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REPORT AND RECOMMENDATION

OF THE

PRESIDENT

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED LOAN

TO

TRINIDAD AND TOBAGO

FOR A

SECOND EDUCATION PROJECT

October 3, 1972

CURRENCY EQUIVALENTS

Prior to January 4, 1972	-	US$1 = TT$2.00 TT$1 = US$0.50
Since January 4, 1972 to July 3, 1972	-	US$1 = TT$1.84 TT$1 = US$0.54
Since July 3, 1972	-	TT$ floating with British pound sterling.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT
TO THE EXECUTIVE DIRECTORS ON A PROPOSED LOAN
TO TRINIDAD AND TOBAGO
FOR A SECOND EDUCATION PROJECT

1. I submit the following report and recommendation on a proposed loan to Trinidad and Tobago for the equivalent of $9.3 million to help finance an education project. The loan would have a term of 22 years, including a seven-year grace period with interest at 7-1/4 percent per annum.

PART I - THE ECONOMY

Recent Developments and Prospects

2. The latest Economic Report (WH-192a) was distributed on September 3, 1969 and an updating economic memorandum (CA-10) on May 13, 1971. A basic economic mission which visited the country last April/May is preparing a report which will pay special attention to the unemployment problem and is expected to be distributed to the Executive Directors by the end of the year. A country data sheet is attached as Annex II.

3. Thanks to its petroleum resources, the economy of Trinidad has achieved a high GNP per head of about $900 in 1971. Petroleum production and refining - which account for about one-fifth of GNP, two-thirds of merchandise exports and close to one-third of central government revenue - have been the main determinant of growth and employment. While petroleum production rose rapidly in the 1950's, and helped to stimulate the expansion of GNP, this trend shifted in the 1960's, especially towards the end of the decade. The exhaustion of traditional producing areas brought down petroleum production from 60 million barrels in 1967 to 47 million in 1971. As a result, GNP rose slowly and for the decade as a whole achieved an annual average increase of only 3.9 percent or about 2 percent per capita. There were, of course, other stimuli to growth outside the petroleum sector. The rapid increase in exports to the Caribbean Free Trade Association (CARIFTA) is a case in point, but by 1971 these exports amounted to only 10 percent of total merchandise exports and manufactures sold to CARIFTA were still only about 9 percent of total Trinidadian industrial output. Another source of expansion was public expenditure, which rose rapidly after the disturbances of 1970, despite the slow growth of current revenue. Nevertheless, it is unlikely that the stimulus provided by the public sector can be sustained at the same extraordinary pace in the foreseeable future; moreover, despite its

sharp increase in 1970 and 1971, public capital formation is still only about one-quarter of that in the private sector, which thus has to be relied upon as the main promoter of future economic expansion.

4. The slow growth of output and the increase in population, which averaged 3 percent in the first half of the decade and then declined sharply as a result of a lower natural growth rate and because of emigration, combined to create an increasingly evident unemployment problem. While the open unemployment rate of 13 percent of the labor force is not unusual by developing country standards, it is more striking perhaps in a country with the per capita income of Trinidad. Moreover, the average per capita income does not adequately reflect the high aspirations created in the bulk of the labor force by the high wages in the petroleum sector. This situation probably contributed to the serious disturbances which occurred in the spring of 1970. The unemployment problem has thus become the major concern of the Government. In this context, the economic mission which the Bank sent to Trinidad in May 1972, concentrated on the analysis of the unemployment problem and on possible remedies. The mission's major findings are described below:

5. The unemployment problem has social and economic roots which are shared in varying degrees by other developing countries, especially those in the Caribbean area. Among these features are:

a. The high level of productivity in the petroleum and related industries, measured in terms of value-added per person employed, has tended to pull up wage levels throughout the economy, making most other industries and most branches of agriculture unprofitable in competition with the rest of the world, while still leaving abnormally large disparities between high-paid and low-paid occupations in Trinidad; these features are common to a number of Caribbean economies which depend heavily upon petroleum and mineral enclaves;

b. The availability of imports of relatively cheap capital equipment, coupled with high money wages, has tended to encourage capital-intensive production techniques in manufacturing and construction - a tendency reinforced by some of the incentives given for industrial investment (e.g. interest subsidies, accelerated depreciation allowances, tax rebates on imported equipment);

c. An acute shortage of entrepreneurial, managerial and technical skills, aggravated by emigration of trained and enterprising people to North America and elsewhere, operates as a severe constraint on job creation in both public and private sectors;

d. As a result of an academically-oriented education system, poorly adapted to the requirements of the country's economy, a high proportion of young people in their early teens leave school without the training or the instruction that would fit them for jobs in industry or agriculture;

e. The small size of the local market - even if it is expanded to include the CARIFTA market - in the absence of compensating factors such as low wages or special skills, inhibits the development of manufacturing industry and reinforces the country's propensity to import a high proportion of the goods used for consumption and investment; and

f. The relative stagnation of non-petroleum private investment; apart from the adverse effect of the sluggish growth in the petroleum industry, private investors, especially foreign investors, have tended to react unfavorably to the government program of selective acquisition or significant equity participation in 19 private firms - including the major sugar producer - even though satisfactory compensation was arranged in all cases.

6. Unemployment affects mostly the young and the uneducated. In 1970, 61 percent of the unemployed were between the ages of 15 and 24; in turn, 25 percent of that age group was unemployed. Moreover, 40 percent of the unemployed have been out of work for more than six months or have never worked. Another serious aspect of unemployment and of the slow rate of economic growth has been the resulting large emigration. While emigration has in statistical terms contributed to reducing the labor force and thus to keep the rate of unemployment from rising - it has stayed at the same level since 1967 - many of the emigrants have been skilled workers and professionals. About 12,500 Trinidadians annually emigrated to the U.S. and Canada in 1970 and 1971, the peak emigration years; about one-third of the emigrants were skilled production workers and professionals. The departure of middle and higher professional and management talent is a major constraint to economic development.

7. At the present time, Trinidad and Tobago faces a new opportunity to overcome the structural constraints besetting its economy - especially a continuing high rate of unemployment - due to the prospective revival of the petroleum and affiliated industries. New oil finds by AMOCO - a subsidiary of Standard Oil of Indiana - are likely to raise output by more than one-third in the next four years to about 65 million barrels annually. At the same time, depending upon the granting of the necessary import licenses for liquid natural gas by the U.S. Federal Power Commission and the speed with which the necessary investments can be organized, the recently discovered large natural gas fields off the east-coast of Trinidad will generate an additional source of foreign exchange earnings by the mid to late 1970's. If all goes well, exports of goods and non-factor services net of oil imports could rise from about TT$611 million in 1971 to TT$950 million in 1978. Similarly, government revenues from the expanded petroleum industry are expected to rise from TT$70 to TT$200 million over the same period. The availability of foreign exchange and fiscal resources is thus not likely to be a major constraint to development in the

foreseeable future. Nevertheless, unless the additional resources are used to correct some of the structural deficiencies of the economy, Trinidad and Tobago is likely to continue facing similar problems in the future.

8. The main areas of possible corrective action concern public development expenditure - and within which human resources have high priority - and policies regarding prices and incentives for the growth of non-petroleum production. As regards development expenditure, perhaps the major constraint which Trinidad faces is the limited capacity of the public sector to plan and implement viable programs. A substantial infusion of technical assistance is necessary. What form this assistance might take will be the subject of discussions with the authorities based on the forthcoming economic report. As for priorities within development expenditure, education and housing deserve special mention. The educational system has traditionally been organized to produce a highly educated elite, but providing few facilities and unsuitable programs for the training of the bulk of the labor force.

9. Trinidad and Tobago is reasonably well endowed with basic infrastructure, although there remain ongoing needs for public utilities and there is an unmet demand for certain port facilities and roads. The area where public outlays can perhaps make the greatest contribution in terms of employment generation and indirect benefits for the rest of the economy is that of housing construction. There is a large backlog of housing needs, and with rising incomes in the next few years, there is likely to be a substantial new demand for housing, even from lower income groups. Housing construction is heavily dependent on unskilled manual labor, and can be made even more labor-using in the case of public projects through changes in bidding procedures which favor bids with a high employment content. In addition to direct employment creation, a housing program is likely to have beneficial effects on a substantial segment of manufacturers, without at the same time generating a high demand for imports.

10. Despite the apparent international cost disadvantage of most of manufacturing and agricultural production in Trinidad, there are still substantial opportunities to expand production in both areas. The Government is considering a program to streamline the operations of the major sugar producer; sugar still retains its comparative advantage as the most economic farm product and employs about 10 percent of the labor force. Other possible opportunities in agriculture include a rehabilitation of cocoa, selected land settlement and the revitalization of some areas through integrated rural development programs. As far as manufacturing is concerned, while the more obvious import-substitution possibilities have already been used up, a promising beginning has been made in the export of manufactures despite the relatively high wage levels. For the future, however, it is likely that Trinidad will require some form of special incentives if non-traditional exports are to rise significantly.

11. The economic problems of Trinidad and Tobago may also be viewed against the Caribbean regional background. In fact, some of the problems affecting Trinidad and Tobago are found, in varying degrees, throughout the Caribbean area: a very high dependence on foreign trade; high levels of unemployment, heavily concentrated among the young and unskilled; emigration,

mainly from the trained and energetic population to North America and Western Europe. Particularly the English speaking Caribbean countries have concluded that a regional approach to their common problems could provide new development opportunities. In activities where various countries compete, a common approach has been adopted, e.g., in sugar and banana marketing. In tourism, advertising the region as a whole is beginning. Complementary activities, however, have lagged. The main institutions, which the English-speaking Caribeean countries have set up to bring about a more active regional development, are the Caribbean Free Trade Association (CARIFTA) and the Caribbean Development Bank (CDB). Under CARIFTA a large number of products can now be traded freely among the Commonwealth Caribbean countries. These arrangements have resulted in a marked increase in the trade of manufactured goods between Jamaica and Trinidad and Tobago, and from these two largest member countries of CARIFTA to the other islands and Guyana. CARFITA's long-run intention is to develop a common market with a common external tariff and other coordinated policies.

12. CDB's main initial objective is to assist the smaller Caribbean islands in identifying and financing new development opportunities. The Bank is helping CDB, which was established at the beginning of 1970, primarily as executing agency for a UNDP grant. Under this grant, professional staff is being provided as well as some studies. A study on the industrial development potential in the Eastern Caribbean, just about to be completed, is worth mentioning. On this basis, CDB is able to consider requests for financing industrial ventures within a well-defined regional context. In 1970 and 1971 CDB has made loans totalling $6.1 million and may come to the Bank in the forthcoming year for some financial assistance, which the Bank could not channel directly to the smaller territories of the area because of their limited economic size. CDB was strenghtened in April 1972 when it opened the door to the eventual membership of Colombia and Venezuela.

External Finance

13. The economic prospects of Trinidad and Tobago are good, as long as a determined attack is made on some of the basic structural deficiencies outlined above. The external public debt does not present a constraint and prospective service on it is low. At the end of 1971, the external public debt totalled $116 million, of which $45 million were undisbursed and service for the year was equivalent to about 3 percent of exports of goods and non-factor service net of imports of crude oil. In the last six years, the Bank has been the largest single lender accounting for almost 30 percent of total commitments, the U.S. Export-Import Bank (EXIMBANK), together with U.S. commercial banks, accounted for 23 percent, the Inter-American Development Bank (IDB) for 17 percent, and the remainder was split between official loans from Canada and the U.K., and medium-term borrowings in the London and Euro-dollar market.

Past official lending over the period 1965-71 is summarized below:

	IBRD	IDB	U.S.	Canada	U.K.	Others
	($ millions, net of cancellations)					
Transport	8.6			0.3	3.4	
Power and communications	2.0		19.6	1.9		
Education	9.4					
Health	3.0			0.5		
Water and sewerage		7.6				
Housing and urban development		4.3				
Agriculture	5.0	3.6		2.0	2.3	
Industry and tourism				1.2		
Mining			2.0			
Others		1.0		2.8	7.2	10.0
TOTAL	28.0	16.5	21.6	8.7	10.9	10.0

Most of Trinidad's external debt is at long term with concessional rates of interest. Except for a $1.3 million loan for water and sewerage, IDB loans have been extended from the Fund for Special Operations carrying 2.25 to 3.25 percent interest rates. EXIMBANK loans have been provided with interest of 5.5 to 6.0 percent.

14. The annual external borrowing by public agencies over the seven years, 1972-78, is expected to rise substantially and be more than double the annual rate of borrowing over the years 1965-71. This takes no account of the external financing which would be required for the liquified natural gas scheme, which might be as much as $100 million. The lending programs of IDB and the Canadian and U.K. Governments are expected to concentrate upon agriculture, reafforestation, education, airport improvement, and various technical assistance programs. IDB has scheduled two educational loans for this calendar year - vocational and farmer training, and a student loan fund - and is considering assistance for agricultural marketing, extension services and feeder roads, as well as reafforestation, and the redevelopment of East Port-of-Spain. The main Canadian Government lending is expected to be for the East-West Corridor highway feasibility study, highway maintenance and the Piarco airport improvement. Debt service is expected to increase to about 6 percent of exports of goods and non-factor service net of imports of crude oil within the next five or six years, leaving Trinidad a substantial capacity to service additional borrowings on terms similar to those of Bank loans.

PART II - BANK GROUP OPERATIONS IN TRINIDAD AND TOBAGO

15. In 1961 the Bank made its first loan of $21.4 million (net of cancellation) to Trinidad and Tobago. The loan, which financed the power development, was guaranteed by the United Kingdom. Since the country's independence in 1962, Bank lending has totalled $30.0 million. The Bank now holds $31.5 million, including $13.7 million not yet disbursed. Almost one-half of the lending has been for power, almost one-fifth each for highways and education, and the remainder for an agricultural settlement, a family planning and a DFC project. The loan of $2.0 million to the Trinidad and Tobago Development Finance Company was signed in May 1972 and is effective. A summary statement of Bank loans to Trinidad and Tobago at August 31, 1972 is attached as Annex I.

16. The two power projects are completed. After some initial delays, good progress has been made on the agricultural settlement project. Delays in the highway project were due largely to the poor performance by the intial consultants who were replaced in 1969. Progress on the first education project has been good. On the family planning project there have been considerable delays in the contracting of specialists who are to support the strengthening of the offices in charge of family planning. Brief notes on the projects in execution are given in Annex I.

17. The Bank's past lending has been directed toward the solution of infrastructure bottlenecks - in power and highways, toward the creation of productive employment opportunities - in agriculture, industry and tourism (through DFC), and towards a long-run solution of deep-seated unemployment problems - in education and family planning. In almost all projects the Bank provided considerable assistance in the preparation of projects and technical assistance elements have been built into most of the loans extended.

18. The Bank is at present considering two projects which should be ready for presentation to the Executive Directors during the next six months. A loan for a port improvement project in Port-of-Spain was negotiated in May, but is awaiting Board presentation until the Port Authority and the Government have submitted a tariff increase application to the Public Utilities Commission. The Government and the Port Authority also are considering including in the loan request to the Bank the financing of a dredger to replace its existing one. The second proposal is a sugar rehabilitation project which has just been appraised. The project would consist of a major rehabilitation and modernization of the physical assets and operations of the Caroni sugar company which produces about 90 percent of the country's sugar and employs 8 percent of its labor force.

19. So far there have been no operations of the International Finance Corporation in Trinidad and Tobago, which became a member of IFC only in June 1971. As the result of an IFC mission, which visited the country in mid-January, the Corporation has expressed an interest in several projects.

PART III - THE EDUCATION SYSTEM

The Education Structure

20. The present education and training system in Trinidad and Tobago is largely based on that of the U.K. It consists of:

(i) a five-year primary course normally beginning at the age of seven;

(ii) a secondary course comprising a five-year cycle leading to the Cambridge General Certificate of Education (G.C.E.), "O" level, followed by a two-year cycle leading to the G.C.E., "A" level;

(iii) third level courses of three to seven-year duration at the University of the West Indies (UWI).

Post-primary and intermediate courses are provided for those who fail to qualify for general secondary education.

21. Education is free and compulsory between the ages of 6-12. Primary education is quantitatively well developed; total enrollment in 1969/70 was about 96 percent of the age group, evenly distributed between boys and girls in both rural and urban areas. The Common Entrance Examination at grade 5 determines which students are admitted to public secondary schools. The percentage of admission, which is a function of the number of student places available in the first year of secondary schools, was about 16 percent in 1969/70. Most students who are not admitted enroll in post-primary or in intermediate schools, both of which are generally ill-equipped, overcrowded and understaffed. General secondary education is still relatively underdeveloped with total 1969/70 enrollment in public schools being about 18 percent of the age group 12-18, with an additional 8 percent attending private secondary schools. Vocational and technical education is provided at two technical institutes, one in Port-of-Spain and the other in San Fernando; craft courses are also offered at a vocational training center in Point Fortin. Educational efficiency of vocational and technical training is low, due to the lack of qualified teaching staff, poor quality of intake and heavy reliance on part-time courses. Two-year full time courses for agricultural technicians are offered at the Eastern Caribbean Institute of Agriculture and Forestry (ECIAF), which can accommodate 128 students. Below the technician level no organized scheme exists for training adult farmers. Higher education is carried on by UWI, a regional institution serving several countries of the Caribbean area; in Trinidad, three-year degree courses are offered in agriculture, arts, social sciences, engineering and natural sciences.

22. In an attempt to make provision for the problem of the unemployed, several programs for informal vocational education have been set up since 1966, but so far most of them have met with limited success, partly due to

lack of equipment and teaching staff. In order to coordinate vocational and technical education, a National Training Board has been established, which will investigate manpower requirements of the economy, elaborate standard training programs, supervise private training schemes, and, in general, advise the Government in planning and programming vocational and technical education policies. The composition of this Board - with members drawn from the public sector, trade unions, associations of employers - should ensure an adequate feedback of the labor market's needs into the curricula.

23. The need for a radical reform of the educational and training system was first emphasized by a 1964 UNESCO educational planning mission. A draft Plan for Educational Development 1968 - 1983 was subsequently prepared and approved by the Government in 1967. The plan represents an ambitious attempt to improve the efficiency of the educational system and its relevance to the needs of the economy, by providing a better integrated system of general education and correcting the traditional bias against vocational and technical training. It is to be implemented in three five-year phases: first, the reform of secondary schools and teacher training, with the primary purpose of producing readily trainable graduates for a diversified economy; second, extension of the reform to primary schools, vocational and agricultural training and technical education; and third, completion of reform of primary and technical education. It is expected that this plan will help improve social mobility, modify social attitudes and expectations, and increase the educational efficiency in particular of vocational and technical training.

24. Public expenditures on education have grown at the relatively high average rate of 10.5 percent p.a. between 1960 and 1970. In 1970 recurrent expenditure on education absorbed about 17 percent of current revenues, which is reasonable given the amount and composition of total enrollments. Capital expenditures on education averaged about 11 percent of total capital expenditures in recent years, reflecting the shifting of public investment priorities brought about by the plans for educational reform. Total public expenditure on education amounted to 3.6 percent of GDP in 1970, which is relatively low compared with that of other countries at the same stage of economic development. By 1983 however, public expenditure on education is expected to reach about 5.5 percent of GDP and recurrent expenditure is expected to increase to about 25 percent of current revenues. The projected distribution of expenditure by levels of education reflects the emphasis on reform and consolidation of general education and on expansion of vocational and technical training.

External Assistance

25. External assistance in support of educational reform has been provided by several bilateral and multilateral agencies. Five teacher trainers and specialists in curriculum development were provided during 1969-1971 by the Canadian International Development Agency (CIDA) in conjunction with the Bank's first education project. The Organization of American States is providing grants to finance a crash program for retraining 150 secondary school teachers a year. UNDP has provided five specialists in primary teacher training methods

and primary school curriculum for the Institute of Education at UWI. Fellowships abroad, mainly for university students, are offered by the Governments of Canada, U.K. and U.S.A.

26. The Bank's first education project, for which a loan of $9.4 million was signed on October 16, 1968, was designed to help the Government in implementing the first phase of the reform. The project consisted of three senior comprehensive secondary schools, sixteen junior secondary schools, the conversion of three general secondary schools into senior comprehensive secondary schools, and one teacher training college for primary and junior secondary school teachers. After an initial delay of about seven months due to difficulties in the selection of the architectural consultants and further delays in construction resulting from labor problems and adverse weather, project implementation is now progressing satisfactorily and completion of construction is expected by the closing date, December 31, 1973.

27. As to the future, aside of the proposed second education loan, IDB has scheduled two loans for the sector for this calendar year: a loan to assist vocational and agricultural training and a loan for a student loan fund. The first loan, of about $9.5 million for a program costing about $15.5 million, would assist in financing the construction of seven vocational training centers, one technical teacher training unit, three farm schools and an expansion of an existing vocational center. The second loan of $3.7 million for a program of about $6.2 million, would assist in establishing a student loan fund, out of which approximately 1,100 university student loans may be financed during a maximum period of four years. In addition, the number of scholarships for students at institutions of higher education would be increased. On the whole, external aid is expected to finance about one-third of the capital costs of the second phase of the educational reform.

PART IV - THE PROJECT

28. The project was appraised in the field in January/February 1972. Negotiations for the proposed loan were held in Washington in August 1972. The Government was represented by Messrs. Eugene Moore, Permanent Secretary of Planning and Development; Frank Barsotti, Permanent Secretary of Agriculture; Walter Emmanuel, of the Ministry of Education; Y. Jamadar, of the Attorney General's Office; L. Farfan, of the Ministry of Finance; and Miss I. Sinanan, Second Secretary of the Embassy of Trinidad and Tobago.

Project Description

29. A report entitled "Appraisal of a Second Education Project - Trinidad and Tobago (No. PE-49a dated September 29, 1972) is being distributed separately. The main features of the loan and project are summarized in Annex III.

30. The Second Education Project would support the reform and expansion of general secondary education and assist the Government in extending the reform to technical education and informal training of adult farmers. Moreover,

it would complement another project in the field of vocational and agricultural education, which is scheduled to be supported by an IDB loan, as mentioned in paragraph 27. The Second Education Project would consist of:

(a) six junior secondary schools
(b) three senior comprehensive schools
(c) four combined junior/senior secondary schools
(d) a teacher training college
(e) a technical institute
(f) a farmer training center
(g) three farmer training mobile units, and
(h) related technical assistance.

The new teacher training college would replace four small, underequipped and understaffed public teacher training colleges. The proposed technical institute involves the relocation and expansion of the San Fernando Technical Institute and its development as an institution for the training of higher technicians only. The residential 30-place farmer training center would be adjacent to the Eastern Caribbean Institute of Agriculture and Forestry (ECIAF) and would be allowed to use its equipment and farm facilities. Each farmer training mobile unit would consist of an agricultural workshop van with portable equipment for practical demonstrations and a microbus equipped with audiovisual aids and a power generating set.

31. The project would require revised curricula and syllabi for secondary and technical education. New curricula for secondary education are already available. Curricula for technical training would be revised on the basis of a survey of technician occupations which is to be carried out by the National Training Board. CIDA would provide the technical assistance for this phase of the project in the form of specialists in manpower planning, training management and job analysis and trade testing as well as scholarships for the Trinidadian counterpart personnel. The new syllabi prepared for the Bank-financed Teacher Training College in San Fernando would also be utilized in the proposed new teacher training college. As to the agricultural training component of the project, courses would be production-oriented, the emphasis being on topics such as land preparation, plant protection, animal husbandry and farm management. The Farmer Training Center would train both adult farmers and extension officers. CIDA would provide the scholarships for its coordinator and two teachers. The farmer-training mobile units would carry out demonstrations on selected farms in cooperation with rural associations. The two agricultural items are complementary, the common objective being to upgrade the level of skills of adult farmers, promote the introduction of better technologies in small farms and support the Government policy of agricultural diversification and rural development, through production-oriented courses.

32. The proposed project would provide about 20 percent of the additional student places required at the junior secondary level by 1983 and about 25 percent of the projected increase in capacity at the senior comprehensive

level; in addition, about 50 percent and 30 percent, respectively, are being provided under the first project. This heavy Bank involvement in the sector is justified (i) to help maintain the momentum gained by the educational reform during the first phase of implementation and (ii) to assist, through an improved educational system, in finding a long-term solution to the employment and development problems in the country.

Project Implementation and Cost

33. The project would be implemented over a period of six years. The Project Unit, established within the Ministry of Works for the first education project, would be responsible for the financial and administrative control of the second project. The Project Unit is also in charge of implementation of the physical elements of the Bank's Population Project (Loan No. 743) and is scheduled to supervise the proposed IDB vocational education project. During negotiations an organizational structure for the Project Unit was agreed upon covering the various subdivisions, their staffing, duties and responsibilities and the need for additional supporting staff. A condition of effectiveness of the loan would be the appointment to the Project Unit of additional supporting staff to carry out efficiently the above mentioned projects. In addition any new appointment of director of the Unit will be subject to the Bank's approval, and the Bank will have to be consulted on any new appointments to the positions of architect, accountant and procurement officer.

34. Technical assistance, to be financed out of the loan, would be provided to assist the Government in the selection, procurement and installation of equipment for the Technical Institute. Contracts for construction, furniture, and equipment would be awarded through international competitive bidding. Items would be grouped to the extent practicable to form sizeable packages to permit bulk procurement. British Commonwealth and CARIFTA preferential treatment on import duties do not apply, since furniture and equipment for education purposes are exempt from import duties.

35. Upon completion of construction of the Technical Institute, the project envisions technical assistance for teacher training and setting up of curricula in mechanical engineering, electrical engineering, electronics, building construction and basic engineering science, as well as fellowships for the corresponding local counterpart personnel. Although CIDA has stated that it was not in a position to finance such a program at present, the Government has requested CIDA to provide grant funds for it. The Government representatives informed the Bank during negotiations that, if CIDA were able to finance this additional technical assistance, the Government would ask the Bank to cancel a part of the loan in a like amount, up to an amount of $0.4 million.

36. The project is estimated to cost a total of $19.7 million equivalent including the technical assistance costs provided by CIDA. The proposed loan of $9.3 million would cover the foreign exchange cost of the project, excluding

the portion to be financed by CIDA, together with interest and other charges on the loan during the construction period. The 15 years repayment period from the completion of the project would be the same as under the first loan. However, because of the prevailing fiscal and balance of payments outlook, a grace period of ten years was accorded at that time. At present, fiscal and balance of payments prospects for the late 1970's are, as mentioned in paragraph 7, much better, and there is now no case for extending the grace period beyond the construction phase.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

37. The draft Loan Agreement between the Bank and the Government of Trinidad and Tobago, the report of the Committee provided for in Article III, Section 4 (iii) of the Articles of Agreement and the text of a resolution approving the proposed loan are being distributed to the Executive Directors separately.

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

PART VI - RECOMMENDATION

39. I recommend that the Executive Directors approve the proposed loan.

Robert S. McNamara
President

Attachments

October 3, 1972

THE STATUS OF BANK OPERATIONS IN TRINIDAD AND TOBAGO

A. STATEMENT OF BANK LOANS AT AUGUST 31, 1972

No	Year	Borrower	Purpose	Amount ($ million)	Undisbursed ($ million)
293-TR	1961	Trinidad and Tobago Electricity Commission (guaranteed by United Kingdom)	Power	21.4	--
486-TR	1967	Government of Trinidad and Tobago	Agriculture	5.0	0.6
497-TR	1967	Government of Trinidad and Tobago	Highway	8.6	2.5
564-TR	1968	Government of Trinidad and Tobago	Education	9.4	5.6
601-TR	1969	Trinidad and Tobago Electricity Commission (guaranteed by Government of Trinidad and Tobago)	Power	2.0	--
743-TR	1971	Government of Trinidad and Tobago	Family Planning	3.0	3.0
819-TR	1972	Trinidad and Tobago Development Finance Company (guaranteed by Government of Trinidad and Tobago)	DFC	2.0	2.0
		Total (net of cancellations)		51.4	13.7
		Of which has been repaid to Bank		7.5	
		Total now outstanding		43.9	
		Amount sold	17.0		
		Of which has been repaid	4.6	12.4	
		Total now held by Bank		31.5	
		Total undisbursed			13.7

B. PROJECTS IN EXECUTION

TRANSPORTATION

Highway Project (Loan 497-TR, signed June 12, 1967) - Project execution was delayed due largely to the poor performance of the initial consultants who were replaced late in 1969, but also because of delays by the Ministry of Works with regard to the prequalification of contractors and the awarding and signing of contracts; construction works are not expected to be completed before the end of 1973, and the feasibility studies on the road extensions possibly even later; the closing date of June 30, 1973 may have to be postponed for a second time.

AGRICULTURE

Crown Lands Development Project (Loan 486-TR, signed March 10, 1967) - After initial difficulties, progress has been satisfactory, although due to bad weather this year, it is unlikely that the project will be completed before the end of the year. The closing date is December 31, 1972.

EDUCATION

Education Project (Loan 564-TR, signed October 16, 1968) - After an initial delay of about seven months, due to difficulties in the selection of the architectural consultants and further delays in construction resulting from labor problems and adverse weather, project implementation is now progressing satisfactorily and completion of construction is expected by the closing date, December 31, 1973.

FAMILY PLANNING

Population Project (Loan 743-TR, signed May 28, 1971) - The loan was declared effective on January 31, 1972, after contractual arrangements were completed with the architectural hospital consultants and an architect to head the population section of the project implementation unit. Progress on the non-physical aspects of the project has fallen behind schedule since various specialists have not yet been contracted for.

DEVELOPMENT FINANCE

TTDFC Project (Loan 819-TR, signed May 15, 1972) - The loan was declared effective on schedule on July 3, 1972; requests for reimbursement on subloans are expected shortly.

COUNTRY DATA - TRINIDAD AND TOBAGO

	POPULATION	DENSITY
5,128 square kilometers	1.03 million (mid-1971)	197 per km.
	Rate of growth: 1.9 % (from 1960 to 1971)	721 per km of arable land

POPULATION CHARACTERISTICS (1970)	
Crude Birth Rate (per 1,000)	24.3
Crude Death Rate (per 1,000)	6.8
Infant Mortality (per 1,000 live births)	39.8 1/

HEALTH (1970)	
Population per physician	2,500
Population per hospital bed	182

ACCESS TO PIPED WATER (1970)	
% of population - urban	99.4
rural	95.0

DISTRIBUTION OF LAND OWNERSHIP (1963)	
% owned by top 10% of owners	64.5
% owned by smallest 10% of owners	1.5

NUTRITION	
Per capita protein intake	2,500

EDUCATION (1970)	
Adult literacy rate (%)	93.0
Primary school enrollment (%)	96.0

GNP PER CAPITA IN 1971 2/: US$890

GROSS NATIONAL PRODUCT IN 1971	US$ Mln.	%	ANNUAL RATE OF GROWTH (% constant prices) 1960-65	1965-70	1971
GNP at Market Prices	966.1	100.0	5.6	3.7	4.2
Gross Domestic Investment	304.2	31.5	..	6.8	29.4
Gross National Saving	115.6	12.0	..	..	..
Current Account Balance	-188.6	19.5	..	..	..
Exports of Goods, NFS	674.6	69.8	5.7	2.3	0.9
Imports of Goods, NFS	782.6	81.0	4.4	5.2	14.1

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1971

	Value Added US$ mln.	%	Labor Force 3/ Mln.	%	V.A. Per Worker US$	%
Agriculture	69.7	7.2	0.075	20.4	929	34.1
Industry	464.7	47.8	0.132	36.0	3,520	129.4
Services	436.9	45.0	0.150	40.9	2,913	107.1
Unallocated	.	.	0.010	2.7	.	.
Total/Average	971.3	100.0	0.367	100.0	2,721	100.0

GOVERNMENT FINANCE	General Government (TT$ Mln.) 1971	% of GDP 1971	% of GDP 1969-71	Central Government (TT$ Mln.) 1971	% of GDP 1971	% of GDP 1969-71
Current Receipts	353.2	19.9	19.3	345.8	19.5	18.9
Current Expenditure	356.4	20.1	18.0	349.8	19.7	17.4
Current Surplus	-3.2	-0.2	1.3	-4.0	0.2	1.5
Capital Expenditures	101.2	5.7	4.7	74.2	4.2	3.6
External Assistance (net)	26.5	1.5	0.9	25.2	1.4	0.7

1/ 1969

2/ The Per Capita GNP estimate is at 1970 market prices, calculated by the same conversion technique as the 1972 World Atlas. All other conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

3/ Total labor force; unemployed are allocated to sector of their normal occupation. "Unallocated" consists mainly of unemployed workers seeking their first job.

.. not available
. not applicable

COUNTRY DATA - TRINIDAD AND TOBAGO

MONEY, CREDIT AND PRICES	1965	1969	1970	1971	May 1971	1972
		(Million TT$ outstanding end period)				
Money and Quasi Money	261.9	406.5	477.4	598.0		
Bank Credit to Public Sector	38.0	10.9	51.0	106.2	79.3	123.2
Bank Credit to Private Sector	139.8	266.1	326.4	358.7	345.1	402.6
		(Percentages or Index Numbers)			June	
Money and Quasi Money as % of GDP	22.3	25.6	28.6	33.6		
General Price Index (1963=100)	102.6	122.8	124.1	128.4	127.4	141.5
Annual percentage changes in:						
General Price Index	1.7	4.1	1.0	3.5	3.3	11.1
Bank Credit to Public Sector	-14.3	-63.3	+367.9	+108.2	+49.3	+55.4
Bank Credit to Private Sector	+27.8	+36.6	+22.7	+9.9	+14.9	+16.6

BALANCE OF PAYMENTS

	1969	1970	1971
	(Millions US$)		
Exports of Goods, NFS	582.3	591.0	674.6
Imports of Goods, NFS	544.4	606.5	782.6
Resource Gap (deficit = -)	37.9	-15.5	-108.0
Interest Payments (net)	-4.1	-3.2	-4.0
Other Factor Payments (net)	-79.8	-72.4	-74.3
Workers' Remittances) Net Transfers)	-1.1	-1.9	-2.2
Balance on Current Account	-47.1	-93.0	-188.5
Direct Foreign Investment	33.0	75.0	175.8
Net MLT Borrowing	2.4	-6.3	15.3
Disbursements	(9.7)	(3.8)	(21.1)
Amortization	(-7.3)	(-10.1)	(-7.2)
Subtotal	-6.7	-24.3	2.6
Capital Grants	-	-	-
Other Capital (net)	-	-	-
SDR's	-	7.4	7.3
Other Items n.e.i	0.6	9.7	2.2
Increase in Reserves (+)	-6.1	-7.2	12.1
Gross Official Reserves (end year)	56.9	58.8	68.7
Net Reserves (end year)	63.4	56.2	68.3

MERCHANDISE EXPORTS (AVERAGE 1969-71)

	US$ Mln.	%
Petroleum & Petr. products	446.1	84.9
Sugar & sugar products	24.6	4.7
Mineral tar	14.0	2.7
All other commodities	40.9	7.7
Total	525.6	100.0

EXTERNAL DEBT, DECEMBER 31, 1971

	US$ Mln. (Commit-ments)	US$ Mln. (Disburse-ments)
Public Debt, incl. guaranteed	115.5	85.7

DEBT SERVICE RATIO FOR 1971

	% 1/
Public Debt, incl. guaranteed	3.0

RATE OF EXCHANGE

Through - 1971

US$1.00 = TT$2.00
TT$1.00 = US$0.50

Since - 1971 to 7/3/72

US$1.00 = TT$1.84
TT$1.00 = US$0.54
Since 7/3/72 TT$ floating

IBRD LENDING AT AUGUST 31, 1972 (Million US$):

	IBRD
Outstanding and Disbursed	30.2
Undisbursed	13.7
Outstanding incl. Undisbursed	43.9

1/ Ratio of Debt Service to Exports of Goods and Non-Factor Services (net of crude oil imports).

.. not available
. not applicable

TRINIDAD AND TOBAGO - SECOND EDUCATION PROJECT

Loan and Project Summary

I. Loan Summary

Borrower: Trinidad and Tobago

Amount: US$9.3 million equivalent in various currencies. The proposed loan corresponds to the project's estimated foreign exchange component and interest during construction.

Amortization: Payable in 22 years including a 7-year period of grace, through semi-annual installments beginning April 15, 1980 and ending October 15, 1994.

Interest Rate: 7-¼ percent per annum.

Commitment Charge: 3/4 of 1 percent.

II. Project Summary

Project Description: The proposed project would assist the Government in achieving the objectives of the 15-year educational development plan 1968-1983 by (i) expanding the coverage of the reform in general secondary education to urban and rural areas insufficiently provided with educational facilities, and (ii) extending the reform to technical education and informal training of adult farmers to meet manpower requirements and the need to improve farming productivity and standards of living in rural areas. The project would promote the pattern of secondary education being financed under the Bank's first loan and would complement the reform of vocational and agricultural education which is being supported by the Inter-American Development Bank. The project would comprise:

1. Design, construction, furnishing and equipping of 13 secondary schools (11,600 student places), 1 teacher training college (440 student places), 1 technical institute (840 student places) and 1 farmer training center (30 student places).

2. Three farmer training mobile units.
3. Provision of expert services and fellowships.

Project Administration: Project Unit in the Ministry of Works.

Estimated Cost:

	US$ million		
	Local	Foreign	Total
1. Physical Facilities			
13 Secondary Schools	6.3	4.3	10.6
1 Teacher Training College	0.3	0.2	0.5
1 Technical Institute	0.9	0.9	1.8
1 Farmer Training Center	-	0.1	0.1
3 Farmer Training Mobile Units	-	0.1	0.1
2. Professional Services	0.6	0.4	1.0
3. Technical Assistance	0.1	0.6	0.7 1/
4. Contingencies			
a) Physical	1.1	0.7	1.8
b) Price escalation	1.0	0.5	1.5
TOTAL PROJECT COST	10.3	7.8	18.1
5. Interest during Construction	-	1.6	1.6
TOTAL	10.3	9.4	19.7

Category of Expenditures:

Component	US$ million		
	Local	Foreign	Total
1. Construction (including professional services)	7.6	3.8	11.4
2. Furniture	0.4	0.4	0.8
3. Equipment	0.1	1.8	1.9
4. Technical Assistance	0.1	0.6	0.7
5. Contingencies	2.1	1.2	3.3
TOTAL PROJECT COST	10.3	7.8	18.1
6. Interest during Construction	-	1.6	1.6
TOTAL	10.3	9.4	19.7

1/ Includes technical assistance to be provided by CIDA ($0.20 million, of which $0.16 million represents the estimated foreign exchange component). This accounts for the difference between the total foreign exchange cost and the proposed Bank loan.

Financing Plan

Bank Loan	$ 9.3
Government	$10.3
CIDA	$ 0.1
Total	$19.7

Procurement: International competitive bidding for civil works, equipment and furniture, in accordance with the Bank's Guidelines for Procurement. Agreements regarding preferential treatment with respect to import duties are not applicable, since furniture and equipment for educational purposes are exempt from import duties.

Estimated Disbursements:

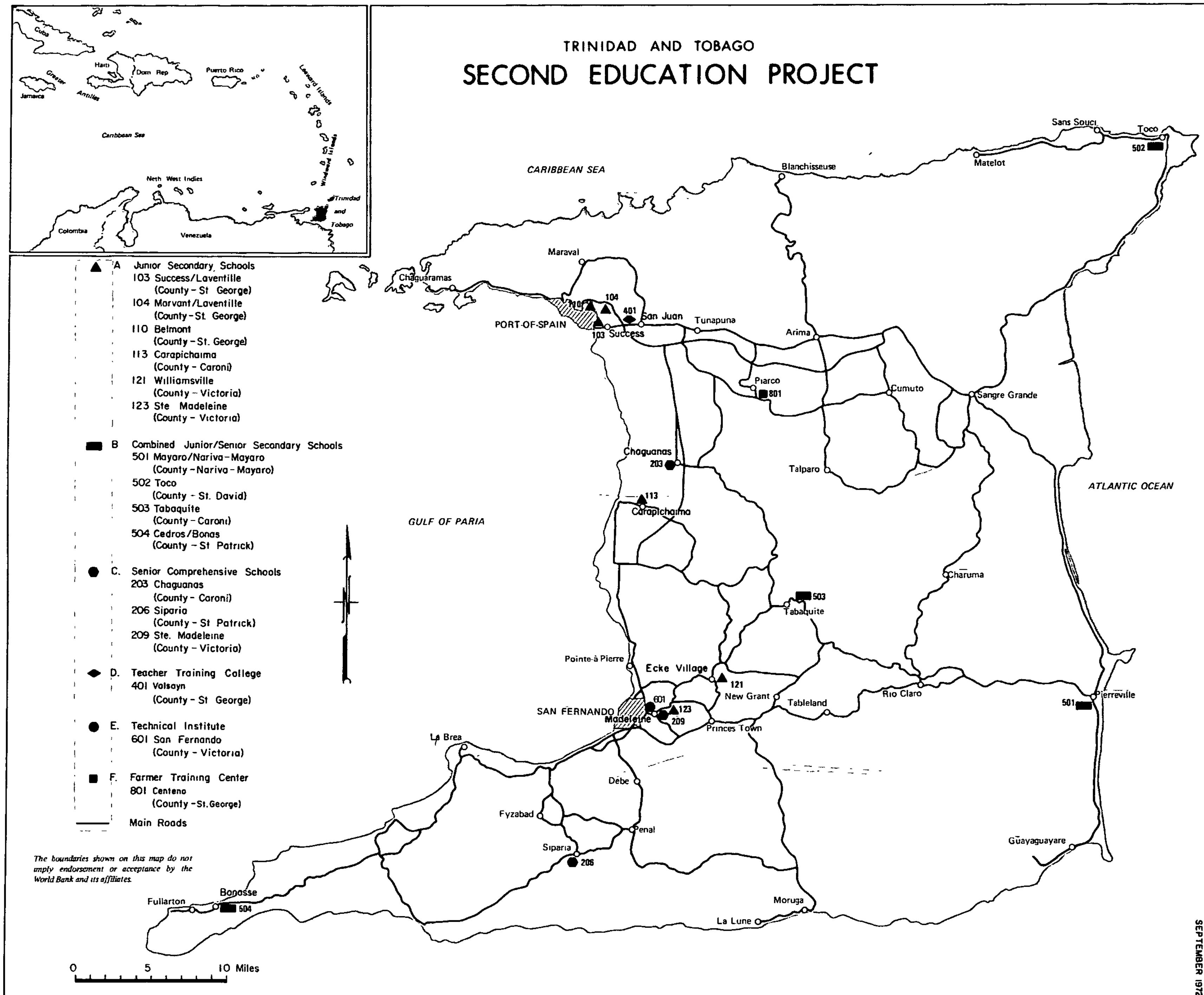
US$ million

CY 1973	1974	1975	1976	1977	1978	Cumulative Total
0.1	0.4	1.8	2.6	2.4	2.0	9.3

Estimated Project Completion Date: December 31, 1978

Closing Date: June 30, 1979

Appraisal Report: Report No. PE-49a
Education Projects Department



TRINIDAD AND TOBAGO
SECOND EDUCATION PROJECT
A Junior Secondary Schools
103 Success/Laventille (County - St George)
104 Morvant/Laventille (County - St. George)
110 Belmont (County - St. George)
113 Carapichaima (County - Caroni)
121 Williamsville (County - Victoria)
123 Ste Madeleine (County - Victoria)
B Combined Junior/Senior Secondary Schools
501 Mayaro/Nariva-Mayaro (County - Nariva - Mayaro)
502 Toco (County - St. David)
503 Tabaquite (County - Caroni)
504 Cedros/Bonas (County - St Patrick)
C. Senior Comprehensive Schools
203 Chaguanas (County - Caroni)
206 Siparia (County - St Patrick)
209 Ste. Madeleine (County - Victoria)
D. Teacher Training College
401 Valsayn (County - St George)
E. Technical Institute
601 San Fernando (County - Victoria)
F. Farmer Training Center
801 Centeno (County - St. George)
Main Roads
The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.
0 5 10 Miles
Cuba
Haiti
Dom Rep
Puerto Rico
Jamaica
Greater Antilles
Leeward Islands
Windward Islands
Caribbean Sea
Neth West Indies
Trinidad and Tobago
Colombia
Venezuela
CARIBBEAN SEA
GULF OF PARIA
ATLANTIC OCEAN
Sans Souci
Toco
Matelot
Blanchisseuse
Maraval
Chaguaramas
PORT-OF-SPAIN
San Juan
Success
Tunapuna
Arima
Piarco
Cumuto
Sangre Grande
Chaguanas
Talparo
Carapichaima
Charuma
Tabaquite
Pointe-à-Pierre
Ecke Village
New Grant
Tableland
Rio Claro
Pierreville
SAN FERNANDO
Madeleine
Princes Town
La Brea
Debe
Fyzabad
Penal
Siparia
Guayaguayare
Bonasse
Fullarton
Moruga
La Lune
IBRD-10006R
SEPTEMBER 1972