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CARIBBEAN DEVELOPMENT BANK



**EXECUTIVE SUMMARY WITH MANAGEMENT RESPONSE
AND
PROJECT COMPLETION VALIDATION REPORT**

**STUDENT LOAN – STUDENTS’ LOAN BUREAU PROJECT
JAMAICA**

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OFFICE OF INDEPENDENT EVALUATION

OCTOBER 2018

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EXECUTIVE SUMMARY

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**STUDENT LOAN – STUDENTS’ LOAN BUREAU PROJECT
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EXECUTIVE SUMMARY

In May 2010, the Caribbean Development Bank (CDB) approved a loan in the amount of twenty million United States dollars (USD20 mn) to the Students' Loan Bureau (SLB) of Jamaica to assist in improving the country's human resource capacity by providing loans to eligible students under the Bank's Student Loan Scheme (SLS) for upgrading tertiary level skills in professional, technical and vocational programmes. SLB provided counterpart funding of USD80 mn over a period of five years made available from reflows. In December 2012, CDB approved a second loan to SLB in the amount of USD20 mn to facilitate the continued expansion of tertiary education for citizens from low-income households in Jamaica.

PROJECT OBJECTIVES

2. The overall objective of this project was to enhance the employability and entrepreneurial prospects of an increased proportion of persons from poor and vulnerable households by financing their participation in, and completion of, tertiary level training.

IMPLEMENTATION PERFORMANCE

3. The Project was implemented by SLB of Jamaica. SLB is a statutory corporate body, established under Section 4 of the Students' Loan Act for the purpose of providing, directly or through approved financial institutions, loans and grants to approved students for educational purposes. SLB has full legal status and is authorised to negotiate and enter into loan agreements with borrowers, to administer and invest moneys of the Fund established under the Act for the proper performance of its functions under the Act.

4. The Project Completion Report (PCR) states that implementation of project outputs was highly satisfactory. The loan was disbursed approximately four months earlier than was projected and SLB was able to approve the total expected amount of sub loans of nine billion Jamaican dollars (JMD9 bn) (within the projected period). This was accompanied by the processing of loans for 2,140 more students than the 5,000 originally expected at loan appraisal. The PCR points out that the resources for on-lending by SLB were stretched by SLB adopting a lower cap¹ (and a lower average loan per student) and more loans than expected were processed in a shorter time than expected at appraisal.

5. The PCR, completed in July 2016, indicates that the CDB loan of USD20 mn was expected to be fully committed by March 31, 2012 and fully disbursed by October 2014. In fact, the loan was fully committed and disbursed by October 2013.

SUSTAINABILITY

6. Sustainability was rated by the evaluator as Marginally Unsatisfactory. The Loan Agreement sets financial performance targets for SLB for key operating ratios. Three of these are: (i) Debt Service Coverage; (ii) Debt to Equity; and (iii) Return on Assets (ROA). SLB satisfied the minimum standards for two of these three during the period 2008 to 2013. But while SLB has satisfied some of the required benchmarks for the period 2008 to 2012, the trend has been downwards, largely as a result of increased disbursements, increased debt service obligations and the impact on SLB's earnings of a significant

¹ Condition 7(C) of the Terms and Condition of the AR limits the maximum sub loan to USD45,000 except for programmes in law and medicine, where the maximum is placed at USD55,000.

reduction in domestic interest rates and rates on student loans.² At December 31, 2013, the Arrears Ratio and Contamination Ratio were below CDB's benchmark minimum levels.

EVALUATION CRITERIA

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

OVERALL ASSESSMENT

8. The overall assessment of project performance was Satisfactory. This rating was based on an arithmetic average of the total scores from separate assessments of the four core evaluation criteria: Relevance (Highly Satisfactory); Efficiency (Satisfactory); Effectiveness (Satisfactory); and Sustainability (Marginally Unsatisfactory).

PERFORMANCE OF BORROWER AND EXECUTING AGENCY

9. The PCR rates the performance of the Borrower/Implementing Agency as Satisfactory. It states that SLB exhibited good stakeholder management while seeking to contribute to its sustainability by addressing its Loan Management System (LMS) and Management Information System (MIS) weaknesses. The second loan to SLB includes Technical Assistance (TA) intended to address constraints to sustainability.

10. The PCR indicates that SLB performed satisfactorily in its financial management, though not always achieving the projected ROA. It states that SLB's ability to attract new sources of funds for its programme is an indication of its status in the market for student loan financing. It points out, however, that SLB's reporting on non-financial matters will have to be addressed.

PERFORMANCE OF CDB

11. The PCR rates CDB's performance as Satisfactory. It states that CDB performed highly satisfactorily in project design, preparation and appraisal. It further states that the Bank was very effective in assisting SLB and the Government of Jamaica (GOJ) in completing and signing the required legal documents (Loan Agreement and Guarantee Agreement) to satisfy conditions precedent to first disbursement. The PCR points out that during supervision CDB advised SLB of reporting deficiencies and information required to determine project outcomes based on agreed criteria but SLB encountered challenges in providing such information. The PCR states that Bank support was highly valued by SLB.

OVERALL ASSESSMENT

12. The overall performance rating of the project is determined by separately evaluating and rating the four evaluation core criteria. The arithmetic average of the scores for the core criteria, as assessed by the evaluator, is 3.25, or Satisfactory.

13. The PCR awarded a rating of Highly Satisfactory, based on higher ratings for effectiveness and sustainability than those determined by the Evaluator.

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

² AR: Chapter 2 – Financial Performance, Page 11 Paragraph 2.22. Paper BD 121/12, December 12, 2012.

SUMMARY RATINGS OF CORE EVALUATION CRITERIA
AND OVERALL ASSESSMENT OF PROJECT

Criteria	PCR/PSRs ³		OIE Review ⁴		Reason if any for Disagreement/Comment
	Score	Rating	Score	Rating	
Relevance	4	Highly Satisfactory	4.0	Highly satisfactory	
Effectiveness	3.5	Highly Satisfactory	3.0	Satisfactory	Deficient information resulting in inability to determine project outcomes
Efficiency	3	Satisfactory	3.0	Satisfactory	
Sustainability	3	Satisfactory	2.0	Marginally Unsatisfactory	One of three key financial ratios underperformed intended target. SLB also failed to meet benchmark minimum levels for arrears and contamination ratios.
Composite (Aggregate) Performance Rating	3.37	Highly Satisfactory	3.00	Satisfactory	
Borrower & EA Performance		Satisfactory	Rated only	Marginally Unsatisfactory	Noncompliance with reporting requirements
CDB Performance		Satisfactory	Rated only	Satisfactory	-
Quality of PCR		-	Rated only	Satisfactory	-

Lessons

15. The PCR identifies the following five lessons learnt from the project that are considered useful to inform new project design:

(a) **Multi-disciplinary approach to Supervision of Student Loans**

Apart from focusing on the financial and operating performance of the Financial Intermediary, it is critical to track the performance of the student loans programme throughout the entire results chain. This would be facilitated by emphasising the responsibility of a supervision support team during implementation which should comprise at least a financial analyst, a social analyst and a human resource specialist to assess the gains in the education sector and the welfare of beneficiaries.

(b) **Monitoring Plan**

A Monitoring and Evaluation (M&E) plan should be developed and rolled out for the benefit of the Borrower/Executing/Implementing Agency or provided for as part of the project activities. While the Results Monitoring Framework, the logical framework and the covenants regarding submission of reports are all included in the Appraisal Report, it should be made clear in the M&E plan how to collect, analyse and report on resources required for the financial intermediary (FI) to carry out the M&E activities to determine the hierarchy of outcomes/results. Where there is a M&E deficiency, specific staffing requirements should be a condition of the loan and appropriate training provided.

³ Refer to Appendix 1 – PCR PPES Scores and Ratings converted to PAS Scores and Ratings using Table 6: Equivalence Matrix, Page 9. PAS Manual Volume 1: Public Sector Investment Lending and Technical Assistance.

⁴ PAS System applied.

(c) **Labour market conditions to be matched with Students preference**

As part of the appraisal of student loans or at the level of the FI, the funding of areas of study and the frequency for certain areas should be rationalised based on the immediate and projected labour market demand.

(d) **Stakeholder Management**

The presence of good relationships and communication among stakeholders helps significantly in the management of the project preparation, appraisal and implementation processes. During implementation where there are a large number of transactions an online interface could be adopted among partners to efficiently serve common interest.

(e) **Disbursement performance**

The disbursement performance can be enhanced if the Project Launch Workshop (PLW) effectively sensitises the executing and implementing agencies on loan withdrawal procedures and if Conditions Precedent to First Disbursement are all discussed during the preparation and appraisal stages and shown to be within the control of the Borrower, Guarantor and Executing and Implementing Agencies.

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MANAGEMENT RESPONSE

**PROJECT COMPLETION VALIDATION REPORT
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MANAGEMENT RESPONSE

There is a general concurrence with the assessment and findings of the Project Completion Validation Report. The Office of Independent Evaluation (OIE) has incorporated the comments of Private Sector Development Unit (PSDU) into the report. PSDU notes the observations and justifications for differences in rating core evaluation criteria and accept the methodology used.

Both the PCR Team and OIE agree that there are some valuable lessons learned from the project that would assist the Bank in designing and supporting the implementation of similar interventions in its Borrowing Member Countries.

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PROJECT COMPLETION VALIDATION REPORT

**STUDENT LOAN – STUDENTS’ LOAN BUREAU PROJECT
JAMAICA**

**OFFICE OF INDEPENDENT EVALUATION
OCTOBER 2018**

Any designation or demarcation of, or reference to, a particular territory or geographic area in this Document is not intended to imply any opinion or judgment on the part of the Bank as to the legal or other status of any territory or area or as to the delimitation of frontiers or boundaries.

CURRENCY EQUIVALENTS

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

JMD1.00 = USD0.0111

USD1.00 = JMD 90.00

ABBREVIATIONS

AR	-	Appraisal Report
bn	-	billion
CDB	-	Caribbean Development Bank
FI	-	Financial Intermediary
GOJ	-	Government of Jamaica
HRD	-	Human Resource Development
mn	-	million
LMS	-	Loan Management System
M&E	-	Monitoring and Evaluation
MIS	-	Management Information System
OCR	-	Ordinary Capital Resources
OIE	-	Office of Independent Evaluation
PCR	-	Project Completion Report
PLW	-	Project Launch Workshop
ROA	-	Return on Assets
SFR	-	Special Funds Resources
TA	-	Technical Assistance
TEI	-	Tertiary Education Institutions
USD	-	United States Dollars

TABLE OF CONTENTS

EXECUTIVE SUMMARY MANAGEMENT RESPONSE

- 1. BASIC PROJECT DATA SHEET**
- 2. PROJECT DESCRIPTION**
 - Rationale
 - Expected Impact
 - Objectives or Expected Outcomes
 - Components/Outputs
 - Provision of Inputs
 - Implementation Arrangements
 - Identification of Risks and Mitigation Measures
- 3. EVALUATION OF DESIGN AND IMPLEMENTATION**
 - Relevance of Design and Formulation
 - Project Outputs
 - Project Costs and Disbursements, Borrower Contribution and Conformance to Schedule Conditions and Covenants
 - Monitoring and Evaluation Design, Implementation and Utilisation
- 4. EVALUATION OF PERFORMANCE (PCR ASSESSMENT AND VALIDATION)**
 - Relevance
 - Effectiveness
 - Efficiency
 - Sustainability
 - Performance of the Borrower and Executing Agency
 - Performance of the Caribbean Development Bank
- 5. OVERALL ASSESSMENT**
 - Lessons
- 6. COMMENTS ON PCR QUALITY**
- 7. DATA SOURCES FOR VALIDATION**
- 8. RECOMMENDATIONS FOR OIE FOLLOW-UP**

1. BASIC PROJECT DATA SHEET

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

	<u>CDB LOAN (USD'mn)</u>		
<u>Disbursements (\$mn)</u>	<u>OCR</u>	<u>SFR</u>	<u>Total</u>
Loan Amount	5.00	15.00	20.00
Disbursed	5.00	15.00	20.00
<u>Project Milestones</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
Board Approval (Original Loan)	2010-05-17	2010-05-17	-
Loan Agreement signed	2010-07-25	2010-11-25	(4)
Loan Effectiveness ⁵	2010-09-30	2011-01-31	(4)
<u>CDB Loan</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
First Disbursement Date	2010-09-30	2011-02-03	(4)
Terminal Disbursement Date (TDD)	2014-03-31	2013-10-21	5.33
TDD Extensions (number)	0	0	0
<u>Project Cost & Financing (\$mn)</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance</u>
CDB Loan	20.00	20.00	0.00
Counterpart (SLB)	80.00	80.00	0.00
Total	100.00	100.00	0.00
<u>Terms</u>	<u>Interest Rate</u>	<u>Repayment</u>	<u>Grace Period</u>
CDB Loan (SFR)	2.5%	13 years	5 years
CDB Loan (OCR)	4.80% (variable)	13 years	5 years
<u>Implementation</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
Start Date ⁶	2010-09-30	2011-01-31	(4)
Completion Date	2014-03-31	2013-10-21	5.33
Implementation Period (years)	3.5	2.8 approx.	0.75 years
<u>Economic Rate of Return (%)</u>			
At Appraisal	Not applicable		
Additional Loan	Not applicable		

⁵ Date conditions to First Disbursement satisfied

⁶ Implementation begins with satisfaction of conditions precedent

2. PROJECT DESCRIPTION

Rationale

2.01 The Government of Jamaica (GOJ) accords high priority to expanding access to tertiary education and training to all persons in the country. This includes the provision of affordable and adequate financing for poor students to participate in and complete relevant tertiary programmes. In light of the increasing cost-sharing obligations on students and limited access to tertiary education financing by persons from poor and vulnerable households, one such strategy is the provision of lower-cost student loans through the Student Loans Bureau (SLB). The availability of funds through the SLB is critical to ensuring that poor students have access to affordable financing particularly as the SLB is the public agency with a specific mandate, demonstrated commitment and comparative advantage in providing student loan financing to poor eligible students.

2.02 In an increasingly knowledge-based global economy, one of the key advantages that a country possesses is the quality of its human capital. Human Resource Development (HRD) is a critical component of the strategy of GOJ to reduce poverty and vulnerability and contribute to sustainable socio-economic development. This intervention was consistent with GOJ's development priorities, as well as the Caribbean Development Bank's (CDB) assistance strategy for the country and was intended to further place people at the centre of the growth and development process in Jamaica.

Expected Impact

2.03 The project was expected to contribute to a reduction in poverty and sustainable socio-economic development, through HRD, in Jamaica. (In December 2012, CDB approved a second loan to SLB in the amount of twenty million United States dollars (USD20 mn) to facilitate the continued expansion of tertiary education for citizens from low-income households in Jamaica. Except for context, that loan has not been reviewed in this Project Completion Validation Report)

2.04 Eligible students under the programme are those who matriculate for an approved tertiary institution and are selected from the results of an SLB Means Test which is a requirement of the CDB loan. These persons fall in the lower quintiles of the Jamaican Survey of Living Conditions and are therefore designated as persons below the poverty line. The SLB Means Test is patterned in line with the Beneficiary Identification System used by the Programme for Advancement through Health and Education. The parameters of the Test include household income; number of dependents; number of persons in the household; and type and size of home.

2.05 CDB SLS Guidelines require that, with respect to such loans, a comprehensive list of higher and technical vocational programmes of study be established by government based on manpower training needs (the Priority List). This list will be utilised by SLB in the allocation of CDB resources for student loans.⁷

Objectives or Expected Outcomes

2.06 The overall objective of this project was to enhance the employability and entrepreneurial prospect of an increased proportion of persons from poor and vulnerable households by financing their participation in and completion of tertiary level training.

⁷ AR: Chapter 2 – Management, Page 8, Paragraph 2.07. Paper BD 121/12, December 12, 2012

Components/ Outputs

2.07 The four main outputs of the Project listed in the Appraisal Report (AR) were:

- (i) approval of sub loans of SLB valued at JMD9 bn;
- (ii) CDB loan fully committed by March 31, 2012 and fully disbursed by March 31, 2014;
- (iii) at least 5,000 low income students receive loans for tertiary level programmes; and
- (iv) student financing provisions adequate to meet basic financing needs.

Provision of Inputs

2.08 In May 2010, CDB approved a loan in the amount of USD20 mn (JMD1.8 mn) to the SLB of Jamaica to facilitate funding the continued expansion of tertiary education for citizens from low income households in Jamaica.

2.09 It was projected that SLB would have fully committed the loan by March 2012 and that loan funds would have been fully disbursed by March 2014. SLB had already made substantial commitments in respect of student loan applications for the school year beginning 2009 and requested the retroactive financing of USD4 mn in respect of sub loan approvals made up to 12 months prior to approval of the loan by CDB. CDB agreed to this request.

Implementation Arrangements

2.10 The Project was implemented by SLB of Jamaica. SLB is a statutory body corporate, established under Section 4 of the Students' Loan Act for the purpose of providing, directly or through approved financial institutions, loans and grants to approved students for educational purposes. SLB has full legal status and is authorised to negotiate and enter into loan agreements with borrowers, to administer and invest moneys of the Fund for the proper performance of its functions under the Act. It provides funding only for students attending colleges and universities that are predominantly local, with only 1 per cent (%) of students attending University of the West Indies campuses outside of Jamaica.

2.11 SLB is managed by a Students Loan Council charged with responsibility for the policy and general administration of the affairs of SLB. Membership of SLB comprises one representative from the Ministry of Education and Culture and eight others with leadership and management experience in education, banking and other fields, appointed by the Minister.

Identification of Risks and Mitigation Measures

2.12 In assessing risks, the PCR states that the macroeconomic performance of the Jamaican economy was critical to the country achieving its goals of economic recovery and socioeconomic development and poverty reduction. It also states that inadequate economic growth opportunities can restrict the absorption of graduates into the work force and restrict GOJ's fiscal space such that public investment in education and other social sectors could be affected. To mitigate this risk, Jamaica was working with the International Monetary Fund in improving its growth trajectory and fiscal stability.

2.13 The PCR points out that during implementation the SLB had some challenges with its financial performance, not always achieving the standards set for their Return on Assets (ROA). According to the PCR this was due to high loan arrears, loan loss provisioning and inadequacies in SLB's loan management and Management Information Systems. To address this situation, a Technical Assistance (TA) study which is part of a second intervention with SLB will assist in enhancing its financial and institutional soundness and provide a basis for agreement on recommendations to be implemented.

2.14 The PCR states there is a risk of graduates not finding suitable jobs because their training programmes or preference among students for popular areas of study do not appropriately match the requirements of the job market. To mitigate this risk, SLB and GOJ will continue to accurately target students, assist in matching their preferences with the projected labour market demands and monitor their performance, as well as that of Tertiary Education Institutions (TEIs) in delivering appropriate and relevant programmes.

2.15 Another risk identified in the PCR was the potential brain drain should unemployment persist among the graduates as more of them would seek opportunities abroad. To address this potential risk, GOJ would be required to provide support to young entrepreneurs through mentorship and incubation and continue to develop and market the Jamaica brand. The PCR states that Jamaica had already set up links with its diaspora and benefits from philanthropy and remittances.

3. EVALUATION OF DESIGN AND IMPLEMENTATION

Relevance of Design and Formulation

3.01 The project was consistent with GOJ's policies for social and economic development through enhancing access to tertiary level education and training. It was also consistent with CDB's strategic objective of fostering inclusive social development by improving the quality and opportunities for access to education and training. CDB's experience in providing student loans was incorporated in the design of this project.

3.02 The PCR states that the project has been efficacious and consequently the design was appropriate to address the problems identified in the project rationale and to achieve the hierarchy of goals identified in the results chain. It also states that project design allowed for wide collaboration among various partners and close dialogue on issues of common interest.

3.03 One design issue that was highlighted in the PCR focused on the topic of gender. The PCR indicates that the AR was fairly silent on Gender except that females were twice as likely as males to enrol in the training programmes. It acknowledges that appraisal took place prior to CDB's adoption of rigorous gender analysis based on the Gender Marker. However, the PCR indicates that if the gender Marker was applied to the project at PCR completion stage it would achieve a low score as gender equality objectives were not included as a design feature.

3.04 The PCR also states that while SLB recorded data on the number of male and female beneficiaries, the data did not inform their allocation of sub loan resources. The PCR is of the view that the inequity among male and female students is a sectoral issue that should be addressed at the Early Child and Basic Education stages.

3.05 Overall, the design and formulation were adequate to address the problems and needs that were identified in the AR.

Project Outputs

3.06 The PCR assesses implementation progress on project outputs to be Highly Satisfactory. It states that the loan was disbursed approximately four months earlier than was projected and SLB was able to approve the total expected amount (sub loans) of JMD9 bn within the projected period. This was accompanied by the processing of loans for 2,140 students more than the number (5,000) originally expected. The PCR points out that the resources for on-lending by SLB were stretched by SLB adopting a

lower cap⁸ (and a lower average loan per student) and more loans than expected were processed in a shorter time than expected at appraisal.

3.07 According to the Results Framework of the AR, at least 5,000 students from poor and vulnerable households were expected to receive loans for tertiary level programmes. The PCR states that 7,140 students received loan assistance from SLB. This was an increase of approximately 43% over what was planned. It indicates that the CDB loan of USD20 mn was expected to be fully committed by March 31, 2012 and fully disbursed by October 2014. In fact, the loan was fully committed and disbursed by October 2013. As indicated in the matrix of project outputs below, all of the expected outputs were achieved in the projected time frame and the Evaluator therefore concurs with the PCR assessment of Highly Satisfactory.

TABLE 1: MATRIX OF PROJECT OUTPUTS

Number	Planned Outputs at Appraisal	Outputs Achieved
1	USD20 mn (JMD1.8 bn) to be committed by March 31, 2012 and fully disbursed by March 31, 2014.	USD20 mn (JMD1.8 bn) committed and fully disbursed by October 2013.
2	SLB approves sub loans totaling JMD9 bn by 2015	SLB approved sub loans totaling JMD9 bn by 2015.
3	At least 5,000 students of poor and vulnerable households to receive loans for tertiary level programmes from SLB with a total value of JMD 9 bn by 2014.	7,140 students of poor and vulnerable households received loan assistance for tertiary level programmes from SLB by 2013.

Project Cost, Disbursements, Borrower Contribution and Conformance to Schedule

Project Cost

3.08 The PCR provides a matrix of project costs and financing plan that shows no differences between the appraised and actual costs. The PCR states however that the continued depreciation of the Jamaica dollar served to increase the value of the CDB loan in local currency terms. This resulted in a decrease in the total budget allocation of JMD0.3 mn due to the difference between CDB's average rate of USD90/JMD1 and the actual exchange rate, which was lower than expected. A summary of project costs/commitments and the financing plan is presented in Table 2.

TABLE 2: SUMMARY OF PROJECT COSTS AND FINANCING PLAN
(USD mn)

Item	CDB		CDB % Difference	Counterpart	
	Planned	Actual		Planned	Actual
Commitments	20	20	0	80	80
Disbursement - CDB	20	20	0	0	0
Disbursement - SLB				80	80
Total Project Costs	20	20	0	80	80

⁸ Condition 7(C) of the Terms and Condition of the AR limits the maximum sub loan to USD45,000 except for programmes in law and medicine, where the maximum is placed at USD55,000.

Disbursements

3.09 According to CDB's records in respect of Loan No. 21/SFR-OR-JAM, after the Closing Date of March 31, 2014, the entire amounts of the Ordinary Capital Resources (OCR) Portion of USD5 mn and the Special Funds Resources (SFR) Portion of USD15 mn were withdrawn from the OCR and SFR Accounts, respectively.

Conditions and Covenants

3.10 The PCR does not discuss the significance of any particular conditions of the Loan Agreement or the Borrower/Executing Agency compliance with loan conditions. In fact, Loan Agreement compliance is not included in the PCR checklist of key factors influencing project success. 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 (paragraphs 4.14 to 4.16 refer).

Monitoring and Evaluation Design, Implementation and Utilisation

3.11 The AR specified the reports that were to be prepared during project implementation. It also identified monitoring and evaluation (M&E) indicators for each sub-component of the project that were to be collected by the Planning Institute of Jamaica, the Ministry of Education and SLB. The PCR states that the M&E system was limited to the recording and reporting on loans and sub-loans. It indicates that reporting included financial reporting and the provision for M&E of other project outcomes. The PCR notes that while the M&E module for the PLW was very sound, the follow through in establishing the full M&E system was not accomplished.

4. EVALUATION OF PERFORMANCE (PCR ASSESSMENT AND VALIDATION)

Relevance

4.01 The PCR rates Relevance as Highly Satisfactory. It states that the project was consistent with CDB's strategy and GOJ's strategy for tertiary education for disadvantaged students. The PCR states that the project has been in line with the sector priorities of GOJ who agreed to guarantee the student loan from CDB on behalf of SLB. It further states that the design was an appropriate response to an increased demand for learning and skills development.

4.02 The PCR indicates that the project has been effective through financial intermediation where SLB through its sub loans has been able to identify and provide financial assistance to more than 5,000 students from poor and vulnerable households. This was in response to the demand for financial resources to meet the cost of tertiary education in Jamaica at a time when GOJ was hard pressed to maintain its subvention to TEIs as it was experiencing challenges. It points out that while graduates have been able to find employment in traditional areas further analysis is required to determine the fit between areas of study and current and projected labour market requirements. The PCR states that graduates in the areas of Maritime and Technology have been able to find employment more easily than those pursuing management studies which is a very popular area of study. On the basis of the foregoing, the Evaluator concurs with the Highly Satisfactory rating of the Relevance criterion.

Effectiveness

Achievement of Outputs

4.03 **PCR Assessment:** The PCR rates the achievement of outputs as Highly Satisfactory. It states that the CDB loan was disbursed approximately four months earlier than was projected and SLB was able to approve the total amount of JMD9 bn within the projected period. This was accompanied by the processing of sub loans by SLB for 2,140 students more than the 5,000 originally expected. It points out that the resources available for on-lending were stretched by SLB’s adoption of a lower cap (and a lower average loan per student) and more loans than expected were processed in a shorter time frame than was expected at appraisal.

4.04 Given that the outputs were achieved as planned within the expected time period, the Evaluator concurs with the rating of outputs of the PCR.

Achievement of Outcomes

4.05 Four outcomes shown in the matrix below were identified in the AR. The overall achievement of these development objectives (outcomes) is rated in the PCR as Satisfactory.

TABLE 3: MATRIX OF PROJECT OUTCOMES

Number	Planned outcomes at Appraisal	Baseline 2009	Outcomes Achieved	Rating
1	Gross enrolment in tertiary education increase from 30% in 2009 to 35% by 2014.	30%	This outcome was not achieved. Gross enrolment in tertiary education was estimated at 28.9% for 2014.	MU
2	Percentage of 24 year olds with tertiary level certification increase by three percentage points by 2014.	10%	No evidence that outcome was achieved or not achieved. No information/explanation is provided in the PCR	UN
3	At least 90% of students complete programme on time.	95%	This outcome was achieved. It was based on an estimate by SLB.	HS
4	Percentage of graduates employed one year and three years after completion of studies	-	Baseline and target not provided in AR.	SAT

Baseline to be determined after approvals by SLB for Outcome number 4

4.06 **PCR Assessment:** At appraisal it was expected that by the end of the project in 2014, the gross enrolment rate in tertiary education would have increased from 30% to 35%. The PCR indicates that this target was not achieved as the Gross Enrolment rate in tertiary education decreased to 28.9% as the population was experiencing difficult times and participation in tertiary education was not widely affordable.

4.07 Another outcome cited in the AR is an increase, by three percentage points, in the number of 24 year olds with tertiary level certification by 2014. The PCR does not provide any information to assess achievement of this outcome nor does it give an explanation for the absence of this information.

4.08 It was expected that at least 90% of students would complete their programmes on time. The PCR indicates that this outcome was achieved as about 96% of students completed their programmes on time on the basis of an estimate by SLB from data on the number of students that began to repay their loans and the numbers who requested an extension based on the need to repeat programme modules.

4.09 The fourth outcome listed in the AR is expressed as the proportion of beneficiaries employed one year and three years after completion of studies. The PCR indicates that 49% of beneficiaries were employed as at 2012 and 49% by the end of the project. It explains that some of the data required for outcome measurement with regard to graduate employment was not available in the form identified at appraisal and an approximation of total employment based on the loans that entered the repayment stage was therefore used. In addition, available data on youth unemployment showed that those graduates who benefited from the SLP are more likely to be employed than the average youth.

4.10 **Evaluator's Assessment:** The Outcomes reflect individual ratings for the four objectives of MU, UN, HS and SAT which give an overall rating of MU for the outcome component.

Rating of Effectiveness

4.11 **PCR Assessment:** The PCR gives a rating of: (i) Highly Satisfactory for achievement of outputs; and (ii) 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 Highly Satisfactory.

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

Efficiency

4.13 The PCR rates Efficiency as Satisfactory. It states that SLB's efficiency in committing and disbursing sub-loans was very satisfactory. Also, implementation progress was very satisfactory as the sub-loans were disbursed ahead of the original target date. It adds that the means tests assisted in targeting, and the enhanced Loan Management System (LMS) and Management Information System (MIS) improved timelines and efficiency for processing of applications and loan administration.

4.14 The PCR states that it was not feasible to calculate an economic rate of return. However, in a qualitative sense the efficiency with which inputs were converted to outputs is reflected by a higher number of sub-loans committed within a shorter than expected time. There was a very high pass rate among a higher number of students, which suggests that the skills were being acquired on a timely basis without much repetition.

4.15 The Matrix of Project Costs and Financial Plan in the PCR shows no differences in the planned and actual CDB financed component. However, the PCR indicates that the Jamaica dollar depreciated continually during the project implementation period from JMD90 to USD1 to JMD100 to USD1. It points out that while USD20 mn was expected to convert to JMD1.8 bn, the actual conversion was JMD1.5 or 16% less. This exchange rate movement however was offset by a lower than expected average sub-loan size contributing to an increased number of beneficiaries. The PCR states that GOJ will bear foreign exchange losses throughout the CDB repayment period as provided for in the Guarantee Agreement.

4.16 In view of the foregoing the Evaluator concurs with the PCR rating of efficiency as Satisfactory.

Sustainability

4.17 The PCR rates the sustainability of the project as Satisfactory. It states that the project's sustainability depends on the extent to which the graduates find rewarding employment on an ongoing basis to enhance their well-being. It further states that based on projected operational and financial performance of SLB, sustainability of the institution is likely. In addition, this will be enhanced by a Risk Management Unit which is to be established shortly.

4.18 The PCR indicates that on the basis of SLB's revised projections, the institution is expected to manage the SLB in a sustainable manner. SLB has widespread national support and there is a continuing high demand for student loans. The PCR indicates that GOJ has ensured the continued funding of SLB to meet this demand through an increase in the national education tax.

4.19 The PCR states that except for the financial year of 2011, the operations of SLB have been profitable as its loan portfolio has been of a sufficiently critical mass to generate income and cash receipts to cover all of the expenses of SLB as they fall due. It states that SLB has also observed a shift in the public's attitude of "entitlement" regarding the need of student loan beneficiaries to repay their loans. The PCR indicates that SLB is in the process of implementing the TA component of CDB's second loan to SLB to conduct a diagnostic review of SLB with the aim of providing recommendations for the long term sustainability of SLB.

4.20 The AR for the Second Student Loan (2012) states that during the five-year period 2008-2012, SLB generated surpluses totaling JMD1.4 bn (USD15.5 mn) fueled by a rapidly growing loan portfolio and favourable interest margins averaging close to 10% on its loans and investment operations. It further states that for the first three of those years, annual net income ranged between JMD521 mn (approximately USD5.79 mn) and JMD720 mn (USD8 mn). However, in FY 2011, due to a change in the accounting treatment of non-accruing loans and in the provision for loan losses (provisions for the year amounting to JMD1.2 bn (USD15.5 mn)), a loss of JMD510 mn (USD5.67 mn) was reported. The AR indicates that the reduced profitability level in financial year 2012 of JMD86 mn (USD0.96 mn) reflected the continuing impact of the revised loan loss provisioning policy.

4.21 The Loan Agreement sets financial performance targets for SLB for three financial ratios: (i) Debt Service Coverage; (ii) Debt to Equity; and (iii) ROA. While SLB has satisfied some of the required CDB benchmarks, the financial results for the period 2008 to 2013 show a downward trend. A trend which the AR for the Second Loan of 2012, attributes largely to increased disbursements, increased debt service obligations and the impact of a significant reduction in domestic interest rates and rates on student loans on SLB's earnings.

4.22 The PSR of 2013 states that SLB maintained its profitability in 2013 by recording a net profit of JMD40 mn but which was less than the JMD86 mn in 2012. It indicates that this was primarily due to increases in loan loss provisions and finance costs. This financial performance of SLB ensured that sufficient revenue was generated to meet its administrative expenses, as well as meet its debt service obligations as they fell due. It states that SLB maintained an excellent debt service coverage ratio (7.97:1) and interest coverage ratio (5.71:1), and with borrowings only from CDB, the debt/equity was a healthy 0.44:1 as at March, 2013. However, the ROA was 0.38% which is less than the target minimum of 1%.

4.23 Over the six year period: 2008 to 2013, SLB has satisfied the Debt Service Coverage ratio in five out of six years. It has also met the target for the Debt to Equity ratio in each of the six years. In the case of the ROA target, SLB has achieved the target in three out of six years. The Evaluator notes however, that SLB did not meet the target following the accounting change with regard to the revised loan loss provisioning policy in 2011. In addition, the Arrears ratio and Contamination ratio of 10.96% and 38.35%,

respectively, were not in accordance with prudential norms for such financial institutions where expected targets are usually within 5% and 35%, respectively. In view of the foregoing, the Evaluator rates Sustainability as Marginally Unsatisfactory.

Performance of the Borrower and Executing Agency

4.24 The PCR rates the performance of the Borrower/Implementing Agency as Satisfactory. It states that SLB exhibited good stakeholder management while seeking to contribute to its sustainability by addressing its LMS and MIS weaknesses. The PCR states that its sustainability will be further addressed by TA to further enhance its effectiveness.

4.25 The PCR indicates that SLB performed satisfactorily in its financial management, though not always achieving the projected ROA. It states that SLB's ability to attract new sources of funds for its programme is an indication of its status in the market for student loan financing. It points out, however, that SLB's reporting on non-financial matters will have to be addressed as part of the follow-up action and a deliberate attempt would be expected to prepare its self for ex-post M&E.

4.26 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 its failure to submit the monitoring reports that are listed at Appendix 3.2 of the AR. This concern was raised in the PCR which states that while SLB has been in general compliance with loan covenants, it has not been submitting reports on results monitoring.

Performance of the Caribbean Development Bank

4.27 The PCR provides a self-assessment rating of CDB's performance as Satisfactory. The justification for the rating is that CDB performed highly satisfactory in project design, preparation and appraisal. It states that the Bank was very effective in assisting SLB and GOJ in completing and signing the required legal documents (loan Agreement and Guarantee Agreement) to satisfy conditions precedent to first disbursement. The PCR points out that during supervision CDB advised SLB of reporting deficiencies and information required to determine project outcomes based on agreed criteria but SLB encountered challenges in providing such information. The PCR states that Bank support was highly valued by SLB and the Bank used available financial information to identify and discuss shortcomings with SLB that need to be addressed.

4.28 The Evaluator concurs with the PCR and rates Bank performance as Satisfactory.

OVERALL ASSESSMENT

4.29 Based on the foregoing analysis and available data, the Evaluator assigns a rating of Satisfactory to overall project performance. This difference is due to the Evaluator's lower performance rating under the Effectiveness criterion. The lower rating was due to deficient information submitted by the Borrower which resulted in the Evaluator's inability to determine the achievement of project outcomes. These ratings and those of the Evaluator are shown in Table 4.

**TABLE 4: SUMMARY RATINGS OF CORE EVALUATION CRITERIA
AND OVERALL ASSESSMENT OF PROJECT**

Criteria	PCR/PSRs ⁹		OIE Review ¹⁰		Reason if any for Disagreement/Comment
	Score	Rating	Score	Rating	
Relevance	4	Highly Satisfactory	4.0	Highly Satisfactory	
Effectiveness	3.5	Highly Satisfactory	3.0	Satisfactory	Deficient information resulting in inability to determine project outcomes
Efficiency	3	Satisfactory	3.0	Satisfactory	
Sustainability	3	Satisfactory	2.0	Marginally Unsatisfactory	One of three key financial ratios underperformed intended target. SLB also failed to meet CDB benchmark minimum levels for arrears and contamination ratios.
Composite (Aggregate) Performance Rating	3.37	Highly Satisfactory	3.00	Satisfactory	
Borrower & EA Performance		Satisfactory	Rated only	Marginally Unsatisfactory	Noncompliance with monitoring reporting requirements
CDB Performance		Satisfactory	Rated only	Satisfactory	-
Quality of PCR		-	Rated only	Satisfactory	-

Lessons

4.30 The PCR identifies the following five lessons learnt from the project that are considered useful to inform new project design:

(a) **Multi-disciplinary approach to Supervision of Student Loans**

Apart from focusing on the financial and operating performance of the Financial Intermediary, it is critical to track the performance of the student loans programme throughout the entire results chain. This would be facilitated by emphasising the responsibility of a supervision support team during implementation which should comprise at least a financial analyst, a social analyst and a human resource specialist to assess the gains in the education sector and the welfare of beneficiaries.

(b) **Monitoring Plan**

A M&E plan should be developed and rolled out for the benefit of the Borrower/Executing/Implementing Agency or provided for as part of the project activities. While the Results monitoring framework, the logical framework and the covenants regarding submission of reports are all included in the AR, it should be made clear in the M&E plan how to collect, analyse and report on resources required for the FI to carry out the M&E activities to determine the hierarchy of outcomes/results. Where there is an M&E deficiency, specific staffing requirements should be a condition of the loan and appropriate training provided.

⁹ Refer to Appendix 1 – PCR PPES Scores and Ratings converted to PAS Scores and Ratings using Table 6: Equivalence Matrix, Page 9. PAS Manual Volume 1: Public Sector Investment Lending and Technical Assistance.

¹⁰ PAS System applied.

(c) **Labour market conditions to be matched with Students preference**

As part of the appraisal of student loans or at the level of the FI, the funding of areas of study and the frequency for certain areas should be rationalised based on the immediate and projected labour market demand;

(d) **Stakeholder Management**

The presence of good relationships and communication among stakeholders helps significantly in the management of the project preparation, appraisal and implementation processes. During implementation where there are a significant large number of transactions an online interface could be adopted among partners to efficiently serve common interest.

(e) **Disbursement performance**

The disbursement performance can be enhanced if the PLW effectively sensitises the executing and implementing agencies on loan withdrawal procedures and if Conditions Precedent to First Disbursement were all discussed during the preparation and appraisal stages and were within the control of the Borrower, Guarantor and Executing and Implementing Agencies.

5. COMMENTS ON PCR QUALITY

5.01 The Evaluator rates the quality of the PCR as Satisfactory. The PCR provides detailed 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 Appraisal Reports and Loan Agreements, CDB's PSRs; and CDB's Registry files in respect of the project.

7. RECOMMENDATIONS FOR OIE 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 to be learnt than contained in the PCR that would serve to further inform the Bank on the operations of the Students' Loan Bureau, Jamaica.