ove Office of Evaluation and Oversight

Country Program Evaluation

Trinidad and Tobago

2011-2015

IDB Inter-American Development Bank
IIC Inter-American Investment Corporation

Original: English

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Trinidad and Tobago

2011-2015

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Acronyms and Abbreviations

AML/CFT	Anti-money laundering/combating the financing of terrorism
CBTT	Central Bank of Trinidad and Tobago
CCT	Conditional cash transfer
CLF	Colonial Life Financial Group
CPE	Country Program Evaluation
CS	Country Strategy
CSP	Citizen Security Program
CTT	Country office in Trinidad and Tobago
ECCE	Early childhood care and education
ESCI	Emerging and Sustainable Cities Initiative
GDP	Gross domestic product
GNI	Gross national income
HSF	Heritage and Stabilization Fund
IDB	Inter-American Development Bank
IFMIS	Integrated financial management information system
IIC	Inter-American Development Corporation
IMF	International Monetary Fund
IRSF	Interim Revenue Stabilization Fund
LAC	Latin America and the Caribbean
MEEA	Ministry of Energy and Energy Affairs
MEEI	Ministry of Energy and Energy Industries
MHUD	Ministry of Housing and Urban Development
MIF	Multilateral Investment Fund
MLMR	Ministry of Housing, Land and Marine Affairs
MoE	Ministry of Education
MPAC	Ministry of Public Administration and Communications
MPSD	Ministry of People and Social Development
NSITT	National Statistical Institute of Trinidad and Tobago
OMJ	Opportunities for the Majority
OVE	IDB's Office of Evaluation and Oversight
PBL	Policy-based loan
PBP	Policy-based programmatic series
PEFA	Public Expenditure and Financial Accountability program
PEU	Project executing unit
PFM	Public financial management
PROPEF	Project Preparation Facility
PSRP	Public Sector Reform Program
SCF	Structured and Corporate Finance
SMEs	Small- and medium-sized enterprises
SOEs	State-owned enterprises
TC	Technical cooperation
WASA	Water and Sewerage Authority
WWTP	Wastewater treatment plant

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Although the country is small in size, its per capita gross national income of US$31,970 (purchasing power parity) in 2015 was the highest in Latin America and the Caribbean.

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Executive Summary

Context

Trinidad and Tobago is an energy-rich country with relatively high levels of political stability and human development. Although the country is small in size, its per capita gross national income (GNI) of US$31,970 (purchasing power parity) in 2015 was the highest in Latin America and the Caribbean (LAC). The transformation of the economy was facilitated by the successful development of the energy sector, which is dominated by natural gas, oil, and related exports. In recent years, energy has accounted for about 40% of gross domestic product, provided roughly 50% of government revenue, and been responsible for around 80% of exports.

Tobago, the smaller of the two islands, has semi-autonomous status and is administered by the Tobago House of Assembly. Poverty and income inequality are higher in Tobago than in Trinidad. While Trinidad's economy relies heavily on energy, Tobago's is based on tourism and is heavily dependent on transfers and subsidies from the central Government.

The period covered by this Country Program Evaluation (CPE), 2011-15, coincides with significant macroeconomic and fiscal challenges for the country. Trinidad and Tobago's economy is currently in a recession due to the collapse in world energy prices. While the governance environment was viewed as broadly positive during the review period, an array of institutional challenges may now take on increased urgency in light of the sharp drop in the country's earnings and the attendant tighter fiscal space in which the Government must operate. These challenges include continuing weakness in public expenditure management, limited center-of-government capacity to coordinate cross-sectoral initiatives, and severe gaps in data. The new Government recognizes the considerable challenges to fiscal policy created by the collapse in world energy prices and has taken important steps to generate additional revenue and curtail spending.

Country Strategy

The 2011-2015 Country Strategy (CS) was conceived against the backdrop of a contracting economy and the expectation that the Government would run fiscal deficits in the medium term. It was designed to take advantage of a "unique opportunity" to "significantly increase" the Bank's technical and financial exposure in the country, and at the same time support Trinidad and Tobago's decision to "transition the economy into a post-hydrocarbon model, while continuing to improve its standard of living."

The CS period marked an important reengagement in the Bank's relationship with TT, with a greatly increased scale of support and new lending instruments. While the focus of the CS was relevant to the extent that it was aligned with the new administration's agenda of structural reform, capital investment, and social development, it proved to be overly broad and ambitious given the country context. The envisaged approval of US$1.5 billion in sovereign-guaranteed lending for the five-year strategy period was nine times higher than the financial envelope of the prior strategy (US$165 million) and six times more than the total approved from 2004 to 2010. It included an aggressive program of policy-based lending and large investment loans. The sole justification for the large lending envelope was that "its scope is appropriate given the scope of the reform process." It was not grounded in a deep understanding or robust analysis of the institutional capacity of the Bank or of the Government to coordinate and execute the significantly stepped-up volume of loan financing in the proposed timeframe.

Approvals

Over the course of the CS, the Bank approved 14 new loan operations for a total value of US$871 million (roughly half of the financial envelope proposed by the CS), and 29 TCs for an additional US$12 million in grant resources. Despite the lower-than-expected level of approvals, IDB's engagement with the country accounted for 80-90% of total external multilateral debt during the period, and about 25% of total public external debt at end-2015 (roughly 2.6% of GDP).

The implemented program was broad and covered six of the eight anticipated sectors: financial sector regulation and supervision, public sector management, social protection, climate change, energy, and water and sanitation. Three loans were approved outside of the strategic objectives of the CS. No new loans were approved in education or transport.

Four policy-based programmatic series were approved in energy, climate change, financial sector regulation and supervision, and social protection. The balance of loan resources included nine investment loans and one Project Preparation Facility.

The evaluated portfolio also included 13 active operations approved during earlier CS cycles. Of these, 11 were completed or closed during the current evaluation period.

The integration of TCs with the lending portfolio has become a relevant feature of the Bank's country program. Nearly half of all approved TC resources supported the design and preparation of new loan operations, including the fulfillment of PBP conditionality and the achievement of criteria for disbursement eligibility. TCs that provided support to implementation, including short-term consulting services, accounted for a quarter of all grant financing, while operations that supported upstream work comprised 23% of the approvals. The balance of TC resources were allocated through the C&D Action Plan and mostly addressed capacity building, events and training.

Implementation and results

The implemented program diverged significantly from the anticipated program. During the initial stage of activity, the Bank moved into fast-disbursing lending, but it was not able to sustain the momentum or focus envisioned by the CS. All four PBP series approved in 2011 were truncated, as was the PBP series approved in 2010. None of the three investment loans approved in 2014 or 2015 had been signed by the Government as of the close of the CS cycle (December 2015), although the health loan was significantly reduced in scope and already under reformulation. A fourth investment loan (water and sanitation), approved in 2013, was not yet eligible to disburse, and the hybrid investment loan for social protection was cancelled at the Government's request shortly after eligibility. Four investment loans programmed in different Country Program Documents were removed from the pipeline. No loans were approved in education or transport—both priority sectors, and cross-cutting activities in Tobago were not implemented as planned.

Efforts to engage with the private sector were not sustained by the Bank, despite significant interest by country authorities for a deeper presence. The Multilateral Investment Fund was the only private sector window to approve any operations (a total of four for US$1.2 million). These projects aimed to improve corporate governance, encourage local development, boost entrepreneurship, and develop credit rating systems. Neither SCF nor IIC approved any loans. On the one hand, Structured and Corporate Finance (SCF) products were costlier than other private banking alternatives, and the export sector was able to obtain better terms from other sources. On the other hand, the small-scale nature of the Inter-American Investment Corporation's (IIC) products did not meet the financing needs of the larger corporate firms. In addition, the high cost of IDB's legal procedures, its lack of local currency lending, and the absence of incentives for private banks to spread their operations into smaller markets prevented IDB from addressing the untapped demand for finance from the non-energy sector—either directly to SMEs or indirectly through financial intermediaries.

Although progress was observed in some areas, achievement of the development objectives outlined in the CS was only partial, and the sustainability of these results is unclear. In the context of the economic downturn, the Bank, in consultation with the authorities, sought to address policy bottlenecks through a broad package of programmatic policy-based reforms. However, the Bank did not adequately analyze the likely risks associated with the use of the new loan instrument, and the significant interagency coordination needed to approve, implement, and sustain the reform agenda. The Bank's failure to engage broadly with stakeholders was exacerbated by an inadequate assessment of institutional conditions. Interviewees who had been in the Government when the programmatic suite was negotiated reported a closed design process that excluded many stakeholders from the discussions with IDB. This lack of consultation was faulted for the inclusion of loan conditions that were disconnected from the working realities of the relevant ministries, and were ultimately infeasible. The resulting truncation of all five series following the disbursement of the first PBL limited their effectiveness. While the reform process has continued to varying degrees in some areas (including financial sector regulation and supervision, energy, climate change, and public sector management) without Bank financing, the pace is slower than originally planned.

Between 2000 and 2015, the net cash flow of loan resources to the country was negative in all years but 2010 and 2011—the years during which the five programmatic series were approved and disbursed. While the initial flow of budget support boosted the speed of disbursements to the country, it masked a deeper systemic challenge to the performance of the Bank's country program–that of the protracted execution of the investment portfolio.

Investment loans were adversely affected by overly complex designs and low institutional capacity that frequently led to delays, cost overruns, and often a failure to deliver timely results. On average the investment portfolio achieved 50% disbursement following 125% of the original estimated time for execution (75 months vs. 60 months). Of the nine investment loans approved over the CS cycle, the most advanced had disbursed only 40% by its fifth year in execution, and four others had not yet achieved disbursement eligibility (average of 17 months post-approval, as of July 2016). Five of the seven investment loans that were approved prior to 2011 were completed during the evaluation period, but all five required an extension. The average total extension for the 5 completed loans was 54 months—twice the CCB average of 27 months and far greater than the Bank-wide average of 24 months.

Direct costs associated with the underestimation of implementation readiness were high for both the country and the Bank. Trinidad and Tobago paid at least US$4.8 million in credit fees over the CS cycle, due to the lag in the execution of the investment portfolio. An additional US$775,795 was charged to the Bank's administrative budget for the initial preparation of loans that were dropped from the pipeline prior to approval.

Recommendations

In light of these findings, OVE has the following recommendations for Bank management:

1. Rethink the engagement strategy with Trinidad and Tobago and work with country counterparts to design a country program that is commensurate with the country's institutional capacity and provides technical and financial support on a scale the country is able to use.
    a. Be more selective and consider less complicated and more strategically focused loans and grants that provide a lower-risk entry point into difficult reform areas.
    b. Invest in wide consultation to strengthen program ownership and ensure that all operations are aligned with the national and sector policy frameworks.
    c. Conduct more robust risk analysis as part of program design.
2. Verify the implementation readiness of all investment projects before loan approval.
    a. Establish metrics and milestones to ensure that project design is comprehensive and complete, that major technical inputs for project disbursement eligibility have been delivered, that key requirements for project implementation have been addressed, and that potential bottlenecks (such as land acquisition) have been resolved.
    b. Identify entities and core staff to be involved in projects, and ensure that coordination mechanisms are operational.
    c. Establish realistic delivery schedules and set benchmarks for cancelling slow-disbursing operations.
3. Be more diligent in designing and supervising Bank-financed institutional strengthening activities, ensuring they are sufficient to achieve intended objectives and are appropriately sequenced.
4. In collaboration with government authorities, explore ways to strengthen and consolidate project selection, preparation, and implementation functions.
    a. Support Government efforts to develop and institutionalize a project management system.
    b. Consider combining core fiduciary and monitoring functions across programs and/or sectors where economies of scale can be identified.
5. Engage more deeply with the country's private sector through activities and consultations at various levels, including developing NSG products appropriate to the country context. Better coordinate the work of IDB and IIC to boost private sector development, including strengthening institutional and regulatory frameworks to promote access to finance.
6. Proactively support the generation and publication of data by working with the Government to strengthen the national statistical system and to promote transparency and evidence-based decision-making.

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Labor market regulations that prioritize job security and ensure significant benefits to formal sector workers have also contributed to limited growth in the non-energy sectors, resulting in a relatively high number of public sector jobs, but underemployment and informality in other sectors.

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1 Context

Trinidad and Tobago is an energy-rich country with relatively high levels of political stability and human development. Although the country is small in size,[1] its per capita gross national income (GNI) of US$31,970 (purchasing power parity) in 2015 was the highest in Latin America and the Caribbean (LAC).[2] Formerly an agriculture-based economy, this small twin-island state has become the most industrialized nation in the Caribbean region.[3] The transformation of the economy was facilitated by the successful development of the energy sector, which contributes significantly to Government revenue, export earnings, and GDP. Tobago, the smaller of the two islands, has semi-autonomous status and is administered by the Tobago House of Assembly. Poverty and income inequality are higher in Tobago than in Trinidad. While Trinidad's economy relies heavily on energy, Tobago's is based on tourism and is heavily dependent on transfers and subsidies from the central Government.

The period covered by this Country Program Evaluation (CPE), 2011-15, coincides with significant macroeconomic and fiscal challenges for the country. While the governance environment was viewed as broadly positive during the review period, an array of institutional challenges may now take on increased urgency in light of the sharp drop in the country's earnings and the attendant tighter fiscal space in which the Government must operate.

A. Energy and the economy

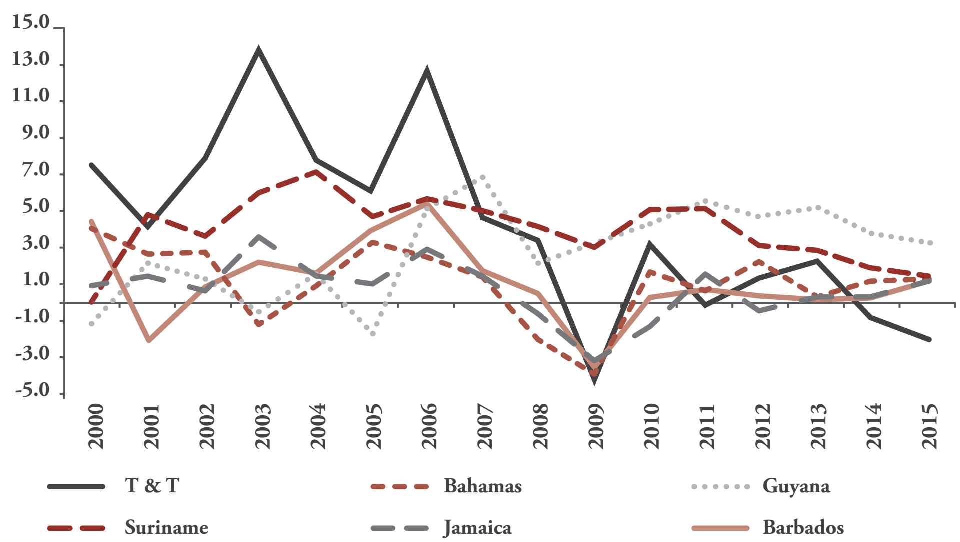
Trinidad and Tobago's economy is driven by hydrocarbons, which in recent years have accounted for roughly 40% of GDP,[4] 50% of government revenue, and 80% of exports (Annex I.1). The country is among the most important world suppliers of methanol and ammonia and a major exporter of liquefied natural gas. It is also the largest producer of oil in the Caribbean. While new hydrocarbon discoveries and high world energy prices led to strong GDP growth during 1994-2008 (6.2% a year) and to considerably improved socioeconomic indicators, the global financial crisis hit Trinidad and Tobago very hard, triggering financial sector difficulties and a GDP contraction of 4.4% in 2009[5] (Figure 1.1). Subsequent economic activity remained sluggish, growing at 0.8% a year during 2011-14 and again contracting by around 0.6% in 2015, in part because of the recent collapse in energy prices and lower oil and gas output (Annexes I.2, I.3). In this context, core inflation remained anchored around 2.3% (Annex I.4).

The country has the features of a "dual economy": it has a wealthy sector—the energy sector—and the rest of the economy lags behind. The key economic problems arising from this duality are common to other hydrocarbon-rich countries: a large dependence on energy resources—in terms of government revenue and foreign exchange earnings—and highly procyclical fiscal policies associated with fluctuations in energy-related revenue. This has led to elevated macroeconomic volatility[6] and has impeded the development of non-energy sectors—the "Dutch Disease" phenomenon.

Figure 1.1

Trinidad & Tobago real growth (% change, annual)

Source: Central Bank Trinidad and Tobago



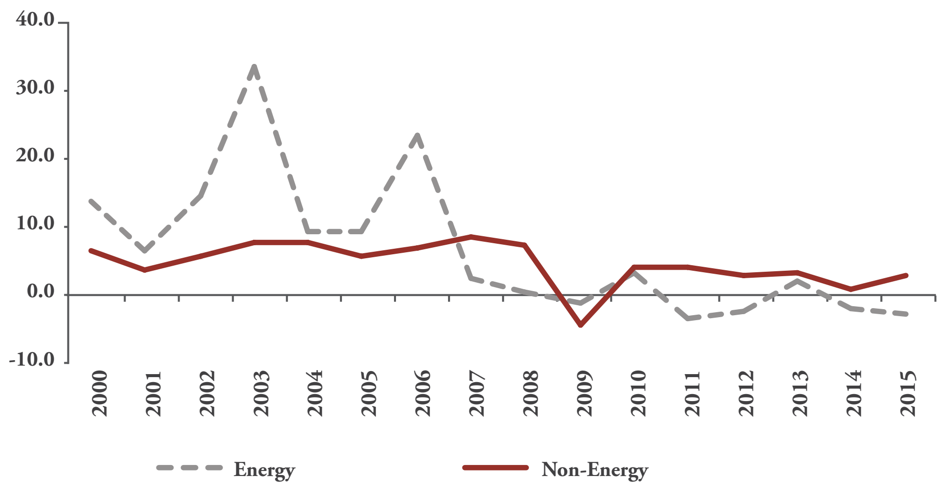


Figure 1.2

Trinidad & Tobago energy vs. non-energy real growth (% change, annual)

Source: Central Bank Trinidad and Tobago

While energy sector growth has been significant though volatile, services has remained an important contributor to GDP (Figure 1.2). Because of the new hydrocarbon discoveries and output, as well as the boom in oil prices, the energy sector grew by an average of 5.8% per year between 2000 and 2015, while the non-energy sectors grew by an average of 3.8% per year. By 2015, the oil and gas industry (including petrochemicals) accounted for 32% of GDP (at current market prices), compared with a historic high of 50.8% in 2008 (and a low of 26.2% in 2002). Services, including government services, has remained at around 55% of GDP since 2008, and the main tradable non-energy activities, manufacturing and agriculture, have accounted for about 6% since after the global financial crisis (Annex I.5).

Successive Governments have made efforts to diversify the economy and reduce macroeconomic volatility, although with limited success. Various reforms have tried to reduce the procyclicality of fiscal policies and encourage economic diversification. Establishment of the Interim Revenue Stabilization Fund (IRSF) in 2000 and the Heritage and Stabilization Fund (HSF) in 2007 were important steps in this regard (Box 1.1). However, the high energy prices and rising hydrocarbon output may have led to complacency and concealed problems facing the non-energy sectors, such as weak regulation, poor infrastructure, limited supply of high-skilled labor, and low investor confidence. These constraints have become more binding recently, as energy sector earnings have fallen and proven reserves declined.[7]

Over the review period, the fiscal balance has shifted relative to the past decade, as expenditure exceeded revenue (Annexes I.6, I.7). Fiscal policy remained cautious in the early 2000s, but the considerable increases in energy export earnings and revenue led to sharp surges in government expenditure through 2008. Though the global financial crisis led to a major drop in revenue, government spending proved difficult to contain and significant deficits emerged. From FY 2007-08 to FY 2014-15 subsidies and transfers increased by nearly 50% (to 18.8% of GDP), as did public sector wages and salaries (to 6.2% of GDP), and government spending on goods and services rose from 3% of GDP to 5.2%. The large increase in subsidies and transfers reflects the growth of social programs and the proliferation of government agencies, which has led to overlapping mandates and coordination challenges. Almost all major categories of spending are subsidized, including housing, education, health care, water and sanitation, transportation, fuel and energy. Transfers also help to fund state-owned enterprises' debt service and infrastructure projects.

Box 1.1. The Heritage and Stabilization Fund

The HSF's dual objectives are to (i) continue the IRSF role of helping to insulate fiscal policy and the economy from swings in world energy prices; and (ii) address intergenerational equity considerations by accumulating savings from the exploitation of the country's exhaustible energy resources for future generations. The design and governance structure of the HSF is in line with international best practices for Sovereign Wealth Funds, set forth in the Santiago principles,[a] especially regarding transparency and accountability. As of end-2015, the HSF had assets in excess of US$5.75 billion (some 20% of GDP). Although the conditions for a drawdown had been met on several occasions, the HSF had not been tapped prior to 2016.

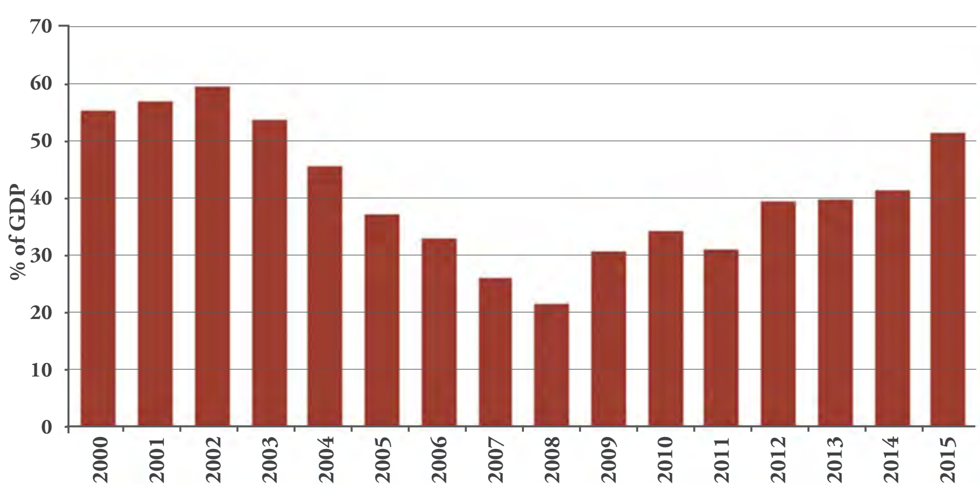
[a] The International Working Group on Sovereign Wealth Funds, of which Trinidad and Tobago is a member, developed these principles, also known as the Generally Accepted Principles and Practices.

Although public debt has increased considerably since the global financial crisis, its level remains sustainable.[8] Having fallen to 21.5% of GDP by 2008, the public-debt-to-GDP ratio more than doubled by 2015 because of lower economic growth and rising deficits (Figure 1.3, Annex I.8). This ratio includes external debt (9.2% of GDP) and contingent liabilities (16.3% of GDP)—that is, debt issued by State Owned Enterprises (SOEs) and statutory authorities. Despite recent downgrades, Trinidad and Tobago has retained investment-grade ratings.

Figure 1.3

General government gross debt (% of GDP)

Source: IMF World Economic Outlook



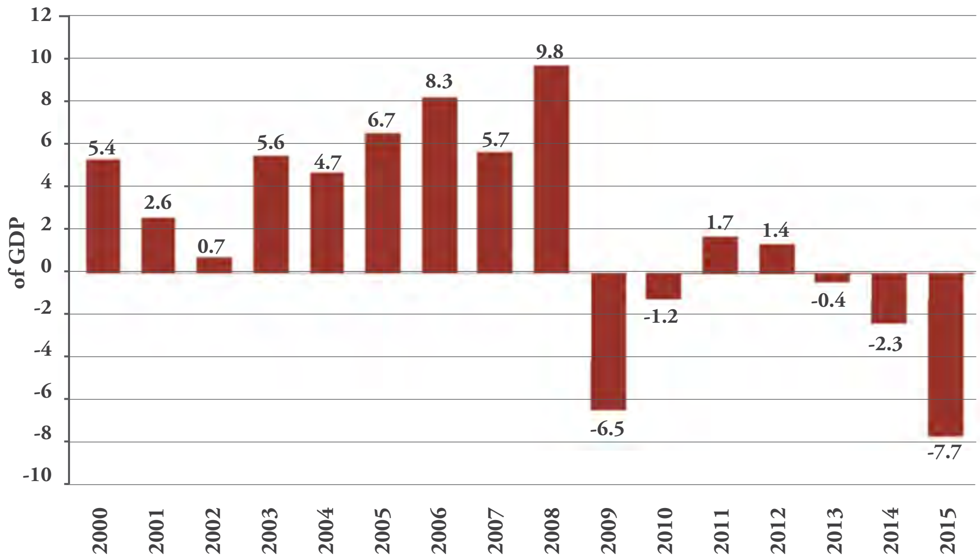


FIGURE 1.4

General government primary fiscal balance (% of GDP)

Source: IMF World Economic Outlook

The fall in energy prices by some 40% and lower production of oil and gas in 2015 turned the long-standing current account surplus into a 5.4% deficit[9] (Annex I.9). The reduction in export receipts also led to an overall balance of payments deficit and a loss of official foreign reserves of around US$1.5 billion.[10] As energy revenue fell sharply and expenditure remained virtually unchecked, the fiscal deficit ballooned to 7.7% of GDP (Figure 1.4). In December 2015, the Central Bank of Trinidad and Tobago (CBTT) announced that the economy was in recession.

The new Government recognizes the considerable challenges to fiscal policy created by the collapse in world energy prices and has taken important steps to generate additional revenue and curtail spending: widening the VAT tax base, reducing fuel subsidies, cutting the number of ministries, and instituting spending cuts. More recently, confronted with a revenue shortfall of TT$15 billion since taking office in September 2015 and a projected contraction of 2.3% of GDP in 2016, the Government announced additional plans to bridge the fiscal gap through structural adjustments, the sale of assets, borrowing,[11] and a withdrawal of up to US$1 billion from the HSF.

B. GOVERNANCE AND THE PUBLIC SECTOR

Trinidad and Tobago is a stable parliamentary democracy but has polarized politics and governance challenges.[12] The country ranked lower than other small economies and other LAC countries on five of six indicators[13] of the World Bank's Worldwide Governance Indicators Project (Annex I.10). In addition, the 2013 Public Expenditure and Financial Accountability (PEFA) assessment identified several public financial management (PFM) weaknesses, in particular in the areas of efficiency and effectiveness of spending, procurement, availability of information, budget preparation, and financial management. With support from the Inter-American Development Bank (IDB, or the Bank) and other agencies, the Government is addressing some of these weaknesses.

Inefficient government bureaucracy was identified as one of the most problematic factors for doing business by the 2015-16 Global Competitiveness Report of the World Economic Forum. Challenges include structural issues in the civil service, a shortage of professional skills to staff ministries and project units, a lack of robust performance-based public management, and limited center-of-government capacity to coordinate cross-sectoral initiatives.[14] The civil service represents one-quarter of total employment, but compensation is low and a large share of employees is in the lower echelons. Human resource management is highly concentrated and the decision-making process is bureaucratic, leading to indecision and delays.

Severe gaps in official data and in the institutional capacity to collect, monitor, and use data limit the ability of the Government and external agencies to make informed policy decisions and conduct economic surveillance.[15] Although some progress has been made, Trinidad and Tobago compares poorly in terms of the quality and promptness of statistical information. In fact, Moody's premised its recent downgrades in part on the inadequate provision of vital macroeconomic data.[16] To address these problems, in 2016 the Government passed legislation to transform the Central Statistical Office into the National Statistics Institute of Trinidad and Tobago (NSITT), making it an autonomous and more efficient and modern agency. The NSITT is scheduled to be operationalized in 2017.

C. Poverty reduction, human development, and climate change

Trinidad and Tobago has achieved a relatively high human development status, ranking 64th out of 187 countries in the 2015 Human Development Index—among the highest in the LAC Region (Annex I.12). The country has made progress on most Human Development Index indicators, including a near-doubling in GNI per capita since 1980 and important increases in life expectancy at birth and in mean and expected years of schooling (although the quality of education remains a challenge).

Notwithstanding these achievements, Trinidad and Tobago has many structural challenges that contribute to vulnerability and inequality. Successive Governments have implemented numerous programs to reduce poverty,[17] but there are no data about their success.[18] Public expenditure on the social safety net is roughly 5% of GDP. There is an overabundance of programs (120 total), with limited coordination; lack of pro-poor targeting mechanisms, cost-benefit assessments, and audits; and few data on results. Despite evidence of both duplication and coverage gaps, there is no single information system to track beneficiaries and outcomes across programs.

The public perceives violence and crime to be one of most important challenges today. In the 2014 Latin American Public Opinion Project, 67% of Trinidad and Tobago citizens identified security as the most important issue facing the country, and the

2015-16 Global Competitiveness Report ranks crime as the fourth most problematic factor for doing business in the country (Annex I.13). Crime, particularly violent crime, imposes large costs on society and constitutes a deterrent to new economic activity, new businesses, and investment. The United Nations Development Programme estimated in 2012 that a 1% reduction in youth crime would raise revenue from tourism by US$35 million a year,[19] a non-trivial amount given the size of the sector.

Access to potable water is relatively high (84% of the population is served with piped water),[20] but only 16% of residential customers in Trinidad and 36% in Tobago receive continuous service.[21] Access to sanitation services—including sewerage and wastewater treatment—lags behind, with 30% of the population having access to centralized sewerage services,[22] and a low percentage of total wastewater being treated. Inadequate disposal of solid waste is also a concern.

As a small island state, Trinidad and Tobago is vulnerable to natural disasters and climate change. The country also experiences many environmental problems from flooding, widespread pollution of waterways and coastal areas, illegal dumping, excessive soil erosion, and fisheries and wildlife depletion. Higher temperatures, rises in sea level, and increased rainfall and storm activity threaten lives, property, and livelihoods. Yet as a hydrocarbon economy, Trinidad and Tobago is among the highest producers of CO_2 emissions (per capita) in the world.

D. The financial sector and business environment

Trinidad and Tobago has a relatively sophisticated and dynamic financial system and is becoming a regional financial center. During 2011-15 the financial sector accounted for around 20% of non-oil GDP and 11% of overall GDP. Commercial banks have traditionally dominated the sector, with 45% of total system assets, followed by insurance companies (16%) and occupational pension funds (13%) (Annex I.14). While commercial banks showed a remarkable degree of resilience to the global financial crisis and the attendant slower domestic activity, the collapse of two non-bank financial institutions—the large Colonial Life Financial Group (CLF) and the smaller Hindu Credit Union—exposed regulatory and supervisory deficiencies. The bailout and restructuring of CLF has taken seven years thus far, at an estimated initial cost of 10% of GDP. Some progress has been made in strengthening the legal, supervisory, and regulatory frameworks for non-bank financial institutions.

The nation's banking sector has high levels of liquidity, but domestic credit to the private sector is low relative to comparator countries, and the capital market is underdeveloped. Despite the relatively low cost of financing, access to credit—especially for firms in the non-energy sector—is limited: domestic credit to the private sector is only 30% of GDP, among the lowest in LAC. CBTT has reported falling levels of domestic credit extended to the private sector, in particular to small and medium enterprises (SMEs).

The banking sector is highly profitable, focusing on retail credit and fees for structured financing of government and foreign exchange transactions of large companies. There are few incentives to reach SMEs in the absence of a strong institutional and regulatory framework to promote access to finance (e.g., credit bureau, guarantees and secured transaction systems), and banks prefer to keep high liquidity levels rather than expose themselves to eventual repayment-risks.

The country's scores on various surveys about competitiveness and doing business remain weak (Annex I.15). The IMF Staff Report for the 2014 Article IV Consultation notes that Trinidad and Tobago has advanced on important structural reforms, including the average time to start a business (3 days, down from 43) and obtain construction permits (6 days, down from 42). Notwithstanding this progress, the 2015-16 Global Competitiveness Index ranked the country 89th out of 140 economies, with a score of 3.9 (out of 7), below most of LAC. This ranking reflects significant constraints in nine of the 12 pillars used to measure competitiveness (Annex I.16) and has remained virtually unchanged in the last few years despite robust scores in health, primary education, and infrastructure.

Attempts to diversify the economy have stalled in recent years, as rapid growth in the LNG industry crowded out manufacturing and other non-energy sectors. Local and international supply chains are underdeveloped, hampering opportunities for SMEs to grow in a potential country diversification. Labor market regulations that prioritize job security and ensure significant benefits to formal sector workers have also contributed to limited growth in the non-energy sectors, resulting in a relatively high number of public sector jobs, but underemployment and informality in other sectors. While Trinidad and Tobago is known for its well-educated workforce, the 2015-2016 Global Competitiveness Report identified poor work ethic as the most problematic factor for doing business. Over the years, the labor force has moved out of agriculture and manufacturing and into the service sector (Annex I.17), where productivity growth has been negative. A recent CBTT survey on labor market conditions indicated a mismatch between skills and available jobs.

E. The role of the Bank and other international agencies

The Bank remained the dominant multilateral partner in the country over the review period. The Caribbean Development Bank (CDB) also provides a mix of financial and technical assistance to Trinidad and Tobago; however, for the last programming period, 2011-2015, its loan portfolio was limited to one Policy Based Loan in the energy sector valued at US$40 million. More recently, in 2016, CDB collaborated with the country to develop a Country Training Programme in the areas of Public Policy Analysis Management and Project Cycle Management. The Development Bank of Latin America approved its first loan to the country in 2016 for US$300 million to support the Medium-Term Fiscal Consolidation Strategy. This operation will complement the Government's efforts to increase the efficiency of public expenditures and induce a process to diversify the economy. Although the World Bank graduated the country from its lending program in 2003, it provides fee-for-service assistance on financial sector development, and it continues to support the country's adherence to the Extractive Industry Transparency Initiative. The European Union sponsored the PEFA exercises that were held in 2008 and (on a partial basis) in 2013. The IMF has been an active partner advising on PFM reform through the Caribbean Regional Technical Assistance Centre. Trinidad and Tobago also borrows from bilateral sources, most notably China.

2

The Country Strategy was designed to taking take advantage of a "unique opportunity" to "significantly increase" the IDB's technical and financial exposure in the country, and at the same time support Trinidad and Tobago's decision to "transition the economy into a post-hydrocarbon model, while continuing to improve its standard of living."

2 The Bank's Program: Strategic Intent and Implementation

A. Relevance

The Country Strategy (CS) 2011-2015 was conceived against the backdrop of a contracting economy in 2009-2010 and the expectation that the Government "will run fiscal deficits in the medium term". The Country Strategy was designed to taking take advantage of a "unique opportunity" to "significantly increase" the Bank's technical and financial exposure in the country, and at the same time support Trinidad and Tobago's decision to "transition the economy into a post-hydrocarbon model, while continuing to improve its standard of living." The focus of the CS was relevant to the extent that it was aligned with the new administration's ambitious agenda of structural reform, capital investment, and social development, and it was informed by the Government's policy objectives as articulated in successive strategic documents.[23] The CS was also aligned with the goals of IDB-9 through its support for poverty reduction and equity enhancement; small and vulnerable countries, and climate change and environmental sustainability.

The CS proposed a broad program of budget support, investment lending, and technical cooperation (TC) to support the ambitious reform process in eight priority sectors (Table 2.1). It also identified three areas for dialogue based on analytic work and discussion with the Government. The selected priority sectors reflected the initial agreement between the Bank and the Government on relevant development challenges. Although data limitations are an important constraint to evidence-based decision-making in Trinidad and Tobago, the sector notes prepared by IDB[24] largely incorporated available data. The strategy's results matrix (Annex II.1) set objectives for each of the priority sectors, and these objectives served as a reference for the Office of Evaluation and Oversight (OVE) to analyze program effectiveness (in Chapter III). The Bank's country office in Trinidad and Tobago (CTT) monitored the CS indicators through a tracking matrix that was updated once a year as part of the annual country program exercise. Tobago's development challenges were to be addressed in a "cross-cutting" manner, with emphasis on energy, climate change, and water and sanitation.

The envisaged approval of US$1.5 billion in sovereign-guaranteed lending for the five-year strategy period was nine times higher than the financial envelope of the prior strategy (US$165 million) and six times more than the total approved from 2004 to 2010. The CS's financing framework implied a historic level of approvals and a strongly positive net flow of resources to the country. It included an aggressive program of policy-based lending and investment loans. This signaled a major reengagement with Trinidad and Tobago and consolidated the Bank's position as the most important development partner in the country. The sole justification for the large lending envelope was that "its scope is appropriate given the scope of the reform process." It was not grounded in a deep understanding or robust analysis of the institutional capacity of the Bank or of the Government to coordinate and execute the stepped-up volume of loan financing in the proposed timeframe. In hindsight, it is clear that the Bank's CS was overly optimistic regarding the Government's capacity to advance reforms, and unrealistic in terms of scope and timing.[25] The view that the country would sustain implementation of the aggressive lending program was mistaken.

The strategy's risk analysis was cursory, and its mitigation plan was inadequate. The CS did call attention to important political and institutional risks that could impede the effective delivery of the Bank's country program; however, it seriously underestimated the high probability of those risks and the negative impact they would have. For example, while the CS correctly identified the political risk of shifting power relationships in targeted sectors whose benefits might be reduced, it incorrectly assumed that the electoral manifesto of the then entering Government was sufficient demonstration of political commitment–and hegemony–to push forward with the ambitious program of reforms across ministries. These miscalculations suggest that the Bank underestimated the country's deep structural constraints, particularly with regard to human resource management and organizational culture.

Efforts to engage with the private sector were not sustained by the Bank, despite significant interest by country authorities for a deeper presence. On one hand, Structured and Corporate Finance (SCF) products were costlier than other private banking alternatives, and the export sector was able to obtain better terms (interest rates, grace periods, and maturities lending) from other sources. On the other hand, the small-scale nature of the Inter-American Investment Corporation's (IIC) products did not meet the financing needs of the larger corporate firms. In addition, the high cost of IDB's legal procedures, its lack of local currency lending, and the absence of incentives for private banks to spread their operations into smaller markets prevented IDB from addressing the untapped demand for finance from the non-energy sector—either directly to SMEs or indirectly through financial intermediaries (see 1.20).[26]

Table 2.1. CS 2011-2015: Priority sectors, strategic objectives, and new approvals (loan & TC)

Priority sector	*Strategic objective*	*Total approved US$ million* (% volume)*
Financial sector regulation & supervision	• Reduce the vulnerabilities of the financial sector and avoid systemic crisis	50.0 (6%)
Public sector management	• Improve transparency, efficiency, and effectiveness of public expenditure, including SOEs	62.9 (7%)
Education	• Develop the country's youth, promote a highly skilled labor force to drive new economic activity	less than 0.1%
Social protection	• Improve the effectiveness and efficiency of social safety net programs	52.1 (6%)
Climate change	• Mainstream climate change adaptation and carbon reduction in national development	82.4 (9%)
Energy	• A more efficient, sustainable, and cleaner energy matrix	60.7 (7%)
Water & sanitation	• Improve environmental conditions: decrease in uncontrolled discharge of untreated wastewater; improved supply and sustainability of public water and wastewater management services	418.0 (48%)
Transport	• Implement a comprehensive road maintenance and rehabilitation system to improve the quality, sustainability, and safety of roads	
Areas for dialogue		
Private sector development	• Promote entrepreneurship and investment in non-energy sectors; enabling environment for business development; public-private dialogue	less than 0.1%
Fiscal sustainability	• Taxation and tax administration	
Sustainable cities	• Integral solutions for local governments	less than 0.1%
Sectors outside the CS with approvals		
Health		111.5 (13%)
Trade		43.0 (5%)

Source: Trinidad and Tobago 2011-2015 Country Strategy
*Note:** IDB Data Warehouse June 2016

B. Approvals

Over the course of the CS, the Bank approved 14 new loan operations for a total value of US$871 million (roughly half of the financial envelope proposed by the CS), and 29 TCs for an additional US$12 million in grant resources (Table 2.2 and Annex II.2). Despite the lower-than-expected level of approvals, IDB's engagement with the country accounted for 80-90% of total external multilateral debt during the period, and about 25% of total public external debt at end-2015 (roughly 2.6% of GDP).[27]

Table 2.2. New approvals, all instruments, 2011-2015 (US$ million)

Instrument	*2011*	*2012*	*2013*	*2014*	*2015*	*Total*
Investment loans	55.0	246.5	158.0	110.0	65.0	634.5
Policy-based loans	235.0	-	-	-	-	235.0
Project Preparation Facility	-	-	1.5	-	-	1.5
Technical cooperation	4.2	2.2	2.6	1.1	1.9	12.0
Total	294.2	248.7	162.1	111.1	66.9	883.0

The approved program was broad and covered six of the eight anticipated sectors: financial sector regulation and supervision, public sector management, social protection, climate change, energy, and water and sanitation. Three loans (in trade, competitiveness, and health) were approved outside of the strategic objectives in the CS. No loans were approved in education or transport—both priority sectors.

About 27% of the volume of approvals (US$235 million) was distributed across four policy-based programmatic operations (PBPs) with significant reform content in the following areas: sustainable energy policy (US$60 million), climate change adaptation and carbon reduction policy (US$80 million), financial sector regulation and supervision (US$50 million), and social protection (US$45 million). This suite of reforms, approved in 2011, plus an additional PBP approved in December 2010, *Public Expenditure Management Program* (US$100 million), established the framework for lending in the CS.

The balance of loan resources, US$636 million, financed nine investment loans and one Project Preparation Facility (PROPEF). After a hiatus of almost 40 years IDB's reengagement in the water and sanitation sector resulted in the highest loan approvals during the evaluation period (US$416.5 million, Figure 2.1). This offered significant value-added to the citizens of the country, as the sector had not been prioritized in the recent past. The three operations approved in the sector accounted for 48% of total loan financing (66% of total investment loan financing). Most of these resources were concentrated in the US$246.5 million *Wastewater Rehabilitation* Program, which was the largest single investment loan ever approved in Trinidad and Tobago. The Bank also approved US$20 million to strengthen information management in the Registrar General's Department; US$40 million to strengthen the efficiency and effectiveness of public financial management; and US$5 million to improve targeting efficiencies in the social safety net (subsequently cancelled). The remaining US$153 million supported three operations in sectors outside the purview of the CS—health, trade and competitiveness.

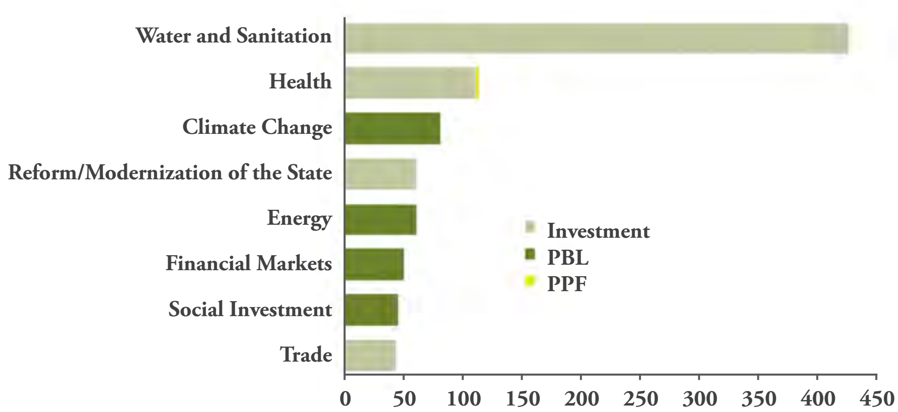


Figure 2.1

Loan approvals by sector and financial instrument, 2011-2015 (US$ million)

Source: OVEDA.

The integration of TCs with the lending portfolio has become a relevant feature of the Bank's country program. Nearly half of all approved TC resources supported the design and preparation of new loan operations, including the fulfillment of PBP conditionality and the achievement of criteria for disbursement eligibility (Figure 2.2). For example, in energy and climate change, the related TCs defined policy options and lines of intervention that the Government subsequently used to set its vision for the sectors. TCs that provided support to implementation, including short-term consulting services, accounted for a quarter of all grant financing, while operations that supported upstream work comprised 23% of the approvals. The balance of TC resources were allocated through the C&D Action Plan and mostly addressed capacity building, events and training. In terms of sectors, 85% of TC funding was distributed across six of the eight priority sectors identified by the CS.[28] Climate change, social investment, and public sector management made up 60% of all TC approvals (Figure 2.3).

The evaluated portfolio also included 13 active operations approved during earlier CS cycles (one PBP series, seven investment loans, and five TCs) with an undisbursed balance of US$133.6 million as of January 2011. Of these, 11 were completed or closed during the current evaluation period. The undisbursed balance of the remaining two loans (citizen security and neighborhood upgrading) was US$21.4 million as of August 2016. (Annex II.3).

FIGURE 2.2

Distribution of TC financing by objective, 2011-2015

Fuente: OVEDA.

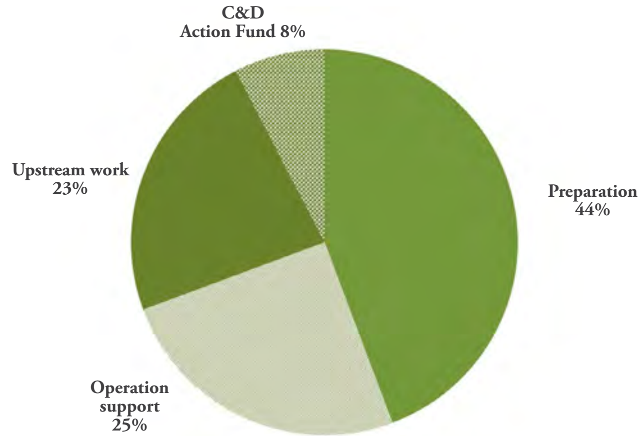
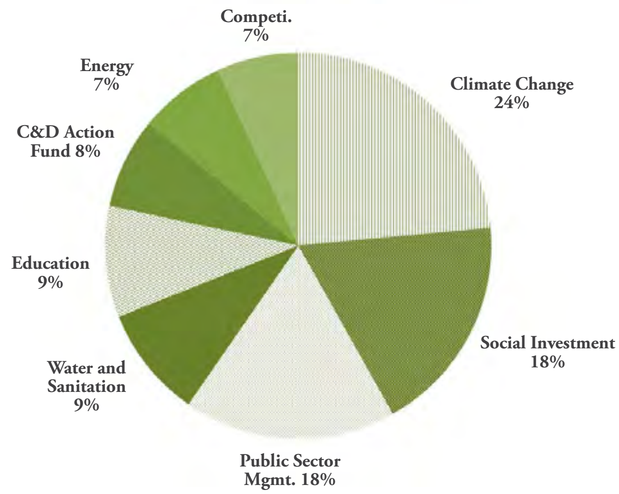


FIGURE 2.3

Distribution of TC financing by sector, 2011-2015

Fuente: OVEDA.



The Multilateral Investment Fund was the only private sector window to approve any operations (a total of four for US$1.2 million). These projects aimed to boost entrepreneurship, encourage local development, develop credit rating systems, and improve corporate governance. Neither SCF nor IIC approved any loans.

C. IMPLEMENTATION

The implemented program diverged significantly from the anticipated program. During the initial stage of activity, the Bank moved into fast-disbursing lending, but it was not able to sustain the momentum or focus envisioned by the CS. All four PBP series approved in 2011 were truncated after the approval and disbursement of the first operation in each series,[29] as was the PBP series approved in 2010 (Table 2.3). None of the three investment loans approved in 2014 or 2015 had been signed by the Government as of December 2015,[30] although the health loan was already under reformulation. A fourth investment loan (water and sanitation), approved in 2013, was not yet eligible to disburse; and the hybrid investment loan for social protection was cancelled at the Government's request shortly after eligibility. Cross-cutting activities in Tobago were not implemented as planned and four investment loans programmed in different Country Program Documents were removed from the pipeline.

Table 2.3. Truncation of programmatic policy-based series (2010-2015) (US$ million)

Sector	Program 1	Program 2	Program 3
Public expenditure	TT-L1019 (2010, US$100 m)	TT-L1020 (2012, US$18 m)	(discontinued)
Energy	TT-L1023 (2011, US$60 m)	TT-L1032 (2012, US$35 m)	(discontinued)
Climate change	TT-L1022 (2011, US$80 m)	TT-L1030 (2013, US$20 m)	N/A
Social safety net (hybrid)	TT-L1014 (2011, US$45 m/US$5 m)	TT-L1031 (2015, US$20 m)	(discontinued)

Source: OVEDA
*Note:**Shaded area indicates that a PBL was anticipated but never approved.

According to OVE's analysis, all policy conditions in the approved PBP operations had low or medium structural depth; none was of high depth (Annex II.4).[31] The trend to front-load the initial operation in a PBP series with conditions of low to medium depth is consistent with the findings of OVE's recent Bankwide analysis of PBPs.[32] It is important to note that the Government has continued the reform process to varying degrees in some areas (including financial sector regulation and supervision, energy, climate change, and public sector management) without Bank financing; however, the pace is slower than originally planned. (See Chapter III.)

The Bank did not adequately analyze the likely risks associated with the use of the PBP (a new loan instrument in the country context), including the significant interagency coordination needed to approve, implement, and sustain the reform agenda. Interviewees who had been in the Government when the programmatic suite was negotiated reported a closed design process that excluded many stakeholders from the discussions with IDB. This lack of consultation led to the inclusion of loan conditions that were disconnected from the working realities and capacity of the relevant ministries, and were ultimately infeasible. The Bank's failure to engage broadly with stakeholders was exacerbated by an inadequate assessment of institutional conditions. Internal political processes and shifting priorities also played a central role in the definition and execution of the Bank's country program.[33] The analytic work that informed the design of the PBPs, while extensive, appears to have been mainly technical in nature. A deeper, more robust understanding of the political economy and institutional environment might have ensured a more relevant design and implementation.

The initial flow of budget support boosted the speed of disbursements to the country, but approvals fell quickly thereafter (Figures 2.4 and 2.5). Furthermore, the swift PBP disbursements masked a deeper systemic challenge to the performance of the Bank's country program–that of the protracted execution of the investment portfolio. The CS envisaged average annual disbursements of US$210 million, but actual disbursements averaged only US$78 million per year because of the slow implementation of the investment portfolio and the Government's decision to truncate all five PBPs. Between 2000 and 2015, the net cash flow of loan resources to the country was negative in all years but 2010 and 2011—the years during which the programmatic series were approved and disbursed (Figure 2.6).

Figure 2.4

Annual disbursements, 1997-2015

Source: OVEDA.

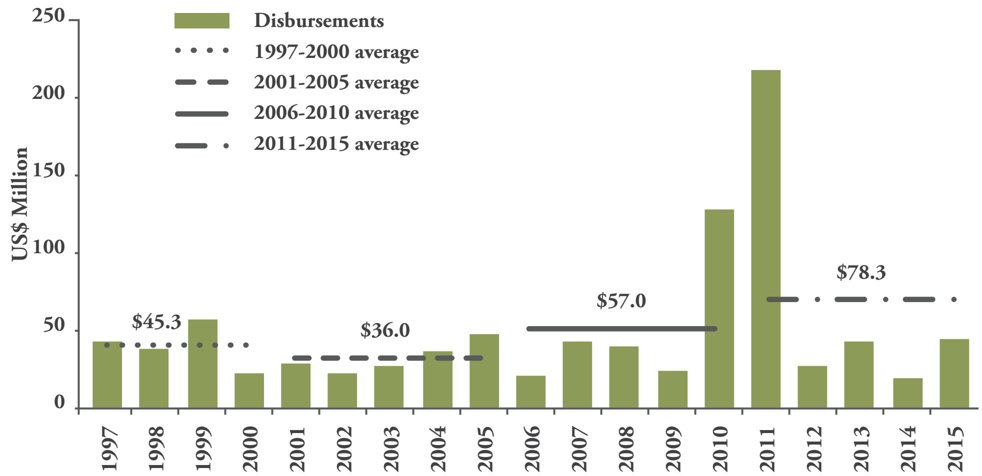
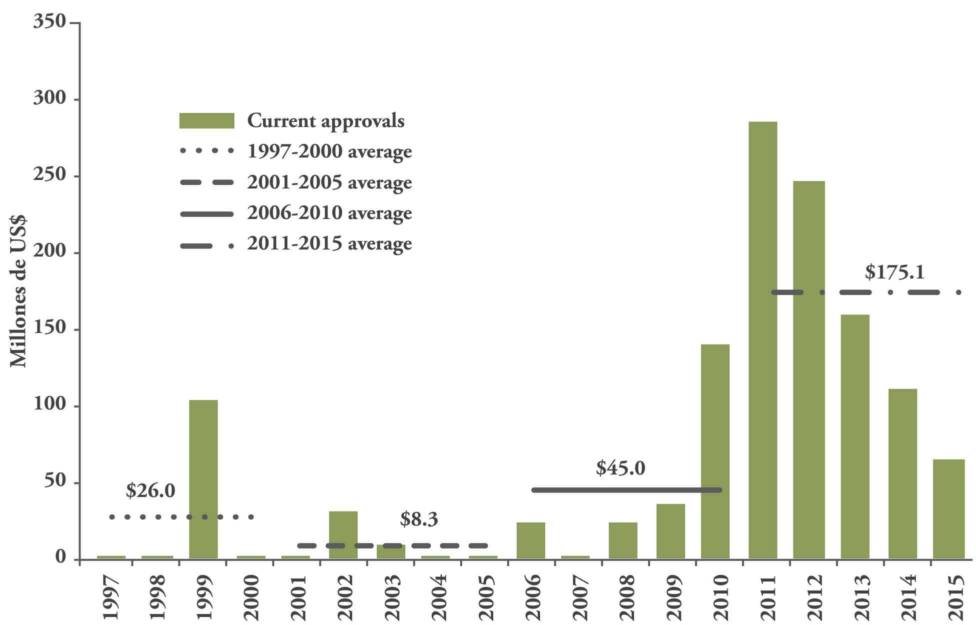


Figure 2.5

Annual approvals, 1997-2015

Source: OVEDA.



The implementation readiness of the investment portfolio can be gauged by the slow pattern of disbursements. Historically, the average investment loan in Trinidad and Tobago achieved 50% disbursement following 125% of the original estimated time for execution (75 months vs. 60 months) (Annex II.5). Of the nine investment loans approved over the CS cycle, the most advanced had disbursed only 40% by its fifth year in execution, and four others had not yet achieved disbursement eligibility (average of 17 months post-approval, as of July 2016). Five of the seven investment loans that were approved prior to 2011 were completed during the evaluation period, and all five required an extension. The average total extension for the 5 completed loans was 54 months—twice the CCB average of 27 months and far greater than the Bank-wide average of 24 months.[34]

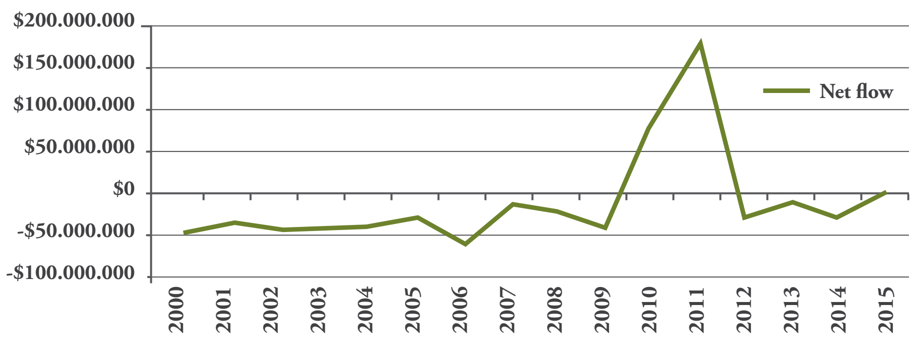


Figure 2.6

Net flow 2000-2015 (US$ million)

Source: OVEDA.

Direct costs associated with the underestimation of implementation readiness were high for both the country and the Bank. Trinidad and Tobago paid at least US$4.8 million in credit fees over the CS cycle—four times more than the total paid over the prior five-year period (2006-2010) due to the lag in the execution of the investment portfolio. An additional US$775,795 was charged to the Bank's administrative budget for the initial preparation of loans that were dropped from the pipeline prior to approval.[35]

Every investment loan was adversely affected by low institutional capacity that frequently led to delays, cost overruns, and failure to deliver timely results (see Chapter III). The 2003 CPE concluded that Trinidad and Tobago takes significantly longer to implement projects than initially planned, even for those complex operations that originally call for extended timeframes. This observation was reaffirmed in the last CPE and in individual Project Monitoring Reports (PMRs) reviewed for this CPE. Most bottlenecks relate to the understaffing of project execution units (PEUs) and difficulty in identifying and recruiting suitable staff on a timely basis. Project positions went unfilled, sometimes for the life of the operations; and for most loans, frequent turnover in professional staff caused discontinuities in project management. The electoral cycles of 2010 and 2015 and the related realignment of Government priorities, ministries, staff, and project responsibilities also contributed to implementation delays.

Recurring implementation issues include the design of projects that were overly large and complex; burdensome procurement; miscalculation of time requirements to implement both policy reforms and investment loans; and poorly understood interrelationships among ministries, PEUs, and the Bank. Implementation readiness was adversely affected by the approval of projects before their technical design was finalized or critical inputs for execution (i.e., construction designs and permits for works) were secured. While PEU staff were appreciative of the Bank's flexibility and responsiveness when there were problems in execution, a number of the authorities interviewed suggested that the Bank was too flexible and at times did not conduct the necessary due diligence. They opined that the Bank should not have approved any new projects before they were ready to implement, ensured that key deadlines and conditions were met before proceeding to the next operational phase, and been tougher in holding management accountable for deliverables. A more conservative and phased approach in project design might have allowed the Bank and the country to build on small successes before embarking on more complex programs.

In 2012, CTT contracted a project management expert to diagnose challenges to implementing the investment portfolio. The diagnostic independently confirmed "systemic failings in project governance" in the public sector, including a lack of clear operational procedures, manuals, or accountability frameworks; difficulty in attracting and retaining appropriate project personnel; and a lack of operational autonomy for decision-making. The limited application of project management tools and techniques by both PEU staff and IDB project teams was also identified as a weakness.[36] In response, CTT launched a series of interventions to strengthen project management capacity in PEUs.[37] These activities, which are ongoing, were well received by the authorities interviewed for this evaluation, though the depth and breadth of the interventions have not been sufficient to produce significant improvements in the performance of the portfolio.

Although the design of each loan and many TCs included targeted resources to strengthen public institutions, these efforts have not led to any major improvements in institutional performance or capacity. Only four of the 17 investment loans in the active portfolio included a full diagnostic of institutional capacity. Even though coordination was the third most-cited problem affecting institutional capacity, activities to address this issue were among the least financed. Institutional strengthening activities were found to be highly relevant for the most part, though they only had partial vertical logic because they were either insufficient to achieve the intended objectives by themselves, too complex, or not appropriately sequenced. As of May 2016, only 23% of institutional strengthening financing from the active loan portfolio had disbursed. Of the 7 loans whose institutional strengthening components had disbursed 90% or more, none has completed its outputs as originally planned, and only 2 have partially achieved their institutional strengthening outcomes as originally expected. (See Annex II.6 for OVE's assessment of institutional strengthening at the project level.)

Limited progress has been made toward the use of country systems. As of end-2015, all projects were using budget and treasury subsystems, but, because of capacity constraints, just 30% were using the Auditor General's office for external audits. None was using national systems for accounting or procurement, given the delayed rollout of the Cabinet-approved PFM policy, including an integrated financial management information system (IFMIS) and the new procurement legislation.

3

In 2015, the IDB completed Phase I of the Seamless Education System, a 10-year multiphase investment program to upgrade the education system. The development objectives of the program to upgrade the education system were well aligned with the expected results of the Country Strategy, and aimed to (i) improve the equity, quality, and relevance of educational services provided in early childhood care and education; and (ii) improve sector management, monitoring, and evaluation.

3 Results by Strategic Objective

Although progress was observed in some areas of the country program, achievement of the development objectives outlined in the CS was only partial, and the sustainability of these results was unclear. The ambitious reform agendas in the suite of programmatic loans had objectives that were relevant to the country´s needs and priorities; however, the truncation of all five series following the disbursement of the first PBLs limited their effectiveness. The investment portfolio also suffered from significant delays and underperformance.

A. Priority sectors identified in the Bank's Country Strategy

1. Financial sector regulation and supervision

Expected results of the CS:			- Supervisory and regulatory framework improved		
Loan Number	**Operation name**	**Operation type**	**Approval year**	**Original US$ approved**	**Disbursement status 8/30/2016**
TT-L1024	Financial Sector Supervisory and Regulatory Framework - I	PBP	2011	50 millon	PBP Program 2 truncated

The PBP *Financial Sector Supervisory and Regulatory Framework* was planned as a two-part series to reduce the vulnerabilities of the financial sector and the probability that a systemic crisis might occur. The series was accompanied by technical studies and institutional strengthening through two TCs (Compete Caribbean). The first PBL (US$50 million), approved and disbursed in December 2011, focused on (i)

Based on a thorough diagnostic of the water and sanitation sector, the IDB´s program was designed to "(i) decrease the uncontrolled discharge of untreated water into the environment and (ii) improve the supply and sustainability of public water and wastewater management services."
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reforming the regulatory framework of the financial sector, and (ii) strengthening the Government's financial sector supervisory capacity. Program targets related to changes in the relevant legal and regulatory framework, instruments, and procedures, and were fully aligned with national priorities and the expected results of the CS. The second operation, which was designed to support the completion and implementation of the legal and regulatory reforms initiated under the first PBL, was truncated by the Government.

The first operation of the programmatic series achieved the following results: the Insurance and Credit Union bills were drafted, the Occupational Pension Reform was under consultation, CBTT had drafted anti-money-laundering guidelines, and the Securities Bill was being updated. Notwithstanding this progress, the loan did not meet the expected targets for 5 of 9 indicators by end-2015 (or data were not available to measure progress)—mainly because the indicators were associated with implementation of the legislation, which remains delayed.

Truncation of the series did not mean that the Government's overall reform process came to a total halt. Although the second operation did not materialize, CBTT has continued to strengthen its supervisory and regulatory capacity. For example, CBTT has adopted Basel III recommendations and continued to harmonize anti-money-laundering/countering the financing of terrorism (AML/CFT) guidelines with international standards. But political economy factors (including the 2015 electoral cycle) have led to a loss in momentum in other activities. For example, insurance legislation to improve regulatory oversight was presented in Parliament in July 2016, but has not been enacted; the Credit Union Bill, introduced in Parliament in November 2014, has lapsed; and the Occupational Pension Bill has been stalled. The technical capabilities of CBTT and other institutions in the sector will need to be enhanced if the laws are passed. That said, CBTT has demonstrated that it can undertake internal restructuring and enhance its capabilities by adopting recommendations and international standards, which bodes well for sustainability.

2. Public sector management

Expected results of the CS:			- Strengthened budget process - Enhanced project cycle management; - Enhanced governance structure for SOEs		
Loan Number	**Operation name**	**Operation type**	**Approval year**	**Original US$ approved**	**Disbursement status 8/30/2016**
TT-L1042	Public Financial Management I	Investment	2015	40 million	Pending signature
TT-L1034	Information Management at the Registrar General's Department	Investment	2013	20 million	7%
TT-L1019	Public Expenditure Management Program I	PBP	2010	100 million	PBP programs 2 and 3 truncated
TT0056	E-Gov & Knowledge Brokering	Investment	2006	28 million	Completed
TT0057	Public Sector Reform Program	Investment	2003	5 million	Completed

The CS highlighted public sector management—and, in particular, PFM—as a key area of reform; however, progress has been limited. The Bank's program included both new and inherited operations: four investment loans, seven TC projects, and one PBP. Although the strategic objective of the CS—"to support government's reform agenda aimed at improving transparency, efficiency and effectiveness of public expenditure, including SOEs"—was relevant, the reform agenda outlined was not realistic in the timeframe envisioned, especially given the weak institutional capacity to carry out these intensive reforms.

The Bank's strategic approach to strengthening public sector management was to sequence reforms through a PBP series that began with the US$100 million *Public Expenditure Management Program.* Approved and disbursed in December 2010, the program was designed as the first of three programmatic operations that would tackle long-term reforms in three areas: policy design and public investment management, public procurement, and PFM and audit. Each area required reforms involving new policies, practices, and system modernization as well as procedural and legal changes that required political support across and beyond the Government. All of the basic policy initiatives that served as triggers for disbursement were undertaken by the Government before the approval of the first operation.[38] While these actions demonstrated compliance with the thrust of PFM reforms, their structural depth in the initial operation was insufficient to transform the system (Annex III.1).[39]

The PBP instrument offered, in theory, a powerful mechanism to guide the transformational state modernization program; however, the Government declined to take up the second and third operations of the series. This raises the question of whether an adequate level of consultation and commitment was in place to justify the Bank's and the Government's very substantial investment. Various interviewees expressed a combination of fatigue and frustration that the public expenditure management reform has so far been superficial. Political economy factors preceding and following the 2010 and 2015 elections have also contributed to the loss in momentum. Consequently, the difficult technical and institutional work required to implement modern systems and approaches for PFM was largely relegated to a set of investment loans and TCs,[40] which did not benefit from the kind of high-level institutional and political support that the PBL umbrella might have signified. The delivery and sustainability of the expected results is also uncertain. The parallel investment loan *Support to Strengthen Trinidad and Tobago's Public Financial Management* (US$40 million), approved May 2015, had not been signed by the Government as of August 2016.

The performance of the loan *Information Management at the Registrar General's Department* has been extremely poor. Approved in 2013, the project aimed to strengthen the Registrar General's Department's institutional capacity to more efficiently and effectively register property.[41] After more than two years, only 7% of the loan has disbursed and core staff have not been assigned to the project. As of end-2015, just four professionals were in place (out of a staffing plan that proposed 128). Departmental staff have been providing interim support, but they reportedly have neither the time nor the specialized project management skills to run the operation. The lack of a change management process in the project's design and weak assumptions was credited with implementation delays as was cumbersome and protracted procurement (including core staff), inadequate office space to house project staff, and ineffective internal coordination within the executing agency. The arrival in 2015 of a "SWAT" team from the Bank to help sort out the issues was of little avail.

The *Public Sector Reform Program (PSRP),* approved in 2003, also fell short of its objective to increase the Government's efficiency and effectiveness. The loan aimed to support: (i) strategy development, consensus building, and an expert panel to oversee the development of a roadmap to strengthen PFM and human resource management capacity; and (ii) information management systems and monitoring and evaluation capacity in the Ministry of Public Administration and Communications (MPAC) and the Central Statistical Office. Originally intended to execute over a period of two and one-half years, PSRP closed approximately 10 years after its approval, receiving an "unsatisfactory" rating for its implementation progress and a development objective rating of "improbable." As of the final disbursement date, none of the plans financed by the loan had been implemented with the exception of preliminary activities of reform of the CSO.

Political and management transitions under several Government administrations contributed to discontinuous attention to PSRP's mission.[42] MPAC staff were already overstretched, and cumbersome contracting procedures left the PEU understaffed. In addition, some elements of the design were never implemented. The communication and consensus-building strategies were never formulated, so participation from stakeholder organs across Government failed to materialize. The absence of a formal, high-level mechanism to coordinate project initiatives across separate Government agencies was also a problem. The interagency committee charged with this task never became functional.

Feedback received by OVE suggested that the Bank could have played a more constructive and proactive role in keeping the Government focused on the original loan objectives and deliverables, given turnover issues. The Bank granted five general extensions without requiring the completion of measures to enable successful project execution (e.g., staffing of the PEU). Given the demonstrable lack of commitment to these reforms, a more incremental approach in the form of a smaller TC might have provided a lower-risk entry point into this difficult reform area. Ultimately, the Bank merged the loan with the E-government and Knowledge Brokering Program in 2006.

The *E-Government and Knowledge Brokering Program* produced few results despite its long life. The objective of the loan was to enhance public service effectiveness and efficiency through the expansion of e-government solutions and the transfer of knowledge on international best practices (knowledge brokering). However, it ignored the experience of its precursor, the PSRP. The program took 21 months to reach eligibility (in 2008), and execution stalled through late 2012 because the recruited project personnel were not dedicated full-time to the program, and it was undermanaged within its home ministry (MPAC). The PEU stepped up project implementation in 2013, following the approval of a two-year extension and a shift in the project selection methodology from demand-driven solutions to defined outputs with defined implementation schedules. A final special extension was granted through the end of 2015; however, the Government's counterpart contribution fell short of the agreed amount. Ultimately, actual outputs exceeded the planned number. While these activities did include some useful initiatives,[43] the monitoring and evaluation framework did not allow for an adequate assessment of program outcomes. For example, progress on expanding and improving e-government services appears to have been negligible during the project's life. The number of Government-provided interactive services increased from 5 in 2008 to only 9 by the project's end in 2015, and the Government's score on the World Economic Forum indicator for "e-government readiness" increased only slightly between 2005 and 2015. Neither of these indicators was systematically tracked by the project's own monitoring and evaluation. Government counterparts interviewed argued that the Bank could have been a more effective partner had it pressed for defined outputs and a tighter delivery schedule upfront.

3. Water and sanitation

Expected results of the CS:			- Rehabilitated and expanded wastewater system; - Reduced non-revenue water; - Improved WASA labor productivity		
Loan Number	**Operation name**	**Operation type**	**Approval year**	**Original US$ approved**	**Disbursement status 8/30/2016**
TT -L1036	Flood Alleviation and Drainage	Investment	2013	120 million	Not yet eligible
TT- L1026	WASA Wastewater Rehab. I	Multiphase	2012	246.5 million	23%
TT -L1018	WASA Modernization and Wastewater Infrastructure Rehab	Investment	2011	50 million	40%

The Bank's strategic objectives for the evaluation period were highly relevant and in line with the country's priorities in the water and sanitation sector; however, the actual program was only partially aligned with CS objectives. Based on a thorough diagnostic of the sector, the Bank´s program was designed to "(i) decrease the uncontrolled discharge of untreated water into the environment and (ii) improve the supply and sustainability of public water and wastewater management services." However, the program focused on improving the wastewater system and the governance of the Water and Sewerage Authority (WASA) with the understanding that WASA would tackle the most pressing operational issues crippling the country's water supply.[44] With this approach, the Bank failed to recognize the full extent of WASA's limitations to independently invest in the improvement of the water service, given that WASA's revenues cover less than half of its operational costs. The Bank also underestimated the difficulties of advancing the transformation of WASA given the political economy, sector fragmentation, and instability of institutional arrangements during the evaluation period. The Bank attempted to use loan conditionality rather than financing to drive improvements in the water supply (a water tariff adjustment and a plan for WASA's financial sustainability are included as conditions for a second operation under the multiphase loan). However, Bank experience has shown that tariff adjustments need to be preceded by service improvements, which in the case of WASA have been scant. To date, no tariff adjustment has taken place. Given that the cost of providing wastewater services is tied to the water tariff (wastewater is 50% of the water tariff), the Bank's decision to finance investments in wastewater without a strong mechanism to leverage improvements in water supply, or clear evidence of progress by the executing agency, puts into question the ability of the program to sustain results.

Despite significant funds of US$416.5 million approved across three investment loans,[45] few advances were made toward achieving the CS expected results during the evaluation period. Regarding the expansion and rehabilitation of wastewater systems, the infrastructure component of TT-L1018 has been at a standstill since approval in 2011, because of changes in the technical solution that resulted in much higher costs. The Government is considering restructuring the project. Difficulties with the construction firm of the Malabar and San Fernando waste water treatment plants (WWTPs) under TT-L1026 (2012) has also generated delays. Regarding improvements in WASA's labor productivity, the program exceeded its target for the voluntary separation of employees;[46] however, WASA's hiring practices were not changed. As a result, it is unclear whether the reduction in force will last. Finally, as indicated above, virtually no progress has been made on the reduction of non-revenue water since the Bank did not approve any operations in this area, and the only project component directly related to water service (i.e., restructuring of commercial systems) is at an early stage of implementation.

At the operational level, the design of the infrastructure components of both wastewater loans had vertical logic; by contrast, the institutional strengthening components were too narrowly defined to be effective. There is coherence among activities, project objectives, and results indicators in the components designed to finance wastewater infrastructure. Bank support for the institutional strengthening of WASA included critical measures to promote the company´s transformation, including WASA's corporate governance. However, it is unclear whether and how these measures were integrated into a larger plan of institutional reform that addresses the operational, financial, commercial, and corporate dimensions required to make WASA an effective and efficient service provider. Consequently, some activities appear as one-off measures, insufficiently integrated with other aspects of WASA's operation (i.e., improvements on commercial systems without addressing operational issues), or out of sequence (i.e., waiting for WASA's corporate governance implementation, which will require legislative action, while operational issues are left unattended).

Implementation of the Bank's program suffered from a rush to approve loans whose designs were incomplete. The *WASA Modernization and Wastewater Infrastructure Rehabilitation*[47] loan was approved in 2011 before preliminary designs had been completed, and the technical solution originally envisaged (rehabilitation of the Maloney WWTP) was changed during loan execution to a higher-cost alternative (construction of a new plant) at the request of WASA. This suggests that the project was not ready for approval. As of August 2016, the loan had disbursed 40%. Likewise, implementation of the multiphase *Wastewater Rehabilitation Program* has experienced delays. Approved in 2012, the loan reached eligibility in 2013, but firms were hired and construction began only in 2015. As of August 2016, the loan had disbursed 23%, although financing for construction had been fully committed.

Project execution has also been affected by changes in Government structure and a high rotation in staff. Though approved in 2013, the *Flood Alleviation and Drainage Program*[48] had not yet complied with conditions of disbursement as of June 2016. In 2015, the newly elected Government eliminated the loan's executing agency as part of an initiative to consolidate governance in 21 ministries, down from 32 under the previous Government. Though at some point the new administration considered cancelling the loan, more recently it has expressed its commitment to implementation and has named the Ministry of Works and Transport as the executing agency.

The use of TC financing in the sector was also significant during the evaluation period; TCs supported both project preparation and some upstream work in areas not included in the CS. While all three loans were paired with TCs for project preparation, how many of these outputs were actually used, is questionable. At least in one case, the TC was approved after the loan and subsequently cancelled in 2016 without disbursement. Of the TCs that financed upstream work, the operation to develop a solid waste management strategy addressed a key problem in the sector and was therefore highly relevant. Based on the results of this TC, the Bank has included a loan for US$25 million in its pipeline to be approved in 2017.

The Bank also approved a GEF-financed investment grant for the *Establishment of a Revolving Fund for Financing Wastewater Projects in Trinidad and Tobago* (US$2 million) under the Caribbean Regional Fund for Wastewater initiative (CReW), but some features of the fund's design were problematic from the beginning. The fund was expected to provide resources on a reimbursable basis, which the Ministry of Finance and Economy was selected to execute, but it lacked legal authority to transfer resources to WASA on a reimbursable basis. As a result, the project has been at a standstill since approval.

4. Education

Expected results of the CS:			- Universal early childhood care and education; - Improved teacher training		
Loan Number	**Operation name**	**Operation type**	**Approval year**	**Original US$ approved**	**Disbursement status 8/30/2016**
TT -L1005	Seamless Education System Phase I	Multiphase	2009	48.75 million	Completed, partial cancellation

In 2015, the Bank completed Phase I of the Seamless Education System, a 10-year multiphase investment program to upgrade the education system. The development objectives of the program were well aligned with the expected results of the CS, and aimed to (i) improve the equity, quality, and relevance of educational services provided in early childhood care and education (ECCE); and (ii) improve sector management, monitoring, and evaluation. Approved in 2009, Phase I was designed to develop and pilot a new curriculum in a representative group of primary schools and a select (low-income) group of ECCE centers, and to strengthen the institutional capacity of the Ministry of Education (MoE). It was accompanied by a TC to support the enhancement of the MoE's strategy, and a regional initiative to improve the collection and analysis of education data in the Caribbean. In 2011, the newly elected Government reprofiled the operation to reflect the priorities of the new administration, and it was decided to implement the new curriculum on a national level rather than on a pilot basis. This decision threatened the already low capacity of the MoE and its PEU to execute the program and deliver results in the agreed timeframe. Procurement difficulties and contractual compliance further delayed the delivery of ECCE centers. Following two years of underperformance, a plan of action was agreed with the Government that included special milestones for granting extensions and helped the loan to perform well when measured by disbursements. Phase 1 was completed in 2015 following a 28-month extension and two cancellations totaling US$12.6 million.[49] Notwithstanding, the Government exceeded its agreed counterpart contribution to ensure the completion of core activities.

Despite efforts in the project's design to include a robust monitoring and evaluation system, the data reported was not always accurate or timely. Nonetheless, OVE was able to validate important results relating to infrastructure, curriculum, and teacher training. Of the 50 ECCE centers that were planned, 24 were delivered under the loan, and the Ministry is advancing with the second group of 26 using its own resources. In the interim, MoE has entered into a public-private partnership with some 200 existing ECCE centers to purchase additional spaces. Thus, according to MoE, the target of reaching 94% gross enrollment in ECCE was exceeded and the capacity for free universal ECCE (CS Result 1) has been created. New curriculum has been developed for ECCE and for all primary schools in nine subject areas, and it was scaled up nationally; both results exceed the original targets. Although 90% of the training target was met (CS Result 2), it is too early to measure the impact of these investments on student outcomes. Institutional strengthening lagged behind, as most of the identified processes and activities have been abandoned or were not pursued. For example, the Strategic Plan for the National Council for Teaching and Teacher Education will not be delivered because MoE did not implement this subcomponent. No activities in Tobago were advanced beyond identifying ECCE sites, leaving a significant share of the poor population without access to this service.

5. Social protection

Expected results of the CS:			- Improved targeting of social safety net programs; - Strengthened monitoring and evaluation capabilities of Ministry; - Improved participation and reliability of social programs managed by community organizations		
Loan Number	**Operation name**	**Operation type**	**Approval year**	**Original US$ approved**	**Disbursement status 8/30/2016**
TT -L1014	Social Safety Net Reform Program I	Hybrid	2011	50 million	PBP programs 2 and 3 truncated; Investment loan cancelled

The *Social Safety Net Reform Program* was designed as a hybrid operation with US$45 million allocated for the PBL – the first of three in a programmatic series—and an investment loan for US$5 million. The first PBL of the programmatic series was approved in October 2011 and disbursed in December 2011 upon satisfying all policy conditions (Annex III.2). The program, which was fully aligned with the expected results of the CS, was intended to improve the effectiveness, accountability, transparency, and efficiency of the country's social safety net through improved targeting, rationalization of programs, and a strengthened monitoring and evaluation capacity.

The program did not achieve its development objectives. The changing political economy surrounding the reforms constrained the institutional changes required to implement them. The loan was designed to achieve the depth of institutional changes needed in the Ministry of People and Social Development (MPSD) to rationalize the social protection network and synchronize project implementation results with the political cycle. A softer design would have resulted in entrenching or rubber-stamping "business as usual," which would have set back future attempts at reform. The technical design drew upon the experiences of other conditional cash transfer (CCT) programs implemented by the Bank in LAC, and while it was technically sound and appropriate for the country, the shifting political economy had important negative impacts on project implementation. For example, the project champion during the design stage was reassigned; in the absence of a strong champion with political influence and presence, program ownership was questionable. In addition, MPSD faced the frequent rotation of senior staff (including five Permanent Secretaries) during project execution, which worked against developing a deep institutional sense of ownership of the reforms and commitment to their execution. Since the country's social safety net comprises multiple programs (some 120 in all) administered by many ministries and agencies, it became difficult, in the absence of a strengthened ministry, to consolidate processes, personnel, and organization to avoid redundancies, so the reforms stalled.[50]

The Government advised the Bank of its decision to cancel the US$5 million hybrid investment loan, as well as the second and third operations of the programmatic series, in March 2014. The resources from a related TC were also cancelled. The PEU was unable to commit at both the policy and operational levels to the organizational and structural requirements to implement the reform activities. The proxy means test and the monitoring and evaluation framework, while not now in use, were developed and are important tools that can be used in the future and will have potentially large effects on the efficacy of social programs.

6. Energy

Expected results of the CS:			- Strengthened regulatory and legal framework - Sustainable sector with increased efficiency; transparency; - Maximized efficient production and use of fossil fuels.		
Loan Number	**Operation name**	**Operation type**	**Approval year**	**Original US$ approved**	**Disbursement status 8/30/2016**
TT -L1023	Sustainable energy for Trinidad and Tobago – I	PBP	2011	60 million	PBP programs 2 and 3 truncated

The energy sector portfolio consisted of a PBP series with the first operation approved in 2011 and a supporting TC, also approved in 2011. The first PBL, which was intended to pave the way for more substantial reforms, included 18 policy triggers, all of low to medium structural depth. Several of the triggers included important first steps toward developing a sustainable energy policy, one of two expected results of the CS. The second result was only partially addressed. While introducing fiscal incentives to take the place of subsidies for oil and gas consumption was an important measure, the level of incentives that would be required was not analyzed, and therefore their ultimate potential to affect the uptake of renewable energy and energy efficiency is unknown. Consultation during program development was well coordinated with the Ministry of Energy and Energy Industries (MEEI) and the Ministry of Finance. The political buy-in and ownership of the policy program was strong, and the Energy Minister was a champion for the reforms. Designating a consultant with experience in internal government processes reportedly facilitated implementation of the PBL, and the technical expertise of the MEEI team aided in the success of the program.

The second and third PBP operations in the series were truncated, and measurable outcomes of energy efficiency and renewable energy uptake have not yet materialized. The Government has continued with the reforms, albeit at a slower pace. Progress has been made in developing a sustainable energy framework, which is slated to become a white paper; but the framework does not establish a strategy to address energy subsidies, which are a major barrier to the impact of the sustainable energy program.

The TC has resulted in important assessments of the potential for energy efficiency and renewable energy, established a baseline to measure CO_2 emissions, and provided policy recommendations for the promotion of environmentally sustainable energy. In addition, some working groups and committees have been established to facilitate cross-sectoral energy policy formulation.

7. Climate change

Expected results of the CS:			- Climate change policy adopted; - Climate change adaptation integrated into key sectors; - Reduction in carbon intensity		
Loan Number	**Operation name**	**Operation type**	**Approval year**	**Original US$ approved**	**Disbursement status 8/30/2016**
TT -L1022	Program to Support the Climate Change Agenda I	PBP	2011	80 million	PBP programs 2 and 3 truncated

The climate change portfolio consisted of a programmatic PBP, with the first operation approved and disbursed in 2011 (US$80 million) and the second operation truncated. The series was intended to support strengthening the regulatory, institutional, and policy framework to integrate climate change and its effects into national economic development. The Bank also approved a technical assistance package that included four TC grants and two inherited TCs. The grants facilitated a pilot of the coastal zone management program and provided support for the Integral Disaster Management Program, strengthening key Government institutions in charge of the adaptation efforts.

All 15 triggers included in the first programmatic operation were achieved. Approved policy measures included the approval of the National Climate Change Policy, the National Protected Areas Policy, and the National Forest Policy; the proposal for the development of a Green Government Policy (not yet approved by the Cabinet); the approval of a high-level committee on climate change comprising key ministers with portfolios related to climate change; the amendment of the legal framework on the Green Fund to allow nonprofit organizations and community groups to access finance to implement climate-change-related projects; and the approval by Cabinet of the 2010-2014 strategic action plan for the Environmental Management Authority.

Coordination failures and low institutional capacity hindered implementation of the first operation. The IDB risk assessment underestimated implementation capacity and the difficulties of enacting legislative reforms in the planned timeframe. Insufficient consultation and consensus-building around the PBL reforms at the operative or technical level also impeded execution. Following the disbursement of the first operation, the series was closed at the Government's request. Notwithstanding, the Government has continued to advance its reform agenda without IDB financial support.

The grant portfolio played a key role in complementing the PBL with important results. Key TC results include the development of a coastal zone management program incorporating climate change adaptation and disaster risk management, and a pilot of the Coral Reef Early Warning System; however, the information produced by the early warning system and studies is not yet effectively shared between Trinidad and Tobago, impeding the possibility of achieving spillover benefits. The lack of data and information sharing is a big risk for the future design and implementation of climate change actions. It is crucial that the Bank continue its support for data collection, management, and monitoring.

B. Other sectors

1. Health

Loan Number	Operation name	Operation type	Approval year	Original US$ approved	Disbursement status 8/30/2016
TT -L1039	Health Services Support Program	Investment	2014	110 million	Rescoped 2016, Not yet eligible
TT -L1035	Health Services Support Program	PROPEF	2013	1.5 million	35%

Although the CS did not identify health as a strategic sector, the approved operations are aligned with the Bank's Health and Nutrition Sector Framework (2013) and with Trinidad and Tobago's stated development priorities. The Health Services Support Program was approved by the Bank in December 2014 but the loan was not signed by the Government at that time.[51] In 2016, following the new Government's review of the alignment of the loan with national priorities, the implementation readiness of each component, and fiscal constraints, the Government excised noncritical activities and reduced the scope of the operation by more than half (to US$48.4 million in loan financing). The rescoped loan was signed in August 2016. The main change in the loan was the elimination of the health information systems component, which was originally budgeted at US$50 million in loan financing. In its place, the Government will use US$3.5 million of its own resources to finance the "electronic health record" to connect the Regional Health Authorities and the Ministry of Health in a single network to support non-communicable diseases (NCDs) surveillance. The largest component of the NCDs component (obesity-prevention, US$19 million) will rely to some extent on MoE to implement, whose representatives will serve as core members of the project oversight technical team. A parallel US$1.5 million PROPEF was approved in 2013 to prepare the health loan and is currently supporting activities to satisfy eligibility conditions related to disbursement under the program.

2. Trade

Loan Number	Operation name	Operation type	Approval year	Original US$ approved	Disbursement status 8/30/2016
TT-L1044	Single Electronic Window for Trade and Business	Investment	2015	25 million	Not yet eligible
TT-L1038	Global Services Offshoring Promotion Program	Investment	2013	18 million	7%
TT0052	Trade Sector Support Program	Investment	2003	5 million	Completed, partial cancellation

The Bank's operational portfolio in trade is aligned with the Government's commitment to promote diversification and enhance the competitiveness and productivity of the non-energy sector; however, the sector was not identified as a strategic priority in the CS. The two loans approved during the review period have not made sufficient progress to allow an assessment of their effectiveness. The *Global Services Offshoring Promotion Program* aimed to position the country as a renowned location for the global provision of IT-enabled services.[52] Approved in December 2013, the loan was not eligible for disbursement until February 2015; as of June 2016, just 7% of the investment had disbursed. The most recent approval in the sector, *Single Electronic Window for Trade and Business Facilitation,* approved November 2015, was only recently signed by the Government. The only project completed during the CS, the *Trade Sector Support Program,* was undermined by attribution problems and the lack of outcome indicators. Approved in 2003, this operation was completed in 2012 following 58 months of extensions, but it only disbursed 77% of its original financing. An overly ambitious program design, interruptions due to changes in Government and staff, procurement issues, lack of ownership by the PEU, inadequate staffing, and weak institutional capacity were among the main implementation bottlenecks identified by the final evaluation and Program Completion Report.

3. Housing and urban development

Loan Number	Operation name	Operation type	Approval year	Original US$ approved	Disbursement status 8/30/2016
TT -L1016	Neighborhood Upgrading Program	Investment	2010	40 million	63%

Housing was a strategic pillar in the previous CS but was not identified as a priority sector in CS 2011-2015. The housing loan, approved in 2010, was 59% disbursed as of June 2016. Because of the protracted execution of the loan, price escalations have affected budgeted estimates. In addition, due to a change in Government policy, and physical targets were modified. As of March 2016, an estimated 988 households have benefitted from squatter upgrading in nine priority sites (original target: -10 sites, 2,300 households), and 2,518 households have benefitted from home improvements (surpassing the modified target of 2000). However, the operation has not yet achieved its target for home construction/purchase subsidies (292 beneficiaries as of March 2016; original target: 1,530, modified target: 550), and zero statutory leases have been issued (target 1,542). Institutional strengthening has not received adequate attention under the loan. Internal coordination between the Ministry of Housing and Urban Development (MHUD) and the Land Settlement Agency has not been smooth and effective, in part because of multiple realignments of Government ministries and staff.[53] The allocation of budgetary resources from the Government has been slow. Finally, while the home improvement component had income screening criteria for the selection of beneficiaries, these criteria were applied in a discretionary and unsystematic way, limiting the effectiveness of the program to meet the demand of the population most in need. Incorporation of the proxy means test developed by the social safety net program into the screening process could help to curtail leakage. Given lengthy and cumbersome land tenure regularization processes, the operation has yet to deliver titles as targeted by the loan.[54]

Box 3.1. The Emerging and Sustainable Cities Initiative (ESCI)

In 2011, when the ESCI initiative began, Port of Spain was added as the fifth city to the original four selected for the pilot. US$900,000 of non-reimbursable TC funds were allocated (RG-T1990, RG-T2018) for the Port of Spain Action Plan, which was completed in 2014. Because the Bank did not engage national and local governments to prepare the action plan to the same extent it did in other countries, initial ownership was lower. In addition, in Trinidad and Tobago, unlike in some other countries, the Bank executed the TC funds, resulting in a Bank-driven Action Plan, formulated through compartmentalized consultation. This top-down and expedited approach is reflected in the quality of the plan, as it is considerably less detailed and technical than those of other pilot cities. Government centralization has also posed a challenge in the implementation process, with local authorities having low capacity and almost no financial autonomy. In March 2014, the Minister of Planning and Sustainable Development appointed a Steering Committee to coordinate projects and activities under the Initiative. The efforts of the committee have been hindered by volatility (due to elections and the restructuring of ministries), and the committee was disbanded in March 2016. The combination of these circumstances makes the feasibility of implementation of related projects in the Bank's pipeline unclear.

While the home improvement component had income screening criteria for the selection of beneficiaries, these criteria were applied in a discretionary and unsystematic way, limiting the effectiveness of the program to meet the demand of the population most in need. © *IDB*

4. Citizen security

Loan Number	Operation name	Operation type	Approval year	Original US$ approved	Disbursement status 8/30/2016
TT -L1003	Citizen Security Program	Multiphase	2008	24.5 million	73%

The CS did not prioritize issues related to citizen security, crime, or violence, unlike the previous CS, which did give priority to the topic. One loan was approved in 2008, and a CT-INTRA approved in March 2014 is now completed. The Citizen Security Program (CSP) also benefitted from a Project Preparation Facility approved in 2005 and a regional TC, both of which enabled the sound preparation of the program over three years. Considering the lack of statistics and surveys on risk factors for violence in high-risk communities, such an amount of time seems appropriate, given the complexity of designing social programs and the relevance of a participatory approach to ensure community buy-in.

The loan finances a pilot program in 22 communities (later expanded to 90) to address the main risk factors associated with violence and crime. Its objectives are to (i) reduce the levels of homicides, robberies, and wounding in partner communities; (ii) increase citizens' perception of safety in the partner communities; (iii) reduce injuries related to firearms, child maltreatment, domestic violence, and youth violence; and (iv) increase the collective efficacy to prevent violence in the partner communities. Early implementation suffered from significant delays due to a series of design-related, human resources, community readiness, and Bank-management factors. The PEU team also went through a number of changes due to difficulties in finding experienced fiduciary, procurement, and communication specialists in Trinidad and Tobago (those persons have changed at least three times since the project started). Two independent evaluations indicated positive results even though attribution is uncertain. As of 2013, in three of the four main outcome indicators, communities where CSP operated showed a greater decrease in crime than the national level: in homicide rates, CSP communities showed a decrease of 56% versus 26% at the national level; in wounding and shooting, CSP communities' rates decreased by 40% versus 12% at the national level; and in sexual offenses, CSP communities saw a decrease of 38% versus 14% at the national level. A national victimization survey was completed in 2015, which confirmed the indicative intermediary positive results of CSP. In addition, an impact evaluation of the CureViolence program, one of the financed activities, is currently underway with funding through a regional TC.

4

While the 2011-2015 Country Strategy targeted the key development challenges of economic volatility, structural reform, and social development, its overly large and complex design led to an unrealistic strategy and ambitious reform program that exceeded the country's capacity—and that of the IDB—to deliver.

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4 Conclusions and Recommendations

The Bank has not been able to develop an effective relationship with Trinidad and Tobago that leads to development results. IDB has continuously developed Country Strategies and approved projects that were not implemented. While the 2011-2015 CS targeted the key development challenges of economic volatility, structural reform, and social development, its overly large and complex design led to an unrealistic strategy and ambitious reform program that exceeded the country's capacity—and that of the Bank—to deliver. The implemented program diverged significantly from the anticipated program. A number of planned activities were not approved, others were significantly delayed, and still others were only partially implemented or were cancelled. Except for MIF, the Bank's private sector window was not active. Although individual operations included institutional strengthening activities, these activities were not sufficient in quantity and quality to move the portfolio forward as planned. Since 2000, disbursements have been relatively small, and net transfers have been negative in all years but 2010 and 2011, when the Bank switched its modus operandi from investment lending to budget support. Project execution has been very long. The results of the Bank's activities are narrow, the financial and transaction costs have been relatively high, and the larger goals set by the Government and the Bank remain far from being accomplished.

The Bank moved into fast-disbursing lending during the initial stage of strategy implementation, but it was not able to sustain the momentum or focus envisioned by the CS. All five programmatic series approved in 2010 and 2011 were truncated following the disbursement of the first operation in each sector. Nonetheless, a number of the reforms identified in the original PBP series are still development priorities, and it appears that the Government is pursuing some on their own without the Bank's financial support, albeit at a slower pace.

The strategy's risk analysis was cursory and its mitigation plan was inadequate. Though the Bank recognized the need to strengthen institutional capacity, its assessment of the extent to which capacity limitations would affect the Government's ability to implement and absorb a much increased program fell short. These miscalculations suggest that the Bank had a limited understanding of the deep structural and institutional capacity constraints in the country. Failure to adequately engage with stakeholders was exacerbated by a failure to analyze stakeholder positions and institutional conditions before embarking on the design of the CS. As a result, the Bank's CS was too ambitious, and the expectation that the country and the Bank could implement the aggressive lending program in the proposed timeframe was mistaken.

The design and execution of the investment portfolio have been difficult. Data limitations have been an important constraint to evidence-based decision-making in project design. Recurring implementation issues include the design of projects that were overly large and complex; burdensome procurement; miscalculation of the time required to implement investment programs; and poorly understood interrelationships among the ministries, PEUs, and the Bank. Implementation readiness was also adversely affected by the approval of projects before finalizing critical inputs for their execution (i.e. technical designs and permits for works), by the understaffing of PEUs, and by difficulty in identifying and recruiting suitable staff on a timely basis. Project staff positions went unfilled, sometimes for the life of the loan, and for many operations, frequent turnover in professional staff caused discontinuities in project management. A more conservative and phased approach in project design might have allowed the Bank and the country to build on small successes before embarking on more complex programs.

In light of these findings, OVE has the following recommendations for Bank management:

1. Rethink the engagement strategy with Trinidad and Tobago and work with country counterparts to design a country program that is commensurate with the country's institutional capacity and provides technical and financial support on a scale the country is able to use.

   a. Be more selective and consider less complicated and more strategically focused loans and grants that provide a lower-risk entry point into difficult reform areas.

  - **b.** Invest in wide consultation to strengthen program ownership and ensure that all operations are aligned with the national and sector policy frameworks.
  - **c.** Conduct more robust risk analysis as part of program design.

2. Verify the implementation readiness of all investment projects before loan approval.

  - **a.** Establish metrics and milestones to ensure that project design is comprehensive and complete, that major technical inputs for project disbursement eligibility have been delivered. that key requirements for project implementation have been addressed, and that potential bottlenecks (such as land acquisition) have been resolved.
  - **b.** Identify entities and core staff to be involved in projects, and ensure that coordination mechanisms are operational.
  - **c.** Define realistic delivery schedules and set benchmarks for cancelling slow-disbursing operations.

3. Be more diligent in designing and supervising Bank-financed institutional strengthening activities, ensuring they are sufficient to achieve intended objectives and are appropriately sequenced.

4. In collaboration with government authorities, explore ways to strengthen and consolidate project selection, preparation, and implementation functions.

  - **a.** Support Government efforts to develop and institutionalize a project management system.
  - **b.** Consider combining core fiduciary and monitoring functions across programs and/or sectors where economies of scale can be identified.

5. Engage more deeply with the country's private sector through activities and consultations at various levels, including developing NSG products appropriate to the country context. Better coordinate the work of IDB and IIC to boost private sector development, including strengthening institutional and regulatory frameworks to promote access to finance.

6. Proactively support the generation and publication of data by working with the Government to strengthen the national statistical system and to promote transparency and evidence-based decision-making.

[1] Trinidad and Tobago's population is approximately 1.35 million and its territory measures 5,128 km^2.

[2] World Development Indicators, World Bank, 2015.

[3] Artana, D., et al. (2007), Trinidad & Tobago: Economic Growth in a Dual Economy, IDB.

[4] According to the Finance Ministry's Review of the Economy 2015, since 2000, the contribution of the energy sector to GDP has fluctuated between a high of 50.8% in 2008 and a low of 26.2% in 2002.

[5] The economy was also adversely affected by reduced exports of liquefied natural gas to the U.S. market following the development of shale gas in the U.S.

[6] The major shocks and associated volatility that the economy has experienced have almost always been related to energy price fluctuations. Recent economic history can be divided into five periods: (i) 1950-1973, relatively high growth with stable international oil prices; (ii) 1974-1982, high growth and high oil prices; (iii) 1983-1993, low growth and low oil prices; (iv) the more recent growth boom period 1994-2008; and, (v) the current period of economic stagnation and recession despite high energy prices into 2014.

[7] At current extraction rates and in the absence of new discoveries, proved hydrocarbon reserves would run out around 2026 (Ministry of Energy and Energy Industries).

[8] The debt sustainability analysis conducted by IMF for the 2016 Article IV Report confirmed that while the country is not currently in a crisis, the imbalances that are now starting to build up could lead to uncomfortable levels of debt unless further action is taken.

[9] In 2016, CBTT extensively revised the 2015 balance of payment data to include new data on exports and imports, new data sources, and the correction of significant errors. Because the revisions introduced a structural break in the data, 2011-14 estimates are also being revised with the assistance of CARTAC.

[10] In 2015, total energy exports were estimated at US$7.5 billion, a significant decline when compared to the 2010-2014 average of US$12.7 billion (Republic of Trinidad and Tobago. Budget Statement 2016).

[11] In July 2016, the sovereign issued a US$1 billion 10-year bond that was priced to yield 4.5%.

[12] Political fragmentation mirrors the racial divide in the country (Annex I.11). National politics have long been dominated by the People's National Movement party, representing the Afro-Trinidadians that make up just over a third of the population and the People's Partnership coalition aligned with Indo-Trinidadians who make up another third. Led by the United National Congress, the People's Partnership includes the Tobago Organization of the People, the Congress of the People, the National Joint Action Committee, and the Movement for Social Justice, which draws support from the mixed-race and other population categories that make up the last third. While sectarian alignment has produced a largely stable political equilibrium, it has also led to legislative gridlock in some important policy areas.

[13] These indicators are Voice and Accountability, Political Stability and Absence of Violence, Rule of Law, Control of Corruption, and Government Effectiveness. Only on Regulatory Quality did the country rank higher than Caribbean comparators, and that score declined by nearly 20 percentile points in 2014.

[14] For example, arduous and protracted administrative processes associated with staff recruitment, which is largely centralized in the Ministry of Public Administration; labor-law rigidities; overstaffing of the wrong types of employees; archaic regulatory frameworks; inefficient human resource information management systems; and non-competitive remuneration all affect the quality of the talent pool.

[15] See Box 5, IMF staff report for the 2014 Article IV consultation. The 2004 IMF Working Paper 04/58, "Does SDDS Subscription Reduce Borrowing Costs for Emerging Market Economies?" by John Cady, estimates that subscription to IMF's data dissemination standard reduces borrowing costs for emerging markets by as much as 75 basis points.

Notes

[16] In April 2015, Moody's downgraded Trinidad and Tobago's bond and issuer ratings from Baa1 to Baa2 and changed its outlook from Stable to Negative. In April 2016, the Sovereign's bond rating was lowered to Baa3. Key factors behind the downgrades were (i) persistent fiscal deficits and challenging prospects for fiscal reforms; (ii) decline in oil prices with limited economic diversification; (iii) weak macroeconomic policy framework, given the lack of a medium-term fiscal strategy; and (iv) weak data.

[17] The Social Welfare Division Programme is the largest poverty reduction program. It covers food assistance and development, mainly through training, help with finding employment, and career guidance to enhance employability. Because other government programs overlap with this program and among themselves, some attempt to improve resource management and targeting is under way.

[18] The 2005 Survey of Living Conditions provides the latest data about the incidence of poverty. It indicates that the poor and the extremely poor accounted for 15.5% and 1.2% of the population respectively, while those vulnerable to poverty represented 9%.

[19] Oxford Analytica Daily Brief, September 24, 2015.

[20] *WHO/UNICEF (2015). Water Supply Statistics.* https://knoema.com/WHOWSS2014/who-unicef-water-supply-statistics-2015?location=1001150-Trinidad-and-Tobago.

[21] GENIVAR (2008). Development of a Water and Wastewater Master Plan and Policy for Trinidad and Tobago: Demand for Wastewater Services - Trinidad: Final Report, A report prepared for Ministry of Public Utilities and the Environment/WASA, Trinidad and Tobago.

[22] D. Nolasco, (2011, August), Final Report TT-L1018 Trinidad Tobago Wastewater Infrastructure Rehabilitation Program Orphan WWTPs, A report prepared for the Inter-American Development Bank.

[23] Aligned with the nation's long-term development plan, the People's Partnership Manifesto of 2010 laid out seven cross-cutting pillars that formed the basis of Government's multiyear public investment program: (i) people-centered development; (ii) poverty eradication and social justice; (iii) national and personal security; (iv) information and communication technologies; (v) a more diversified, knowledge-intensive economy; (vi) good governance; and (vii) foreign policy. The Medium-Term Policy Framework 2011-14: Innovation for Lasting Prosperity emphasized results-based management and data-driven monitoring and evaluation. These principles were further developed in the National Performance Framework 2012-15, which aligned policy priorities with the budget and a set of national outcome indicators.

[24] These notes were on climate change, energy, social protection, water and wastewater, financial sector, education, private sector and competitiveness, transport, public sector modernization, fiduciary, development effectiveness, economic growth, impact of the global financial crisis, urban development and housing, and the People's Partnership Manifesto. There was also a brief on Tobago.

[25] The incentive framework for IDB country offices is heavily weighted towards disbursements. Consequently, in the wake of the international financial crisis, the Bank did for Trinidad and Tobago what it did for many other countries in 2010 and 2011—program and approve historically high levels of fast-disbursing loans.

[26] The mismatch between IDB's non-sovereign guarantee products and small economies is not unusual and remains largely unaddressed by the Bank. (See RE-319: Evaluation of the IDB Action Plan for Private Sector Development in C & D Countries, IDB, Office of Evaluation and Oversight. 2006.)

[27] Source: IDB/CCB Estimates 2016. CBTT does not publish disaggregated figures.

[28] Financial sector regulation and transportation did not receive TC funding.

[29] Building on the definition set out by the IDB's Office of Strategic Planning and Development Effectiveness, OVE considers that a PBP series has been interrupted or "truncated" if one of the following situations occurs: (a) the government formally requests the discontinuation of at least one operation of the series; (b) there is no loan in the pipeline 24 months after the last disbursement date of the most recent operation; or (c) a pending loan in the series has remained in the pipeline for more than 36 months after the last disbursement date of the most recent operation. (See OVE 2016. 2015 Annual Report Technical Note: Design and Use of Policy-Based Loans at the IDB. January 2016.)

[30] Update: TT-L1039, *Health Services,* approved December 2014, was signed August 2016; TT-L1044, *Single Electronic Window for Trade,* approved November 2015, was signed April 2016; TT-L1042, *Public Financial Management,* although approved May 2015, was still not signed as of August 2016.

[31] OVE's "depth analysis" aims to capture the criticality of the reform—that is, whether the measures that serve as disbursement triggers ("policy conditions") have sufficient depth to produce, by themselves, an institutional or policy change. Conditions can have high, medium, or low depth. The conditionality of programmatic loans is expected to be of mixed structural depth.

[32] IDB (2015). Annual Report: Summary of Activities and Analysis of Policy-Based Lending. Office of Evaluation and Oversight, Inter-American Development Bank, Washington, D.C.

[33] The Bank's Governor had traditionally been the Minister of Planning until 2010, when the Minister of Finance took over this role. In 2012, Cabinet was reshuffled and the Bank's focal point shifted back to the Ministry of Planning and Sustainable Development. The total number of government ministries also increased from 20 to 34 between 2011 and 2015, at which point they were again reduced (currently 21). These changes altered the relationship between the Government and the Bank, and impacted Government's execution and internal coordination capacity. They also changed the focus of the issues that would be reflected in the Bank's country program. For example, the CS called for an overall lending envelope of US$1.5 billion, of which a large share was to be front-loaded with PBPs. For the first two years of the CS cycle, 2011-2012, the Bank's program supported Government's policy reform efforts with policy-based programmatic loans. An incentive to approve these operations was the economic downturn of 2009-2010, which created a fiscal gap. For perhaps this reason, the first loans of each PBP series received vigorous support, but the required aggressive follow-up was not realized in all the sectors in which the series were approved. Following the shift in the Bank's focal point in 2012, combined with a reduced need for fiscal support, Government motivation and ownership of the large program of reforms waned and all remaining operations in each PBP series were truncated. Consequently, the depth of IDB's country program with Trinidad and Tobago and the level of its financial support fell short of what had been envisaged. As of the close of the CS cycle (December 31, 2015), US$871 million in loan resources (mostly investment lending) had been approved by the Bank, but just US$696 million had been signed by the Government.

[34] Enterprise Data Warehouse, August 2016. Average calculated for loans completed 2011-2015.

[35] Enterprise Data Warehouse. SAP, Lawson, August 2016.

[36] Source: "Note on CTT Interventions to improve portfolio execution," COF/CTT, 2016.

[37] This initiative included, among other things, a "Project Leadership Series" consisting of roundtables to address relevant topics; a "Mentoring Program" for PEUs to "debottleneck" critical issues and strengthen project management frameworks; and a "SWAT Team" to work with PEUs to address glaring constraints.

Notes

[38] Policy notes outlining basic principles for the IFMIS, a public sector investment framework, and actions to improve internal auditing were put before Cabinet; a Government code of ethics was approved; the Economic Development Board was created; the Economic Management Division in the Ministry of Finance was established to develop a medium-term fiscal framework; the Ministry of People and Social Development was created to enhance social policy analysis; and procurement modernization legislation was put before Parliament.

[39] For example, though the Procurement Act was passed by the previous administration, the new Government is reviewing and potentially amending its regulatory framework before implementing it. If the Act is passed, a major overhaul in procurement institutions would be needed.

[40] These included three TCs to assist with the reforms of procurement, external auditing, and the public expenditure and budgeting framework that had been highlighted in the policy dialogue. These small grants laid the basis for investment lending to consolidate reforms and modernize financial management across the Government with the introduction of the IFMIS.

[41] It takes an average of 77 days to register property, resulting in Trinidad and Tobago's low ranking as 151 out of 189 countries in the World Bank's Doing Business 2016 Report.

[42] The IDB Focal Point Ministry changed twice, and the leadership positions (Permanent Secretary and Minister) and organizational structure within the PEU each shifted four times. The expansion of Government ministerial portfolios after the 2010 election exacerbated the coordination challenge.

[43] These include an asset management solution for document tracking in Parliament that reduced paper recording by 60%, and an upgrading of the mapping system for the Lands and Surveys Division.

[44] Non-revenue water is estimated between 45-50%, most of it due to physical losses including leakages and illegal connections (C. Balkaran, G. Wyke. (2007), Managing Water Loss: Strategies for the Assessment Reduction and Control on NRW in Trinidad and Tobago).

[45] These include two loans for wastewater infrastructure rehabilitation and a third loan with the Ministry of Planning for flood alleviation.

[46] The target was to finance the voluntary separation of 550 WASA employees. According to the PMR for the first semester of 2015, 995 employees accepted the separation packages offered.

[47] The loan, a multiworks operation, was designed to finance the interconnection of seven WWTPs with the Maloney plant, and the upgrade of the Maloney plant itself.

[48] TT-L1036 was designed to minimize the impacts from inadequate urban drainage infrastructure in critical areas prone to flooding. It was accompanied by a US$600,000 TC for project preparation. The program was included in the action plan developed by the Emerging and Sustainable Cities Initiative in 2012.

[49] The cancellations related to (i) a decision to cancel the resources for the second group of ECCE centers if the construction contracts were not signed by April 2014; and (ii) lower-than-estimated cost overruns.

[50] For example, a proxy means test, which was financed during project preparation, confirmed that about 50% of existing social safety net beneficiaries would not comply with the conditions established by the CCT to receive benefits. Although around 4,000 "smart cards" (for the payment of social programs) were electronically deactivated for noncompliance, there was not enough political will to remove beneficiaries on the basis of a more transparent and objective selection mechanism.

[51] The general objective of the loan is to prevent and control risk factors and noncommunicable diseases among adults, and among primary and secondary school students, by strengthening the delivery of integrated primary care services; implementing behavior change programs and policies; improving health information management; ensuring adequate human resources; and enhancing health facilities investment management.

[52] Also known as "global" or "offshoring" services when delivered internationally.

[53] MHUD existed as Ministry of Housing and the Environment (2010-2012). Ministry of Housing, Land and Marine Affairs (MLMR) (2012-2013) and Ministry of Housing and Urban Development 2013 till present. In 2015, the Land Settlement Agency moved from the MHUD to the MLMR, then back to the MHUD.

[54] The provision of Certificates of Comfort to beneficiaries instead of deeds of lease has helped move loan execution and avoid problems related to the eviction of squatters, though they are not legally equivalent.