

PUBLIC DISCLOSURE AUTHORISED

CARIBBEAN DEVELOPMENT BANK



**PROJECT COMPLETION VALIDATION REPORT
WITH MANAGEMENT RESPONSE (APPENDIX I)**

SECOND STUDENT LOAN – STUDENTS’ LOAN BUREAU

JAMAICA

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**OFFICE OF INDEPENDENT EVALUATION
SEPTEMBER 2022**

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**PROJECT COMPLETION VALIDATION REPORT
SECOND STUDENT LOAN – STUDENTS’ LOAN BUREAU
JAMAICA**

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**OFFICE OF INDEPENDENT EVALUATION
SEPTEMBER 2022**

CURRENCY EQUIVALENTS

(Dollars [\$] throughout refer to United States dollars [USD] unless otherwise stated)

JMD1.00 = USD0.0074
USD1.00 = JMD135.00

ABBREVIATIONS

AR	-	Appraisal Report
BOD	-	Board of Directors
CDB	-	Caribbean Development Bank
GOJ	-	Government of Jamaica
HRD	-	Human Resource Development
JMD	-	Jamaican dollars
LMS	-	Loans Management System
MIS	-	Management Information System
PCR	-	Project Completion Report
PIOJ	-	Planning Institute of Jamaica
PSR	-	Project Supervision Report
ROA	-	Return on Assets
SLB	-	Students' Loan Bureau
SLC	-	Students' Loan Commission
SLS	-	Students' Loan Scheme
TA	-	Technical Assistance
TDD	-	Terminal Disbursement Date
TOR	-	Terms of Reference

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MANAGEMENT RESPONSE

EXECUTIVE SUMMARY

PROJECT SUMMARY

1. The provision of educational access and improvement in educational outcomes, especially among the poor and vulnerable, are central to Jamaica achieving its long-term development objectives. Consequently, the Government of Jamaica (GOJ) has identified educational investment as a national development priority towards the preparation of 'productive and successful' lifelong learners.
2. As a result of changes in labour market needs and ongoing public sector reform, the demand for tertiary level education opportunities had been steadily increasing, however participation disparities affected students from poor and vulnerable households. While measures adopted by GOJ to deal with the disparities had been relatively effective, the most critical need for students was access to affordable financing to meet tuition cost and living expenses.
3. SLB served as the principal mechanism through which GOJ provided access to tertiary education financing for students, however, due to an upsurge in loan applications, SLB was experiencing a funding crisis and required additional resources to meet their commitment to students who were already enrolled in tertiary level programmes.
4. On December 12, 2012, the Board of Directors of the Caribbean Development Bank (CDB) approved a loan in the amount of 20 million United States dollars (USD20 mn) to assist SLB to finance its lending programme for financial year 2012/13. A Technical Assistance grant component valued at USD175,000 was included for the institutional strengthening of SLB.
5. Project completion was projected for March 2013, however actual completion occurred in March 2014.

PROJECT OBJECTIVES

6. The overall objective of the project was to increase access to tertiary education for qualified persons from poor and vulnerable households; ultimately contributing to sustainable socio-economic development and poverty reduction through human resource development (HRD).

EVALUATION OF PERFORMANCE

7. The assessment focused on the core evaluation criteria of *relevance*, *effectiveness*, *efficiency* and *sustainability*, as well as the complementary criteria of CDB and Borrowers' performance.

Relevance

8. The PCR and the Evaluator rated relevance as **Highly Satisfactory** as a result of the project's alignment with the Government's Vision 2030 Plan; its long-term HRD strategy to build capacity for the management of the country's resources; and its social and economic development policies of enhancing access to tertiary level education and training.

Effectiveness

9. Effectiveness is calculated as the simple arithmetic average of the ratings for project outputs and outcomes. The PCR rates the achievement of outputs as Marginally Unsatisfactory and the achievement of

outcomes as *Satisfactory*. This equates to a ***Marginally Unsatisfactory*** rating. The Evaluator concurs with the assigned rating.

Efficiency

10. The PCR rates efficiency as *Satisfactory*. However, the Evaluator assigned a rating of ***Marginally Unsatisfactory*** due to the SLB not meeting the financial benchmarks for Return on Assets, Arrears and Contamination ratios.

Sustainability

11. Sustainability is rated as **Satisfactory** in the PCR, however the Evaluator assigns a **Marginally Unsatisfactory** rating as a result of issues related to the profitability, high delinquency rates and subsequently the need to rely on external funding to service its financial commitments.

Performance of the Borrower and Executing Agency

12. SLB's performance as Borrower and Executing Agency was rated as *Satisfactory* by both the PCR and the Evaluator as a result of its commitment to the project and compliance with the terms and conditions of the loan.

Performance of the Caribbean Development Bank

13. CDB provided guidance and supervision during the project's implementation period. In addition, the project's design and loan conditions were adequate and realistic. On this basis, a **Satisfactory** rating was assigned by both the PCR and the Evaluator.

Overall Assessment

14. Details of the ratings and justification for differences between the PCR and Evaluator are summarised below:

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

Criteria	PCR	OIE Review	Reason if any for Disagreement/Comment
Strategic Relevance Poverty Relevance	Highly Satisfactory (4)	Highly Satisfactory (4)	
Effectiveness	Marginally Unsatisfactory (2.5)	Marginally Unsatisfactory (2.5)	
Efficiency	Satisfactory (3)	Marginally Unsatisfactory (2.5)	SLB fell short of the benchmarks for the ROA, the arrear ratio and the contamination ratio were specified by CDB at appraisal.
Sustainability	Satisfactory (3)	Marginally Unsatisfactory (2.5)	There was a need for SLB to find a better match between its lending commitments and ensuring that there was always a sufficiently large portion of its portfolio generating enough cash to service its medium to long-term borrowings and meet ongoing administration overheads.

Criteria	PCR	OIE Review	Reason if any for Disagreement/Comment
Composite (Aggregate) Performance Rating	Satisfactory 3.125	Marginally Unsatisfactory (2.875)	
Borrower & EA Performance	Satisfactory	Satisfactory	
CDB Performance	Satisfactory	Satisfactory	
Quality of PCR		Satisfactory	

Lessons Learnt

1. **Financial intermediaries such as SLB, which has a social mandate, have the dilemma of striving to be a profitable and efficient entity and that of a public organism that provides social services.** The challenge for SLB management is to find the intermediate zone that allows the institution, on one hand, greater sustainability and financial autonomy and, on the other, to continue offering affordable financing to those underserved citizens. This will shield the functioning of the SLB from adverse policy fluctuations and possible macroeconomic crises in the long-term. One option is to advance through small actions, such as improving internal efficiency, as is the case with its internal procedures and processes.
2. **The greater use of online learning in the education system presents an opportunity for the SLB to significantly expand its financing options for beneficiaries.** The risks associated with delinquent loans are reduced for beneficiaries who are accessing online training programmes because they are less costly, particularly for those already employed. An aggressive and relevant marketing strategy could be of significant value to SLB.
3. **The engagement with private financial intermediaries presents a prospect for SLB to act as a second-tier bank.** The approach should involve other smaller and qualified financial intermediaries (such as financial cooperatives or regional banks), to act as agents of credit and collectors. This could also inhibit the culture of non-payment, as the beneficiary would have a contract and a relationship with a private FI.
4. **Stronger engagement with the primary beneficiaries can assist borrowers in meeting their financial obligations to the SLB and provide improved customer service.**

1. BASIC PROJECT DATA

Project Title: Second Student Loan – Students’ Loan Bureau
Country: Jamaica
Sector: Social
Loan No.: 21/SFR-OR-JAM
Borrower: Government of Jamaica
Implementing/Executing Agency Students’ Loan Bureau

<u>Approval and Disbursements (\$ mn)</u>	<u>OCR</u>	<u>CDB LOAN</u> <u>SFR</u>	<u>Total</u>
Loan Amount	10 mn	10 mn	20 mn
Total Loan Disbursed	10 mn	10 mn	20 mn
Grant		175,000	175,000
Total Grant Disbursed		172,887	172,887
<u>Project Milestones</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (mths)</u>
Board Approval	12 December 2012	12 December 2012	0
Loan Agreement signed	24 February 2013	20 February 2013	0
Loan Effectiveness ¹	31 December 2013	21 February 2013	(2)
<u>CDB Loan</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (mths)</u>
First Disbursement Date	31 January 2013	14 June, 2013	(5)
Terminal Disbursement Date	31 March 2013	31 March 2014	(12)
TDD Extensions (loan)		1	
TDD Extensions (grant)		3	
<u>Project Cost and Financing (\$ mn)</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (mn)</u>
CDB Loan and Grant	20,175,000	20,172,887	2,113
<u>Terms</u>	<u>Interest Rate</u>	<u>Repayment</u>	<u>Grace Period</u>
CDB Loan (OCR)	3.61%	15 years	5 years
CDB Loan (SFR)	2.5%	15 years	5 years
<u>Implementation</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (mths)</u>
Start Date ²	01 Jan 2013	14 June 2013	(5)
Completion Date	31 March 2013	28 March 2014	(12)
Implementation Period	3 months	9 months	

¹ Date Conditions to First Disbursement satisfied.

² Implementation begins with satisfaction of conditions precedent

2. PROJECT DESCRIPTION

Rationale

2.01 The provision of educational access and improvement in educational outcomes, especially among the poor and vulnerable, are central to Jamaica achieving its long-term development objectives, including higher levels of quality employment among members of poor and vulnerable households. Consequently, the Government of Jamaica (GOJ) has identified educational investment as a national development priority towards the preparation of 'productive and successful' lifelong learners.

2.02 As a result of changes in labour market needs and ongoing public sector reform, the demand for tertiary level education opportunities was steadily increasing, however participation disparities affected the vulnerable groups, particularly the socioeconomic disadvantaged students, those from rural communities and males. While measures adopted by GOJ to deal with the disparities had been relatively effective, the most critical need was access to affordable financing to meet tuition cost and living expenses as a result of the increased obligation of students in the tertiary education subsector.

2.03 In recognition of the close relationship between socioeconomic status and educational attainment but faced with austere economic conditions and the need to rationalize public expenditure, GOJ committed to consolidating and expanding its investment in early childhood and basic education but signaled its intention to reduce its subsidization of tertiary education and promote more cost facilitative mechanisms and greater cost efficiency and income generation within tertiary institutions.

2.04 The Students' Loan Bureau (SLB) is the principal institution for providing financing to meet the needs of students from poor and vulnerable households, however an upsurge in loan applications from (6,000 in 2009 to over 16,000 by 2012) placed additional pressure on SLB's resources and contributed to a funding crisis. Commitments made to students already enrolled in tertiary level education for the financial year 2012/13 had to be met and reflows from SLB operations and other resources were not adequate to cover commitments. In addition, failure of SLB to provide funding to students posed a risk to the existence of tertiary level institutions, who were themselves experiencing the effects of the global financial crisis. Therefore, funding from the Caribbean Development Bank (CDB) was necessary to ensure that thousands of students remained enrolled in their programmes.

Expected Impact

2.05 The project was expected to promote social equity by closing the knowledge and income gap between those in the upper and lower quintiles of society, thereby improving the distribution of a higher national income. Through a greater participation of the poor in education and training processes, there was the likelihood of reduced unemployment, poverty, social deviance, and participation in activities which compromised citizen security.

2.06 In the long term, the project was likely to increase the Gross Domestic Product of Jamaica through an increase in total factor productivity, innovative capacity and competitiveness which was expected to occur due to increased access to tertiary level, technical and vocational and professional programmes.

Objectives / Expected Outcomes

2.07 The overall objective of the project was to increase access to tertiary education for qualified persons from poor and vulnerable households; ultimately contributing to sustainable socio-economic development and poverty reduction through human resource development (HRD).

2.08 Institutional strengthening via technical assistance (TA) to SLB was expected to assist the Bureau in developing a long-term strategy for conducting its lending operations on a sustainable basis.

Components and/or Outputs

2.09 The project comprised of two main components:

- (a) The provision of affordable and adequate financing to at least 5,000 students from poor and vulnerable households to complete tertiary level programmes in approved institutions in Jamaica and the Caribbean: and
- (b) TA via a grant to conduct a study on the long-term sustainability of the SLB.

Provision of Inputs

2.10 Discussions between CDB and SLB for a second loan³ to meet the demands of student loan financing began in November 2011, however, at that time GOJ was unable to commit to the guarantee requirements.

2.11 By letter dated, September 19, 2012, SLB requested, through the Planning Institute of Jamaica, a loan in the amount of twenty million United States dollars (USD20 mn) to facilitate the continued expansion of tertiary education for citizens from lower-income households in Jamaica. This request was in response to the significant increase in demand for student loans by persons in the lower quintiles and SLB's inability to meet this demand from existing resources.

2.12 In November 2012, GOJ provided its commitment to guarantee the requested funds. The loan was approved on 12 December 2012. An amount of USD175,00 was also approved as a TA Grant for the institutional strengthening of SLB to address its operational challenges and provide guidance on enhancing its long-term sustainability.

Implementation Arrangements

2.13 SLB was the Borrower and Executing Agency for the loan⁴. SLB is managed by the Students' Loan Commission⁵ (SLC) which has responsibility for the policy and general administration of SLB's affairs.

2.14 Allocation of resources for student loans was guided by the Government's Priority List of manpower training needs and its overall development objectives. The maximum sub-loan was to be equivalent to USD45,000 except for programmes in law and medicine where the maximum sub-loan was USD55,000.

2.15 CDB was satisfied that the management and staff of SLB were qualified and experienced to carry out the duties efficiently and effectively.

³ The first loan to SLB was approved on May 17, 2010 in the amount of USD20 mn. The resources were to be used to assist GOJ in improving the country's human resource capacity by providing loans to eligible students in the areas of tertiary level skills in professional, technical and vocational programmes.

⁴ The Students' Loan Fund Act gives SLB the power to borrow, however the amount and source of funds must be approved by the Minister of Finance

⁵ The SLC consists of not less than 9 and not more than 11 members. The members serve a term of 3 years and are eligible for reappointment.

Identification of Risks and Mitigation Measures

2.16 The following risks and mitigation measures were highlighted in the project's Appraisal Report and (AR) and Project Completion Report (PCR):

- *High delinquency rates (close to 50%) requiring high loss loan provisions which affects the profitability of the institution.* The following strategies were put in place: (a) use of debt collectors for overdue collections; (b) reductions in the insurance charge and interest rate on loans; (c) demands made on guarantors for repayment; and (d) registration with the Credit Bureau. In addition, discussions were being held with respect to the tracking of delinquent borrowers with the assistance of tax authorities. SLB was also seeking to have legislation in place which allowed for the enforcement of payments to be deducted at the source of income for employed persons.
- *Persistent inadequacies in the Management Information System (MIS), including loan processing and collections.* As part of the conditions of the loan, and to improve organisational efficiency and decision-making, SLB acquired a new Loans Management System (LMS) which also lent itself to a records management and business intelligence tool for analysis and reporting.
- *High rate of staff and BOD turnover.* The organisational chart was strengthened with the incorporation of some critical functions and staff additional complement which was expected to improve operations and customer service.
- *Net foreign exchange loss incurred as a consequence from a depreciation of the rate of the Jamaican dollar to the United States dollar in long-term borrowings.* SLB was in the process of taking steps to reduce its dependence on external borrowings and improving its sustainability.

2.17 In addition to the above mitigation strategies, SLB's risk management policies are subject to oversight by SLC. A review of these policies was undertaken following the recommendations of a study conducted by Price Waterhouse Coopers in 2011.

3. EVALUATION OF DESIGN AND IMPLEMENTATION

Relevance of Design and Formulation

3.01 In conditions of economic austerity, poor students are the ones likely to be adversely affected when tuition costs become prohibitive, therefore the project was designed as an input to addressing poverty by providing enhanced learning opportunities via affordable financing for tertiary level students from poor and vulnerable households.

3.02 Financing was targeted towards students in the two lowest socioeconomic quintiles based on the Jamaica Survey of Living Conditions. Eligible students were those who matriculated for an approved tertiary institution and selected from the results of a Means Test⁶ approved by SLB. Students in the lowest income strata were also eligible for a small grant to meet living expenses.

⁶ The parameters of the test included household income, number of dependents, number of persons in the household and the type and size of the home. These parameters were to be reviewed to ensure that the testing model was reflective of the operating environment.

3.03 Funding was provided for programmes of up to five years duration and predominately for studies at local colleges and universities. A 1% approval for studies on campuses outside Jamaica was based on: (a) no available places at regional educational institutions; (b) the cost of pursuing a particular programme of study extra-regionally substantially less than the cost of regional tuition; and (c) the student had already pursued a substantial part of the programme of study at an extra regional institution and only needed limited financial resources to complete the programme.

3.04 Third party loan guarantees rather than collateral arrangements were used to make financing available to poor students. The PCR notes that the project assisted in removing a constraint to accessing tertiary education by providing concessionary financing to poor students who would otherwise be challenged to achieve certification for increased employability and sustainable employment. CDB was satisfied that the procedures adopted by SLB were appropriately designed to identify poor and vulnerable students.

Project Outputs

3.05 The PCR provides an assessment of planned outputs versus actual outputs for each of the project components. Table 1 provides a summary.

TABLE 1: MATRIX OF PROJECT OUTPUTS

No.	Planned Outputs	Outputs Achieved	PCR Rating
1.	<i>Affordable and adequate student loan provided to students from poor and vulnerable households:</i>		
	<ul style="list-style-type: none"> Approval of sub-loans valued at JMD 9 bn. Loan fully disbursed by March 2013. At least 5,000 persons receive loans for tertiary level programmes. Percentage of student financing is adequate to meet basic financing needs. 	<ul style="list-style-type: none"> Sub-loans totaling JMD8.19 bn were approved. The loan was fully disbursed one year behind schedule due to delays in the satisfaction of conditions precedent to disbursements. 7,865 students (70% female) from low-income households benefitted from tertiary level financing. In the absence of a survey, the graduation rate was used as a proxy to determine the adequacy of student financing. An overall rate of 79% suggests that SLB student financing was adequate to meet basic financing needs. 	Satisfactory
2.	<i>Technical Assistance to conduct a study on the long-term sustainability of the Students' Loan Bureau</i>		
	Report with findings and recommendations for long-term sustainability at SLB, as well as the strengthening of their corporate financial management and oversight, completed by December 31, 2013 and implemented no later than the 2014-15 academic year.	The Consultancy was not completed until four years behind schedule (July 2018). The PSR notes that this delay was as a result of the termination of the initial consultancy contract due to non-conformity with the Terms of Reference (TOR); and the need to restart the procurement process to engage another consultant.	Unsatisfactory
PCR Average Rating: Marginally Unsatisfactory			

3.06 An overall rating of **Marginally Unsatisfactory** was assigned to the achievement of outputs mainly as a result of challenges experienced with the Diagnostic Study. The Evaluator agrees with this assessment and notes that feedback from SLB indicated that while the final report was Satisfactory, the benefits of the Consultancy were not at the level expected since it did not adequately address the scope of works, including a system of identifying the priority areas for lending and recommendations related to strengthening the M&E system and identifying key performance indicators to guide operations. The Consultants report highlighted, however, that they experienced difficulty in obtaining critical information which would have allowed for a greater level of evaluation.

Project Costs and Disbursements

Project Costs

3.07 The following table, which is highlighted in the PCR, shows no difference between appraised and actual cost of the project. However, it was noted that due to the instability of the Jamaican currency cumulative foreign exchange losses of approximately JMD1.04 bn were experienced as at March 2016.

TABLE 2: MATRIX OF PROJECT COSTS AND FINANCING PLAN

Item	CDB SFR (USD'000)		CDB % Difference	Counterpart		Counterpart % Difference
	Planned	Actual		Planned	Actual	
Commitments	20.0	20.0	0	0	0	0
Disbursements (CDB)	20.0	20.0	0	0	0	0
Total Base Cost	20.0	20.0	0	0	0	0
Total Project Cost	20.0	20.0	0	0	0	0

Disbursements

3.08 The funds were disbursed in two equal tranches of USD10 mn. First disbursement was conditioned on CDB receiving a Priority List of programmes of study consistent with Section 2 of CDB's SLS Guidelines, as well as evidence that SLB had amended its income recognition policy to accommodate the reversal of accrued uncollected interest on non-performing loans. This was expected to be completed by January 31, 2013 but occurred on May 27, 2013.

3.09 Conditions precedent to the second disbursement stipulated that SLB provide CDB with a shortlist of consultants to be issued with Request for Proposals to conduct the Diagnostic Study; as well as that SLB develop and implement a liquidity policy to better guide its liquidity management and planning. The policy was submitted to CDB on October 10, 2013.

3.10 The loan was expected to be fully disbursed by March 31, 2013, however final disbursement occurred on 31 March 2014.

3.11 Disbursement of the grant portion of the loan was conditioned upon CDB receiving a signed copy of the contract between SLB and the Consultant, together with a written request for funds. The TDD on the grant component of the project was extended on three occasions: December 31, 2016; June 30, 2018; and March 31, 2019. At project completion, the full amount of the loan and 99% of grant funds had been disbursed.

Procurement of Consultants

3.12 The process for Request for Proposals was completed in October 2013 and a Contract for the TA Consultancy (Diagnostic Review) signed on April 8, 2014.

3.13 The Inception Report was received on April 30, 2014, however, after review it was considered unacceptable due to assumptions which were not made in the context of SLB's mandate. A revised Inception Report was submitted on June 17, 2014, but this was also considered unsatisfactory as it did not conform to TOR of the consultancy. A decision was consequently made to terminate the contract effective August 8, 2014.

3.14 SLB signalled their intention to move to the next highest bidder however, since the period for which proposals were valid had expired, CDB advised that the process had to be restarted. A contract was signed with a new consultant in February 2017 and a Draft Inception Report tabled and accepted by CDB in April 2017.

3.15 The Aide-Memoire notes that CDB's procurement process with limited periods between activities did not provide much leeway for delays and the timelines may have been too optimistic.

Conditions and Covenants

3.16 In addition to the conditions precedent to disbursement, the loan agreement specified that in principle the Guarantor (GOJ) was not to prevent SLB from charging adequate interest rates. However, if this were to occur, GOJ was to make adequate arrangements in a timely manner to enable SLB to meet any resulting shortfall in its revenue.

Monitoring and Evaluation Design, Implementation and Utilisation

3.17 In compliance with the terms and conditions of the loan and to assist in the supervision of operations, SLB was required to submit the following reports to CDB: certified copy of audited financial statements; status of loan portfolio stating the value of sub-loans outstanding; status of loan collections; approvals of student sub-loans; and project monitoring reports. The PSRs notes however that there were many instances of late preparation and submission of reports and other documentation.

3.18 In the PCR's analysis of critical factors to the project, it is noted that the M&E system had a negative impact on output delivery. This was attributed to the outdated MIS infrastructure which was not integrated across the multiple information technology systems. In addition, the system was unable to generate reports easily and there were a number of inaccuracies as a result of failure to manually update data across the systems.

3.19 A new Loans Management System (LMS) was to be fully implemented and operationalised by June 30, 2013. However, due to resource constraints, the system was implemented in phases and SLB requested a five-month extension to the deadline (November 2013). By project completion the new LMS was implemented, however some of the operational functionalities had not been fully installed.

4. EVALUATION OF PERFORMANCE (PCR ASSESSMENT AND VALIDATION)

Relevance

4.01 The PCR rates Relevance as **Highly Satisfactory** based on the justification that the project was consistent with the Government's Vision 2030 Plan; its long-term HRD strategy to build capacity for the management of the country's resources; and its social and economic development policies of enhancing access to tertiary level education and training.

4.02 The AR notes that the project (loan) was in alignment with CDB's strategic objective of fostering inclusive social development, reducing poverty, and improving the quality of opportunities and access to education and training for students from poor households. The project was also supported by CDB's Education and Training Policy and Strategy (2004) and reflected in the CSP which identified education as a critical enabler of social and economic development through the expansion of the pool of Caribbean citizens with the knowledge and skills necessary to live productive lives in an internationally competitive environment.

4.03 The grant component (Diagnostic Review) of the project was also highly relevant since SLB was the principal financing agency responding to the needs of poor students and it was necessary that its business model be strengthened to reflect changing circumstances and aligned with best practices in the areas of financial and liquidity management, credit risk assessment and strategic planning.

4.04 The Evaluator concurs with this rating and is of the opinion that the student loan project was an appropriate response to target poor and vulnerable persons in an environment where GOJ had signalled its intention to reduce its funding to educational institutions.

Effectiveness

4.05 Table 3 provides the matrix of project outputs and identifies planned outcomes versus outcomes achieved.

TABLE 3: MATRIX OF PROJECT OUTCOMES

Planned Outcome at Appraisal	Planned Outcome	Outcome Achieved
To increase access to tertiary education by qualified students from poor and vulnerable households	35%	33%
Proportion of beneficiaries completing programmes on time	80%	79%

4.06 The PCR notes that while figures suggest that none of the outcomes were achieved, some outputs were exceeded. For example, at appraisal the project sought to benefit at least 5,000 persons with at least 4,000 students completing their programmes on time (80%). By the end of the project, however, there was a total of 7,865 beneficiaries (an increase of 57%) with 6,215 students (79%) completing their programmes on time. In addition, the total number of persons enrolled in tertiary education increased from approximately 74,600 in 2014 to 78,100 in 2018⁷. While access⁸ fell slightly short of the planned outcome, there was an improvement from the baseline of 30%.

⁷ The Economic and Social Survey of Jamaica: 2018 Selected Indicators, Planning Institute of Jamaica (2018)

⁸ Interpreted to mean the Gross Enrolment Rate.

4.07 Based on the above justification, both the PCR and the Evaluator rates effectiveness as **Satisfactory**. It is noted however, that there was a marked imbalance in favor of females as it related to tertiary level education.

4.08 Given that the Effectiveness rating is a simple arithmetic average of the individual ratings for project outputs and outcomes, an overall rating of **Marginally Unsatisfactory** is assigned as follows:

	<i>PCR</i>	<i>Evaluator</i>
Achievement of Outputs	Marginally Unsatisfactory (2)	Marginally Unsatisfactory (2)
Achievement of Outcomes	Satisfactory (3)	Satisfactory (3)
Average Rating:	Marginally Unsatisfactory (2.5)	Marginally Unsatisfactory (2.5)

Efficiency

4.09 The PCR rates Efficiency as Satisfactory on the justification that SLB managed the project as expected and sub-loans were disbursed ahead of target dates. However, the Evaluator rates Efficiency as **Marginally Unsatisfactory** for the following reasons:

4.10 First, while the debt-to-equity ratio and interest coverage rate were healthy and well within CDB's specified limits, the Return on Assets (ROA) was 0.1%; less than the target minimum of 1%. In addition, the arrears ratio of 10.96% and the contamination ratio of 38.35% were not in accordance with the prudential targets of 5% and 35%, respectively.

4.11 Second, the PSRs and PCR notes that non-performing loans represented a challenge for SLB and this was reflected in a delinquency rate of close to 50%.

Sustainability

4.12 A major positive for SLB was the perception that the SLS was a critical component to the viability of tertiary education for poor students. The PCR notes that demand for student loans was high over the life of the project (an average of 13,500 per annum) with funding being provided for a range of areas including Masters and Doctoral programmes; certification courses which were directly aligned to degree programmes; and eligible accredited programmes, including online and professional courses.

4.13 In addition, there was a clear indication that SLB, as well as GOJ was committed to the vision of providing continued robust support to students pursuing tertiary education. This was evidenced in the implementation of the Special Education Tax which provided for the capitalisation of the Fund, as well as improvements in corporate governance aimed at mitigating risk which had the potential to negatively impact the operations of SLB. Based on this justification, the PCR rates Sustainability as **Satisfactory**.

4.14 The Evaluator on the other hand rates Sustainability as **Marginally Unsatisfactory** for the following reasons. First, there was a significant reduction in profitability from JMD86 mn in 2012 to JMD14 mn in 2013, mainly as a result of increases in loan loss provisions and finance costs. Therefore, while SLB had increased their net loan portfolio by 31% (JMD2.4 bn) this was funded from the CDB loan; as well as a grant from GOJ in the amount of JMD350 mn.

4.15 Second, the PCR 2014 notes that high delinquency rates posed a continuous challenge to SLB and resulted in less than satisfactory levels of collection. One of the reasons cited for this was the high unemployment rates due to the persistent weak performance of the Jamaican economy, low levels of remuneration and emigration of graduates. Consequently, SLB was unable to reach the performance targets highlighted in the Appraisal Report. In addition, as noted in the PCR, there was a need for SLB to find a

better match between its lending commitments and ensuring that there was always a sufficiently large portion of its portfolio generating enough cash to service its medium to long-term borrowings and meet ongoing administration overheads.

4.16 Third, the Diagnostic Study which was a critical component to inform a new business model for SLB aimed at ensuring their future viability as a sustainable financial institution failed to adequately address the priority areas or provide recommendations to guide the future operational performance of SLB.

PERFORMANCE OF THE BORROWER AND EXECUTING AGENCY

4.17 Both the PCR and CDB assessed the performance of the Borrower as **Satisfactory**. It is noted that throughout implementation SLB maintained its commitment to the project, as well as regular contact with CDB. Disbursement claims were submitted timely and sub-loans reached the targeted beneficiaries.

4.18 The PCR notes, however, that while compliance with terms and conditions were generally satisfactory, the submission of reports were not always timely as a result of the lack of proper systems for effective tracking and the M&E of beneficiary impacts.

4.19 The Evaluator acknowledges the challenges experienced by the Borrower but concurs with the **Satisfactory** rating since action was taken by SLB to rectify the issues experienced with the outdated MIS system.

PERFORMANCE OF THE CARIBBEAN DEVELOPMENT BANK

4.20 The PCR assigns a **Satisfactory** rating to CDB's performance and cites that during project implementation disbursements were processed adequately, optimal guidance was provided and supervision visits were conducted as needed.

4.21 The Evaluator concurs with the Satisfactory rating and notes that CDB performed satisfactorily during the design, preparation and appraisal stages of the project. In addition, loan and sub-loan conditions were realistic and there was active communication between SLB and CDB.

5. OVERALL ASSESSMENT

5.01 Based on the ratings assigned to each of the core criteria, the overall assessment of the project Marginally Unsatisfactory as noted 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 Poverty Relevance	Highly Satisfactory (4)	Highly Satisfactory (4)	
Effectiveness	Marginally Unsatisfactory (2.5)	Marginally Unsatisfactory (2.5)	
Efficiency	Satisfactory (3)	Marginally Unsatisfactory (2.5)	SLB fell short of the benchmarks for the ROA, the arrear ratio and the contamination ratio were specified by CDB at appraisal.
Sustainability	Satisfactory (3)	Marginally Unsatisfactory (2.5)	There was a need for SLB to find a better match between its lending commitments and ensuring that there was always a sufficiently large portion of its portfolio generating enough cash to service its medium to long-term borrowings and meet ongoing administration overheads.
Composite (Aggregate) Performance Rating	Satisfactory 3.125	Marginally Unsatisfactory (2.875)	
Borrower & EA Performance	Satisfactory	Satisfactory	
CDB Performance	Satisfactory	Satisfactory	
Quality of PCR		Satisfactory	

Lessons

5.02 The following lessons were identified in the PCR as useful to inform new project designs:

1. **Financial intermediaries such as SLB, which has a social mandate, have the dilemma of striving to be a profitable and efficient entity and that of a public organism that provides social services.** The challenge for SLB management is to find the intermediate zone that allows the institution, on one hand, greater sustainability and financial autonomy and, on the other, to continue offering affordable financing to those underserved citizens. This will shield the functioning of the SLB from adverse policy fluctuations and possible macroeconomic crises in the long-term. One option is to advance through small actions, such as improving internal efficiency, as is the case with its internal procedures and processes.
2. **The greater use of online learning in the education system presents an opportunity for the SLB to significantly expand its financing options for beneficiaries.** The risks associated

with delinquent loans are reduced for beneficiaries who are accessing online training programmes because they are less costly, particularly for those already employed. An aggressive and relevant marketing strategy could be of significant value to SLB.

3. **The engagement with private financial intermediaries presents a prospect for SLB to act as a second-tier bank.** The approach should involve other smaller and qualified financial intermediaries (such as financial cooperatives or regional banks), to act as agents of credit and collectors. This could also inhibit the culture of non-payment, as the beneficiary would have a contract and a relationship with a private FI.
4. **Stronger engagement with the primary beneficiaries can assist borrowers in meeting their financial obligations to the SLB and provide improved customer service.**

6. COMMENTS ON PCR QUALITY

6.01 The Evaluator rates the quality of the PCR as **Satisfactory**. Adequate information and justification for ratings were provided as well as important lessons from the project.

7. DATA SOURCES FOR VALIDATION

7.01 The primary data sources used for this validation exercise were the project's AR, PSRs, PCR, registry files, the Loan Agreement and discussion with the assigned Project Officer.

8. RECOMMENDATIONS FOR FOLLOW-UP

8.01 SLB is expected to continue reporting its financial results and Annual Report during the loan repayment period, including information on portfolio analysis, loans in arrears and collections.

PUBLIC DISCLOSURE AUTHORISED

APPENDIX 1

CARIBBEAN DEVELOPMENT BANK



**PROJECT COMPLETION VALIDATION REPORT
SECOND STUDENT LOAN – STUDENTS’ LOAN BUREAU
JAMAICA**

SEPTEMBER 2022

MANAGEMENT RESPONSE

The Private Sector Division concurs with the assessment and findings of the Project Completion Validation Report. The minor variation in the Composite (Aggregate) Performance Rating of 0.25 is based on the following two (2) factors – Efficiency and Sustainability as Students’ Loan Bureau (SLB) fell short of the benchmarks for the Return of Average Assets (ROA), financial autonomy and both the arrears and contamination ratio when compared to the ones settled at appraisal.

Notwithstanding the abovementioned, the main output of the project was exceeded by more than 50%, impacting total of 7,865 students (70% female) from poor and vulnerable households in Jamaica.

Finally, both the Project Completion Report (PCR) team and the Office of Independent Evaluation (OIE) agreed that valuable lessons can be learned from this intervention for future similar interventions of student loan schemes in Borrowing Member Countries (BMCs).