RESTRICTED

Report No. P-640

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 AN EDUCATION PROJECT

September 26, 1968

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

1. I submit the following report and recommendation on a proposed loan in an amount in various currencies equivalent to US$9.4 million to Trinidad and Tobago to help finance an education project.

PART I - HISTORICAL

2. In July 1967 the Government of Trinidad and Tobago was provided the assistance of a UNESCO mission, under the Bank/UNESCO cooperative arrangement, to help prepare an educational development project. In November 1967 it requested a Bank loan to help finance the project and a Bank mission visited Trinidad and Tobago in November/December 1967 to appraise the project.

3. Negotiations for the proposed loan were held in Washington from August 12 to 16, 1968. The principal representative of the Government in these negotiations was Mr. Frank Rampersad, Director of Economics and Finance, Ministry of Finance.

4. The following is a summary of Bank loans to Trinidad and Tobago as of August 31, 1968:

Loan	Year	Borrower	Purpose	Amount (US$ millions)	Undisbursed (US$ millions)
293-TR	1961	Trinidad and Tobago	Power	21.4	-
486-TR	1967	Trinidad and Tobago	Agriculture	5.0	4.4
497-TR	1967	Trinidad and Tobago	Highway	8.6	8.2
		Total (less cancellations)		35.0	
		Of which has been repaid to Bank and Others		2.9	
		Total now outstanding		32.1	
		Amount sold	16.2		
		Of which has been repaid	2.9	13.3	
		Total now held by Bank		18.8	
		Total undisbursed			12.6

5. Some delays, common to the initial stages of a new undertaking, have occurred under the loan for agricultural development in the Crown Lands but are now being corrected. Work under the highway loan has been delayed by several months mainly due to lack of experience in international competitive bidding procedures, combined with frequent government staff changes. Construction contracts are scheduled to be signed this fall and satisfactory progress is now expected.

6. The findings of a mission in August 1968 to appraise a power project are presently being reviewed. The Government has also expressed its interest in obtaining Bank assistance for tourism infrastructure and in a proposed development finance company, both of which are still at an early stage of preparation.

PART II - DESCRIPTION OF THE PROPOSED LOAN

7.	Borrower:	Trinidad and Tobago
	Amount:	The equivalent in various currencies of US$9.4 million.
	Purpose:	To help finance an education project.
	Amortization:	In twenty-five years, including a ten-year period of grace, through semi-annual installments beginning October 15, 1978 and ending October 15, 1993.
	Interest Rate:	6-1/2% per annum.
	Commitment Charge:	3/4 of 1% per annum.

PART III - THE PROJECT

8. An appraisal report entitled "Appraisal of an Education Project in Trinidad and Tobago" (TO-671a) on the proposed project is being distributed separately.

9. Primary education in Trinidad and Tobago is well developed, with an enrollment of about 95 percent of the 5-11 years age group. However, the secondary school system is undersized relative to the primary school system and only 18 percent of the primary school graduates can enroll in a public secondary school, the bulk of the remainder being absorbed in the highly inadequate post-primary schools. Present senior secondary education is geared to a pre-university academic program and is lacking in practical training courses.

10. The proposed project constitutes the first stage of a long-term government plan to restructure the education system by (i) gradually replacing the present unsatisfactory post-primary school system by junior secondary schools with adequate academic standards and (ii) re-orienting the present academic program of senior secondary education to a comprehensive type with options in agriculture, commercial subjects, home economics and technological courses. The project includes the construction and equipment for:

(a) 16 new junior secondary schools;

(b) 3 new senior comprehensive schools;

(c) extensions to 3 existing secondary schools for conversion into senior comprehensive schools; and

(d) 1 new teacher training college.

11. After the completion of the project public school enrollment at the junior secondary school level would increase from the present 24 percent to 59 percent of the relevant age group, at the senior secondary level from the present 13.1 percent to 14.7 percent and at teacher training colleges from the present 680 students to 1,120 students. Preliminary studies have indicated that the absence of proper schooling is a major deterrent to employment in Trinidad and Tobago and the project is expected to aid effectively in reducing the substantial unemployment and in meeting the manpower needs of Trinidad and Tobago's economic diversification effort.

12. The Ministry of Works is responsible for the construction and equipping of government schools, under the guidance of the Ministry of Education and Culture on educational aspects. A special project unit under a full-time project head will be created in the Ministry of Works to carry out the project. Qualified architects are being engaged to assist the project head in his work.

13. The total cost of the project is estimated to be about US$18.8 million, of which the foreign exchange component is estimated to be about US$7.4 million, and would be incurred over a period of about five years. The proposed loan of US$9.4 million would cover 50 percent of the project cost and would include some financing of local currency expenditures. This is considered to be justified in the light of Trinidad and Tobago's major efforts to mobilize domestic resources.

14. Contracts for civil works and furniture and equipment procurement will be awarded on the basis of international competitive bidding. The Government will be permitted, in evaluating bids for furniture and equipment, to compare ex-factory prices of locally-produced goods with the c.i.f. landed cost of imported goods, increased by a margin of up to 15 percent.

PART IV - LEGAL INSTRUMENTS AND AUTHORITY

15. The draft Loan Agreement between the Bank and Trinidad and Tobago and the Report of the Committee provided for in Article III, Section 4(iii) of the Articles of Agreement are being distributed to the Executive Directors separately. The draft Loan Agreement conforms substantially to the pattern of loan agreements used for projects of this kind.

PART V - THE ECONOMY

16. A report (WH-180a) on the "Current Economic Position and Prospects of Trinidad and Tobago" was distributed to the Executive Directors on July 11, 1968. The Government is making good progress in mobilizing domestic resources for development and its general performance is satisfactory. Under these circumstances the country can be considered creditworthy for substantial external borrowing to help meet the capital requirements of the nation's economic diversification program.

PART VI - COMPLIANCE WITH ARTICLES OF AGREEMENT

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

PART VII - RECOMMENDATION

18. I recommend that the Executive Directors of the Bank adopt the following Resolution:

RESOLUTION NO.________

Approval of Loan to Trinidad and Tobago in an amount equivalent to US$9,400,000

RESOLVED:

THAT the Bank shall grant a loan to Trinidad and Tobago in an amount in various currencies equivalent to nine million four hundred thousand United States dollars (U.S.$9,400,000), to mature on and prior to October 15, 1993, to bear interest at the rate of six and one-half per cent (6-1/2%) 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 Trinidad and Tobago and the Bank, which has been presented to this meeting.

Robert S. McNamara
President
by J. Burke Knapp

Washington, D.C.
September 26, 1968