



*Country Program Evaluation:
Trinidad and Tobago 2000-2008*

Office of Evaluation and Oversight, OVE

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Acronyms

Bank	Inter-American Development Bank
CARICOM	Caribbean Community and Common Market
CAS	World Bank's Country Assistance Strategy
CB	Caribbean
CBO	Community Based Organizations
CS	Country Strategy
CSEC	Caribbean Secondary Education Certificate
CSO	Central Statistical Office of Trinidad & Tobago
CPE	Country Program Evaluation
CT/INTRA	Intraregional technical cooperation
CTT	IDB Office in Trinidad and Tobago
CXC	Caribbean Examinations Council
DO	Achievement of Development Objectives
EAU	Executing Agency Unit
EGKB	E-Government/ Knowledge Brokering Government Program
ELAC	Economic Survey of Latin America and the Caribbean
EPA	Economic Partnership Agreement
FSO	Fund for Special Operations
PROPEF	Project Preparation and Execution Facility
GCE	London General Certificate of Examinations
GDP	Gross Domestic Product
Group 1	A set of 9 middle and high income client countries of the IDB
HSF	Heritage and Stabilization Fund
ICT	Information and Communication Technologies Sector
IDB	Inter-American Development Bank
IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
IP	Implementation Progress
LAC	Latin American and the Caribbean
LNG	Liquefied Natural Gas
MDGs	Millennium Development Goals
MIF	Multilateral Investment Fund
NSG	Non Sovereign Guaranteed
OVE	Office of Evaluation and Oversight
PAHO	Pan-American Health Organization
PAIS	Project Alert Identification System
PCR	Project Completion Report
PER	Public Expenditure Review
PPMR	Project Performance Monitoring Report
PPP	Purchasing Power Parity
PRODEV	Program to Implement the External Pillar of the Medium Term Action Plan for Development Effectiveness
RHA	Regional Health Authority
SME	Small and Medium Enterprises
TC	Technical Cooperation

T&T
UNDP
WASA
WB

Trinidad and Tobago
United Nations Development Programme
Water and Sanitation Agency
World Bank

EXECUTIVE SUMMARY

CONTEXT

The 2000-2008 Country Program Evaluation for Trinidad and Tobago

As requested by the Inter-American Development Bank's Board of Executive Directors, the independent Office of Evaluation and Oversight (OVE) periodically conducts Country Program Evaluations (CPEs) to inform the Board's discussion with IDB Management regarding future strategy for each country. The last CPE for Trinidad and Tobago (T&T) covered the period 1985 to 1999 and found that overall, the Bank's contribution had fallen short of expectations and of T&T's needs. This CPE covers 2000-2008 and involved three weeks of missions to both Trinidad and Tobago, structured interviews with a diverse set of over 55 stakeholders in T&T and Washington DC, two background papers, and the collection and analysis of available data. The goal of this CPE is to document any results achieved and to provide an opportunity for reflection and to learn lessons on how the IDB could improve the effectiveness of its future operations in T&T.

Trinidad and Tobago is an IDB borrowing member that is relatively better off

Among the IDB's borrowing members, T&T is exceptional. It is a former British colony, with a population of 1.3 million that is roughly 38% of African descent and 40% of Indian descent. T&T's population and land area are small relative to other borrowing members of the IDB. Its vast energy resources have made T&T the second richest borrowing member country of the Bank. Its 2007 GDP was US\$23,500 per capita in PPP terms, which is higher than that of some OECD countries (such as Portugal and Mexico). T&T has had growth averaging 7% a year over the last 14 years, while its unemployment rate reached a historic low. T&T has an investment grade rating, has access to financing from various sources, and is a net creditor to the world. Some of T&T's economic and social indicators compare well to many other high and upper-middle income countries in Latin America and the Caribbean –especially in terms of income, FDI, and unemployment. But in other areas, improvements must be made for T&T to reach its objective of becoming a developed country by 2020.

Significant challenges remain for Trinidad and Tobago

T&T's key challenges are '*development gaps*', *volatility*, and *intergenerational wealth transfer*. First, relative to OECD countries, development gaps remain in T&T's social sector, public sector, and business climate. In fact, indicators such as non-primary school enrollment and life expectancy are below those of almost all upper-middle income countries in Latin America and the Caribbean. Pockets of poverty are still present and crime is very high. Second, the economy is more volatile than almost all energy-exporters (including Iran and Qatar). It is the second most volatile economy in Latin America and the Caribbean–T&T has been through booms and busts in the past, and will likely experience them in the future. T&T is heavily dependent on the energy sector (which produces roughly 43% of GDP, 68% of exports and 57% of total government revenues) This lack of diversification makes T&T very vulnerable to short/medium run fluctuations, such as the looming global slowdown. Spending is also strongly linked to the economic cycle, as T&T's degree of fiscal pro-cyclicality is the second highest in the Western Hemisphere. Furthermore, volatility may be constraining diversification efforts. Episodes

of real depreciation are not associated with increases in non-energy exports, which suggests T&T may be subject to a volatility trap. Third, T&T's endowment of energy resources is only expected to last for roughly 20 more years. Debate remains about the optimal methods to save and distribute the energy wealth to citizens across society and generations. It is unclear if the Government's Heritage and Stabilization Fund will be able to fully meet its objectives. Furthermore, to be sustainable after energy reserves are depleted, Government spending should adjust downwards by 10.8% of GDP (and this adjustment will be even larger the later it occurs, or if energy prices continue their recent fall).

EVALUATION FINDINGS

The 2004 Strategy was partially relevant but its planned loans were not delivered

The Government has laid out a broad strategy (Vision 2020), that aims to make T&T a developed country within the next 11 years. The political parties agree on the main priorities. The IDB's 2004 Country Strategy (CS) for T&T was generally relevant to the priorities of the Government, yet the IDB's approach has not focused sufficiently on two of the country's three main challenges: volatility and intergenerational wealth transfer. Furthermore, it seems that the 2004 CS only partially guided the Bank's activities in T&T, as the Bank has approved only 31% of what it anticipated in the baseline lending scenario, and only 5% of that has been disbursed thus far. The Bank's de facto portfolio of operations in execution consisted mainly of social sector and infrastructure programs at the expense of the public sector and private sector pillars emphasized by the CS. The Bank has consistently programmed Country Strategies and approved projects that have not been implemented. Dialogue and analytical work were insufficient. Since the mid-1980s, the Bank has struggled to develop its relationship with T&T. The Bank has not been able to sufficiently adapt the approaches it uses for other borrowing member countries to the circumstances of T&T.

The Bank failed to adjust to the economic cycle

From 2000-2008, net transfers from the IDB into T&T averaged negative \$39m a year. Net transfers are very strongly negatively correlated with GDP, gas production, gas prices and public debt. As income grew due to gas revenues, T&T repaid the IDB while substituting financing from other new sources. Yet the Bank has been very slow to learn that T&T's revealed preferences are only for counter-cyclical financing from the IDB. In 2004, almost a decade into the boom, the Bank re-committed to completing its very late programs, while proposing \$170m or more in new lending. However, the approvals and disbursements envisioned by the CS have been quite limited in practice.

Loans often experienced delays and implementation problems

The IDB has the largest portfolio in T&T of all the multilaterals. This portfolio has been dominated by several large loans (Transportation, Education and Health), totaling \$360m that were approved in the 1990s and were still in execution as of the end of 2008. Although disbursements have improved somewhat in recent years, the portfolio has experienced significant delays relative to the Bank's average portfolio. Since 2004, the average project in the pipeline took 33 months to be approved, which is twice the IDB average. During execution, for the 6 currently active programs (that were expected to have been completed before 2009) the average cumulative extension is four years.

Implementation self-ratings have been low and the most common performance issues involved compliance with contracts and procurement. Risk identification was superficial and mitigation efforts often failed. Programs were overly complex, with too many components. The transaction costs (both financial and nonfinancial) paid by the Government due to its relationship with the IDB were substantial.

The Bank's TC, MIF and IIC portfolio was small and mostly ad hoc

Given T&T's revealed preference to avoid IDB lending during the recent economic expansion, the Bank's mix of instruments in T&T could have been more appropriate. Since 2004, 95% of approval amounts were allocated to lending. Relative to its peers, few resources were allocated to non-lending activities in T&T. From 2000-2008 the Bank approved on average seven times more Technical Cooperation (TC) funding for both Caribbean and Group 1 (i.e. higher income) countries than for T&T. The Bank's Non-Sovereign Guaranteed (NSG) window was not active at all. The Inter-American Investment Corporation (IIC) approved only one activity during the evaluation period. Some standalone Technical Assistance seemed to perform better than that bundled within lending, probably because they were smaller, faster, more flexible, and more likely to be demand-driven while providing sufficient focus on the implementation stage. However, Technical Assistance activities did not seem to be programmatic, as the partners, objectives, and activities were too scattered to generate strategic results. In other words, it is unlikely that they provided a catalyst for positive externalities beyond the individual activities to the country more broadly.

The development outcomes of the limited portfolio were correspondingly limited

Many of the Bank's planned activities never occurred, while most of the activities that did occur were substantially delayed. Main results included large improvements in access to secondary schooling, improvements in a few specific health indicators, refurbished roads with lower maintenance costs, and housing subsidies and upgrades delivered. Yet the evidence of achievement for many of the programs' Development Objectives (especially regarding the efficiency and quality of services) is inconclusive or nonexistent. Furthermore, it is unclear to what degree the limited results can be attributed to Bank support, as repeatedly the reform components of the programs were delayed, while the Government elected to vastly scale up related infrastructure investments with its own resources. In a 2007 retrospective, the Bank acknowledged that little or no progress has been made towards country-level outcomes, and that any results cannot necessarily be attributed to the implementation of the CS. In the last 18 months, the Bank has made efforts to realign and modernize its Country Office in Port of Spain and these efforts have improved some processes-related indicators. Yet it is too early to find evidence to demonstrate if these efforts will lead to changes that will be sustained in the medium to long run, including improved management of risk and achievement of development outcomes.

Data is a significant weakness in T&T

As of September 2006, 40% of the roughly 300 indicators required for Vision 2020 were not available and data were not tracked for 17 of the MDG indicators. Stakeholders almost universally agreed that the Central Statistical Office needs to be strengthened. And within the Bank's portfolio, Results Frameworks were almost always sparsely

populated with information on outcomes (including after a 2008 reprofiling exercise), and Monitoring and Evaluation data were rarely collected. Thus it is almost impossible to measure the achievement of Bank objectives. This is very important, as both the Bank and the Government are making efforts to move towards Management for Results. With few exceptions, the lack of data suggests that the Bank is designing and supervising activities by making decisions with very limited supporting evidence. Despite the recommendation of OVE's last CPE, the Bank did not systematically focus on generating or collecting new data in Trinidad and Tobago.

RECOMMENDATIONS

- The IDB should offer a menu of assistance to the Government of Trinidad and Tobago for the following key areas:
 - a) **Support the Government's efforts by targeting specific development gaps, in order to help T&T achieve developed country status by 2020.** Several sectors should be strategically selected in agreement with the Government.¹ Activities should be based on Economic Analysis and they should target both the supply and demand sides.
 - b) **Provide counter-cyclical support during downturns.** Social protection programs could also be used to shelter the poorest from volatility.
 - c) **Engage the Government regarding the sustainability of fiscal spending beyond the depletion of energy resources.** The focus should be on how to increase the effectiveness and efficiency of expenditures. If requested by the Government, the IDB should work with other multilaterals to provide research and technical assistance regarding the implementation of savings mechanisms.
- **The IDB should tailor its instrument mix to T&T's needs.** Aside from counter-cyclical support, T&T's income-level suggests it should be supported in the medium term via high quality analytical work and Technical Assistance (both as part of loans and as standalone TCs) in place of financing infrastructure. Thus the Bank should redevelop its relationship with T&T to become a provider of a strategic program of higher quality Knowledge and Capacity-Building Products (KCP) and other Technical Assistance activities.
- **Furthermore, the IDB should improve the effectiveness of its Technical Assistance.** The portfolio of these activities should be strategically identified to maximize externalities and have the potential to be scaled up. Exchange of expertise should be encouraged. Technical Assistance should be anchored on selected long term strategic partnerships. To ensure that these activities are demand-driven and high quality, the IDB should follow the lead of the World Bank and pilot fee-for-service contracts in T&T (including contingent recovery arrangements with appropriate incentives). Furthermore, these activities should put much greater emphasis on building local capacities to manage and execute activities through to successful completion. Finally, the success of these activities should be measured by systematic solicitation of client feedback as envisioned in the Development Effectiveness Framework.

- **The IDB should provide stronger and strategic support to the private sector.** Bank activities regarding the business climate should be targeted toward the removal of market failures and constraints to competitiveness, while encouraging the diversification of the economy. The IDB should conduct research and pilot various policies proposed by the academic literature and used by other countries to stimulate private sector development, such as investing in R&D, marketing abroad, mechanisms for private sector dialogue like the East Asian ‘deliberation councils,’ and industrial zones, etc.
- **The IDB’s activities should reflect more consensus, be more feasible and flexible, and more evaluable.** Activities should have realistic objectives, be simple, and consensus should be cultivated across a broad set of stakeholders and informed by analytical work. All activities should also include outcome indicators, baselines, targets, and track these data over time.
- **The IDB should make a large push for broad data generation and analysis.** The data deficit is so large in T&T that the Bank should support data generation as a public good. This large push for data should also improve the design of activities. It will also support the efforts of the Government and the newly realigned IDB to focus on Management for Results. Furthermore, the Central Statistical Office should be strongly supported.

I. COUNTRY CONTEXT AND DEVELOPMENT CHALLENGES

1.1 **Trinidad and Tobago is distinctive among the IDB's borrowing members.** Trinidad and Tobago's population and land area are small relative to most other borrowing members of the IDB. It is a former British colony, with a population of 1.3 million that is roughly 38% of African descent, 40% of Indian descent, and 21% of mixed descent.² Trinidad and Tobago (T&T) is one of the Bank's more fortunate borrowing members, yet development challenges persist. This Section will build off the diagnostic of OVE's prior Country Program Evaluation (CPE)³ to lay the context for the Evaluation, by diagnosing and analyzing the country's development challenges since 2000.

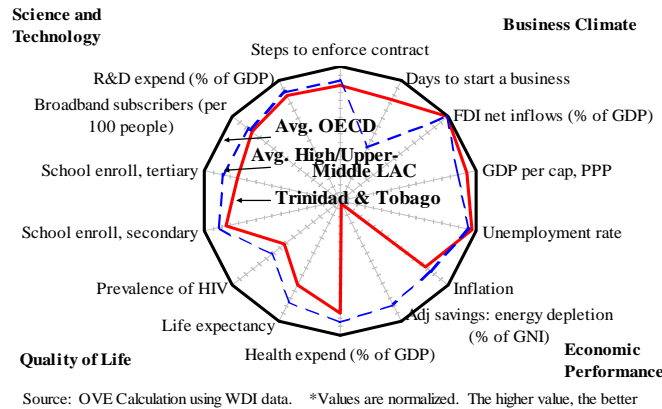
1.2 **This Evaluation identifies three key development challenges for T&T.** As will be discussed in Section II, the Government and Opposition partnered with key stakeholder groups and defined the country's main strategy, referred to as 'Vision 2020', with the objective of making T&T a developed country by 2020.^{4 5} Despite its income-level, indicators for the social sector, public sector, and business climate demonstrate that T&T needs to make improvements to achieve its goal. This set of issues, referred to as '*development gaps*' by this Evaluation, is the first key challenge for T&T. The second is *volatility*. The economy is not diversified; instead it is driven by sales of hydrocarbons. It faces energy prices that are unstable in the short run. The business cycle has led to several years of high inflation and now the looming global slowdown could have a large impact on T&T's economy. The third key development challenge is *intergenerational wealth transfer*. Given T&T's finite endowment of energy resources, its savings mechanisms and the sustainability of its fiscal expenditure are crucial. All three of these challenges were persistent throughout the evaluation period of 2000-2008. The remainder of this Section will provide a deeper analysis of the three key challenges identified above (Annexes III and IV contain OVE's background papers on the Macroeconomy/Energy Sector and Diversification).

A. Development gaps

1.3 **Despite T&T's income-level, it is underdeveloped in several areas.** T&T is a high-income country.⁶ Its vast energy resources have made T&T the second richest borrowing member country of the IDB.⁷ In fact, T&T's purchasing power parity adjusted GDP in 2007 was US\$23,500 per capita, which is higher than that of Portugal and Mexico.⁸ As the following figure shows, several of T&T's indicators compare well to many other high and upper-middle income countries in the region. Yet these measures of per-capita GDP, FDI, and employment do not capture aspects such as income distribution, productivity, and the potential to sustain growth. Vision 2020 aims for T&T to become a developed country, but thus far, investments have not led to sufficient improvements. Almost all of T&T's indicators in Figure 1.1 are lower than those of the OECD countries, and substantially lower for HIV prevalence, inflation, and savings adjusted for energy depletion. Several of T&T's social sector indicators are also below those of most the upper-middle income countries in Latin America and the Caribbean (LAC).

Thus, to reach developed country status within the next 11 years, T&T has to address its various development gaps.

Figure 1.1: Selected Indicators



1.4 Crime has rapidly increased. Crime in T&T is very high relative to many upper-middle income Latin American countries, let alone OECD countries. The homicide rate has increased from 9.4 per 100,000 of the population in 1999 to an estimated 40.9 in 2008⁹ (compared to 25 in Mexico and 11 in Barbados in 2007). More than half of all murders in T&T are concentrated in only six neighborhoods that surround the capital.¹⁰ Although these neighborhoods are poor, T&T's increase in crime has occurred as per capita income has drastically increased. Thus this increase in violent crime seems more related to drug trafficking and the region's location between streams of illegal narcotics (flowing north from the Andean region to the drugs' main consumer markets, the US and Europe) and guns (flowing south mainly from the US to South America).¹¹ The Government of Trinidad and Tobago spent around 3% of GDP in 2005 on measures to combat crime,¹² however, lengthy delays in proceedings mean criminal and civil cases might take up to 10 years to resolve,¹³ and the conviction rate for murders is estimated to be less than 1%.¹⁴ The rising insecurity constrains diversification efforts, as it discourages both domestic and foreign investment, slows growth, decreases tourism and raises business costs due to security expenses and potential losses from reduced working hours, not to mention encouraging out-migration.¹⁵ Crime is the only new problem that has arisen during the evaluation period; the other issues identified in this Section have been persistent.

1.5 Secondary and tertiary education levels in T&T remain low. According to data from the World Bank, around 40% of the workforce in 2002 had not completed secondary school. In fact 10 of the 13 high and upper-middle income countries in LAC have higher gross secondary enrollment than T&T, while gross tertiary enrollment rates are under a third of the average of these countries.¹⁶ Educational attainment in T&T is highly correlated with socio-economic status: less than 40% of the poorest households had achieved beyond primary education as compared to roughly 65% for the households in the top quintile.¹⁷ Access has improved, although some quality indicators have worsened (see §4.10). Finally, even though returns to higher education are greater than those of other Caribbean

countries, ‘brain drain’ occurs.¹⁸ Two-thirds of graduates leave the country to seek employment elsewhere (and workers’ remittances for T&T are small relative to other countries in the region).¹⁹ The Government has responded to challenges in the sector by increasing the real per capita spending on education, which in 2007 was 20% higher than in 2004.²⁰ But before T&T can reach OECD status for non-primary education, it will need to catch up with many of its neighbors. Education is especially significant because a highly-educated workforce is more likely to innovate and help the economy diversify.²¹

- 1.6 **Health indicators also reflect a development gap.** As T&T has become richer, it has gone through an epidemiological transition and a sharp fall in the fertility rate. The most recent data available show T&T’s leading causes of death were heart diseases and diabetes.²² The adult HIV rate was 2.6% in 2005.²³ Cross country comparisons demonstrate the development gap. Life expectancy in T&T is the lowest among the upper-middle income countries in LAC and the OECD.²⁴ The UN estimates that T&T’s under-five mortality rate is 38 per 1000 (versus 31 in Jamaica and 12 in Barbados).²⁵ Health is important to T&T’s diversification efforts, as healthy people work longer than the sick, and healthier children are likely to learn more in school and eventually earn more in the workforce.²⁶
- 1.7 **Pockets of poverty still exist.** T&T’s Gini coefficient²⁷ of 0.39 reflects the most equal distribution of income in LAC,²⁸ but this measure has not improved since 1997/1998,²⁹ as the incomes of the rich and poor have grown at roughly the same rate during the boom. According to the Government’s 2005 Survey of Living Conditions, 16.7% of the population is poor, which is a large improvement from 24% in 1997/98. However there are several pockets of poverty, particularly in the East and South of Trinidad. In fact only four of the 15 Regional Corporations/Municipalities account for 47.4% of the total poor population. Even though there are over a hundred social programs supported by the Government,³⁰ more efficiency and effective targeting of measures and programs is needed.³¹
- 1.8 **Public sector capacity and transparency remain challenges.** In 2007, the IDB wrote that “*the limited absorptive capacity of the weak public sector results in inefficient spending.*”³² An IDB study noted that control of corruption and rule of law are the most critical governance issues.³³ As noted by Moody’s, in order to more quickly implement its major capital projects, a common strategy of the Government is to bypass the traditional public sector by setting up quasi-state special purpose companies.³⁴ The IDB reported that spending on off-budget items constrains fiscal transparency,³⁵ An example noted by the EIU is the loss-making Water and Sewage Authority (WASA).³⁶ More broadly, the Open Budget Index rates T&T as providing “*minimal information*” in budget documents relative to other countries.³⁷
- 1.9 **The economy is not sufficiently diversified.** In 1982, the Government policy agenda included a focus on diversification from energy.³⁸ Twenty five years later, diversification is still an elusive goal. As reported by the Central Bank of Trinidad and Tobago, the energy sector accounted for 43% of GDP in 2007, 11.7 percentage points higher than in 2000 (see Annex I: Table A3).³⁹ Energy also produces roughly

- 68% of total exports.⁴⁰ It is still unclear how to build an economy that can sustain economic growth after finite oil and gas resources are exhausted. Annex IV discusses in detail the following reasons why diversification is especially important for T&T: First, energy resources are limited. Second, although the evidence is inconclusive, many would argue that ‘Dutch Disease’ causes non-energy sectors to atrophy.⁴¹ Third, diversification can increase income and reduce volatility. Extreme economic events such as growth collapses are more likely the less diversified an economy is, and recovery takes longer in economies that are highly specialized.⁴²
- 1.10 From 2004-2007 the real GDP growth of the non-petroleum sector averaged 6.25% per year,⁴³ while the economy netted 87,000 new jobs outside of the energy sector (48,000 of these in construction) from 2000-2008.⁴⁴ Despite these gains, the IMF wrote in 2008 that T&T’s economy has become more reliant on hydrocarbons.⁴⁵ The contribution of manufacturing to GDP has been declining.⁴⁶ According to an IDB report, manufacturing activities are closely linked to the hydrocarbons sector or activities that are largely dependent on the use of subsidized energy, while other successful activities owe most of their success to import barriers and selling to weak neighboring markets.⁴⁷ Despite recent downstream diversification efforts, oil and gas exports as a percentage GDP rose 16 percentage points from 2000-2006.⁴⁸ As Annex IV shows, a measure of Trinidad and Tobago’s ‘export sophistication’ in the non-energy sector has fallen since 1998, and is low relative to countries including Mexico and Antigua and Barbuda. T&T does not have ‘Revealed Comparative Advantages’ in many sectors other than energy. In addition, T&T’s ‘Open Forest’ is low, which is a measure of how well-connected the current export basket is to new opportunities for sophisticated exports that would lead to structural transformation.⁴⁹ In fact, within Latin America and the Caribbean, T&T has the poorest open forest.⁵⁰
- 1.11 Diversification has not occurred in the agriculture sector. The agriculture sector’s share of GDP fell to 0.4% of GDP in 2007.⁵¹ The closure of the state-owned sugar company Caroni in 2003 led to a loss of roughly a quarter of T&T’s agricultural employment.⁵² Apart from the fact that only 10% of total land is used for agriculture,⁵³ productivity is constrained because land resources are predominantly owned by the State (over 50%) and access to irrigation infrastructure is limited.⁵⁴ Due to the weakening of domestic agriculture in recent years, there has been a rising dependence on food imports coupled with large increases in food prices. As of August 2008, while retail prices increased 52% from 2003, prices for food and non-alcoholic beverages had increased by 190%.⁵⁵
- 1.12 The Government is making strong efforts to stimulate the service sector,⁵⁶ such as doubling gross tertiary school enrollment (to 11%) from 2000 to 2005.⁵⁷ Although financial, insurance, and ICT services have grown, T&T’s services still account for a relatively small share of total exports—roughly 7% in 2005.⁵⁸ The Chamber of Industry of Commerce has stated that some services are constrained by the limited human capital of workers.⁵⁹ T&T claims only marginal levels of tourism and tourism income relative to other Caribbean nations.⁶⁰ Some of T&T’s Doing Business Indicators rank below most OECD countries as well as many others in LAC. Significant constraints are faced by those registering a property (which requires 8 procedures and 162 days) and starting a business (particularly

the days spent dealing with licenses and contracts).⁶¹ The Government has identified seven key industries to be promoted.⁶² Research by the IDB has examined the product ‘champions’ in which T&T has a ‘Revealed Comparative Advantage’⁶³ and in Annex IV OVE has updated this analysis and attempted to identify sectors with the most potential to increase income-enhancing exports using the Hausmann et al.’s ‘product space methodology’.⁶⁴ Additional research is needed to analyze the constraints faced by firms in such sectors, to inform industrial policies that focus on fixing market failures and exploiting externalities. In sum, successful economic diversification is essential, as it could help solve two of T&T’s key development challenges: volatility and intergenerational wealth transfer.

B. Volatility

1.13 **T&T has enjoyed a period of rapid growth and prosperity.** Although the IMF has forecast that GDP growth will fall to 3.5% in 2008, and roughly 2% in 2009 (with this growth driven by the non-energy sector),⁶⁵ T&T’s economy had quickly expanded for fourteen years in a row, with economic growth that averaged 7.5% from 2000 to 2007.⁶⁶ The recent expansion accumulated real GDP growth of 135% between 1993 and 2007⁶⁷ that exceeded that of the previous boom (89% from 1971 to 1982).⁶⁸ This growth has been driven by rapid increases in oil and gas output as well as high commodity prices. For example, by the end of 2007, T&T provided more than 70% of the U.S.’ imports of liquefied natural gas.⁶⁹ Trinidad and Tobago has also been enjoying a trade and current account surplus (respectively 24.5% and 22.7% of GDP on average between 2004 and 2007), even with high and growing import levels. At the same time, foreign direct investment registered large inflows. The balance of payments has seen a strong overall surplus since 2001 and in consequence, foreign currency reserves have been increasing steadily. Although T&T’s natural rate of unemployment is estimated to be 5-7%⁷⁰, the unemployment rate in Trinidad and Tobago reached an historic low of 4.5% in 2007. Widespread reports of labor shortages occurred, particularly in the construction and services sectors.⁷¹ The recent expansion spread to Tobago as well, where the unemployment rate has fallen from 10.8% to 4.9% in the decade ending in 2006.⁷² Public expenditure has grown 4 percentage points since 2003, driven by mounting public investment through the infrastructure development fund and rising transfers and subsidies on utilities and fuels.⁷³ The increase in spending had been more than covered by the increase in energy revenues, despite tax cuts for the non-energy private sector.

1.14 **The economy has been fighting pressures of inflation and appreciating currency.** T&T’s monetary policy has been under pressure. Consumer price inflation reached a historic high of 10% in early 2008. Rising Government spending helped to push prices up. Wage pressures fed into rising food prices and strong domestic demand, to create strong inflationary impulses.⁷⁴ In 2007 the IMF wrote, “...inflation will place a burden on the poorest and most vulnerable segments of the population.”⁷⁵ Due to the strong inflow of foreign currency during the recent expansion, there has been a moderate real exchange rate appreciation. This has happened mainly through acceleration in the inflation rate as the Central Bank has continuously intervened to

stop nominal appreciation (by keeping a constant nominal exchange rate at around 6.3 T&T\$ per US\$). Note that pressures to appreciate may fall due to the effect of the global slowdown on T&T's energy income.⁷⁶

1.15 **T&T's economy is extremely volatile.** This was not the first time T&T was on an accelerated growth path driven by high energy prices. During a previous price boom in the 1970s, the per capita GDP of T&T increased from 15.5% of the per capita GDP of the US (in current US\$) to 52% in just 13 years; but after the boom ended, the economy fell back to the previous level even faster than it took to reach the peak. Unemployment doubled and many other social indicators worsened.⁷⁷ In more recent decades, T&T has remained one of the most volatile economies in the world in terms of real GDP growth volatility. In fact, T&T is more volatile than almost all energy exporter countries (including Iran and Qatar) and almost twice as volatile as the median Latin American and Caribbean country.⁷⁸ In T&T, volatility is the result of important terms of trade shocks, amplified by a pro-cyclical fiscal policy (see §1.16). Volatility affects both real economic activity and relative prices. T&T is a net creditor to the world and international finance has not been source of volatility, but this might change after the depletion of energy resources if the country is not capable of generating a significant income inflow elsewhere. Another consequence of volatility is that it is likely to disrupt any diversification attempts. T&T's export sector does not seem to be very responsive to favorable changes in relative prices (real depreciation episodes are not associated with increases in non-energy exports). This finding supports the hypothesis of a volatility trap. Inefficient specialization may mean that some tradable sectors might disappear, not because of high domestic costs, but because of how volatile their future income flow will be.⁷⁹

1.16 **Fiscal spending is pro-cyclical.** During the recent energy price boom, fiscal expenditure has been increasing steadily, while the non-energy fiscal deficit widened.⁸⁰ Government expenditure is more volatile than aggregate demand and its growth rate is positively correlated with economic growth. T&T's level of fiscal pro-cyclicality is second highest in the Western Hemisphere.⁸¹ In fact, Trinidad & Tobago's measure of fiscal pro-cyclicality is almost one and a half standard deviations above the average Latin American country, in a region already regarded as having very pro-cyclical fiscal policy.⁸² As the IMF points out, there is a risk that energy revenues will be inefficiently used and fiscal policy will become unsustainable in the event of an external shock or when energy reserves are depleted.⁸³ The recent drop in energy prices (from July to December 2008 oil prices fell 73% and natural gas prices fell 58%)⁸⁴ could again contribute to T&T's volatility problem, as the economy could quickly move from overheating to downturn.

C. Intergenerational wealth transfer

1.17 **The energy sector is very large, but endowments of resources are limited.** Gas reserves represent (in terms of equivalent barrels of oil) around 80% of total energy reserves and gas is also 80% of energy production.⁸⁵ The central role that energy wealth plays in Trinidad and Tobago is of particular concern because energy resources are expected to contain around twenty years' worth of production at current extraction rates (proven gas reserves are expected to last until 2018, and estimated

reserves until 2027).⁸⁶ ⁸⁷ Due to the recent high extraction rate of T&T, its market share in the hydrocarbon industry is much higher than its share in global reserves. Moreover most of the country's infrastructure, social and national security programs are financed by the energy sector,⁸⁸ which represented 57% of the Government's total revenues in 2007.⁸⁹ Simulations suggest that once energy resources are depleted, both imports and domestic aggregate demand will need to decrease substantially to maintain the current debt to GDP ratio.⁹⁰ The recent drop in energy prices will reduce the private sector's incentive for exploration.

1.18 **Current rates of fiscal spending are unlikely to be sustainable.** During the expansion, the Government recorded fiscal surpluses, while spending increased at a higher rate than revenues. For example, the 2008 fuel subsidy was expected to reach TT\$2.5bn, or over 10% of non-energy revenue.⁹¹ An IMF 2008 report concluded that the non-energy deficit had widened to 15% of GDP and had exceeded the medium-term sustainable level.⁹² Annex III contains simulations analyzing the tradeoffs involved in attempting to stabilize long run consumption. According to the exercise (using 2007 prices as a baseline scenario), if the Government aims to smooth consumption growth across the transition caused by the depletion of energy resources, the current fiscal adjustment needed to guarantee sustainability is estimated to be about 10.8% of GDP, or a one-time 40.3% permanent decline on public spending today. This is equivalent to reversing the expansionary fiscal stance of recent years. The non-energy primary deficit would have to go from 16.8% of GDP to 5.6% of GDP in the short term and to a maximum of 8.6% by 2020. This result seems to be in line with recent estimates by the IMF that place the sustainable non-energy deficit in Trinidad and Tobago between 4.4% and 10.8%. In other words, this smoothing strategy would consist of a one time fiscal adjustment in the short run, to ensure that fiscal spending can continue at more modest yet sustainable levels once energy resources are depleted. This one-time adjustment will be even larger the later it occurs, or if energy prices continue their recent fall.⁹³

1.19 **The Heritage and Stabilization Fund could be improved.** In contrast with prior booms, the Government created the Heritage and Stabilization Fund (HSF) in May 2007, which replaced a prior fund set up in 2000. The HSF uses savings from energy revenues for two objectives, a) to stabilize spending over economic cycles, and b) intergenerational management of energy wealth.⁹⁴ But it is unclear if the HSF will be able to meet both of its objectives simultaneously. In practice HSF favors stabilization over savings, yet when higher volatility makes aggregate savings higher (because of current asymmetric deposit/withdrawal rules) the stabilization objective suffers. The Government's contribution to the HSF has increased, while experiencing large fluctuations over the years.⁹⁵ Yet a broader measure of the economy's net savings shows a decline, as the proportion of the positive terms of trade shock that is saved has fallen since 2004.⁹⁶ The past increase in the non-energy deficit suggests the HSF is not fully acting as a fiscal stabilization fund. In terms of the savings objective, the HSF's outstanding balance reached roughly 11.6% of GDP in September 2008 after a period of high energy revenues.⁹⁷ Simulations suggest that given its structure, it is not certain

that the HSF will be able to save sufficiently to maintain a constant and sustainable income stream for 50 years.⁹⁸ In addition, research has shown that such a fund might not be a sufficient instrument of intertemporal management of energy wealth if other constraints on overall fiscal performance are not in place. The fund is only one Government asset, but in terms of both stabilization and savings, what matters is what happens to net wealth (assets minus liabilities). If a Government is making deposits to the fund but at the same time borrowing from either internal or international capital markets then the savings in the fund have no effect on net wealth.⁹⁹

II. THE BANK'S PROGRAM IN T&T

2.1 **T&T's key challenges are development gaps, volatility, and intergenerational wealth transfer.** These challenges were discussed in OVE's prior CPE that covered 1985-1999, and have endured throughout 2000-2008, including in 2004, when the Bank approved its Country Strategy for T&T. This Section analyzes the ex ante characteristics of the Bank's Program in T&T. Key questions include if the Bank's intended program was relevant, coherent, owned by the Government, harmonized with other donors and based on evidence.

A. Relevance

2.2 The Bank approved a Country Paper for T&T in 1997, and this was analyzed by OVE's prior CPE covering 1985-1999. The CPE found that overall, the Bank's contribution had fallen short of expectations and of T&T's needs. Diversification did not occur, the quality of public services had deteriorated, and progress on poverty was unclear (due to the lack of data). The CPE also noted persistent challenges, including that T&T had had difficulties managing the booms and busts of the energy cycle, and that energy wealth was a wasting asset.¹⁰⁰ Then, in 2004, the Bank approved a new Country Strategy (CS). The 2004 CS represented a considerable degree of continuity with the 1997 CS, particularly in the areas of strategic focus (that it called pillars): *1) Promoting private sector development to increase economic diversification; 2) Promoting public sector modernization to improve efficiency and effectiveness, and upgrade capacity; and 3) Promoting social development by improving social public services.*¹⁰¹

2.3 **The 2004 Country Strategy's pillars were relevant to the goals of the Government.** The Bank's pillars in T&T were generally relevant to both the IDB's bank wide objectives¹⁰² and the objectives of the Government. As the Bank wrote its 2004 CS for T&T, the Government was in the process of defining its own strategy called Vision 2020, which was initiated in 2002 and written in consultation with the Opposition and major stakeholders, and followed by an Operational Plan for 2007-2010. Vision 2020's approach incorporates a very specific results agenda, establishing clear goals and identifying performance indicators and writing various Frameworks for Action. Vision 2020 made the attainment of the Millennium Development Goals the minimum standard for success. Vision 2020 was built around five broad Development Pillars:

1) Developing Innovative People, 2) Nurturing a Caring Society, 3) Promoting Effective Government, 4) Enabling Competitive Business, and 5) Investing in Sound Infrastructure and Environment.¹⁰³ It is clear that the goals of the Bank's 2004 CS were relevant, as they formed a subset of the Government's objectives stated in Vision 2020.¹⁰⁴ The 2004 CS arranged its anticipated operational program for 2004-2007 according to its three development pillars.

2.4 **Yet the 2004 Country Strategy overlooked two of the three key development challenges.** Of the three persistent challenges identified by this Evaluation (development gaps, volatility, and intergenerational wealth transfer), only the first was directly addressed by the CS (via the combination of all three of the CS pillars). In terms of volatility, the CS proposed a study regarding counter-cyclical safety nets (see §3.4) and said that the Bank should be prepared to provide resources to prevent a negative adjustment due to decreases in energy prices. Yet the CS contained no substantial discussion of how the Bank's actions should be adjusted according to the volatile economic cycle.¹⁰⁵ The Government's rationale for Vision 2020 included the fact that T&T *"has historically relied on a single stream of income for the majority of its wealth, making it susceptible to industry and market volatility."*¹⁰⁶ Furthermore, the key development challenge of intergenerational wealth transfer was not addressed by the CS. Vision 2020 included an objective of balancing T&T's budget while making transfers to the HSF.¹⁰⁷ With estimates of 20 years of energy reserves, there is a limited window of opportunity to create an effective mechanism that will enable the country to transform energy wealth into financial wealth for future generations, but also avoid boom and bust cycles. Academics as well as the IDB have researched saving mechanisms and stabilization funds in the past,¹⁰⁸ but the CS did not reflect this analysis nor detail how Bank activities could support T&T's related efforts. These two development challenges make T&T very vulnerable, yet the IDB's strategic approach did not address these key issues.

2.5 **It is unclear why the Bank prioritized some objectives over others.** Within the specific development gaps addressed by the CS, the logic used to prioritize was often unclear. The CS stated that potential activities were to be prioritized in part by the extent to which they increase the efficiency of Government service provision;¹⁰⁹ however, the CS does not explain how it measured the anticipated efficiency gains among potential activities for its work plan. For example, out of all of the possible interventions the Bank could undertake to support the tourism sector in Tobago, the CS does not articulate why a wastewater project would be the most important. And the CS fails to analyze the root causes for the lack of diversification and analyze which policies best address the problem.

B. Inputs into the Bank's Programming Process

2.6 **Dialogue was insufficient.** Trinidad and Tobago held three national elections from 2000-2002. Although the two political parties differ little on policy,¹¹⁰ the Bank has not had enough success selecting sectors and solutions that have sufficient support to transcend political transitions. The 2004 CS stated that there was an

extensive process of dialogue with the Government in October 2002 and from 2003-2004 with representatives of the private sector, labor, and academia, as well as meetings in Tobago.¹¹¹ However, the Bank has since acknowledged that participation was insufficient in T&T. The 2005 Country Portfolio Review states that a lack of support for reform programs has “*affected the achievement of outcomes in both the loan and technical cooperation portfolios.*” In fact, the Review concluded that the Bank needs “*to pursue a more focused and more appropriately sequenced policy dialogue with Government that includes a broader engagement with key stakeholders.*”¹¹² The Government agreed, as in 2006, it wrote that there had been insufficient collaboration between the Bank and the Government.¹¹³

2.7 In 2007 the IDB stated that it had not been active in engaging the authorities on macroeconomic discussions,¹¹⁴ and that dialogue on many social sector issues never took place.¹¹⁵ More broadly, the Bank acknowledged that dialogue had not been sustained at a sufficiently high level, nor was it adequately centered on core strategic initiatives. The Bank stated that it had failed to maintain horizontal and vertical stakeholder ‘buy-in’ to carry out reforms, and that it made overly optimistic assumptions about political enthusiasm for its programs.¹¹⁶ Only in September 2008 was an IDB Desk Officer placed in the Ministry of Planning, Housing and the Environment.¹¹⁷ And communication has recently become more challenging, as the Government’s Public Sector Investment Program was moved from the Bank’s liaison Ministry (of Planning, Housing and the Environment) to the Ministry of Finance. In 2007 the Bank wrote “*no progress was made in focusing on Tobago.*”¹¹⁸ Stakeholders from the private sector, civil society and from Tobago felt that their relationship with the IDB was indirect and weak. And at lower levels of Government, there was less commitment and ownership of the programs. In sum, executing a sustained effective dialogue has been and remains a challenge for the Bank.

2.8 **The Bank incorporated some of the findings of its analytical work, but additional studies were needed.** Dialogue and strategic decisions should also be informed by the evidence contained in analytical work. The analytical foundation of the 2004 CS for T&T consisted of six Bank studies on the country’s long-term challenges (fiscal policy, labor markets, competitiveness, poverty reduction, and trade/integration).¹¹⁹ Some of the conclusions from these studies were incorporated into the CS. However, the fact that the CS contains little mention of labor markets and social indicators, particularly regarding poverty and income distribution, suggests that the Strategy’s diagnostic was not adequately informed by analytical work.¹²⁰ Despite the studies preceding the CS, the Bank’s foundation of knowledge remains inadequate. For example, the studies on competitiveness and trade diversification left some questions unanswered (see Annex IV). And the study on labor market policies acknowledges that its analysis is subjective and future studies could bring more evidence to bear. As stated by OVE’s prior CPE and the Bank’s 2005 Country Portfolio Review, a key lesson is a need to overcome challenges in part via deeper diagnostic assessments.¹²¹ As will be shown below, these challenges were not overcome, yet in 2007, the Bank wrote “*no major new analytical work [will be] required*” for the upcoming CS.¹²²

2.9 **The Bank identified lessons, but many were insufficiently incorporated.** The Bank's 2004 CS acknowledged that, "*implementation of [the 1997] strategy has been only partially effective, especially in regard to the lending program.*" More specifically, only one of the nine operations identified in the 1997 CP was approved. The 2004 CS explains this poor record as due to a failure to complete stage-setting reform efforts, a lack of consensus, the public sector's weak capacity, political uncertainty and especially the "*inability of the Government to sustain a high priority for reform.*" Correspondingly, the 2004 CS notes the appropriateness of smaller and less complex operations, and the necessity for data to manage for results and for dialogue to promote consensus. Unfortunately, identifying these lessons may not be a sufficient signal of institutional learning. Most of the fundamental issues in the public sector had been challenges for years, and the 2004 CS suggested that a 'public sector reform road map' under development would lead to portfolio-wide solutions for these persistent challenges. The Bank stated that ongoing efforts and new operations "*will hopefully achieve positive results in these areas over the longer term.*" Given these expectations, the Bank re-committed to completion of reform-oriented programs in execution¹²³ (Sections III and IV will discuss the results of the Bank's approach). Furthermore, the 2004 CS for T&T did a poor job of assessing the effectiveness of Bank instruments employed and of discussing the progress toward the specific development targets identified in the 1997 CS.¹²⁴ In T&T, the Bank has not sufficiently internalized lessons from the past.

2.10 **Donor harmonization was only partially effective.** The IDB's 2004 CS proposes the promotion of synergies among international institutions in an attempt to avoid duplication of efforts. It included a Donor/Lender Matrix showing the activities of various multilaterals in T&T. The Bank and the WB were in discussions to collaborate in the preparation of several studies,¹²⁵ but these were not delivered. And stakeholders from multilaterals said that they were rarely aware of the IDB's activities in T&T. For example, the IDB gave fiscal advice that the IMF was not aware of, which demonstrated poor donor harmonization to the Government.¹²⁶ During the evaluation period, it is unclear if collaboration has been systematic.

C. Risks and the results matrix

2.11 **The CS's risk analysis was superficial and the Bank planned to mitigate risk via dialogue.** The 2004 CS identified several risks but these were very broad (see Annex I: Table A12). Additionally, some fundamental risks associated with the Bank's program were not addressed, such as the potential consequences of trade liberalization in an economy very concentrated on energy production,¹²⁷ and the risk that Government interest in IDB funding would be strongly countercyclical. The risk mitigation techniques proposed by the Bank had many names, but were fundamentally dialogue (i.e. "*promote clear understanding*", "*provide clear guidance*", "*proactive dialogue*", "*seek support*", and "*share information*").¹²⁸ However, the document does not define a dialogue mechanism nor does it specify how obtaining increased support of other agents will achieve country-level buy-

in.¹²⁹ And, as described above, the Bank had limited success in its use of dialogue during the evaluation period.

- 2.12 **The CS was not focused on measuring results.** The 2004 CS acknowledged the ability of the Government and the Bank to ensure the fulfillment of their development objectives was being hindered by weak data gathering systems and the low monitoring capacity of the Executing Agencies. The CS also noted the importance of defining performance indicators and baseline data during the design stage.¹³⁰ These lessons were identified by the CS, but not applied. In fact, the Strategy Matrix provided only half of the outcome information required to be fully evaluable. Objectives were not clearly identified, as they were found in several columns of the Strategy Matrix. Indicators were not well thought out. First, many indicators aimed to measure only outputs, such as the approval of loans or preparation of studies. Second, many of the objectives, such as the efficacy of a social safety net, were not tracked by outcome indicators at all. Finally, it is unclear why certain indicators were chosen, as they were poorly related to the Bank's objectives or planned activities. For example, the quality of roads does not measure the capacity of the public sector and changes in the national unemployment rate were unlikely to be driven by the Bank's activities. Additionally, half of the expected baselines were missing. The paucity of baselines questions the quality of the Bank's diagnostic of the problems, as well as its capacity to track any results. Furthermore, targets, although more common than baselines, were sometimes absent and often imprecise. The Bank repeatedly failed to indicate how meaningful a contribution it expected to make. The 2004 CS did not sufficiently emphasize the importance of data collection and or establish clear ways of monitoring the Bank's progress in each of the objectives.
- 2.13 **Project documents also fail to focus on results.** The findings at the project level ex-ante are consistent with those from the Strategy Matrix (and with findings from the Bank's portfolio in many other countries¹³¹). The ex-ante Completeness Index of the average T&T project approved since 2000 is just 36%, meaning that the average project provided only 36% of the information required to have a fully evaluable results framework upon project approval. With the exception of the Citizen Security Program (which collected baselines through a PROPEF), many of the projects' objectives were not tracked by outcome indicators and many indicators were not measured with baselines ex-ante. Many indicators will only be available if data are collected, yet data-gathering mechanisms are not always explicitly discussed. Finally, four out of five projects did not calculate expected rates of return or conduct cost-benefit analysis. In sum, these findings, at both the CS and project level, make it very difficult to measure success at the end of the programming cycle (see Section IV).

III. THE BANK'S PROGRAM IN EXECUTION

- 3.1 The Bank is responsible for approving projects that are executable and for supervising the projects it finances as the Governments executes. The prior

Section found that the Bank's anticipated program was broadly relevant to the Government's objectives, but did not sufficiently address the key development challenges of volatility and intergenerational wealth transfer. The Bank's program needed improved dialogue and more analytical work. Risk management plans were superficial and the Bank's documents did not focus on data sufficiently. This Section focuses on execution. It analyzes how well and how efficiently the Bank's program of activities was implemented from 2000-2008 in T&T.

D. Anticipation

- 3.2 **Approvals.** Eight operations in Trinidad and Tobago were initiated before the evaluation period (2000-2008) and completed within it. Three programs (Highways, Health Sector Reform, and Secondary Education) were approved in the 1990s and are currently still under execution. Three programs were approved after the last CPE but before the 2004 CS (Settlements II, Public Sector Reform, and Trade Sector). Since then two additional programs have been approved (Citizen Security, and E-Government/ Knowledge Brokering (EGKB)). All told, there are currently eight active loans in the country, with a current approved value of US\$454m. The bulk of the active portfolio consists of older loans (see Annex I: Table A8). The Strategy's proposed 'road map' for public sector reform,¹³² that would link to the relevant and struggling components of the Bank's programs, eventually became the Public Sector Reform Program, which has had limited results (see §4.7). The Bank's activities were not particularly programmatic, as synergies amongst activities were very limited.
- 3.3 **The program in the 2004 CS has not been delivered.** OVE's prior CPE had found that the earlier CS had little impact on the Bank's lending programs.¹³³ And the 2004 CS was no different, as it poorly anticipated the Bank's actual program. In 2007 the Bank wrote that its program anticipated by the CS had been "*considered realistic*" while the actual delivery of the lending program had been "*disappointing*".¹³⁴ The 2004 CS anticipated that 9 programs would be approved by 2007; totaling \$170m in the baseline scenario, with the possibility to be increased up to \$245m.¹³⁵ Yet of these 9 programs, only two had been approved by 2008 (see Annex I: Table A18). Zero unanticipated programs have been approved since 2004, despite the Bank's stated intention to be flexible.¹³⁶ Only one of the seven projects that were anticipated but not approved has remained in the Bank's pipeline (Early Childhood), while the other six have either evolved or been dropped. Thus, the 2004 CS was only able to correctly anticipate 21% to 31% of the Bank's approved dollar lending, depending on the scenario. Furthermore, only 5% of the two programs approved since the 2004 CS have been disbursed, as one program required 3.5 years after the 2004 CS to be approved, and the other required almost two years to reach its first disbursement. The Government stated as early as 2006 that successes were limited as priorities had changed while the CS was inflexible.¹³⁷
- 3.4 **The Bank has delivered various non-financial products, although many were not anticipated by the CS.** Besides the six studies used to inform the 2004 CS (five of which were bound into a book), the Bank delivered studies on Citizen Safety, Growth, and a second study on Trade, as well as an Agribusiness Strategy. The 2004

CS had planned some analytical work on the judicial system, the social safety net, and the regulatory framework for the social sector, as well as a virtual library (i.e. a webpage with links to studies). A Public Expenditure Review and Country Financial Accountability Assessment were also being discussed with the World Bank.¹³⁸ Yet none of those planned studies have been delivered thus far.¹³⁹ The virtual library was once functional, but it appears it has since been abandoned.¹⁴⁰ The Bank also conducted trainings/presentations during the evaluation period, prepared comments on several CARICOM and Government documents, held recent conferences on Public Private Partnerships and on Small and Medium-sized Enterprises, and wrote 22 additional papers and 2 books on the Caribbean Region. OVE's prior CPE found no evidence that the Bank's studies had an impact on T&T,¹⁴¹ and that held true for this evaluation period. The Bank has not systematically tracked how its non-financial products were utilized internally or by the Government.

E. Size of portfolio and mix of instruments

- 3.5 **The Bank's intended portfolio in T&T was very large in per capita terms.** In 2008, the original approval size of IDB's Trinidad and Tobago portfolio of active operations summed to US\$463m. This was one of the smallest country allocations within the Bank. However, in per capita terms, the funds allocated to T&T (\$347) are greater than 19 of the Bank's 24 other borrowing member countries, including upper-middle countries such as Jamaica (\$176), Belize (\$152), Chile (\$75) and Mexico (\$51), which may suggest that the size of the portfolio in T&T is in fact too large.¹⁴² As will be shown below, the Bank seemed to approve too much lending while too little is executed in T&T. The provision of financing may not have been the most appropriate way for the IDB to support T&T during a boom.
- 3.6 **T&T preferred financing from non-multilaterals.** T&T has been taking advantage of its A rated investment grade¹⁴³ to consistently diversify its sources of financing and integrate with the market. From 1995 to 2006, Debt Outstanding and Disbursed (DOD) to T&T from bonds doubled, and DOD from short term private financing tripled (See Annex I: Figure A5). On the other hand, DOD from the IDB fell by \$91m from 2000 to 2006.¹⁴⁴ As for the other multilaterals, the WB has only one active loan for \$20m (on HIV prevention),¹⁴⁵ while the IMF has focused on providing surveillance and Technical Assistance.¹⁴⁶ By 2007, T&T's gross financing via international capital markets had increased to 13.5% of GDP (more than twice that of Chile).¹⁴⁷ In contrast, the IDB's 2008 disbursements to T&T were only 0.2% of GDP.¹⁴⁸ Clearly, during the energy boom, T&T was given access to (and preferred to utilize) financing from various sources other than the multilaterals. Moody's forecast Government External Debt/GDP to be only 5.1% in 2008.¹⁴⁹ Furthermore, because T&T is a net creditor to the world¹⁵⁰ it is relatively less likely to need multilateral financing even if energy prices continue to fall. The IDB's lending terms are relatively competitive in terms of pricing, but the IDB is not competitive in terms of speed of disbursement and bureaucratic transaction costs (see §3.13-3.16).

- 3.7 **The Bank's intended program was not counter-cyclical, but de facto, net transfers to T&T were.** OVE's prior CPE noted that the Government did not choose to borrow from the Bank during the energy boom from 1974-1984.¹⁵¹ A decade later, net transfers from the IDB to T&T fell from their peak of \$70m in the mid 1990s and have averaged negative \$39m a year since 2000, as the Government has continuously repaid more than the IDB disbursed (See Annex I: Figure A6). Indeed, from 1990 to 2006, these net transfers are very strongly (and significantly) negatively correlated with GDP, gas production, gas prices and public debt. Clearly as income grew due to gas revenues, T&T repaid the IDB while substituting financing from other new sources. Yet the Bank has been very slow to learn that T&T's revealed preferences are only for counter-cyclical financing from the IDB. In 2004, almost a decade into the boom, the CS re-committed to completing the Bank's large and already very late programs, while proposing \$170m or more in new lending.¹⁵² A year later, the Bank acknowledged that T&T's incentives to borrow and accelerate the implementation of programs are closely correlated with the evolution of gas and oil prices since there "*appears to be an inverse relationship between public sector revenues and the Bank's program.*"¹⁵³ Looking ahead, the global financial crisis and economic slowdown could constrain T&T's access to certain sources of external financing, making counter-cyclical multilateral lending especially useful.
- 3.8 **The Bank's mix of instruments concentrated on loans, although Technical Assistance may have been more appropriate.** During the evaluation period, the Bank conducted 47 Technical Cooperations (TCs) and Multilateral Investment Fund (MIF) activities, totaling \$31m.¹⁵⁴ Many of these MIF and TC activities were not anticipated by the CS. Project Performance Monitoring Reports (PPMRs) show that MIF activities have had fewer implementation issues than loans from 2004-2006. The CS acknowledged, "*As a middle income country T&T does have appropriate resources to finance development projects. The role of the Bank, in this context, requires a special effort in identifying the areas where to offer support, both technical as well as financial.*"¹⁵⁵ Despite this, the Bank's approved financing via lending increased from 80% of the portfolio from 2000-2003 to 95% since then (see Annex I: Table A19).
- 3.9 In 2005 the Bank observed that the strong fiscal position of Trinidad and Tobago meant that the IDB has reduced financial leverage, and thus concluded that it would be important for the IDB to place a premium on more effective deployment of technical assistance and analytical work.¹⁵⁶ But the Bank has not been able to implement this approach. One issue is that T&T's eligibility for TCs is partly constrained, as T&T is not eligible for TCs financed through the Fund for Special Operations (FSO),¹⁵⁷ nor through 21 of 48 Donor Trust Funds as of 2008.¹⁵⁸ Despite this, the number and amount of TCs the Bank approved for T&T was far smaller than the average for T&T's peers –in fact, from 2000-2008, the Bank approved over seven times more funding for non-reimbursable TCs in the average Group 1 country or Caribbean country than for T&T.¹⁵⁹ In contrast to the IDB's practice, when asked how the IDB should prioritize among its tools, stakeholders from the Government, private sector, and other donors ranked TCs highest (see

Annex I: Table A20). Moreover, some stakeholders wondered if T&T needs the financial support of the IDB at all, while noting that IDB resources are fungible across all Government projects, and that financing alone may not be sufficient to solve problems.¹⁶⁰ In sum, despite T&T's booming economy, access to financing alternatives, and revealed preference to minimize IDB borrowing, the bulk of the Bank's instruments in T&T's portfolio was lending.

F. Sectors

- 3.10 **The Bank's loans did not focus on the Private Sector / Diversification pillar.** OVE's prior CPE recommended the Bank assess opportunities for supporting private sector development, and the Bank's corresponding 2004 CS included a private sector pillar. The CS anticipated an operational lending program with 26% of the portfolio allocated to the Social Development Pillar, 21% allocated to Public Sector Modernization Pillar, and 53% allocated to the Pillar of Private Sector / Diversification (via lending to the Government directly). Yet this intent has not been realized. Since the CS was approved, the Bank's portfolio allocated 47% to the social sector and 53% to the public sector, with none of the intended Private Sector / Diversification loans to the Government approved (see Annex I: Table A18). The Bank's key initiative in this pillar was a Competitiveness Program, to promote diversification in the non-energy sector, but the program was dropped from the pipeline.¹⁶¹
- 3.11 The mandate of the Non-Sovereign Guaranteed (NSG) window permitted it to work on private provision of infrastructure, yet most of this provision has not been private in T&T. Thus in 2004, NSG intended to work indirectly through other Bank units, or via requesting waivers.¹⁶² And although the Bank altered NSG eligibility requirements in 2006,¹⁶³ no NSG projects have been approved since the 2004 CS (although one operation was put in the Pipeline in December 2008).¹⁶⁴ The 2004 Country Strategy's goal to have 10% of its portfolio allocated to direct lending to the private sector was not met. In terms of other Bank activities, many MIF grants were related to private sector development (although sometimes only indirectly), yet over 60% of TC funding was allocated toward social investments, including education and health. As for the IIC, the Bank has stated that financial institutions in T&T are not liquidity constrained, thus they have limited demand for IIC's support.¹⁶⁵ To date only 2% of the IIC's total approvals have been in T&T.¹⁶⁶ In 2007, the IDB's Strategic Guidelines for Private Sector Development for T&T, stated "*Effective management of efforts between and among the Bank's [private sector] windows should contribute to the maximization of results...*" Yet of the nine pages of potential activities in the associated Action Plan,¹⁶⁷ only a handful has been approved. And interviews suggest that coordination amongst the Bank's windows is somewhat limited, even after the Bank placed a NSG Officer in T&T in August 2008.
- 3.12 **IDB spending for T&T was relatively limited, while staff hours reflect the Bank's de facto priorities for the social sector.** The Bank does not allocate many resources to its activities in Trinidad and Tobago (which is not surprising given the size of its portfolio). From 2003 to November 2008, the Bank's preparation costs for T&T activities were 28% of those for the average IDB

borrowing member country. And execution costs for T&T were \$1.9m, compared to \$4m for its average borrowing member country.¹⁶⁸ From 2000-2007, the Bank allocated the equivalent of 42 staff years to working with T&T. During that period, the Bank spent 50% of its staff hours on implementation and monitoring projects (versus 28% of staff hours spent on design). And 40% of the Bank’s total hours and almost half of its execution hours were spent on the three large social sector programs.¹⁶⁹ This demonstrates the Bank’s de facto focus on the social pillar of the 2004 strategy (especially those loans the Bank ‘re-committed’ to in 2004), at the expense of the private sector / diversification pillar.

G. Execution

3.13 **The Bank has been very inefficient in T&T, as disbursements were much slower than the Bank’s average from 2000-2008.** OVE’s prior CPE noted delays in T&T were consistently longer than the Bank average.¹⁷⁰ The Bank disbursed 11% of T&T’s available balances per year on average from 2000-2004. The 2004 CS called prior disbursement performance “*disappointing*,”¹⁷¹ while the Bank’s 2006 Programming Mission Report said that “*Performance of the active loan portfolio continues to struggle – characterized by slow implementation of major policy reforms, [and] slow disbursement.*”¹⁷² Disbursements have improved somewhat over the last several years, as they increased to 28% of available balances in 2005 and to 36% in 2008 (although this is largely due to the fact available balances were very large early in the evaluation period, while new approvals have been limited) (see Figure 3.1).

Figure 3.1: Disbursements & Available Balance

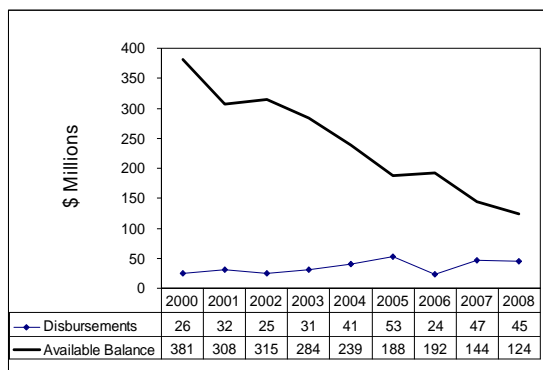
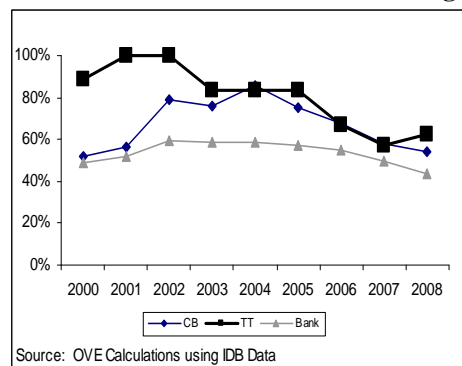


Figure 3.2: % of Investment Projects that are Under disbursing



3.14 An alternative measure of disbursements, the share of investment projects that were under disbursing in T&T, was 48 percentage points more than the Bank’s average in 2001. From 2001-2007, the disbursement performance of the T&T investment portfolio steadily converged towards the Bank average, although the gap increased in 2008 (see Figure 3.2). In terms of funding, the investment portfolio in T&T ranged from 8 to 22 percentage points less disbursed than the Bank average over this period. The measures for T&T are slightly worse than those in the rest of the Caribbean (CB).¹⁷³ Driving these findings is the performance of the large and old programs in the portfolio, along with the performance of the more recent Modernization of the State programs. The Secondary Education Program, approved in 1999, is only 61% disbursed, while

the three Modernization of the State programs approved from 2003-2006 are only 14% disbursed. Furthermore, the Bank's completed projects rarely disbursed everything they had originally anticipated. For programs completed during the evaluation period, the average final disbursed rate was only 72%. This performance is not surprising, given T&T's limited preferences for IDB financing during the recent economic expansion.

- 3.15 **Delays are common and long in both design and execution stages.** The time it takes for a project in the T&T pipeline to be approved increased from 9 months in 2000-2003 to 33 months in 2004-2008, or more than twice the IDB's average. The Government has described the approvals process as too lengthy.¹⁷⁴ In terms of implementation, the 2004 CS stated that *"the country takes significantly longer to implement projects than initially planned. Even for those complex operations that originally call for extended timeframes, the execution periods are unrealistic."*¹⁷⁵ This is still a problem four years later. According to the PPMRs of the 6 active projects in the portfolio that have reached their original disbursement expiration dates, the average cumulative extension is 48 months. In fact, the Bank wrote that from 2000-2007, projects took twice as long to implement as had been expected at design.¹⁷⁶ The average investment loan in T&T takes 2.26 more years from eligibility to final/expected disbursement than the Caribbean average. For many sectors and operation types, durations of the project cycle in T&T are longer than the Bank's average in the Caribbean, Group 1 countries, or Bank-wide.¹⁷⁷ Some of the Bank's programs were delayed in part due to turnover of Ministers, but only in part, as the Ministries' staff are not political appointees but career professionals.
- 3.16 **Implementation has been very challenging.** OVE's prior CPE documented implementation problems in almost every project during its 15 year evaluation period, thus OVE recommended that the Bank deepen its analysis and dialogue to improve execution.¹⁷⁸ The 2004 CS acknowledged that *"the Bank has consistently overestimated the institutional capacity of the Government, while underestimating the time required to implement politically difficult policy reforms and operationally complex programs."* From for the first 7 years of the evaluation period, the fraction of the T&T portfolio with low Implementation Progress (IP) self-ratings has been substantially higher than that of the Bank's total and Caribbean portfolios (see Annex I: Figure A8). A large fraction of the portfolio was consistently classified as 'problem projects.' Performance issues are prevalent and persistent. In the average year from 2000-2008, 44% of Bank projects experienced difficulties due to compliance with contracts and 41% due to procurement issues.¹⁷⁹ Persistent problems also included design of projects that were overly large and complex, burdensome procurement rules, staff turnover, and poorly understood interrelationships among the Ministries, the Executing Agency Units (EAUs), and the Bank.¹⁸⁰ During the evaluation period, audits have been completed later than the Bank average and roughly a third of audits were qualified from 2006-2007 due to conflicting information in financial statements and issues on the reporting of depreciation.¹⁸¹ Despite higher IP self-ratings in the last two years, the Bank has not sufficiently learned how to work with the Government to implement effectively in T&T. Section IV will discuss implementation problems that limited the results of specific programs.

- 3.17 **The Bank's recent efforts have improved some measures of the portfolio's performance, while it is too soon to observe changes in other measures.** Between 1999 and 2003, almost three quarters of the loans had disbursement and delay problems, yet this has improved to less than half since 2004. The Bank made efforts regarding public sector transparency and procurement reform.¹⁸² PPMR IP self-ratings in T&T dramatically improved in 2007 (although the evidentiary basis for this is not altogether clear). In 2007-2008, the Bank has made various efforts as part of its realignment as well as its modernization of the Country Office in T&T. In the last year, there was a substantial increase in program staff based in T&T. Projects on alert fell from 6 to 3 in 2008, while the number of problem projects fell from 1 to 0. The Bank improved the accuracy of its initial projections of annual disbursements. Correspondence response time and the number of expired clauses have also fallen.¹⁸³ The Bank also conducted training on risk management in 2008. The Bank has adjusted its method for programming inspection visits,¹⁸⁴ and the number of planned but uncompleted visits fell substantially in 2008.¹⁸⁵ A survey of 14 Government officials from Ministries and EAUs found that client satisfaction had increased several percentage points to 82% from late 2006 to mid-2008 (the Bank's scores are lower regarding bureaucracy, timeliness and the customization of program design to T&T's needs).¹⁸⁶ Over that same period, a survey of staff satisfaction in the IDB's T&T office (CTT) increased substantially (although it remains low at 64%, with scores lowest regarding trust, communication and management of conflict).¹⁸⁷ It is too soon to find evidence to demonstrate if these recent process-related efforts will in fact lead to changes that will be sustained in the medium to long run, including achievement of development outcomes and improved management of risk.
- 3.18 **Efforts to identify and manage risk were superficial and did not work.** OVE's prior CPE noted that the Bank failed to identify important risks and did not do enough to mitigate them.¹⁸⁸ Like the 2004 CS itself, almost all Loan Documents approved during the evaluation period included discussion of possible risks that would be faced, and what factors and actions would mitigate these risks. However, this discussion is often superficial (as found in OVE's prior evaluations).¹⁸⁹ For example, the EGKB program stated that the risk that agencies would be unable or unwilling to sustain the program's benefits would be mitigated in part by the fact that the program's "*structure assures that there is a strong commitment to the projects by participating institutions.*"¹⁹⁰ But this mitigation effort clearly did not work, as the program took almost two years to reach its first disbursement. Comparing the Bank's discussion of risks ex-ante with the occurrence of corresponding performance issues during execution reveals that Loan Documents were fairly accurate at anticipating which problems would occur during execution. Yet programs were far less successful in mitigating these risks (see Annex I: Table A23). Over half of the programs that stated they would mitigate risks regarding delays and institutional capacity still experienced those problems during execution. From 2000-2008, the Bank has not sufficiently managed the risks that threaten the achievement of programs' Development Objectives. Programs are output driven, rather than outcome driven, and contingencies are not planned for. The Bank's documents do not clearly specify or update what effort the Bank has put into

monitoring the risks faced by individual activities as they evolve during the project cycle, or how any mitigation efforts are planned and put in action. In other words, risk management is not sufficiently taken into consideration in all stages of the program cycle (which would also require more data than are currently collected).

- 3.19 **In conclusion, T&T's relationship with the Bank has been costly.** The Bank has not clearly specified if a) its programs are intended to simply provide inexpensive financing to the Government, or b) IDB programs are intended to achieve development outcomes by financing activities that otherwise would not have occurred. In the first case, the fact that T&T has preferred to substitute much of its lower-interest rate IDB debt for more costly bonds and short term private financing (see §3.6-3.7) indicates that the IDB's non-financial costs are substantial and outweigh any spread in interest rates. And the stated development objectives of the Bank's CS and programs, along with the IDB's supervision efforts, suggest that the IDB likely perceives its value added to arise from its development expertise rather than from its provision of inexpensive financing. If this is the case, it is worth comparing the costs and benefits that T&T has obtained due to its relationship with the IDB. In terms of costs, T&T paid the IDB at least \$230m in various interest and fees from 2000-2008. And this does not account for implicit Government resources required for dealing with the IDB, such as those required to host the 8.5 staff years' worth of IDB missions to T&T during the evaluation period, not to mention employing the staff required to manage day to day business with the IDB's staff in its Country Office. The Bank's portfolio in T&T was significantly delayed which enabled inflation to erode the original budgets of programs, while program extensions drove up the staff costs of Executing Agencies (in the case of the Secondary Education Program, by an additional \$2m).¹⁹¹ And each delay in execution lowers the rate of return on an investment. Furthermore, the nonfinancial transaction costs are also substantial. In 2007, the Bank acknowledged that the Government often saw Bank procedures and policies as overly cumbersome, slow or imposing.¹⁹² In sum, it is clear that the Bank passed on substantial costs to the country. The next Section will analyze the corresponding benefits Trinidad and Tobago accrued due to its relationship with the IDB from 2000-2008.

IV. RESULTS

- 4.1 Given the analysis of the implementation of activities in T&T, this Section turns to the efficacy of the Bank's programs. It presents evidence to answer the question of whether the IDB's program produced the intended development outcomes for the country. This analysis is based on various Bank and Government reports, available third party sources of evidence, and over 55 stakeholder interviews.¹⁹³ The Section includes analysis of activities that were completed or active from 2000-2008, including some activities that are very old. The Bank's activities are organized according to the three pillars identified by the Bank's 2004 CS. Annex II contains more detailed analysis of the portfolio's results.

4.2 **Project Results Frameworks do not contain much evidence ex-post.** In general it is difficult to measure performance because the Bank's monitoring and evaluation systems lack the data required. Given the lack of information in project results frameworks upon approval (see §2.13), it is not surprising that upon completion, the average project's Completeness Index falls to 13%, driven by a lack of baselines and targets. And end-of-project data were also missing for many projects. This makes it unlikely that the Bank was managing by results in T&T during the evaluation period. In fact, the Bank stated that the lack of measurable baselines and targets for output and outcome indicators made it "*difficult or impossible to monitor progress, results and performance over time.*"¹⁹⁴ In 2008, the Bank reprofiled the Results Frameworks for four programs. With the exception of Secondary Education, the revised Results Frameworks currently do not include outcome indicators or are mostly incomplete. Specific examples of missing indicators and data will be discussed below. Furthermore, according to the Bank's self-ratings, the portfolio in T&T performed very poorly relative to the average borrowing member both Bank wide or in the Caribbean in terms of achieving Development Objectives during execution (see Annex I: Figure A10). These self-ratings in T&T dramatically improved in 2007, and the evidentiary basis for this sudden optimism is unclear. Thus this Section will deepen the analysis beyond those self-ratings for the key activities of the Bank's portfolio.

H. Results of Pillar 1: Private Sector/Diversification

4.3 From 2000-2008, only one loan was directly related to diversification: **the Trade Sector Support Program (TT-0052)**, approved for \$5m in 2003. The Program's objective was to improve the international trade performance of T&T.¹⁹⁵ The program is currently 40% disbursed. The PPMR reports that in 2008 the Results Framework was reprofiled, and the indicators were 'sharpened',¹⁹⁶ but in fact, the new indicators are undefined or do not measure outcomes. The program faced issues including delays, unclear sequencing, limited institutional capacity, and a lukewarm response from the private sector.¹⁹⁷ It is unlikely that the limited outputs have led to positive outcomes. The **Road and Bridge Rehabilitation Program (TT-0040)**, approved for \$31.5m in 1992, was completed in 2000. OVE has conducted a detailed ex-post evaluation of the rural roads component of this program, which documented limited works in Tobago, spillover damage to neighboring roads, and issues with land titles. The evaluation found that the program was targeted to the poor, although there was significant leakage to the non-poor. As measured by available data, that evaluation concludes that the program's impact on recipients seems minimal relative to its original objectives.¹⁹⁸

4.4 The **Agriculture Sector Reform Program (TT-0032)**, approved in 1995 for \$65m, as well as its related **Technical Assistance (TT-0022)** for \$9m, were both under execution during this evaluation period. The many objectives included strengthening the agricultural sector and increasing associated employment and exports, as well as competitiveness and diversification.¹⁹⁹ Although some prices and trade policies were liberalized, progress on land tenure reform was partial. Five years after it was originally approved, 65% of TT-0032 was cancelled as the

Government's priorities changed as the economy continued to grow. Progress was scant in several of the components related to the state enterprise of Caroni and the Agricultural Development Bank.²⁰⁰ In the end, this partially completed program failed to contribute to agricultural diversification.

4.5 **MIF, TC and IIC activities may have contributed to diversification on a small scale.** The Bank states that in certain cases the MIF and TC portfolio has helped initiate longer-term reforms in the economy. According to the Bank, MIF investments played a role in the regulation of the financial and utilities sector, the development of the Information and Communication Technologies (ICT), and the liberalization of the telecommunications market.²⁰¹ And half of trainees of the Youth Training Center MIF grant obtained employment.²⁰² However, some TCs reported issues with the capacity of Executing Agencies, or the complexity of design.²⁰³ Moreover, several of the programs had limited or no results because of problems involved in approving the relevant legislation.²⁰⁴ And the additionality of the IIC's recent project is unclear. The scale of these TC and MIF activities remained small, with the largest being \$3.6m. And with activities ranging from Strengthening Airport Security to training in cosmetology and beauty therapy, it is unclear how strategically the projects were selected to build synergies and be scaled up.

4.6 **In sum, limited results were obtained within the Private Sector/Diversification Pillar.** The following table attempts to update data corresponding to the outcome indicators proposed by the Bank's 2004 Strategy Matrix. Many indicators were poorly chosen. For example, it is unlikely that the listed outcomes, such as a drop in the unemployment rate or growth in the non-energy sector, can be attributed to the Bank's limited activities in this pillar. Although the Bank's TCs contributed to the regulation and liberalization of a couple of sectors, many of the other activities that the CS proposed for this pillar did not materialize.

Table 4.1: 2004 Country Strategy Objectives and Outcomes Achieved: Pillar 1

Specific Objective	Indicator	Result	Achieved?
Promoting private sector development to increase economic diversification			
To improve the business environment by focusing on the reduction of the transactions costs of the economy.	Unemployment rate drops from 10.5% in 2003 to single digit in 2010	6.5% in 2007	Yes
	by 2007, Improve WEF competitiveness ranking from 49th in 2003.	84th in 2007	No
Promoting a more competitive economy by reducing dependence on gas and oil exploitation and supporting diversification.	Value added of nonenergy sector grows in real terms by 3% a year on average from 2004-2010	Real GDP growth for non-energy sector from 2004-07 averaged 6.25% per year.	Yes
To resolve the wastewater problem in Tobago and potential future damage to the environment, in particular the coastal zone.	Suspended solids, Biochemical oxygen demand, Chemical oxygen demand, Fecal coliform bacteria	Related Program not yet approved	No
To improve ICT to facilitate economic growth and job creation, making the economy more competitive	Broadband costs drop 5-10% by 2007	Price of Internet has fallen 2% from 2004 to 2006.	Not Yet
Develop a more dynamic and efficient land market	Property rights defined in 200K parcels by 2009	Related Program not yet approved	No
Improve non-energy trade performance	Strategy Matrix did not provide outcome indicators	Oil and gas rose from 28% of Exports in 2004 to 60% in 2006	No
Source: IDB. (2004). GN-2335, Ex Sum and Strategy Matrix		Sources: See text of this CPE	

I. Results of Pillar 2: Public Sector Modernization

- 4.7 The main objective of the **Public Sector Reform Program (TT-0057)** approved in 2003 for \$5m was to assist the Government of Trinidad & Tobago in clearly identifying the strategic issues to be addressed in the public sector transformation program and to define a corresponding strategy that was socially and politically sensitive. The Government found some of the activities to be of low quality, and they did not act as catalysts for follow-up loans.²⁰⁵ The program is 49% disbursed. Meanwhile, the **Electronic Government & Knowledge Brokering Loan (TT-0056)**, approved in 2006 for \$28m, was designed to increase the efficiency of public services through enhanced institutional and human resources capacity of beneficiary agencies via knowledge-transfer. The program became eligible only recently, and its first disbursement (3% of approved) occurred at the end of 2008. In the second half of 2008, the Bank agreed to combine these two operations to support the Government's new Public Sector Transformation Agenda. Thus far, outputs are very limited. The PPMR notes that some lines of authority are still confused and that extremely weak fiduciary capacity of the EAU had contributed to delays. Both of these programs' Results Frameworks were restructured in mid-2008, but are still mostly incomplete –the new Results Frameworks were supposed to identify the public services that would be targeted, as well as measure baselines for costs, time, and the perceptions of the public and Government by the end of 2008. Yet none of these were recorded in the December 2008 PPMR and the borrower does not have a defined data gathering system in place and is not maintaining data on outcomes.²⁰⁶ In sum, since these operations were approved, little has been delivered thus far. New efforts occurred in 2008, but it is too early to tell if these will lead to measured outcomes.
- 4.8 The **National Highway Program (TT-0043)**, approved for \$120m in 1996, aimed to improve competitiveness by lowering overall transportation costs. The 2004 CS considered the program within the public sector reform pillar. The program intended to rehabilitate roads and bridges, and envisaged a gradual movement from road maintenance by force account to contracting out. The new maintenance approach was not implemented due mainly to opposition from the union representing the road maintenance workers.²⁰⁷ The PPMR notes that the creation of a Roads Authority has not been implementing satisfactorily (only 22% of the planned reforms have been achieved). This program found it easier to implement the physical infrastructure than the associated policy reforms. The program has experienced 72 months of extensions thus far. The Bank wrote that inflation has led to a 51% reduction in the original scope of work.²⁰⁸ In terms of results, the PPMR notes that the road network has improved, as the percent of the network in bad condition has fallen from 44% to 22%. And efficiency of maintenance has increased, as real maintenance costs had fallen from \$9,200 per km in 1997 to \$6,600 in 2007 (the target is \$5,000).²⁰⁹ However, the evidence for two proxies of transportation costs is mixed. Transportation time has not fallen, as rapidly increasing car ownership has led to serious traffic congestion.²¹⁰ And imports of auto parts (per registered motor vehicle) from 2000-2006 have fallen by 97% for wheels, but have increased by over 40% for both drive axles and

breaks and by over 60% for both shock absorbers and gear boxes,²¹¹ which suggests that Vehicle Operating Costs have likely not fallen.

4.9 **In sum, almost no results were obtained in Public Sector Reform.** In 2007 the Bank wrote that the key initiative of this development pillar was the road map to public sector modernization, but that this had stalled and failed to provide a comprehensive blueprint for modernization initiatives.²¹² Although road quality improved and maintenance costs fell, the public sector reform component of the Highways Program was not achieved. Furthermore, disbursements were limited for most of the public sector reform activities. Although some have critiqued the comparison of World Bank Governance Indicators across time,²¹³ from 2000 to 2007, there have been substantial decreases in the indicators measuring Political Stability, Rule of Law, and Control of Corruption.²¹⁴ In general, during the evaluation period, there was a lack of targeted and operational Bank support for Results-Based management, starting with the Bank’s own portfolio.

Table 4.2: 2004 Country Strategy Objectives and Outcomes Achieved: Pillar 2

Specific Objective	Indicator	Result	Achieved?
Promoting public sector modernization to improve efficiency and effectiveness, and upgrade capacity			
To resolve the structural problems facing the public sector	Increase share of capital spending in total public sector spending of Central Government from current 5%	Original indicator / baseline are unclear. But the % of GDP spent on capital and net lending grew from 3 in 2004/05 to 6.4 in 2007/08. And the share of expenditure spent on capital and net lending grew from 11% to 21% over the same period.	Yes
	Reduce per capita cost of providing services in education and health without reducing quality and coverage	Real per capita spending on Education was 20% higher in 2007 than in 2004. Health spending was 33% higher. And mixed achievement scores suggest educational quality remains a problem.	No
To upgrade public sector capacity to provide transportation services	Actual direct cost of routine maintenance reduced to about US\$5,000 per km by 2007	\$6,600 in 2007	No
	Less than 25% of national road network assessed as in poor condition by 2007 from 47% in 2003	21%	Yes
Identify gaps to prepare [public sector] road map	Strategy Matrix did not provide outcome indicators	Road map not prepared	No
To improve ICT to facilitate economic growth and job creation, making the economy more competitive	Strategy Matrix did not provide outcome indicators	Strategy Matrix did not provide outcome indicators	Unmeasured
Source: IDB. (2004). GN-2335, Ex Sum and Strategy Matrix		Sources: See text of this CPE	

J. Results of Pillar 3: Social Development

4.10 The **Secondary Education Program (TT-0023)**, approved in 1999 for \$105m, aimed to improve government capacity and Secondary Education’s accessibility, quality, and efficiency, as well as reforming curriculum and teaching in order to focus on modern skills. Execution has been slow and subject to extensions. The program is only 61% disbursed after 9 years, and is classified as ‘on alert’. As in other programs in T&T, the PPMR notes progress in the physical infrastructure activities has outpaced policy reforms, The Government substantially scaled up its own financing of related activities outside of the program.²¹⁵ The number of students repeating Forms V and VI fell 23% from 2000 to 2007.²¹⁶ By several measures, there have been improvements in access: since 2000, regardless of exam scores, all students are eligible to continue to secondary school.²¹⁷ In addition, every community now has a secondary school within 10km, and subsidized transportation is available for students who live further than 10km

from the nearest school.²¹⁸ 82.7% of junior secondary students placed into 5 year, 7 year, or private schools in 2007. Although more work is needed to universalize five years of secondary school (one of the program's objectives), this is an impressive 22 percentage point increase since 2003.²¹⁹ On the other hand, only 40% of the program's objectives were complete through 2007.²²⁰ The number of students who elected to write CSEC exams in both Math and English dropped by 17%, and the pass rate for Math fell 9% from 2003-2007.²²¹ According to the PPMR, the pass rate for the CXC exam has not increased since 2000, and is below the program's target. Only one of eight regional education offices is operational. The PPMR also noted a lack of Government capacity and a complex program design with unsequenced activities.²²² The program design was too ambitious to be fully feasible.²²³ In sum, access has strongly increased, but the evidence on quality is inconclusive, and the PPMR presents no outcome indicators measuring efficiency. With little data collected, such a slow disbursing program, and a large Government investment outside of the program, it is unclear how to attribute results to the Bank's actions in the education sector.²²⁴

- 4.11 **The Health Sector Reform Program (TT-0024)**, approved in 1996 for \$134m, aimed to achieve greater efficiency, equity, sustainability and quality of services. Components included reforming the Ministry of Health, devolving responsibility for service delivery to Regional Health Authorities (RHAs) and an HR strategy.²²⁵ After 12 years of execution the program is 89% disbursed. It has received two general extensions and one special extension (70 months so far) and is classified by the IDB as 'on alert.' PAHO wrote in 2002 that the reforms to delegate meaningful authority to the Regional Health Authorities (RHAs) had proven to be a significant challenge.²²⁶ A Government report stated that the decentralized RHAs have not been allowed the level of autonomy necessary to achieve the objectives of the program and thus service levels did not meet expectations.²²⁷ As with other programs, the Government has begun to fund the remaining and new infrastructure without the Bank's resources. In terms of results, the PPMR notes a reduction in patient waiting times, an increase in cervical cancer screening, and the maintenance of 100% immunization rates.²²⁸ However, the PPMR notes that the size, complexity, and sequencing of the program have caused difficulties, and that the quality of health care still needs to be assessed.²²⁹ Data are a problem. Almost no measured indicators of efficiency, equity, sustainability and quality are included in the PPMR or draft Project Completion Report (PCR), thus it is unlikely the Bank will know if the program achieved its development objectives. In sum, despite disbursing \$119m since 1996 and serving as a model for Bank activities elsewhere, the measured outcomes of this program have been limited.
- 4.12 **The National Settlements Program Phase II (TT-0050)**, approved in 2002 for \$32m, followed a large 1989 loan. Phase II intended to improve housing conditions for low-income groups, to make public housing expenditure more efficient and equitable, and to provide incentives for public and private institutions to transition to new more market-driven roles.²³⁰ The program is designated 'on alert', and has been on general or special extensions for 48 months. Currently the program is 67% disbursed. 2,260 squatter families have had

their housing upgraded, and 2,096 beneficiaries have sought and been given home improvement subsidies. Demand for the subsidies fell when the Government introduced a competing program, which led the IDB program to increase the permitted minimum income for applicants. A key assumption, that the private sector would be interested in participating, was wrong.²³¹ The PPMR notes the expected results regarding tenure regularization have not been accomplished. The program was designed without agreements with the local governments or water and electricity providers, and as of November 2008, there were no maintenance plans in place for the supporting infrastructure. Furthermore, difficulties arose because originally agreed spending plans were not inflation-adjusted yet inflation was high during the period.²³² And IDB/Government disagreements about acceptable maximum housing prices and minimum standards arose due to differences in cultural expectations between T&T and other countries in Latin America.²³³ The Bank has not tracked key outcome indicators of poverty targeting, housing conditions, spending efficiency, spending equity, or incentives for market driven roles of the public and private sector. Once again, the Bank cannot document if its objectives were achieved or not. This is especially important as the PPMR suggests a new phase of this program is in development. It is unclear how past challenges will be resolved in a new phase of the program.

- 4.13 **The Community Development Fund (TT-0011)**, approved in 1995 for \$28m, aimed to “deliver social services efficiently to the poor and vulnerable population”.²³⁴ The Project, completed in 2005, was somewhat unusual in its ex-ante focus on collecting outcome data in the future, including for a control group.²³⁵ Despite this ex ante focus, the PCR states “*no measure is available to indicate the extent to which a community project has satisfactorily addressed poverty alleviation and social relief...*” However, this lack of outcome evidence did not prevent the PCR from self-rating the loan’s overall attainment of Development Objectives as ‘Effective’.²³⁶
- 4.14 **Some progress was made in the Pillar for Social Development, but targets have not been fully met thus far.** Access to secondary school increased, but is not yet universal. Under-5 Mortality has increased²³⁷ while reforms in the health sector were not achieved. The Bank’s use of the private sector in the housing sector failed. It is too early to expect results from the Citizen Security Program approved in 2008.²³⁸ Furthermore, two of the anticipated programs in this pillar were not approved. Social sector data are often missing, so progress on many objectives was unmeasured. The Bank acknowledged that “*weak targeting has at times limited the impact of the projects and programs in reducing poverty and improving equity*”.²³⁹ In 2007 the IDB stated that dialogue “*never took place*” regarding the efficiency and effectiveness of social spending, the lack of data, the safety net, targeting, and the delivery and impact of social services and programs.^{240 241} Finally, although the 2004 CS has acknowledged that the approach of bundling policy reforms with infrastructure has repeatedly led to difficulties, the Bank recommitted to its projects that used this approach.²⁴² The Bank has not found a solution for the problem since, and this has prevented its portfolio from achieving many of its objectives.

Table 4.3: 2004 Country Strategy Objectives and Outcomes Achieved: Pillar 3

Specific Objective	Indicator	Result	Achieved?
Promoting social development by improving social public services			
Reducing preventable morbidity and mortality	Access to an improved water source from 90% in 2001 to 95% in 2015	94% in 2006	Not Yet
	Reduce Under 5 mortality rate from 20 per thousand in 2002 to 8 by 2015	Rate was 34 in 2000, so baseline seems incorrect. Rate was 38 in 2006	No
Strengthen [Health Sector] policy making planning and management capacity	Strategy Matrix did not provide outcome indicators	Strategy Matrix did not provide outcome indicators	Unmeasured
Separate provision of health services from financing and regulatory responsibilities	Strategy Matrix did not provide outcome indicators	Strategy Matrix did not provide outcome indicators	Unmeasured
Shift public and private spending to high priority problems and cost-effective solutions	Strategy Matrix did not provide outcome indicators	Strategy Matrix did not provide outcome indicators	Unmeasured
Establish new administrative and employment structures that encourage accountability and efficiency	Strategy Matrix did not provide outcome indicators	Strategy Matrix did not provide outcome indicators	Unmeasured
Ensure the financial sustainability of health services delivery system	Strategy Matrix did not provide outcome indicators	Strategy Matrix did not provide outcome indicators	Unmeasured
Transforming the educational content and teaching methodologies to meet the needs of a modern skilled based-economy	30% increase in use of educational technologies in teaching in every subject area by 2007	Usage was unmeasured, but results were mixed: there were large increases in computer literacy, but in 2007, only 41% of students passed the Technology subject of the NCSE (an 11% drop from 2006)	Unmeasured
Universalizing five years of equitable, high quality secondary education	Access to secondary education from 75% to 100% by 2010	Regardless of exam scores, all students are eligible to continue to secondary school. In addition, every student now has a secondary school within 10km or subsidized transportation available. However, 17% of junior secondary students did not place into 5 year, 7 year, or private schools in 2007. Exams suggest quality is an issue in some areas	Not Yet
Develop more efficient management of [Educational] resources while strengthening sectoral management capacity	Strategy Matrix did not provide outcome indicators	Strategy Matrix did not provide outcome indicators	Unmeasured
Increase human capital by improving and or providing access to early childhood services	90% of early childhood service providers meet the country's standards by 2007	Related Program not yet approved	No
Provide incentives and assist public and private institutions in their transition to new more market driven roles in the housing sector	3000 low income housing mortgages approved and 5400 families in squatter families issued statutory leases by 2007	0 mortgages given, and tenure regularization has not occurred	No
Improve housing conditions for low income groups	Strategy Matrix did not provide outcome indicators	Although roughly 4,100 families have had housing upgraded or received subsidies, the Matrix did not specify a target	Unmeasured
Make public expenditure for housing more efficient and equitable	Strategy Matrix did not provide outcome indicators	Strategy Matrix did not provide outcome indicators	Unmeasured
Effectively protect the population with a social safety net	Strategy Matrix did not provide outcome indicators	Related Studies not completed	No
Improve wellbeing of population by addressing the issue of high crime and violence	Strategy Matrix did not provide outcome indicators	Too early to tell, as related program was approved in 2008.	Not Yet
To develop an effective mechanism to rationalize and target social service delivery and address the issue of poverty alleviation.	Household poverty drops from 18% in 1997 to single digits in 2010	11% of households, poverty headcount in 2005	Not Yet
	Improvement in national distribution - Gini drops from 0.39 in 1997-98	0.39 in 2005	No
To ensure that the provision of water is sustainable.	WASA's financial sustainability in 2010	Related Program not yet approved	No
Source: IDB. (2004). GN-2335, Ex Sum and Strategy Matrix		Sources: See text of this CPE	

K. Overall findings

- 4.15 **In sum, the efficacy of the portfolio was limited.** T&T aims to reach developed country status by 2020, and the IDB intended to support that goal. In its 2007 analysis of implementation of its 2004 CS, the Bank wrote, “*little or no progress has been made towards country level outcomes and results are not necessarily attributable to the implementation of the strategy.*”²⁴³ The narrow achievements listed in Section IV are further mitigated by several facts. First, as shown in Tables 4.1-4.3 the indicators of the Strategy Matrix show that many of the Bank’s objectives in T&T were not achieved. Second, for many objectives, the Bank does not know if anticipated results were obtained or not, due to a persistent lack of data. In fact, half of the specific objectives in the 2004 CS Matrix were not linked to outcome indicators at all. Third, many of the Bank’s planned activities never occurred. Anticipated activities were not approved, others were significantly delayed, and still others were only partially implemented or cancelled. Fourth, results cannot be directly attributed to the Bank’s actions because there were other factors influencing success (like the actions of the Government and other actors, as well as exogenous forces). The Bank could have structured its Monitoring and Evaluation systems to measure and attribute results, but it did not do so.
- 4.16 **The limited results may not be sustained.** The lack of data makes it especially difficult to assess outcomes achieved, let alone their sustainability. The Bank’s reports are not timed to record evidence of sustainable outcomes. PPMRs suggest that the Bank and Government are considering future phases for programs including health, transportation and housing. However, agreement on a future program alone would not necessarily mean that results of current programs will be sustainable. It is unclear how the infrastructure supporting the settlements program will be maintained. Furthermore, it is unclear if the Bank’s somewhat scattered and limited financing of MIF and TC activities has led to sustainable outcomes, especially because these activities involved experts for brief periods with a focus on design rather than implementation.²⁴⁴ More broadly, it is clear that the Government is committed to continuing its own investments in infrastructure for the housing and health sectors, as well as its efforts in education and the community development fund. However, as noted by OVE’s analysis and many stakeholders, the Government’s priorities can change depending on the economic cycle, which implies certain efforts may not be sustained. Furthermore, much of the funding for these efforts arises from the extraction of non-renewable resources, suggesting it will be a challenge to sustain such spending in the long term.
- 4.17 **There is a large and persistent lack of data.** OVE’s prior CPE recommended that the Bank support the timely collection of data, particularly about poverty, income equity and social conditions. The Bank funded a 2007 report on the CSO,²⁴⁵ and encouraged the collection of data in certain cases. But data generation has not been a consistent focus from 2000-2008. For example, the CS proposed a TC for a National Data Network and the Public Sector Reform Program included an effort to strengthen CSO, but these had not occurred by 2008. Data are also scattered across and within Ministries and owners can be reluctant to share. Furthermore, data are relatively infrequently generated,

aggregated, and disseminated.²⁴⁶ For example, as of September 2006, 40% of the roughly 300 indicators required for Vision 2020 were not available. Data are not tracked for 17 of the MDG indicators, especially those related to poverty, education and health.²⁴⁷ A household survey was conducted in 2006, but the data are not publicly available.²⁴⁸ In 2007 the Bank wrote that T&T still lacks reliable social and poverty-related data.²⁴⁹ Furthermore, except for the recent Citizen Security Program, the Bank's own activities during the evaluation period failed to lead a systematic effort to generate or utilize data, despite the 2004 Country Strategy's acknowledgement that a prior lack of data had constrained the achievement of results (See §2.12). The evaluation of progress in each development pillar is extremely difficult –particularly because data on baselines, targets and performance are largely absent. There are also limited links to T&T's national systems. This lack of data reduces transparency, weakens diagnosis of problems, and makes it difficult for the Government and the Bank to focus on Results Management and evidence-based decisions.

- 4.18 **Technical Assistance could be more effective.** The Bank used loans to provide many activities that were essentially Technical Assistance. In older loans these activities formed the (poorly performing) reform components that were bundled with infrastructure components. In more recent (poorly performing) public sector loans, these activities made up the entire loan. However, the Bank has not demonstrated that its provision of lending provides sufficient incentives to enable these types of activities to be successfully implemented in T&T. On the other hand, some (but by no means all) standalone TC and MIF activities have led to results. These activities are generally smaller, faster, and more flexible than those provided via lending. In a country when financial resources are not the constraint, Technical Assistance (regardless of its source of funding) can be an important tool to provide knowledge and guidance. But during the evaluation period there have been several lessons. First, Technical Assistance often focused too much on the diagnostic and design stage, without providing continuity to implementation. For example, although it included both infrastructure and Technical Assistance activities, the Health Sector Reform Program had 13 missions before it was approved, but it has had only 6 missions in the 12 years since. Many stakeholders believed there was a large need for TCs to focus on building project management and execution capacity, including the provision of expert consultants to support the implementation stage. The IMF has learned that Technical Assistance is more effective when the Fund physically locates experts in T&T for a year. Second, ownership is important, which is why the WB has attempted to obtain demand-driven Technical Assistance by piloting fee-based activities in T&T.²⁵⁰ Finally, despite programming documents in 2005 and 2007²⁵¹ the portfolio of Technical Assistance activities seemed to be more ad hoc than strategic. The Bank acknowledged in 2007 that many activities in the overall annual work programs were “*reactive*” to ad hoc opportunities.²⁵² Given the small size of individual activities, for maximum impact, the synergies and externalities of the portfolio are crucial. The Bank has not made systematic use of Technical Assistance activities as pilots that could be tested and scaled up if successful.
- 4.19 **The Bank's incorporation of OVE's recommendations was partial at best.** OVE's prior CPE recommended that the Bank improve its diagnostic, analysis, dialogue,

institutional assessments and use of data. A few years later, the CS stated that it “incorporates the recommendations of OVE’s...CPE.”²⁵³ Yet many of the recommendations of the prior CPE were not been followed by the Bank from 2000-2008. Correspondingly, the recommendations of this 2000-2008 CPE (see the Executive Summary), will restate many of the recommendations of the prior T&T CPE.

Table 4.4: OVE’s Recommendations from CPE 1985-1999

Recommendations from CPE 1985-1999	Complied?	Notes
Establish more realistic medium-term goals	No	The Strategy emphasized smaller and less complex projects, but recommitted to its ongoing complex programs. Most goals were poorly defined using outcome indicators, baselines and realistic targets. Expectations of execution time were unrealistic.
Use economic and sector studies to deepen understanding of the political, economic and social context of the country	Partial	The Bank delivered 9 studies during the evaluation period. Up to five additional studies were anticipated but not delivered, and a ‘virtual library’ was abandoned. The results of execution suggest that the Bank’s understanding of the political, economic and social context is still lacking.
Better address how to use the energy wealth to develop other competitive sectors that can provide employment opportunities for a broad spectrum of the population... Assess where it can support private sector development and design operations for the Private Sector Department and IIC financing	Partial	The 2004 Strategy aimed to allocate 53% of its funding to the private sector/diversification pillar, yet none of these anticipated programs were approved. The 2007 Strategic Guidelines for Private Sector Development in T&T had limited influence over the Bank’s private sector activities. The IIC approved one operation in with unclear additionality, related MIF and TC activities were not strategic, and NSG was not active in T&T. In sum, although some efforts were made, little progress was made regarding this key development challenge.
Find solutions to persistent social sector challenges... Prepare programs that are better targeted on unemployment, poverty, and the social safety net	No	The third strategic pillar addresses social development challenges but only a quarter of its anticipated programs have since been approved. In 2007 the IDB stated that dialogue “never took place” regarding the efficiency and effectiveness of social spending, the safety net, targeting, and the delivery and impact of social services and programs.
Focus efforts on a few strategic areas	Partial	This Strategy focused on three pillars and specific areas within these pillars. However, the logic used to prioritize activities was unclear, and the MIF and TC activities were mostly ad hoc
Deepen its institutional analysis and broaden its dialogue on execution issues to address public sector performance and institutional capacity	Partial	The Country Strategy states it was the result of an extensive process of dialogue. Yet dialogue was insufficient. The Public Sector Reform Program attempted to comply with this recommendation, but it has achieved limited outputs thus far. Frequent issues during execution of the Bank’s portfolio included insufficient dialogue, ownership, and institutional capacity.
Put more effort in the design phase of projects to ensure an appropriate match between project components, capacities of executing units and the degree of political will necessary to effectively implement projects and reforms. Identify and manage risks.	No	Capacities and political will remained weak in many areas, and limited the effectiveness of programs such as Public Sector Reform, Trade Sector, Settlements II, and EGKB. Risk identification was superficial and risk management did not work.
Provide more specific and meaningful indicators, targets and baselines to measure development results and benchmark (comparison to other countries)	Partial	Although the 2004 Strategy and most recent programs do include partially complete results frameworks, there is much room for improvement. Too often indicators fail to track outcomes, are not metric, and lack baselines and targets. Indicators proposed during program design are not tracked during execution.
Support the timely collection of data, particularly about poverty, income equity and social conditions	Partial	A PROPEF was used to collect crime data. The Bank financed a report regarding restructuring the CSO and offered to support a social services audit in mid-2008 that has not occurred. Significant data collection and analysis (especially regarding poverty) has not happened.

Source: OVE (2001). RE-256.

4.20 In conclusion, the Bank has not been able to develop a relationship with T&T in a way that leads to development results. Since the mid-1980s, the Bank has struggled to identify its comparative advantages and adapt the approaches it uses for other borrowing member countries to the circumstances of T&T. Systematic efforts have not been made to target the key development challenges of volatility and intergenerational wealth transfer. The Bank’s approach has not adjusted to reflect T&T’s needs in each stage of the economic cycle. The Bank has continuously developed Country Strategies and approved projects that were not executed. Although disbursements have improved somewhat in the last few years, net transfers have been negative since 1995. The approval and execution processes have been very lengthy and risks have not been managed appropriately. Finally, the benefits of the Bank’s activities have been limited or unmeasured, while the financial and transaction costs have been very high. This pattern has been occurring for over twenty years: yet the Bank has not learned how to develop its relationship with T&T in a way that leads to development results.

Citations and End Notes

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projects that were below this fitted line (i.e. under disbursed relative to the Bank's average) for a given country or region by year. The recent increase for T&T was driven by the inclusion of the EGKB in the data as it began disbursing in 2008 (although by this measure it is under disbursing). Also see Annex I: Figure A7

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