

PUBLIC DISCLOSURE AUTHORISED

CARIBBEAN DEVELOPMENT BANK



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

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

This Document is being made publicly available in accordance with the Bank's Information Disclosure Policy. The Bank does not accept responsibility for the accuracy or completeness of the Document. This is a redacted Document which excludes information which is subject to exemptions as set forth in the Bank's Information Disclosure Policy.

OFFICE OF INDEPENDENT EVALUATION

APRIL 2016

PUBLIC DISCLOSURE AUTHORISED

CARIBBEAN DEVELOPMENT BANK



EXECUTIVE SUMMARY

PROJECT COMPLETION VALIDATION REPORT

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

APRIL 2016

EXECUTIVE SUMMARY

PROJECT DESCRIPTION

1. 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 October 10, 2002 to GOGR not exceeding the equivalent of 3.548 million (mn) United States dollars (USD3.548 mn).
2. 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.
3. 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 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 24.¹
4. 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 of managerial and auditing functions be held by persons whose qualifications and experience are acceptable to CDB.

EXPECTED OUTCOMES

5. 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: (i) to 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.

¹ http://www.gov.gd/egov/news/2015/jun15/25_06_15/item_4/unemployment-plunges.html

EVALUATION OF PERFORMANCE

6. 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 *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.

7. 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 these 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 managing the loan portfolio.

8. 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 national demand for skills were addressed, 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.

9. 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.

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.

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 Borrower seek to adjust design and implementation if deemed necessary.

BORROWER AND EXECUTING AGENCY PERFORMANCE

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

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	PCR ²	OIE Review	Justification
<i>Relevance</i>	Highly Satisfactory ³ (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 these 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 managing the loan portfolio..
<i>Effectiveness</i>	Highly Satisfactory ⁴ (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 were addressed, 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 ⁵ (2)	Marginally Unsatisfactory (2)	The project was marginally unsatisfactory 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 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.

² 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).

³ Strategic Relevance rated in PCR

⁴ Efficacy rated in PCR

⁵ Cost efficiency rated in PCR

Criteria	PCR ²	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 ⁶ . 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

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.

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
- (c) the project points to the pitfalls of supporting capacity building and institutional support, while the Executing Agency concurrently needs these capacities to execute the project.

⁶ 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.

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

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

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)

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.

CARIBBEAN DEVELOPMENT BANK



MANAGEMENT RESPONSE

PROJECT COMPLETION VALIDATION REPORT

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

**OFFICE OF INDEPENDENT EVALUATION
APRIL 2016**

MANAGEMENT RESPONSE

INTRODUCTION

1. The Project Completion Validation Report (PCVR) provides an opportunity for sharing valuable lessons that can be used to inform future project design and implementation. However, we believe that the validation process could be enhanced through improved consultation to capture valuable institutional knowledge and project related insights to supplement information from project files and infield work.

2. Once again, the PCVR cited the use of an incorrect PCR template, seemingly giving the impression that the fault can be attributed to Project staff. However, we need to emphasise that the practice of PSDU has been to liaise with OIE and its predecessor EOV on the appropriate template that should be used prior to start of PCR preparation and this was the case in 2012 when the PCR was prepared. In addition, having completed a number of PCRs, to date it is our opinion that the existing PCR template is not well suited for financial intermediary loans.

FINDINGS

3. We have noted that the PCVR made no mention of the debilitating effects which two hurricanes in 2004 and 2005 had on the economic and social conditions in Grenada. The major disruption and adverse economic conditions that followed seem to have been ignored in respect of its impact on credit conditions and fiscal difficulties that ensued. Such adverse conditions played a role in government of Grenada's (GOGR) inability to provide Grenada Development Bank (GDB) with the required counterpart resources according to the timelines as outlined in the terms and conditions of the Loan. It also needs to be emphasised that for some time, GDB was unable to attract experienced and qualified staff given its own financial constraints and a limited resource pool of requisite skills in country, which contributed to a prolonged period of key vacant positions within the institution.

4. We do acknowledge that the Log Frame for such a project was weak and key observations made in respect of outcomes, outputs and related monitoring indicators will be used to strengthen the results framework for future interventions. Also, while the project made provision for institutional strengthening through the preparation of a strategic plan, there were no assigned monitoring indicators to measure achievements of stated goals/targets aimed at facilitating institutional change, which we acknowledge as a weakness in project design.

5. We have duly noted the difference in PPES ratings and the reasons posited. However, we disagree with the rating and justification of Strategic Relevance by the PCVR. At the time of appraisal, a key rationale for the project was the need to strengthen the human resource pool of Grenada in order to facilitate access to higher paying jobs arising from a changing job market. Also, in Grenada the development of the human resource base was considered strategically essential to economic development. Given such factors and the fact that GDB was considered to be an important source of affordable financing for tertiary level training, it is our opinion that project relevance cannot be relegated to being merely satisfactory on the ground that demand for training at extra-regional institutions was higher than for regional institutions. The PCVR concluded that the component which targeted persons from poor and vulnerable households was not optimally suited to demand as it reached less beneficiaries than projected. However, we do not accept that a smaller pool of beneficiaries meant a lack of success that contributed to diminished relevance. The component which targeted students from poor and vulnerable households accounted for 14% of the available resources and its slower than anticipated uptake would have been the result of several factors including a difficult macroeconomic environment, where persons might have postponed their decision to invest in some types of training, given cost, job reliability and marketability.

6. The PCVR disagrees with the rating of sustainability as satisfactory and assigns a rating of marginally unsatisfactory. The PCVR cited concerns in relation to portfolio quality and low collection

performance. It must be noted that the performance benchmarks are related to GDB's entire operations of which the student loan portfolio is a part.

7. During the period of implementation for this loan the economy of Grenada was undergoing a very challenging and difficult economic environment with very high unemployment and unacceptable loan default rates within the entire financial system and GDB was not the only financial institution facing such systemic challenges, which we agree contributed to an inability to attain the performance benchmarks. However, the work done by GDB's management to strengthen its operations through filling of key staff vacancies; while taking some time to do so. Access to additional equity from GOCR (although not at the time initially planned but within the project implementation period) and overall commitment of the Board and management to improve its operations should be acknowledged.

8. During evaluation of project performance, the PCVR concluded that the structure of the student loan scheme (SLS) was not optimally aligned to actual demand for resources. We accept that in-country circumstance must bear relevance to project design. However, CDB's SLS Guidelines (1997) imposed restrictions on the quantum of resources that can be allocated to students attending regional educational institutions and extra-regional institutions. The fact that demand for student loans was higher to finance extra-regional study programmes does not invalidate project design, but rather demonstrates the impact of education's cost, family support and prospects for job opportunities on the decision by students when undertaking programmes of study.

9. Table 1 below, provides further responses to key findings in the Report.

**TABLE 1: 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 the 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.
No available data on sustainability of training programmes.	Such a requirement was not part of the project design nor the CDB SLS Guidelines. It is not normal practice for CDB funded student loan programmes to require data collection on the sustainability of training programmes. Under the CDB 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. Information on the national demand for skills must be part of the planning and operational functions within the Ministry of Labour, along with support from other relevant Ministries and the private sector.
SLS could benefit from labour force surveys and racer 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 were unable to locate where such contradiction exists as according to our information a satisfactory rating was assigned for this criteria throughout the PCR.

PUBLIC DISCLOSURE AUTHORISED

CARIBBEAN DEVELOPMENT BANK



PROJECT COMPLETION VALIDATION REPORT

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

**OFFICE OF INDEPENDENT EVALUATION
APRIL 2016**

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 EQUIVALENT

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

USD1.00 = XCD 2.70

XCD 2.70 = USD0.37

ABBREVIATIONS

AR	Appraisal Report
BOD	Board of Directors
CDB	Caribbean Development Bank
DFI	Development Finance Institutions
GDB	Grenada Development Bank
FY	Financial Year
GOGR	Government of Grenada
HRD	Human Resource Development
LOC	Line of Credit
MIS	Management Information System
mn	million
N/A	Not applicable
NPL	Non-performing Loans
OCR	Ordinary Capital Resources
p.a.	per annum
ROA	Return on Average Assets
SFR	Special Funds Resources
SLAC	Student Loans Advisory Committee
SLS	Student Loan Scheme
TAMCC	T.A. Marryshow Community College
USD	United States dollars
XCD	Eastern Caribbean dollars

TABLE OF CONTENTS

EXECUTIVE SUMMARY

MANAGEMENT RESPONSE

- 1. BASIC PROJECT DATA**
- 2. PROJECT DESCRIPTION**
 - Background
 - Rationale
 - Expected Outcomes
 - Components
 - Implementation Arrangements
- 3. PROJECT COMPLETION REPORT REVIEW**
 - Relevance
 - Effectiveness
 - Efficiency
 - Sustainability
 - Borrower/Executing Agency Performance
 - Caribbean Development Bank Performance
 - Monitoring and Evaluation
- 4. CONCLUSION**
 - Summary of Performance
 - Other Criteria
 - Lessons
 - Recommendations
 - Project Completion Report Quality

APPENDICES

- APPENDIX 1: REFERENCES
- APPENDIX 2: CUMULATIVE DISBURSEMENT PROFILE
- APPENDIX 3: LOGICAL FRAMEWORK MATRIX

1. BASIC PROJECT DATA SHEET

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

CDB LOAN AND GRANT (USD mn)

Disbursements (\$mn)

	<u>OCR</u>	<u>SFR</u>	<u>Total</u>
Original Loan Amount	3.000	0.500	3.500
Technical Assistance Grant	-	0.048	0.048
Total Loan and Grant 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 (Original Loan)	2002-10-10	2002-10-10	-
Loan Agreement signed	2002-12-15	2002-12-05	-
Loan Effectiveness ⁷	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	3.5000	3.5000	-
CDB Grant	0.048	0.048	-
Counterpart (GOAB)	-	-	-
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	5 years (inclusive)
CDB Loan (OCR)	5.75 (variable)	15 years	5 years (inclusive)

Implementation

	<u>At Appraisal</u>	<u>Actual</u>	<u>Variance (months)</u>
Start Date	2003-02-05	2003-08-22	(6.5 months)
Completion Date	2009-12-31	2012-04-27	(28 months approx.)
Implementation Period (years)	6.9	8.7 approx.	(1.8 years)

Economic Rate of Return (%)

At Appraisal	Not applicable
Additional Loan	Not applicable

⁷ Date conditions to First Disbursement satisfied

2. PROJECT DESCRIPTION

Background:⁸

2.01 Grenada is a tri-island state with a population estimated at 101,000. At the time of project appraisal, according to the last national survey 32.1% of the population (or 28.8% of the households) was poor, while 12.9% was extremely poor. The data also indicated an unemployment rate of 15 - 20% among the poor and 13% among the non-poor, with a high proportion of the unemployed under 30 years old, despite the high levels of high school education, suggesting that the labour force lacked the skills or level of education required for the labour market.

2.02 GDB has been involved with CDB's SLS programme for over 15 years. Over the 12-year period, 1985-1997, USD2 mn of OCR and SFR funds from four CDB Lines of Credit (LOCs) were used by GDB to assist 316 students in meeting the cost of post-secondary education and training at local, regional and extra-regional educational institutions. In July 2001, GDB submitted an application for funds to finance its student loan programme. Between July 2001 and June 2002, GDB approved a total of \$1.97 mn (USD0.73 mn) for student loans from its own resources. Following discussions between GOCR, GDB and CDB, about concerns about the performance of GDB, and negotiation with GOCR, BOD of CDB approved a loan October 10, 2002 to GOCR not exceeding the equivalent of USD3.548 mn.

2.03 The loan comprised USD3 mn from CDB's OCR and USD0.548 mn from CDB's SFR.⁹ USD0.5 mn or 14% of the total funds were designated to provide educational loans to students from poor and vulnerable households who satisfied the educational criteria but could not satisfy the financial criteria of the SLS programme. USD0.048 mn was provided as TA for institutional strengthening of GDB, specifically to facilitate the preparation of a strategic plan.¹⁰ The remaining USD3 mn was to be used for the traditional SLS. Since funds from the previous CDB LOCs for student loans were fully committed, GOCR requested and CDB agreed to retroactive financing of USD0.4 mn (\$1.08 mn) from the loan for student loans approved between October 11, 2001 and October 10, 2002. The approved amount was later increased to USD3,092,092.77 due to the conversion by the Finance Department of a non-USD liability (amounting to XCD248,650.48) to a USD liability in October 2008.¹¹

Rationale

2.04 An ill-equipped and skills-deficient labour force was seen as a constraint to the Government's efforts to grow the economy. GOCR saw investment in education as one way to achieve high quality human capital. Against this backdrop, policies and initiatives aimed at developing and upgrading the skills capacity and knowledge-base of the labour force became strategically important. GOCR began to address these human resource deficiencies under an education reform programme, as well as through a number of assistance programmes aimed at identified vulnerable groups.

⁸ Paper BD 65/02

⁹ The approval included retroactive financing up to USD0.4 mn for SLS subloans approved by GDB between October 11, 2001 and the date of approval of the loan by CDB's BOD. Although the provision is made for retroactive financing, for loans approved prior to 2002, there is no provision for this in the logical framework. It is not clear whether the target number of 200 includes these retroactive loans

¹⁰ The Budget represented in the Logical Framework in the AR shows XCD equivalent for the SLS component but the USD equivalent for TA.

¹¹ Registry Files: Memorandum to the Director, Projects Department. Subject: Cancellation of Undisbursed Balance: Loan No 11/SFR-OR-GRN. d/d May 15, 2012

2.05 In order to increase general educational levels, significant reform initiatives were undertaken at the primary and secondary levels. At the post-secondary level, there were significant achievements in terms of expansion of opportunity and access at the T.A. Marrayshow Community College (TAMCC); St. Georges University (SGU); the School of Continuing Studies (SCS) of the University of the West Indies (UWI). The cost of pursuing tertiary education however, is a significant factor to be considered by the school leaver, even for local training. Under the relatively new cost recovery policy for TAMCC, tuition costs were as high as \$4,000 per annum (p.a.) which was prohibitive for many students without assistance. For students wishing to continue training beyond the associate degree, certificate, diploma levels, or first degree programmes available locally, or attend regional or extra-regional institutions, costs could be in excess of \$100,000 p.a. Many students prefer to study at educational institutions in the United States of America (USA) - statistical data produced by the American Universities Admission Programme for the academic year 2000/01 indicated that 281 Grenadians entered the USA. Some assistance was available from scholarships and awards. Additionally, SLS has played a critical role in complementing grant or other types of support from other sources, and in many instances, met the major portion of students' costs.

2.06 The reasons for selecting North American universities over UWI have been attributed to non-availability of certain programmes at UWI; reluctance of students to attend tertiary level educational institutions in the Kingston Metropolitan area in Jamaica; easier acceptance of the Caribbean Examination Council (CXC) examination results for matriculation purposes by institutions in the USA; the presence of relatives in the USA who can assist with accommodation; and the relative ease of obtaining part-time and vacation employment which will assist students with meeting other costs. Where regional and extra-regional costs were approximately equal, there was often a deliberate selection of the USA institution in order to enhance the overall educational experience and increase the opportunity for post-graduate study and emigration.

2.07 Regardless of whether students wish to study in or outside of the Region, the majority of prospective trainees require financial assistance. GOGR applied to CDB for an additional LOC to assist the financing of its programme of loans to eligible persons wishing to pursue post-secondary education and training.

2.08 While the Bank had significant reservations about the financial viability and management capacity of GDB at the time of appraisal due to the high level of default in the loan portfolio, particularly CDB-financed loans, CDB's Financial Intermediaries Unit recommended the appraisal request for the LOC.¹² This, despite GOGR non-compliance with the conditions applicable to the previous Loan No. 7/SFR-OR-GR. The mission report indicated significant problems within the operations of GDB that seriously affected its ability to demonstrate that it can be a viable institution in the short term. CDB determined that any improvement in GDB's financial performance was dependent on the restructuring of the organisation. CDB's mission to GDB in April 2002 recommended GOGR's request on condition that "during the processes an appropriate and acceptable time phased reconstruction action plan is developed, agreed to by GOGR and GDB and that the actions commence as designed. The plan will perforce require specific actions to be taken prior to the disbursement of the loan."

2.09 CDB assessed GDB and pointed out that the development of a strategic plan was deemed vital to the survival of GDB as it would give all the players (the government, BOD, management and staff) a clear understanding of the future direction of the Bank, in terms of specific objectives, control measures and contingencies. As a result, a component of the loan included TA resources for the development and implementation of a three-year strategic plan. Additionally, there were a number of vacant posts including the posts of Deputy Manager and Internal Auditor, which were integral to the efficient operation of the organisation. It was a condition of this loan that all posts of managerial and auditing functions shall be held by persons whose qualifications and experience are acceptable to CDB.

¹² Mission Report April 22-23, 2002, Chief Project Officer, Financial Intermediaries Unit (FIU).

Expected Outcome

2.10 The expected outcome of the project is inconsistently stated throughout the Appraisal Report, (the logical framework differs from the narrative); as well as in the PSRs. The project purpose was stated in the various project documents are as follows:

- (a) **Narrative of AR:** Objective: to assist GOCR in developing human resources through the provision of student loans for post-secondary education and skills enhancement. A component of the SLS programme targeted students from poor and vulnerable households, with a view to increasing their access to credit for the pursuit of post-secondary level education and training. This component of the loan was expected to contribute to breaking the cycle of poverty associated with low levels of educational attainment of successive generations.¹³
- (b) **Logical Framework Matrix:** The project purpose was to increase in the number of students, including students from poor and vulnerable households, receiving education and training at technical, vocational and professional levels.
- (c) **PSR:** The loan will assist GOCR 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.

2.11 Outputs were sub-loans disbursed to students to finance post-secondary training and a three year strategic plan for GDB.

Components

2.12 The project comprised:

- (a) Disbursements to GDB to a maximum of USD3.50 mn as sub-loans were approved. (later increased)
- (b) TA valued at USD48,000 for the development of a Strategic Plan, which was to be implemented by GDB.

Implementation Arrangements

- (a) The Borrower was GOCR while the Executing Agency was GDB. The first disbursement was made December 12, 2003; and it was expected that the loan would have been fully committed by December 31, 2006, and fully disbursed by December 31, 2009.
- (b) The technical, vocational and professional programmes of study eligible for funding under the SLS were determined by the Priority List of Training Needs as identified by GOCR.
- (c) SLAC assisted GDB in the administration of the SLS. In accordance with the SLS Guidelines (1997), the Committee was responsible for:
 - (i) monitoring non-credit performance of the SLS programme;

¹³ Paper BD 65/02 pg 18.

- (ii) monitoring the establishment, publication and updating of the Priority List; and
- (iii) making recommendations to GDB and GOCR as necessary
- (d) The mechanism, including reporting requirements, and qualifying criteria for sub-loans to students from poor and vulnerable households in accordance with the SLS Guidelines (1997) was to be first deemed acceptable to CDB;
- (e) A maximum of USD400,000 was available to GDB to make SLS Sub-loans approved between October 11, 2001 and October 12, 2002.
- (f) Disbursements in respect of programmes of study at extra-regional and non-eligible educational institutions were not to exceed 60% of the amount of the Loan.
- (g) All posts in GDB with managerial and/or auditing functions were to be held by persons whose qualifications and experience were acceptable to CDB. GDB was obligated to inform CDB of any appointments it wished to make to each such post.

3. PROJECT COMPLETION REPORT REVIEW

Relevance

3.01 **PCR Assessment:** The PCR gives a Project Performance Evaluation System (PPES) rating for Relevance as “*Highly Satisfactory*”, but provides no justification for this rating. An older template was used which did not include a section on relevance in the body of the report.

3.02 The appraisal document noted that while it is recognised that there was some risk of graduates remaining overseas on completion of study, the risk was mitigated by more stringent SLS loan security requirements and changing immigration regulations in recent years. It was assumed that remittances from graduates who remained overseas would compensate for the more immediate “loss” of trained manpower, and potential skills transfer at a later date if the graduates returned to seek employment, having accumulated experience in competitive labour markets. It was also assumed that students would have developed entrepreneurial skills and accumulated savings, and therefore be in a position to create employment opportunities for Grenadians.¹⁴

3.03 **Evaluator’s Assessment:** The Evaluator generally agrees with the analysis above, as well as CDB’s assertion in the AR that the increase in the availability of resources for financing the post-secondary education will have a positive impact on economic activities within the productive and social sectors. However, the above assumptions with regard to the positive downstream effects of overseas studies were not tested or reported against.

3.04 The project responded to the trend in increased demand for education lending as evidenced by the GDB’s approval of 25 education loans in 1997, compared with a high of 65 loans in 2001. The expectation was that given the projected demand, the CDB loan would provide an average of 57 loans p.a. over the anticipated life of the project.

3.05 The inclusion of the special allocation for loans to students from poor and vulnerable households was consistent with the findings from CDB’s Performance Review of the Special Development Fund (SDF) Cycle 4, highlighting the exclusion of students from poor and vulnerable households from the programme due to the guarantee and collateral requirements. The report recommended that future student loan programmes should incorporate a component which directly targets students from poor and vulnerable households.

3.06 The Strategic Plan prepared under the TA Component of the Project made the following observation with respect to the SFR Component of the CDB Loan “it is understood that a Student Loan Advisory Committee has been established.... to design a lending scheme for assessing that tranche of 500,000. it is understood that the proposed lending scheme should include, but not be limited to, persons wishing to be trained in trade skills such as carpentry, masonry and electronics. The Manager has confirmed that to date, the student loan applications that GDB received rarely include applications for that type of skills training. As a result the feasibility study assumed that this tranche would be used for disbursing the usual sub-loans for tertiary education”.¹⁵ Furthermore, SLAC informed the Bank that they were uncertain of their approval role and the programme should be placed in a special category or advanced as a grant. ¹⁶ They concluded that the manager should write to CDB informing them of the Bank’s inability to participate in the programme and the concerns expressed by the Board. There was no record of correspondence after these initial concerns of BOD were raised to CDB. Nevertheless, GDB did disburse loans under this facility, starting only in 2005 – two years and four months after loan effectiveness. This also highlights a potential design misconception that students from poorer households would prefer vocational training opportunities while students from more affluent families aim for university or college degrees.

¹⁴ Paper BD 2002/65. Pg 33

¹⁵ Ernst & Young. Grenada Development Bank Strategic Plan for Reorganisation January 7, 2004

¹⁶ Registry File Vol. 2. Extract of Minutes of the Meeting of BOD June 1, 2005

3.07 The loan was to be used to finance areas of study identified as priorities by GOGR's Priority List of Training needs.¹⁷ While the list covered a fairly broad range of subject areas, it is noteworthy that a majority of the areas of study related to the more 'traditional' areas such as education and social sectors and occupations more applicable to employment in the public service. The emphasis on technical and vocational activities seemed constrained with a focus on "Machine Maintenance, and Audio-Visual Aids Technology, particularly the production of material for educational broadcasting, through radio and television."

3.08 While there was a 60% cap on the utilisation of the loan resources to finance study at extra-regional and non-eligible educational institutions, this limit was reached by 2006 and the demand for study at regional institutions was not sufficient to utilise the undisbursed balance quickly. The slow uptake during implementation also called into question the demand for loans, particularly for regional study, was less than the funds approved for the time period. The uptake of loans for poor and vulnerable students did not materialise in the numbers envisaged.

3.09 The relevance of the project clearly outweighed the CDB's reservations about GDB's long-term financial performance. Given the concerns expressed about the financial viability of GDB at the time of appraisal, the funding of the strategic plan was clearly needed. The evaluator rates the Relevance of the project as *Highly Satisfactory*, but emphasises that employment prospects, student needs and labour market demands were insufficiently considered during the design phase.

Effectiveness

(a) *Achievement of Outputs*

3.10 **PCR Assessment:** The PCR's Summary Rating of Implementation Progress (Outputs) is *Unsatisfactory*. The justification for the rating is the slow drawdown of funds by GDB. The indicator for achievement of outputs was at least 200 loans valued at XCD9.45 mn approved for technical, vocational and professional education and training, and fully disbursed by 2006. The PCR reported 209 sub-loans valued XCD9.8 mn were disbursed for technical, vocational and professional education and training between 2003 and 2012.

3.11 **Evaluator's Assessment:** The PCR reported on the disbursed value and not the approved value. There was conflicting information with respect to the exact value and number of loans approved and disbursed and over what period of time.

3.12 According to the List of Sub-Borrowers in the Registry Files, as of December 2011, GDB approved and disbursed 204 sub-loans under the OCR Component and 30 loans under the SRF component. This includes the provision for financing the retroactive loans approved in 2001, prior to the approval of the Loan. According to the data, the number of loans approved retroactively was only five, and totalled only XCD195,334. The total approved amount of XCD9,348,832.83 (USD3.47 mn) for the OCR component and XCD1,491,149 (USD0.55 mn) for the SRF component is shown at Table 2. Approvals under both windows exceeded the limits of the line of credit. GDB assumed the difference between the approved amount and the loan limit of USD3.548 mn.

¹⁷ Paper BD 2002/65. Appendix 3.2

TABLE 2: LOANS APPROVED JANUARY 2002 - NOVEMBER 2011

Source	Number of sub-loans	Amount Approved (XCD)	Amount Approved (USD)	Amount Disbursed (XCD)	Amount Disbursed (USD)
OCR	174	9,348,832.83	3,469,083.39	7,864,949.63	2,918,456.95
SRF	30	1,491,149.00	553,322.57	1,385,845	514,247.28
Total	204	10,839,981.83	4,022,405.96	9,250,794.63	3,432,704.23

Source: CDB Registry Files

3.13 As at June 4, 2012, it was reported that GDB had drawn down USD3,091,582.84 mn from the OCR loan and USD540,990.29 from the SRF account (inclusive of fees of approximately USD40,000 paid to the Strategic Planning consultants).¹⁸ There was no data in the Registry files showing changes in the loan portfolio between November 2011 and the time of PCR preparation.

3.14 Data subsequently received by the Office of Independent Evaluation (OIE) from CDB's Finance Department during the validation exercise indicated 210 sub loans valued at XCD11, 195,266.76 were approved.¹⁹ Table 3 shows the data on sub-loans and the distribution by source of funds.

TABLE 3: DATA ON SUB-LOANS

Source	Number of Sub-loans	Amount Approved (XCD)	Amount Approved (USD)	Amount Disbursed (XCD)	Amount Disbursed (USD)
OCR	180	9,704,117.76	3,600,919.43	8,168,350.84	3,031,040.42
SRF	30	1,491,149.00	553,322.57	1,385,845.54	514,247.48
Total	210	11,195,266.76	4,154,242	9,554,196.38	3,545,287.9

Source: CDB Finance Department

3.15 The data for the OCR component differs between the two tables; however the value and number of sub-loans for poor and vulnerable persons were consistent. These loans were approved between 2005 and 2008, despite apparent concerns about the programme by SLAC. At appraisal, it was estimated that the loans would be committed within four years by the end of 2006 concluding on December 31, 2009 with the terminal disbursement. In reality, loans were approved up to November 2011, approximately five years beyond the intended deadline.

3.16 The weak performance of the SFR component to provide loans to poor and vulnerable students appeared to be due to a number of factors, including the late development and approval of the criteria (approved November 2004), the low demand for, or availability of vocational training, limited marketing of the programme by GDB, and an apparent lack of interest in SLAC in the programme. The PSRs consistently noted weaknesses in GDB's efforts to promote the programme; however, the disbursements under the Component actually exceeded the allocated amount of USD500,000.

¹⁸ Registry File: Ref: 72/78 LGL Re: Loan 11/SFR-OR-GRN-Student Loan Scheme – Sixth Loan. Notice of Cancellation

¹⁹ Via email correspondence September 2, 2015.

3.17 It was expected that the loans would be fully disbursed by 2009, however this was not achieved until 2012. The strategic plan, which was a specified output was delivered and approved. As a result the Evaluator concurs that the achievement of outputs was *Marginally Unsatisfactory*, since the output targets were largely met but over an extended period of time.

(b) Achievement of Outcomes

3.18 **PCR Assessment:** The PCR rates effectiveness as “*Highly Satisfactory*” as the PPES summary score, but ‘*Probable*’ as the Rating of Achievement of Development Objective(s) (Outcomes) in the body of the PCR.

3.19 In the PCR, the achievement of outcomes is assessed against the project purpose as stated in the Logical Framework Matrix: “*Increase in number of students, including students from poor and vulnerable households, receiving training at technical, vocational and professional levels.*” The indicator was “at least 200 persons trained by 2006, including 50 beneficiaries from the poor and vulnerable component of the SLS programme”.²⁰

3.20 According to the PCR, the loan financed 195 persons, (121 females and 74 males) and 28 beneficiaries from poor and vulnerable households (25 females and 3 males) for training in various technical and vocational skills and at the professional level between 2003 and 2012.²¹

3.21 **Evaluator’s Assessment:** The indicator equates the number of loans approved with the number of persons trained. However, a scan of the list indicated that in some instances, there were two loans approved to one person. In some cases there were duplicate entries for the same course and the same year. Under the SRF component, the number of unique students was 28 (for 30 sub-loans) while under the OCR component, at least eight, names were replicated. From the spreadsheet reviewed, the total number of unique individuals trained was 193 over the period 2001-2011.

3.22 Although the SRF programme was intended to focus on vocational training, the majority of the loans (16) were for 3 - 5 year degree programmes. One loan was approved for a six year programme, in contravention of the loan conditions. Eleven loans were for students pursuing vocational or 1 - 2 year diploma or certificate programmes. One loan was approved for a three week course.

3.23 More importantly, 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. Hence, the outcome assessment cannot equate the number of loans approved with the number of students actually completing their training.

3.24 While considered important at the outset, the results framework did not include an outcome related to the institutional strengthening of GDB as a result of its support for the development and implementation of the strategic plan.

3.25 Additionally, the outcome could have reflected the project’s contribution to meeting the priority training needs for Grenada. The PCR noted that training was concentrated in the social sciences as approximately 65% of beneficiaries were trained in areas of accounting, business administration, business management, finance, hospitality management, psychology, economics, among others. Beneficiaries were also trained in law, aviation, biology, computer science, manufacturing, engineering, medicine, mechanical engineering and medical

²⁰ The outcome indicator is inappropriate as it should have reflected that the timeframe for completion of the training. If it was expected that the loans would be fully disbursed by 2006, then target date should have been 2011 (assuming a maximum five year course of study).

²¹ The time period is in fact incorrect as it does not take into account the one year prior retroactive financing approved.

technology; however, vocational training was poorly represented. 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, as well as project relevance.

3.26 The use of the term 'increase in number of students' in the purpose statement suggests a comparison between a baseline and target. There was no baseline data specified against which to measure an increased number of students, either through the regular SLS programme or the programme to provide access to poor and vulnerable students. It is assumed however that since there was no prior special facility for poor and vulnerable students, the project did result in an increase in the number of poor students with access to loans who may not have had the opportunity before. However, if one examines the average number of educational loans approved by GDB in prior years, 237 loans were approved for the five years between 1997 and 2001; compared with 201 loans approved between 2002 and 2011, we observe a significant downward trend in average approvals per year from 59 to 22).

3.27 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 national demand for skills were addressed, 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.

Efficiency

3.28 **PCR Assessment:** The PCR rates efficiency as *Marginally Unsatisfactory*. The PSRs only reported on the OCR portion of loan disbursements, which served to overstate the reporting of timely performance (efficiency) in the PSRs. The table below gives the adjusted disbursements over time.

3.29 The Evaluator agrees with the PCR that efficiency was *Marginally Unsatisfactory*, over the project period. Between 2003 and 2005, although the total disbursed was only 41%, the 60% cap on extra regional study was almost reached within two years. As there was limited demand for funds for regional study, this slowed the draw-down of the funds. CDB did not agree to raise the cap and as a result, the disbursements slowed. The overall effect was that over the life of the project, efficiency declined. Compared with the average number of educational loans approved by GDB in prior years (59), the average declined during the project period to 22 per year. The development and approval of the criteria for the SRF component took almost two years to be approved. Information on the Project Milestones and performance is shown at Table 4.

TABLE 4: PROJECT MILESTONES AND PERFORMANCE

Year	Milestones and Project Performance
2001	<ul style="list-style-type: none"> Request from GOGR for funds to support the SLS.
2002	<ul style="list-style-type: none"> August: Official request from GOGR for 3.5 mn LOC. October: CDB BOD approves USD3.548 mn LOC to GOGR
2003	<ul style="list-style-type: none"> 4% of funds disbursed (27 loans approved)²² August: Conditions precedent met (approximately five months delay). September: Official project launch December: First disbursement Work not yet started on poor students lending criteria. Strategic plan provided for GOGR review
2004	<ul style="list-style-type: none"> 21% of funds disbursed (63 loans approved) Conditions of loan not satisfied – equity from GOGR April: Approval from GOGR to implement strategic plan November: Criteria for lending to students from poor and vulnerable households approved by CDB
2005	<ul style="list-style-type: none"> 41% of funds disbursed (96 loans approved including 3 from SRF component) Delay in implementation of strategic plan 91% of cap for utilisation of funds for extra-regional study reached (USD2.1 mn)
2006	<ul style="list-style-type: none"> 64% of funds disbursed (139 loans approved including 17 from SRF component) GOGR satisfied conditions of the loan. Equity provided by GOGR
2007	<ul style="list-style-type: none"> 72% of funds disbursed (158 loans approved including 23 from SRF component)
2008	<ul style="list-style-type: none"> 78% of funds disbursed (158 loans approved including 23 from SRF component) Amount available increased to 3,592,092.77 for OCR and SFR components
2009	<ul style="list-style-type: none"> 84% of funds disbursed (174 loans approved including 29 from SRF component) at 100% anticipated time elapsed.
2010	<ul style="list-style-type: none"> Approval to use undisbursed balance for new loans. 84% of funds disbursed (174 loans approved including 23 from SRF component)
2011 ²³	<ul style="list-style-type: none"> 99% of funds disbursed (210) loans approved including 30 from SRF component)
2012	<ul style="list-style-type: none"> Unwithdrawn amounts cancelled by CDB: (USD509.93 from the OCR component) and USD7,009.71 representing balance on Strategic Planning Consultancy.

Sustainability

3.30 **PCR Assessment:** The PCR rated sustainability as “*Satisfactory*” as the PPES summary score and “probable” in the body of the PCR²⁴

3.31 The PCR analysed prospects for sustainability in the abstract 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. Additionally, improved portfolio quality and profitability of GDB will also contribute to the provision of student loans to successive cohorts of beneficiaries. However, given the current environment, GDB will need to carefully manage arrears on its loan portfolio to ensure that a sustainable pool of reflows can be achieved”.

²² PSR data

²³ Data from Finance Department via email

²⁴ The PCR used an older template.

3.32 GDB noted in its independent assessment that most of its borrowers have been engaged in gainful employment locally, regionally and extra regionally or have pursued post graduate studies. However, no evidence was made available to validate this assessment. GDB was unable to determine the ratio as to how many have returned to work in the Region and did not, indicate the extent to which these employed graduates were paying their loans.

3.33 **Evaluator's Assessment:** Sustainability of a SLS can be assessed with respect to the extent to which the loans are being repaid and are reinvested in new loans. CDB requested of GDB via letter dated 13/6/13 a status report including arrears aging analysis on the current loans including aged arrears, total collection, NPLs and loans which were paid off. There was no response in the files to this request and subsequent follow-up by OIE suggests that none was prepared or submitted. There is no evidence in the files to suggest high sub-loan repayments are actually taking place.

3.34 According to the GDB website however, they are still offering student loans. Education loans valued at XCD 1.7 mn accounted for 37% of GDB's portfolio in 2014, down from 2013, when Education loans valued at XCD2.09 mn or 46% of the portfolio was approved. The PSR of 2012 stated that GDB's performance during 2012, the year of completion of the SLS project, reflected a relatively weak financial institution. Audited financial statements for the financial year (FY) ended December 31, 2012 indicated that GDB generated a small net profit of XCD0.10 mn compared with losses of XCD1.4 mn in FY 2011. Furthermore, the PSR of 2012 noted that the contracting loan portfolio and liquidity challenges experienced during FY 2012 raised concerns about the sustainability of GDB in the medium term. It indicated that GOG was unable to provide financial support to GDB given its financial challenges and that the institution needed to intensify collections and continue to explore sources of finance that do not require a sovereign guarantee in order to sustain operations. During 2012, GDB's collection performance was below the CDB benchmark of at least 85% on current collections and at least 65% on total collections. The institution collected 79% on current collections and 45% on total collections,

3.35 The GDB 2013 Annual Report indicated that the Bank's net profit showed a significant increase from XCD87.7 k in 2012 to XCD1.61 mn in 2013. The notes to the financial statements reveal that this was mainly on account of debt forgiveness totalling XCD1.33 mn by one of the Bank's financiers. While the ratio for NPLs showed a slight improvement in 2014 (14.17%) over 2013 (14.42%), this was still in excess of the target for NPLs of 12%. During the last five years of implementation (2008 - 2012) GDB's ROA fluctuated between negative 1.9% (2010) and 0.9 % (2009) below the CDB benchmark of 1% established for Development Banks. Personal loans, Housing, Education and Industry were the best performing sectors for the Bank in 2014, with only 9% of education loans non-performing. In addition, there was no data to show how many students successfully completed their programme of training and the number that was gainfully employed.

3.36 In light of the foregoing, the evaluator rates sustainability as *Marginally Unsatisfactory*.

Borrower/Executing Agency Performance

3.37 The PCR rates the Borrower/Executive Agency Performance as *Unsatisfactory*.

3.38 **PCR Assessment:** The PCR rated Borrower's Performance as *Satisfactory* in the summary of the PCR and as *Unsatisfactory* in the narrative of the report. GOGR complied with the conditions of the Loan Agreement, including providing equity and contributing to the operating expenses of the Implementing Agency. While GDB provided CDB with the reports required under the Loan Agreement, its performance was weak. A high NPL portfolio, unsatisfactory total collections and high operating costs contributed to marginal profits or losses and as a result, key performance benchmarks for financial institutions, including a minimum ROA of 1%, was not satisfied.

3.39 ***Evaluator's Assessment:*** The evaluator assesses the Borrower's Performance during the project period as *Unsatisfactory*. While CDB noted satisfactory reporting by GDB, the PSRs reported five years of losses between 2002 and 2010, high delinquency ratios, concerns about recruitment and staffing key positions, and delays in the implementation of the strategic plan between 2005 and 2006, even though the Plan was completed by 2004. GOCR 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.

Caribbean Development Bank Performance

3.40 ***PCR Assessment:*** The PCR rates CDB performance as *Satisfactory*. GDB rated CDB's performance during project preparation and supervision as *Satisfactory*.

3.41 ***Evaluator's Assessment:*** The PCR's assessment was based on the timeliness of Loan Agreement preparation and response to queries from GDB, including requests for the extension of the Terminal Disbursement Date (TDD) and disbursements were processed promptly. CDB facilitated training aimed at improving the technical skills of GDB staff in Loan restructuring and administration. Staff undertook institutional supervision visits to review the operations of GDB and to ensure its compliance with the conditions of the Loan. The Evaluator notes preparation of PSRs with fairly detailed, although inconsistently reported key performance indicators on GDB's financial performance (e.g. equity, losses, asset ratios etc.). CDB did not seem to monitor or analyse the results at the sub-loan level, (eg. extent to which loans met the priority list,) and monitoring of delinquencies and the NPL portfolio.

3.42 The Evaluator concurs that given the indicators in the logical framework, CDB *Satisfactorily* supervised the project but this supervision was inadequate to adequately assess a SLS.

Monitoring and Evaluation

3.43 According to the AR, GDB was required to prepare and submit management and monitoring reports to facilitate the supervision of its operation by CDB; provide information that will permit the social analysis of the issues and challenges that students from poor and vulnerable households encounter as they seek to access loans from the SLS programme; and compile information on the impact of the SLS programme. The list of reports to be prepared by GDB was extensive. CDB reported that GDB provided CDB with the reports required under the Loan Agreement. However, this was not evident in the Registry files. The PSRs provided annual updates on the number of loans, disbursements and financial performance of GDB. There was however, no evidence of reports related to loan collection and arrears in particular. At the time of PCR preparation, CDB via letter dated 13/6/13 requested a status report including arrears aging analysis on project "as discussed". There is no indication that this request was met by GDB. Efforts by OIE to follow up on this request did not yield any results.

3.44 CDB failed to follow up with GDB on the requirement to "provide information that will permit the social analysis of the issues and challenges that students from poor and vulnerable households encounter as they seek to access loans from the SLS programme; and compile information on the impact of the SLS programme." The absence of any summary and analytical reports provided by GDB and the apparent lack of leverage and/or interest by CDB in obtaining the required information severely restricted the possibility to assess the development effectiveness and hence the success of the intervention.

4. CONCLUSION

4.01 Based on the foregoing analysis and available data, the Evaluation assigns a rating of Marginally Unsatisfactory to overall project performance. The PCR's assessment for the overall project is Satisfactory. As shown in Table 4, the difference in the overall assessments rating is due to the lower performance ratings that were assigned by the Evaluator under the Relevance, Effectiveness and Sustainability criteria.

4.02 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 Borrower seek to adjust design and implementation if deemed necessary.

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

Criteria	PCR ²⁵	OIE Review	Justification
<i>Relevance</i>	Highly Satisfactory ²⁶ (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 these 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 GOCR priority list guided the loan scheme, there was no evidence that actual labour market demands and/or employment opportunities were considered managing the loan portfolio.
<i>Effectiveness</i>	Highly Satisfactory ²⁷ (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 by the end of the project. The delayed drawdown resulted in low likelihood of many persons 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 were addressed, 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 ²⁸ (2)	Marginally Unsatisfactory (2)	The project was marginally unsatisfactory 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 59 prior to the project.
<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

²⁵ 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).

²⁶ Strategic Relevance rated in PCR

²⁷ Efficacy rated in PCR

²⁸ Cost efficiency rated in PCR

Criteria	PCR ²⁵	OIE Review	Justification
			of implementation of the SLS project, GDB's ROA has also fluctuated below CDB's benchmark established for Development Banks.
Composite (Aggregate) Performance Rating	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. 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	Unsatisfactory	There are contradictory ratings in the PCR ²⁹ . 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. GOCR 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	Satisfactory	Given the indicators in the logical framework, CDB satisfactorily supervised the project. The M&E framework as designed and executed was inadequate to adequately assess a SLS according to best practice.
<i>Quality of PCR</i>		Marginally Unsatisfactory	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

4.03 The PCR³⁰ identified the following lessons learned from the Project:

- (a) a functioning SLAC and effective coordination between GDB and SLAC are critical for efficient implementation of the SLS. Additionally, the linkage between HRD priorities of Grenada and the work of SLAC in monitoring the development, publication and updating of the Priority List, based on Grenada's manpower training needs, should be clearly established;
- (b) macroeconomic stability and economic growth are important for the sustainability of a SLS. Weak macroeconomic conditions in Grenada resulted in job losses and had a negative impact on the ability of some beneficiaries of the project to secure jobs and therefore the capacity to repay their loans;
- (c) in designing an 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. Borrowers need to be given a moratorium on repayment during the period of study and at least six months on completion to enable them to secure employment. This repayment flexibility contributed to the satisfactory quality of the SLS portfolio; and
- (d) an efficient MIS is critical for monitoring the implementation and operation of a SLS.

²⁹ 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.

³⁰ *Ibid* Page 3, Section G – Major Lessons

4.04 The Evaluator generally agrees with the lessons learned in the PCR except for the last sentence of Lesson (c). In view of the fact that up to FY 2012, GDB's loan collection performance was still below the CDB benchmark of at least 85% on current collections and at least 65% on total collections, the Evaluator disagrees with the PCR's assessment that the quality of the SLS portfolio was satisfactory. The Evaluator identifies the following additional lessons learned from the project:

- (a) The mere availability of funds is not sufficient for a successful SLS. Several conditions need to be in place for an SLS to be executed as planned.**

4.05 First, the conditions of the loan constrained GDB's ability to disburse quickly. The amount and structure of the programme seemed to be slightly mis-matched with the demand. The loan of USD3.548 mn over four years was larger than previous two loans over 12 years – and GDB did not seem able to absorb that amount over the four years it was expected to be disbursed. CDB over-estimated the demand for regional study. The programme for poor and vulnerable students, though well intentioned, was not accessed and utilised as expected.

4.06 Second, the capacity of GDB to manage the SLS was recognised as deficient prior to appraisal and remained deficient throughout the project period. The financial performance of GDB during the project period demonstrated the deficiencies in bringing the NPLs under control and threatened the overall viability of GDB. While this did not necessarily affect the rate of disbursement, it would have had implications for the sustainability of the SLS.

- (b) The project points to the pitfalls of simultaneously supporting capacity building and institutional support with project execution.**

4.07 The wisdom of supporting projects which require significant capacity building and institutional support, while the Executing Agency concurrently needs these capacities to execute the project was tested by this project. The Bank had significant reservations about the financial viability and management capacity of GDB at the time of appraisal due to the high level of default in the loan portfolio. CDB determined that any improvement in GDB's financial performance was dependent on the restructuring of the organisation. Despite the development of a strategic plan in 2003, the turn-around of the performance of GDB did not appear to take place until after the project ended. It would appear that CDB missed the opportunity to apply some leverage on GDB to incentivise a faster pace of institutional reforms, or to insist on more firm conditions on the disbursement of the loan resources, contingent on performance; and

- (c) The outcome of a given SLS should be evaluated in the context of the objectives that the SLS is designed to achieve and should go beyond counting numbers of loans.**

4.08 CDB did not reflect the developmental results of the SLS in the logical framework, despite extensively documenting the socio-economic context and the intended effects that post-secondary training can have. There was no structured approach to the collection and analysis of data to follow up on the circumstances of beneficiaries over time (i.e. further education, employment, location, etc) to ascertain whether the intended impact occurred. CDB and GDB did not seem to analyse the extent to which the human resource needs of the country are being facilitated through these loans, specifically to ensure that the training needs are reviewed and aligned with the SLS as necessary. The goal level indicators were too high level to demonstrate the direct and indirect impact of the programme and were not reported against. Tracer studies could have been built into the M&E requirements for the project and, ideally, built into the modus operandi of GDB as part of the support to strengthen the institution. This would have enabled GDB to provide more attributable contributions of the programme to the developmental needs of Grenada.

Recommendations

- (a) **CDB ensures that extensive consultation occurs as part of SLS project design – complemented by labour market information.**

4.09 CDB and its borrowers need to pay more attention to the developmental outcomes of SLS, 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 TVET 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 outputs elements, as well as their performance measurement indicators**

4.10 The logframe 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)**

4.11 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 student loan schemes of its BMCs.

Project Completion Report Quality

4.12 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. There was no attempt to analyse the developmental results of the SLS programme. The evaluator assesses the quality of the PCR as *Marginally Unsatisfactory*.

REFERENCES

CDB, Mission Report, Chief Project Officer, Financial Intermediaries Unit. April 22-23, 2002

Ernst & Young, Grenada Development Bank Strategic Plan for Reorganisation, January 7, 2004

Paper BD 44/14, Country Strategy Paper, Grenada (2014-18)

Paper BD 65/02, Student Loan Scheme (Sixth Loan) - Grenada

Performance Assessment Manual

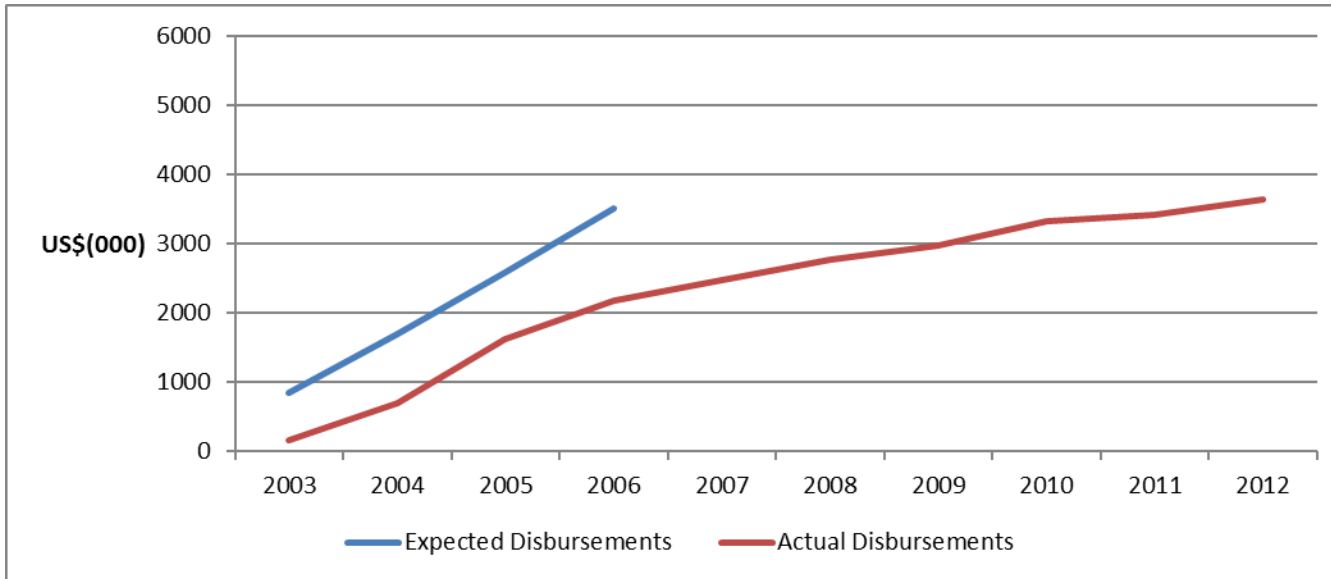
Project Completion Reports

Project Supervision Reports

Registry Files

Status Report Reference Letter, June 13, 2013

CHART 1: CUMULATIVE DISBURSEMENT PROFILE



LOGICAL FRAMEWORK MATRIX

<p><u>Development Objective (Goal, Impact):</u></p> <p>To contribute to sustainable social and economic development of the economy of Grenada through HRD.</p>	<ol style="list-style-type: none"> 1. Improvement in the human development index 2. Improvements in the poverty and related education indices 3. Reduction in unemployment 	<ol style="list-style-type: none"> 1. Economic policies facilitate growth 2. Implementation of GOCR education reform policies and initiatives 																									
<p><u>Outcomes (Purpose):</u></p> <p>Increase in the number of students, including students from poor and vulnerable households, receiving education and training at technical, vocational and professional levels.</p>	<p>At least 200 persons trained by 2006, including 50 beneficiaries from the poor and vulnerable component of the SLS programme. Estimates of the number of SLS approvals:</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td><u>Yr 1</u></td> <td><u>Yr 2</u></td> <td><u>Yr 3</u></td> <td><u>Yr 4</u></td> </tr> <tr> <td style="text-align: center;">50</td> <td style="text-align: center;">55</td> <td style="text-align: center;">60</td> <td style="text-align: center;">62</td> </tr> </table>	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	50	55	60	62	<ol style="list-style-type: none"> 1. Trained persons remain in Grenada and the Region 2. Trained persons remain in Grenada and the Region 3. Trained persons able to find employment in areas of training 																	
<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>																								
50	55	60	62																								
<p><u>Outputs:</u></p> <p>Sub-loans disbursed to finance post-secondary education and skills enhancement training programmes</p> <p>Three year strategic plan for GDB.</p>	<p><u>Operating:</u></p> <ol style="list-style-type: none"> 1. At least 200 SLS loans valued at \$9.45 mn approved for vocational, technical and professional education and training 2. SLS loan fully disbursed by end of 2006. 3. Copies of the strategic plan 	<ol style="list-style-type: none"> 1. Loan effectively utilised by borrowers 2. GDB improves level of operating efficiency. 3. GDB continues to be a viable financial intermediary 4. Satisfactory performance by consultants 																									
<p><u>Inputs:</u></p> <p>Student Loan Funding</p> <p>Major Components:</p> <p><u>SLS</u></p> <p>CDB Loan</p> <p>Refloans and Internally Generated Funds</p> <p style="text-align: center;"><u>Sub-Total</u></p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="5" style="text-align: center;"><u>Year (\$000)</u></th> </tr> <tr> <th style="text-align: center;"><u>2003</u></th> <th style="text-align: center;"><u>2004</u></th> <th style="text-align: center;"><u>2005</u></th> <th style="text-align: center;"><u>2006</u></th> <th style="text-align: center;"><u>Total</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2,250</td> <td style="text-align: center;">2,300</td> <td style="text-align: center;">2,400</td> <td style="text-align: center;">2,500</td> <td style="text-align: center;">9,450</td> </tr> <tr> <td style="text-align: center;">50</td> <td style="text-align: center;">100</td> <td style="text-align: center;">200</td> <td style="text-align: center;">300</td> <td style="text-align: center;">650</td> </tr> <tr> <td style="text-align: center;"><u>2,300</u></td> <td style="text-align: center;"><u>2,400</u></td> <td style="text-align: center;"><u>2,600</u></td> <td style="text-align: center;"><u>2,800</u></td> <td style="text-align: center;"><u>10,100</u></td> </tr> </tbody> </table>	<u>Year (\$000)</u>					<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Total</u>	2,250	2,300	2,400	2,500	9,450	50	100	200	300	650	<u>2,300</u>	<u>2,400</u>	<u>2,600</u>	<u>2,800</u>	<u>10,100</u>	<ol style="list-style-type: none"> 1. Borrowers satisfy SLS lending criteria. 2. Adequate demand for funds in the education sector 3. GOCR continues to support GDB. 4. Availability of required funding 5. SLS borrowers provide required equity - loans to the poor and vulnerable exempted
<u>Year (\$000)</u>																											
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Total</u>																							
2,250	2,300	2,400	2,500	9,450																							
50	100	200	300	650																							
<u>2,300</u>	<u>2,400</u>	<u>2,600</u>	<u>2,800</u>	<u>10,100</u>																							
<p><u>TA</u></p> <p>CDB Loan: Strategic Plan – GDB</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">0.048</td> <td></td> <td></td> <td></td> <td style="text-align: center;">0.048</td> </tr> </table>	0.048				0.048																					
0.048				0.048																							