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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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REPORT AND RECOMMENDATION

OF THE

PRESIDENT

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED LOAN

TO

JAMAICA

FOR AN

EDUCATION PROJECT

September 12, 1966

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT  
TO THE EXECUTIVE DIRECTORS ON A  
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FOR AN EDUCATION PROJECT

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1. I submit the following report and recommendation on a proposed loan in an amount in various currencies equivalent to US\$9.5 million to Jamaica to help finance an education project.

PART I - HISTORICAL

2. After receiving the advice of a UNESCO educational planning mission, the Government of Jamaica proceeded with the preparation of an educational development project with the assistance of the Bank and UNESCO. In January 1966 it requested a Bank loan to help finance the project and a Bank mission visited Jamaica in February to make an appraisal.

3. Formal negotiations for the proposed loan were held in Washington from July 25 to August 1, 1966. The principal representative of the Government in these negotiations was Mr. D. R. Clarke, Acting Under Secretary, Ministry of Finance.

4. The following is a summary statement of Bank loans to Jamaica as of August 31, 1966:

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Year	Borrower	Purpose	Amount (US\$ million)	Undisbursed
1965	Jamaica	Highways	5.5	5.4
1966	Jamaica Public Service Company	Power	<u>22.0</u>	<u>21.5</u>
	Total now outstanding		27.5	26.9
	Amount sold		<u>.6</u>	
	Total now held by Bank		<u>26.9</u>	

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Only a small amount of disbursements have been made under the highway loan due to delay in the selection of consultants. A U.S. consulting firm was, however, engaged by the Government in April 1966 and work is now under way. The power loan became effective on August 9, 1966.

5. With the aid of a technical assistance grant of up to US\$200,000 from the Bank, a feasibility study for an urban expressway in the city of Kingston is now being carried out. The Bank also seconded an adviser from January 1965 through July 1966 to assist the Government in the identification and preparation of projects.

6. The Bank has under advanced consideration a request from the Government to help finance a telecommunications project. The Government has also expressed its desire to seek Bank assistance for projects in industry, agriculture, transportation and water supply and sewerage.

#### PART II - DESCRIPTION OF THE PROPOSED LOAN

7.	Borrower:	Jamaica
	Amount:	The equivalent in various currencies of US\$9.5 million.
	Purpose:	To help finance an educational development project.
	Amortization:	In 31 semi-annual installments, beginning January 15, 1972, and ending January 15, 1987.
	Interest Rate:	6%.

#### PART III - THE PROJECT

8. An appraisal report entitled "Appraisal of Education Project - Jamaica" (TO-553a) on the proposed project is attached.

9. The principal purposes of the project are, first, to provide secondary education for those children aged 12 to 14 who have completed primary education but who now remain in the primary schools for lack of secondary institutions; secondly, to expand teacher training colleges to meet the increased demand for teachers in primary and secondary schools; and, thirdly, to expand post-secondary technical education to provide more highly skilled manpower.

10. The project is composed of four complementary parts:
- (1) The construction of 50 junior secondary schools to provide 33,000 places at a cost of US\$15.0 million. By the academic year 1970/71 enrollment in secondary schools would comprise 45 percent of the students aged 12 to 14 instead of the present 10 percent.
  - (2) The expansion of four teacher training colleges at a cost of US\$1.1 million, which would increase the enrollment by 50 percent.
  - (3) The expansion of the Jamaica School of Agriculture which produces agricultural experts through three years of training, at a cost of US\$2.0 million. Student places would be trebled to meet the demand of the public services and the private sector.
  - (4) The expansion of the College of Arts, Science and Technology which produces senior-level technical personnel in engineering, science, pharmacy, commerce and institutional management. The cost would be US\$1.3 million. There is great demand for personnel of this type and the project would increase enrollment in the school by 110 percent.

11. The Ministry of Education is responsible for educational policy and the administration of government schools. It will be strengthened to ensure that the educational objectives of the project are achieved. As called for under Section 5.01 (d) of the Loan Agreement, a project coordinator satisfactory to the Bank has already been appointed to administer the project and a qualified project architect has been appointed to collaborate with him in the arrangements for the construction works included in the project.

12. The total cost of the project is estimated to be about US\$19.4 million to be incurred over a period of five years. The direct foreign exchange requirements are estimated to total about \$6.2 million, of which \$1.3 million for technical assistance is to be covered from bilateral sources. The proposed Bank loan of US\$9.5 million would cover the remainder of the foreign exchange cost and about 35 percent of the local cost, thus covering about 50 percent of the total cost of the project. This appears reasonable in view of the public savings efforts being made by the Government and the budgetary resources being made available for education in Jamaica.

13. All major construction and procurement contracts will be awarded on the basis of international competitive bidding. Disbursement will be made on the basis of an agreed upon percentage of the cost of the goods included in the project. Expenditures made for the project after June 1, 1966, will be covered by the loan.

PART IV - LEGAL INSTRUMENTS AND AUTHORITY

14. The draft Loan Agreement between the Bank and Jamaica and the report of the Committee provided for in Article III, Section 4 (iii) of the Articles of the Bank are being distributed to the Executive Directors separately. The Loan Agreement conforms to the pattern of agreements for education projects.

PART V - THE ECONOMY

15. A report (WH-154a) on the "Current Economic Position and Prospects of Jamaica" was distributed to the Executive Directors on December 30, 1965 (R65-198). The report commented favorably on Jamaica's recent economic performance and prospects for future growth and capacity to assume additional external debt. It noted that, while the Government had not yet defined all aspects of the public sector's financing plans for 1966 and 1967, these plans were being drawn up to be consistent with the preservation of Jamaica's growth momentum and financial stability.

16. Recent information on developments in 1965, which was not available at the time of the last report, is consistent with the above appraisal. Preliminary estimates indicate that the high rate of economic growth (7.5 percent per annum) which Jamaica experienced since mid-1963, continued in 1965 because of the booming tourist industry, and fairly rapid rises in agricultural and industrial production. Jamaica's balance of payments in 1965 improved in some respects over 1964. Merchandise imports increased only half as rapidly as gross domestic production and food imports declined somewhat. With a moderate rise in exports of goods and services (including tourism), the current account deficit remained at the 1964 level of about £13 million. This deficit was largely covered by the inflow of private capital and by official borrowing abroad, principally in the London market, where the Jamaican Government raised £3.15 million in June 1965. An important achievement was the successful public offering of a US\$7.5 million bond issue in January 1966, Jamaica's first in New York since independence.

17. With regard to the public sector's financing plans, the authorities have decided to keep public investment expenditure at the already high 1965 level (6.5 percent of the Gross Domestic Product) but to reduce the recent rate of increase in current expenditures and to introduce new revenue measures in early 1967. These adjustments, together with presently planned approaches to the private markets abroad and increased borrowing from the official lending agencies, should cover the financing requirements of the public sector.

18. On January 31, 1966, Jamaica's external public debt repayable in foreign currency totalled US\$99.7 million, of which US\$16.5 million was undisbursed. Since that date there has been no material change in Jamaica's external debt position. Annual service charges on this debt, which amount to US\$9.3 million in 1966 and rise to US\$10.4 million by 1970, account for

about 3 percent of Jamaica's prospective earnings on current external account. In view of the relatively low level of these debt charges, Jamaica's favorable growth prospects and its Government's prudent financial management, Jamaica can be regarded as creditworthy for the proposed loan and the other external borrowing in prospect.

PART VI - COMPLIANCE WITH ARTICLES OF AGREEMENT

19. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

PART VII - RECOMMENDATION

20. I recommend that the Executive Directors adopt the following Resolution:

RESOLUTION NO. \_\_\_\_\_

Approval of Loan to Jamaica in an amount equivalent to US\$9,500,000.

RESOLVED:

THAT the Bank shall grant a loan to Jamaica in an amount in various currencies equivalent to nine million five hundred thousand United States dollars (US\$9,500,000) to mature on and prior to January 15, 1987, to bear interest at the rate of six percent (6%) per annum, and to be upon such other terms and conditions as shall be substantially in accordance with the terms and conditions set forth in the form of Loan Agreement (Education Project) between Jamaica and the Bank, which has been presented to this meeting.

Washington, D.C.  
September 12, 1966

George D. Woods  
President

Attachments