



1. Project Data:		Date Posted : 05/21/2003	
PROJ ID: P038700		Appraisal	Actual
Project Name: Jm- Student Loan	Project Costs (US\$M)	38.50	39.79
Country: Jamaica	Loan/Credit (US\$M)	28.50	28.54
Sector(s): Board: ED - Tertiary education (95%), Central government administration (5%)	Cofinancing (US\$M)		
L/C Number: L4070			
	Board Approval (FY)		97
Partners involved : N/A	Closing Date	06/30/2002	06/30/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
The overall objective was to shift public resources towards levels of education where the social returns were highest (i.e., basic education). Specific objectives were to:			
(a) provide Jamaican students (especially the neediest) with adequate financing options to pay for their share of higher education on an ongoing basis;			
(b) increase equitable access to higher education and improve targeting of loan subsidies; and			
(c) increase financial sustainability and administrative efficiency of the Student Loan Board (SLB) through a consolidated student loan program.			
b. Components			
1. Institutional strengthening of SLB (\$1.1m): to improve its capacity to (a) target student loans and grants to lower income qualified students; (b) increase loan processing efficiency; (c) improve financial management; and (d) carry out impact evaluation of the program.			
2. Expanded student loan program (\$27.0m): to help meet demand of poorer students by financing up to 100% of tuition fees, in partnership with commercial banks.			
3. Grant-in-aid program (\$8.5m): to meet a share of outlays not covered by student loans, for poorer students.			
4. Public awareness campaign (\$0.4m): to inform students, parents, and the public about policy changes with respect to cost recovery and about financing options available, and to provide credit education to students.			
c. Comments on Project Cost, Financing and Dates			
SLB's costs were greatly underestimated at appraisal, and its role was expanded during implementation, so Component 1 finally cost twice the appraisal estimate. The margin required by the commercial banks was also underestimated. The project schedule was achieved despite a major restructuring that removed the commercial banks and returned full responsibility for implementation to SLB.			
3. Achievement of Relevant Objectives:			
The ICR rated both achievement of development objectives and implementation progress as unsatisfactory . This review rates the project's outcome, taking account of its relevance, efficacy, and efficiency, as unsatisfactory .			
Shifting public resources: Government reduced the share of tertiary education in the Ministry of Education, Youth and Culture (MOEYC) recurrent budget from 22.0% in 1995/96 to 18.3% in 2000/01 (about half of a planned reduction over ten years). The ICR does not say whether the total budget increased or decreased, or whether the share of basic education increased.			

Adequate financing options: Cost recovery was expected to increase substantially during project implementation, but the ICR does not say what happened. SLB loans were for up to 100% of tuition costs and commitments increased from J\$28 million to J\$351 million. In addition, students meeting more stringent poverty criteria received grants-in-aid for non-tuition costs of J\$ 68 million/year. The borrower claimed that all poorer applicants received financing. However, it is not clear whether the project amounts were fully additional to those available nationally pre-project, since the ICR does not say if a second loan scheme (GOJ/Jamaican Bankers' Association, disbursing four times as much as SLB pre-project) continued.

More equitable access and improved targeting: Total tertiary enrollments increased by only 2,500 or 9%, so the gross enrollment ratio rose little. However, access became much less equitable. In only 4 years, students from the top consumption quintile increased from 36% to 77%, cutting quintile 2 students from 40% to 14%, and quintiles 3-5 together from 24% to 9% (from about 6,500 to about 2,600 students!). The reasons seem to be several: Jamaica's macroeconomic situation deteriorated seriously during project implementation, cutting incomes and also job market prospects for graduates; tuition fees may have been raised substantially, as discussed above; and available loans and grants went mostly to the smaller numbers in quintiles 3-5.

As a result of the project, the proportion of loan recipients in the smaller cohort in quintiles 3-5 rose from 22% in 1997 to 50% by 1999 (the original target of 75-80% exaggerated the size of the target population and its willingness to borrow). Grant recipients in quintiles 3-5 were few in 1997 but 79% of the total in 1999. The project may deserve much of the credit for poorer students continuing to access tertiary education at all.

Increased financial sustainability and administrative efficiency: Pre-project, SLB's loan scheme had a subsidy element of about 80% because real interest rates were negative; defaults were 28%; and SLB's administrative costs were 60% of disbursements. The project scheme was designed to have a subsidy element of 30%, with positive real interest rates, 10% defaults, and costs of the banks and SLB together only 4.5%. Real interest rates were positive during implementation. However, default rates were at least 30% (and arrears 74%) by the end; the macroeconomic deterioration presumably contributed, combined with the requirement to start payments six months after graduation, and lax collection efforts by the banks. Administrative costs were underestimated for both the banks (3.5% was too low) and SLB (close to 10% needed, not 1%). The scheme was less costly/more financially sustainable than its predecessor, although far below the intended level. It failed to sustain the involvement of private financing especially the banks. It also failed to set and obtain reasonable student repayments. Finally, there was no information on its future after the Bank-financed project.

SLB increased its productivity from 48 to 90 loans processed per staff member per annum, and processed most applications within its 3 weeks target. While its costs as a proportion of loan volume doubled initially, and rose again after it took over the banks' functions, their final level of 11% still compared favorably with LCR regional averages. However, student records inherited from the banks remained a mess, so vital information on collections, arrears, and defaults was still not available at project completion. MOF and SLB's Council and management failed at financial monitoring, oversight, and financial management.

4. Significant Outcomes/Impacts:

(a) Components

1. Institutional strengthening of SLB. SLB's law was amended and it adopted an implementation manual and modernized its MIS. It doubled loan processing to 6,000 per annum. However, it failed to improve financial management even after taking back implementation responsibilities from the banks.

2. Expanded student loan program. Loans approved rose 50% to about 4,500 per annum, and the average size increased from about J\$9,000 to about J\$80,000 (US\$2,000). By end-project 50% went to poorer students. As the banks did not collect repayments energetically, or monitor defaults and arrears properly, they were removed midway.

3. Grant-in-aid program. Pre-project, grants for poorer students were negligible; under the project they increased from 1,300 to 2,300 annually, and the annual value of grants doubled to J\$ 68 million. By

end-project 79% went to poorer students.

4. Public awareness campaign. The campaign involved many school visits, media messages, and distribution of brochures. It brought about increased acceptance of GOJ's cost recovery policy, and stimulated loan demand among poorer students.

(b) General

1. Government's cost recovery policy was accepted increasingly.
2. Tertiary education's share of the recurrent budget for education was reduced substantially.
3. Both loans and grants were provided in greatly increased volumes and increasingly to (the few) poorer students.

5. Significant Shortcomings (including non-compliance with safeguard policies):

QAE unsatisfactory because of shortcomings in design of loan scheme.

1. Access to tertiary education in Jamaica became dramatically less equitable (although project prevented even worse outcome for some poorer students).
2. Student loan scheme failed to solve key problems of (a) how to involve private financing, especially banks, (b) how to set, and incentives for obtaining, reasonable loan repayments from students, and (c) good governance and efficient financial management by SLB.
3. No indication whether student loan scheme has a future after Bank-financed project.
4. Deficiencies in Bank performance before and during identification and preparation stages.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Unsatisfactory	
Institutional Dev.:	Modest	Negligible	Only some SLB administrative improvements. Financial oversight and management remained ineffective. Failed to sustain involvement of banks.
Sustainability:	Unlikely	Unlikely	
Bank Performance:	Satisfactory	Satisfactory	QAE unsatisfactory but QAG rated supervision positively.
Borrower Perf.:	Unsatisfactory	Unsatisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

1. In designing student loan schemes, consider past performance including arrears, and incentives for all key participants -- especially realistic market-based incentives for financial institutions, and student loan repayments that are realistic and linked to employment/unemployment rather than fixed amounts; involve them throughout.
2. Good communications strategy can make cost recovery in tertiary education and reallocation of education sector budgets among subsectors acceptable.
3. Bank should not change task team leader multiple times during the project cycle (here, three times during preparation).
4. Bank needs to be involved in policy dialogue on national and sector context and outcomes (here, changes in composition of tertiary student body by consumption quintile), not just in individual project. This project won a battle, but the war for equitable access to tertiary education was lost.
5. Bank and borrower should focus supervision and reviews sharply on achievement of development objectives.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

1. Good information, discussion, and conclusions on all aspects of project.
2. Would have benefited from more information and focus on national/sector-wide context and outcomes.