further, the project team can be augmented by assigning Business Development Officers from within the MOC. SBDC will also work in tandem with Private Sector Agencies and other Business Support Organizations (BSOs) for additional technical and mentorship support throughout the implementation process.
Operational	Performance	Likelihood of default on the loan component by beneficiaries	A dedicated Loan Administration Officer at SLDB will be appointed. The Officer will monitor and follow up with beneficiaries as well as devise strategies for collection of arrears.

## **6. IMPLEMENTATION AND PROJECT MANAGEMENT**

### **BORROWER AND EXECUTING AGENCY**

6.1 The Borrower is GOSL and the executing agency is SLDB.

#### **GOSL**

6.2 The power of GOSL to borrow from CDB is provided for by the Loans (Caribbean Development Bank) Act 1972, as amended (the Act), to the extent it has been impliedly amended by the Finance (Administration Act) 1997, as amended (the Financial Administration Act). For the purpose of, *inter alia*, financing capital and recurrent expenditure of GOSL, under Section 39 (1) of the Financial Administration Act, the Minister responsible for Finance (the Minister) may, by resolution of Parliament, borrow from any bank or other financial institution. The Minister may authorise another person to sign the Loan Agreement or Guarantee Agreement made pursuant to the said Section. A similar power to borrow to finance general development in Saint Lucia is given to GOSL under Section 3(1) of the Act.

6.3 Any agreement between GOSL and CDB in respect of sums borrowed from CDB pursuant to the power conferred by the Act shall be applied and appropriated to the purposes for which they were borrowed as specified in the agreement, provided that where any part of such sums cannot be applied to the said purpose such part may be applied to such other purpose as may be approved by the Minister and CDB. Any such agreement must be made in the name of Saint Lucia, and may be signed on behalf of Saint Lucia by the Minister or any other person authorised in writing by him. A copy of any such agreement shall be laid before Saint Lucia's House of Assembly as soon as practicable after it has been executed.

6.4 GOSL can issue bonds, promissory notes, or other instruments in such terms as may be necessary for the purpose of giving effect to the terms of any agreement which may be entered into with CDB pursuant to the powers conferred by Section 3 (1) of the Act. Any such bonds, promissory notes or other instruments may be signed on behalf of GOSL by the Minister or any other person authorised in writing by the Minister.

6.5 All sums borrowed by GOSL, on behalf of Saint Lucia, pursuant to Section 3 of the Act, and all interests and other charges payable on such sums, are charged on and payable out of the Consolidated Revenue Fund and assets of Saint Lucia.

#### **SLDB**

6.6 SLDB is a body corporate established under the Saint Lucia Development Bank Act 2008 (the SLDB Act) having perpetual succession and a common seal and, in its corporate name, being capable of entering into contracts, of suing and of being sued and of acquiring, holding, mortgaging, leasing and otherwise disposing of all kinds of movable or immovable property. GOSL owns one hundred percent (100%) of the issued shares of SLDB.

6.7 The function of SLDB is, among other things, to mobilise and provide finance for and promote and facilitate the expansion and strengthening of the economic development of Saint Lucia. SLDB is empowered, among other things, to: (i) make loans or advances or provide for any form of credit to any person, corporation, company, society or body whatsoever within or outside Saint Lucia; (ii) negotiate loans or advances or any form of credit with any person or body within or outside Saint Lucia for, or on behalf of GOSL or any public, statutory or other body; and (iii) enter into any contract with, or act as agent or trustee for, or representative of, GOSL or any person, agent or body within or outside Saint Lucia.

6.8 The Board of Directors of SLDB is responsible for the policy and general administration of the affairs of SLDB. A quorum for meetings of the Board is any six directors and the decision of the Board is by a majority of votes with the Chairperson of the meeting having a casting vote. The seal of the Bank may be affixed to any instrument in the presence of any two directors or of one director and the Secretary of SLDB pursuant to a resolution of SLDB. All contracts, and other documents other than those required by law to be under seal, and all decisions made by SLDB may be signed by the Chairperson or Deputy Chairperson and the Secretary of SLDB.

### **PROJECTMANAGEMENT**

6.9 The Project will be managed by SBDC, a unit of MOC. Specifically, SBDC will be responsible for the coordination of the business application process as well as the management of the technical assistance programme. SBDC will assign business development officers, legal, IT and communications staff, as required, to ensure the successful completion of the Project. It will be a condition precedent to first disbursement of the Loan that a Project Manager (PM) is assigned by GOSL from among the staff of SBDC, whose qualifications and experience are acceptable to CDB, to manage the Project. The PM will be assisted by a Project Administrative Officer (PAO), also assigned from among the staff of SBDC, who will support the PM in the oversight of SLDB's agency role as well as in the preparation of progress reports including project financial statements. The assignment of the PAO will also be a condition precedent to first disbursement of the Loan. SLDB will assign staff as required for the credit assessment of potential clients, participation in the Evaluation Committee, the disbursement of funds, and the management of loan repayments. SLDB will assign a person from among its staff with qualifications and experience acceptable to CDB, as Loan Administrator, to carry out the duties and responsibilities of the Loan Administrator set out in Appendix 4.1. The qualifications and experience of any person(s) subsequently assigned as Loan Administrator shall be acceptable to the Bank. The assignment of the Loan Administrator will be a condition precedent to disbursement in respect of the Capital Financing component. The management structure is outlined in Appendix 6.1 and the responsibilities for the PM are found at Appendix 6.2.

### **IMPLEMENTATION**

6.10 The Project will be implemented by SBDC over a 24-month period starting in October 2022. The proposed implementation schedule is presented at Appendix 6.6.

### **INTERAGENCY COORDINATION**

6.11 The MOC will work in tandem with the project's key stakeholders including SLDB, line ministries, Private Sector Agencies and other BSOs such as the Saint Lucia Industrial and Small Business Association (SLISBA), Saint Lucia Coalition of Services Industries (SLCSI) and the Saint Lucia Manufacturers Association (SMA).

### **PARTICIPATION OF BENEFICIARIES AND STAKEHOLDERS**

6.12 The preparation and appraisal of this Project involved consultation with key stakeholders including MOC, SBDC, SLDB as well as the Departments of Economic Development and Finance within the MOF. These discussions provided opportunities for stakeholders' opinions and concerns to be expressed and to be considered in project design. Stakeholder participation will be strengthened during implementation. Project stakeholders will be invited to participate in the Project Launch Workshop and stakeholders' meetings that will be convened during implementation.

## **DISBURSEMENT**

6.13 Disbursement will be in accordance with the Disbursement Guidelines for CDB-Financed Projects (January 2019) (Disbursement Guidelines). GOSL shall establish a Designated Account (DA) for the receipt of Loan proceeds from CDB and SLDB shall establish an Operative Account (OA) in XCD dollars which shall be separate from and not comingled with SLDB's own resources and used for the sole purpose of receiving, disbursing and managing the resources of the Loan. Except as the Bank may otherwise agree, the legal requirements for establishing and operating a DA as set out in the Disbursement Guidelines shall apply to the establishment and operation of the Operative Account. The establishment of the OA will be a condition precedent to disbursement in respect of the Capital Financing component. The Loan will be disbursed in tranches based on drawdown calls for the loan-grant facility. It is expected that the first disbursement from the Loan will be made by December 31, 2022. The Loan is expected to be fully disbursed by September 30, 2024. An Estimated Quarterly Loan Disbursement Schedule is presented at Appendix 6.3.

## **PROCUREMENT**

6.14 Procurement will be in accordance with the Procurement Policy for Projects Financed by CDB (November 2019) and the Procurement Procedures for Projects Financed by CDB (January 2021). A Procurement Plan is presented at Appendix 6.4. Any change to the Procurement Plan shall require CDB's prior approval in writing.

## **MONITORING AND REPORTING**

6.15 The results of the Project will be measured in accordance with the indicators set out in the Results Monitoring Framework at Table 2.1. It will be a condition of the Loan that SBDC shall furnish or cause to be furnished to CDB, the Reports listed in Appendix 6.5 in such form or forms as CDB may require, not later than the times specified therein for so doing.

**7. TERMS AND CONDITIONS**

7.01 It is proposed that the Loan be made on CDB’s standard terms and conditions and on the following terms and conditions:

No	Subject	Terms and Conditions of the Loan
1.	<b>Parties</b>	<p><u>Bank</u>: Caribbean Development Bank (CDB)</p> <p><u>Borrower</u>: Government of Saint Lucia (GOSL)</p> <p><u>Executing Agency</u>: Saint Lucia Development Bank (SLDB)</p>
2.	<b>Amount of Loan</b>	<p>The Bank agrees to lend to the Borrower an amount not exceeding the equivalent of three million seven hundred and four thousand United States dollars (USD3,704,000) from the Special Funds Resources (SFR) of the Bank (the Loan).</p>
3.	<b>Purpose</b>	<p>The purpose for which the Loan is being made is to assist the Borrower in providing loan and grant financing (MSME Loan and Grant) and technical assistance to Micro, Small and Medium Enterprises (MSMEs) in Saint Lucia (Project Country) to support the post COVID-19 recovery and longer-term resilience efforts, more particularly described in the <b>Project Component Description</b> (the Project).</p>
4.	<b>Repayment</b>	<p>The Borrower shall repay the Loan in eighty-eight (88) equal or approximately equal and consecutive quarterly instalments, commencing three (3) years after the date of the Loan Agreement.</p> <p>Except as the Bank may otherwise agree, Section 3.10 of the General Provisions Applicable to Public Sector Loans with an Executing Agency (the General Provisions), which requires payments by the Executing Agency on behalf of the Borrower, shall not apply to this Loan.</p>
5.	<b>Interest</b>	<p>The Borrower shall pay to the Bank interest at the fixed rate of zero decimal seven five percent (0.75%) per annum on the amount of the Loan disbursed and outstanding from time to time. Such interest shall be payable quarterly.</p>
6.	<b>Commitment Fee</b>	<p>Section 3.04 of the General Provisions (which requires the Borrower to be charged a commitment fee on the amount of the Loan undisbursed from time to time) shall not apply to this Loan.</p>



No	Subject	Terms and Conditions of the Loan
7.	<b>Disbursement of Loan</b>	<p>(a) Except as the Bank may otherwise agree:</p> <ul style="list-style-type: none"> <li>(i) the amounts disbursed from the Loan Account shall not exceed in the aggregate ninety percent (90%) of the cost of the Project;</li> <li>(ii) amounts disbursed from the Loan Account shall be used to finance the components of the Project allocated for financing by the Bank as shown in the <b>Financing Plan</b> up to the respective limits specified therein;</li> <li>(iii) the Borrower may withdraw from the Loan Account: <ul style="list-style-type: none"> <li>(aa) up to one million United States dollars (USD1,000,000) for MSME Loans;</li> <li>(bb) up to two million one hundred United States dollars (USD2,100,000) for MSME Grants; and</li> <li>(cc) up to one hundred and eighty-five thousand United States dollars (USD185,000) for the administrative fee payable by the Borrower to the Executing Agency in accordance with the Agency Disbursement Agreement.</li> </ul> </li> </ul> <p>(b) The amounts disbursed from the Loan Account for financing the Capital Financing Component shall be used strictly in accordance with the <b>Guideline for Use of Funds</b> set out in Appendix B to the <b>TOR Evaluation Committee for the MSME Loan-Grant Facility</b>.</p> <p>(c) The Borrower shall comply with the Bank's <i>Disbursement Guidelines for CDB-Financed Projects</i> published in January 2019 (Disbursement Guidelines), which may be amended from time to time by the Bank.</p>
8.	<b>Period of Disbursement</b>	<p>The Bank shall have received an application for first disbursement of the Loan by December 31, 2022, or such later date as may be specified in writing by the Bank.</p> <p>The Loan shall be disbursed up to September 30, 2024, or such later date as may be specified in writing by the Bank.</p>

No	Subject	Terms and Conditions of the Loan
9.	<b>Commitment Period</b>	The resources of the Capital Financing Component shall be totally committed by the Borrower for making MSME Loans and Grants by March 31, 2024, or such later date as may be specified in writing by the Bank (Commitment Date).
10.	<b>Procurement</b>	<p>Procurement of goods, works and/or services to be financed from the Loan resources shall be in accordance with the following policy and procedures or such other policy or procedures as the Bank may from time to time specify in writing:</p> <ul style="list-style-type: none"> <li>(i) Procurement Policy for Projects Financed by CDB (November 2019)</li> <li>(ii) Procurement Procedures for Projects Financed by CDB (January 2021)</li> </ul> <p>The Borrower and the Executing Agency shall comply with the procurement requirements set out in the <b>Procurement Plan</b>. Any revisions to the <b>Procurement Plan</b> shall require the Bank's prior approval in writing.</p>
11.	<b>Additional Condition(s) Precedent to First Disbursement</b>	<p>The Bank shall not be obliged to make the first disbursement of the Loan until the Borrower has furnished or caused to be furnished to the Bank, evidence acceptable to the Bank, that the following condition(s) have been satisfied:</p> <ul style="list-style-type: none"> <li>(i) the PM and PAO have been assigned; and</li> <li>(ii) the prior approval of Parliament of the Project Country has been obtained with respect to the Loan.</li> </ul>
12.	<b>Conditions Precedent to Disbursement in respect of the Capital Financing Component</b>	<p>The Bank shall not be obliged to disburse any amount of the Loan in respect of the Capital Financing Component until the Borrower and/or the Executing Agency (as the case may be) has furnished or caused to be furnished to the Bank evidence acceptable to the Bank that the following condition(s) has/have been satisfied:</p> <ul style="list-style-type: none"> <li>(i) the Evaluation Committee has been established;</li> <li>(ii) the Borrower and the Executing Agency have entered into the Agency Disbursement Agreement;</li> <li>(iii) the Loan Administrator has been assigned; and</li> <li>(iv) the Operative Account has been established by the Executing Agency.</li> </ul>

No	Subject	Terms and Conditions of the Loan
13.	<b>Project Implementation</b>	<p>(a) Except as the Bank may otherwise agree, the Borrower shall:</p> <ul style="list-style-type: none"> <li>(i) execute the Capital Finance Component through the Executing Agency; and</li> <li>(ii) implement the Capacity Building Component and the Project Management Component through SBDC, MOC.</li> </ul> <p>(b) The Borrower shall furnish or cause to be furnished to the Bank, an agreement between the Borrower and the Executing Agency, in form and substance acceptable to the Bank setting out the roles, responsibilities, duties and functions of the Borrower and Executing Agency in relation to their involvement in providing loan and grant disbursements to beneficiaries under the Facility (Agency Disbursement Agreement).</p>
14.	<b>Project Management</b>	<p>(a) The Borrower shall establish and, for the duration of the Project, maintain the Evaluation Committee with the composition and functions set out in the <b>TOR Evaluation Committee for the MSME Loan-Grant Facility</b>.</p> <p>(b) The Borrower shall assign, and for the duration of the Project maintain, as Project Manager (PM), a person from among the staff of SBDC, with qualifications and experience acceptable to the Bank, to carry out the duties and responsibilities of the PM set out in the <b>Duties and Responsibilities of Project Manager and Project Administrative Officer</b>.</p> <p>(c) The Borrower shall assign, and for the duration of the Project maintain, as Project Administrative Officer (PAO), a person from among the staff of SBDC, with qualifications and experience acceptable to the Bank, to carry out the duties and responsibilities of the PM set out in the <b>Duties and Responsibilities of Project Manager and Project Administrative Officer</b>.</p> <p>(d) The qualifications and experience of any person(s) subsequently assigned to the positions of PM and PAO shall be acceptable to the Bank.</p> <p>(e) The Executing Agency shall assign a person from among its staff with qualifications and experience acceptable to the Bank, as Loan Administrator, to carry out the <b>Duties and Responsibilities of the Loan Administrator</b>. The qualifications and experience of any person(s) subsequently</p>

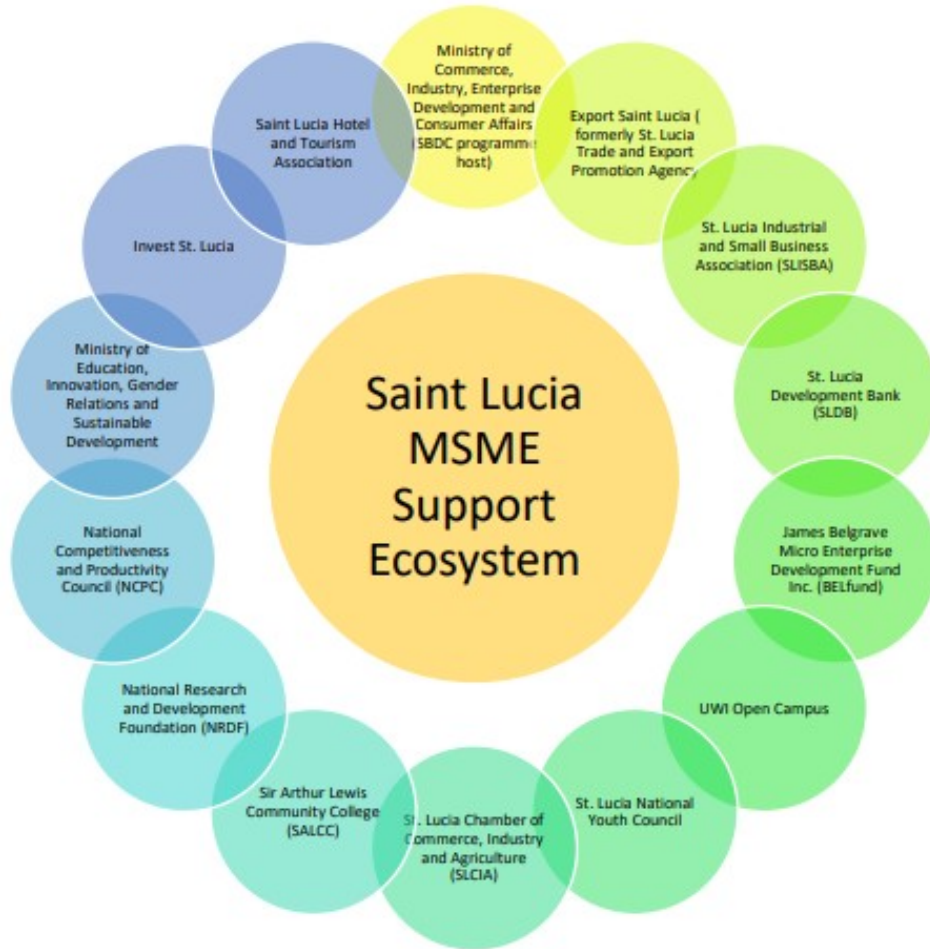
No	Subject	Terms and Conditions of the Loan
		<p>assigned as Loan Administrator shall be acceptable to the Bank.</p>
15.	<p><b>Engagement of Consultant(s)</b></p>	<p>(a) The Borrower shall, in accordance with the procurement policy and procedures applicable to the Loan, select and engage consultant(s) to provide the following consulting services (Consulting Services):</p> <p style="text-align: center;"><b>Consultancy Services to deliver training, technical assistance and mentoring to MSMEs</b></p> <p>(b) The Borrower shall, within a timeframe acceptable to the Bank, implement such recommendations arising from the Consulting Services, as may be acceptable to the Bank.</p>
16.	<p><b>Operational Requirement(s)</b></p>	<p>(a) The Executing Agency shall establish and for the duration of the Project maintain an Operative Account in XCD dollars which shall be separate from and not comingled with the Executing Agency's own resources and used for the sole purpose of receiving, disbursing and managing the resources of the Loan. Except as the Bank may otherwise agree, the legal requirements for establishing and operating a Designated Account as set out in the Disbursement Guidelines shall apply to the establishment and operation of the Operative Account.</p> <p>(b) By March 31, 2024, or such later date as may be specified in writing by the Bank, the Borrower and the Executing Agency shall establish and for the duration of the Project maintain a Joint Account in EC dollars which shall be separate from and not comingled with the Executing Agency's own resources and used for the sole purpose of receiving the reflows and interest income from the MSME Loans which will be used as a revolving fund to support MSMEs. The Borrower and the Executing Agency shall establish and operate the Joint Account in accordance with the terms and conditions set out in the Agency Disbursement Agreement.</p> <p>(c) The Executing Agency shall: (i) administer the MSME Loans and Grants in accordance with the Agency Disbursement Agreement; (ii) maintain procedures acceptable to the Bank, for processing and making MSME Loans and Grants; and (iii) be responsible for supervising the implementation of the activities financed by the MSME Loans and Grants and any requirements specified as conditions of the MSME Loans and Grants by the Borrower.</p>

No	Subject	Terms and Conditions of the Loan
17.	<b>Borrower's General Obligations in relation to making MSME Loans and Grants</b>	The Borrower shall: (i) evaluate and make MSME Loans and Grants in accordance with the policies and guidelines referred to in the <b>Funding Criteria and Application Process</b> ; (ii) in observance of the spirit of Article 35(2) of the Bank's Charter, only bring economic considerations to bear upon the decisions of the Borrower in making MSME Loans and Grants; (ii) administer the MSME Loans and Grants in accordance with the Agency Disbursement Agreement; and (iv) exercise its rights in relation to each MSME Loan and Grant in such a manner as to protect the interests of the Bank and the Borrower.
18.	<b>Terms and Conditions of MSME Loans and Grants</b>	<p>(a) The Borrower and the Executing Agency shall ensure that: (i) the resources for the MSME Loans and Grants are strictly used for eligible purposes in accordance with the <b>Guideline for Use of Funds</b> set out in the <b>TOR Evaluation Committee for the MSME Loan-Grant Facility</b>; (ii) all works, goods and services financed out of each MSME Loan and Grant are used exclusively for the purpose for which the MSME Loan and Grant was made and in conformity with any contract or other arrangement approved by the Bank; and (iii) all Beneficiaries utilising the proceeds of the Loan comply with applicable legislative and regulatory requirements in the Project Country.</p> <p>(b) The Loan shall not be used by the Borrower or the Executing Agency for making a MSME Loan and Grant: (i) for the purchase of land and/or existing buildings, refinancing, equity investments or any other purpose which is excluded from financing by the Bank; or (ii) to any person or body of persons other than nationals of the Project Country or corporate bodies controlled by nationals of the Project Country without the prior written approval of the Bank.</p> <p>(c) The Borrower and the Executing Agency agree that the following conditions, among others, shall be required whenever MSME Loans and Grants are made by the Executing Agency to a beneficiary (Beneficiary) under the Facility:</p> <ul style="list-style-type: none"> <li>(i) a requirement that the Beneficiary carry out the purpose for which the MSME Loan and Grant is made with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and practices;</li> <li>(ii) a commitment on the part of the Beneficiary that the goods and services financed by the MSME Loan and</li> </ul>

No	Subject	Terms and Conditions of the Loan
		<p>Grant will be used exclusively for the purpose of the MSME Loan and Grant;</p> <ul style="list-style-type: none"><li data-bbox="737 359 1438 485">(iii) a requirement that the Beneficiary maintain adequate records and that disbursements from an MSME Loan and Grant will be made against invoices and certificates of work done;</li><li data-bbox="737 527 1438 716">(iv) the right of the authorised representatives of the Bank, upon reasonable notice to the Borrower, the Executing Agency and the Beneficiary, to inspect the goods, sites, works, plant and construction financed by the MSME Loan and Grant, the operation thereof and any relevant accounts, records and documents;</li><li data-bbox="737 758 1438 884">(v) the obligation of the Sub-borrower to furnish all information that the Borrower may reasonably request with respect to the Sub-project and the financial condition of the Beneficiary;</li><li data-bbox="737 926 1438 1178">(vi) the right of the Executing Agency to suspend or terminate disbursement of the MSME Loan or to require repayment of the MSME Loan or require a refund of the MSME Grant if the Beneficiary defaults in the performance of any of its obligations under the agreement for the MSME Loan and Grant or fails to carry out any requirements specified as conditions of the MSME Loan and Grant;</li><li data-bbox="737 1220 1438 1556">(vii) an undertaking by the Beneficiary that all necessary measures will be taken to ensure that all purchases of goods from the proceeds of the MSME Loan and Grant be made at a reasonable cost, which will generally be the lowest market price, taking into account time of delivery, quality, efficiency, reliability of the goods and availability of maintenance facilities and spare parts therefor and, in the case of services, of their quality and the competence of the parties rendering them;</li><li data-bbox="737 1598 1438 1850">(ix) a requirement that Beneficiary undertaking procurement for contracts financed fully or partially by the Loan resources to utilise established commercial practices acceptable to the Bank, unless the Beneficiary is subject to public procurement legislation and regulations, in which case the Beneficiary shall conform with the applicable legal and regulatory requirements;</li></ul>

No	Subject	Terms and Conditions of the Loan
		<p>(x) a requirement that the Beneficiary and any firm, entity, or individual bidding for or participating in the activity financed by the MSME Loan and Grant, including applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, subconsultants, providers of goods or services, or concessionaires (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted) shall not engage in any Prohibited Practice (as defined in the General Provisions) in connection with the procurement, execution or supervision of the activity; and</p> <p>(xi) a requirement that the Beneficiary shall observe all the laws of the Project Country with respect to the environment, which are relevant to the activity financed by the MSME Loan and Grant.</p>
19.	<b>Additional Funds</b>	The Borrower shall be responsible for meeting any amount by which the total cost of the Project exceeds four million one hundred and thirty-one thousand United States dollars (USD4,131,000).
20.	<b>Borrower's Contribution to the Project</b>	<p>(a) The Borrower shall contribute to the Project an amount of not less than one million one hundred and fifty-three thousand Eastern Caribbean dollars (XCD1,153,000).</p> <p>(b) Except as the Bank may otherwise agree, the contribution which the Borrower is required to make to the Project shall be expended by the Borrower in a timely manner on the components of the Project designated for financing by the Borrower as shown in the Financing Plan, up to the respective limits specified therein.</p>
21.	<b>Reports and Information</b>	Except as the Bank may otherwise agree, the Borrower shall furnish or cause to be furnished to the Bank the reports and information set out in the <b>Reporting Requirements</b> in the form specified therein, or in such form or forms as the Bank may require, not later than the times specified therein for so doing.
22.	<b>Additional event of Cancellation and Refund</b>	After the Commitment Date an amount of the Loan remains uncommitted.

**MSME SUPPORT FRAMEWORK  
(SBDC Network Partners)**





**PROJECT COMPONENT DESCRIPTION**

**1. CAPITAL FINANCING TO MSMEs**

1.1 This component involves providing capital access, via a Loan and Grant facility (at a ratio of 30% loan<sup>1</sup> and 70% grant) to beneficiary MSMEs within targeted economic sectors. Once the Evaluation Committee makes a selection, funding will be administered by the SLDB. This includes the execution of legal documents, the disbursement of funds, as well as the follow up on loan accounts.

1.2 The Loans will be at 3% interest, of which SLDB will earn 1% interest. The loan principal and remaining interest repaid will form a revolving fund, that is they are redeposited into the Programme account for disbursement to new applicants.

**2. CAPACITY BUILDING**

2.1 Technical Assistance for capacity building involves the training of MSMEs in business management and industry/sector specific technical-vocational training. Based on the gap analysis identified as part of 'Component 1', training needs are compiled. The MOC will collaborate with stakeholders in the private sector and academia to identify professional consultants, subject matter experts and willing mentors to execute the prescribed technical support. Training Support will also be provided by CDB's Caribbean Technological Consultancy Service (CTCS) through its regional Train-the-Trainer programmes aimed at building the capacity of resource persons who can in turn provide training and mentorship to MSMEs. Areas of training and technical support include:

- (a) Business registration/incorporation
- (b) Business planning
- (c) Bookkeeping and financial management
- (d) E-commerce
- (e) Business continuity planning and disaster preparedness
- (f) Marketing
- (g) Digital presence
- (h) Standards implementation
- (i) Export development
- (j) Environmental sustainability
- (k) Other areas specific to the beneficiaries or industry needs

**3. PROJECT MANAGEMENT**

3.1 This component has three main cost sub-categories: Project Office, Selection Process and SLDB Administrative Fee

**Project Office**

3.2 This component encompasses activities related to the administration and supervision of the Project. The project team shall comprise of a Project Manager (PM), and a Project Administration Officer (PAO), officers assigned from within SBDC. The duties and responsibilities of the PM and the PAO are attached to this Report. The team will also be supported by Business Development Officers from within the MOC, in making site visits to beneficiaries. The estimated cost to GOSL is \$0.142 mn.

### **Selection Process**

3.3 This component involves costs associated with the application and selection of beneficiary firms by the SBDC and the Evaluation Committee. It also includes the outreach and sensitisation campaign to potential beneficiaries, conducted by staff of the SBDC. The SBDC will review applicants with the prescribed eligibility criteria (as outlined in Appendix 2.2). Profiles of shortlisted applicants will be developed with an initial gap analysis considering areas of weakness and a prescribed track of training and technical support that may be needed. The estimated cost to GOSL is \$0.127 mn.

3.4 The Project applications along with supporting documentation are submitted to the Evaluation Committee where it is reviewed for approval. Committee members will each receive a stipend for \$46 per meeting attended. The TOR for the Evaluation Committee is outlined in Appendix 2.4. The estimated cost of this component to CDB is \$0.28mn.

### **SLDB Administrative Fee**

3.5 This component contains the agency fee of \$0.185 mn to be paid to SLDB for the disbursement of funds and subsequent follow-up with clients as agreed by the Agency Disbursement Agreement (Appendix 2.5).

**FUNDING CRITERIA AND APPLICATION PROCESS**

**1. QUALIFICATION CRITERIA FOR FUNDING**

- (a) The Grant Fund will be made available to Saint Lucian nationals within the age range of 31 to 60 years.
- (b) Ideally, Enterprises funded under this program would be ineligible to meet the collateral and other requirements of traditional lending institutions. The MOC reserves the right to screen applicants against these criteria and give priority to enterprises that show the greatest need.
- (c) To support Government's policy direction, persons in the Manufacturing, Agriculture, Agro-processing and Services (ICT, Beauty and Wellness, Creative Industries, Professional Services, Agriculture, etc.) sectors will be given priority.
- (d) Clients must have undergone or be willing to undergo training provided by the SBDC. Consideration will also be given to persons who have undergone similar training with other BSOs.
- (e) Clients are required to have a registered or incorporated business, meeting all statutory regulations of the Government of Saint Lucia prior to final approval of funds. Additionally, clients must agree to adhere to business formalisation and support programs being implemented including the implementation of financial management systems and agree to terms and conditions of the loan grant facility.
- (f) Applicants must sign a contract with the MOC and SLDB agreeing to adhere to the monitoring requirements, as well as sharing information about their business with SEDU/SBDC.
- (g) All businesses must demonstrate the potential to create and or sustain employment within two (2) years of receiving support.
- (h) Applicants must declare any other source of financing for the project.
- (i) Applicants must present all required documentation.
- (j) Only one application per enterprise will be permitted, so companies are advised to choose their best project ideas;
- (k) Applicants must not be deemed to be bankrupt
- (l) Business site must be adequate/suitable (location, capacity, safety) for implementation of activities to be funded

**2. APPLICATION PROCESS**

- (a) Step 1: Interested persons may apply Online or In-person through the MOC – SBDC (Completed application form, business registration and business plan required) Note: Persons can be directed towards training and other support for business registration, development of business plan etc. as a pre-requisite to application
- (b) Step 2: Initial shortlisting of applicants with recommended program of action based on needs analysis.
- (c) Step 3: Shortlisted clients will be invited to an initial interview with an internal panel (MOC) to discuss the project and defend business plan prior to approval by the assigned Evaluation Committee.
- (d) Step 4: In tandem with Step 3 – SLDB will conduct due diligence on loan application
- (e) Step 5: MSME Application along with assessment report from the SBDC and due diligence report from SLDB is forwarded to the Evaluation Committee for project approval
- (f) Step 6: SLDB proceeds with project disbursement based on approved business plan and guided by programme requirements
- (g) Step 7: Targeted technical support is implemented including financial management systems, schedule of training and other support services in keeping with the business plan and needs assessment.
- (h) Step 8: Monitoring and controlling of individual enterprise projects is undertaken with the SBDC responsible for technical aspects of implementation and the SLDB responsible for managing loan repayments.
- (i) Step 9: Final evaluation and close out of enterprise projects

2.01 The CDB team reviewed the proposed eligibility criteria and application process and has found them to be adequate and appropriate to achieve the project objectives.

**3. SELECTION CRITERIA**

3.1 Proposals will be assessed and selected by the Evaluation Committee based on the following criteria (Further details on the Evaluation Committee is found at Appendix 2.4):

- (a) **Project Viability:** The Enterprise's ability to generate sufficient revenue against its stated variable and fixed costs (including loan repayments) to allow continuity in the short term and sustainable growth over the long term.
- (b) **Potential Economic impact of the investment including:**
  - (i) Employment Creation
  - (ii) Employment retention
  - (iii) Other Economic linkages

- (iv) Import substitution: Scope for new or increased Domestic market
- (v) Potential for New or increased Export
  
- (c) **MSMEs in Need:** Priority will be given to enterprise that cannot meet the collateral and other eligibility requirements of existing facilities
  
- (d) **Management Team:** Does the beneficiary entrepreneur/Management team have the capacity to implement the project (this criterial also considers the scope of training & technical support proposed through the SBDC).
  
- (e) **Credit History:** Does the enterprise or entrepreneur's history indicate a pattern of unwillingness to meet loan commitments or instances of fraudulent activity.

**GOVERNMENT OF SAINT LUCIA**

**MINISTRY OF COMMERCE, MANUFACTURING, BUSINESS DEVELOPMENT,  
COOPERATIVES AND CONSUMER AFFAIRS**

**DRAFT TERMS OF REFERENCE**

**TRAINING AND TECHNICAL ASSISTANCE FOR THE MSME LOAN-GRANT FACILITY**

**1. BACKGROUND**

1.1 The COVID-19 pandemic has had a major impact on Saint Lucia's Micro, Small and Medium Enterprise (MSME) Sector, with existing enterprises reporting major reductions in sales revenue amidst increasing costs due to rising commodity prices and other disruptions in global value chains. This also coincides with a sharp increase in the number of MSMEs being established as citizens, displaced by the economic downturn, have sought to establish MSMEs as a means of substituting lost income. Now in the third year of the pandemic, the Government of Saint Lucia (GOSL) seeks to support the post COVID-19 recovery efforts of the MSME sector by providing an influx of Capital to support individual MSME development objectives.

1.2 Moreover, given Saint Lucia's status as a Small Island Developing State (SIDS) faced with continuous endogenous and exogenous shocks, the GOSL further sees the need to build resilience within the sector, developing the capacity of MSMEs to respond to future events. In this regard, it was envisaged that the proposed financing of MSMEs must be accompanied by targeted technical support and capacity building initiatives, aimed at formalising individual MSME operations.

1.3 In order to achieve this dual objective of post COVID-19 recovery and longer-term resilience within the MSME sector, the GOSL through the Ministry of Commerce, Manufacturing, Business Development, Cooperatives and Consumer Affairs (MOC) – Small Business Development Centre (SBDC) and in partnership with the Saint Lucia Development Bank (SLDB) have initiated the MSME Loan Grant Facility. The facility's objectives are as follows:

- (a) Provide Capital influx *via* a Loan and Grant financing facility to approximately 500 MSMEs over a two-year period;
- (b) Deliver a comprehensive package of training and technical support tailored to the specific needs of the individual enterprise or industry;
- (c) Develop and implement a financial management framework for all beneficiary MSMEs within the first 6 months; and
- (d) Increase the productive and/or sales output of beneficiary MSMEs by at-least 5% by the end of the programme.

1.4 The Facility's main implementing Agency, *i.e.* MOC - through its SBDC Unit - will engage trainers, consultants and other third-party stakeholders to implement the project's training and technical support component – related to achieving objectives 2 through 4 above.

**2. AUTHORISATION**

2.1 The Ministry of Commerce, Manufacturing, Business Development, Cooperatives and Consumer Affairs (hereinafter referred to as the Implementing Agency) will engage via contract, memorandum of understanding or memorandum of association – with various public and private sector stakeholders (hereinafter referred to as the Facilitators) to provide training and technical support to the beneficiaries of the MSME Loan Grant Facility.

2.2 The Facilitators report to the Project Manager as identified by the Implementing Agency.

**3. MANDATE AND OBJECTIVES**

3.1 The Facilitators' mandate is to equip MSMEs with the necessary knowledge and skills to achieve the objectives of their business plan/ proposal, in keeping with the broader scope of objectives under the MSME Loan-Grant Facility. This will include training and technical support in the following key areas:

- (a) financial management
- (b) business planning
- (c) business continuity planning and disaster preparedness
- (d) marketing
- (e) e-commerce
- (f) digital presence
- (g) standards implementation
- (h) export development
- (i) environmental sustainability and climate change
- (j) other areas specific to the beneficiaries or industry needs.

**4. SCOPE**

4.1 At least 450 MSMEs will benefit from training, consultancies, research, mentorship and other technical support.

4.2 The Facilitator(s) shall be responsible for developing capacity of MSMEs through a variety of training or technical support formats including:

- (a) In-Person training
- (b) Virtual training
- (c) Virtual consultancies
- (d) Group Consultations
- (e) One on One consultations
- (f) Site Visits
- (g) Field research
- (h) Desk Research and Analysis
- (i) Other singular or hybrid formats

4.3 The areas of training will be in keeping with those outlined in 3.1 above.

**5. ROLES AND RESPONSIBILITIES**

5.1 The Facilitators will undertake to perform these services with the highest standards of professional and ethical competence and integrity. The Facilitators are required to perform the following functions:

- (a) Develop and implement the agenda for the training or consultations based on agreed deliverables.
- (b) Prepare training material for participants.
- (c) Provide access to training/consultancy material for distribution to participants and the Implementing Agency.
- (d) Facilitate the training/technical support based on the agreed agenda, training objectives and deliverables.
- (e) Prepare a final report of the training/consultancy that includes:
  - (i) Evaluation of the MSMEs/businesses and deliverables;
  - (ii) Provision of recommendations; and
  - (iii) Participants' assessment of training/consultation -MSME owners' feedback.

5.2 The Facilitators may be required to attend meetings prior to and at the conclusion of the training/consultation to coordinate delivery as required by the Implementing Agency.

**6. QUALIFICATION AND APPOINTMENT OF FACILITATORS**

6.1 The selection of agencies to serve as facilitators shall be based on their technical expertise in the identified subject matter, and/or previous experience working with MSMEs. The procedure for selecting facilitators shall be open and transparent. Selection shall be based on predetermined criteria and shall include the following:

- (a) Knowledge/experience specific to one or more of the industries/sectors under the project scope.
- (b) A minimum requirement of an undergraduate degree in the areas identified in Section 5.
- (c) Knowledge/experience specific to one or more of the industries/sectors under the project scope.

**7. DURATION OF CONTRACT**

7.1 Work is expected to start by October 2022 and conclude by October 2024. The Facilitators should be able to assume duties by September 2022.

**8. TERMS OF PAYMENT**

- (a) The Implementing Agency shall pay to facilitators, fees in keeping with going market rates and based on the format and duration of engagements as well as their qualifications and experience.



- (b) The total contract amount shall be paid to the facilitators in the following manner: after submission of the required deliverables and accompanied by original invoices to the Ministry.
- (c) The Ministry shall not enter into an employer/employee relationship with the Facilitator(s)

*Note: The Implementing Agency will recruit Facilitators from within CDB member countries.*

**DRAFT BUDGET**  
**(USD)**

<b>Item</b>	<b>Total</b>
Consultant(s) Costs	308,000
Consultations/Workshop Logistics	142,000
<b>Sub-Total</b>	<b>450,000</b>
Contingencies	34,000
<b>Total</b>	<b>484,000</b>

**GOVERNMENT OF SAINT LUCIA**

**MINISTRY OF COMMERCE, MANUFACTURING, BUSINESS DEVELOPMENT,  
COOPERATIVES AND CONSUMER AFFAIRS**

**DRAFT TERMS OF REFERENCE**

**EVALUATION COMMITTEE FOR THE MSME LOAN-GRANT FACILITY**

**1. BACKGROUND**

1.1 The COVID-19 pandemic has had a major impact on Saint Lucia's Micro, Small and Medium Enterprise (MSME) Sector, with existing enterprises reporting major reductions in sales revenue amidst increasing costs due to rising commodity prices and other disruptions in global value chains. This also coincide with a sharp increase in the number of MSMEs being established as citizens, displaced by the economic downturn, have sought to establish MSMEs as a means of substituting lost income. Now in the third year of the pandemic, the Government of Saint Lucia (GOSL) seeks to support the post COVID-19 recovery efforts of the MSME sector by providing an influx of Capital to support individual MSME development objectives.

1.2 Moreover, given Saint Lucia's status as a Small Island Developing State (SIDS) faced with continuous endogenous and exogenous shocks, the GOSL further sees the need to build resilience within the sector, developing the capacity of MSMEs to respond to future events. In this regard, it was envisaged that the proposed financing of MSMEs must be accompanied by targeted technical support and capacity building initiatives, aimed at formalising individual MSME operations.

1.3 In order to achieve this dual objective of post COVID-19 recovery and longer-term resilience within the MSME sector, the GOSL through the Ministry of Commerce – Small Business Development Centre (SBDC) and in partnership with the Saint Lucia Development Bank (SLDB) have initiated the MSME Loan Grant Facility. The facility's objectives are as follows:

- (a) Provide capital influx *via* a Loan and Grant financing facility to approximately 450-500 MSMEs over a two-year period;
- (b) Deliver a comprehensive package of training and technical support tailored to the specific needs of the individual enterprise or industry;
- (c) Develop and implement a financial management framework for all beneficiary MSMEs within the first 6 months; and
- (d) Increase the productive and/or sales output of beneficiary MSMEs by at-least 5% by the end of the program.

1.4 The Facility's main implementing Agency, *i.e.* the Ministry of Commerce, Manufacturing, Business Development, Cooperatives and Consumer Affairs - through its Small Business Development Centre (SBDC) Unit - seeks to create an independent Evaluation Committee in support of the project's implementation.

2. **AUTHORISATION**

2.1 The Evaluation Committee for the MSME Loan-Grant Facility (hereinafter called the Committee) operates under the direction of the Ministry of Commerce, Manufacturing Business Development, Cooperatives and Consumer Affairs (hereinafter referred to as the Implementing Agency).

2.2 Amendments to these Terms of Reference shall be prepared by the Implementing Agency, in consultation with the Committee.

2.3 The Committee reports to the Permanent Secretary within the Implementing Agency.

3. **MANDATE AND OBJECTIVES**

3.1 The Committee's mandate is to review, assess, approve and/or reject loan-grant applications received under the MSME Loan-Grant Facility. The Committee shall ensure that due diligence is carried out prior to the approval of all loans-grants. Based on reports received from the SBDC and SLDB on project and loan performance respectively, the Committee shall also make recommendation to the Implementing Agency for Control measures as needed based on the Projects monitoring outputs. Such control measures, however, must not deviate from the Project's broader vision, scope and stated objectives. This will form part of the MSME Loan Grant Facility's overall monitoring and control mechanisms.

4. **SCOPE**

4.1 The Committee shall be responsible for reviewing and processing loan-grant applications under the MSME Loan-Grant Facility for the duration of the project. Funds shall be made available to eligible Micro, Small and Medium Enterprises (MSMEs) at a ratio of 30% loan and 70% grant within approved sectors and within the respective maximum limits (*See Appendix A*). These funds will be disbursed through the Saint Lucia Development Bank (SLDB) with stringent guidelines as to what may be funded by the beneficiary MSMEs (*See Appendix B*). Applicants under this facility must meet all relevant criteria as prescribed (*see Appendix C*). The Committee must be objective in its assessment of applications and final decision making as guided by the Assessment format (*See appendix D*).

5. **ROLES AND RESPONSIBILITIES**

5.1 The roles and responsibilities of the Evaluation Committee shall include the following:

- (a) Review loan-grant applications to familiarise and ensure that due diligence is conducted on the part of the SBDC and SLDB prior to committee meetings
- (b) Ensure that the approved loans-grants fall within the guidelines outlined in Appendix A through C.
- (c) Objectively assess applications on the basis of viability, need, potential economic impact etc. as outlined in appendix D.
- (d) Approve or disapprove loan-grant application requests.
- (e) Prepare and submit a list of loan-grant applications approved for submission to SBDC and SLDB.

- (f) Attend bi-monthly Committee meetings and ensure that all decisions of the Committee are documented.
- (g) Prepare quarterly reports on loan applications processed.
- (h) Actively participate in the monitoring and control of the Facility – including performance review of the portfolio of MSMEs benefitting under the program.
- (i) Provide quarterly reports of the Facility’s implementation to the Implementing Agency, including recommendations for modification based on observed patterns within the portfolio of MSME projects

**6. COMPOSITION OF THE EVALUATION COMMITTEE**

6.1 The Committee is composed of an odd number of members, initially seven (7) from both the public and private sectors comprising of the following agencies:

- (a) Ministry of Commerce
- (b) Ministry of Agriculture
- (c) Saint Lucia Development Bank (SLDB)
- (d) Saint Lucia Manufacturers Association (SLMA)
- (e) Saint Lucia Coalition of Services industries (SLCSI)
- (f) Saint Lucia Industrial and Small Business Association (SLISBA)
- (g) Department of Finance

6.2 In addition, a subject matter expert may be invited to review loan applications as the need arises.

6.3 The Committee shall have a Chair, a Vice-Chair, and a Secretary, plus any other position that the Committee deems necessary and desirable for it to carry out the functions described in clause 5. The Committee members shall choose from among themselves a Chair, a Vice-Chair and a Secretary, which offices should as a matter of best practice be held by different individuals. The Committee Chair and Vice Chair are responsible for ensuring that the Committee completes its work in a timely manner, and ensuring the Committee has sufficient members to complete its responsibilities. The Secretary is responsible for ensuring that there is a full and correct record of all actions taken by the Committee. Those records must be prepared and circulated to all Members within five (5) working days after the action.

6.4 Administrative support: If deemed necessary, the Evaluation Committee may request the presence of an administrative/clerical assistant through the Ministry of Commerce for the preparation of minutes and other related functions. In such a case, the appointed assistant will have no voting rights and cannot be counted as part of the meeting quorum.

**7. QUALIFICATION AND APPOINTMENT OF MEMBERS**

7.1 The selection of persons to serve on the Committee shall be based on their technical expertise in, and/or familiarity with MSMEs and screening of project proposals. The procedure for nomination to and inclusion in the committee shall be open and transparent. Selection shall be based on predetermined criteria and shall include the following:

- (a) background in Finance, Business Management or a related field;

- (b) knowledge/experience specific to one or more of the industries or sectors under the project scope
- (c) expertise in reviewing business proposals and screening loan applications;
- (d) experience working with MSME's, specifically business guidance and coaching;
- (e) availability to attend regular meetings and review loan applications.

7.2 Participation in Committee meetings shall be reviewed bi-annually, and new members appointed to replace inactive members. Members of the Committee shall be appointed for a period of two (2) years.

8. **STIPEND**

8.1 Committee members will be paid a stipend of EC \$125.00 per meeting for a maximum of two (2) meetings per month, though the number of meetings in a month may be more.

9. **OPERATION OF COMMITTEE**

9.1 The Committee shall act in accordance with the guidelines prescribed in this document and any other directives/guidelines issued by the Implementing Agency.

9.2 All Committee Members and invited subject matter experts (as per clause 6.2) will be subject to a "Confidentiality Agreement" and may not discuss the applications offered for assessment/approval with a third party

10. **MEETING SCHEDULE**

10.1 Meetings shall be held twice monthly on the first and third Thursday of each month. From time to time other meetings may be scheduled by the chairperson provided sufficient notice is given.

11. **QUORUM**

11.1 The Evaluation Committee will convene a meeting with a quorum of no less than 50% of its members. This quorum must include either the Chair or Vice-Chair. Meetings previously postponed or adjourned due to lack of quorum shall be convened if quorum is not established a second time. Meetings previously adjourned shall be reconvened with a minimum of three (3) members including the Chairperson or Vice Chairperson. This will ensure that the business of the committee continues and is not staggered. Virtual attendance will also count towards establishment of quorum.

12. **TERMS OF REFERENCE**

12.1 The Committee shall annually review its Terms of Reference and may make recommendations for amendments to the Implementing Agency as necessary.

13. **ENDORSEMENT**

13.1 The above Terms of Reference for the Evaluation Committee for MSME Loan-Grant Facility have been endorsed by:

Permanent Secretary, Ministry of Commerce

*.(Name, Signature Date)*

Chairperson of the Evaluation Committee for MSME Loan-Grant Facility

*.(Name, Signature Date)*

MSME Loan-Grant Facility Evaluation Committee Secretary

*.(Name, Signature Date)*

**APPENDIX A**

Definition of a Micro Small Medium Enterprise (MSME) under the MSME Loan/Grant Facility as per the draft MSME Policy:

<b>Parameters</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
<b>Number of Employees</b>	0 – 5 employees	6 – 20 employees	21 – 50 employees
<b>Annual Turnover</b>	≤ XCD \$100,000 per annum	XCD \$100,001 - \$500,000 per annum	XCD \$500,001 - \$1 Million per annum
<b>Net Assets</b>	≤ XCD 75,000.00 per annum	XCD \$75,001 - \$200,000 per annum	XCD \$200,001 - \$500,000 per annum

**Approved Sectors for Funding**

Approved sectors under the MSME Loan/Grant Facility include:

- Manufacturing (Including Agro-processors)
- Services (Priority Sectors):
  - ICT
  - Beauty and Wellness
  - Creative Industries
  - Professional Services

<b>Enterprise Classification</b>	<b>Maximum Loan-Grant Amount (XCD)</b>	<b>Number of Enterprises Benefiting</b>
<b>Enterprise Stability &amp; Associated Risk</b>		
<b>Pre-Venture:</b> An individual with a business idea but not an established business. This includes registered enterprises that have not yet commenced operations.	10,000	110
<b>Start-up Enterprises:</b> An enterprise that has been in existence for up to two (2) years.	20,000	220
<b>Established Enterprises:</b> An enterprise that has been in existence for over two (2) years.	25,000	120

**APPENDIX B**

**Guideline for Use of Funds**

The following is a list of the possible Eligible and Ineligible Uses of the Loan and Grant Funds. NB: The list is for guidance purposes ONLY and is by no means exhaustive.

**Eligible Use**

- Equipment upgrade / modernisation
- Food Safety Standards/certification/regulations
- Purchase of Raw Materials
- Purchase of direct supplies (service-oriented businesses)
- Acquisition of special purpose Motor Vehicles
- Administrative Cost and Overheads
- Technical Assistance
- Speciality Advisory
- Marketing services and activities (e.g. trade fairs participation, trade mission and in-market activities)
- Product and service development
- Quality and environment systems
- Retrofitting facilities to attain a specific standard
- International Food, Quality & Environment Standards
- Training Programmes
- Promotional material (e.g. brochures, catalogues, CDs, Video)
- Implementation of IT solutions (e.g. website, e-commerce and multimedia)
- Packaging, Design
- Protection of Intellectual Property activities (e.g. brand registration and patents)

**Ineligible Use**

- Salaries, Wages & Other Human Resource Expenses
- Sponsorships
- Personal Use
- Travel Costs (airfare, hotel per-diem)
- Individual scholarships/Training Courses
- Acquisition of Motor Vehicles for general use
- Interest Owed
- Arrears of Taxes (including VAT, Sales Tax, GST)
- Interim Financing costs
- Debts and provision for losses or debts
- Items already financed in another framework



**APPENDIX C****Qualifying Requirements**

- The Grant Fund will be made available to Saint Lucian nationals within the age range of 31 to 60 years.
- Ideally, Enterprises funded under this program would be ineligible to meet the collateral and other requirements of traditional lending institutions. The Ministry of Commerce reserves the right to screen applicants against these criteria and give priority to enterprises that show the greatest need.
- To support Government's policy direction, persons in the Manufacturing, Agriculture, Agro-processing and Services (ICT, Beauty and Wellness, Creative Industries, Professional Services, Tourism, etc.) sectors will be given priority.
- Clients must have undergone or be willing to undergo training provided by the SBDC. Consideration will also be given to persons who have undergone similar training with other BSOs.
- Clients must agree to adhere to business formalisation and support programs being implemented including the implementation of financial management systems.
- Applicants must sign a contract with the Ministry of Commerce and SLDB agreeing to adhere to the monitoring requirements, as well as sharing information about their business with SEDU/SBDC.
- All businesses must be able to create and or sustain employment within one (1) year of receiving financial support.
- Clients are required to have a registered or incorporated business, meeting all statutory regulations of the Government of Saint Lucia prior to final approval of funds.

**APPENDIX D**

**Sample Assessment Format:**

**Table 1 – Final Project Assessment**

<b>Area of Assessment</b>	<b>Guideline</b>	<b>Overall Score A</b>	<b>Weight B</b>	<b>Final Score A x B</b>
<b>Viability</b>	Can the project generate sufficient revenue against its stated variable and fixed costs (including loan repayments) to allow continuity in the short term and sustainable growth over the long term.	5	5	25
<b>Economic Impact</b>	<ul style="list-style-type: none"> <li>• Can the project create new employment within the short to medium term (2 years)</li> <li>• How many employees will be retained as a result of the project</li> <li>• Does the project foster other economic linkages? <i>e.g.</i>, Agro-processors purchasing Farmers' supplies.</li> <li>• Does the project have scope for new or increased market share (domestic) that would support import substitution?</li> <li>• Does the project have scope for new or increased export over the medium to long term?</li> </ul>	5	5	25
<b>Need</b>	Is the Project Beneficiary <b>unable</b> to meet the collateral and other eligibility requirements of existing MSME support facilities	5	4	20
<b>Entrepreneur Assessment</b>	Does the beneficiary entrepreneur/Management team have the capacity to implement the project (considering the scope of training & technical support proposed)	5	3	15
<b>Credit History</b>	Does the enterprise or entrepreneur's history indicate a pattern of unwillingness to meet loan commitments or instances of fraudulent activity. <i>Note: in cases where there is no previous history, a default score of 3 (satisfactory) can be awarded</i>	5	3	15
<b>Factors/Competencies</b>				100

**Table 2 – Rating Scale for Individual Assessment Areas**

<b>RATING</b>	<b>DESCRIPTION</b>
5 points	<b>EXCELS</b> - Far exceeds the average assessment
4 points	<b>ACCOMPLISHED</b> – Is above the average assessment
3 points	<b>SATISFACTORY</b> – In keeping with typical MSME Assessment
2 points	<b>POOR</b> – Record is below typical Assessment
1 point	<b>UNSATISFACTORY</b> – Red flag to be debated for consensus

**Table 3 – Overall Assessment Rating Scale**

<b>RATING</b>	<b>DESCRIPTION</b>	<b>SCORE</b>
<b>Exceptional</b>	A Strong candidate that excels in most or all assessment areas – Application can be Approved	<b>90 to 100</b>
<b>Effective</b>	Project Beneficiary measures well against all or most assessment areas – Application can be Approved, or Approved with condition	<b>70 to 90</b>
<b>Average</b>	Ordinary performance with some shortcomings. Application may be approved with conditions or deferred for modification/further investigation/ support from subject matter experts	<b>55 to 69</b>
<b>Needs Improvement</b>	Performance falls below most targets. The application may require some modification by client with support from SBDC/ SLDB and cannot be approved at this time	<b>40 to 54</b>
<b>Unsatisfactory</b>	Significant improvement is needed in most aspects of the assessment. The project requires complete review and cannot be approved	<b>Below 40</b>

**Note:** Notwithstanding the above, there may be occasion where a final assessment provides an overall Rating that is Exceptional or Effective, albeit, *with an unsatisfactory performance in one or more areas*. In such instances, the Evaluation Committee may at its discretion – disapprove of the project or defer for further amendment/investigation/support from subject matter expert.

**AGENCY DISBURSEMENT AGREEMENT FOR MSME LOAN GRANT FACILITY PROJECT**

BETWEEN



**THE SAINT LUCIA DEVELOPMENT BANK (SLDB)**

A statutory corporation established under the Saint Lucia Development Bank Act No 12 of 2008 with its registered office located at #4 Bridge Street, Castries.

AND

**THE GOVERNMENT OF SAINT LUCIA THROUGH THE MINISTRY OF FINANCE,  
ECONOMIC DEVELOPMENT AND THE YOUTH ECONOMY (HEREAFTER “THE GOSL”)**

FOR THE

**MICRO, SMALL AND MEDIUM ENTERPRISE LOAN-GRANT FACILITY PROJECT  
(MSME LOAN-GRANT FACILITY).**

**WHEREAS** access to capital has been one of the major impediments to business growth and development in Saint Lucia.

**AND WHEREAS** the Micro, Small and Medium Enterprise Loan-Grant Facility Project (the Project) seeks to offer financial assistance to entrepreneurs to relieve some of the financial burden associated with operating their businesses.

**AND WHEREAS** the objective of the Project is to support the post COVID-19 recovery and longer term resilience efforts of the Saint Lucian MSME sector as a significant contributor to Gross Domestic Product.

**AND WHEREAS** the purpose of this agreement is to define the roles, responsibilities, duties and functions of the parties in relation to their involvement in providing loan disbursements to participants in the Project.

The Parties to this Agreement hereby agree as follows:

**1. APPOINTMENT**

The GOSL hereby appoints The Ministry of Finance, Economic Development and the Youth Economy as the Agency with responsibility for the overall execution of this Agency Agreement

The GOSL hereby appoints the SLDB as its agent and on its behalf to disburse loans and grants to qualified participants in accordance with the Project objectives.

The GOSL hereby appoints the Ministry of Commerce, Manufacturing, Business Development, Cooperatives and Consumer Affairs as the Implementing Agency for the MSME Loan-Grant Facility

## **2. FACILITY AMOUNT**

The Facility amount shall be **EIGHT MILLION, FIVE HUNDRED THOUSAND EASTERN CARIBBEAN DOLLARS (XCD\$8,500,000)** to be disbursed in accordance with clause 5 of this Agreement.

## **TERMS AND CONDITIONS FOR DISBURSEMENT OF EIGHT MILLION, FIVE HUNDRED THOUSAND EASTERN CARIBBEAN DOLLARS (XCD\$8,500,000)**

### **3. CONDITIONS OF DISBURSEMENT**

**The funds shall be disbursed to participating borrowers on the following loan conditions:**

1. For eligible purposes (as defined by paragraph 9.7 of the Project document (which is incorporated into this agreement)) and eligible individuals (as defined by paragraph 9.3 of the Project document), approved for the MSME LOAN-GRANT FACILITY and certified by the GOSL.
2. The interest rate shall be 3% and shall remain fixed for the duration of the loan.
3. Maximum project grace period shall be 12 months. During the grace period interest only shall be payable. The Evaluation Committee (as referenced in Paragraph 9.2 of the Project document) may in justifiable circumstances, recommend capitalising the interest cost.
4. The MSME LOAN-GRANT FACILITY project shall provide up to a maximum of five (5) years for the repayment of a loan. In determining the maturity of such a loan, the SLDB shall take due cognisance of the age of the borrower and other risk factors.
5. The Facility's Evaluation Committee shall have final approval on loans granted under the project.
6. Loan amounts shall be unsecured, however where funds are used to purchase movable properties, consideration will be given to the execution of a Bill of Sale over said properties.
7. A one-time processing fee of XCD\$10.00 shall be paid to the SLDB by each borrower.

### **4. ROLES AND RESPONSIBILITIES OF PARTIES**

The parties hereby agree to assume the following roles, functions and responsibilities.

The **GOSL** shall do the following:

- (a) Provide the SLDB with the approved participants for funding under the program.
- (b) Provide any additional information that may be required by the SLDB to complete the appraisal and processing of the disbursements.

**SLDB** shall do the following:

- (a) Prepare the loan agreements and promissory notes as per the terms and conditions stipulated in the project certification document from the GOSL.

- (b) Prepare and process the Bill of Sale documents or security documents where applicable as stipulated by the GOSL.
- (c) Provide disbursements to approved participants as per approved disbursement schedule provided by the GOSL.
- (d) Provide the GOSL with quarterly reports. The reports shall contain the following:
  - Approved amount;
  - Amount disbursed;
  - Amount undisbursed;
  - Principal outstanding;
  - Principal repaid;
  - Interest repaid;
  - Interest arrears;
  - Principal arrears;
  - Arrears aging analysis;
  - Accumulated disbursement of the amalgamated project funds.
- (e) Make requests for additional disbursement of tranches in a timely manner.
- (f) Assign a dedicated officer with specific responsibility for administering the facility.
- (g) Recover all delinquent and non-performing loans in accordance with SLDB's standard loan recovery policy and procedures.

## **5. TERMS OF PAYMENT**

- (a) The GOSL on behalf of the MSME LOAN-GRANT FACILITY will pay to the SLDB the sum of XCD\$500,000.00 in three (3) tranches within a twelve (12) month period at the rate of 40/40/20 percent, commencing upon signature of this agreement.
- (b) Project Funds of up to XCD\$8.5 Million will be disbursed to SLDB in tranches at the rate of 40/40/20 percent through the Public Financial Management system of the Government of Saint Lucia (Act 14 of 2020).
- (c) The SLDB shall open a special account for the purpose of receiving the said disbursements.
- (d) The SLDB shall disburse the allocated funds to the approved MSME LOAN-GRANT FACILITY participants in accordance with this Agreement.
- (e) The Approved signatories from the SLDB for requesting tranches; subsequent disbursement to beneficiaries; reporting on the use of funds and any changes to the agreement shall be the Managing Director or designate and the Financial Controller or designate.
- (f) The SLDB shall take 1% of the interest income earned on each loan as its processing fee.
- (g) The SLDB shall pay the principal along with the 2% of the interest income earned on each loan into the Revolving Loan Fund (RLF) account within 10 working days after the end of each month.

**6. ESTABLISHMENT OF REVOLVING LOAN FUND ACCOUNT**

For the purposes of satisfying clause 5(g) above, the GOSL shall establish a special account to be known as the Revolving Loan Fund (RLF) Account for the purposes of providing continuity to MSMEs to access loan financing under the MSME Loan-Grant Facility Project.

**7. DISBURSMENT OF FUNDS FROM THE RLF**

- (a) There may be disbursement of funds from the RLF in accordance with Section 3 of this agreement and upon satisfactory evidence that the disbursed tranches have been exhausted.

Subject to 7 (a) above, the SLDB shall present to the GOSL a disbursement request for the drawdown from the RLF. Such Disbursement requests is to be processed by the GOSL within five (5) working days.

- (b) All funds available in the RLF account after the termination of the Project shall be to the credit of the GOSL

**8. SIGNATORIES OF THE RLF ACCOUNT**

- (a) The account should be maintained by the Accountant General's Department with online viewing access granted to the SLDB.

- (b) The account should have 2 signatories from the Accountant General's Department:

**9. REPORTING REQUIREMENT OF THE RLF**

No later than one month after the end of each quarter, the SLDB shall submit a report to the GOSL on the monies and business of the RLF for that end of quarter.

**10. AMENDMENTS**

Amendments can be made by mutual consent at any time at the request of either party but subject to the written agreement of both.

**11. DURATION**

Unless further renewed by mutual consent, this Agency Agreement shall determine at the end of seven (7) years from the date of execution. At said determination, the SLDB shall cease to act as the Ministry's agent with respect to the Project.

**12. DISPUTE RESOLUTION**

Any dispute between the parties shall be settled first by negotiation then by mediation.

We the undersigned principals do hereby declare that we agree to the terms of the agreement.

\_\_\_\_\_  
**MANAGING DIRECTOR**

**SAINT LUCIA DEVELOPMENT BANK**

Date \_\_\_\_\_

\_\_\_\_\_  
**PERMANENT SECRETARY**

**MINISTRY OF FINANCE,  
ECONOMIC DEVELOPMENT  
AND THE YOUTH ECONOMY**

Date \_\_\_\_\_



**AGENCY DISBURSEMENT AGREEMENT BETWEEN SBDC AND SLDB**  
**BREAKDOWN OF ROLES AND RESPONSIBILITIES**

<b>ACTION</b>	<b>SBDC</b>	<b>SLDB</b>
Loan Application	<ol style="list-style-type: none"> <li>1. Receive, review &amp; process all loan applications</li> <li>2. Provide technical and advisory assistance to applicants in preparation of application documents</li> <li>3. Identify training where necessary using needs/gap analysis</li> <li>4. Submit assessment to Evaluation Committee</li> </ol>	
Loan Approval	<ol style="list-style-type: none"> <li>1. Evaluation Committee reviews and approve loans based on reports received.</li> <li>2. Prepare list of approved applicants</li> </ol>	<ol style="list-style-type: none"> <li>1. Perform credit checks as requested</li> <li>2. Submit credit check report to Evaluation Committee</li> </ol>
Disbursement of Funds to Applicants	<ol style="list-style-type: none"> <li>1. Provide the SLDB with the approved participants for funding.</li> <li>2. Provide any additional information that may be required by the SLDB to complete the appraisal and processing of the disbursements.</li> </ol>	<ol style="list-style-type: none"> <li>1. Prepare the loan agreements and promissory notes as stipulated.</li> <li>2. Prepare and process the Bill of Sale documents or security documents where applicable as stipulated</li> <li>3. Provide disbursements to approved participants as per approved disbursement schedule provided by the SBDC.</li> </ol>
Loan Administration /Reporting		<ol style="list-style-type: none"> <li>1. Monitor loan performance in accordance with SLDB's standard policy and procedures</li> <li>2. Prepare and provide the following reports to the SBDC on a quarterly basis:               <ol style="list-style-type: none"> <li>(a) Loan portfolio report</li> <li>(b) Arrears aging analysis</li> <li>(c) Draw-down of the amalgamated project funds</li> </ol> </li> </ol>
Loan Recovery		<ol style="list-style-type: none"> <li>1. Make a concerted effort to recover on delinquent and non-performing loans in accordance with SLDB's standard loan recovery policy and procedures</li> </ol>
Amalgamated Funds & Agency Fees	<ol style="list-style-type: none"> <li>1. Provide SLDB with funds through the Consolidated Fund mechanism USD3.1 mn in tranches no greater than USD1.1 mn (XCD3mn).</li> <li>2. Pay administrative fee of USD0.185 mn (XCD 500,000) in tranches as per the agreement over the two-year period.</li> </ol>	<ol style="list-style-type: none"> <li>1. Based on quarterly drawdown reports, SLDB will request for additional disbursement of amalgamated funds in tranches in a timely manner.</li> <li>2. Receive payment of USD0.185 mn (XCD500,000) as per Agreement.</li> <li>3. Charge each borrower a one-time processing fee of USD3.73 (XCD10.00).</li> <li>4. Take 1% of the interest income earned on each loan as a processing fee. The remaining income earned will be placed into the Consolidated Fund.</li> </ol>
Technical Assistance	<ol style="list-style-type: none"> <li>1. SBDC will identify and support, through its internal resources, any capacity-building opportunities for SLDB staff relevant to the administration of the MSME Loan-Grant Facility.</li> </ol>	

**PROJECT COST AND PHASING PLAN**  
(‘000 USD)

Items	2022			2023			2024			Totals		
	CDB	Counterpart	Total	CDB	Counterpart	Total	CDB	Counterpart	Total	CDB	Counterpart	Total
	SFR (SDF)	GOSL		SFR (SDF)	GOSL		SFR (SDF)	GOSL		SFR (SDF)	GOSL	
<b>Total Capital Financing</b>	<b>394</b>	<b>-</b>	<b>394</b>	<b>1,574</b>	<b>-</b>	<b>1,574</b>	<b>1,181</b>	<b>-</b>	<b>1,181</b>	<b>3,149</b>	<b>-</b>	<b>3,149</b>
Capacity Building	39	18	57	153	71	224	116	53	169	308	142	450
Project Management	189	34	223	14	134	148	10	101	111	213	269	482
<b>Total Base Cost</b>	<b>622</b>	<b>52</b>	<b>674</b>	<b>1,741</b>	<b>205</b>	<b>1,946</b>	<b>1,307</b>	<b>154</b>	<b>1,461</b>	<b>3,670</b>	<b>411</b>	<b>4,081</b>
Physical Contingencies	4	-	4	17	-	17	13	-	13	34	-	34
Price Contingencies	-	-	-	-	-	-	-	-	-	-	-	-
<b>Sub-Total</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>17</b>	<b>-</b>	<b>17</b>	<b>13</b>	<b>-</b>	<b>13</b>	<b>34</b>	<b>-</b>	<b>34</b>
Interest during Implementation	-	2	2	-	8	8	-	6	6	-	16	16
<b>Total Project Cost</b>	<b>626</b>	<b>54</b>	<b>680</b>	<b>1,758</b>	<b>213</b>	<b>1,971</b>	<b>1,320</b>	<b>160</b>	<b>1,480</b>	<b>3,704</b>	<b>427</b>	<b>4,131</b>
<b>Eastern Caribbean Dollar Equivalent</b>	<b>1,690</b>	<b>146</b>	<b>1,836</b>	<b>4,746</b>	<b>575</b>	<b>5,322</b>	<b>3,564</b>	<b>432</b>	<b>3,996</b>	<b>10,000</b>	<b>1,153</b>	<b>11,153</b>
<b>Percentage Allocation</b>	<b>15%</b>	<b>1%</b>	<b>16%</b>	<b>43%</b>	<b>5%</b>	<b>48%</b>	<b>32%</b>	<b>4%</b>	<b>36%</b>	<b>90%</b>	<b>10%</b>	<b>100%</b>

**DUTIES AND RESPONSIBILITIES OF LOAN ADMINISTRATOR**

**1. BACKGROUND**

1.1 The Government of Saint Lucia (GOSL), through the Ministry of Commerce, Manufacturing, Business Development, Cooperatives and Consumer Affairs (MOC) – Small Business Development Centre (SBDC) Unit, and in partnership with the Saint Lucia Development Bank (SLDB) have initiated a Micro, Small and Medium Enterprise (MSME) Loan-Grant Facility Project. The roles and responsibilities of the respective agencies are defined in an Agency Disbursement Agreement (ADA). The project's overall objectives include: the provision of up to XCD8.5 million of loan-grant financing to approximately 500 MSMEs in target sectors, over a two-year period; and the provision of a comprehensive package of technical assistance, including mentoring, tailored to the specific needs of the individual enterprise or industry. Qualifying MSMEs will be provided with capital financed via loans (30%) and Grant Funds (70%) to facilitate the establishment or expansion of enterprises within targeted growth sectors. Loans will be granted at a fixed concessionary rate of 3% for a term of five years.

**2. OBJECTIVE**

2.1 The Loan Administrator (Administrator) shall report to the Managing Director of SLDB and will be accountable for the administration of the loan component of the facility, over the 5-year period. The Administrator's primary functions during project implementation will include loan evaluation, risk assessment and collections on delinquent loans.

**3. SCOPE OF WORK – LOAN ADMINISTRATOR**

3.1 The Administrator's duties will include, but will not be limited to:

- (a) Conduct loan evaluation and risk assessment of potential applicants.
- (b) Supervise preparation of loan agreements and promissory notes as per the terms and conditions stipulated in the project certification document from the MOC.
- (c) Supervise preparation and processing of Bill of Sale documents or security documents where applicable as stipulated by the MOC.
- (d) Provide disbursements to approved participants as per approved disbursement schedule provided by the MOC/
- (e) Provide the MOC with quarterly loan portfolio reports, in accordance with the ADA.
- (f) Provide the MOC with quarterly reports as to the draw-down of the amalgamated project funds and make request for additional disbursement of tranches in a timely manner.
- (g) Make a concerted effort to recover on delinquent and non-performing loans in accordance with SLDB's standard loan recovery policy and procedures.

3.2 Prospective candidates should have a minimum of the following qualifications:

**Education**

- (a) a Bachelors Degree or equivalent in any of the following: Finance, Business Management, or a relevant field;

**Experience**

- (b) A Minimum of five years' experience in financial services (credit/banking) sector;
- (c) A Minimum of three years' experience conducting loan evaluation and risk assessment;  
and
- (d) A wide range of experience in building good working relationships with customer groups.

**Language Proficiency**

3.03 Candidate must be fluent in written and spoken English. Knowledge of creole would be an asset.

**ECONOMIC ANALYSIS**

**INTRODUCTION**

1. The proposed project is expected to support the Government of Saint Lucia’s efforts to build resilience within the MSME sector. The project will provide concessional loan-grant financing to approximately 450 MSMEs in target sectors, over a two-year period. It also provides a comprehensive package of technical assistance, including mentoring, tailored to the specific needs of the individual enterprise or industry. Beneficiaries would be selected and approved based on criteria established by GOSL.

**METHODOLOGY**

2. A BCR was used to summarise the overall relationship between the relative cost and benefits of the project and its likely economic outcome. The viability of the project is determined by its likelihood of generating a BCR greater than 1.0.

**BENEFITS**

3. The main benefits quantified in this analysis are created by the financial support provided to MSMEs. Specifically, the economic benefits of this project are related to: (a) the increase in productive output and revenue generated by business who now have increased access to capital funding; and (b) the multiplicative effect of this spending in the economy. Additional details on the funding and the economic multiplier are outlined below:

4. **Loan-grant funding:** The benefits of the funding are related to its monetary value and the multiplier effect associated with the resultant increase in consumption in the economy. The value of the funding by business type are outlined below.

**TABLE 1: BREAKDOWN OF COMPONENTS BY BENEFICIARIES**  
(XCD)

<b>Enterprise Type</b>	<b>Maximum Loan-Grant Amount (XCD)</b>	<b>Number of Enterprises benefitting</b>	<b>Total Expenditure (XCD)</b>
1. Pre-Venture	10,00	110	1,100,000
2. Start-Up Enterprises	20,00	220	4,400,000
3. Established Enterprise	25,00	120	3,000,000
<b>Total</b>		<b>450</b>	<b>8,500,000</b>

**Economic Multiplier**

5. The multiplier effect is one of the chief components of Keynesian countercyclical fiscal policy. A key tenet of Keynesian economic theory<sup>1</sup> is the notion that an injection of government spending eventually leads to added business activity and even more spending which boosts aggregate output and generates more income for companies. The financial multiplier computes the "cumulative" effect that the increased level of public spending has on an economy with unemployed resources. For this Project, the increases in

<sup>1</sup> [What Is the Keynesian Multiplier? \(investopedia.com\)](http://investopedia.com)

consumption will be facilitated by the capital outlay provided by GOSL to the groups of beneficiaries listed above. The multiplier will estimate the extent to which the capital, when invested in productive assets, will stimulate economic activity in Saint Lucia more than the initial investment.

6. This analysis relies on four factors:

- (a) *The marginal propensity to consume (MPC)*<sup>2</sup>, which is the proportion of national income that is spent by households on consumption of final goods and services;
- (b) *The marginal propensity to import (MPI)*<sup>3</sup>, which is the fraction of any change in income spent on imports; and
- (c) *The marginal propensity to Export (MPE)*. As the Project provides support for entry into export markets it is assumed that a percentage of the outputs produced is exported.
- (d) *The level of taxes levied on income received by beneficiaries*. The Saint Lucia Corporate tax rate is 30%. However, given the expected dominance of sole traders and micro business, and the potential for tax concessions offered by GOSL, it is assumed that the effective tax rate would be equivalent to a personal income tax rate of 10% which has been applied in the analysis.

7. Assumptions used in the analysis are as follows:

- (a) It is assumed that businesses respond homogeneously to capital transfers;
- (b) The propensity to consume is constant; and
- (c) The potential rise in productive capacity resulting from expanded demand (or accelerator effect) is not taken into account, which would further increase the product's multiplier effect.

8. The effect  $M$  of capital transfer  $T$  to businesses of  $c$  can be calculated as follows:

$$Y = MT$$

with  $w$

$$M = 1 / (1 - c(1 - t) + m - x)$$

here:

- T = the monetary transfer
- c = marginal propensity for consumption
- m = marginal propensity for importation
- x = marginal propensity for export
- t = marginal propensity for taxes

9. **Marginal Propensity for consumption, export and importation:** Table 2 below outlines the economic indicators used in the estimation of the marginal propensity for consumption, export and importation. Estimates of the marginal propensity for consumption are based on the average ratio of consumption and gross domestic product of the last five years. Estimates of the marginal propensity for export importation are based on the average ratio between export and importation to gross domestic product in the last five years.

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<sup>2</sup> [Marginal Propensity to Consume \(MPC\) Definition \(investopedia.com\)](http://investopedia.com)

<sup>3</sup> [Marginal Propensity to Import \(MPM\) - Overview, Formula, and Example \(corporatefinanceinstitute.com\)](http://corporatefinanceinstitute.com)

**TABLE 2: CALCULATION OF FISCAL MULTIPLIER**

<b>CALCULATION OF MULTIPLIER</b>						
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
PRIVATE CONSUMPTION (000EC\$)	2,798,900	3,199,900	3,161,200	3,057,200	2,894,800	
GROSS DOMESTIC PRODUCT AT CURRENT PRICES (000EC\$)	4,881,800	5,036,900	5,391,300	5,575,800	5,720,700	4,365,300
EXPORTS OF GOODS AND SERVICES (000EC\$)	353,945	186,556	213,120	256,085	223,568	150,919
IMPORTS OF GOODS AND SERVICES (000EC\$)	1,368,383	1,805,607	1,686,506	1,780,478	1,618,742	1,366,601
<i>Source: Central Statistical Office - Saint Lucia, Moody's analytics</i>						
						<b>Average</b>
MARGINAL PROPENSITY TO CONSUME	0.57	0.64	0.59	0.55	0.51	<b>0.57</b>
MARGINAL PROPENSITY TO EXPORT		0.04	0.04	0.05	0.04	0.03
MARGINAL PROPENSITY TO IMPORT		0.36	0.31	0.32	0.28	0.31
<b>Fiscal Multiplier</b>	<b>1.31</b>					<b>0.32</b>

10. Table 3 summarises the benefits of the capital support under the Project, using the multiplier effect

**TABLE 3: CALCULATION OF INCREMENTAL BENEFITS USING THE MULTIPLIER EFFECT**

<b>ENTERPRISES</b>	<b>Capital Transfer by business (XCD )</b>	<b>Number of beneficiaries</b>	<b>Total capital (XCD )</b>	<b>Multiplier effect (XCD)</b>	<b>Net multiplier effect (XCD)</b>
1. Pre-ventures	10,000	110	1,100,000	1,437,486	337,486
2. Start-ups	20,000	220	4,400,000	5,749,945	1,349,945
3. Established enterprises	25,000	120	3,000,000	3,920,417	920,417
<b>TOTAL</b>		<b>450</b>	<b>8,500,000</b>	<b>11,107,847</b>	<b>2,607,847</b>

**COST**

11. Table 4 presents costs by component and totals.

**TABLE 4: FACILITY COSTS (XCD)**

<b>Component Cost</b>	<b>XCD</b>
Capital Transfer	8,500,000
SLDB Agency Fee	500,000
<b>Total Costs</b>	<b>9,000,000</b>

12. Table 5 estimates the total benefit-cost ratio by component.

**TABLE 5: BENEFIT-COST RATIO BY COMPONENT**

<b>Items</b>	<b>Ratio</b>
Benefits	11,107,847
Costs	9,000,000
<b>Ratio Benefit/Cost</b>	<b>1.23</b>

**SENSITIVITY ANALYSIS**

13. **Sensitivity Analysis:** This sensitivity analysis seeks to assess the extent to which the project’s BCR is resilient to changes in its key variables.

- (a) **Change to the propensity to consume:** Recipients’ propensity to consume may be impacted by various factors such as supply shortages and hesitancy to make capital investments due to overall economic uncertainty. The analysis indicates that a 20% reduction in the propensity to consume reduces the BCR to 1.09. For the BCR to fall to 1, the MPC would have to be lower by 35%.
- (b) **Changes in cost of administration of facility to beneficiaries:** If the related administrative costs were increased by 20%, the BCR declines to 1.03 which is still above the required BCR ratio of 1.

14. The sensitivity analysis demonstrates robustness of the BCR to adverse changes to the assumptions underlying its calculation and reinforces the benefits to be derived from this intervention. A summary of the results of this analysis can be found below in Table 6.

**TABLE 6: SENSITIVITY ANALYSIS**

	<b>Items</b>	<b>BCR</b>	<b>Switching Values</b>
	Base Scenario	1.23	-
(a)	20% Reduction in propensity to consume	1.09	-35%
(b)	20% Increase in cost of administration	1.03	23%
(c)	(a) and (b)	0.91	



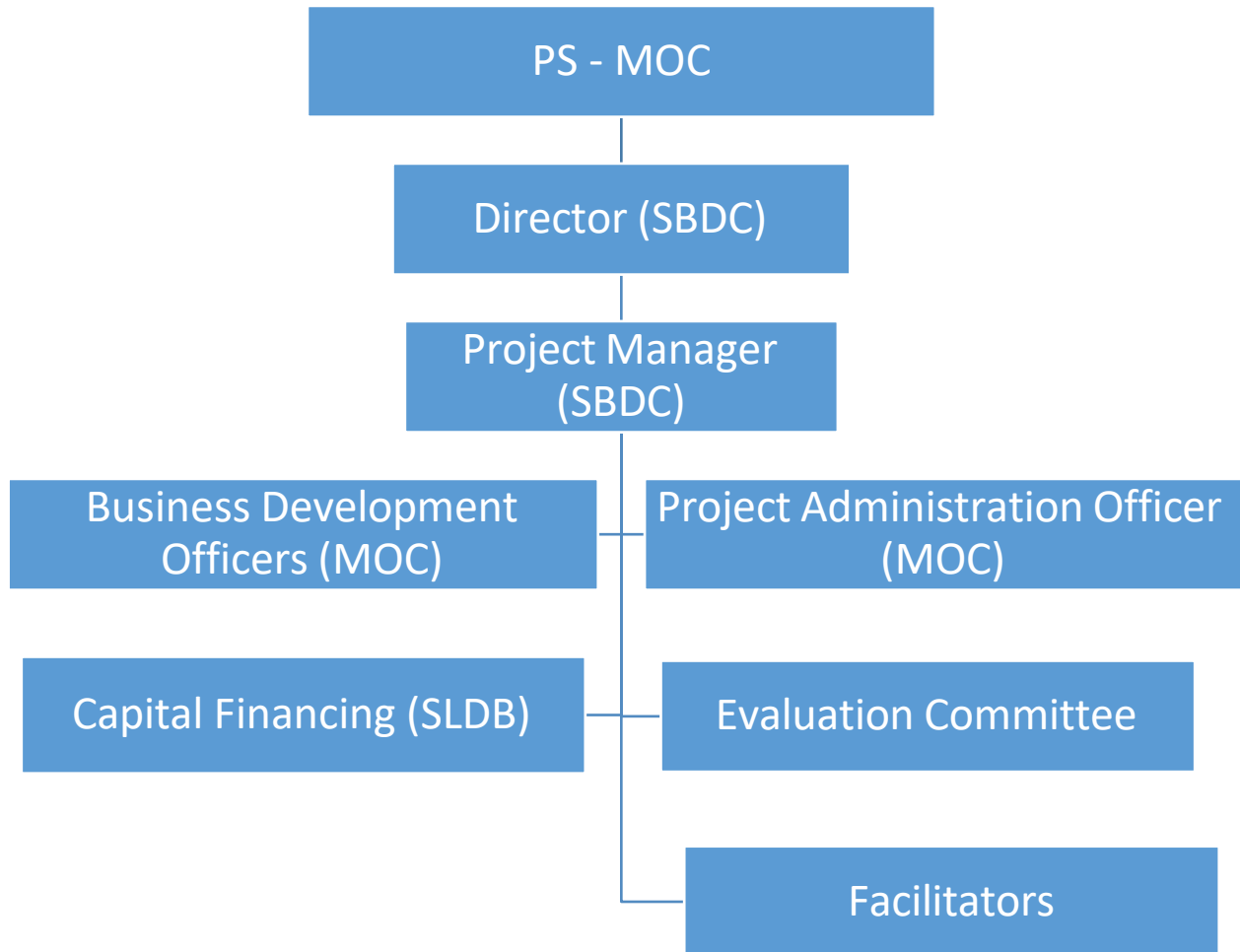
**GENDER MARKER ANALYSIS**

<b>Project Cycle Stage</b>	<b>Criteria</b>	<b>Score</b>
<b>Analysis:</b>	Consultations with relevant categories of males and females and relevant gender-related public/private sector organisations have taken place	0.5
	Sector analysis considers gender risks and gender disparities that impact the achievement of project outcomes.	0.5
<b>Design:</b>	Interventions are designed that lead to a reduction in gender disparities.	0.5
<b>Implementation:</b>	Terms of Reference of Project Manager include responsibility for ensuring that gender equality/social inclusion components are given attention, such ensuring that the Gender Equality Action Plan is implemented in a timely fashion.	0.5
<b>Monitoring and Evaluation:</b>	Collection of sex-disaggregated data is part of the project.	0.5
	One gender specific indicator at the outcome/output level in the RMF	0.5
<b>Maximum Score</b>		3.0

**GENDER ACTION PLAN**

<b>Output</b>	<b>Activity</b>	<b>Responsibility</b>
<b>Output 1:</b> Increased participation and equitable access to project benefits for male and female-owned MSMEs	Project resources are appropriately targeted to beneficiaries	SLDB
<b>Output 2:</b> Enhanced gender-responsive marketing/ communication strategy	Delivery of gender-responsive marketing/ communication strategy to target potential beneficiaries to increase access to project benefits	MOC and SLDB

**PROJECT MANAGEMENT STRUCTURE**



**DUTIES AND RESPONSIBILITIES OF PROJECT MANAGER AND PROJECT ADMINISTRATIVE OFFICER**

**1. BACKGROUND**

1.02 The Government of Saint Lucia (GOSL), through the Ministry of Commerce, Manufacturing, Business Development, Cooperatives and Consumer Affairs (MOC) – Small Business Development Centre (SBDC) Unit, and in partnership with the Saint Lucia Development Bank (SLDB) have initiated a MSME Loan-Grant Facility. The facility's overall objectives include: the provision of loan-grant financing to approximately 500 MSMEs in target sectors, over a two-year period; and the provision of a comprehensive package of technical assistance, including mentoring, tailored to the specific needs of the individual enterprise or industry.

**2. OBJECTIVE**

2.1 The Project Manager (PM) shall report to the Permanent Secretary of the (MOC) and will be accountable for the effective implementation of the Project. The PM's primary functions during project implementation will include overall planning, scheduling and monitoring of project activities, cost control, supervising procurement procedures and coordinating the work of the consultants and other parties involved in the execution of the Project.

**3. SCOPE OF WORK – PROJECT MANAGER**

3.1 The PM's duties will include, but will not be limited to:

- (a) Manage project implementation as per schedule and liaise with CDB on all technical and administrative aspects of the project;
- (b) Focal point within the SBDC for project, monitoring the implementation of all components of the programme and informing the CDB of any events likely to impact negatively on implementation;
- (c) Ensure that application process is conducted in alignment with agreed Project objectives;
- (d) Facilitate collaboration between the MOC, SLDB, and the Evaluation Committee for the screening and selection of eligible beneficiaries throughout the application and evaluation process;
- (e) Manage all activities under the project, including the identification of training needs, development of a targeted technical assistance programme, and procurement of suitable consultant(s) to deliver the requisite mentoring and training;
- (f) Liaise with Project Administrative Officer on fiduciary aspects of Project;
- (g) Submission to CDB of claims for disbursement/reimbursement;
- (h) Submission to CDB, within the stipulated timeframe, the reports as outlined in the Project Reporting Requirements;
- (i) Coordinate engagement with key stakeholders as required in implementing the Communication Strategy;
- (j) Ensure gender considerations are mainstreamed appropriately during project implementation;

- (k) Responsible for ensuring that activities in the Gender Action Plan are given attention and are implemented in a timely manner; and
- (l) Preparation and submission to CDB of a Project Completion Report, within three months of project completion. This report will focus on the project's performance on desired results as outlined in the results framework and lessons learned.

3.2 The appointment is expected to last for a period of twenty-four (24) months from the date of contract signing.

3.3 Prospective candidates should have a minimum of the following qualifications:

**Education:**

- (a) a Masters Degree or equivalent in any of the following: Project Management, Business Management, Strategic Management or a relevant field; or
- (b) a Bachelors Degree or equivalent in Social Sciences, Business or Project Management with a minimum of 8 years' experience in the management and implementation of similar projects

**Experience:**

- (c) A Minimum of five years' experience in leading a similar initiative.
- (d) Experienced in managing projects.
- (e) Wide range of experience in building good working relationships with a variety of stakeholder groups.
- (f) Experience of Procurement concepts and principles – Preferred.

**Language proficiency:**

- (g) Fluency in written and spoken English. Knowledge of creole would be an asset.

**4. DUTIES OF PROJECT ADMINISTRATIVE OFFICER**

- (a) Support Project Manager in submission to CDB of claims for disbursement/reimbursement;
- (b) Support Project Manager in reporting project expenditure, including submission of Statements of Expenditure and monthly statements of account from the Consolidated Fund;
- (c) Collate assessment reports of SBDC and SLDB for submission to Evaluation Committee;
- (d) Monitor fiduciary aspects of the project, including tracking of disbursements to beneficiaries and status of loan portfolio;

**ESTIMATED QUARTERLY DISBURSEMENT SCHEDULE**  
**(USD)**

<b>Year</b>	<b>Quarter</b>	<b>CDB-SDF</b>	<b>Cumulative</b>
<b>2022</b>	2022-Q4	1,408,000	1,408,000
<b>Sub-total</b>		<b>1,408,000</b>	<b>1,408,000</b>
<b>2023</b>	2023-Q1	63,000	1,471,000
	2023-Q2	1,408,000	2,879,000
	2023-Q3	63,000	2,942,000
	2023-Q4	702,000	3,644,000
<b>Sub-total</b>		<b>2,236,000</b>	<b>3,644,000</b>
<b>2024</b>	2024-Q1	30,000	3,674,000
	2024-Q2	30,000	3,704,000
	2024-Q3	-	3,704,000
<b>Sub-total</b>		<b>60,000</b>	<b>3,704,000</b>
<b>Total</b>		<b>3,704,000</b>	<b>3,704,000</b>

**PROCUREMENT PLAN**

**I. General**

**1. Project Information:**

**Country:** Saint Lucia

**Borrower:** Government of Saint Lucia (GOSL)

**Project Name:** MSME Loan-Grant Facility

**Project Implementing Agency:** Ministry of Commerce, Manufacturing, Business Development, Cooperatives and Consumer Affairs (MOC) through the Small Business Development Centre (SBDC)

**2. Bank's Approval Date of the Procurement Plan:** September 30, 2022

**3. Period Covered by this Procurement Plan:** September 30, 2022 to September 30, 2024

**II. Goods and Works and Non-Consulting Services – Not Applicable**

**III. Consulting Services**

**1. Prior Review Threshold:** Procurement decision subject to prior review by the Bank as stated in the Procurement Procedures:

	<b>Selection Method</b>	<b>Prior Review Threshold (USD)</b>	<b>Comments</b>
1.	Quality and Cost-Based Selection	All subject to prior review	

**2. Short list comprising entirely of national consultants:** N/A

**Reference to (if any) Project Operational/Procurement Manual:** Procurement Policy for Projects Financed by CDB (November 2019) and Procurement Procedures for Projects Financed by CDB (January 2021).

**3. Any Other Special Procurement Arrangements:** N/A

**4. Procurement Packages with Selection Methods and Time Schedule:**

<b>Ref No.</b>	<b>Assignment (Description)</b>	<b>Estimated Cost (USD)</b>	<b>Selection Method</b>	<b>Review by Bank (Prior/Post)</b>	<b>Expected Proposal Submission Date</b>	<b>Comments</b>
2.1	Consultancy Services to deliver training, technical assistance and mentoring to MSMEs.	—	QCBS	Prior	September 2022	Areas of support include business registration, business planning, bookkeeping and financial management and e-commerce for this assignment

**IV. Procurement Training and Project Launch**

In this section the agreed Procurement Capacity Building Activities are listed with time schedule.

No.	Expected Outcome/ Activity Description	Estimated Cost	Estimated Duration	Start Date	Comments
1	Procurement Training	-	2 hours	TBD	Training to be done at Project Launch Workshop

**V. Summary of proposed Procurement Arrangement**

Project Components/contracts	CDB ('000) QCBS	GOSL ('000) Counterpart	Total Cost ('000)
Consultancy - Capacity building	■	■	■
Consultations/Workshop Logistics	■	■	■
<b>Summary Costs</b>	■	■	■

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.



**REPORTING REQUIREMENTS**

<b>Report Implementation</b>		<b>Frequency</b>	<b>Deadline for Submission</b>	<b>Responsibility</b>
1.	Monthly Progress Reports detailing (a) achievements in relation to planned activities, (b) budget analysis, (c) financial plan (d) Flow of Funds: (i) Statement of Account from CF on disbursements received from CDB and drawdowns made by MOC related to project; and (ii) Statement of Expenditure	Monthly	Within 4 weeks of the end of each month.	PM
2.	Report on Implementation Status of the project including (a) the progress status of each project component, (b) report on indicators being monitored (c) results monitoring plan etc.	Quarterly	Within six weeks of the end of each quarter.	PM, PM, MOC (SBDC Unit), SLDB
3.	Procurement Plan	Annually	Annually or as required.	PM
4.	External project financial audit with accompanying management letter and responses	Once	Within 6 months following the final Project disbursement	PM
5.	PCR	Once	Within three months of completion of project components	PM prepared in collaboration with SBDC and SLDB

## **IMPLEMENTATION SCHEDULE**

Activity	2022			2023			2023			2023			2024			2024			2024					
	Q4			Q1			Q2			Q3			Q4			Q1			Q2			Q3		
	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
<b>1 CBD Board Approval</b>																								
<b>2 Sign Loan Agreement</b>																								
<b>3 Satisfy Conditions Precedent</b>																								
<b>4 Project Management</b> Project implementation and monitoring activities																								
<b>5 Capital Financing</b> Disbursement of Grant/loan Facility to beneficiaries																								
<b>Capacity Building TA</b>																								
<b>6 Business Continuity/Standards/export development</b> Request for proposal																								
Bid Evaluation and Selection																								
Obtain CDB's award of contract																								
Sign Contract																								
Delivery of Technical Assistance as required																								
<b>7 Financial Management &amp; Bookkeeping</b> Request for proposal																								
Bid Evaluation and Selection																								
Obtain CDB's award of contract																								
Sign Contract																								
Delivery of Technical Assistance as required																								
<b>8 Business Sector Specific</b> Request for proposal																								
Bid Evaluation and Selection																								
Obtain CDB's award of contract																								
Sign Contract																								
Delivery of Technical Assistance as required																								
<b>9 Project Closure</b> Project Completion Report																								
Terminal Disbursement Date																								