



1. Project Data:		Date Posted : 08/17/2000	
PROJ ID: P008226		Appraisal	Actual
Project Name: Venezuela Student Loan Reform Project	Project Costs (US\$M)	85.6	85.6
Country: Venezuela	Loan/Credit (US\$M)	58	58
Sector(s): Tertiary Education	Cofinancing (US\$M)		
L/C Number: L3494			
	Board Approval (FY)		92
Partners involved :	Closing Date	06/30/1999	12/31/1999
Prepared by :	Reviewed by :	Group Manager :	Group:

2. Project Objectives and Components

a. Objectives
(a) Strengthen and reform the Fundacion Gran Marescal de Ayacucho (FGMA); (b) improve the level of professional, technical, and managerial skills in the private and public sectors; (c) strengthen policy research on human capital and higher education issues in order to provide a solid base for future reforms in higher education finance and management.

b. Components
(a) A student loan program for professional development in various academic fields; (b) an institutionally sponsored program for management development in selected institutions, including support to FGMA to effectively select students, reform student loan terms, and improve cost-recovery mechanisms, carry out operational studies .

c. Comments on Project Cost, Financing and Dates
The loan disbursed all its proceeds and closed six months after the expected date .

3. Achievement of Relevant Objectives:
Though many numerical targets were met . objectives were not achieved, and the impact was very limited . Rather than improve loan recovery, the various discounts and policies resulted in negative real interest rates .

4. Significant Outcomes/Impacts:
Targets for the numbers of beneficiaries were exceeded (6334 vs. 3513). New regulations for student loans were introduced aiming at improving selection procedures and strengthening repayment policies . Policy research on human capital was strengthened and dissemination efforts were strong, but the relevant studies did not shape the direction of policy in higher education.

5. Significant Shortcomings (including non-compliance with safeguard policies):
Project quality at entry was poor . The Bank attempted to improve the efficiency of an expensive and political institution rather than to design an intervention to solve a problem . The design could not bring this about . Most loans were for graduate studies, there were many needlessly expensive foreign fellowships, and many of the beneficiaries were wealthy enough to pursue studies without the help of the institution . The number of beneficiaries was too small to make an impact in tertiary education . There was considerable discontinuity in task management .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Unsatisfactory	Unsatisfactory	
Institutional Dev .:	Modest	Modest	
Sustainability :	Unlikely	Unlikely	
Bank Performance :	Unsatisfactory	Unsatisfactory	
Borrower Perf .:	Unsatisfactory	Unsatisfactory	
Quality of ICR :		Exemplary	

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

7. Lessons of Broad Applicability:

- Before undertaking projects in new areas, the Bank should draw on previous country and sector expertise and experiences of similar projects in other countries .
- It is hard to reform institutions that have significant political agendas and limited incentives for being reformed .
- Student loan projects require excellent financial management and reporting capacity from inception . Otherwise, project benefits may not be realized . Financial specialists should be included in appraising such projects .
- It is important to have a sound sector analysis as the basis of the project, including baseline data .
- Project risks must be evaluated carefully during preparation as well as implementation .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR deserves a commendation for its honesty, particularly in relation to the borrower's comments .