

Technical Cooperation (TC) Abstract

I. BASIC INFORMATION

▪ Country:	Trinidad and Tobago (TT)
▪ Title of the TC:	Support to Strengthen MPSD's Institutional Capacity for Economic Development Planning
▪ Number of the TC:	TT-T1040
▪ Project Team:	Dana King, Team Leader; Mariko Russell (IFD/ICS); Valerie Mercer-Blackman (CCB/CCB); Inder Ruprah (CCB/CCB); TBD (LEG/SGO) and Melissa Gonzalez (IFD/ICS).
▪ TC type	Client services
▪ Request letter (# IDBDOCS)	37286767 /November 7, 2012 ¹
▪ Date of TC abstract:	January 2013
▪ Beneficiary:	Government of the Republic of TT
▪ Executing agency:	Ministry of Planning and Sustainable Development
▪ Financing requested to the Bank:	US\$ 500.000
▪ Local counterpart (in kind):	To be determined
▪ Execution and disbursement period:	36 months for execution and 39 months for disbursement
▪ Start date:	April 1, 2013
▪ Consultancy type:	Individuals
▪ Preparing unit:	ICS/CTT
▪ UDR:	ICS/CTT
▪ TC included in the Country Strategy:	No
▪ TC included in the CPD:	Yes
▪ Priority sector in GCI-9:	Institutions for Growth and Welfare; Poverty Reduction

II. OBJECTIVES AND JUSTIFICATION OF THE TC

Since the late 1960's, Trinidad and Tobago's (TT) economy has been driven by the oil and gas sectors. Together, these sectors currently represent 42% of GDP, 80% of exports and 90% of foreign exchange earnings. However, over the past several years, declining production levels coupled with a fall in consumption of TT's primary importers have sharpened attention to the risks inherent in the country's overreliance on oil and gas.

In its *Medium-Term Policy Framework 2011-2014* (MTPF),² the Government of the Republic of Trinidad and Tobago (GoRTT) emphasizes the need to “diversify and deepen the [country's] production base in order to ensure that in a context of depleting energy resources, the economy will continue to grow and sustain a high standard of living.”³ The importance of developing a national long-term strategy is echoed in many of the main publications and speeches, in addition to the two most recent budget documents prepared by the Ministry of Finance. As the agency responsible for the coordination of the MTPF, the Ministry of Planning and Sustainable Development (MPSD) plays a primary role in mapping out a new model for development and setting strategy for its achievement.⁴ Over the past year, discussions between

¹ The formal request for IDB support was included in the Aide Memoire of the IDB's 2013 Pipeline Programming Mission (October 8-9, 2012); signed by Minister Tewarie.

² See <http://www.finance.gov.tt/publications.php?mid=195>.

³ *Ibid* (p.1).

⁴ *Ibid* (Annex 2). Over the past two years, some initial work has been done to carry out the MTPF's directives with regard to the NSS. Under the Bank-financed *Public Sector Reform Programme* (LO 1523/OC-TT), Statistics Sweden was hired to carry out a study on the supply and demand of national statistical information; as well as to provide strategic input for development of a data demand-driven organizational structure and data-production driven human resources plan. The Statistics Sweden study is expected to be completed in the first quarter of 2013. Currently, the CSO is undergoing drastic changes as it prepares for organizational restructuring outlined in the MTPF and the planned change of its Director in early 2013. The Statistics Sweden studies will be key inputs into the eventual reorganization of the CSO. However, additional support is needed to ensure that the study's outputs can be translated into strategic, implementable action that strengthens the capacity of the CSO and the NSS to carry out their core functions.

the IDB and the MPSD⁵ have confirmed an urgent need to strengthen technical capacity within the MPSD so that it might better carry out this role. This role has been handicapped by the lack of relevant information or dedicated staff to analyze and inform proposed policies and their implementation. A case in point is the government's slow response to the call to devise and implement specific policies geared toward a transition to a post-hydrocarbon economy; a major development challenge noted in the Bank's Country Strategy with the Republic of TT (2011-2015).

In order to help ameliorate this problem, the MPSD has created a strategic research unit (SRU) tasked with overseeing development of strategy for a post-hydrocarbon economy in TT, among other duties. However, the GoRTT has identified two areas where the SRU needs to be strengthened to carry out its function. First, the SRU requires on-the-ground expertise to provide ongoing advice into the development and implementation of the strategy. Second, the GoRTT would like targeted knowledge transfers with international experts around how other oil-producing countries have successfully diversified their economies. In particular, the government seeks intensive knowledge exchanges around how other countries have developed and implemented a transition to a post-hydrocarbon economy; as well as what specific aspects need to be considered during a transition.

In consideration of the above context, the general objective of this technical cooperation (TC) is to strengthen the capacity of the GoRTT to develop and implement an economic development strategy to drive a transition to a new, diversified economy. The specific objective is to strengthen the capacity of the SRU within the MPSD to coordinate the country's data production and analyses for the strategy's elaboration.

Alignment with Bank Priorities: This TC is included in the 2013 Country Programming Document for TT. It is aligned with the Country Strategy's priority sector of public sector management as well as the Bank's *Strategy for Strengthening the National Statistical Systems in Latin America and the Caribbean*. Lastly, this operation will also contribute to the fulfillment of the Bank's GCI-9 goals of strengthening institutional capacity for growth and welfare; as well as supporting small and vulnerable countries and poverty reduction and equity enhancement.⁶

Alignment with projects currently in execution: Currently, the Bank is supporting a number of initiatives to strengthen GoRTT capacity to improve business climate and national competitiveness. These include **TT-CC2009**, which aims to strengthen business climate and competitiveness; **TT-CC2016**, which aims to establish a legal and institutional framework and corporate governance model to facilitate private investment; and **TT-L1013**, now in preparation, to streamline management and performance of a number of State-Owned Enterprises as well as strengthening of the regulatory framework governing SOEs. This operation will complement and benefit from these projects as it aims to focus on strengthening central government capacity to design and carry out broad national strategies to foster sustainable economic growth.

III. DESCRIPTION OF THE ACTIVITIES AND PRODUCTS

Component 1 - Support to the Strategic Research Unit (SRU) within the MPSD. The MPSD requires multi-sectorial expertise, research, and advisory services to inform on the different strategic options for national development. Through creation of a SRU, the MPSD seeks to move toward more data-based strategic interventions and improvement of the government research capacity. The SRU will be staffed by economic development research professionals with expertise in economic analysis of long-term development issues, as well as data analysis and econometrics. Under this component, financing would be provided to hire two economic development research consultants to support the work of the SRU over a

⁵ See June 2012 and October 2012 Aide Memoires of the CCB Economic Team Missions (Ruprah, Mercer-Blackman and James) and the programming mission of October 8-9, 2012 (See IDBDocs#37286767).

⁶ Under the GCI-9 framework, support for improvements in the production of statistics facilitates the formulation, monitoring and evaluation of public policies for the reduction of poverty and inequality.

three-year period. Additionally, the TC would finance development of a National Statistics Development Strategy (NSDS) to strengthen coordination among, and capacity across, all government agencies that are providers of data and users of statistical products.

Component 2 – Support to deepen know-how on how to transition to a post-hydrocarbon economy.

As part of the work of SRU, four internationally renowned experts would be hired to come to TT for 2-3 weeks each. Under the direction of the SRU, each expert would either present a workshop or seminar on a specific issue relevant for TT’s economy, as well as a report. This could be in a range of subject-matter areas, provided that it addresses a key area of how the economy can transition to a post-hydrocarbon economy. Some examples are: energy sector clusters, enhancing labor productivity and employment, or targeting subsidies. It could be in the areas of economics and econometrics, philosophy, anthropology, or political science.

IV. BUDGET

The TC will have a total cost of \$500,000, to be financed by the Bank (IDB) through the Institutional Capacity Strengthening Fund.

Table 1: Provisional Budget

Activities / Components	Description	IDB/Trust Fund (US\$)	Local Counterpart (US\$)	Total (US\$)
Component 1	Strategic Planning	\$410,000	\$0	\$410,000
Component 2	External experts	\$50,000	\$0	\$50,000
External audit		\$10,000	\$0	\$10,000
Contingencies		\$ 30,000	\$0	\$ 30,000
TOTAL:		\$500,000	\$0	\$500,000

V. EXECUTION

The Ministry of Planning and Sustainable Development will be responsible for implementing the technical cooperation. As a condition prior to the first disbursement, MPSD will be required to form a project coordination team and to assign a project manager. The project manager will be responsible for coordinating all technical, financial, procurement, and administrative tasks related to the project. All procurement of goods and services will be carried out in accordance with the Bank’s *Policies for the Procurement of Works and Goods financed by the IDB* (GN-2349-9). The selection and engagement of consultants will be conducted in accordance with the Bank’s *Policies for the Selection and Contracting of Consultants financed by the IDB* (GN-2350-9).

VI. RISKS

A significant possible risk to this project’s implementation is the possibility that the work of the Strategic Research Unit may not coordinate well with the activities of the rest of the Ministry. However, since the Research Unit would report directly to the Minister of Planning, the TC’s design ensures that there is coordination with the government’s strategic priorities.

VII. ENVIRONMENTAL AND SOCIAL CLASSIFICATION

There are no environmental or social risks associated with the activities outlined in this operation. In accordance with the results of the "*Safeguards Policy Filter Report*," it is proposed that the transaction be classified as category "C" ([IDBDOCS-#37386153](#))

Appendix I: Details of the Strategic Research Unit (SRU)

The Ministry of Planning and Social Development (MOP) is charged with many functions in TT, which can generally be summarized as those that look at more long-term aspects of the economy. Unlike the Ministry of Finance and the Ministry for the People and Social Development, which have similar functions, the MOP is charged with devising the Strategy and development path of the country. This is an even more important task in TT given the juncture the country is in; namely, transitioning to a post-hydrocarbon economy. There are two aspects here: one is to devise macro policies that will shield the economy as much as possible from the short- and medium-term macroeconomic fluctuations that distort incentives as a result of the Dutch Disease (particularly during booms), such as an overvalued real exchange rate and movement of productive resources into the oil sector. The other part is devising a long-term economic development strategy that will encourage the development of key sectors in order to move away from its dependence on oil, as well as a tendency to be overly generous in terms of subsidies (which discourages entrepreneurship). Currently there are only three mechanisms through which short-term policies are linked to longer-term objectives: a 3-year rolling budget on public investment (although it is mostly indicative), the elements of the Public Sector Investment Programme (PSIP) and the Social Investment Programme. However, the links to the budget are tenuous and are not necessarily developed as an integral part of a national strategy that cuts across ministries and institutions. This is an important challenge.

Related to the difficulty of formulating economic policy in TT is the lack of timely and broad statistical data. The Central Statistical Office (CSO) is under the umbrella of the MOP. The statistics it produces are the basic ones, as well as the execution of surveys and data analyses that may be requested by other ministries. For example, the Ministry of the People and Social Protection recently contracted the CSO to produce the Survey of Living Conditions. However, the MOP itself does not take advantage of the fact that CSO is under its purview to use the data that can be analyzed to produce evidence-based policies beyond what any other user with online access would do.

Moreover, the day-to-day aspects of policy-decisions could be much enhanced if such a Research Unit could be accessed by the leadership of the Ministry. For example, if a decision has to be made about regulation of a sector, the Unit could analyze whether increasing regulation, or allowing more private-sector involvement would lead to greater efficiency, more or less fiscal costs, and what would be the implications in term of labor mobility and employment. It could also look at the transitioning aspects. As a secondary, indirect benefit, members of the unit will be interacting with other policy stakeholders (such as university researchers, private sector analysts such as those in the Chamber of Commerce, and the Central Statistical Office). The use of CSO services will be a good gauge of the type of information it should begin to produce and will feed into the Statistics Strategy. Moreover, it will help to raise the quality of the policy dialogue within the government.

Compared to many of the other Caribbean countries, TT has some challenging issues regarding its economic development. While it still shares some of the same issues of other English-speaking Caribbean countries, namely, a small size which affects economies of scale, it also shares the same challenges as

major gas-producing economies. Such unique issues are at the core of the IDB's support, as laid forth in the Country Strategy (2011-2015).

In addition to this, 4 consultants would be brought in for a period of 2-3 weeks to contribute their expertise to the question of formulating policies that will allow for a smooth transition to a post-hydrocarbon economy. They could either conduct a seminar/workshop to professional staff at the MOP and others on a related issue, or write a report and divulge the know-how to the Ministry and its team to ensure follow-through.

- Using energy and energy services to improve productivity
- Incentives for getting population less dependent on subsidies
- Developing small-business clusters
- Improving budget process and fiscal frameworks to ensure long-term strategy is implemented (fiscal rules, for example).
- In addition, at least 2 consultants should come from countries (or have worked on countries) that have had successful transitions, such as Norway (i.e., someone from the Norwegian Oil Savings Fund), and United Arab Emirates.