

**PUBLIC DISCLOSURE AUTHORISED**

**CARIBBEAN DEVELOPMENT BANK**



**EXECUTIVE SUMMARY WITH MANAGEMENT RESPONSE**

**AND**

**PROJECT COMPLETION VALIDATION REPORT  
AGRICULTURAL SUPPORT PROJECT  
JAMAICA**

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**OFFICE OF INDEPENDENT EVALUATION**

**DECEMBER 2018**

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**CARIBBEAN DEVELOPMENT BANK**



**EXECUTIVE SUMMARY**

**PROJECT COMPLETION VALIDATION REPORT**

**AGRICULTURAL SUPPORT PROJECT  
JAMAICA**

**DECEMBER 2018**

## **EXECUTIVE SUMMARY**

### **PROJECT SUMMARY**

1. In December 2008, the Caribbean Development Bank (CDB) approved a loan in the amount of seven million, eight hundred thousand United States dollars (USD7.8 mn) to the Government of Jamaica (GOJ) to enable it to support access to credit by small farmers and agricultural entrepreneurs in order to spur food production and underpin income growth. CDB also provided a technical assistance grant in an amount not exceeding the equivalent of USD50,000 to assist in financing the services of short term consultant(s) to develop a system to monitor and evaluate project outcomes and impact and a mid-term review. GOJ provided counterpart funding of USD11,000.

### **PROJECT OBJECTIVES**

2. The overall objective of the project was to increase agricultural production, income and quality of life of small farmers in rural areas of Jamaica.

### **PROJECT BACKGROUND**

3. The Project was implemented by the Development Bank of Jamaica (DBJ). DBJ is a GOJ-owned Limited Liability Company. The objectives of DBJ include the mobilisation of resources for, and the provision of loans to agricultural, agro-industrial, information processing, manufacturing, tourism and other industries and services within the productive sectors of the Jamaican economy, thus stimulating sustainable national economic growth and development.

4. The Project Completion Report (PCR) states that the line of credit (LOC) component (i.e. 99% of the project) was implemented at a slower rate than was expected and the Terminal Disbursement Date (TDD) had to be extended for 17 months. It indicates that there was an inactive period of approximately two years when there was no draw-down of the CDB resources. This was attributed to the policy of the Government of Jamaica on debt accumulation at the time as a result of the conditions of an agreement with the International Monetary Fund (IMF). The PCR indicates, however, that the loan and sub-loan commitments and disbursements were met in full albeit later than expected.

5. The PCR, completed in December 2016, indicates that the CDB loan of USD7.8 mn was expected to have been fully committed by December 2012. In fact, the loan was fully committed by December 2014.

### **EVALUATION CRITERIA**

6. The assessment focused on the relevance, effectiveness, efficiency and sustainability of the project, as well as CDB's and Borrowers' performance.

#### **Relevance**

7. The PCR rates Relevance as Highly Satisfactory. It indicates that the project is in line with the strategic direction of GOJ and its agencies involved in agricultural management and credit. The PCR states that the project is highly relevant as GOJ's Agricultural Development Strategy seeks to enhance the chances of increased economic growth, foreign exchange earnings, employment, and poverty reduction especially in rural communities.

8. The PCR points out that the current policy of the Ministry of Agriculture and Fisheries (MOAF) is to increase the flow of funds to the financial sector. It indicates that strong support in the implementation of this policy is now being provided by DBJ, the National People's Cooperative Bank (NPCB) and other Approved Financial Intermediaries (AFIs). These institutions have been actively engaged and are supporting small-scale farmers through the provision of affordable credit. The Evaluator concurs with the PCR rating of Highly Satisfactory.

### **Effectiveness**

9. The PCR gives a rating of Highly Satisfactory for Effectiveness. It rates the achievement of outputs as Marginally Unsatisfactory and the achievement of outcomes as Highly Satisfactory. Given that the Effectiveness rating is a simple arithmetic average of the ratings for project outputs and outcomes, this equates to a rating of Satisfactory. The Evaluator rates this criterion as Satisfactory.

### **Efficiency**

10. The PCR rates Efficiency as Satisfactory. It states that the LOC was disbursed 16 months later than expected due to some extent to debt management issues and fiscal discipline practised by the GOJ which was outside the control of the project. The PCR indicates that while DBJ submitted some of the required financial reports on a timely basis, the Monitoring and Evaluation (M&E) system was not in place to assist in the preparation of required data, information and reports. It states that Farm benefits were delayed and the mid-term evaluation report whose findings could have been used to make the project more efficient was not carried out. The Evaluator rates Efficiency as Marginally Unsatisfactory.

### **Sustainability**

11. The PCR rates the sustainability of the project as Satisfactory. It states that DBJ and AFIs are established institutions involved with the management of lines of credit and their financial results indicate that the formulation of arrangements have been sound at existing interest rates. It indicates that on the basis of actual 2014 and projected operating and financial ratios for the years ending March 31, 2015 - 2018, it was expected that DBJ would maintain an ROA above 2% with adequate levels of liquidity to meet expenses and debt service payments. The Evaluator concurs with this rating.

### **Performance of the Borrower and Executing Agency**

12. The PCR rates the performance of the Borrower/Implementing Agency as Satisfactory. It states that DBJ has been able to manage the LOC of USD7.8 mn and successfully on-lent the full amount to AFIs who provided sub-loans to rural farmers and entrepreneurs. It indicates, however, that on the downside the M&E component was not implemented.

13. The Evaluator rates the performance of the Borrower as Marginally Unsatisfactory due to its failure to fully comply with the conditions of the loan Agreement specifically with regard to its non-submission of the monitoring reports. In addition, the executing agency failed to implement the M&E component of the project.

### **Performance of the Caribbean Development Bank**

14. The PCR rates CDB's performance as Satisfactory. The justification for the rating is that CDB provided assistance from the design stage through to post implementation. It further states that CDB provided effective supervision of disbursements and use of funds by DBJ and AFIs. It indicates that CDB staff recognised the challenges faced by GOJ in operationalising the M&E system but did not

aggressively seek resolution. This rating is supported by Project Supervision Reports of 2009 through 2012 which consistently highlight timely responsiveness to requests from GOJ and collaborative work between the Private Sector Unit and the Social Sector Division in this regard. The Evaluator concurs with the Satisfactory rating.

### **OVERALL ASSESSMENT**

15. The PCR does not rate the overall performance of the project. The Evaluator rates overall project performance as Satisfactory. This rating is based on an arithmetic average of the total scores from separate assessments of the four core evaluation criteria: Relevance (Highly Satisfactory); Effectiveness (Satisfactory); Efficiency (Marginally Unsatisfactory); and Sustainability (Satisfactory).

16. Details of the ratings and justification for differences between those of the PCR and Evaluator are summarised below.

### **SUMMARY RATINGS OF CORE EVALUATION CRITERIA AND OVERALL ASSESSMENT OF THE PROJECT**

<b>Criteria</b>	<b>PCR</b>	<b>OIE Review</b>	<b>Reason if any for Disagreement/Comment</b>
Strategic Relevance	Highly Satisfactory (4)	Highly Satisfactory (4)	
Efficacy Effectiveness	Highly Satisfactory (4)	Satisfactory (3)	The Evaluator uses an arithmetic average of individual ratings for project outputs and outcomes (i.e. results) under PAS. The PCR uses the rating for Efficacy (name for Effectiveness under the former PPES system) for outcomes alone.
Cost Efficiency	Satisfactory (3)	Marginally Unsatisfactory (2)	Failure to achieve outputs within the planned implementation period. Outputs were achieved two years later than planned.
Sustainability	Satisfactory (3)	Satisfactory (3)	
Composite (Aggregate) Performance Rating	Highly Satisfactory (3.50)	Satisfactory (3.00)	Lower rating for Effectiveness by the Evaluator resulted in an overall rating of Satisfactory.
Borrower & EA Performance	Satisfactory	Marginally Unsatisfactory	Failure to fully comply with the conditions of the loan Agreement specifically with regard to submission of monitoring reports.
CDB Performance	Satisfactory	Satisfactory	
Quality of PCR	NA	Satisfactory	

**Lessons**

14. The PCR identified five lessons learned from implementation of the project as:

- (i) Macroeconomic analysis and outlook may inform the need for debt management and fiscal discipline which can impact the drawdown of loan proceeds and restrain the implementation progress of development projects. To avoid long delays in obtaining official clearance to resume draw-down it would be prudent to plan the annual expenditure and include it in the capital budget of the particular ministry for consideration in the national budget;
- (ii) The establishment of M&E systems is critical to the M&E of development projects. In cases where the system is being developed as part of a project there should be adequate provision of resources to ensure that the system is implemented and operational;
- (iii) Effective collaboration and coordination among stakeholders throughout the entire project cycle will assist in achieving the projects hierarchy of goals and objectives. The stakeholders include beneficiaries, Government and government agencies, suppliers of inputs, marketing and distributing agencies. Such a network of stakeholders requires effective communication and stakeholder management;
- (iv) For lines of credit, the establishment of a management information system (MIS) interface between FIs and stakeholders may assist in enhancing communication and shortening the sub-loan approval period; and
- (v) Contribution of a particular sector to the Gross Domestic Product (GDP) as an outcome indicator may not be a smart indicator as disaggregation is not always feasible and relativity based on performance of other sectors may be misleading at the sector/sub-sector level, Attribution may also be difficult to determine at the project level.

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**MANAGEMENT RESPONSE**

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## **MANAGEMENT RESPONSE**

We note that the Office of Independent Evaluation (OIE) has revised, downwards, some of the ratings of the Project Completion Report (PCR). Having reviewed OIE's submission and associated methodology we accept the revised ratings.

We also note that OIE and the PCR team both agree that there are some valuable lessons learnt from the project that could assist the Bank in designing and supporting the implementation of similar interventions in its Borrowing Member Countries.



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**JAMAICA**

**OFFICE OF INDEPENDENT EVALUATION**

**DECEMBER 2018**

## **CURRENCY EQUIVALENTS**

(Dollars [\$] throughout refer to Jamaican Dollars [JMD] unless otherwise stated)

JMD1.00 = USD0.0111

USD1.00 = JMD 90.00

## **ABBREVIATIONS**

AFIs	-	Approved Financial Intermediaries
AR	-	Appraisal Report
bn	-	billion
CDB	-	Caribbean Development Bank
FI	-	Financial Intermediary
GDP	-	Gross Domestic Product
GOJ	-	Government of Jamaica
IMF	-	International Monetary Fund
mn	-	million
LMS	-	Loan Management System
LOC	-	Line of Credit
M&E	-	Monitoring and Evaluation
MIS	-	Management Information System
MOAF	-	Ministry of Agriculture and Fisheries
MOAL	-	Ministry of Agriculture and Lands
NPCB	-	National People's Cooperative Bank
OIE	-	Office of Independent Evaluation
PCR	-	Project Completion Report
PLW	-	Project Launch Workshop
PAC	-	Project Advisory Committee
ROA	-	Return on Assets
SFR	-	Special Funds Resources
TA	-	Technical Assistance
TEI	-	Tertiary Education Institutions
USD	-	United States Dollars

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## 1. BASIC PROJECT DATA

<b>Project Title:</b>	Agricultural Support Project
<b>Country:</b>	Jamaica
<b>Sector:</b>	Agriculture
<b>Loan No.:</b>	20/SFR- JAM
<b>Borrower:</b>	Government of Jamaica
<b>Implementing/Executing Agency</b>	Development Bank of Jamaica (DBJ)

<u>Approval and Disbursements (\$ mn)</u>	<u>CDB LOAN</u>		<u>Total</u>
	<u>OCR</u>	<u>SFR</u>	
Loan Amount	-	7.80	7.80
Technical Assistance Grant	-	0.05	0.05
Total Loan and Grant Disbursed	-	7.83	7.83
Cancelled	-	0.02	0.02

<u>Project Milestones</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
Board Approval	2008-12-10	2008-12-10	0
Loan Agreement signed	2009-02-10	2009-03-14	(1)
Loan Effectiveness <sup>1</sup>	2009-05-13	2009-08-16	(3)

<u>CDB Loan</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
First Disbursement Date	2009-06-30	2009-08-30	(2.0)
Terminal Disbursement Date	2012-06-30	2013-11-30	(17)
TDD Extensions (number)	0	3	-

<u>Project Cost and Financing (\$ mn)</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (mn)</u>
CDB Loan and Grant	7.85	7.83	0.02
Counterpart	0.01	0.01	-
<b>Total</b>	<b>7.86</b>	<b>7.84</b>	<b>0.02</b>

<u>Terms</u>	<u>Interest Rate</u>	<u>Repayment</u>	<u>Grace Period</u> (Repayment commences 10 years after first disbursement)
CDB Loan (SFR)	2.5%	20 years	

<u>Implementation</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
Start Date <sup>2</sup>	2009-05-13	2009-08-16	(3)
Completion Date	2012-06-30	2014-06-30	(24)
Implementation Period (years)	3.08	4.83	(1.75)

<u>Economic Rate of Return (%)</u>	
At Appraisal	Not Applicable

<sup>1</sup> Date Conditions to First Disbursement satisfied.

<sup>2</sup> Implementation begins with satisfaction of conditions precedent

## **2. PROJECT DESCRIPTION**

### **Rationale**

2.01 The agricultural sector in Jamaica is an important contributor to the economy in terms of contribution to GDP, foreign exchange earnings and employment generation, particularly in rural areas. The sector, however, has undergone drastic change, due to the impact of global events, most notably trade liberalisation. These changes were reflected in a decline in the performance of the traditional export crops in the late 1990s and a decade beyond. Performance of the non-traditional crop sector, which is dominated by small-scale farmers, improved over the same period as a result of increased demand in both the domestic and international markets.

2.02 It was critical that GOJ sustain the growth of the non-traditional crop and livestock sub-sectors if it was to achieve its objective of improving the livelihoods of residents in rural areas, reducing overall poverty levels, and improving the food security situation. Access to affordable credit for agricultural-related enterprises was identified by GOJ as one of the factors that would positively impact the performance of the small farmer non-traditional agriculture sub-sector and the quality of life of residents.

2.03 The use of Special Development Fund (SDF) resources and the implementation of the project through the network of the NPCB and other AFIs was expected to increase the number of small-scale agriculture entrepreneurs in Jamaica who have access to affordable credit.

### **Expected Impact**

2.04 The project was expected to contribute to sustainable development through an improvement in the quality of life of rural small farmers in Jamaica.

### **Objectives or Expected Outcomes**

2.05 The overall objective of the project was to increase agricultural production, income and quality of life of small farmers in rural areas of Jamaica.

### **Components and/or Outputs**

#### **Components**

2.06 The Project consisted of the following components:

- (a) Financing of Small-Scale Agricultural Entrepreneurs; and
- (b) Technical Assistance Consultancy Services to develop a system to monitor and evaluate project outcomes and impact and conduct a mid-term review.

#### **Outputs**

2.07 The planned outputs of the Project were:

- (a) At least 260 loans to sub-borrowers approved and fully committed by end 2012. CDB loan fully disbursed by mid-2012; and
- (b) M&E System documented by December 2009 (and mid-term review completed by July 31, 2011).

## **Provision of Inputs**

2.08 In December 2008, CDB approved a loan in the amount of USD7.80 million (mn) to GOJ to enable it to support access to credit by small farmers and agricultural entrepreneurs in order to spur food production and underpin income growth. CDB also approved a grant to GOJ of USD50,000 to assist in financing the services of short term consultant(s) to develop a system to monitor and evaluate project outcomes and impact and a mid-term review. The CDB loan was for the provision, through the Development Bank of Jamaica (DBJ), of loans to Approved Financial Intermediaries (AFIs) and other Financial Institutions (FIs) approved by CDB, for the purpose of making sub-loans to small-scale agricultural entrepreneurs.

## **Implementation Arrangements**

### Executing Agency

2.09 The Development Bank of Jamaica had overall responsibility for the administration and management of all aspects of the LOC. DBJ is a GOJ-owned Limited Liability Company. The objectives of DBJ include the mobilisation of resources for, and the provision of loans to agricultural, agro-industrial, information processing, manufacturing, tourism and other industries and services within the productive sectors of the Jamaican economy, thus stimulating sustainable national economic growth and development.

## **Identification of Risks and Mitigation Measures**

2.10 The most significant risk facing farmers in the Caribbean and one that has proven difficult was identified at appraisal as weather-related shocks. Jamaica's geographic location makes it particularly vulnerable to natural disasters such as droughts, hurricanes, floods and earthquakes. GOJ sought to mitigate this risk by exploring the feasibility of weather index insurance within the framework of the Caribbean Catastrophe Risk Insurance Facility.

2.11 Another risk identified at appraisal was crop failure due to new pests or disease outbreaks. GOJ sought to mitigate this risk by strengthening the capacity of the Ministry of Agriculture and Lands (MOAL) to monitor the country's ports of entry to reduce the entry of infected plant/animal products. It was recognised, however, that the risk remained and MOAL through Rural Agricultural Development Authority, public information bulletins and farmer training maintained a surveillance programme.

2.12 Credit risk was also identified at appraisal as a significant risk. The AR defined this risk as one arising in the course of business when credit is extended to a sub-borrower who either refuses to repay or as a result of crop or market failure is unable to repay. The National Peoples' Co-operative Bank (NPCB), under the supervision of DBJ, sought to mitigate this risk by managing the credit risk to ensure that all loan applicants were properly screened, business plans properly appraised and that adequate security was provided for all loans;

2.13 It was recognised at appraisal that insecurity of land tenure may restrict prospective entrepreneurs from participating in the programme. To mitigate this risk, NPCB, sought to assist applicants, where possible, to obtain Certificates of Compliance of Title. NPCB, also explored other forms of security including liens on savings, equipment and motor vehicles, and insurance policies.

2.14 It was also recognised at appraisal that increases in the cost of production inputs may reduce the viability of farms. The project sought to mitigate this risk by placing emphasis on the provision of funds to the final borrower at as low an interest rate as possible so as to reduce the overall expenses of the Jamaican farmers;

2.15 Another risk identified at appraisal was the limited capacity of staff at some Approved Financial Intermediaries (AFIs) to undertake the necessary technical and financial analysis of sub-projects applications and the additional demands on other branches, DBJ and MOAL, as well as an increase in the waiting period for applicants. To mitigate this risk, CDB, through its on-going programme of support for FIs, provided training to staff of NPCB in credit and risk appraisal.

### **3. EVALUATION OF DESIGN AND IMPLEMENTATION**

#### **Relevance of Design and Formulation**

3.01 The AR indicates that the project design incorporated the lessons learnt in the implementation of similar type projects by CDB and the experience of DBJ and NPCB in the implementation of credit lines targeting small agriculture entrepreneurs in Jamaica. A key feature of the design was the demand-driven manner in which the credit line was implemented. Access to the facility was open to all small-scale agriculture entrepreneurs seeking to invest in legal, financially viable and sustainable enterprises up to the maximum allowed under the facility. The threshold was designed to comply with CDB's policy regarding the use of its SFR which limits the use of those resources in the agriculture sector to main-scale farmers. The project was monitored by a Project Advisory Committee (PAC) team which provided policy guidance to the Executing Agency. The inclusion of the PAC was recognition that the sector is dynamic and as such there may have been a need to adjust elements of the project to ensure relevance to conditions on the ground.

3.02 The PCR states that the project design as a LOC which was on-lent at different levels was very effective in allowing AFIs to provide affordable credit to rural beneficiaries. It further states that collaboration among the host of public and private sector agencies supporting the agricultural sector impacted the project positively as the farmers/agricultural entrepreneurs benefitted from a range of services in the areas of business plans, market research and marketing, energy conservation and other extension services.

3.03 Overall, the design and formulation of the project seemed satisfactory and adequate to address the problem and needs that were identified in the AR.

#### **Project Outputs**

3.04 At appraisal, the project was scheduled to have been implemented over the three year period, July 01, 2009 to June 30, 2012. The CDB loan component, a general LOC, was expected to have been fully disbursed by June 30, 2012 and fully committed by AFIs to sub-borrowers, by December 31, 2012. The Technical Assistance (TA) component was expected to have been documented by December 2009 and the mid-term review completed by July 31, 2011. The PCR indicates that AFI loans to farmers, totalling 339, were approved by December 14, 2014 (Table 2). It states that there was an inactive period of approximate two years when there was no draw-down of the CDB resources. The PCR points out that GOJ's commitment to a programme agreed with the International Monetary Fund (IMF) restrained the country's capacity to draw down loan resources which negatively impacted the disbursement rate of the CDB loan and retarded the overall progress of the LOC. It further states that although this was mitigated to some extent by the operation of a float and the use of DBJ's own resources, it still contributed to an overall delay in sub-loan disbursements by approximately two years. The PCR indicates that the CDB loan

component was fully committed and disbursed by October 23, 2013 (approximately 16 months beyond schedule).

3.05 The PCR states that the M&E document was completed in October 2010 (10 months later than expected) but the system proposed for December 2010 was not implemented. It also states that the Mid-term evaluation was not undertaken due to the inactivity in CDB loan disbursements during 2010 and 2011. The PCR indicates, however, that the report may still be used in the implementation of the project's M&E system. It adds that the Report provides useful baseline information which may still be relevant in any post-implementation evaluations of this and other rural development projects.

3.06 Based on a review of the information available on CDB's Registry files and PSRs, the Evaluator concurs with the findings of the PCR in respect of the implementation of the project. Given that the LOC represents 99% of the outputs (USD7.8 mn out of USD7.86 mn) as indicated in the Matrix of Project Outputs, most of the expected outputs were completed albeit over a protracted period of four years, that is, 15 months beyond the expected completion date.

**TABLE 2: MATRIX OF PROJECT OUTPUTS**

<b>No.</b>	<b>Planned Outputs at Appraisal</b>	<b>Outputs Achieved</b>	<b>Evaluator's Rating</b>
1	CDB loan amount (USD7.8 mn) disbursed by CDB by July 2012.	CDB loan amount (USD7.8 mn) fully committed and disbursed by October 23, 2013 (approximately 15 months beyond schedule).	MU
2	Funds (at least 260 loans to sub-borrowers approved) fully committed by AFIs by end of 2012.	AFI sub-loans to 339 farmers (male/female 70:30) were approved by December 14, 2014 (130% of target achieved but approximately two years beyond schedule).	MU
3	M&E system documented by December 2009 (and Mid-term review completed by July 31, 2011).	M&E document completed in October 2010 (10 months beyond schedule). System proposed for December 2010 was not implemented. The mid-term evaluation was not undertaken.	UN
<b>Average Rating</b>			<b>MU</b>

### **Project Cost and Disbursements**

3.07 The PCR provides a matrix of project costs and financing plan that shows no differences between the appraised and actual costs for the Line of Credit component. It indicates however, that only approximately 63% (USD 0.03mn) of the M&E component was disbursed on account of the fact that the Mid-term Review was not implemented. The estimated cost of the project at appraisal was USD7.86 mn and the actual cost was USD7.84 mn. A summary of project costs/commitments and the financing plan is presented in Table 3.



**TABLE 3: SUMMARY OF PROJECT COSTS AND FINANCING PLAN  
(USD '000)**

Item	CDB		CDB % Difference	Counterpart	
	Planned	Actual		Planned	Actual
Line of Credit	7,800	7,800	0	-	-
M&E System	50	31	37	11	11
<b>Total Project Costs</b>	<b>7,850</b>	<b>7,831</b>	<b>0</b>	<b>11</b>	<b>11</b>

#### Disbursements

3.08 According to CDB's records in respect of Loan No. 20/SFR-JAM, after the Closing Date of November 30, 2013, an amount of USD7,831,370 mn was withdrawn from the SFR Account.

#### **Conditions and Covenants, Procurement and Contractor Performance**

##### Conditions and Covenants

3.09 The PCR identifies covenant compliance as one of the key factors that negatively impacted the success of the project. It states that DBJ as Executing Agency was required to submit various reports, data, and information to assist in the tracking of the project outputs and outcomes. However, these were not submitted as expected. The compliance of the Borrower/Executing Agency with conditions of the loan Agreement is discussed in the assessment of the performance of the Borrower and Executing Agency.

##### Contractor/Consultant Performance

3.10 As part of the project, CDB provided GOJ with a TA grant of USD50,000 to finance consultancy services to review arrangements for monitoring and evaluating the project and making recommendations for the documentation of an appropriate M&E system.

3.11 The PCR makes reference to the report of the TA consultant but does not discuss nor rate the performance of the consultant. It states that the M&E report was completed by the consultant during 2010/2011, i.e. 10 months later than expected but the system proposed was not implemented nor was the Mid-term review undertaken. The PCR states that the report provides useful baseline information which may still be relevant in post implementation evaluations of this and other rural development projects. The PSR of 2010 reported that in general the consultant's deliverables were in keeping with the terms of reference for the assignment.

#### **Monitoring and Evaluation Design, Implementation and Utilisation**

3.12 The AR specifies the reports that were to be prepared during project implementation, including quarterly reports on loan disbursements by sector, loan portfolio and arrears ageing analysis and schedules of sub-borrowers with arrears in excess of three months; and annual reports on actual and anticipated disbursements, rescheduled loans by sector and loan collections for the past five years. The PCR states that DBJ, as executing agency, was required to submit these reports, data and information to assist in the tracking of the project outputs and outcomes but they were not submitted as expected.

#### **4. EVALUATION OF PERFORMANCE (PCR ASSESSMENT AND VALIDATION)**

##### **Relevance**

4.01 The PCR rates Relevance as Highly Satisfactory. It indicates that the project is in line with the strategic direction of GOJ and its agencies involved in agricultural management and credit. The PCR states that the project is highly relevant as GOJ's Agricultural Development Strategy seeks to enhance the chances of increased economic growth, foreign exchange earnings, employment, and poverty reduction especially in rural communities.

4.02 The PCR further states that the lack of affordable credit facilitated by reliable financial institutions and the lack of adequate agricultural project development support have been constraints to small farmers who as a result of the project have had the opportunity to increase their incomes through increased production and efficiency gains. It points out that the current policy of the Ministry of Agriculture and Fisheries (MOAF) is to increase the flow of funds to the financial sector. The PCR indicates that strong support in the implementation of this policy is now being provided by DBJ, the NPCB and other AFIs. These institutions have been actively engaged and are supporting small-scale farmers through the provision of affordable credit. In light of the foregoing, the Evaluator concurs with the PCR rating of Highly Satisfactory.

##### **Effectiveness**

###### Achievement of Outputs

4.03 **PCR Assessment:** The PCR rates the achievement of outputs as Marginally Unsatisfactory. In its justification of this rating, the PCR states that the LOC component of the project was implemented at a slower rate than was expected and the TDD had to be extended for 17 months. It further states that while this was partly due to internal issues related to marketing of the credit line by DBJ and AFI, it was an effect that resulted primarily from GOJ's need to strategically manage its draw down of external debt. As a result the commitment of sub-loans was completed 24 months after the original expected date.

4.04 In the case of the grant component, disbursements were also slower than expected. The M&E report which was originally due in 2009 was completed 10 months later in 2010.

4.05 **Evaluator's Assessment:** In accordance with the average ratings for outputs in Table 2, the Evaluator awards a rating of Marginally Unsatisfactory (MU) for outputs which concurs with that of the PCR.

###### Achievement of Outcomes

4.06 Three outcomes shown in Table 4 were identified in the AR. The overall achievement of these development objectives (outcomes) is rated in the PCR as Highly Satisfactory.

**TABLE 4: MATRIX OF PROJECT OUTCOMES**

<b>Number</b>	<b>Planned outcomes at Appraisal</b>	<b>Baseline 2008</b>	<b>Outcomes Achieved as per PCR</b>	<b>Rating by Evaluator</b>
1	Increased income and employment for approximately 780 persons in rural areas.	0	1017 persons employed as a result of 339 AFI sub-loans achieved. (This is based on assumption in AR of 3 persons employed per sub-loan approved. <sup>3</sup> )	HS
2	Net earnings of sub-loan beneficiaries increased by 10%.	N/A	In excess of 10%. (Based on anecdotal evidence from farmers and Banks)	SAT
3	Production of non-traditional crops and livestock increased by 10% by project end.	<i>Domestic Crops:</i> 400,105 tonnes; <i>Livestock:</i> 188,156 heads; <i>Poultry:</i> 117,393 Kg	<i>Domestic Crops:</i> 614,912 tonnes (32 % increase); <i>Livestock:</i> 183,600 heads (2% shortfall); <i>Poultry:</i> 101,900 Kg (86%)	HS
<b>Overall Rating</b>				<b>HS</b>

4.07 **PCR Assessment:** The achievement of development objectives (outcomes) is rated in the PCR as Highly Satisfactory. In its justification for this rating, the PCR states, inter alia, that production of domestic crops exceeded the projected 10% by the end of the project. It concludes that with the support available, the project is likely to meet its development objectives.

4.08 **Evaluator Assessment:** At appraisal it was expected that by the end of the project in December 2012, there would have been an increase in income and direct employment for approximately 780 persons in rural areas of Jamaica. The PCR indicates that this target was surpassed as a total of 1,017 persons was estimated to have enhanced their income through direct employment resulting from 339 loans to sub-borrowers under the project (Footnote 8).

4.09 Another outcome cited in the AR .was an increase in net earnings of sub-borrowers by 10%. The PCR uses anecdotal evidence to support the achievement of this outcome. It states that from observation and interviews with farmers and entrepreneurs they have indicated increases in production and income and said that they were better off as a result of the project. Banks also indicated that they expect the portfolios to perform well suggesting that sub-loan beneficiaries will be able to have enough income to meet expenses and service their debt.

4.10 The third outcome listed in the AR is expressed as an increase by 10% in production of non-traditional crops and livestock by project end. The PCR indicates that production of domestic crops exceeded the projected 10% by the end of the project. In fact, there was a 32% increase by the end of 2014. The figures in the PCR reflect a marginal shortfall in poultry (96% of target). In the case of livestock, production reached 94% of the target by the end of the project.

<sup>3</sup> AR: Appendix 3.1 – Background, Paragraph 1.01. Paper BD 134/08, December 10, 2008

4.11 The rating for Outcomes reflect the individual ratings for the three objectives of HS, SAT and MU which equate to an overall rating of HS for the outcome component.

### **Rating of Effectiveness**

4.12 **PCR Assessment:** The PCR gives a rating of (i) Marginally Unsatisfactory for achievement of outputs and (ii) Highly Satisfactory for achievement of outcomes. Given that the Effectiveness rating is a simple arithmetic average of the ratings for project outputs and outcomes, this equates to a rating of Satisfactory.

4.13 **Evaluator's Assessment:** On the basis of the composite score resulting from the Evaluator's ratings of Outputs (Marginally Unsatisfactory) and Outcomes (Highly Satisfactory), the Effectiveness rating, calculated as an arithmetic average, is Satisfactory.

### **Efficiency**

4.14 The PCR rates Efficiency as Satisfactory. It states that the implementation was not fluent and the delays resulted in inefficiency. It further states that as a consequence, the farmers and agricultural entrepreneurs had access to sub-loan resources to carry their investments later than expected. Farm benefits were therefore delayed and the mid-term evaluation report whose findings could have been used to make the project more efficient was not carried out. The PCR adds, however, that from the focus group discussion at the time of the PCR and the M&E study, some beneficiaries reported socioeconomic improvements as a result of projects funded from the sub-loans.

4.15 The PCR states that the LOC component of the project was implemented at a slower rate than was expected resulting in the extension of the Terminal Disbursement Date (TDD) for 17 months. It points out that this was partly due to internal issues related to the marketing of the credit line by DBJ and AFI. However, it was an effect that resulted primarily from GOJ's need to strategically manage its draw down of external debt. The PCR explains that GOJ was unable to draw down the CDB loan as planned as they closely managed their debt based on an agreement with the IMF which impacted the efficiency in the conversion of inputs (CDB disbursements) to outputs (sub-loans).

4.16 Overall, project implementation suffered delays of about two years and as a result the commitment of sub-loans was completed approximately 24 months after the original expected date. In view of the foregoing, the Evaluator rates this criterion as Marginally Unsatisfactory.

### **Sustainability**

4.17 The PCR rates the sustainability of the project as Satisfactory. It states that DBJ and AFIs are established institutions involved with the management of lines of credit. The PCR further states that their financial results indicate that the formulation of arrangements have been sound at the existing interest rates. The PCR indicates that on the basis of actual 2014 and projected operating and financial ratios for the years ending March 31, 2015-18, it is expected that DBJ will maintain a Return on Assets above 2% with adequate levels of liquidity to meet expenses and debt service payments.

4.18 In addition to the foregoing, the PCR states that farmers are expected to continue to benefit from the range of services provided by local institutions and GOJ is expected to remain committed to the development of the industry. The PCR suggests, however, that socio-economic surveys would be required to determine the sustainability of beneficiaries' incomes.

4.19 The PCR identifies a number of potential risks that may affect the sustainability of the project. Praedial larceny contributed to losses (estimated by the MOAF at approximately 6% per annum of

agricultural production) even with appropriate legislation in place. It notes that less losses occurred in the areas where there were geographical farming communities who were resident on or near their farms. The PCR states that GOJ has promised “crime stopping” measures to mitigate this risk.

4.20 Natural Hazard events and Climate risk were other risks cited in the PCR. It states that during project execution there were a hurricane, floods and a drought. The PCR indicates that whereas there were losses at the farm and sector levels, GOJ assisted in plant rehabilitation. It notes that GOJ, in association with the Food and Agriculture Organisation, has developed an Agriculture Disaster Risk Management Plan which provides basic guidelines for the promotion of sustainable agriculture and complements local initiatives in Disaster Risk Reduction. The PCR acknowledges that the industry remains vulnerable to Climate change/variability and other risks associated with pests and disease and recommends that appropriate risk mitigation measures should be taken to provide relief from such hazards.

4.21 On the basis of the foregoing, the Evaluator rates the Sustainability criterion as Satisfactory.

### **Performance of the Borrower and Executing Agency**

4.22 The PCR rates the performance of the Borrower/Implementing Agency as Satisfactory. It states that DBJ has been able to manage the LOC of USD7.8 mn and successfully on-lent the full amount to AFIs who provided sub-loans to rural farmers and entrepreneurs. It indicates, however, that on the downside the M&E component was not implemented.

4.23 The Evaluator rates the performance of the Borrower as Marginally Unsatisfactory due to its failure to fully comply with the conditions of the loan Agreement specifically with regard to the non-submission of the monitoring reports. This concern is raised in the PCR. It states that DBJ, as Executing Agency, was required to submit various reports, data and information to assist in the tracking of the project outputs/outcomes but these were not submitted as expected. The PCR also indicates that DBJ has not been routinely reviewing Environmental Screening and Scoping of sub-projects which were undertaken by the AFIs. It points out that DBJ was to complete an Environment Management System by June 30, 2009 as a condition of the loan but this condition was not met. In addition, the Executing Agency failed to implement the M&E component of the project.

### **Performance of the Caribbean Development Bank**

4.24 The PCR provides a self-assessment rating of CDB’s performance as Satisfactory. The justification for the rating is that CDB provided assistance from the design stage through to post implementation. It states that CDB provided effective supervision of disbursements and use of funds by DBJ and AFIs. The PCR indicates that staff recognised the challenges faced by GOJ in operationalising the M&E system but did not aggressively seek resolution. This rating is supported by PSRs of 2009 through 2012 which consistently highlight timely responsiveness to requests from GOJ and collaborative work between the Private Sector Unit and the Social Sector Division in this regard. In light of the foregoing, the Evaluator concurs with the satisfactory rating.

### **OVERALL ASSESSMENT**

4.25 The PCR does not rate the overall performance of the project. The Evaluator rates overall project performance as Satisfactory. This rating is based on an arithmetic average of the total scores from separate assessments of the four core evaluation criteria: Relevance (Highly Satisfactory); Effectiveness (Satisfactory); Efficiency (Marginally Unsatisfactory); and Sustainability (Satisfactory).

4.26 Details of the ratings and justification for differences between those of the PCR and Evaluator are in Table 5.

**TABLE 5: SUMMARY RATINGS OF CORE EVALUATION CRITERIA AND OVERALL ASSESSMENT OF THE PROJECT**

Criteria	PCR	OIE Review	Reason if any for Disagreement/Comment
Strategic Relevance	Highly Satisfactory (4)	Highly Satisfactory (4)	
Efficacy Effectiveness	Highly Satisfactory (4)	Satisfactory (3)	The Evaluator uses an arithmetic average of individual ratings for project outputs and outcomes (i.e. results) under PAS. The PCR uses the rating for Efficacy (name for Effectiveness under the former PPES system) for outcomes alone.
Cost Efficiency	Satisfactory (3)	Marginally Unsatisfactory (2)	Failure to achieve outputs within the planned implementation period. Outputs were achieved 2 years later than planned.
Sustainability	Satisfactory (3)	Satisfactory (3)	
Composite (Aggregate) Performance Rating	Highly Satisfactory (3.50)	Satisfactory (3.00)	Lower rating for Effectiveness by the Evaluator resulted in an overall rating of Satisfactory.
Borrower & EA Performance	Satisfactory	Marginally Unsatisfactory	Failure to fully comply with the conditions of the loan Agreement specifically with regard to submission of monitoring reports.
CDB Performance	Satisfactory	Satisfactory	
Quality of PCR	NA	Satisfactory	

***Lessons***

4.27 The PCR identified five lessons learned from implementation of the project as:

- (i) Macroeconomic analysis and outlook may inform the need for debt management and fiscal discipline which can impact the drawdown of loan proceeds and restrain the implementation progress of development projects. To avoid long delays in obtaining official clearance to resume draw-down it would be prudent to plan the annual expenditure and include it in the capital budget of the particular ministry for consideration in the national budget.
- (ii) The establishment of M&E systems is critical to the monitoring and evaluation of development projects. In cases where the system is being developed as part of a project there should be adequate provision of resources to ensure that the system is implemented and operational.
- (iii) Effective collaboration and coordination among stakeholders throughout the entire project cycle will assist in achieving the projects hierarchy of goals and objectives. The stakeholders include beneficiaries, Government and government agencies, suppliers of inputs, marketing and

distributing agencies. Such a network of stakeholders requires effective communication and stakeholder management.

- (iv) For lines of credit, the establishment of an MIS interface between FIs and stakeholders may assist in enhancing communication and shortening the sub-loan approval period.
- (v) Contribution of a particular sector to GDP as an outcome indicator may not be a smart indicator as disaggregation is not always feasible and relativity based on performance of other sectors may be misleading at the sector/sub-sector level, Attribution may also be difficult to determine at the project level.

4.28 The Evaluator considers the lessons cited in the PCR to be very important and does not have any disagreement with what has been proposed

## **5. COMMENTS ON PCR QUALITY**

5.01. The Evaluator rates the quality of the PCR as Satisfactory. The PCR provides useful information on project design and implementation and several important lessons learned from the project are also identified.

## **6. DATA SOURCES FOR VALIDATION**

6.01 The primary data sources for this validation exercise were CDB's AR and Loan Agreement; CDB's Project Supervision Reports and CDB's Registry files in respect of the project.

## **7. RECOMMENDATIONS FOR FOLLOW-UP**

7.01 No follow-up for OIE is required. The Evaluator does not consider that a Project Performance Audit Report would provide significantly more information or identify other lessons than those contained in the PCR.