

CARIBBEAN DEVELOPMENT BANK



EXECUTIVE SUMMARY WITH MANAGEMENT RESPONSE

PROJECT COMPLETION VALIDATION REPORT

**STUDENT LOAN SCHEME (SIXTH LOAN)
GRENADA**

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OFFICE OF INDEPENDENT EVALUATION

APRIL 2016

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GRENADA**

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EXECUTIVE SUMMARY

1. BASIC PROJECT DATA

Project Title:	Student Loan Scheme (Sixth Loan) – Grenada
Country:	Grenada
Sector:	Financial
Loan No.:	11/SFR-OR-GRN
Borrower:	Government of Grenada (GOGR)
Implementing/Executing Agency:	Grenada Development Bank (GDB)

CARIBBEAN DEVELOPMENT BANK (CDB) LOAN (USDmn)

Disbursements (\$mn)

	<u>OCR</u>	<u>SFR</u>	<u>Total</u>
Loan Amount	3.000	0.548	3.548
Total Loan Disbursed	3.000	0.541	3.541
Cancelled	-	0.007	0.007

Project Milestones

	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
Board Approval	2002-10-10	2002-10-10	-
Loan Agreement signed	2002-12-15	2002-12-05	-
Loan Effectiveness ¹	2003-02-05	2003-08-22	(6.5)

CDB Loan

	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
First Disbursement Date	2003-03-31	2003-12-12	(8.5)
Terminal Disbursement Date (TDD)	2009-12-31	2012-04-27	(28)
TDD Extensions (number)	-	3	-

Project Cost & Financing (\$mn)

	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance</u>
CDB Loan	3.548	3.548	-
Counterpart (GOGR)	-	-	-
Total	3.548	3.548	-

Terms

	<u>Interest Rate</u>	<u>Repayment</u>	<u>Grace Period</u>
CDB Loan (SFR)	2.5% (Fixed)	15 years (including grace period)	5 years
CDB Loan (OCR)	5.75 (variable)	15 years (including grace period)	5 years

Implementation

	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance</u>
Start Date ²	2003-02-05	2003-08-22	(6.5) months
Completion Date	2009-12-31	2012-04-27	(28) months approx..
Implementation Period	6.8 years	8.7 years approx.	(1.9 years)

Economic Rate of Return (%)

At Appraisal	Not applicable
Additional Loan	Not applicable

¹ Date conditions to First Disbursement satisfied

² Implementation begins with satisfaction of conditions precedent

2. PROJECT DESCRIPTION

2.01 The Grenada Development Bank (GDB) has been involved with CDB's Student's Loan Scheme (SLS) programme for over 15 years. In July 2001, GDB submitted an application for funds to finance its student loan programme. Following discussions between the Government of Grenada (GOGR), GDB and CDB, concerning the performance of GDB, and negotiations with GOGR, the Board of Directors (BOD) of CDB approved a loan on October 10, 2002 to GOGR not exceeding the equivalent of 3.548 million (mn) United States dollars (USD3.548 mn).

2.02 The loan comprised USD3 mn from CDB's Ordinary Capital Resources (OCR) and USD0.548 mn from CDB's Special Funds Resources. USD3 mn was to be used for the traditional SLS. USD0.5 mn or 14 per cent (%) of the total funds were designated to provide educational loans to students from poor and vulnerable households who satisfied the educational criteria but not the financial criteria of the SLS programme.

2.03 Grenada is a tri-island state with a population estimated at 101,000. A labour survey done in October 2014 year showed a drop in the unemployment rate from 32.5% in 2013 to 28.9% in 2014. However, the survey also showed that the highest unemployment rate was among persons between the ages of 15 to 24.³

2.04 CDB assessed that GDB needed institutional strengthening and strategic planning to improve its competitiveness. A component of the loan included Technical Assistance (TA) to facilitate the preparation of a strategic plan. It was also a condition of the loan that all posts relating to managerial and auditing functions be held by persons whose qualifications and experience are acceptable to CDB.

EXPECTED OUTCOMES

2.05 The expected outcome of the project was inconsistently stated throughout the Appraisal Report (AR). The logical framework differs from the narrative, as well as in the Project Supervision Reports (PSRs). Essentially the purpose was to: (i) increase the number of students, including students from poor and vulnerable households, receiving education and training at technical, vocational and professional levels; and (ii) contribute to the institutional strengthening of GDB. The three purpose/outcome statements were:

- (a) assist GOGR in developing human resources through the provision of student loans for post-secondary education and skills enhancement;
- (b) increase the number of students, including students from poor and vulnerable households, receiving education and training at technical, vocational and professional levels; and
- (c) assist GOGR with the achievement of the following objectives: (i) improving human resources through the upgrading of skills at the vocational, technical and professional levels; and (ii) the institutional strengthening of GDB.

³ http://www.gov.gd/egov/news/2015/jun15/25_06_15/item_4/unemployment-plunges.html

EVALUATION OF PERFORMANCE

2.06 The Project Completion Report (PCR) was prepared in 2013 and validated by the Office of Independent Evaluation (OIE) in 2015. The Evaluator rates the overall performance of the Project as *Marginally Unsatisfactory*. With respect to the individual criteria: Relevance, Effectiveness, Efficiency and Sustainability, the PCR did not assign numerical scores as an older PCR template was used. The summary ratings were not always consistent with those in the body of the text.

2.07 The PCR rates Relevance as *Highly Satisfactory* but gives no justification for the rating. The Evaluator concurs with this rating. Support for the SLS was relevant to contribute to the human resource development (HRD) needs of Grenada. The demand for student loans was greater for extra-regional institutions and the cap for those loans was reached fairly quickly. The component for poor and vulnerable students did not reach as many in this category as planned. While the broad GOCR priority list guided the loan scheme, there was no evidence that actual labour market demands and/or employment opportunities were considered in managing the loan portfolio.

2.08 The PCR rates Effectiveness as *Highly Satisfactory*. The Evaluator rates Effectiveness as *Marginally Unsatisfactory*. There was insufficient data to indicate how many students successfully completed their training at the end of the Project. The delayed drawdown resulted in the low likelihood of students being fully trained by 2006 as planned. Neither the PCR nor GDB provide sufficient information regarding the completion of studies and educational achievements of students. Nor is there information available that would show that national demand for skills was addressed, that gainful employment of students or any other positive downstream effects of the intervention. According to data from CDB's Claim Disbursement Unit, 210 sub-loans valued at XCD11,195,267 were approved at the end of the project. Of this amount, XCD9,554,196 was disbursed. As of September 2010, GDB reported that 80 students (77 from the OCR component and 3 from the SRF component) had completed their course of study. This figure is less than half of the approved number of loans and no reports were made available beyond that date.

2.09 The PCR and the Evaluator concur on the *Marginally Unsatisfactory* rating of Efficiency. The Project was *Marginally Unsatisfactory* due to the excessive time required to satisfy the expected outputs.

2.10 The Evaluator disagrees with the rating of the PCR for Sustainability. The PCR rates Sustainability as *Satisfactory* and assesses prospects for sustainability from a forward-looking perspective stating that high sub-loan repayments arising from an economic environment that creates employment opportunities for graduates with the capacity and willingness to service their loans will contribute to the sustainability of the Project. The Evaluator rates Sustainability as *Marginally Unsatisfactory* on the basis that GDB's collection performance has been below the CDB benchmark for current and total collections. In addition, the ratio for non-performing loans (NPLs) has been in excess of the target for NPLs. Over the last five years of implementation of the SLS project, GDB's Return on Equity has also fluctuated below CDB's benchmark established for Development Banks. Furthermore, there is no data on the sustainability of the training programmes.

2.11 The Evaluator acknowledges the devastating effect of Hurricanes Ivan in 2004 and Emily in 2005 on the economy of Grenada. These events caused widespread unemployment arising from the damage to businesses and economic activity and had a negative impact on the implementation of the Project. The Evaluator would encourage that in such unforeseen circumstances, CDB and the Borrower seek to adjust design and implementation, if deemed necessary.

BORROWER AND EXECUTING AGENCY PERFORMANCE

2.12 The Evaluator did not concur with the PCR that the Borrower and Executing Agency performance was *Satisfactory*. For a period between 2003 and 2006 GOCR did not satisfy the requirement for equity

injections into GDB. The execution of the strategic plan and key recruitment and staffing were delayed. The financial performance of GDB reduced the overall effectiveness of the agency's performance.

THE CARIBBEAN DEVELOPMENT BANK'S PERFORMANCE

2.13 The Evaluator concurs with the PCR that CDB performance was Satisfactory, however the Evaluator emphasises that the monitoring and evaluation framework was inadequate to assess the results of the SLS.

TABLE 1: SUMMARY RATINGS OF CORE EVALUATION CRITERIA AND OVERALL PERFORMANCE ASSESSMENT OF THE PROJECT

Criteria	PCR⁴	OIE Review	Justification
<i>Relevance</i>	Highly Satisfactory ⁵ (4)	Highly Satisfactory (4)	Support for SLS was relevant to meet the HRD needs of Grenada. However, the demand for student loans was greater for extra-regional institutions and the 60% cap for those loans was reached fairly quickly. The SFR component for poor and vulnerable students did not reach as many poor students as planned. While the broad GOGP priority list guided the loan scheme, there was no evidence that actual labour market demands and/or employment opportunities were considered in managing the loan portfolio.
<i>Effectiveness</i>	Highly Satisfactory ⁶ (4)	Marginally Unsatisfactory (2)	It was difficult to assess effectiveness because of weak indicators at the outcome level. There was insufficient data to indicate how many students successfully completed their training at the end of the Project. The delayed drawdown resulted in the low likelihood of students being fully trained by 2006 as planned. Neither the PCR nor GDB provide sufficient information regarding the completion of studies and educational achievements of students. Nor is there information available that would show national demand for skills was addressed, the gainful employment of students or any other positive downstream effects of the intervention. According to data from CDB's Claim Disbursement Unit, 210 sub-loans valued at XCD11, 195,267 were approved at the end of the Project. Of this amount, XCD9,554,196 was disbursed.
<i>Efficiency</i>	Marginally Unsatisfactory ⁷ (2)	Marginally Unsatisfactory (2)	The Project was <i>Marginally Unsatisfactory</i> due to the length of time required to satisfy the expected outcome. The average number of loans approved per year over the life of the project was 22 compared with the projected 59 at appraisal.
<i>Sustainability</i>	Satisfactory (3)	Marginally Unsatisfactory (2)	Up to 2014, GDB's collection performance has been below the CDB benchmark for current and total collections. In addition, the ratio for NPLs was in excess of the target for NPLs. Over the last five years of implementation of the SLS project, GDB's Return on Average Assets (ROA) has also fluctuated below CDB's benchmark established for Development Banks. Neither the PCR nor GDB compared the training provided with the Government's priority list. The indicators did not account for number of students employed and repaying loans, which would be important to demonstrate sustainability.
Composite (Aggregate)	Satisfactory (3.25)	Marginally Unsatisfactory (2.5)	While most of the output targets were met the weak outcome indicators and especially the unavailability of data made it impossible to assess the development effectiveness of the project.

⁴ PPES scores and ratings used in PCR and PSRs to be converted to PAS 2013 scores and ratings, using the equivalence matrix in the relevant PAS 2013 Manual (Public Sector Investment Lending and TA; PBL; CSP).

⁵ Strategic Relevance rated in PCR

⁶ Efficacy rated in PCR

⁷ Cost efficiency rated in PCR

Criteria	PCR ⁴	OIE Review	Justification
Performance Rating			The extended timeframe to fully disburse the funds and weaknesses in efficiency undermined the achievements of the Project, despite meeting of the output targets.
<i>Borrower & EA Performance</i>	Satisfactory (3)	Marginally Unsatisfactory (2)	There are contradictory ratings in the PCR ⁸ . The narrative rating in the PCR is 'unsatisfactory'. While CDB noted satisfactory reporting by GDB on the Project itself, the Project period was characterised by GDB losses between 2002 and 2010, high delinquency ratios, concerns about recruitment and staffing key positions, and delays in the implementation of the strategic plan. GDB failed to provide required equity between 2003 and 2006. GDB was also ineffective in informing the public about the special component and as a result did not meet the target number of loans.
<i>CDB Performance</i>	Satisfactory (3)	Satisfactory (3)	Given the indicators in the logical framework, CDB satisfactorily supervised the Project. However, the M&E framework as designed and executed was inadequate to robustly assess the results of the SLS.
<i>Quality of PCR</i>	Satisfactory	Marginally Unsatisfactory (2)	The PCR utilised an outdated template and contained contradictory ratings between the summary ratings and the narrative. The reporting on the indicators was unclear and imprecise.

LESSONS LEARNED

2.14 The following lessons were identified in the PCR:

- (a) a functioning Student Loan Advisory Committee (SLAC) and effective coordination between GDB and SLAC are critical for efficient implementation of the SLS;
- (b) macroeconomic stability and economic growth are important for the sustainability of a SLS;
- (c) in designing a SLS, care needs to be taken to ensure that there is loan repayment flexibility; during the period of study and upon completion to minimise the risk of default; and
- (d) an efficient management information system (MIS) is critical for monitoring the implementation and operation of a SLS.

2.15 In addition, the Evaluator adds the following lessons:

- (a) several conditions need to be in place for the SLS to be executed as planned; namely, the loan conditions need to meet the actual needs of students and labour force surveys and tracer studies need to be conducted to generate the necessary feedback on the relevance of courses under the SLS; additionally, there has to be sufficient capacity for loan management;
- (b) assessing the impact of SLSs requires more than merely 'counting' the number of loans and number of students trained. Appropriate monitoring and evaluation (M&E) systems need to be in place to undertake long term tracer studies to provide more attributable contributions of SLS programmes to the developmental needs of the country; and

⁸ In the Summary of Project Performance Ratings, the PCR rates Borrower's performance as Satisfactory. However, in the narrative of the Report, the PCR assesses Borrower's performance as Unsatisfactory.

- (c) the Project points to the pitfalls of not supporting capacity building and institutional support, while the Executing Agency concurrently needs these capacities to execute the Project. The experience shows that if this is attempted there should be conditions or appropriate incentives to ensure speedy implementation of the necessary changes.

RECOMMENDATIONS

(a) CDB ensures that extensive consultation occurs as part of SLS project design

2.16 CDB and its borrowers need to pay more attention to the developmental outcomes of SLSs, and the collection and analysis of data to follow up on the circumstances of borrowers over time. The primary purpose of SLS is to ensure that students are being prepared for meaningful employment. This is predicated on knowing where the employment opportunities exist and how SLS can address the development needs of the country. CDB support of SLSs should incorporate more robust M&E requirements for assessing the developmental effectiveness of such schemes and the added value they can provide;

(b) Frameworks for SLS projects should include all outcomes and output elements, as well as their performance measurement indicators

2.17 The log frame and the expected results did not include recognising the impact of the strategic plan on GDB. Given the importance of restructuring the Bank, the frameworks for such projects should include outcomes and indicators which measure more than numbers of loans provided and include additional developmental outcomes and indicators; and

(c) CDB considers revising SLS Guidelines (1997)

2.18 CDB's SLS Guidelines (1997) impose certain restrictions on the quantum of resources that can be allocated to students attending regional and extra-regional educational institutions. On the basis of CDB's experience with student loan programmes over the last approximately 20 years, CDB should consider revising and updating the Guidelines in an effort to address more effectively the needs and requirements of SLSs of its BMCs.

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MANAGEMENT RESPONSE

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APRIL 2016

MANAGEMENT RESPONSE

1.01 We believe that there are some valuable lessons that can be shared from this experience, particularly in relation to the design of an appropriate Design and Monitoring Framework that tracks progress during implementation in achieving expected results.

2.01 Since 2003, there has been a requirement that CDB'S SDF resources be used to provide funding for students from poor and vulnerable households as a means of improving their access to credit, given that under normal circumstances they would be excluded by being unable to provide acceptable collateral for such loans. The student loan under review would have been one of the first lines of credit with provision for lending to such students and required not only the establishment of a committee by the GOCR to design appropriate eligibility criteria for access, but also formulating an appropriate modality to underwrite GDB's credit risks. Hence, lower than anticipated uptake for such resources during the initial period of implementation should not be viewed as a shortcoming in project design since the project substantially achieved its output targets. The SLS overall target was to reach 200 students and 195 students were reached.

3.01 The validation of the Project Completion Report cites as a shortcoming a lack of data on the sustainability of training programmes. However, there is need to recognize that such data is not a requirement for reporting under the SLS.

4.01 In assessing Borrower Performance the PCVR rating such performance as *Marginally Unsatisfactory* citing inter alia GOCR's failure to provide equity injection in amounts as stipulated in the Loan Agreement between 2003 and 2006. However the delay by GOCR in the provision of such contributed capital was directly related to the difficult fiscal and economic environment prevailing in Grenada following devastation by two major hurricanes. It also needs to be stated that GDB subsequently received such contributions, although delayed and during the period of project implementation.

5.01 Table 2 below, provides further responses to key findings in the Report.

**TABLE 2: KEY FINDINGS FROM THE PROJECT COMPLETION VALIDATION REPORT
AND RESPONSES FROM PROJECTS STAFF**

REFERENCE	COMMENTS FROM STAFF
Inconsistency in the treatment of expected project outcomes in PCR.	We have taken careful note of this observation.
Weak Logical Framework.	We concur with this assessment, but believe that this has been a major challenge at appraisal for financial intermediary loans. We have noted the weak indicators, specifically an absence of indicators to take account of the number of students employed and repaying their loans as well as institutional strengthening related to the strategic plan. These are valuable observations that can be taken into account for future interventions.
No available data on sustainability of training programmes.	Under CDB's SLS Guidelines, the Student Loan Advisory Committee has responsibility for inter alia monitoring the establishment, publication and updating of the priority list along with monitoring of non-credit performance of SLS. It is not normal practice for CDB-funded student loan programmes to require data collection on the sustainability of training programmes. Information on the national demand for skills must be part of the planning and operational functions within the relevant Ministry of Government with responsibility for human resource planning along with support from other relevant Ministries and the private sector to help inform implementation of SLS.
SLS could benefit from labour force surveys and tracer studies to generate the necessary feedback on the relevance of courses undertaken under SLS.	While we believe SLS can benefit from such support to assess labour market conditions, such work needs to be embraced by the relevant ministries with appropriate resources dedicated to ensuring timely completion of labour market information. Going forward, there is need to include in SLS, provision for mid-term evaluations as a means of enhancing project design, implementation and data collection.
The PCVR made reference to contradictory rating of Borrower and Executing Agency Performance.	We have a different interpretation, as our comparison is in relation to pages 2 and 12 (Section IV) of the PCR rather than the reference made in the PCVR at page 10.