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CARIBBEAN DEVELOPMENT BANK



**PROJECT COMPLETION VALIDATION REPORT
STUDENT LOAN SCHEME – SEVENTH LOAN
ST. VINCENT AND THE GRENADINES**

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

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**OFFICE OF INDEPENDENT EVALUATION
NOVEMBER 2020**

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EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY

PROJECT SUMMARY

1. In October 2008, the Caribbean Development Bank (CDB) approved a loan in the amount of USD10 mn to the National Commercial Bank (SVG) Ltd., (subsequently renamed BOSVG) to assist the Government of St. Vincent and the Grenadines (GOSVG) in improving its human resource capacity by providing loans to students under the Student Loan Scheme (SLS) of CDB.

PROJECT OBJECTIVES

2. The main objective of the project was to assist BOSVG in funding, and GOSVG in developing, its human resource capacity through provision of student loans for upgrading skills at the vocational, technical, and professional levels.

IMPLEMENTATION ARRANGEMENTS

3. The Project was implemented by BOSVG. Under Section 11 of the SLS Guidelines, provision was made for the Student Loan Advisory Council (SLAC) to assist BOSVG and GOSVG in the administration of the SLS. SLAC plays a meaningful role in establishing, updating and publishing a Priority List, which contains priority areas of training that are identified by GOSVG with input from the private sector.

PROJECT BACKGROUND

4. A highly trained workforce is key to sustained economic and social development for St. Vincent and the Grenadines (SVG). Access to the upper echelons of employment is dependent on the possession of appropriate knowledge, skills, and educational/professional qualifications. These features are integral components of any development strategy that is designed to alleviate poverty and reduce unemployment to negligible levels. With the rapid pace of economic and technological development in the global marketplace, made possible by the knowledge revolution and information age, the demand for post-secondary education was at an all-time premium.

5. Achieving the goal of education sector reform by GOSVG was likely to be most challenging in view of the high cost of tertiary education and the inability of an increasing number of students to access limited available funding. In this regard, many students, particularly those in the lower-income groups, found relief through the facility of the SLS. There was, however, a huge imbalance between demand for and supply of the SLS funds and it was therefore expected that the support to the BOSVG under this project would go a long way towards addressing the shortfall.

EVALUATION CRITERIA

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

Relevance

7. The PCR rates Relevance as **Satisfactory**. It states that the project was important and consistent with GOSVG's long-term strategy to promote the development of human resources as fundamental to building capacity for management of the country's resources and long-term growth objectives. The PCR

adds that the project was consistent with GOSVG's 2020 vision of achieving an average of one university graduate per household.

8. The Evaluator concurs with the **Satisfactory** rating. The project was consistent with CDB's strategic objective of fostering inclusive social development by improving the quality and opportunities for access to education and training. It was also supported by CDB's Education and Training Policy and Strategy (2004). That policy viewed education as a critical enabler of social and economic development by expanding the pool of productive Caribbean citizens with the knowledge, skills, attitude, and values necessary to lead purposeful and productive lives in an internationally competitive environment

Effectiveness

9. The Effectiveness rating is a simple arithmetic average of the individual ratings for project outputs and outcomes. The project comprised two components:

- (i) Sub loans to 360 persons (regular) valued at \$21.60 mn (USD8 mn) committed by December 2012; and
- (ii) Sub loans to 90 persons (poor) valued at \$5.4 mn (USD2 mn) committed by December 2012.

10. The Project Completion Report (PCR) rates achievement of outputs as **Satisfactory**. Project Supervision Reports (PSRs) of 2011 and 2012 indicate that the loan was fully committed one year ahead of schedule. At appraisal, it was expected that resources of the project would have been fully disbursed by December 31, 2015. At project completion in July 2018, loan resources for components (i) and (ii) were 98 per cent (%) disbursed and 78% disbursed, respectively.

11. The PCR rates achievement of outcomes as **Satisfactory**. Both PCR and PSRs indicate that the target of 90 persons set at appraisal for the training of persons in the "poor" category was exceeded by 6% albeit over an additional two and a half years of implementation. On the other hand, a total of 238 persons (66% of appraisal target) benefitted from training by December 31, 2015. The PCR points out that fewer persons benefitted than projected at approval due to an increase in fees and living expenses across the range of tertiary institutions during implementation.

12. The Evaluator concurs with the **Satisfactory** rating for the Effectiveness criterion.

Efficiency

13. The PCR rates Efficiency as **Satisfactory**. It states that BOSVG has demonstrated that it is an effective channel for intermediating CDB's resources to the target group. The PCR indicates that as at December 31, 2018 (Financial Year (FY) 2018), BOSVG recorded profits of XCD12.9 mn compared to profits of XCD4.9 mn in FY 2016, and XCD3.1 mn in FY 2014. It further states that BOSVG's liquidity and capital remain strong, with liquid assets at 29.2% of total assets and the capital adequacy ratio at 20.8% for FY 2018 had achieved the Eastern Caribbean Central Bank Prudential Guidelines (ECCBPG) liquidity benchmark range of 20-25% and capital adequacy benchmark of a minimum of 8%.

14. Under the Project Performance Evaluation System (PPES) methodology, which is used to assess performance of Financial Institutions, the principal test of Cost Efficiency for Financial Intermediaries (FIs) is the Rate of Return on Average Assets (ROA). BOSVG failed to achieve the ROA target in FY2009 and during period: FY2011 through FY2017. However, PSRs of 2011 through 2013, reported some

improvement in ROA and indicate that this ratio increased from 0.7% in FY 2011, to 0.8% in FY2012, and upward to 0.9% in FY 2013. The PCR also highlights efforts by BOSVG to improve ROA performance during this period of fluctuation and states that this ratio also increased from 0.3% in FY 2014 to 0.5% in FY 2016 and moved to 1.3% in FY 2018. The PCR points out that for FY 2018, BOSVG achieved the ECCBPG benchmark for the ROA. On the basis of the average ROA of 0.7% over the period of implementation, and application of the PPES measurement criteria, the Evaluator rates Efficiency as **Marginally Unsatisfactory**.

Sustainability

15. The PCR rates Sustainability as **Satisfactory** on the grounds that student loan financing accounts for a small share of BOSVG's lending operations and the institution has remained viable in a challenging economic environment. It states that BOSVG is supported by GOSVG and enjoys the confidence of thousands of depositors and clients over decades of successful operations. The PCR indicates that BOSVG is regulated by the Eastern Caribbean Central Bank (ECCB) and also has in place risk management and mitigating measures to minimise all significant risks.

16. In accordance with PPES methodology for FIs, the test of sustainability involves the stability of the demand for the financial services of the institution and its operational and financial ability as an institution. On this basis, the Evaluator concurs with the **Satisfactory** rating of the PCR.

Performance of the Borrower and Executing Agency

17. The PCR rates Borrower's performance as **Satisfactory**. It states that the Borrower established and supported a good working relationship during implementation of the project and supplied CDB with the relevant reports to monitor implementation of the student loan and document advances. It adds, however, that the rate of CDB's disbursement to BOSVG was slower than expected as BOSVG's favourable liquidity position contributed to a lower absorption rate of CDB's resources.

18. The Evaluator rates the performance of the Borrower as **Marginally Unsatisfactory**. This rating is based on the Borrower's failure to fully comply with all conditions of the Loan Agreement which were tied to the ECCB's Prudential Guideline benchmarks throughout the period of implementation.

Performance of the Caribbean Development Bank

19. The PCR provides a self-assessment rating of CDB's performance as **Satisfactory**. Various PSRs provide a similar rating on the grounds that CDB assisted BOSVG throughout implementation, responding to queries and giving guidance in a timely manner.

20. The Evaluator rates CDB performance as **Satisfactory** based on, among other things, the effectiveness of the project concept and design, and readiness of the project for implementation. The Evaluator also considered the quality of support given to the project during implementation through appropriate supervision (desk and country visits) including adequate transitional arrangements for the project as it entered the operational stage.

OVERALL ASSESSMENT

21. The scores associated with the ratings of the PCR's criteria equate to an overall rating of **Satisfactory**. The Evaluator also rates overall project performance as **Satisfactory**. This rating is based on an arithmetic average of the total scores from assessments of the core evaluation criteria: Relevance

(Satisfactory); Effectiveness (Satisfactory); Efficiency (Marginally Unsatisfactory) and Sustainability (Satisfactory).

22. Details of the ratings and justification for differences between those of the PCR and Evaluator are presented in Table 1.

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

Criteria	PCR	OIE Review	Reason if any for Disagreement/Comment
Relevance	Satisfactory (3)	Satisfactory (3)	
Effectiveness	Satisfactory (3)	Satisfactory (3)	
Efficiency	Satisfactory (3)	Marginally Unsatisfactory (2.2)	The Evaluator rates Efficiency as Marginally Unsatisfactory on the basis of the average ROA over the period of implementation.
Sustainability	Satisfactory (3)	Satisfactory (3)	
Composite (Aggregate) Performance Rating	Satisfactory (3)	Satisfactory (2.8)	
Borrower & EA Performance	Satisfactory	Marginally Unsatisfactory	Borrower's failure to fully comply with all conditions of Loan Agreement which are tied to the ECCBPG benchmarks.
CDB Performance	Satisfactory	Satisfactory	
Quality of PCR	-	Satisfactory	

Lessons

23. The PCR identifies the following two lessons learned from implementation:

(i) **Pro-Poor Student Financing Policies Critical to Continued Viability of SLS**

Pro-poor student financing policies are important levers to assure the continued viability of the student loan programmes and their accessibility to students from disadvantaged socio-economic backgrounds. These could include making income contingent loans whereby repayment is scaled to reflect income growth of the borrower going forward.

(ii) **Strengthen Monitoring and Reporting Mechanisms**

Strengthening the monitoring and reporting mechanisms which evidence the impact of the LOCs can assist in promoting the value of concessionary funding. Full development impact of lines of credit may not be realised at the close of the implementation period; a

tracer study of loan recipients could provide a more compelling argument for the use of increased amounts of SFR funding per LOC.

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MANAGEMENT RESPONSE

There is a general concurrence with the assessment and findings of the Project Completion Validation Report and no major variations ratings were identified between the Office of Independent Evaluation (OIE) and the Project Completion Report (PRC) Team.

Both the PRC Team and OIE agree that there are valuable lessons that can be learned from this intervention to assist the Bank in designing and supporting the implementation of similar future student loan schemes in its Borrowing Member Countries (BMCs). Support for human resource development remains a priority area of focus for several of CDB's BMCs that has facilitated demand for resources to support student loan programmes. Two critical observations from this intervention relate to the challenges that are associated with lending to deposit taking institutions given their variable liquidity conditions and support for financial inclusion through appropriate financing policies aimed at enhancing credit access to students from poor and disadvantaged households. In addition, the Report identifies a key lesson being the use of income contingent loans as a means by which the sustainability of student loan schemes could be enhanced, given that debt service is tied to income earning capacity of graduates.

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CURRENCY EQUIVALENTS

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

XCD2.70 = USD0.37

USD1.00 = XCD 2.70

ABBREVIATIONS

%	-	per cent
AFIs	-	Approved Financial Intermediaries
AR	-	Appraisal Report
BMCs	-	Borrowing Member Countries
BOSVG	-	Bank of St. Vincent Ltd.
CDB	-	Caribbean Development Bank
ECCB	-	Eastern Caribbean Central Bank
ECCBPG	-	Eastern Caribbean Central Bank Prudential Guidelines
ECCU	-	Eastern Caribbean Currency Union
FI	-	Financial Intermediaries
FY	-	Financial Year
GOSVG	-	Government of St. Vincent and the Grenadines
mn	-	million
LOC	-	Line of Credit
NPL	-	Non-Performing Loans
OCR	-	Ordinary Capital Resources
OIE	-	Office of Independent Evaluation
PCR	-	Project Completion Report
PCVR	-	Project Completion Validation Report
PPES	-	Project Performance Evaluation System
PSR	-	Project Supervision Report
ROA	-	Return on Average Assets
ROE	-	Return on Equity
SLAC	-	Student Loan Advisory Council
SLS	-	Student Loan Scheme
TA	-	Technical Assistance
USD	-	United States Dollars
XCD	-	Eastern Caribbean Dollars

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1. **BASIC PROJECT DATA**

Project Title	Student Loan Scheme - Seventh Loan
Country	St. Vincent and the Grenadines
Sector	Financing
Loan No.	15/SFR-OR-STV
Borrower	Government of St. Vincent and the Grenadines (GOSVG)
Implementing/Executing Agency	Bank of St. Vincent and the Grenadines (BOSVG)

<u>Approvals/Disbursements (\$ mn)</u>	<u>OCR</u>	<u>SFR</u>	<u>Total</u>
Loan Amount	8.00	2.00	10.00
Disbursed	7.84	1.55	9.39
Cancelled	0.16	0.45	0.61

<u>Project Milestones</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
Board Approval	October 28, 2008	October 28, 2008	0
Loan Agreements signed	December 26, 2008	March 09, 2009	(2.47)
Loan Effectiveness ¹	March 03, 2009	July 31, 2009	(4.93)

<u>CDB Loan</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
First Disbursement Date	June 30, 2009	October 23, 2009	(3.77)
Terminal Disbursement Date	December 31, 2015	July 31, 2018	(31.0)
TDD Extensions (number)	-	3	-

<u>Terms</u>	<u>Interest Rate</u>	<u>Repayment</u>	<u>Grace Period</u>
CDB Loan (OCR)	5.92% (variable)	20 years	5 years (inclusive)
CDB Loan (SFR)	2.5% (fixed)	20 years	5 years (inclusive)

<u>Project Cost and Financing (\$ mn)</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (000)</u>
CDB Loan	10.0	9.39	0.61
Counterpart	-	-	-
Total	10.0	9.39	9.39

<u>Implementation</u>	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
Start Date ²	December 26, 2008	March 09, 2009	(2.47)
Completion Date	December 31, 2015	July 10, 2018	(30.3)
Implementation Period (years)	7.0 years	9.3 years	(27.8)

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

¹ Date conditions to first disbursement satisfied.

² Implementation begins on date Loan Agreement signed.

2. PROJECT DESCRIPTION

Rationale

2.01 A highly trained workforce is key to sustained economic and social development for SVG. Access to the upper echelons of employment is dependent on the possession of appropriate knowledge, skills, and educational/professional qualifications. These features are integral components of any development strategy that is designed to alleviate poverty and reduce unemployment to negligible levels. With the rapid pace of economic and technological development in the global marketplace, made possible by the knowledge revolution and information age, the demand for post-secondary education was at an all-time premium.

2.02 Achieving the goal of education sector reform by GOSVG was likely to be most challenging in view of the high cost of tertiary education and the inability of an increasing number of students to access limited available funding. In this regard, many students, particularly those in the lower income groups, found relief through the facility of the SLS. There was, however, a huge imbalance between demand for and supply of the SLS funds and it was therefore expected that the support to BOSVG under this project would go a long way towards addressing the shortfall.

Expected Impact

2.03 The project was expected to contribute to the human resources needs of the productive sector and the public sector.

Objectives or Expected Outcomes

2.04 The objective of the project was to assist BOSVG in funding, and GOSVG in developing its human resource capacity through provision of student loans for upgrading skills at the vocational, technical, and professional levels.

Components/Outputs

2.05 The components of the Project were:

- (a) Sub loans to 360 persons (regular) valued at \$21.60 mn (USD8 mn) committed by December 2012 and fully disbursed by December 2015; and
- (b) Sub loans to 90 persons (poor) valued at \$5.4 mn (USD2 mn) committed by December 2012 and fully disbursed by December 2015.

Provision of Inputs

2.06 In October 2008, CDB approved a loan in the amount of USD10 mn to NCB under guarantee of GOSVG to assist improving human resource capacity by providing loans to students under the Student Loan Scheme (SLS) of CDB for upgrading skills at the professional, technical and vocational levels. BOSVG and GOSVG also agreed to continue the special SLS programme and provide \$5.4 mn (USD2 mn) or 20% of the loan to meet the needs of the poor who have the capacity but insufficient financial and other resources to qualify under the regular programme.

Implementation Arrangements

2.07 The Project was implemented by BOSVG. Under Section 11 of the SLS Guidelines, provision was made for the Student Loan Advisory Council (SLAC) to assist BOSVG and GOSVG in the administration of the SLS. SLAC plays a meaningful role in establishing, updating and publishing a Priority List, which contains priority areas of training that are identified by GOSVG with input from the private sector.

Identification of Risks and Mitigation Measures

2.08 The Appraisal Report (AR) and PCR identified the following risks faced by BOSVG in its lending activities:

- (a) Credit risk;
- (b) Foreign Exchange risk; and
- (c) Interest Rate risk.

2.09 Credit risk is the risk of suffering financial loss should any of BOSVG's customers or clients fail to fulfil their contractual obligations to the Bank and arise mainly from loans and advances to customers and loan commitments resulting from such lending activities. The project sought to mitigate this risk by ensuring that all loans were properly appraised and carried adequate security.

2.10 Foreign Exchange Risk is associated with BOSVG's exposure to the effects of fluctuations in the prevailing foreign exchange rates that may arise on its financial position and cash flows as borrowings under the SLS are in United States dollars and sub loans are disbursed in local currency. BOSVG must ensure that it has access to an adequate pool of foreign exchange to meet its foreign currency obligations. The project mitigated this risk through various hedging strategies while ensuring that its actions were in keeping with BOSVG's overall objective.

2.11 Interest Rate Risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. BOSVG managed its interest rate risk by providing student loans at a variable rate. Each student loan contract included the right of BOSVG to vary interest rates on giving three months' notice to the borrower.

3. EVALUATION OF DESIGN AND IMPLEMENTATION

Relevance of Design and Formulation

3.01 The PCR states that the project was important and consistent with GOSVG's long-term strategy to promote the development of human resources as fundamental to building capacity for management of the country's resources and long-term growth objectives. It indicates that the project, as designed, was in keeping with GOSVG's 2020 vision of achieving an average of one university graduate per household. The PCR indicates that the proceeds of the loan were disbursed to a total of 333 students or 74% of the appraised target of 450 students. Sub loans were made to a total of 95 students from the poor and vulnerable category which exceeded the target of 90 sub loans by 6%.

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

Project Outputs

3.03 At appraisal, it was expected that resources of the project would have been committed by December 2012 and fully disbursed over the six and one half-year period from June 30, 2009 and to December 31, 2015. The PCR assesses implementation progress on the project as **Satisfactory**. PSRs of 2011 and 2012 indicate that the loan was fully committed one year ahead of the scheduled date of the AR (2012). However, these reports stated that BOSVG managed its interest expense by minimising its drawings from the loan and sought reimbursement from CDB when necessary to meet liquidity requirements.

3.04 The PCR indicates that the average student loan size was increased by 33% from \$54,000 (USD20,000) to \$71,618 (USD26,525) per student during implementation in 2014 in response to increases in fees and living expenses across the range of tertiary institutions. It states that this increase in average loan size resulted in fewer students benefitting than estimated at appraisal. At appraisal, it was estimated that a total of 450 students would have benefitted from the project, however this increase in costs resulted in a total of 333 (74% of planned) students who benefitted from the project. As at July 31, 2018, USD9.3 mn (93.9%) was disbursed from the loan.

3.05 Another factor cited in the PCR as contributing to the underutilisation of the loan was BOSVG's favourable liquidity position. The PCR states that this contributed to a lower absorption rate of CDB's resources than anticipated at appraisal due to the higher cost of CDB's resources in comparison with the interest rate paid on deposits and BOSVG's concern over its interest margins.

3.06 The PCR indicates that the undisbursed balance of the loan of \$1.6 mn (USD0.607 mn) was cancelled at the request of the Borrower after nine years of implementation as BOSVG opted to internally fund student loans from its own resources in July 2018. It was 93.9% disbursed as indicated in the matrix of project outputs (Table1).

3.07 The Evaluator concurs with the Satisfactory rating of the PCR.

TABLE 1: MATRIX OF PROJECT OUTPUTS

Number	Planned Outputs at Appraisal	Outputs Achieved	PCR Rating	Evaluator Rating
1	SLS sub loans valued at \$21.60 mn (USD8 mn) for persons in the "regular" category approved by 2012 and disbursed by December 2015.	SLS sub loans valued at \$21.17 mn (USD7.84 mn) committed by 2011 and disbursed by July 2018.	Satisfactory	Satisfactory (3)
2	SLS sub loans valued at \$5.4 mn (USD2 mn) for persons in the "poor" category approved by 2012 and disbursed by December 2015.	SLS sub loans valued at \$4.19 mn (USD1.55 mn) committed by 2011 and disbursed by July 2018.	Satisfactory	Satisfactory (3)
Overall Rating			Satisfactory	Satisfactory

Project Cost and Disbursements

3.08 The PCR provides a matrix of project costs and financing plan that shows differences between the appraised and actual costs. The estimated cost of the project at appraisal was \$27 mn (USD10 mn). The project was to be financed by a CDB loan of USD10 mn. The PCR estimates actual project costs of USD9.39 mn.

3.09 The PCR identifies the main reason for the underutilisation of loan funds as BOSVG's favourable liquidity position which contributed to a lower absorption rate of CDB's resources than anticipated at appraisal. It states that as a result of the higher cost of CDB's resources in comparison to the interest rate paid on deposits, BOSVG opted to internally fund student loans with its own resources. 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 '000)

Item	CDB (OCR)		CDB Difference	CDB (SFR)		CDB Difference	Variance
	Planned	Actual		Planned	Actual		
Student Loans	8,000	7,841	159 (2%)	2,000	1,552	448 (22.4%)	607
Total Base Costs	8,000	7,841	159 (2%)	2,000	1,552	448 (22.4%)	607
Total Costs	8,000	7,841	159 (2%)	2,000	1,552	448 (22.4%)	607 (6.1%)

Disbursements

3.10 According to CDB's records in respect of Loan No. 15/SFR-OR-STV, after the Closing Date of July 31, 2018, an amount of USD1.552 mn was withdrawn from the SFR Portion (USD2 mn), leaving an unwithdrawn balance of USD0.448 mn in the SFR Loan Account; and an amount of USD7.841 mn was withdrawn from the Ordinary Capital Resources Account (OCR) Portion (USD8 mn), leaving an unwithdrawn balance of USD0.159 mn in the OCR Loan Account. Total funds disbursed therefore amounted to USD9.393 mn. The undisbursed amount was cancelled on September 10, 2018.

Monitoring and Evaluation Design, Implementation and Utilisation

3.11 BOSVG was required to maintain its financial and organisational performance at levels that satisfied ECCB's Prudential Guidelines. The PSRs and PCR state that BOSVG complied with most conditions of the loan, however, it had difficulty satisfying those conditions which required BOSVG to reach the Guideline's benchmarks in respect of capital, loan quality, profitability, and liquidity. The PSRs indicate that the required quarterly, annual, and budgetary reports were satisfactorily prepared during implementation.

4. EVALUATION OF PERFORMANCE (PCR ASSESSMENT AND VALIDATION)

Relevance

4.01 The PCR rates Relevance as Satisfactory. It states that the project was important and consistent with GOSVG's long-term strategy to promote the development of human resources as fundamental to building capacity for management of the country's resources and long-term growth objectives. The PCR adds that the project was consistent with GOSVG's 2020 vision of achieving an average of one university graduate per household.

4.02 The project was consistent with CDB’s strategic objective of fostering inclusive social development by improving the quality and opportunities for access to education and training. It was also supported by CDB’s Education and Training Policy and Strategy (2004). That policy viewed education as a critical enabler of social and economic development by expanding the pool of productive Caribbean citizens with the knowledge, skills, attitude, and values necessary to lead purposeful and productive lives in an internationally competitive environment.

4.03 In light of the foregoing the Evaluator concurs with the **Satisfactory** rating of the PCR.

Effectiveness

4.04 Achievement of Outcome **PCR Assessment:** The achievement of development objectives (outcomes) is rated in the PCR as Satisfactory. The PCR and PSRs indicate that the target of 90 persons set at appraisal for the training of persons in the “poor” category was exceeded by 6% albeit over an additional two years of implementation. The PCR states that a total of 95 persons in this category had benefitted from training by December 31, 2015.

4.05 In the case of the training component for persons in the “regular” category, the PCR indicates that a total of 238 persons (66% of appraisal target) had benefitted from training by December 31, 2015. It points out that fewer persons benefitted than projected at approval due to an increase in fees and living expenses across the range of tertiary institutions during implementation which resulted in an increase in average loan size.

4.06 **Evaluator’s Assessment:** Considering the foregoing, the Evaluator concurs with the Satisfactory rating of project outcomes. A summary of project outcomes is presented in Table 3, below.

TABLE 3: MATRIX OF PROJECT OUTCOMES

Number	Planned Outcomes at Appraisal	Outcomes Achieved	PCR Rating	Evaluator Rating
1	At least 90 persons in “poor” category trained by 2015.	95 persons in “poor” category trained by 2015.	Satisfactory	Highly Satisfactory (4)
2	At least 360 persons in “regular” category trained by 2015.	238 persons “regular” category trained by 2015.	Satisfactory	Marginally Unsatisfactory (2)
Overall Rating			Satisfactory	Satisfactory (3)

Rating of Effectiveness

4.07 The Effectiveness rating is a simple arithmetic average of the individual ratings for project outputs and outcomes. The PCR rates achievement of outputs as **Satisfactory** (see paragraphs 3.03 to 3.07) and achievement of outcomes as **Satisfactory**. This equates to an arithmetic average of 3, that is **Satisfactory**.

4.08 **Evaluator’s Assessment:** The Evaluator rates achievement of outputs as Satisfactory and achievement of outcomes as Satisfactory. This also equates to a rating of **Satisfactory** for the Effectiveness criterion.

Efficiency

4.09 The PCR rates Efficiency as **Satisfactory** and states that BOSVG has demonstrated that it is an effective channel for intermediating CDB’s resources to the target group. It indicates that as at December 31, 2018 (FY 2018), BOSVG recorded profits of XCD12.9 mn, compared to profits of XCD4.9 mn in FY 2016, and XCD3.1 mn in FY 2014. The PCR further states that BOSVG’s liquidity and capital remain strong, with liquid assets at 29.2% of total assets and the capital adequacy ratio at 20.8% for FY 2018 had achieved the ECCBPG liquidity benchmark range of 20-25% and capital adequacy benchmark of a minimum of 8%.

4.10 The PCR indicates that while BOSVG reported Non-Performing Loans (NPLs) of 7.8% in FY 2016, compared to 6.3% in FY 2014 before improving to 6.2% in FY 2018, the ECCBPG benchmark of a maximum of 5% was not achieved. It highlights some improvement in ROA and states that this ratio increased from 0.3% in FY 2014 to 0.5% in FY 2016 and moved to 1.3% in FY 2018. The PCR points out that for FY 2018, BOSVG achieved the ECCBPG benchmark for the ROA and Return on Equity (ROE). It further adds that BOSVG’s ROE increased from 0.3% in FY 2014 to 4.7% in FY 2016 and 11.0% in FY 2018.

4.11 **Evaluator’s Assessment:** Efficiency is a measure of how well the intervention utilises project resources in achieving the project outcome(s). However, in the case of FIs, whose performance is assessed under the PPES methodology, the test of Efficiency is not confined to one specific project, but measures how well the Institution employs its entire resources in achieving its objectives as determined by the ROA.

4.12 At appraisal, it was expected that sub loans valued at \$21.6 mn (USD8 mn) for training to persons in the “regular” category, as well as sub loans valued at \$5.4 mn (USD2 mn) for training to persons in the “poor” category would have been committed and disbursed by December 31, 2015. At project completion in July 2018, sub loans in the “poor” and “regular” categories were 78% and 98% disbursed, respectively. On the basis of the average ROA of 0.7% under PPES and its equivalent rating of 2.2 under PAS over the period of implementation, the Evaluator rates Efficiency as **Marginally Unsatisfactory**. Details of the annual ROA of BOSVG are presented in Table 4.

TABLE 4: Annual ROA of BOSVG During Implementation

Year	ROA	PPES Rating	PAS Equivalent Score
2009	0.1	Marginally Unsatisfactory	2
2010	1.5	Satisfactory	3
2011	0.7	Marginally Unsatisfactory	2
2012	0.8	Marginally Unsatisfactory	2
2013	0.9	Marginally Unsatisfactory	2
2014	0.3	Marginally Unsatisfactory	2
2015	0.7	Marginally Unsatisfactory	2
2016	0.6	Marginally Unsatisfactory	2
2017	0.1	Marginally Unsatisfactory	2
2018	1.3	Satisfactory	3
Arithmetic Average (0.7%)		Marginally Unsatisfactory	2.2

Sustainability

4.13 **PCR Assessment:** The PCR rates Sustainability as Satisfactory on the grounds that student loan financing accounts for a small share of BOSVG's lending operations and the institution has remained viable in a challenging economic environment occasioned by the aftermath of the 2008 global financial and economic crisis. It states that BOSVG is supported by GOSVG and enjoys the confidence of thousands of depositors and clients over decades of successful operations. The PCR indicates that BOSVG is regulated by ECCB and also has in place risk management and mitigating measures to minimise all significant risks. It adds that BOSVG's response strategies include pursuing investment opportunities in markets, innovation and improving asset quality by reducing NPLs and increasing good loans in its portfolio.

4.14 **Evaluator's Assessment:** This project comprised: (i) a training component for persons in the "regular" category; and (ii) a training component for persons in the "poor" category. The target set at appraisal for the training of persons in the "poor" category was exceeded by 6% albeit over a protracted period. Only 66% of the target for training of persons in the "regular" category was achieved. It was expected that such training to upgrade skills at the professional, technical, and vocational levels will significantly contribute to the improvement of the human resource capacity in St. Vincent and the Grenadines.

4.15 According to PPES methodology for FIs, which is used to assess sustainability of this project, the test of sustainability involves the stability of the demand for the financial services of the institution and its operational and financial ability as an institution. The focus is therefore placed on the performance of the institution as opposed to the level of the continuous flow of benefits from the project. In light of the foregoing the Evaluator concurs with the **Satisfactory** rating of the PCR.

Performance of the Borrower and Executing Agency

4.16 The PCR provides an assessment of the Borrower/Implementing Agency performance which it rates as Satisfactory. It states that the Borrower established and supported a good working relationship during implementation of the project and supplied CDB with the relevant reports to monitor implementation of the student loan and document advances. It adds, however, that the rate of CDB's disbursement to BOSVG was slower than expected as BOSVG's favourable liquidity position contributed to a lower absorption rate of CDB's resources.

4.17 The Evaluator rates the performance of the Borrower as **Marginally Unsatisfactory**. One of the key factors cited in the PCR that negatively influenced project success was the strong liquidity of BOSVG which facilitated lending from its own resources to students at a lower cost than funding offered by CDB's credit facility. The PCR indicates that this allowed BOSVG to offer more competitive lending rates to beneficiaries and largely accounted for the lower number of students benefitting from project funds.

4.18 The Evaluator notes that the Borrower also failed to fully comply with all conditions of the Loan Agreement which are tied to the ECCBPG benchmarks throughout the period of implementation. Section 6.02 of the Loan Agreement states that the Borrower shall maintain its financial and organisational performance at levels, which are in conformity with the Eastern Caribbean Central Bank's Prudential benchmarks. As such, all PSRs i.e. 2009 through 2018 expressed concern over BOSVG's difficulty and failure to fully satisfy all of ECCB's prudential benchmarks, the satisfaction of which was a requirement of CDB's loan Agreement

Performance of the Caribbean Development Bank

4.19 The PCR provides a self-assessment rating of CDB’s performance as Satisfactory. Various PSRs provide a similar rating on the grounds that CDB assisted BOSVG throughout implementation, responding to queries and giving guidance in a timely manner.

4.20 The Evaluator rates CDB performance as **Satisfactory** based on the effectiveness of the project concept and design, and readiness of the project for implementation. The Evaluator also considers the quality of support given to the project during implementation through appropriate supervision (desk and eight country visits) including adequate transitional arrangements for the project as it entered the operational stage.

5. OVERALL ASSESSMENT

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

5.02 Details of the ratings and justification for differences between those of the PCR and Evaluator are presented 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
Relevance	Satisfactory (3)	Satisfactory (3)	
Effectiveness	Satisfactory (3)	Satisfactory (3)	
Efficiency	Satisfactory (3)	Marginally Unsatisfactory (2.2)	On the basis of the average ROA over the period of implementation, the Evaluator rates Efficiency as Marginally Unsatisfactory
Sustainability	Satisfactory (3)	Satisfactory (3)	
Composite (Aggregate) Performance Rating	Satisfactory (3)	Satisfactory (2.8)	
Borrower & EA Performance	Satisfactory	Marginally Unsatisfactory	Borrowers failure to fully comply with all conditions of Loan Agreement which are tied to the ECCBPG benchmarks.
CDB Performance	Satisfactory	Satisfactory	
Quality of PCR	-	Satisfactory	

Lessons

5.03 The PCR identifies the following two lessons learned from implementation:

(i) **Pro-Poor Student Financing Policies Critical to Continued Viability of SLS**

Pro-poor student financing policies are important levers to assure the continued viability of the student loan programmes and their accessibility to students from disadvantaged socio-economic backgrounds. These could include making income contingent loans whereby repayment is scaled to reflect income growth of the borrower going forward.

(ii) **Strengthen Monitoring and Reporting Mechanisms**

Strengthening the monitoring and reporting mechanisms which evidence the impact of the LOCs can assist in promoting the value of concessionary funding. Full development impact of lines of credit may not be realised at the close of the implementation period; a tracer study of loan recipients could provide a more compelling argument for the use of increased amounts of SFR funding per LOC.

5.04 The Evaluator considers the lessons cited in the PCR to be important and does not have any disagreement with what has been proposed. It is noted however that higher level outcome reporting on student loan programmes is lacking. OIE is currently conducting an overall evaluation of CDB's intermediary lending programme, including for student loans, which may shed further light on this.

6. COMMENTS ON PCR QUALITY

6.01 The Evaluator rates the quality of the PCR as Satisfactory.

7. DATA SOURCES FOR VALIDATION

7.01 The primary data sources for this validation exercise were CDB's AR and Loan Agreement; and CDB's PSRs.

8. RECOMMENDATIONS FOR FOLLOW-UP

8.01 No follow-up for OIE is required.

