

DIVESTMENT PLAN OF NON-PAREIL ESTATE

(TC-95-04-47)

EXECUTIVE SUMMARY

EXECUTING AGENCY: Ministry of Agriculture, Land and Marine Resources

RECIPIENTS: Government of Trinidad and Tobago

OBJECTIVES: To assist the Government of Trinidad and Tobago in undertaking preparatory work required for the successful divestment of Non-Pareil Estate. The divestment will be pursued in a consistent manner with the Government's strategy of redeveloping Non-Pareil through a joint venture, with participation of local and international private investors and a minority participation of the Government. MIF financing of the preparatory work is aimed at providing the catalyst necessary to bring together interests in the potential joint venture. The project has been conceived as a demonstration project aimed at promoting cocoa production as part of Government efforts to build a private sector-led, export-competitive economy.

DESCRIPTION: The project will provide financial resources required to: (a) recruit a team of local and international consultants with expertise in cocoa production and commercialization, to prepare a comprehensive business plan for the joint venture; (b) recruit international and local consultants with investment banking skills to identify local and international investors and to design the financial engineering of the project; and (c) recruit a legal advisor to support the Government in establishing the joint venture. The business plan mentioned above will include: (i) product information and market analysis to obtain adequate information on the demand and supply of cocoa; (ii) valuation and assessment of current conditions of the Estate; (iii) operational plans for the rehabilitation of processing facilities and required infrastructure; (iv) environmental and social impact assessment to ensure that the rehabilitation of the Estate is consistent with the environmental and social policies of the Government; and (v) a ten-year financial projection of the potential joint venture.

Executive Summary

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FINANCING:

Modality:

Grant

MIF Facility I:	US\$490,000
Local Contribution:	US\$ 90,000
Total:	US\$580,000

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Project resources will be disbursed according with Bank procedures. Prior to the first disbursement the executing agency should present an Action Plan for project execution. Resources for Investment Promotion and Legal Advisory Services will only be disbursed upon completion of the Business Plan and following a specific request of the executing agency confirming interest in pursuing those activities.

**IMPLEMENTATION
SCHEDULE:**

Execution of the project is expected to be completed in ten months.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environmental Management Committee, at its meeting of August 29, 1995, classified this as a Category III operation.

I. COUNTRY ELIGIBILITY

- 1.1 The Donors Committee declared Trinidad and Tobago eligible for all modalities of MIF financing on November 30, 1993.

II. BACKGROUND

A. Macroeconomic framework

- 2.1 Since the collapse of oil prices in 1982, Trinidad and Tobago's economy has performed poorly: real GDP fell by around one-third between 1982 and 1993. Adjustment measures were adopted slowly at first but with increasing urgency and conviction after 1987. Fiscal and balance of payments deficits were eliminated through fiscal discipline and tight monetary policies. In addition, the government implemented structural reforms through trade and exchange regime liberalization, divestment of state-owned enterprises and improvements in the legal and regulatory framework.
- 2.2 These policies controlled inflation, reduced external debt, and improved the economic incentive framework. In 1994, the economy rebounded with GDP growth of 4.6 percent. The recovery was led by a boom in petrochemical exports and by increased investment in the hydrocarbon sector, which remains the mainstay of the economy. Much of the increased investment came from abroad, leading foreign direct investment to amount to one-tenth of GDP. Economic growth led to a moderate decline in unemployment, although at 18.4 percent, the unemployment rate still remains a major economic and social problem.
- 2.3 In part because of recent structural reforms, economic prospects are clearly more favorable now than they have been for many years. The macroeconomic situation remains stable, with a strong balance of payments position and a roughly balanced government budget. The economy is likely to continue growing, albeit more slowly. GDP growth is expected to be around 2 percent in 1995. The major economic challenges continue to be the diversification of the economy away from its dependence on the hydrocarbon sector, and a sustainable reduction in unemployment.

B. The cocoa industry in Trinidad and Tobago

- 2.4 Cocoa from Trinidad and Tobago, Trinitario, is considered one of the best in the world due to its special flavor, and Trinidad cocoa beans receive a premium on international markets due to this reputation. Nevertheless, cocoa production in Trinidad and Tobago has declined from a peak of 44,000 tons/year in 1920s to 1,500 tons/year in the 1990s. The decline began in the early 1930s when a combination of low prices, caused by world depression, disease (Witches Broom) and natural disasters such as Hurricane Flora ravaged the industry. Subsequent government attempts to

resuscitate the industry in the 1950s produced only limited success.

- 2.5 In the 1970s, the swift rise in wages in the petroleum sector, manufacturing and service industries significantly reduced the attractiveness of employment in the agricultural sector. Generous government welfare and make-work schemes underpinned by ample oil revenues spurred further decline of the sector. Within the cocoa industry, increased unionization created additional burdens on labor costs. The increasing lack of competitiveness was reinforced by overvaluation of the exchange rate from 1973 until 1993. As a result, the industry in Trinidad is now much smaller than in the past, consisting of a few, efficient and well-run estates, and several thousand small farmers.
- 2.6 Under current conditions, the economics of the cocoa industry in Trinidad and Tobago still remain fragile. It would appear that at current world prices, existing producers can cover variable or operating costs but with a fairly small profit margin. Therefore, while the continuation of existing production can be profitable, bringing new land into production requires substantial working capital, making it difficult for the Government to attract substantial private sector interest. Additional issues hindering the development of cocoa production are (a) relatively high wages; (b) lack of middle managers; (c) low productivity; (d) lack of appropriate financing; and (e) scarcity of farmers with a business mentality.
- 2.7 However, some factors now appear more favorable for the industry. The long economic recession following the end of the oil boom in 1982 and the relatively recent structural adjustment measures, including the liberalization of the exchange rate, have lowered costs throughout the economy. Also, the Government is now committed to widening the economic base and increasing competitiveness of the non-oil sector. Information from cocoa experts within and outside Trinidad and Tobago confirms that despite the decline of the cocoa industry, the Trinitario cocoa has retained its unique qualities and holds export potential. Furthermore, the global demand for cocoa beans has almost doubled since 1970, from 1,350,000 tons to 2,516,000 tons in 1994.

C. The Non-Pareil Estate

- 2.8 The Non-Pareil estate, encompassing 1,872 acres, was originally a successful private cocoa plantation. Since it was purchased by the Government in 1976, it had been managed by a public sector board. In the late 1980s, the plantation became non-operative due to accumulated losses. Except for a grounds manager, employees were released, and the plantation and processing facilities have not been maintained since that time. Notwithstanding this fact, the property, in terms of its size, soil quality and location remains a potentially viable cocoa plantation.

- 2.9 Following the Government's decision to divest Non-Pareil, the Divestment Secretariat recruited Clico Investment Bank to identify potential buyers for the Estate. A few proposals were presented but none were considered satisfactory by the Government, and Clico's mandate expired in December 1994. The lack of private sector interest in the property is due partly to the Government's objective of maintaining agricultural (preferably cocoa) usage for the plantation.

D. Government strategy for Non-Pareil

- 2.10 The Government of Trinidad and Tobago's (GOTT) objective with the divestment of Non-Pareil goes beyond the divestment of assets. The Government is seeking to involve the private sector in the divestment and development of Non-Pareil as part of an effort aimed at promoting the rehabilitation of cocoa production and competitive exports in Trinidad and Tobago.
- 2.11 The GOTT decided to explore the divestment of Non-Pareil through a joint venture aimed at promoting the revitalization of cocoa production in Trinidad. The joint venture proposal has been developed in consultation with Japan International Development Organization (JAIDO), a private sector Japanese company promoting joint ventures in developing countries 1/.
- 2.12 The joint venture, as envisioned now, would (a) establish a model farm by rehabilitating and/or replanting approximately 500 acres of the Non-Pareil estate; (b) support the settling of small cocoa producers in the remaining 1,300 acres; (c) establish and manage facilities for processing beans produced on the Estate; and (d) purchase and process beans produced by small producers from neighboring farms.
- 2.13 The sequencing of activities for the potential joint venture project is expected to be as follows:
- a. First phase - core plantation - Initially, the joint venture will rehabilitate or replant at least 500 acres (the core plantation) and will establish a nursery for the replantation of the remaining lots. The joint venture will also make all the required investment to rehabilitate processing facilities (fermenting and drying) required to process 800,000 pounds of cocoa per year. The processing facilities will process cocoa produced at Non-Pareil and fresh cocoa beans purchased from neighboring plantations. After replanting, the core plantation

1/ JAIDO was established in 1989 by the Japan Federation of Economic Organization (an association of private Japanese corporations) with the support of the Japanese Government to promote foreign currency generating projects in developing countries in which private Japanese and local enterprises make joint investments.

will be divided in family units (each lot approximately 30 acres) and farmers will be responsible for maintaining the plantation under contract with the joint venture.

- b. Processing of cocoa beans purchased from neighboring planters - The processing facilities will be rehabilitated in the first year and additional beans will be purchased to complement the processing capacity. The joint venture would also analyze the alternative of a joint commercialization effort for cocoa beans produced in Non-Pareil and in the neighboring plantations.
- c. Agricultural extension program - Starting at the second year, the joint venture will implement an agricultural extension program aimed at promoting the utilization of appropriate agricultural techniques among neighboring cocoa planters.
- d. Second phase - remaining plantation - After the third year the joint venture will start replanting and leasing/selling the remaining plantation provided that appropriate financial arrangements are in place. More flexibility on land utilization could be explored for the remaining plantation.
- e. Marketing and commercialization effort - Once a significant production of high quality cocoa beans is ensured, the joint venture will negotiate with international trading companies the implementation of a marketing plan aimed at promoting Trinidad cocoa among major consumers that could benefit all cocoa producers in Trinidad and Tobago. One potential model of marketing is the internationally known Blue Mountain brand coffee of Jamaica, which was developed based on the availability of good quality coffee combined with a significant marketing effort by international trading companies.

- 2.14 To establish the proposed joint venture, the Government would make an equity contribution represented by the land and the existing facilities. It is anticipated that, based on a business plan, international investors would make equity or quasi-equity contributions. Equity contribution is also expected from private investors of Trinidad and Tobago with experience in cocoa production, who would also be mainly responsible for supervising the professional managers of the joint venture. The amount and specific characteristics of equity and quasi-equity contributions will be discussed and agreed upon, after the preparation of the business plan.

III. PROJECT DESCRIPTION

A. Objectives

- 3.1 The Government of Trinidad and Tobago has requested MIF support through the Technical Cooperation Facility to undertake the

preparatory work required for the successful divestment of the Non-Pareil Estate. The divestment will be pursued in a manner consistent with the strategy of redeveloping the Non-Pareil Estate through a joint venture with participation of local and international private investors and a minority participation of the Government. MIF financing for the preparatory work is aimed at providing the catalyst necessary to bring together interests in the potential joint-venture. The project has been conceived as a demonstration project aimed at promoting cocoa production as part of Government efforts to build a private sector-led export-competitive economy.

B. Activities

- 3.2 The program will provide financial resources required to:
(a) recruit a team of local and international consultants with expertise in cocoa production and commercialization, to prepare a comprehensive business plan for the potential joint venture;
(b) recruit international and local consultants with investment banking skills to identify local and international investors and to design the financial engineering of the project; (c) recruit a legal advisor to support the Government in establishing the joint venture.
- 3.3 As specific parts of the activities could be better executed by international consultants and others better by local consultants, the executing agency should maintain the ability to divide the Terms of Reference into two separate parts. In this case, the overall responsibility shall lie with the consulting firm responsible for preparation of the ten-year financial projection.
- 3.4 Preparation of a business plan - The business plan mentioned above will include:
 - a. Product information, market analysis and plan - The specific objective of this component is to obtain adequate information on the demand and supply of good quality cocoa, which will require the analysis of: (i) availability (amount, cost, quality) of cocoa beans from neighboring farms; (ii) flavor, fertility, disease resistance and cost of the cocoa species to be used for replanting; (iii) the effect of fermenting and drying methods on the flavor and taste of the candidate cocoa species for replanting; (iv) the current supply and quality of Trinidad cocoa, as well as the distribution system; (v) the current and projected demand for Trinidad cocoa, in both domestic and international markets; (vi) the impact of Non-Pareil rehabilitation of the supply and price of Trinidad cocoa in the high-quality market; (vii) demand-based projection of the Estate's productivity; and (viii) identification of potential markets for high-quality Trinidad cocoa, as well as the possibilities of negotiating long-term contracts and corresponding strategies for marketing.

- b. **Valuation and assessment report of the current conditions of the Estate** - The specific objective of this component is to obtain a financial valuation and a comprehensive assessment of the current conditions of the Estate. The physical assessment will include the condition of infrastructure such as processing facilities, drainage system, roads, geography, soil, vegetation and existing cocoa trees. The report will include a review of the following: (i) detailed surveys of the entire Estate; (ii) assessment of climate conditions and amount of protection (windbreak) required; (iii) assessment of existing processing facilities; (iv) determination of actual acreage suitable for cocoa; and (v) valuation report of the entire Estate, including the value according to cultivated and non-cultivated areas.
- c. **Operational plan** - The specific objective of this component is to set up operating plans for the rehabilitation and replanting of the Estate and the rehabilitation of processing facilities and required infrastructure. The plans will be consistent with the production system and technology of producing high-quality beans. The operating plans will include the following activities: (i) master plan of the layout of the core plantation, parcelled-out farms, fermenting and drying plant, roads, reservoir, reserve land, nursery and housing; (ii) plans to rehabilitate or replant the core plantation, including rehabilitation/improvement of all infrastructure; (iii) plans to replant and parcel out remaining lot, including mechanisms for the transfer of ownership; (iv) plans for an agricultural extension program, including target candidates; and (v) design of a management structure for the rehabilitated Estate.
- d. **Environmental and social impact assessments** - The specific objective of this component is to ensure that the rehabilitation of the Estate is planned in a manner consistent with the environmental and social policies of Trinidad and Tobago. A comprehensive assessment report will include: (i) analysis of the legal and regulatory framework; (ii) environmental diagnostics of the area; (iii) identification and evaluation of potential environmental impacts; (iv) an environmental action plan; (v) public consultations; (vi) identification and assessment of social impacts in terms of income generation, employment and entrepreneurial development.
- e. **Ten year financial projection** - The specific objective of this component is to outline a ten year financial projection of a fully operational Estate. This projection will be indispensable in generating private sector as well as international interest in the divestment.

- 3.5 Investment promotion - After approval of the business plan, consultant services with investment banking capabilities will be recruited to: (i) prepare alternatives on the financial engineering of the project; (ii) identify potential international and local investors; and to (iii) support the Government in its discussions with potential international and local investors.
- 3.6 Legal advisory services - Following the approval of the business plan, legal advisory services will also be recruited to establish the joint venture and to address all the legal matters related with the project including the preparation of draft contracts for farmers and neighboring planters.

C. Cost and financing

- 3.7 A cost estimate for each component is presented below:

PROJECT BUDGET	Local Contribution*	MIF Contribution	Total US\$
Preparation of Business Plan	84,000	366,800	450,800
Investment promotion	-	63,700	63,700
Legal advice	6,000	16,000	22,000
Contingency		43,500	43,500
TOTAL	90,000	490,000	580,000

- 3.8 Local contribution consists of salaries and administrative support to be provided by GOTT. MIF contribution will be used to pay the consultant fees, as detailed in Annex III-2.
- 3.9 Project resources will be disbursed according with Bank procedures. Prior to the first disbursement the executing agency should present an Action Plan for project execution. Resources for Investment Promotion and Legal Advisory Services will only be disbursed upon completion of the Business Plan and following a specific request of the executing agency confirming interest in pursuing those activities.

D. Organization and execution

- 3.10 The Ministry of Agriculture, Land and Marine Resources (MALMR) will be the agency responsible for the execution of the operation. To improve coordination with other Government agencies, a core group has been formed in MALMR under the Agricultural Planning Office to include personnel from the Ministry of Planning and Development as well as from the Divestment Secretariat. This core group will be the executing agency of the project.

E. Monitoring and evaluation

- 3.11 MALMR and the Country Office in Trinidad and Tobago (COTT) will be responsible for the monitoring of the consultants' work. The consultants will present for MALMR and COTT approval a working plan (after contract signature), a mid-term report, a draft final report and the final report. Based upon these reports, the executing agency will present a Project Completion Report, which will include an evaluation of the project.

F. Viability and risks

- 3.12 The viability of project execution will be guaranteed by the capacity of the consultant firm to perform the assigned tasks. It is foreseen that international consultants will be hired to cover for areas where there are no local expertise.
- 3.13 Despite the inclusion in the project of all elements required to support the Government of Trinidad and Tobago in establishing the joint-venture, it is important to note that the project scope is limited to ensuring that all required information will be available to the GOTT and to potential local and international investors. The successful accomplishment of this objective will depend upon decisions to be taken in the future by private local and international investors, over which the project has no control.

IV. COMPLIANCE WITH PROJECT ELIGIBILITY CRITERIA

- 4.1 General eligibility criteria - The impact of the project goes far beyond the economic return of the investment in Non-Pareil since the project is likely to have a positive social and economic impact among small cocoa producers and could have a significant demonstration effect contributing to the restoration of a professional farmer mentality in Trinidad and Tobago. The project will generate employment and facilitate increased levels of private investment, both foreign and domestic, thereby accelerating economic and social development in Trinidad and Tobago.
- 4.2 Facility criteria for project eligibility - The project is compatible with the criteria for grant financing under the Technical Cooperation Facility, Article III, Section 2 of the MIF Agreement with establishes, among other criteria, that grants shall be provided to finance advice on the design and implementation of privatization programs, including advice on the valuation and techniques for privatizing particular enterprises.

V. CONSISTENCY WITH THE BANK'S COUNTRY PROGRAM

- 5.1 The project is fully consistent with the Bank's strategy of supporting the Government's goals toward diversifying the country's economic base and sources of foreign exchange.

VI. AVAILABILITY OF MIF RESOURCES

- 6.1 Funding Modality - The project is expected to be financed through a grant based on the following points: (i) Trinidad and Tobago was declared eligible for all modalities of financing under the MIF by the Donors Committee on November 30, 1993; (ii) the compliance of Trinidad and Tobago with the criteria of eligibility for obtaining grant resources at the country level (Article 3, Section 5b of the MIF Agreement) is detailed in section III paragraphs 3.1, 3.2 and 3.3 of the Eligibility Memorandum of the country (MIF/GN 8); (iii) the proposed project will have an important catalytic impact on private investment flows, as required by Article 3 Section 5(a) of the MIF Agreement, which would go far beyond the specific investment in Non-Pareil as the project is expected to have a significant demonstration effect creating conditions for an expanded investment in the Trinidadian cocoa industry; (iv) the project is also consistent with the criteria that technical assistance should provide financing only for projects in which grant financing is necessary to initiate, promote or accelerate policy reforms implementation, since the project would not occur in the absence of MIF financing to facilitate the preparatory work required. Despite potential future revenues for the GOTT as a potential shareholder of the joint venture to be established, the project is not being proposed on a contingent recovery basis, since MIF financing is less than US\$1,000,000. According with Donors Committee instructions, due to beneficiary country legal problems often encountered in signing a contingent recovery operation, and the substantial costs involved in the Bank's management and control of such operations, a minimum level of US\$1,000,000 should be established for contingent recovery proposals to be cost-effective.

TERMS OF REFERENCE

BUSINESS PLAN FOR THE DIVESTMENT OF NON-PAREIL ESTATE

TRINIDAD AND TOBAGO

I. Objectives

- 1.1 The objective of the consultancy is to prepare a business plan for the successful divestment of the Non-Pareil Estate. The plan will be consistent with the strategy defined by the Government of Trinidad and Tobago to promote the cocoa industry as part of Government efforts to build a private sector-led export competitive economy. The divestment seeks to involve the private sector in redeveloping Non-Pareil through a joint venture.

II. Frame of Reference

- 2.1 The Non-Pareil Estate, encompassing 1872 acres, was originally a successful private cocoa plantation. Since it was purchased by the Government in 1976, it has been managed by a public sector board. In the late 1980s, the plantation became non-operational due to accumulated losses. Except for a grounds manager, employees were released, and the plantation and processing facilities have not been maintained since that time. Notwithstanding this fact, the property, in terms of its size, soil quality and location, remains a potentially viable cocoa plantation.
- 2.2 The Government seeks to explore the divestment of Non-Pareil through a joint venture aimed at promoting the revitalization of cacao production in Trinidad and Tobago. The joint venture would (a) establish a model farm by rehabilitating and /or replanting approximately 500 acres of the Estate; (b) support the settling of medium cacao producers in the remaining 1,300 acres; (c) establish and manage infrastructure for processing beans produced on the Estate; and (d) purchase and process beans produced by medium producers from neighboring farms.

III. Scope of Work and Deliverables

- 3.1 The deliverables of the plan will comprise the following components:
 - (a) Product information, market analysis and marketing/market plan

- (b) Valuation and assessment report of the current condition of the Estate
- (c) Operational plans
- (d) Ten year financial projection
- (e) Environmental and social impact assessments

A. Product information, market analysis and marketing/market plan

Specific objectives

- 3.2 The objective of this component is to obtain adequate information on the demand and supply of cocoa, as well as on the technical aspects of producing high-quality cocoa, with a view to designing a marketing/market plan.

Specific activities

- 3.3 The product information and market analysis will include, as a minimum, a review of the following:
- (a) The availability (amount, cost, quality) of wet cocoa beans from neighboring farms.
 - (b) The flavor, fertility, disease resistance and cost of the cocoa species to be used for replanting, as well as the institutional capacity in Trinidad for producing the necessary replanting seedlings in conjunction with the operational plans.
 - (c) The effect of the fermenting and drying method on the flavor and taste of the candidate cocoa species for replanting.
 - (d) The potential use and income generated by byproducts.
 - (e) The current supply and quality of Trinidad cocoa, as well as the distribution system.
 - (f) The current and projected demand for Trinidad cacao, in both domestic and international markets. The analysis should cover both the mass cacao market as well as the niche high-quality market. Particularly in the case of the high-quality market, the following issues should be addressed: who are the buyers; what is the end-product; what are the levels of the premium prices being paid and what is the structure of the premium price.
 - (g) The impact of Estate rehabilitation on the supply and price of Trinidad cacao in the high-quality market.
 - (h) A demand-based projection of the Estate's productivity

- (i) Identification of potential markets (with emphasis on international markets) for high-quality Trinidad cocoa, possibilities of negotiating long-term contracts and corresponding strategies for marketing.

B. Valuation and assessment of the current conditions of the Estate

Specific objectives

- 3.4 The specific objective of this component is to obtain a financial valuation and a comprehensive assessment of Estate under the current conditions of the Estate. This assessment will include the condition of infrastructure such as processing facilities, drainage systems, roads, geography, soil, vegetation and existing cacao trees. The physical assessment will cover the entire Estate, as well as the conditions of the neighboring small farms which would be potential providers of raw cocoa beans for a refurbished central processing facility located within the Estate.

Specific activities

- 3.5 To achieve these objectives, the consultant firm will conduct a comprehensive survey of the entire Estate and prepare a valuation and assessment report. The report will include, as a minimum, a review of the following:
 - (a) Detailed surveys of the entire Estate and of neighboring small farms, including topography, soil, vegetation, drainage system, roads, shapes and sizes of fields, value of existing timber trees, water source, and existing cocoa trees.
 - (b) Detailed assessment of climate conditions and amount of protection (windbreak) necessary.
 - (c) Assessment of existing processing facilities
 - (d) Determination of actual acreage suitable for cocoa. This should include a survey of remaining cocoa trees.
 - (e) Valuation report of the entire Estate, including the value according to cultivated and non-cultivated areas, infrastructure, and processing facilities.

C. Operational plan

Specific objectives

- 3.6 The specific objective of this component is to set up operating plans for (a) the rehabilitation and replanting of the Estate, and (b) the rehabilitation of processing facilities and required infrastructure. The plans will be consistent with the production systems and technologies for the production of high-quality cocoa

beans. A master plan of the layout of the core plantation, parcelled-out farms, fermenting and drying plant, roads, reservoir, reserve land, nursery and housing will be designed.

Specific activities

3.7 The operating plans will include proposals for the following activities:

- (a) Core plantation - The rehabilitation or replanting of at least 500 acres as the core plantation and the establishment of a nursery for the replantation of the remaining lots. The plan will include the rehabilitation/improvement of all infrastructure and necessary vegetation, as well as a future scenario in which the core plantation is divided into family units under contract with the joint venture. Also, methods in which the core plantation can generate immediate income in the first several years will be explored.
- (b) Satellite farms - The remaining lot will be replanted and leased/sold to farmers provided that the appropriate financial arrangement is in place. In planning this component, more flexibility on land utilization and a mechanism by which the property of land could be transferred to the settlers will be explored. The pros and cons of selling and leasing will also be explored. The plan will include a proposal to promote the settlement of small holders to generate an agricultural population, as well as possible financial assistance schemes such as long-term loans or land-lease system backed by the Government.
- (c) Processing facilities - The processing facilities should be rehabilitated during the first year. The plan will include the cost and description of necessary equipments, as well as a tentative schedule. The facilities will be set up with the capacity to process additional beans from neighboring farms. In considering the reconstruction of the processing equipment, the pros and cons of sun drying (cost of setting up a sun-drying platform, effect on the flavor and taste of beans, etc.) will be carefully analyzed.
- (d) Plantation infrastructure - The plan will include the establishment of infrastructure necessary to operate a cocoa plantation, such as a nursery, office (possible rehabilitation of the former manager's house), workers' living quarters, if deemed necessary (former quarters uninhabitable), reservoir, pump and pipes, maintenance quarters, etc.
- (e) Agricultural extension program - An agricultural extension program aimed at promoting the utilization of appropriate agricultural techniques among neighboring cocoa planters would be planned for the second year. Candidates for executing the

plan and candidate targets will be explored in the operational plan as well as a tentative budget and schedule.

- (f) Management structure - The plan will include design of a management structure capable of starting up and operating the plantation.
- (g) Legal environment - The plan will include an assessment of the legal environment for the operation of the potential joint venture.

- 3.8 The operating plans should be drafted by a consultant firm with proven experience in developing and managing cocoa plantations, using similar successful efforts as case studies.

D. Environmental and social impact assessments

Specific objectives

- 3.9 The specific objective of this component is to ensure that the rehabilitation of the Estate is designed and carried out in a manner consistent with the environmental and social policies of Trinidad and Tobago and also with Bank policies. The consultant firm will be responsible for conducting a thorough analysis of the potential environmental and social impacts of the rehabilitation plan. The resulting report shall identify and evaluate all direct and indirect environmental/social impacts, proposing the adequate mitigatory measures to address them. Actions recommended should include measures to be taken by the joint venture to be eventually formed. The recommended mitigatory measures should be consolidated in an environmental action plan.
- 3.10 Among others, the following topics shall be addressed by the consultant firm:
- (a) Country's legal/regulatory framework in the environmental area: analyze existing environmental legislation, including the existence of national parks and other protected areas, institutional capabilities, environmental standards and enforcement performance, and propose actions needed to be taken to ensure that the project will be carried out in an environmentally responsible manner.
 - (b) Environmental diagnostics of the area of influence of the project (Non-Pareil Estate and neighboring areas). Identify and evaluate existing problems such as: (i) soil erosion; (ii) current use of agrochemicals; (iii) drainage problems; (iv) farming practices; (v) land tenure; (vi) existence of squatters in the property; (vii) soil and water contamination; (viii) current unemployment levels; (ix) economic and social structure; (x) income levels in the agricultural sector.

- (c) Identification and evaluation of the potential negative and positive impacts of the project (both direct and indirect). Identify and evaluate potential impacts such as : (i) the positive impact of better farming practices and soil conservation techniques on the control of erosion and sediment related problems; (ii) potential for inter-cropping, in particular with income-generating and export oriented crops and its impact in the income levels in the area; (iii) the impact in the income levels of cocoa farmers in the area due to the use of more productive and marketable species; (iv) the eventual need of more intensive usage of agrochemicals in the expanded cocoa plantations and its impact on surface and ground water quality (consider alternatives such as integrated pest management, or development of disease resistant plants); (v) potential conflicts of the projected expansion of the cocoa plantations with production of other important crops, with potential implications for the price of basic food crops; (vi) potential conflicts between new cocoa plantations and other land uses in the area of influence of the project, especially the conservation of environmentally sensitive areas (national parks, etc); (vii) the impact of the project in the land tenure situation in the area (settlers, squatters, etc.); (viii) the impact of the wastes generated in the cocoa processing facilities (consider all feasible alternatives for waste recycling and reuse); (ix) the potential impact of the project's necessary infrastructure (roads, housing, etc..).
- (d) Environmental Action Plan. The proposed mitigatory measures shall be incorporated in an environmental action plan which must evaluate their costs among others. In case that any relocation of population is foreseen, a resettlement plan, in accordance to Bank policies, must form part of the action plan.
- (e) Public consultations. As requested by Bank policies on disclosure of information, local and affected populations must be consulted and have the opportunity to provide their informed views on the project.

E. Ten year financial projection

Specific objectives

- 3.11 The specific objective of this component is to outline a ten year financial projection of a fully operational Estate. This projection will be indispensable in generating domestic private sector as well as international interest in the divestment.

Specific activities

- 3.12 The consultant firm will be responsible to submit a ten year financial projection of the rehabilitation process and the subsequent operational Estate. In drafting this projection, the

consultant firm will utilize all the information that has been collection through activities A through D of this Terms of Reference.

IV. REQUIREMENTS

- 4.1 A consultant firm will be contracted to perform the task. The team of consultants must provide, as a minimum, the following expertise:
- tree crop agronomy expertise with experience in cocoa farming on a large scale
 - financial/business expertise, particularly experience in agricultural projects
 - trading/marketing expertise with background and experience in the international trading/marketing of flavor cocoa
 - farm managerial expertise in tree crop production
 - agricultural engineering expertise
 - environmental impact assessment
 - social impact assessment

V. TIME SCHEDULE

- 5.1 The exercise is expected to be completed in sixteen weeks, with the following schedule:
- A work program submitted for the approval of the GOTT and the Administrator within two weeks of the signature of the contract
 - A mid-term report which shall include the physical assessment of the Estate and the market assessment, submitted at the end of the eighth week.
 - A draft of the business plan inclusive of all components, submitted for comments at the end of the fourteenth week.
 - A final business plan including GOTT and Administrator comments submitted two weeks after receiving comments on the draft plan.

VI. Payment Schedule and Supervision

- 6.1 The payment schedule will be as follows:
- 25% upon signature of contract
 - 25% upon approval of work plan by GOTT and Administrator
 - 40% upon presentation of draft of business plan
 - 10% upon final approval of business plan by GOTT and Administrator
- 6.2 The consultant firm will be contracted and supervised by MALMR.

TERMS OF REFERENCE

DIVESTMENT OF NON-PAREIL ESTATE

INVESTMENT PROMOTION AND LEGAL ADVISORY SERVICES

TRINIDAD AND TOBAGO

I. Frame of Reference

- 1.1 Upon completion of a comprehensive business plan outlining the divestment of Non-Pareil, the potential of the Estate to be rehabilitated successfully through a joint venture will be clearly quantified. Advisory services will be recruited to prepare alternatives on the financial engineering of the project and to identify potential local investors, as well as to establish the joint venture and to address all the legal matters related with the project.

II. Scope of Work and Deliverables

- 2.1 The consultants will deliver the following:

Investment Promotion

- (a) Financial engineering of a joint venture - According to the findings and conclusion of the business plan, financial engineering alternatives for a sustainable joint venture will be identified. The amounts and specific characteristics of contributions shall be presented. The participation of private investors of Trinidad and Tobago, particularly those with experience in cacao production, will be included in the analysis. The participation of international investors will also be included.
- (b) Preparation of an Information Memorandum on Non-Pareil Estate - After consideration of the valuation of the Non-Pareil Estate, the consultant would be expected to prepare an Information Memorandum. This Memorandum would include basic information needed to assess the company from the point of view of potential buyers.
- (c) Identification of and marketing of local and international investors - The consultant/firm will identify potential local and international investors and their contributions. The key parameters for determining this list would be industry experience of the buyers, their financial strength or access to financial resources and their interest in the industry.

ANNEX II

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- (d) Assistance in the management of bid process - The process for obtaining proposals from prospective investors should be outlined and evaluation criteria should be outlined.
- (e) Assistance in the evaluation of bids - The consultant would advise the Government team in its evaluation of offers from potential buyers.
- (f) Design of strategy for negotiations with preferred bidder(s).

Legal Advisory Services

- (a) Preparation of the legal documentation for the the divestment - Upon selection of the most preferable offer(s), the consultant would work closely with the Government team in its negotiations with the selected investor(s) concerning the legal and financial documentation associated with completing the divestment of the company.
- (b) Preparation of the legal documentation of the joint venture - The consultant will provide support to the Government team in the legal preparation of the joint venture.

DETAILED BUDGET

PROJECT BUDGET	Professional X Months	US\$/ Month	Total US\$
Preparation of a business plan			
International consultant	12	10,000	120,000
Local consultant	14	2,500	35,000
Per Diem (12 cons. mos. X 30days X \$130)			46,800
Travel			10,000
Overhead			155,000
Investment promotion			
International consultant	2	10,000	30,000
Local consultants	5	4,000	20,000
Legal advisory services			
Local consultants	4	4,000	16,000
Travel			2,000
Per Diem			11,700
Contingency (10%)			43,500
TOTAL			490,000

PROGRAM SUMMARY

<p style="text-align: center;">MIF - TECHNICAL COOPERATION FACILITY TRINIDAD AND TOBAGO: DIVESTMENT PLAN FOR NON-PAREIL ESTATE</p>		
<p>General objective: To support Government divestment efforts aimed at building a private sector-led diversified economy. The project seeks to promote the cocoa industry through a demonstration joint venture.</p>		
<p>Specific objective: To assist the Government in the preparatory work required for the successful divestment, in the form of a joint venture, of the Non-Pareil Estate.</p>		
Subprograms	Activities to be executed	Expected Achievements
Preparation of a business plan	Prepare product information, market analysis and plan to obtain adequate information on the local and international demand and supply of high quality cocoa.	Business plan completed in three months
	Prepare a comprehensive valuation (for cultivated and non-cultivated areas, and existing infrastructure) and physical assessment report of current conditions of the Estate (such as surveys, condition of infrastructure, existing cocoa trees).	
	Prepare operational plans for: (a) the rehabilitation and replanting, and (b) the rehabilitation of processing facilities and required infrastructure for the proposed joint venture.	
	Prepare an environmental and social impact assessments. In the event that potential negative impacts are perceived, solutions to mitigate those impacts shall be outlined.	
	Prepare a ten year financial projection of the proposed joint venture including projections of impacts	
Investment promotion	Consultant services to: (a) prepare alternatives on the financial engineering of the project; (b) identify potential local investors; and (c) support the Government in its discussions with potential international and local investors.	Financial engineering designed and bid process completed two months after the approval of the business plan
Legal advisory services	Legal advisory services to establish the joint venture and to address all the legal matters related with the project	Legal preparatory work completed two months after the approval of the business plan

PROPOSED RESOLUTION

TRINIDAD AND TOBAGO. NONREIMBURSABLE TECHNICAL COOPERATION FOR
THE DIVESTMENT PLAN OF NON-PAREIL ESTATE

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the government of Trinidad and Tobago, and to adopt such other measures as may be pertinent for the execution of the Project Memorandum contained in Document MIF/AT-_____ with respect to a non-reimbursable technical cooperation for a divestment plan of the Non-Pareil estate.
2. That up to the sum of US\$490,000 is authorized for the purposes of this resolution, chargeable to the Technical Cooperation Facility of the Multilateral Investment Fund.
3. That the above mentioned sum is to be provided on a non-reimbursable basis.