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United Nations Industrial
Development Organization



Organization of
American States

Caribbean Solar Finance Programme
– Saint Lucia –

UNIDO Project No. FI/RLA/03/298

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FINAL REPORT

PREPARED FOR UNIDO
BY

Department of Sustainable Development
Executive Secretariat for Integral Development
Organization of American States

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CARIBBEAN SOLAR FINANCE PROGRAMME – ST. LUCIA

Training Lending Personnel

The training for St. Lucia's credit unions lending personnel took place in Castries on the 7-8 September 2005. Representatives of ten (10), out of existing eighteen (18), credit unions participated to the training. The *Training Course* was structured to train finance professionals in credit unions in the methods for analyzing and constructing loans for union members to purchase SHWS. Training in the Course included a Familiarization Module designed to introduce lending officers to the technical and economic aspects of SHWS, a Finance Module that instructs the credit officers in the methods for lending for SHWS, and a Case Study Module that analyzes the financial viability of purchasing a SHWS versus expenses associated with electric hot water systems used by low and middle income households in St. Lucia. The goal of the CSFP *Training Course* was to make lending officers more comfortable with SHWS technologies and more confident in their abilities to assess related financing opportunities. The objective was to assist the lending officers in moving up the learning curve to the point that they begin asking the right questions and have a context for understanding the answers they receive.

The following results were achieved through the development and execution of the CSFP Pilot Training Course in St. Lucia:

- Ten officers in credit unions in St. Lucia were trained in methodologies for lending for SHWS.
- A training course on lending for SHWS for officers in credit unions in the Eastern Caribbean was developed, piloted, and feedback solicited. Development of the Course included the design of the curriculum, construction of training modules, and authorship of a comprehensive Training Manual and set of module-specific presentations.

A number of lessons were learned in the execution of the Pilot Training Course; key lessons learned are briefly described below. These lessons learned are based both on feedback and on the interpretation of events related to training as perceived by the contractor.

Lesson One: Maximize the incorporation of local content and the use of local trainers familiar to and with similar backgrounds as the audience in training – Participants in the Pilot Course rated the Finance Module highest in all aspects of performance. These findings support the rather straight forward notion that the most powerful training materials are those that are developed together with and presented by local partners who know the audience well and are known to and respected by the audience. The materials in the CSFP Training Manual for the Finance Module and the Module presentation were developed in a partnership between the CSFP team and Mr. Alexander Joseph, CEO, St. Lucia Cooperative Credit League Ltd., and the Finance Module was presented by Mr. Joseph.

Mr. Joseph was the head of the Teacher's Credit Union before becoming the Executive Director of SLUCCL and therefore knew the practices of the credit union officers and the structures in which they operate and was known to them as he managed the League that represented their interests. Although the authors of the Familiarization and Case Study Modules did solicit input from relevant local partners in the preparation of their materials, with the former working with local solar companies and the latter working with both local solar companies and SLUCCL, the authors of the presentations, materials, and delivery in these two Modules were external experts with deep knowledge in their respective fields but little experience with the credit unions in St. Lucia.

Lesson Two: A site visit should be conducted to see a SHWS in operation in a member household – The lowest rated element of the Pilot Training Course was the site visit. For various logistic reasons, the site visit in the Pilot Training Course consisted of a tour of a mounted display of a SHWS set-up by a local solar hot water company on a truck in the parking lot of the Municipal Complex. Course participants were taken to look at the system and given a comprehensive introduction to it by Dr. Thornbloom. However the model system was not operational and participants didn't have the opportunity to discuss the system with an end-user. In conversations with participants it became clear that a visit to an actual working SHWS application in a credit union member household would have made the site visit a more engaging learning experience.

Lesson Three: Execute training within a reasonable timeframe following the introduction of the concept – The idea of the CSFP Training Course was originally discussed with members of the Board of Directors of SLUCCL in June/July 2003. However the Course was not executed until September 2005. The significant gap in time between concept development and execution dampened enthusiasm among the Board members for the Course. When discussions were originally held with the Board of SLUCCL, the participating Board members were very enthusiastic about and helped design the three elements of CSFP. By the execution of the training, enthusiasm at the Board level appears to have waned. Without the Board's active involvement in encouraging the credit unions to participate in the Course, it made the SLUCCL's job of securing participants more difficult; especially when taking into consideration Lesson Four below. There were no representatives from the credit unions headed by the Board members who were originally instrumental in the design of the Course who participated in the Course and these two Board members did not attend the opening and plenary sessions of the Course. There also appeared to be some tension between the SLUCCL and some of the stronger credit unions in St. Lucia and as a result of the tension it appears these credit unions did not send representatives to the training session. As one of the Board members of SLUCCL who originally participated in the design of the Course was a senior officer in the strongest of these unions, they may have been able to smooth any differences if they had not disengaged from the process.

Lesson Four: The capital available through the wholesale credit facility and the terms and conditions for accessing the credit must be sufficient to warrant interest in participating in

training – A senior officer in the credit union with the greatest number of members and strongest asset base in St. Lucia made it clear that the volume of the capital available in the wholesale lending facility was not sufficient and the terms of the credit were not appealing and therefore they could not warrant sending officers for the training. A number of the participants in the Pilot Training Course also questioned the viability of holding a training session for a new lending product that was not so well capitalized.

Provision of Credit

2) A loan agreement for an amount of US\$ 46,000 was signed between the St. Lucia Cooperative League Limited and the Trust for the Americas, one of the UNIDO CSFP implementing counterparts, for the establishment of a long-term, low-cost credit facility (Pilot Lending Operation) to support the purchase of SHWS by low- and middle-income households in St. Lucia. First US\$15,000 was remitted to the League in October 2005.

As of 31 January 2005, six (6) credit unions (Hospitality, La Ressource, Mon Repos, St. Lucia Workers, Dennery, Choiseul) had asked to participate in the CSFP and were offering long-term, low-cost credit for the purchase of SHWS under the CSFP Pilot Lending Operation. However, as of February 2006 a limited numbers of loan applications had been received by credit unions and those received where from members that did not fall within the defined income brackets for low- and middle-income households.

An assessment of the initial performance of the CSFP in St. Lucia was carried out in March–April 2006. The assessment was carried out through phone calls and emails exchange between the CSFP team and the League, the CSFP local project counterpart and partner. The League was requested to collect feedback and views from credit unions. Based on this exercise, the CSFP team and the League agreed to change some of the terms and conditions of the initial CSFP. Changes are summarized in Table 2.

Table 2. Terms and conditions of Initial and Amended CSFP Loan Agreement.

Initial CSFP Loan Agreement	Amended CSFP Loan Agreement
<p>Income brackets</p> <p><u>Low Income</u> is defined as a household with monthly income of less than 2,500 EC\$.</p> <p><u>Middle Income</u> is defined as a household with monthly income between 2,500 EC\$ - 4,000 EC\$.</p>	<p>Income brackets</p> <p><u>Low Income</u> is defined as a household with monthly income of less than 3,000 EC\$.</p> <p><u>Middle Income</u> is defined as a household with monthly income between 3,000 EC\$ - 8,000 EC\$.</p>
<p>Eligibility</p> <p>All credit unions members falling with the income bracket categories.</p>	<p>Eligibility</p> <p>All credit unions members falling with the income bracket categories.</p> <p>Small businesses and credit union facilities with the limitation of a single SHWS per business or credit unions.</p>
<p>Retail Interest</p> <p>6% per annum on SHWS sub-loans for middle-income households.</p> <p>4% per annum on SHWS sub-loans for low-income households.</p>	<p>Retail Interest</p> <p>Up to 10% per annum on SHWS sub-loans for middle-income households.</p> <p>Up to 5% per annum on SHWS sub-loans for low-income households.</p>
<p>Loan Repayment Terms</p> <p>Credit unions pay 3% per annum on all SHWS loans accessed by middle-income households..</p> <p>Credit unions pay 1% per annum on all SHWS loans accessed by low-income households.</p>	<p>Loan Repayment Terms</p> <p>Credit unions pay 2% per annum on all SHWS loans accessed by middle-income households and small businesses.</p> <p>Credit unions pay 0.5% per annum on all SHWS loans accessed by low income households.</p>
	<p>Revolving Loan Asset</p> <p>All credit under the CSFP loan shall be a revolving credit and the Borrower (the League) may reborrow amounts repaid during the term of the loan as the Lender (UNIDO-GSEII) in its discretion may deem advisable.</p>

As can be inferred from Table 2, the objectives of the changes made were to widen the middle income bracket, unduly restrictive, as well as the applicants base and to make the

program more attractive for the credit unions by allowing for an higher spread between wholesale and retail interests.

The adjustment measures agreed upon with the St. Lucia Cooperative League had to be formally reflected in the CSFP Loan Agreement. The amendment process required some time since the Amended Loan Agreement had to be first cleared by the Board of the Trust for the Americas, the Lender on behalf of UNIDO, and subsequently approved by the Board of Directors of the St. Lucia Cooperative League, the Borrower. The new terms and conditions of the Amended CSFP Loan Agreement became effective in September 2006.

In September 2006 the League procured the services of an advertising company to design a new CSFP promotional campaign with the new terms and conditions. The campaign was launched in the second half of November and ran until the end of January 2007.

Despite the new terms and conditions applied within the CSFP, by the end of April 2007 no solar water heater loans had been issued. Five (5) requests of CSFP funds were received in February 2007 by the League from two credit unions but none of them materialized in CSFP loans. It was then decided to undertake a mission to St. Lucia for a more in-depth review of the program.

The mission to St. Lucia was undertaken in the first half of June 2007 to review once more the CSFP, to understand what had not been working as expected and make decisions on future steps. The mission team comprised of the UNIDO-GSEII implementing officer and international financing specialist from Energy and Security Group. Meetings were held with the manager of the St. Lucia Cooperative League as well as managers and loan officers of three credit unions (Dennery, Workers and Teachers credit unions). These meetings clearly revealed what had been the problems:

- I. Credit unions said that the administrative process for accessing the CSFP funds from the League was too cumbersome considering the amount of funds involved in a single SWH loan.
- II. The League had not been responsive to requests and had given a timeframe in weeks for disbursing funds when the unions always responded to customer requests in days.
- III. The League did not communicate clearly to the credit unions the interest rate that had to pay on the funds made available by the CSFP. Credit unions understood that a 10% interest rate applied (wrong) instead of the actual 2% (right).

In a meeting with the President of St. Lucia Cooperative League, three members of the Board of Directors and the CSFP manager for the League, the mission team agreed upon the following five 'next steps':

1. The Board of Directors of the League agreed to establish a "Fast Track" mechanism for approving requests by credit unions for accessing the CSFP loans

funds, held by the League, to finance SHWS for their members. Funds would be disbursed from the League to the credit unions within one week from the receipt of a request. On a quarterly basis, the League would send UNIDO a copy of all loan applications received for financing SHWS under the CSFP.

2. The League would begin discussions with the Workers Credit Union immediately to arrange for the re-financing of four (4) SHWS loans at 2%, utilizing the CSFP funds¹. The procedures for the re-financing were to be kept simple and managed efficiently, in accordance with the commitment made by the Leagues Board.
3. The League CSFP manager would visit, and keep open channels of communications with, the credit union officials that had expressed a strong interest in CSFP (Workers', Teachers', Police, and Dennery) and make sure the officers in each of these unions were comfortable with the program specifics.
4. The League, with the assistance of UNIDO's expert, would prepare and print a brief description of the CSFP program with new terms and conditions for circulation to tellers and loan officers in each of the aforementioned credit unions.
5. The League would develop a morning radio spot that discussed the benefits of SHWS, re-air the television public service announcement broadcasted between November 2006 and January 2007, create a brief flyer on the program that credit unions would hang on their member notice, and request that all participating credit unions publish a brief notice on CSFP in their newsletters, where appropriate.

By October 2007 almost all of the above recommendations had been implemented. Only two of the four SHWS loans issued by the Workers Credit Union were re-financed through the CSFP, the other two being paid off in the meantime. As of January 2008 two new CSFP SHWS loans had been issued.

As of May 2009, as reported by the Trust of the Americas, which provided funding for SHWS loans from credit league members, there was no further information on any loans disbursed.

Consumer Awareness Campaign

The Consumer Awareness Campaign started in December 2005 with the broadcasting of TV spots and interviews as well as printing of information material to be distributed at credit unions offices. During the visit to St. Lucia of the UNIDO-GSEII team for the delivery of the CSFP training the team met with both the League Advisory Committee, which coordinates the development of the Campaign, and three public relation companies interested in developing and executing the Awareness Campaign. Following the UNIDO-GSEII mission, a public relations company was selected by the League and radio and television spots were developed and released describing the benefits of SHWS and the

¹ These 4 loans issued by the Workers credit union were originally requests for CSFP loans. Due to the problems of slowness, red tape and miscommunication mentioned above the Workers credit union decided then to issue anyway the loans.

credit program to support the purchase of SHWS offered by the credit unions under CSFP. These spots are attached to this document.

5. Recommendations for refining the proposed program for replication in other small island developing states

Based on the above-detailed experience and lessons learned, we recommend the following:

- Work through one or more local credit unions manage and implement the training program and public awareness campaign;
- Develop promotional materials directly with the interested unions, including a flyer that will be posted on the credit union notice boards;
- Include an event in the CSFP training session that briefs credit union tellers on the CSFP program and the terms and conditions of the loans for SHWS;
- Structure the administration of the loan funds in a manner that allows for easy access by the credit unions to the loan funds;
- Involve solar technology companies in the program and training directly.

6. List of credit unions providing credit for the purpose of promoting consumer access to financing for SHWSs, including contact information

The following table provides a list of the credit union officers trained in St. Lucia under this program.

	Name	Organization	Title	E-mail
1	Samantha Pologne	St. Lucia Workers Credit Union	Loans Officer	spologne@hotmail.com
2	Symbert Roserie	National Farmers & General Workers Co-op Credit Union	Senior Clerk	syber_r@hotmail.com
3	Kenneth Hilaire	National Farmers & General Workers Co-op Credit Union	Acting Manager	Kenneth_Hilaire@yahoo.com
4	Kerlene Jankee	Non Repos Credit Union	Loans Officer	jkerlyn@yahoo.com
5	Collins Lambert	Teachers Credit Union	Loans Officer	Colly260@hotmail.com
6	Thomas Flavien	Dennery Credit Union	Board Member	NA
7	Elvis Alcee	Hospitality Credit Union	Treasurer	ealcee@hotmail.com
8	Marcella Hobson	La Ressource Credit Union	Manager	NA
9	Ignatius Latierillee	Choiseul Co-op Credit Union	Manager	cccu@candw.lc
10	Alexander Joseph	St. Lucia Co-op League Limited	CEO	slucll@candw.lc
11	Albert James	St. Lucia Co-op League Limited	Vice President - BoD	slucll@candw.lc

Annex 1:
Final Report of the
Saint Lucia Co-operative League Limited
on the CSFP Programme

Background

St. Lucia faces unique challenges associated with the generation and use of energy. The country depends almost exclusively on the combustion of imported diesel fuel for electricity generation. The generation and distribution of electricity is done through a monopoly this coupled with the high dependence on imported fossil fuels results in very high electricity cost to the consumer. Low and middle income households in use 3 to 6 kW electric point heaters to heat water for one hour or more per day.

The potential for the use of solar hot water systems as an alternative to electric point heaters has been identified. However one of the foremost barriers to increasing access to Solar Hot Water Systems (SHWS) for middle and low income segments of the population is the high upfront costs associated with such systems. The Caribbean Solar Finance Program (CSFP) was designed to address this barrier, by measurably reducing the constraints on, and increasing the capacity for financing of SHWS by the credit unions that service the credit needs of middle and low income populations in St. Lucia while at the same time helping build awareness among the membership of credit unions as to the benefits of SHWS.

The United Nations Foundation (UNF) entered into a contract with the United Nations Industrial Development Organization (UNIDO) and UNIDO entered into a contract with the General Secretariat of the Organization of American States (GS/OAS) to execute CSFP. GS/OAS entered into a contract with the Energy and Security Group (ESG) to manage CSFP and ESG will work with the BORROWER (the League) and a specific set of credit unions in St. Lucia to execute activities under CSFP designed to address the challenges to increasing access to SHWS for the middle income and low income segment of the population. The three activities are:

1. Training Lending Program for Lending Officers
2. Consumer Awareness Campaign
3. Structuring a Pilot Lending Operation with the Credit Unions

Amount and Tenure of Loan

The Trust for the Americas (the LENDER) lent USD\$46,000.00 to the St. Lucia Co-operative League. The Loan is for a period of 6 years from the date of execution of the Agreement by the parties. The loan is to be disbursed in installments of USD\$15,000.00, and disbursements will be made upon receipt of satisfactory itemized statement verifying that 80% of the amount has been loaned pursuant to and in compliance with the terms of the Agreement.

Interest

The initial interest rates were 6% to be charged to middle income households and 4% to low income households. Middle income was defined as a household earning no greater than EC\$4,000.00 monthly and Low income as households earning no greater than EC\$2,500.00 monthly. The Borrower shall pay the Lender interest only on monies the Borrower has issued as SHWS sub-loans.

The League must pay to the Trust for the Americas 3% interest on all loans to middle income earners and 1% on all loans to low income earners. However this was revised to 2% for middle income and 0.5% for low income loans. The facility was also extended to small businesses with 75 – 8- gallon tank and the earnings were revised upward to allow more persons to become eligible.

The repayment must be made by cheque to the Organization of American States at the OAS Building, Vigie Castries, St. Lucia and mail a photocopy of the cheque to the offices of the Trust for the Americas in Washington D.C.

Performance Contract

The League was awarded the performance contract to execute the program to satisfy the 3 areas mentioned above. The value of the contract was USD\$20,000.00. The money was used to fund two advertising campaigns aimed at increasing access to the product.

OAS SOLAR HOT WATER SYSTEM MARKETING

(Including first advertising campaign)

Date	Particulars	Disbursed	Receipts	Balance
12.09.05	Grant funds		\$13,435.70	\$13,435.70
12.09.05	Catering	\$1,230.00		\$12,205.70
12.09.05	Document printing	\$ 695.00		\$11,510.70
16.09.05	Training room rental	\$ 400.00		\$11,110.70
20.09.05	Finance Module	\$3,000.00		\$ 8,110.70
	Cheque returned		\$ 3,000.00	\$11,110.70
	Grant funds		\$26,876.70	\$37,987.40
17.10.2005	Advertising	\$5,315.00		\$32,672.40
19.10.05	Advertising	\$2,657.50		\$30,014.90
24.11.05	Advertising	\$2,557.50		\$27,457.40
14.12.05	Grant funds		\$13,435.70	\$40,893.10
06.03/06	Advertising	\$2,947.50		\$37,945.60
18.10.06	Advertising	\$2,575.00		\$35,370.60
24.11.06	Advertising	\$2,575.00		\$32,795.60
12.12.06	Advertising	\$3,750.00		\$29,045.60

23.01.07	Advertising	\$3,750.00		\$25,295.60
02.02.07	Advertising	\$2,725.00		\$22,570.60
05.07.07	Advertising	\$2,725.00		\$19,845.60

Loans

To date, two credit unions, Hospitality and Workers Credit Unions were granted loans totaling EC\$13,451.13 for onward lending to their members for the purchase of the units. Demand for the product was low because the target group does not consider the systems a priority and credit unions are able to meet the members' requirement for such loans from their own funds. It is therefore at a cost to them to do so via the League's program.

Date	Particulars	Loan Disbursements	Loan Receipts	Available balance
27.09.05	First Disbursement on OAS loan		40,322.70	40,322.70
15.10.07	Workers' Credit Union	7,932.22		32,390.48
23.04.08	Hospitality Credit union	5,518.91		26,871.57

OAS Loan Balance

One disbursement of US\$15,000.00 was made to the League. Repayments have been made to the Trust for The Americas per the table below:

Trust for the Americas Financial Report			
St. Lucia Cooperative Credit League			
Award:	OASSDU05/01		
Project:	DID-Trust/AM/033		
8/23/2005	Transfer from Sustainable Dev. to Trust		\$ 53,000.00
9/1/2005	Expenses from trip to St. Lucia	\$ 1,195.14	
9/22/2005	Transfer from Trust to St. Lucia CCL	\$ 15,000.00	
	Balance		\$ 36,804.86
12/31/2009	Carry over balance		\$ 36,804.86
	Transfer from St. Lucia CCL to Trust of the Americas		\$ 14,910.39
	Balance		\$ 51,715.25
	Total Balance (Funds Available)		\$ 51,715.25

The St. Lucia Co-operative League repaid the entire loan to the OAS and closed the program. The Trust for the Americas has acknowledged receipt of US\$14,910.39 on December 24, 2009, corresponding to repayment of funds lent to the St. Lucia Co-operative League under the agreement signed by both parties on August 30, 2006.

Recommendations on the use of available funds/returned assets

As result of the closure of the CSFP program, the St. Lucia Co-operative League repaid US\$14,910.39 to the Trust for the Americas. Additionally, the Trust for the Americas holds US\$36,804.86 in unused funds. The total amount of US\$51,715.25 remains available under the CSFP project.

In accordance with terms and conditions of the UNIDO-OAS contract, the OAS recommends using these funds to complement and follow-up activities carried out within the scope of the UNIDO-GSEII project. In particular the following activities/tasks are proposed:

1. Support to a regional electricity interconnection project throughout the Caribbean region
Contribution: US\$50,000.00
2. Support to Saint Vincent and the Grenadines in the promotion and implementation of measures that foster energy efficiency and conservation.
Contribution: US\$17,000.00
3. Policy and legal advice to Support to the Government of St. Lucia in the development of geothermal and wind energy projects.
Contribution: US\$17,000.00
4. Support to Saint Lucia in the development of a waste-to-energy project
Contribution: US\$17,000.00