Office of Evaluation and Oversight

Independent Country Program Review

Trinidad and Tobago

2016-2020

IDB

IDB | Invest

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Contents

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Acronyms and Abreviations

BoD	Board of Executive Directors
CAF	Development Bank of Latin America
CCB	Country Department Caribbean
CDB	Caribbean Development Bank
CDC	Country Development Challenges
CPD	Country Program Document
CPE	Country Program Evaluation
CRF	Corporate Results Framework
CS	Country Strategy
EDW	Enterprise Data Warehouse
GDP	Gross domestic product
ICPR	Independent Country Program Review
IDB (Group)	Inter-American Development Bank (Group)
IFMIS	Integrated financial management information system
IIC	Inter-American Investment Corporation (now IDB Invest)
LAC	Latin America and the Caribbean
MIF	Multilateral Investment Fund (now IDB Lab)
NCD	Non-communicable diseases
NDS	National Development Strategy
NSG	Non-sovereign guaranteed

PBP	Programmatic policy-based loan
PEU	Project Executing Unit
PFM	Public financial management
PMR	Project Monitoring Report
SDG(s)	Sustainable Development Goal(s)
SG	Sovereign guaranteed
SMART	Specific, measurable, attainable, relevant, and time-bound
SME	Small and medium enterprise
TC	Technical cooperation
T&T	Trinidad and Tobago
UIS	Update to the Institutional Strategy

Executive Summary

Purpose. This Independent Country Program Review (ICPR) covers the Inter-American Development Bank (IDB) Group's country strategy (CS) and program in Trinidad and Tobago (T&T) over the period 2016–20. ICPRs assess the relevance of a CS and, data permitting, provide aggregate information on the alignment and execution of the corresponding country program. ICPRs are primarily addressed to the IDB Group's Boards of Executive Directors (BoD). They seek to provide the BoD with relevant information, otherwise not readily available to them, to inform their consideration of the upcoming IDB Group CSs.

Country Context. T&T is a dual-island, hydrocarbon-dependent country. With a population of 1.4 million, it exhibits characteristics common to small island states, such as high unit costs of public service delivery, export concentration, and extreme vulnerability to shocks, both natural and economic. Driven by fluctuations in oil and gas prices (on a deteriorating trend), growth in recent years has been volatile and largely negative. Fiscal and debt indicators have been under increasing stress, despite relative stability in inflation and the real exchange rate. T&T also confronts challenges in human development and governance, including low learning outcomes, a high incidence of non-communicable diseases such as diabetes and hypertension, as well as violent crime and regional and gender disparities.

The country's economy has historically been over-dependent on oil and gas. The outlook for reforms needed to address challenges identified in the government's long-term development strategy, Vision 2030, and in the Bank's Country Development Challenges (CDC) is uncertain, especially in the wake of the COVID-19 pandemic. Although the pandemic has had a moderate impact in terms of cases and deaths, the economic impact has been significant, and casts uncertainty on the outlook for reform implementation.

Strategic Objectives. The 2016–20 CS had 13 strategic objectives organized under three broad pillars: (i) strengthen public sector institutions and governance, (ii) promote private sector development, and (iii) foster human development. Climate change and gender were set as cross-cutting themes. Strategic objectives were aligned with national and IDB Group corporate priorities, IDB-diagnosed development needs, and IDB's track record within the broader donor landscape, although the basis for division of labor with other development partners was unclear. However, the CS was aligned with nearly every country challenge and government priority detected, resulting in an insufficiently selective set of objectives that lacked strategic focus. The CS results matrix was of adequate quality, with generally sound vertical logic and largely SMART[1] outcome indicators, but the limited availability of updated information on indicators undermined evaluability. Moreover, in line with the recommendations of OVE's prior Country Program Evaluation (CPE), the 2016–20 CS sought to limit new approvals at US$200 million (less than a quarter of the amount approved under the previous CS) to concentrate on enhancing execution of the legacy portfolio, which had proven difficult under the previous CS. The 2016–20 CS correctly identified, and adequately sought to mitigate, risks associated with macroeconomic developments, natural hazards, portfolio execution, and data gaps.

Program Alignment. The country program during the review period consisted of US$150 million in new sovereign-guaranteed (SG) lending (for three operations, all approved in 2020), US$156.3 million in non-sovereign guaranteed (NSG) approvals for five operations, and TC approvals of US$4.08 million for 19 operations. In addition to these new approvals, implementation of a legacy lending portfolio continued during 2016–20 (10 operations for a total of US$494.4 million, of which about US$365.5 million, or 74%, remained undisbursed at the beginning of the period), alongside implementation of a legacy portfolio of 10 TCs for a total of almost US$4.5 million.

The annual Country Program Documents (CPDs) were poor predictors of annual approvals during the 2016–20 CS period. However, the IDB Group rapidly deployed a programmatic policy-based loan (PBP) for US$100 million in support of the government's fiscal response to the coronavirus pandemic. In addition, building on earlier project restructuring efforts, IDB Group Management has seized on the pandemic as an opportunity to reallocate unused and non-performing project funds to support added safety net provisions. In general, the newly approved and legacy program was broadly aligned with strategic objectives and cross-cutting themes. However, as these objectives were insufficiently selective, the country program was unable to adequately cover them all.

Program Implementation and Results. Compared with ex ante disbursement projections, the pace of loan disbursements improved during 2016–20 compared with the previous CS period. IDB Group efforts during the period attempted to focus on improving implementation by gradually resolving initial problems with procurement, government commitment, and project executing unit staffing. In 2020, shortfalls in government business continuity protocols led to a virtual collapse in disbursements during the first three quarters of the year (recovering slightly in the fourth quarter), as project execution all but ground to a halt. In addition, actual disbursements, which exceeded projections

1 Specific, measurable, attainable, relevant, and time-bound.

by US$20 million, were able to do so only because of the US$100 million pandemic budget support, suggesting that implementation of the remaining lending operations fell short of CS plans. In fact, implementation problems—and delayed results—were the norm rather than the exception during the 2016–20 CS period. One indicator of this is that still-active projects in the portfolio were significantly over-age on average compared to regional norms, and analysis indicates that delays—attributable notably to procurement problems, government changes, and turnover, both voluntary and performance-related, in project executing unit staff—were concentrated in the initial stages of project disbursement.

Based on available information, the program achieved negligible progress toward the objectives under the strategic pillar of strengthening public sector institutions and governance, modest contributions to objectives under the strategic pillar of promoting private sector development, and some progress (notably in housing) against objectives under the strategic pillar of fostering human development, though in some areas (such as water and sanitation), the sustainability of this progress remains in question. The country program addressed the cross-cutting CS themes of gender and climate change, but generally through isolated operations rather than mainstreaming a gender and climate focus across the portfolio as expected. Finally, the program made virtually no progress in the use of country systems. Overall, as a result of both insufficient selectivity and continued difficulties in implementing the inherited portfolio, achievement of objectives was at best partial.

01

Introduction

1.1 This Independent Country Program Review (ICPR) assesses the Inter-American Development Bank (IDB) Group's strategy and program in Trinidad and Tobago (T&T) over the period 2016–2020. ICPRs assess the relevance of the Country Strategy (CS) and provide aggregate information on the alignment and execution of the corresponding country program and, to the extent possible, provide an overview of key achievements. ICPRs are primarily addressed to the IDB Group's Boards of Directors (BoD). They seek to provide the BoD with relevant information, otherwise not readily available to them, to inform their consideration of the upcoming IDB Group CS. Like the Country Program Evaluation (CPE), the ICPR draws on available project and program documentation and involves interviews with key IDB Group staff members. Unlike the practice in CPEs, however, country stakeholders (both government and civil society) were not interviewed for the ICPR and no missions were undertaken.

1.2 This ICPR is structured in six sections and an annex providing additional data. Following a brief section that situates the country context (Section II), the ICPR reviews the objectives of the 2016–20 CS and assesses their relevance (Section III). Section IV reviews the country program newly approved during the period as well as the legacy portfolio inherited from the previous CS period, assessing the program's alignment with strategic objectives. Section V aggregates Management's self-reported information on program implementation and information collected directly by OVE; where feasible, it also assesses the program's contribution to strategic objectives. Section VI concludes the review. Finally, the Annex presents various sets of data to support the ICPR analysis.

02

Country Context

2.1 T&T is a small, dual-island hydrocarbon-dependent state that has exhibited attendant volatility of growth and fiscal stress. Its population of 1.4 million places it below the cutoff for small states (1.5 million), which an extensive literature has shown to share several intrinsic characteristics and challenges.[1] Key among these is that fixed costs in the public and private sector are high relative to the small scale of operations, entailing high unit costs and, for instance, larger public expenditure, including public sector wage bills, as a share of Gross Domestic Product (GDP). Small island states' locations also commonly entail high trade costs as well as extreme vulnerability to larger losses—relative to the size of their economies—from natural disasters and the deleterious effects of climate change. In addition, their exports tend to be very concentrated (e.g., in tourism and, in T&T's case, oil and gas), making them particularly vulnerable to trade shocks and contagion from trading partner downturns, including the downturn induced by the COVID-19 pandemic. In addition, the small absolute (though not relative) size of their public sectors limits their institutional capacity for policymaking and service delivery. These intrinsic characteristics and challenges, particularly the exposure to repeated economic and natural shocks that are large relative to GDP, have resulted in the greater volatility of growth observed in small states compared with larger states. Together with the inherent stresses on public finances and limited borrowing opportunities, these repeated shocks have often led to fiscal distress and rapid debt accumulation.

2.2 T&T fits the small states predicament perfectly, as macroeconomic developments in recent years illustrate. Growth has been volatile, and largely negative, over the past ten years (Table 2.1), and almost entirely negative over the evaluation period.[2] The key underlying driver has been oil and gas prices, which have been on a generally declining—but volatile—trend.[3] Growth in other industries has also been variable,[4] alongside other key constraints for private sector development.[5] Fiscal and debt indicators have similarly been on a deteriorating trend, the product of volatile hydrocarbon-related revenue and rigidly large non-discretionary expenditures, notably transfers and subsidies. By 2019, gross public debt stood at 45% of

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1 See, for example, IEG (2016) and references therein.

2 In some cases, there are divergences between data from the government and IMF/World Bank data (see Annex, Table I.2), although trends are typically consistent.

3 As an indication of the declining trend, the average closing price for West Texas Intermediate (WTI) crude stands at US$38.75 thus far in 2020, compared with almost US$94.88 in 2011.

4 In addition to energy, manufacturing and construction have been unstable in recent years, as shown in country reviews by the Caribbean Development Bank (CDB, 2018, 2019).

5 Several factors continue to constrain T&T's business environment, including needed improvements in trading across borders and enforcing contracts, according to the World Bank's (2019) Doing Business reports. Productivity lags relative to peer countries are largely associated with problems in institutional quality, transport infrastructure, water and sanitation, and education (CDC 2020).

GDP, still moderate but rising, although the government has significant fiscal buffers.[6, 7] In the external accounts, traditional surpluses in the current account have eroded in recent years, turning to outright deficits in 2016 and 2020, reflecting declining hydrocarbon export values. Monetary sector developments have been largely stable, supporting gradual deepening of the financial system (as reflected in a rising private sector credit/GDP ratio), as well as relatively stable, mostly low single-digit inflation. Alongside a broadly stable real effective exchange rate, official reserves have remained robust. Finally, at least up to 2018, unemployment had remained low at 3.9% relative to other Caribbean countries, though labor market conditions have been generally deteriorating over the past years.[8]

Table 2.1. Selected macroeconomic indicators, 2011–2020

Indicator	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
GDP growth, constant prices (% change) [a]	-0.2	-0.7	2.2	-0.9	1.8	-6.3	-2.3	-0.2*	0.0*	-5.6*
Inflation, average consumer prices (% change)[a]	5.1	9.3	5.2	5.7	4.7	3.1	1.9	1.0	1.0*	0.0*
Government revenue (% of GDP)[a]	29.7	29.8	30.5	30.4	28.6	22.7	21.7	24.7	26.2*	20.2*
Government gross debt (% of GDP)[a]	28.9	24.6	24.7	23.5	27.2	37.1	42.5	42.2	45.1*	57.5*
Monetary sector credit to private sector (% of GDP)[b]	28.1	28.4	27.9	29.6	34.9	38.9	39.8	39.1	40.4	n/a
Real effective exchange rate index (% change)[b]	-1.3	8.7	3.5	5.8	12.7	-0.8	-2.6	-1.3	2.0	n/a
Total exports (% of GDP)[b]	66.9	63.1	64.2	54.0	45.4	37.1	41.9	44.1	35.4	n/a
Energy exports (% of GDP)[c]	57.7	51.0	51.3	45.1	34.9	28.8	34.0	37.1	27.8	n/a
Total imports (% of GDP)[c]	33.7	35.7	33.9	28.6	29.9	31.7	28.6	27.8	25.2	n/a
Fuel imports (% of GDP)[c]	12.6	11.4	13.2	7.5	5.8	6.9	7.2	7.4	5.1	n/a
Balance of trade (% of GDP)[c]	33.2	27.4	30.4	25.4	15.4	5.4	13.3	16.3	10.2	n/a
Current account balance (% of GDP)[a]	16.5	13.4	19.3	13.8	7.0	-4.4	5.3	5.8*	4.8*	-3.3*
Total reserves in months of imports[b]	8.5	7.8	8.8	10.9	10.7	10.7	10.2	9.3	9.4	n/a
Unemployment rate (%)[c]	5.1	4.9	3.7	3.3	3.4	3.9	4.8	3.9	n/a	n/a

Note: * IMF estimates. See Annex, Table I.1 for a longer list of indicators and Table I.2 for a comparison with Government data.
Sources: [a] IMF, 2020; [b] World Bank, 2020a; [c] Central Bank of Trinidad and Tobago, 2020.

6 T&T's Heritage and Stabilization Fund has about US$6 billion in financial assets (about 25% of GDP), and its rules were amended in March 2020 to allow withdrawal of up to US$1.5 billion under pandemic or natural disaster conditions (cf. COVID-19 response policy-based loan proposal).

7 Standard & Poor's downgraded T&T's sovereign rating in March 2020, from BBB to BBB- (stable), following lower oil and gas price expectations that in turn were expected to weaken public finances and economic growth.

8 See CDB, 2019.

2.3 T&T also faces distinct human development and governance challenges, including low learning outcomes, violent crime, and regional and gender disparities. T&T's Human Development Index, at about 0.8, stands above the Caribbean average as well as the Latin America and the Caribbean (LAC) average (Figure 2.1), but masks specific problems. Behind favorable education indicators (such as years of schooling) lie low education quality and learning outcomes,[9] as well as considerable emigration among the highly educated.[10] Health indicators paint a mixed picture: while life expectancy at birth and infant mortality rates have shown improvements, both remain worse than the Caribbean and LAC averages. In addition, even though the incidence of non-communicable diseases (NCDs), often linked to obesity, has been on a declining trend in recent years, it remains high in comparative terms.[11] Access to electricity, improved water sources, and sanitation are good by regional standards, though the latter two have improved little in recent years. With respect to governance, the World Governance Indicators (in effect "indices of indices" of various aspects of governance) show T&T to underperform relative to regional comparators in absence of violence and control of corruption (Figure I.1 in the Annex), with specific challenges in citizen security and gender-based violence.[12] In terms of disparities, Tobago and some areas within Trinidad face more pressing development challenges relative to the rest of the country,[13] and sharp gender inequalities exist in income levels and the labor market.[14]

9 For example, T&T participated in two rounds (2009 and 2015) of the Programme for International Student Assessment (PISA)—a international benchmarking exercise for learning outcomes—in mathematics, reading, and science, showing statistically significant gains in the latter two areas between the two years. While its scores are favorable (third) by regional (LAC) standards, they lie far below the Organisation for Economic Co-operation and Development country scores and are significantly lower than T&T's per capita income would predict (World Bank, 2016).

10 Estimations suggest that T&T has lost nearly 80% of the population with higher education to emigration, with little returns in remittances at only 0.3% of GDP (CDC 2020; Mishra, 2006).

11 NCDs accounted for 81% of 2016 deaths in T&T (WHO, 2018) compared with 71% globally. T&T has the sixth-highest rate of fatalities from NCDs in LAC, with about 621 age-standardized NCD deaths per 100,000 population in 2016.

12 About a third of Trinidadian and Tobagonian women face intimate partner violence in their lifetime; high-risk groups include young rural women with low education levels, among others (see Pemberton and Joseph, 2018; Hosein et al., 2018).

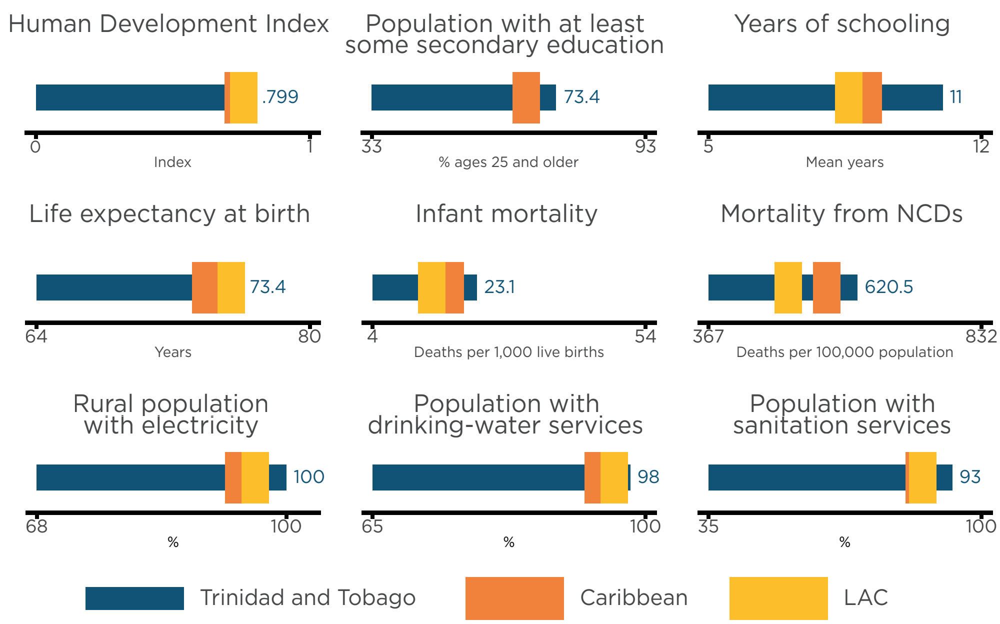
13 Tobago, largely dependent on a nascent tourism industry, is the region with the lowest household income per capita. Within Trinidad, Sangre Grande and Mayaro/Rio Claro present low human development and educational outcomes relative to the rest of the country. In contrast, high-income areas in Trinidad, such as San Fernando and Point Fortin, also have among the best educational and health outcomes in the country (CDB, 2016).

14 For example, female-headed households are associated to higher poverty levels; gross national income per capita for males was US$32,656, about 70% higher than for women at US$19,669, per the 2015 Human Development Report. Female participation in the labor market is 53%, compared to 75.5% among males (CDB, 2016).

Figure 2.1

Selected social indicators

Source: OVE, based on data from UNDP (2020) and WHO (2018).



Note: The range for each indicator reflects the minimum and maximum values found in the LAC region. Values are the latest available, spanning years 2016–2018. See Table I.3 in the Annex for details.

2.4 The current outlook for reform is uncertain, as development challenges identified by both IDB and the Government loom (including the pandemic, which has moderately impacted T&T).[15] The party that was in power during the 2016–20 CS, won re-election in September 2020. It has maintained a (slightly reduced) majority in parliament.[16] However, the effects of the pandemic are far from over and the extent to which it will slow ongoing reform efforts—alongside more traditional drag factors, such as capacity limitations and divisive politics—is still unknown.[17] The need for reforms is noted both by IDB in its Country's Development Challenges (CDC) (Box 2.1) and by the government in its long-term development strategy, Vision 2030 (Box 2.2).[18]

2.5 The coronavirus pandemic—whose impact has been moderate but continues—makes reform implementation prospects especially uncertain. In terms of infection and deaths, the country has been moderately impacted. Although the infection rate remained negligible through most of the summer, it began to rise rapidly

15 By mid-2021, Trinidad and Tobago remained among the bottom half of countries in the Americas in terms of COVID-19 cases and deaths per 100,000 population (WHO, 2021b).

16 The previous general election was held in September 2015. See Parliament of Trinidad and Tobago, 2021.

17 Reforms had been facing challenges even before the pandemic. For example, delays in tax reforms were among the cited reasons for a 2019 downgrade in T&T's international ratings (S&P Global Ratings, 2019).

18 The Government of Trinidad and Tobago (GoTT) has, however, issued a report of the Coronavirus task force (GoTT, 2020), a multi-sector team that consulted extensively within and outside government. The report, intended to be the first of two, outlines the immediate response to the pandemic and the short-term post-pandemic recovery plans. The second report will address the longer-term consolidation of recovery.

in late August, declining somewhat by November, though with occasional spikes, and moderating in December.[19] As of the end of December, the impact had been moderate, with about 7,000 confirmed cases (roughly 0.5% of the population) registered and about 125 deaths (peaking in September). Aside from the human cost, the pandemic has impacted T&T's growth rate, now expected at -5.6% for 2020, compared with a pre-pandemic projection of about 2% growth. It has also sharply increased fiscal and current account deficits and public debt. In response, the Government has drawn up a recovery plan, with technical support from the IDB.[20] In contrast to many countries in the region, however, the consensus is that T&T's economy will resume growing starting in 2021.

Box 2.1. Key constraints to development in Trinidad & Tobago

The 2016 CDC document a used a Growth Diagnostic Framework (GDF) and a Development Gaps Analysis (DGA) (on 83 indicators grouped in eleven sectors/ areas)b combined with other approaches to diagnose and prioritize the binding constraints to growth and development in T&T.

It found that the weak private sector investment and entrepreneurship were mostly constrained by low returns to economic activity (both low social returns and low appropriability). Benchmarking revealed health and education performance indicators ranking below comparator countries, negatively affecting productivity and competitiveness. Poor infrastructure (notably related to transport and water supply and sanitation) likewise undermined worker productivity and posed health risks. Low appropriability was driven by micro risks such as the widespread perception of corruption and lack of transparency and accountability in public finance and macro risks to fiscal and external sustainability. Market failures, which also lowered economic returns on private investment, related to the lack of coordination between the private sector and government on non-energy-sector projects. Especially important was the absence of a private sector development strategy seeking to address the dualistic structure of the economy (links between the hydrocarbon and non-hydrocarbon economies are weak). As with other hydrocarbon-based economies, T&T exhibited symptoms of Dutch Disease and resource curse.

The findings suggest that T&T's development priorities should focus on private sector development, technological innovation, health, institutions, transportation and trade and logistics, followed by water and sanitation, education, financial sector development and citizen security. Only gender exhibited no negative development gap. Three broad development challenges and two cross-cutting issues emerged: (a) productivity; (b) competitiveness; (c) institutions and governance; and (d) gender and climate change. Given longstanding structural constraints, declining productivity, a shrinking non-energy sector, deterioration in institutional quality and an entitlement culture, sustainable economic growth was likely to remain elusive even with improving energy prices if these challenges remained unaddressed.

Notes: [a.] A CDC update was prepared in June 2020, reaching essentially the same conclusions. b These are health and nutrition, education, transportation infrastructure, technological innovation, water and sanitation, institutions, citizen security, finance, private sector development, trade and logistics, and gender.

19 World Health Organization (WHO) Coronavirus website.

20 See GoTT (2020).

Box 2.2. Trinidad & Tobago's National Development Strategy, Vision 2030

Vision 2030, published in 2017, is a comprehensive document that builds on the previous National Development Strategy (NDS), Vision 2020, published a decade earlier. The latest NDS broadly maintains the priorities of its predecessor, the preparation of which had involved extensive consultations with civil society in T&T a (reportedly over 80 sessions), except that the framework adopted in Vision 2030 was modified to: (a) place greater emphasis on the Climate Change agenda, given the mounting global momentum and action on this agenda in recent years and its cogency for T&T; and (b) align the priorities with the Sustainable Development Goals (SDGs) and the UN's 2030 Agenda.

Vision 2030's priorities are structured under five themes: (i) Putting People First: Nurturing Our Greatest Asset; (ii) Delivering Good Governance and Service Excellence; (iii) Improving Productivity through Quality Infrastructure and Transportation; (iv) Building Globally Competitive Businesses; and (v) Placing the Environment at the Centre of Social and Economic Development.

Under each of Vision 2030's five priority themes, the document formulates 56 more specific national goals that translate into policy actions and reforms b. In turn, these specific goals are mapped to the 17 SDGs for T&T.

Notes: [a] Civil society in this context should be understood as representing a broad cross-section of the non-governmental sector, including private sector representatives, labor unions, academia, and NGOs, as well as unaffiliated members of the public. [b] Examples of the latter include identifying and closing existing gaps in social protection floors, maintaining, and upgrading school infrastructure and revising teaching curricula, promoting preventive health care, reform of the national statistical system, and improving public service delivery through e-government.

03

IDB Group Country Strategy

3.1 Strategic objectives were mapped to three broad pillars covering public sector institutions and governance, private sector development, and human development, with climate change and gender as cross-cutting themes. With the overarching goal of supporting the Government's development agenda, particularly facilitating economic diversification and macroeconomic adjustment, the three CS pillars set out a broad set of 13 strategic objectives where the IDB Group envisioned dialogue with the authorities and potentially lending operations, alongside more specific expected results (Table 3.1). For instance, under the strategic pillar of strengthening public sector institutions and governance, the first strategic objective focused on preserving fiscal sustainability, with expected results such as increased non-energy revenues, reduced revenue volatility, reduced transfers and subsidies, and improved Public Expenditure and Financial Accountability (PEFA) scores. Regarding the cross-cutting themes of climate change and gender, the CS sought to mainstream them in their interventions toward the strategic objectives. For example, the CS envisioned that the redesign of energy (fuel and electricity) subsidies would also help reduce the country's carbon footprint and encourage energy conservation as well as a shift to renewable energy sources, thereby also contributing to climate change mitigation.

Table 3.1. Strategic objectives and expected results, 2016–2020

Overarching goal of the 2016–2020 CS: Support the Government's development agenda by helping to remove constraints to economic diversification and macroeconomic policy adjustment to the new reality of lower commodity prices	
Strategic objectives	**Expected results**
Strategic pillar 1 Strengthen public sector institutions and governance	
1. Preserve fiscal sustainability.	- Increased non-energy revenue. - Reduced volatility of total revenue. - Reduced transfers and subsidies. - Improved PEFA rating concerning multi-year perspective in fiscal planning, expenditure policy, and budgeting.
2. Improve efficiency of public expenditure.	- Improved monitoring and evaluation of public management. - Improved program and project management of public investment. - Improved efficiency of public expenditure.
3. Strengthen public financial management systems.	- Improved PEFA rating concerning procurement. - Improved PEFA rating concerning budget execution reporting. - Improved Open Budget Initiative rating.
Strategic pillar 2 Promote private sector development	
4. Improve infrastructure, mobility, and logistics.	- Improved quality of road infrastructure. - Improved logistics.
5. Improve regulatory framework for doing business.	- Shortened overall distance to the frontier in Doing Business report. - Reduced regulation burden.

6. Improve trade facilitation.	- Shortened distance to the frontier in Doing Business report for the 'trading across borders' score.
7. Improve access to finance for private firms.	- Increased credit to private sector provided by banks. - Increased access to credit for SME.
8. Promote development of renewable energy sources.	- Increased share of renewable energy sources in the energy matrix.
9. Improve security for business.	- Reduced economic cost of security risks for business.
Strategic pillar 3 **Fostering human development**	
10. Improve public health outcomes.	- Reduced impact and risk factors of non-communicable diseases. - Reduced maternal and infant mortality.
11. Improve learning outcomes.	- Increased access to early childhood education. - Improved quality of primary education. - Improved student performance.
12. Increase access to quality housing.	- Increased availability of government-supported housing. - Increased access to basic services in informal settlements.
13. Improve water and sanitation services.	- Increased reliability of water services. - Increased access to sanitation services. - Increased coverage of operating expenses with operating revenues.

Source: OVE, based on the Country Strategy 2016–2020.

3.2 Strategic objectives were aligned equally with national and IDB Group corporate priorities, country context and needs, and past IDB experience within the donor landscape, but they were too broad to provide strategic orientation. Presentational nuances notwithstanding, strategic objectives lay convincingly at the intersection of four sets of priorities: (i) Government priorities, as set out in T&T's 2016–2030 National Development Strategy (NDS), Vision 2030; (ii) IDB Group corporate priorities, articulated notably in the 2015 Update to the Institutional Strategy (UIS) 2010–2020, as well as the Corporate Results Framework, 2016–2020; (iii) constraints and challenges to T&T's sustainable development, as analyzed in the IDB Group's 2016 CDC, updated in 2020 with essentially the same diagnosis; and (iv) the set of priorities that the IDB Group was well-placed to support in terms of in-country experience. While aligned, the CS left few areas uncovered within this large set of needs and priorities, suggesting that the selection of objectives was too broad to provide a strategic focus.

3.3 CS priorities covered virtually all of those identified in Vision 2030, further suggesting a lack of strategic focus. Vision 2030 is a comprehensive document whose priorities are structured around five themes (Box 2.2): (i) Putting People First: Nurturing Our Greatest Asset; (ii) Delivering Good Governance and Service Excellence; (iii) Improving Productivity through Quality Infrastructure and Transportation; (iv) Building Globally Competitive Businesses; and (v) Placing the Environment at the Center of Social and Economic Development. The CS's overarching goal—its three strategic pillars, strategic objectives, and expected results—overlapped entirely with Vision 2030's five priority themes, leaving few areas uncovered. In fact, most of the country support envisioned by the CS is reflected in Vision 2030's 56 more specific national goals formulated under the five themes (in turn, these specific national goals are mapped against the 17 SDGs for T&T). Given the comprehensiveness of Vision 2030, this suggests that the CS was not selective enough in addressing the subset of government priorities where the IDB Group could realistically add the most value.

3.4 Strategic objectives were also aligned with those of the March 2015 UIS 2010–2020, and results sought by the CS dovetailed with those in the Corporate Results Framework (CRF).[21] Strategic objectives spoke directly to the three central development challenges in LAC countries—social exclusion and inequality, low productivity and innovation, and limited economic integration—that the UIS identified and sought to address.[22] CS results indicators were also substantially aligned with those in the September 2015 CRF.

3.5 Strategic objectives addressed all the urgent contextual development needs in T&T, as diagnosed in the CDC, leaving few uncovered. The CS's three strategic pillars and two cross-cutting themes aligned almost precisely with the three broad CDC-diagnosed development challenges (Box 2.1)—productivity, competitiveness, and weak institutions and governance—and the two cross-cutting areas of gender and climate change. Moreover, all the strategic objectives and the actions planned to address each of them were diagnosed as development priorities in the CDC. To take but one example, under the first strategic objective of preserving fiscal sustainability, the CS plans to "review value added tax (VAT) and corporate income tax (CIT) legislation to eliminate exemptions, loopholes, and tax expenditures lacking sound justification" were entirely aligned with the CDC's finding that revenues thus forgone amounted to about 3% of GDP,[23] a large number by international standards. Finally, strategic objectives did not miss any significant binding constraints to the country's development. This, however, resulted in a broad selection of objectives that compromised the strategic focus of the 2016–20 plans.

3.6 Strategic objectives covered areas in which the IDB Group had a record of country experience, although the basis for division of labor with other partners was unclear. Most areas covered by the

21 The latest (second) update dates to August 2019, so would not have been available at the time of CS preparation.

22 To help LAC countries overcome these challenges, the IDB sought to use six operational guiding principles: leverage and partnerships, innovation and knowledge, responsiveness, multi-sectorality, effectiveness and efficiency, and alignment. It also sought to ramp up efforts to tackle remaining weaknesses and strengthen areas identified by its stakeholders and revealed in performance data, such as speeding up operational deliveries.

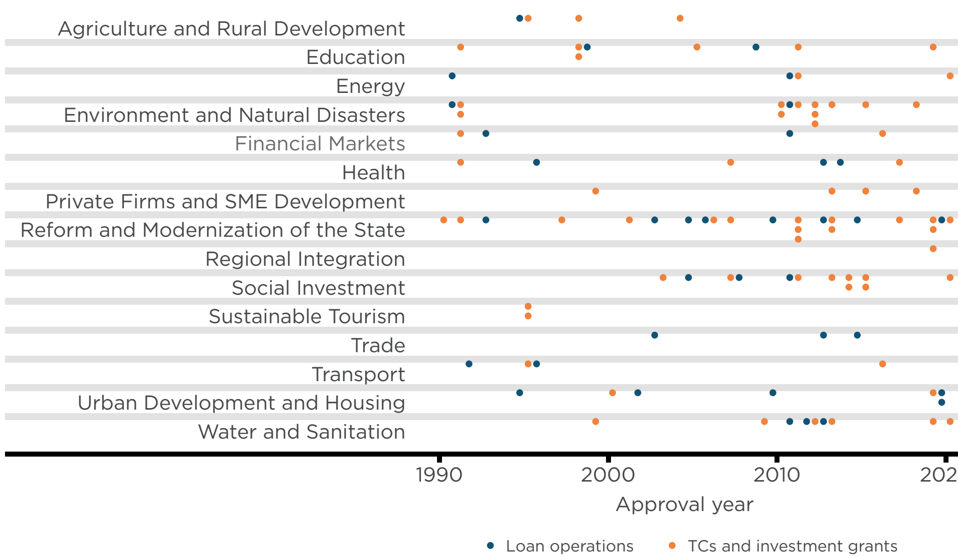
23 See the 2016 CDC, Paragraph 3.25.

strategic objectives were ones where the institution had a track record of experience dating to well before the evaluation period. For example, IDB has a longstanding engagement in several areas related to reform and modernization of the state (Figure 3.1). However, in terms of the division of labor between IDB and other donors active in T&T, the CS did not put forward concrete arguments as to why the IDB Group chose to engage in the precise areas it did rather than leave them to other partners. Instead, the discussion was around sustaining coordination with key donors active in T&T (i.e., the European Union, the Development Bank of Latin America (CAF), Canada, China, the United Nations Development Programme, and the Caribbean Development Bank) or pursuing collaboration under co-financed initiatives. According to Management, coordination and consultation with other development partners takes place in a local forum, to ensure that all partners are aware of others' support.[24]

Figure 3.1

SG approvals in T&T by sector, 1990–2020

Source: OVE, based on data from EDW.



Note: Each point represents one approved operation; stacked points mean multiple approvals in the same sector in the same year. Includes only operations that registered a specific sector in Convergence/Enterprise Data Warehouse (EDW). TCs include reimbursable and non-reimbursable.

3.7 The CS results matrix was of broadly adequate quality, but the lack of updated data seriously marred evaluability. The CS results matrix was largely founded on tight vertical logic with a clear chain of causality leading from the strategic objectives to expected results sought and changes in indicators, providing an adequate basis to guide the IDB Group's planned support. Indicators selected to measure progress toward the strategic objectives mostly fulfilled

24 Some donors are working in similar sectors as the IDB Group. For example, as of April 2021, the European Union (2021) supported areas like energy, private sector development, trade, and transport; CAF supported transport and fiscal policy; and UNDP (2021) supported environment, energy, health, and social protection.

the SMART criteria.[25] Data sources for updates to indicator values were noted, although in the case of some sources (e.g., Public Expenditure and Financial Accountability [PEFA] reports) it was uncertain when such sources would make updates available, and in other cases the sources were expected to publish updates by the end of the CS period but these were delayed and are thus not yet available for this review. In the event, however, updated data for about half of the results indicators was lacking, undermining the evaluability of the CS (Table I.9 in the Annex).

3.8 The 2016–20 CS—against a backdrop of sharply increased commitments but lagging implementation during the previous CS period—rightly sought to moderate new approvals and enhance execution of the existing portfolio. The previous (2011–15) CS embodied ambitious plans to scale up IDB sovereign-guaranteed (SG) lending support, but actual approvals fell well short (Box 3.1). During 2011–15, execution problems plagued both the newly approved lending portfolio as well as the portfolio inherited at the start of it. Appropriately, therefore, and in line with CPE recommendations, most notably to rethink the scale of engagement (Box 2.2), the 2016–20 CS planned a much more cautious level of new lending approvals—averaging US$50 million a year during 2017–20 for a total of US$200 million—together with a focus on improving the speed and quality of portfolio implementation. The CS acknowledged the portfolio execution shortfalls under the previous CS (Paragraph. 2.18) and proposed a focus on strengthening implementation, including execution readiness in the design of new operations (Paragraph 5.1).

3.9 Management's self-reported implementation of the recommendations of the last CPE suggests significant progress. Of the six recommendations in the CPE (Box 3.1), management assesses overall progress in compliance with the recommendation to be as follows: recommendation 1 (strategic focus), 93%; recommendation 2 (project design and implementation), 84%; recommendation 3 (institutional strengthening activities), 92%; recommendation 4 (client engagement), 84%; recommendation 5 (private sector engagement), 96%; and recommendation 6 (data for decision making), 92%. In April 2021, OVE concluded the 2020 validation cycle to assess the degree of implementation of its recommendations. In this cycle, the final one for this Action Plan, the overall implementation as well as the overall assessment for all six recommendations were rated as "substantial."

25 The quality-at-entry check counted 82% of indicators as SMART, while baselines were furnished for 92%. It should be noted that the IDB's current practice is not to specify end-year target values, but simply indicate the desired direction of change.

3.10 Risks identified by the 2016–20 CS related to macroeconomic developments, natural hazards, portfolio execution, and data gaps. The CS proposed to mitigate macroeconomic risks—notably, risks to fiscal sustainability stemming from resistance to orderly fiscal consolidation and risks of adverse impacts on the poor from severe hydrocarbon price-fall-driven fiscal retrenchment—through close monitoring of economic performance and support for corrective measures as well as (under the first strategic pillar) for strengthening public sector institutions. Risks associated with natural disasters would be mitigated through continued IDB Group support for climate change adaptation and mitigation as well as for public and private sector disaster risk management initiatives. The CS proposed to mitigate portfolio execution risks through technical support, capacity-building and stakeholder consultation initiatives, inclusion of change management activities in project plans, and support for Ministry of Planning and Development efforts to strengthen inter-agency coordination. Given the portfolio implementation challenges during the 2011–15 CS period, the 2016–20 CS also anticipated the likely need for portfolio restructuring. Risks of a global pandemic were, understandably, not identified in the CS.

Box 3.1. Main findings and recommendations of OVE's 2011–2015 CPE

The 2011–15 CS, which the CPE assessed, had envisaged the approval of US$1.5 billion in sovereign-guaranteed lending over a five-year period, a ninefold scale-up of approvals during 2004–10. However, actual approvals fell short, amounting to US$871 million for 14 new loan operations (slightly over half of the planned envelope), including four policy-based programmatic (PBP) series, alongside 29 Technical Cooperation (TC) grants for an additional US$12 million.

The lending program delivered was in six of the eight sectors anticipated: financial sector regulation and supervision, public sector management, social protection, climate change, energy, and water and sanitation, but not education or transport. Three loans were approved outside of the strategic objectives of the CS. The four PBP series approved covered energy, climate change, financial sector regulation and supervision, and social protection.

However, portfolio implementation problems quickly surfaced. All four PBP series approved truncated, and investment lending approvals saw similar implementation challenges. Delays in loan signings and disbursement eligibility, together with reformulations and cancelations, removal of operations from the pipeline in Country Program Documents (CPD), and protracted execution became recurring features. 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).

IDB Invest did not approve any operation during the period.

The CPE assessed achievement of strategic objectives as at best partial, and sustainability unclear.

CPE recommendations were to: (a) rethink the engagement strategy with T&T and work with country counterparts to design a country program commensurate with the country's institutional capacity, providing technical and financial support on a scale the country is able to use; (b) verify investment project implementation readiness before approval; (c) be more diligent in designing and supervising

Bank-financed institutional strengthening activities, ensuring they are sufficient to achieve intended objectives and are appropriately sequenced; (d) in collaboration with government authorities, explore ways to strengthen and consolidate project selection, preparation, and implementation functions; (e) engage more deeply with the country's private sector through activities and consultations at various levels, including developing non-sovereign guaranteed (NSG) products appropriate to the country context; and (f) 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 (see Table I.4 in the Annex for a summary of the implementation status of these recommendations).

04

IDB Group Program Alignment

4.1 Actual approvals of SG lending during the 2016–20 CS period fell short of CS plans, although NSG engagement was much larger than under the previous CS period. Three SG operations were approved for a total of US$150 million, all in June 2020 (Table 4.1). A policy-based lending operation supporting T&T's COVID-19 fiscal policy response made up two-thirds of the total, raising the question of whether the new lending commitment shortfall might have been much larger had the pandemic not broken out. The remainder was allocated to an urban upgrading and revitalization program (two distinct financing windows for specific project components). In addition to the SG commitments, US$156.3 million in non-sovereign-guaranteed (NSG) approvals supported five operations (Table 4.1), a much larger engagement than under the previous CS period, where no approvals occurred. According to Management, the increased NSG commitments reflected a higher IDB Invest local presence under its Small and Island (S&I) Action Plan, approved in 2017 and updated in 2020.[26]

Table 4.1. SG and NSG approvals during 2016–20 CS period

Loan No. Project Name Approval Date	Amount (US$ million)	Comments
TT-L1056 Urban Upgrading and Revitalization Program (investment loan) *6/12/2020*	32.5	2% disbursed by 12/31/2020. Multiple works program financing the first two components of this project: (1) urban residential infrastructure sub-projects to either upgrade living conditions in informal settlements on state lands or to develop planned, residential sub-divisions in well-located state-owned greenfield sites, for allocation to low-income households; and (2) urban regeneration initiatives to improve the physical quality and economic performance of urban public spaces (e.g., building refurbishment, site and streetscaping infrastructure, and landscaping to increase the attractiveness, resilience, and sustainable use of urban public spaces and facilities). The remaining two components would be financed under loan TT-L1057 (see below). As expected, none of the four outputs under these first two components have yet been achieved.
TT-L1057 Urban Upgrading and Revitalization Program (investment loan) *12/6/2020*	17.5	9% disbursed by 12/31/2020. Specific investment loan to complement operation TT-L1056 (see above) and finance the remaining third and fourth components of this project: (3) subsidies to finance home improvements for currently occupied homes that enhance living conditions for eligible low-income households and new construction or acquisition of basic homes; and (4) activities to better equip supply-side stakeholders to address the medium-term housing and sustainable urban development needs, including various sector studies. Expected results of the overall project relate to better living conditions (e.g., increase in the proportion of households in project sites with an indoor toilet). As expected, none of the 11 outputs under these third and fourth components have yet been achieved.

26 See Small and Island Action Plan Update (document CII/GN-354-1) and Small and Island Action Plan Update. Revised version (document CII/GN-354-2).

TT-L1058 Program to Strengthen Fiscal Policy and Management in Response to the Health and Economic Crisis Caused by COVID-19 in Trinidad and Tobago (programmatic policy-based loan) *12/6/2020*	100	Fully disbursed by 8/28/2020 (date of closing). First in a planned two-loan PBP series. In support of T&T's pandemic response, prior actions include expenditure reallocations to health (including hires of additional personnel and purchase of PPE, etc.) and relief measures benefiting vulnerable persons and firms (including accelerated tax refunds of small amounts, deferral of mortgage payments, rental assistance, etc.). Project Monitoring Report (PMR) information suggests two impact indicators were fully achieved, related to the number of COVID-19 cases and the government's fiscal balance. Outcome indicators, related more to concrete project-level achievements, were not reported on. All ten output indicators were reported as fully achieved. Policy matrix also specifies triggers for second loan in series, consisting mainly of review of and adjustments in COVID-19 emergency measures as well as identification of opportunities to enhance revenue and rationalize spending.
TOTAL SG[a]	150	
TOTAL NSG[b]	156.3	

Notes: [a]Excludes regional operations and TCs. [b]Excludes MIF/IDB Lab, regional operations, and advisory engagements.
Source: IDB Group loan documents.

4.2 Alongside SG lending, TC approvals during 2016–20 amounted to US$4.08 million for 19 packages. TCs were broad ranging in coverage, directed inter alia at transport, financial markets, public sector reform, health, private/SME sector development, natural disasters and the environment, water and sanitation, regional integration, housing and urban development, education, and energy (Table I.5 in the Annex). The large majority of TCs supported institutional capacity-building or knowledge exchange initiatives. In one case, a TC provided relief in response to an unexpected event (flooding). Two TCs explicitly supported preparation or implementation of lending operations (health, urban).

4.3 In addition to the approval of new SG and NSG financing operations, implementation of a legacy portfolio continued during 2016–20. The legacy SG portfolio—operations approved prior to the CS period but still active and with undisbursed balances as of January 1, 2016—consisted of 10 operations for a total commitment of US$494.4 million (Table I.6 in the Annex),[27] of which about US$365.5 million (74%) remained undisbursed at the start of the 2016–20 CS period. Their sector coverage was broad and included citizen security, housing and neighborhood upgrading, water and sanitation, health, public sector institutional strengthening, public financial management, and business facilitation. The legacy NSG portfolio included only one operation, for a total commitment of US$100 million. However, this operation was of negligible relevance to T&T (the country was listed only as a potential investment destination among 16 others, and no investments were made there).

27 This amount excludes a regional grant (RG-X1011) of about US$16.7 million aimed at mobilizing greater investments in water and wastewater.

4.4 A TC portfolio was inherited alongside the legacy lending portfolio. Ten TC packages for a total of almost US$4.5 million remained active, with disbursements pending (a total of about US$3.1 million), at the start of the 2016–20 CS period (Table I.7 in the Annex). The bulk of the TCs was aimed at capacity-building in various areas, including education, business analytics for private firms, economic development planning, risk-resilient coastal zone management, solid waste management, at-risk girls, manpower planning, and marine environment preservation. One TC was intended to support the design and implementation of a women's center project that never materialized.

4.5 Annual CPDs were poor predictors of approvals during 2016–20 CS years. In November of every year, Management conducts a programming exercise that is outlined in a CPD. CPDs "provide the indicative pipeline for the coming year and report on advances in CS implementation."[28] In T&T, the match between approvals programmed in CPDs and actual approvals was generally poor (Table 4.2). For instance, proposed SG operations such as those in support of urban upgrading and education advancement remained in the pipeline for years prior to being approved; education advancement is still pending. Pipeline project amounts changed frequently, suggesting shifting scope and/or scale. Some projects (urban sustainability; competitiveness and innovation) subsequently disappeared from the pipeline. Only the 2020 CPD correctly anticipated the approval (and amount) of the urban upgrading program, although it did not anticipate—understandably, given the circumstances—the approval of the US$100 million COVID-19 fiscal policy response operation.[29] NSG and TC approvals throughout the period were similarly highly imperfect reflections of programming.

Table 4.2. Alignment between programmed and actual approvals per year, 2016–20

Programmed per CPDs		Actual approvals / Comments
2016		
SG	Urban Sustainability and Mobility (US$25 million). Competitiveness and Innovation Support (US$30 million).	No approvals.
TC	Five TCs (US$2 million total) focusing on center of government, central statistical office, parliamentary capacity, local government and subnational investment, and public transport system studies.	Three TCs (US$0.75 million) approved: C&D countries action plan, knowledge exchange on banking sector, and technical and environmental roads studies. None matched plans exactly.

28 CS Guidelines (document GN-2468-9), Paragraph 6.9.

29 The education advancement program, focused on early childhood education, was programmed in the 2020 CPD (as well as in several earlier CPDs) but was not approved in the CS period.

	2017	
SG	Education Advancement (US$35 million)	No approvals.
TC	Three TCs (US$0.6 million total) focusing on central statistical office, hydrological resources, and health sector program implementation support.	Three TCs (US$0.52 million total) approved. Two of these did not match (C&D countries action plan, support for government electronic payments system), but one did (in health, increased by US$0.1 million).
	2018	
SG	Education Advancement (US$35 million). Climate-Resilient Coastal Infrastructure (US$21 million). Water Supply Improvement (US$50 million). Urban Upgrading and Revitalization (US$30 million).	No approvals.
TC	Two TCs (US$0.7 million total) focusing on implementation support for education advancement and preparation of water supply improvement.	Three TCs (US$0.45 million) approved. None of the three matched the programming (C&D Action Plan, knowledge exchange on creative industries, and emergency flood assistance).
	2019	
SG	Education Advancement (US$10.5 million) Urban Upgrading and Revitalization (US$30 million).	No approvals.
TC	10 TCs (US$2.9 million total) focusing on education advancement, water supply improvement, central statistical office, non-revenue water, urban upgrading, renewable energy regulation, climate resilience, road safety, women, and adolescents.	Seven TCs (US$1.06 million total) approved, of which four matched programming (education advancement, central statistical office, non-revenue water, and urban upgrading). The rest did not (C&D action plan, Tamana InTech Park, Conformity Assessment Accreditation).
	2020	
SG	Urban Upgrading and Revitalization (US$50 million). Education Advancement (US$10.5 million).	Urban Upgrading and Revitalization (US$50 million) approved. COVID-19 fiscal response approved (US$100 million).
CT	Five TCs (US$1.65 million total) focusing on water supply improvement, renewable energy regulation, women, adolescents, and fiscal policy and public investment.	Three TCs (US$1.3 million) approved. Two matched programming (water supply, renewable energy); one did not (C&D Action Plan).

Notes: [a]Not including MIF/IDB Lab approvals. [b]2016 and 2017 CPDs were prepared under the 2011–15 CS, as the 2016–20 CS was only presented to the Board in March 2017.
Source: OVE, based on annual CPDs and data from EDW.

4.6 Significantly, the IDB engaged promptly in response to the COVID-19 pandemic. The first operation in the two-loan PBP series to support the government's response to the COVID-19 pandemic was deployed within a three-month period. This budget-support operation covered one-eighth of the additional financing needs (about US$800 million) that the government estimated it would need to raise to cover the revenue shortfall and additional spending induced by the pandemic. It supported many of the measures outlined in the report of T&T's coronavirus task force (GoTT, 2020), such as additional expenditure to hire more health care workers, better equip hospitals and health centers, and procure personal protective equipment (PPE), as well as added social safety net provisions. While the triggers for the second operation in the series were lacking in depth,[30] they were relevant to the context. Similarly, in response to severe flooding in the third quarter of 2018, the Bank was quick to deploy a TC grant in support of humanitarian relief efforts by the T&T Red Cross. Despite some delays in execution, support for shelters and supplies was delivered as planned.

4.7 While both the legacy and the newly approved programs were broadly aligned with strategic objectives and cross-cutting themes, the product mix did not cover all objectives, which were overly broad in scope. New lending approvals in the 2016–2020 period for the legacy portfolio, as well as new TC approvals and legacy TCs, were aligned with several, though not all, strategic objectives. Table I.8 in the Annex, which provides a detailed mapping of IDB Group operations against strategic objectives and their associated expected results, demonstrates that some were left uncovered or only weakly addressed by the country program. This suggests that the scope of strategic objectives and expected results was too broad relative to actual delivery. For example, no IDB Group lending operations were directed at the strategic objective of improving learning outcomes and the associated expected results of increasing access to early childhood education (which only had one TC with no disbursements), improving quality of primary education and student performance. One loan operation was expected to increase access and quality of early childhood education, but it did not reach approval during the CS period, and no operations targeted primary education or student performance directly.[31] Only one legacy TC, approved in 2011, was the sole source of IDB support to the education sector (for capacity-building in the Ministry of Education) during the review period and could not by itself be expected to substantially affect the expected results under this strategic objective. Similarly, under the first strategic objective of preserving fiscal sustainability, no IDB Group operations directly addressed three out of four expected results (increasing non-energy revenues, reducing revenue volatility, and reducing transfers and subsidies). While the CS envisioned addressing them, such plans did not materialize into concrete operations during the review period. Overall, as Table 4.3 shows, the program was weakly aligned with four out of 13 strategic objectives and had no coverage of operations to fully address three strategic objectives.

30 The concept of depth—the extent to which a reform measure on its own can bring about lasting change in the institutional and policy environment—was originally introduced in IEO (2007). Many of the triggers for the second operation consist of reviewing COVID-19 response measures and identifying options to rationalize public expenditure and boost revenues.

31 Lending operation TT-L1053 has been in the pipeline since 2017 but had not yet been approved by the closing of the CS period. While in the pipeline, this project apparently underwent significant mutation in scope and amount. In its latest configuration, the project was expected to focus on early childhood care and education (ECCE). One TC (TT-T1074) was approved in 2019 to support this loan, but has disbursed nothing to date.

Table 4.3. Summary of implemented program alignment with strategic objectives and expected results

Strategic objectives	Expected results
Strategic pillar 1 — Strengthen public sector institutions and governance	
1. Preserve fiscal sustainability.	Increased non-energy revenue.
	Reduced volatility of total revenue.
	Reduced transfers and subsidies.
	Improved PEFA rating concerning multi-year perspective in fiscal planning, expenditure policy, and budgeting.
2. Improve efficiency of public expenditure.	Improved monitoring and evaluation of public management.
	Improved program and project management of public investment.
	Improved efficiency of public expenditure.
3. Strengthen public financial management systems.	Improved PEFA rating concerning procurement
	Improved PEFA rating concerning budget execution reporting
	Improved Open Budget Initiative rating.
Strategic pillar 2 — Promote private sector development	
4. Improve infrastructure, mobility, and logistics.	Improved quality of road infrastructure.
	Improved logistics.
5. Improve regulatory framework for doing business.	Shortened overall distance to the frontier in Doing Business report.
	Reduced regulation burden.
6. Improve trade facilitation.	Shortened distance to the frontier in Doing Business report for the 'trading across borders' score.
7. Improve access to finance for private firms.	Increased credit to private sector provided by banks.
	Increased access to credit for SMEs.
8. Promote development of renewable energy sources.	Increased share of renewable energy sources in the energy matrix.
9. Improve security for business.	Reduced economic cost of security risks for business.
Strategic pillar 3 — Fostering human development	
10. Improve public health outcomes.	Reduced impact and risk factors of non-communicable diseases.
	Reduced maternal and infant mortality.
11. Improve learning outcomes.	Increased access to early childhood education.
	Improved quality of primary education.
	Improved student performance.
12. Increase access to quality housing.	Increased availability of government-supported housing.
	Increased access to basic services in informal settlements.
13. Improve water and sanitation services.	Increased reliability of water services.
	Increased access to sanitation services.
	Increased coverage of operating expenses with operating revenues.

Program aligned — Program weakly aligned — No program coverage

Source: OVE, based on Table I.8 in the Annex.

05

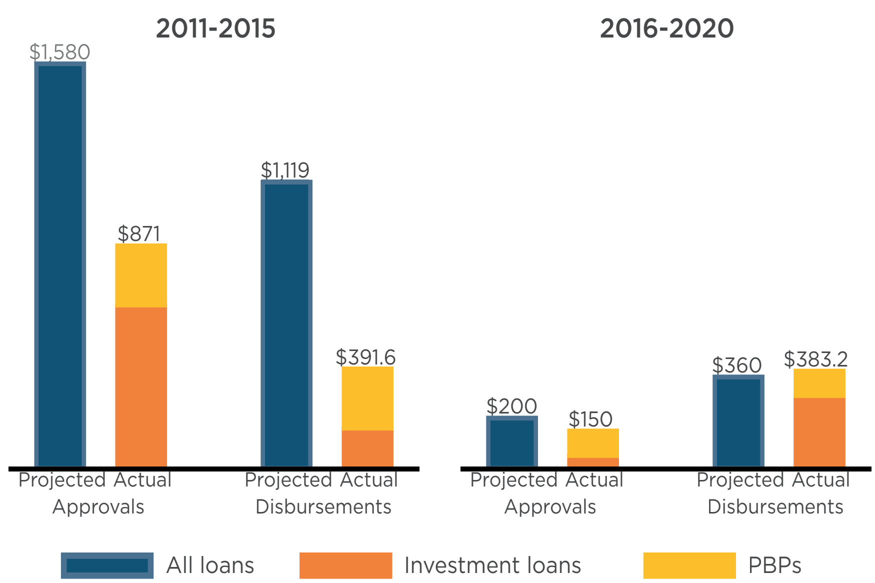
IDB Group Program Implementation

5.1 Actual SG disbursements relative to ex ante projections improved during the CS period under review compared with the earlier CS period. Figure 5.1 compares actual and projected disbursements during the review period with those in the previous CS period. The 2011–15 CS had largely optimistic expectations for disbursements at US$1.1 billion, while actual disbursements were only US$391.6 million. The 2016–20 CS set more realistic targets and projected US$360 million in disbursements, with actual figures slightly exceeding these plans and showing an increase in disbursements from investment loans. According to interviewees and project documentation, efforts to improve portfolio implementation included the gradual resolution of early-stage problems with procurement and Project Executing Unit (PEU) staffing and a stronger dialogue to regain government buy-in over the CS period relative to the uncertain commitment after the 2015 election. In comparing the two periods, however, total disbursements (from both investment and policy-based lending) remained roughly the same despite the large differences between CS expectations, suggesting a stable absorption capacity of the country over the period. In addition, during 2016–20, despite having exceeded disbursement projections by about US$20 million, a caveat is that US$100 million came from the COVID-19 PBP, raising the question whether projections would have been met in the absence of the pandemic.

Figure 5.1

SG lending, projected vs. actual approvals and disbursements (US$ million)

Source: OVE, based on CS 2011–15, CS 2016–20 (expected), and EDW (actual).



5.2 The virtual collapse of disbursements in the first three quarters of 2020 indicates that the pandemic had a major impact on the pace of project implementation. Abstracting from the US$100 million disbursement from the policy-based loan in support of the government's COVID-19 response, disbursements through October 15, 2020 amounted to only about US$5 million, a negligible fraction of the US$131 million in funds (all in legacy projects) that remained undisbursed at the start of the year, although disbursements picked up in the last quarter of 2020 to reach about US$9 million for the year. The drop-off in disbursements indicates that many project activities all but ground to a halt for much of the year. This is confirmed in many of the latest project monitoring reports (PMRs), which report procurement and/or works-related delays in the first half of 2020 owing to the pandemic-induced lockdown. One example is the latest PMR for project TT-L1042, approved in 2015 with the goal of strengthening public financial management, notably through the configuration and operationalization of an integrated financial management information system (IFMIS). The PMR reports that weaknesses in government business continuity systems during the pandemic led to substantial delays in advancing project implementation, compounding delays accumulated in past years. As a result, the IFMIS is unlikely to be piloted in selected line ministries and agencies before 2021.[32]

5.3 However, even abstracting from recent pandemic-related delays, SG portfolio execution difficulties—and delayed results—remained the norm rather than the exception during the 2016–20 CS period. Portfolio implementation during the 2016–20 CS period was almost entirely focused on execution of the legacy portfolio. Some restructuring of the portfolio was undertaken in 2017 and 2018, and in 2020 unused and non-performing project funds were reallocated to support the response to the pandemic. New approvals were extremely backloaded (new operations were approved only in 2020 and disbursements were negligible save for the COVID-19 budget support operation). Documentation on project implementation (notably in PMRs) was typically sparse, especially with respect to reporting on project impacts or outcomes. PCRs were available for only two of the oldest legacy operations. Nevertheless, a review of implementation experience from the available documentation (Table I.6 in the Annex, comments column) reveals that virtually every project suffered implementation delays, resulting in extensions of disbursement eligibility and shortfalls in delivery of outputs relative to plans.[33] A calculation of portfolio execution times supports the assertion that project implementation was difficult (Figure 5.2), despite the gradual resolution of early-stage implementation problems. The completion times for projects that closed during the 2016–20 CS period decreased relative to the

32 Other examples of projects reporting pandemic-related delays in procurement and/or execution of project activities (Table I.6 in the Annex) include TT-L1026 (reported delays in works on the San Fernando wastewater treatment plant), TT-L1034 (delays in digitization of property registration), TT-L1039 (delays in procurement), and TT-L1044 (implementation delays).

33 As discussed previously, while disbursement projections were exceeded by roughly US$20 million, actual disbursements included US$100 million from the COVID-19 PBP (TT-L1058), which naturally was not foreseen by the projections, thus reflecting a slower-than-expected delivery of outputs for the remaining loans.

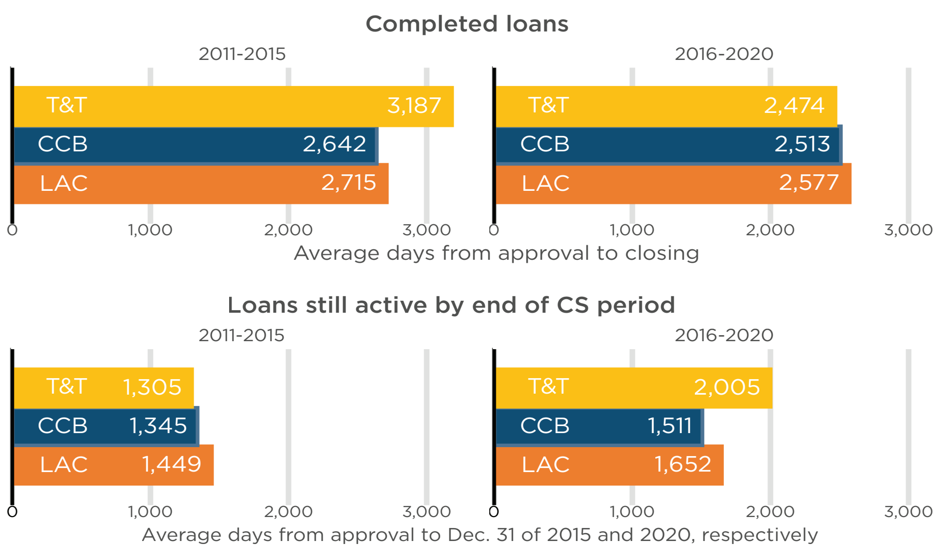
previous period and do not differ significantly from the Country Department Caribbean (CCB) and LAC averages. However, the age of projects that remained open by the end of the CS period is far above the CCB and rest of LAC averages, even though two of the projects were approved only in June 2020. Figure I.2 in the Annex, which decomposes the various stages of implementation, reveals that delays have been concentrated in the initial phases of disbursement (up to 25% of the project amount). The preparation and execution costs did not, however, significantly differ from CCB standards (Figure I.3 in the Annex).

5.4 Interviewees and project documentation typically attribute implementation delays to problems with procurement, PEU staffing, and changes in government. Procurement was frequently cited as a delaying factor. For example, under the Multi-phase Wastewater Rehabilitation Program (Phase 1) (TT-L1026), problems surfaced when the contractor for the construction of the San Fernando wastewater treatment plant underbid, and the contract had to be amended. In the case of some projects, such as the Single Electronic Window (TT-L1044) and the Citizen Security Program (TT-L1003), PEU staff underperformed and had to be replaced, further delaying implementation. Government changes also delayed project implementation. For example, the Citizen Security Program (TT-L1003), approved in 2008, had been designed under one administration. Following the change of government in 2010, it took three years to bring the new officials on board to continue with the program as designed. A similar fate befell the Health Services Support Program following the change of government in 2015, and implementation stalled for more than two years.

Figure 5.2

Length of portfolio implementation, SG investment loans

Source: OVE, based on data from EDW.



Note: Data includes all SG investment loans that had operational closing at any point during each CS period (top) and all SG investment loans that were still active by December 31 of the last year of each CS period (bottom). The same calculation was then made for each IDB borrowing member country, thus CCB and LAC figures are averages of country averages.

5.5 Execution of the NSG portfolio was generally smooth, but information on results was in some cases not yet available owing to the young age of the portfolio[, and IDB Invest trade financing has not been drawn upon]. Disbursements from the NSG portfolio were timely. Results were reported on in a few cases. For example, a corporate loan helped expand the company's customer base, while a loan to a financial institution enabled it to achieve higher than expected growth in its SME and housing portfolios, despite delays in its digital strategy implementation. IDB Invest supported another institution via a guarantee for their bond issuance, which was used to fund the growth of their primary mortgage portfolio to low- and middle-income earners in the country. This was followed by a 2020 senior loan to another financial intermediary to finance the growth of the institution's secondary mortgage portfolio, which is also comprised of low- and middle-income housing loans.

5.6 The IDB Group program's contribution to strategic objectives under the pillar of strengthening public sector institutions and governance was negligible.

- The program did not contribute to the strategic objective of preserving fiscal sustainability. It was not until September 2020 that a TC was approved in direct support of public revenue-related reforms. Similarly, no IDB Group instrument(s) explicitly supported an assessment of transfers and subsidies (including energy subsidies).

- Similarly, the program achieved little progress toward the strategic objective of improving the efficiency of public expenditure. For example, little progress was made in improving monitoring and evaluation of public expenditure, given the delays in designing and deploying the IFMIS. Although there are indications that government spending became more efficient over the CS period, the likelihood is low that the program contributed to this.

- Finally, the program's contribution to the strategic objective of strengthening public financial management (PFM) systems was also minimal. IDB's main instrument for addressing this objective was loan operation TT-L1042. While updated PEFA scores to help gauge progress are unavailable, the implementation challenges and delays encountered under the project make it unlikely that it has yet contributed significantly to improvements in PFM.[34]

34 The CS sought to measure progress in PFM through improvements in the scores of various PFM dimensions under the Public Expenditure and Financial Accountability (PEFA), a standardized analytical tool. However, no PEFA assessment for T&T has been prepared since 2014.

5.7 The IDB Group program made only a modest contribution to strategic objectives under the pillar of promoting private sector development.

- Some IDB support was provided toward the strategic objective of improving (road) infrastructure, mobility, and logistics, largely in the form of technical and environmental studies, assisting public investment project planning and selection.

- The program likely contributed toward the strategic objective of improving the regulatory framework for doing business. Operation TT-L1034 made progress in outputs related to streamlining property rights regulations, and TT-T1054 contributed to strengthen the legal and regulatory framework for promoting competitiveness and innovation and enhance SME capacities in this area.

- The IDB provided support toward the strategic objective of improving trade facilitation, notably through loan operation TT-L1044. However, no progress was registered in the associated result indicator.

- IDB Invest support directly contributed to the strategic objective of improving access to finance for private firms (which improved over the CS period).

- Some support was provided for the strategic objective of promoting the development of renewable energy sources, but the support is still at an early stage of implementation (through TCs RG-T3108 and TT-T1087) and could not yet have impacted the share of renewables in the energy matrix.

- Finally, toward the strategic objective of improving security for business, no updated information is available for the associated results indicators. However, it is likely that the IDB made a positive contribution to citizen security through legacy loan operation TT-L1003, although the sustainability of the results achieved by the program is in doubt given the lack of hoped-for mainstreaming of community-based approaches to crime reduction.

5.8 With respect to the strategic pillar of fostering human development, the IDB Group program achieved progress in some of the strategic objectives, but sustainability is doubtful in some areas.

- The program's contribution to the strategic objective of improving public health outcomes was likely modest, given the delays in implementing loan operation TT-L1039.

- The program is unlikely to have made any significant contributions to the strategic objective of improving learning outcomes, mainly because lending instruments were not deployed during the CS period.

- The program contributed to the strategic objective of increasing access to quality housing through the implementation of loan operation TT-L1016, which expanded access for low-income families to home improvements and upgraded settlements.

- The program contributed to the strategic objective of improving water and sanitation services, although the implementation delays in loan operations TT-L1018 and TT-L1026 slowed the pace of improvements. Nevertheless, the wastewater treatment plants are now completed or nearing completion. Low water tariffs continue to pose a threat to the financial sustainability of the T&T Water and Sewerage Agency (WASA).

5.9 Finally, the IDB Group program addressed the cross-cutting CS themes of gender and climate change, but these were not typically mainstreamed throughout the portfolio, and virtually no progress was made on the use of country systems.

- The country program addressed gender through two TCs, one supporting the design and implementation of a Women's City Center, the other supporting the creation of safe spaces and activities for at-risk girls and young women, although the efficacy of the former was likely marred when a planned IDB project did not materialize.

- TC-funded support for feasibility studies for a risk-resilient coastal zone management program addressed climate change adaptation. Other TC-supported interventions, such as roads-related studies and the preparation of a policy framework to attract utility-scale renewable energy solutions, also provided upstream support for climate change adaptation or mitigation, though work on the latter has barely commenced.

- While cross-cutting themes were covered, they were addressed in these relatively isolated operations rather than incorporated across the portfolio. As a result, little mainstreaming of gender and climate change occurred in the broader country program, except in a few cases (e.g., roads studies addressing greater risks of flooding).

- Regarding country systems, given the delays in the implementation of TT-L1042, no progress was made toward increased use of financial management sub-systems. Similarly, no progress was made toward the use of country procurement systems. While the IDB did provide consulting services to help prepare procurement regulations, the Procurement Act continues to await proclamation.

06

Conclusions

6.1 Despite its alignment with country needs and priorities, the IDB Group program contribution to strategic objectives was at best modest, owing largely to insufficient selectivity and difficult portfolio implementation. Strategic objectives were aligned equally with T&T's development needs and constraints, national priorities, and IDB Group corporate priorities and experience. However, the selection of strategic objectives proved overly broad, limiting the usefulness of the CS as a tool for strategic orientation, as the country program (both legacy and newly approved) that the IDB Group was able to deploy left several areas uncovered and achieved few results in those that were covered. The focus during 2016–20 was rightly on improving implementation of the existing portfolio rather than on new lending approvals, and the IDB Group deserves credit for promptly delivering much-needed COVID-19 relief in the form of budget support during the first half of 2020. According to interviewees and project documentation, efforts to improve implementation included solving procurement and PEU staffing problems from an earlier stage in the project cycle, and gradually regaining commitment from the government after the 2015 change of administration. Despite these efforts, implementation remained challenging, with most projects experiencing delays, becoming over-aged, and typically remaining far from achieving their output targets by the end of the CS period. As a result, and with the added drag of the coronavirus pandemic on portfolio implementation in 2020, the IDB Group program contribution to strategic objectives was minimal, casting significant doubt on the sustainability of some of the program's results, notably in the areas of citizen security and water supply and sewerage.

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