

TERMS OF REFERENCE

STUDY TO ADVISE ON IMPROVING THE LONG-TERM SUSTAINABILITY OF THE STUDENT REVOLVING LOAN FUND.

BACKGROUND

1.0 The Student Revolving Loan Fund (SRLF) was established in 1977 under the Student Revolving Loan Fund Act, 1976-20. The Student Revolving Loan Fund Management Committee (SRLFMC) is the statutory entity established under the Act to administer and manage the SRLF. Its purpose is to provide funding to eligible Barbadians for priority areas of study and hence continue to contribute to the number of qualified Barbadians. As a body corporate, the administration of the SRLF falls under the purview of the Management Committee who reports directly to the Minister of Education, Technological & Vocational Training.

1.2 The SRLF was initially funded by three loans from the Inter-American Development Bank (IDB) and with each subsequent loan agreement the SRLF expanded its focus. The first loan of USD 800,000 was signed on May 25, 1977 and it was for on lending to eligible Barbadians to pursue studies at the undergraduate level in areas which were considered crucial for the economic and social development of the country. The agreement for the second loan of USD 2 million was signed on February 1, 1984. It allowed the SRLF to expand and modify its programme to include studies at the post-secondary; technical and vocational levels at the Samuel Jackman Prescod Polytechnic; the Barbados Community College; the National Training Board; and at the graduate level.

1.3 The third stage of the SRLF's development coincided with a new loan agreement with the IDB dated April 4, 1990 for USD 6.8 million and this loan was disbursed during the period April 1990 to 1996. The maximum loan amount increased to 50,000 and the interest rate moved from 6% to 8%. In 1990, the SRLF also established a Guidance and Placement Unit to serve as a liaison between the job market and potential student borrowers.

1.4 From 1996 to March 2004, the SRLF depended on Government to provide financial assistance for new loans but became self-financing thereafter. The SRLF lowered its interest rate for new loans to 6% in 2005, and in 2010 a variable interest rate of 1.5% above the then minimum savings rate of 2.5% was implemented. In 2017 the lending rate was adjusted to 5.55% as the SRLF received funding from the Caribbean Development Bank (CDB) to assist with recapitalization as a result of an increase in loan demand generated by Barbadian students having to pay a portion of their tuition fees at the various UWI campuses.

1.5 The SRLF's social responsibility features prominently in its lending in that it offers a preferred interest rate and an extended repayment period as well as no interest charges during the study period.

2. OPERATIONS OF SRLF

2.1 Since March 2004, the SRLF has been self-financing without the need for financial support from GOBD. The portion of the loan portfolio which is under repayment generates sufficient income to meet the operating costs of SRLF and contributes to loan commitments as well as new loan applications. In addition, the SRLF needs to expand its lending while continuing to implement strategies to improve its collections.

2.2 With the recent passage of the Public Finance Management Act 2019-1 and the reclassification of the SRLF from a State-Owned Enterprise to a Commercial State-Owned Enterprise, certain additional obligations, deliverables and operating expectations have been thrust upon the SRLF. Section 94(2) of the referenced Act defines a Commercial State-Owned Enterprise as follows:

The Government shall only classify as a Commercial State-Owned enterprise if the entity

- a) is owned or controlled by the Government
- b) provides or will provide services in the market or undertakes commercial activities that are or could be carried out by a private sector operator; and
- c) does or has potential to operate successfully with the primary objective to operate as a successful business and to earn a similar return on the owner's funds over the medium term as that earned by comparable businesses not owned by the Government.

2.3 Given such conditions, SRLF's current business model needs to be evaluated to determine how the institution ought to be repositioned to achieve sustainability and to play a more effective role in financing tertiary education for national development. The SRLF proposes to engage a consultancy firm to assess its operations and make recommendations as appropriate. This is being done within the wider context of ensuring the availability of affordable tertiary education financing to students consistent with GOBD's national development agenda.

3 OBJECTIVES

3.1 The objective of the consultancy is to conduct an Organizational Review of the SRLF, with emphasis on its long-term viability and sustainability, particularly in view of the recent passage of the Public Finance Management Act, 2019-1. The findings from this study will be used to inform the Management Committee on institutional policy deemed appropriate to enhance the capacity of the SRLF to fulfil its mandate.

4 SCOPE OF SERVICES

4.1 In carrying out this assignment, the consultancy firm will report to the Chairman of the SRLF, and work closely with the senior management of the SRLF. The consultancy firm will be required to conduct an institutional assessment of the SRLF to identify current strengths, weaknesses, opportunities and threats to its current operations and to ensure that the SRLF can position itself to be sustainable and to implement all required provisions of the Public Finance Management Act 2019-1 on a continuous basis. The consulting firm is required to liaise with other stakeholders in education including tertiary institutions and to propose strategies for SRLF to improve its delivery of loan financing services according to its mandate.

4.2 Such an assessment will include but will not be limited to the following:

- (a) analyze the strengths and weaknesses of SRLF's current business model to determine the relevance, decision making autonomy, corporate governance systems and its ability to ensure the development and recommend more efficient operational strategies and processes;
- (b) conducting a review of SRLF's current organizational structure and staffing to determine relevance and adequacy of employment level and compensation.
- (c) the development of a five (5) year strategic plan for the years 2020- 2025;

4.3 Based on these reviews and analyses, the Consultant(s) will:

- (a) Propose recommendations for:
 - (i) an appropriate business model inclusive of a new organizational structure
 - (ii) a five year strategic plan
 - (iii) appropriate salary benchmarks in keeping with the proposed new business model;
 - (iv) best practices to guide the SRLF's investment portfolio.

5 TIMING AND QUALIFICATIONS

5.1 The Consultancy Firm must demonstrate familiarity with the operations of student loans schemes. Principal qualifications and experience required to conduct the assignment include:

- (i) at least the following two (2) key experts with the requisite qualifications and experience are required:
 - (ii) In-depth knowledge of human resources, finance, banking operations, procedures, IT, relevant laws and policies governing student loan schemes;
 - (iii) In-depth experience in market research, trend analysis, and development of strategic plans; and
 - (iv) In-depth knowledge of financial institutions, corporate governance, financial modelling, student loan programmes, and experience in research and organization planning design and policy development.
- (a) experience in the management of similar projects is critical; and
 - (b) excellent written and verbal communication skills.

5.2 The Consultancy shall be for a period of six (6) months representing consecutive days.

6 METHODOLOGY

The Consultancy Firm will be required to review all relevant documentation related to the execution of and assessment of SRLF's business operations, including previous studies undertaken on the SRLF and student loan financing in Barbados. These include, but are not limited to, the SRLF's existing credit, financial and operating policies. In addition, the consultants will be required to conduct interviews with key stakeholders, as well as draw on the operations of other student loan programmes both regionally and extra-regionally, as deemed necessary

7 REPORTING

The Consultancy Firm shall provide SRLF with an electronic version in Microsoft Office software packages of the following reports with two hard copies to the SRLF as set out below.

- (a) Submit an Inception Report within two (2) weeks of commencement of the assignment. In the report the Consulting Firm shall provide:
 - (i) its understanding of the services to be provided including an overview of SRLF's existing operations;
 - (ii) details of methodology and approach to be used; and
 - (iii) a detailed work plan and schedule for the completion of the services.

The SRLF will provide comments to the consultant within two (2) weeks of receipt of the Report;

- (b) Provide a Progress Report within five (5) weeks from the receipt of comments from the SRLF. The Progress Report should identify key deliverables to date and a plan for the remaining deliverables. SRLF will provide comments within two (2) weeks upon receipt of the Progress Report.
- (c) The Consultant shall submit a Draft Final Report within three (3) weeks before the completion of the consultancy. The SRLF will provide comments within one (1) week of receiving the Draft Final Report.
- (d) The Final Report inclusive of the comments of the SRLF should be submitted before the end of the consultancy period.

8 **DELIVERABLES**

The consultant shall also develop and deliver:

- 8.1 A presentation to the Management Committee and staff representatives from each unit of the SRLF which will highlight the recommendations for A new business model and organizational structure; the proposed new compensation structure and best practices to guide the investment portfolio.
- 8.2 Document submission as follows:
 - (a) draft business model with the new organizational & salary benchmarks; and
 - (b) The draft five year strategic plan for the years 2020-2025.