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THE INTER-AMERICAN INVESTMENT CORPORATION**

**IDB GROUP COUNTRY STRATEGY**

**WITH**

**TRINIDAD AND TOBAGO**

**(2021–2025)**

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This document was prepared by Carina Cockburn (CCB/CTT) Team Leader, Jeetendra Khadan (CCB/CSU), Sergio Rios (CCB/CTT), with contributions from David Rosenblatt (CCB/CCB), Musheer Kamau (CCB/CCB), Sasha Baxter (CCB/CCB), Nazera Abdul-Haqq (CCB/CTT), Rhea McComie-Callender (CCB/CTT), Vashtie Dookiesingh (DIS/CTT), Natasha Richardson (DSP/CJA), Maria Cecilia Acevedo (DSP/SPK), Joaquín Lennon Sabatini (DSP/SPK), Adriana Valencia (DSP/SPK), Marcelo Paz (DSP/SPK), Juan G. Flores (DSP/SPK), Adilio Celle (DSP/SPK), Isabel Granada (VPS/001), Leonor Corriols (VPC/FMP), Paula Louis-Grant (VPC/FMP), Luis Alejos (IFD/FMM), Edna Armendáriz (IFD/FMM), Gerardo Reyes-Tagle (IFD/FMM), José Larios (IFD/FMM), Leslie Harper (IFD/FMM), Jason Wilks (IFD/ICS), Sylvia Eva Dohnert de Lascurain (IFD/CTI), Claudia Stevenson (IFD/CTI), Matthew Shearer (INT/TIN), Ana Arias Urones (INT/TIN), Krista Lucenti (TIN/CTT), Christian Marquez (TIN/CSU), Sandra Corcuera-Santamaria (INT/TIN), Mauricio Mesquita Moreira (INT/INT), Eduardo Sierra Gonzalez (IFD/CMF), Rafael Cavazzoni Lima (IFD/CMF), Gabriela Andrade (IFD/CMF), Ian Ho-A-Shu (CCT/SPH), Hector Valdes (CSD/RND), Juliana Almeida (CSD/CCS), Chris Persaud (INE/TSP), Laureen Montes (INE/TSP), Jaime Sologuren (INE/INE), Carlos Sucre (INE/INE), Paola Carvajal (INE/INE), Ancor Suárez-Alemán (VPC/002), Paola A. Pedroza (ORP/REM), Bernardo Deregibus (ORP/REM) and José Martinez (SPD/SDV) under the direction of Therese Turner-Jones (CCB/CCB).

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## Acronyms and Abbreviations

CAF	Development Bank of Latin America
CARPHA	Caribbean Public Health Agency
CCLIP	Conditional Credit Line for Investment Projects
COVID-19	Coronavirus disease 2019
CPE	Country Program Evaluation
CS	Country Strategy
EGDI	e-Government Development Index
ESCO	Energy System Company
EU	European Union
FY	Fiscal Year
GDP	Gross Domestic Product
GORTT	Government of the Republic of Trinidad and Tobago
HSF	Heritage and Stabilization Fund
ICPR	Independent Country Program Review
ICT	Information Communications and Technology
IDB Lab	Innovation Laboratory of the IDB Group (formerly Multilateral Investment Fund)
IDB Group	Inter-American Development Bank Group
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency of Trinidad and Tobago
LAC	Latin America and the Caribbean
LBRs	Lending By Results
MSMEs	Micro, Small and Medium Sized Enterprises
NEC	National Energy Corporation
OECD	Organization for Economic Co-operation and Development
ORP	Office of Outreach and Partnerships
OVE	Office of Evaluation and Oversight
PAHO	Pan American Health Organization
PBL	Policy-Based Loan
PBP	Policy-Based Programme
PCG	Partial Credit Guarantees
PPOS	Port of Port of Spain
PFM	Public Financial Management
PPP	Public-Private Partnerships
SG	Sovereign Guaranteed
SMEs	Small and Medium-Sized Enterprises
TADAT	Tax Administration Diagnostic Assessment Tool
TC	Technical Cooperation
THA	Tobago House of Assembly
TTASCA	Trinidad and Tobago Accreditations Service for Conformity Assessment
TTFTC	Trinidad and Tobago Fair Trading Commission
UN	United Nations
WASA	Water and Sewerage Authority
WB	World Bank
WWTP	Wastewater Treatment Plant

## EXECUTIVE SUMMARY

<b>Socioeconomic Context</b>	Trinidad and Tobago is a hydrocarbon-dependent economy whose performance depends on the energy sector. Exports are concentrated in the oil and gas sectors that generates approximately 78 percent of merchandise exports and 34 percent of fiscal revenues. Economic growth has not recovered from the sharp decline in oil and gas prices in 2015 and the country's productivity and competitiveness indicators have been declining over the past decade. The COVID-19 pandemic and the sharp decline in oil and gas prices have led to a contraction in economic growth, large fiscal deficits and a sharp increase in public debt. The pandemic has also negatively affected businesses and household incomes. In the context of sizeable fiscal savings (Heritage and Stabilization Fund was estimated at 26.5 percent of GDP as of June 2020) and adequate international reserves, the authorities implemented a mix of fiscal and monetary policies to protect businesses, households, and the financial sector. The Government of Trinidad and Tobago also developed a recovery plan which focuses on diversifying and transforming the economy by leveraging digitalization, improving food security, and strengthening human capital.
<b>The IDB Group in Trinidad and Tobago</b>	The IDB Group holds the second largest share of multilateral public debt (45.8 percent, or 3 percent of GDP as of March 2020) and is an important source of technical assistance to the Government of Trinidad and Tobago. The Bank's sovereign guaranteed portfolio as of January 2021 amounts to US\$559.5 million, comprising nine active operations in over five sectors, with undisbursed balances of US\$162.6 million in the following sectors: Housing and Urban Development, Water and Sanitation, Health, and Institutions for Development and Trade. The Bank approved two urban development investment loans and a policy-based loan in response to the COVID-19 crisis in 2020 for a total of US\$150 million. Private sector engagement increased in a range of sectors, with IDB Invest approvals amounting to US\$158.5 million during the 2016-2020 Country Strategy (CS) period, including regional operations.
<b>Strategic Areas 2021-2025</b>	The 2021-2025 Country Strategy aims to support the implementation of the country's digital transformation agenda to achieve more sustainable and inclusive growth—the first pillar of the country's medium-and long-term post-pandemic development plan. Based on lessons from previous country strategies, OVE's ICPR findings, the Country Development Challenges (CDC) findings, and in line with government priorities, the new strategy focuses on one main area: digitalization to support economic transformation. It also pursues three strategic objectives: (i) improving the business environment to enable digital transformation; (ii) expanding the use of digital tools for improving educational outcomes and digital skills; (iii) and enhancing the delivery of services. In addition, the IDB Group will fully integrate gender equality and diversity, climate change and environmental sustainability and institutional capacity and the rule of law as cross-cutting areas while implementing its support to Trinidad and Tobago. The IDB Group will emphasize the coordinated use of policy and investment instruments to support the reform processes and provide technical and financial resources geared toward knowledge generation for developing consensus around evidence-based policies.
<b>Indicative Lending Framework</b>	The IDB Group estimates that sovereign-guarantee approvals would average US\$50 million over 2021-2025, totaling US\$250 million over the 5-year period. Average annual disbursement will be around US\$58 million, with average net cash flow of US\$5.2 million. Based on these assumptions, Trinidad and Tobago's debt to the IDB is expected to amount to 3.2 percent of GDP and 35.7 percent of total multilateral debt by 2025.
<b>Risks</b>	Implementing the Country Strategy faces three main sources of risk. The first is related to the potential delays in adopting macroeconomic policy reforms necessary to preserve medium-term fiscal sustainability and economic diversification. Also, continued low commodity prices and the effects of the pandemic may require fiscal and external adjustments that can further impact vulnerable groups. The second source of risk is related to the potential for natural disasters and climate shocks to undermine growth and employment. The third source of risk are portfolio risks –limited utilization of the bank's financing instruments by the government, an aging portfolio as well as inadequate operational capacity among project execution units– that may hinder project implementation and undermine the development impact of the new CS. The Country Strategy anticipates proactive dialogue with technical assistance to lower all sources of risk.

## I. SOCIOECONOMIC CONTEXT

- 1.1 **Trinidad and Tobago's main development challenges relate to weak institutions and governance, declining competitiveness and low productivity.**<sup>1</sup> The economy faces more than one decade of economic decline, with an average growth rate of -1 percent between 2009 and 2019, and a drop of 7.8 percent in 2020. Both productivity and competitiveness have been declining over the past two decades.<sup>2</sup> At the core of these outcomes there are profound structural characteristics typical of economies that are hydrocarbon-dependent. With 78 percent of exports derived from the energy sector, the structure of the domestic economy is neither diversified nor integrated. This has led to a dual economy that is prone to an unbalanced pattern of sectoral growth rendering it vulnerable to external developments. Commodity dependence have increased macroeconomic vulnerability and contributed to economic and institutional distortions, such as Dutch disease and a rent-seeking environment that is at odds with market competition and good governance. Those conditions have adversely affected the country's competitiveness, productivity and private sector's performance. Leveraging digitalization to help transforming and diversifying the economy may be a key step towards reducing vulnerabilities and increasing long term growth. However, there is long way to go in developing this key tool for development. The country's broadband fixed penetration is relatively low compared to Organization for Economic Co-operation and Development (OECD) countries (24.3 compared to the OECD average of 34.8), it's position on the e-Government ranking fell from 70 in 2016 to 81 in 2020 (out of 193 countries), and there is a lack of robust legal and regulatory framework to facilitate e-business, e-commerce, and e-services.<sup>3</sup> Another concern associated with a hydrocarbon-concentrated economy has to do with climate change. Given current trends, the impact of climate change will only become more acute over time. Diversifying and transforming the economy is therefore key for ensuring long-term sustainable growth. While progress has been made in addressing climate change, significant gaps remain. As a signatory to the Paris Agreement on climate change, Trinidad and Tobago committed to reduce greenhouse gas emissions and increase the generation of energy from renewable sources. Implementation to date, however, has been limited. Additionally, the country faces deep limitations in the development of its human capital stock as it relates to health (non-communicable diseases and mental health) and educational outcomes (poor student learning achievements). There are important challenges to gender equality such as gender-based violence (femicide rate of 2.9 per 100,000 women), male suicides (3.9 per 100,000 male population), and boys underperformance in mathematics, science and reading.<sup>4</sup>
- 1.2 **The pandemic has accentuated the country's socioeconomic challenges.** Even before the pandemic, economic growth was in negative territory due to the sharp decline in oil and gas prices in 2015, real GDP growth averaged -2.2 percent during the 2016-2019 period. The pandemic and another sharp decline in commodity prices led to a large contraction in real GDP by 7.8 percent in 2020, accompanied by relatively large fiscal deficits and a sharp increase in public debt.<sup>5,6</sup> Inflation continues its low (0.9 percent at the end of 2020) and stable trend

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<sup>1</sup> See IDB (2020). Country Development Challenges Update for Trinidad and Tobago. Caribbean Department, Inter-American Development Bank, Washington DC. Unpublished.

<sup>2</sup> See <https://bit.ly/3w7DxVz>

<sup>3</sup> See <https://bit.ly/3bMzKoE>

<sup>4</sup> See PISA 2015 Database: <https://www.oecd.org/pisa/data/2015database/>

<sup>5</sup> The country has been using its sizeable fiscal savings (HSF has 26.5 percent of GDP) and adequate international reserves estimated at roughly 8.5 months of imports of goods and services to buffer support for the economy in the short term. World Economic Outlook, April 2021. See <https://bit.ly/3eZTVAh>

<sup>6</sup> The fiscal deficit reached 11.2 percent of GDP in FY2019/20 and the public debt to GDP ratio increased to 85.8 percent of GDP in May 2021 from 65.5 of GDP in 2019.

underpinned by subdued aggregate demand and low international food prices. Before the pandemic, the banking sector was well capitalized, liquid, and profitable with capital adequacy ratios above the 8 percent statutory benchmark. However, rising household debt, sovereign credit exposures, and natural disasters are among the main vulnerabilities that may lead to potential financial imbalances.<sup>7</sup> In terms of household welfare, poverty was estimated at 24.5 percent using data from the 2014 Survey of Living Conditions, which is marginally lower than the average for Latin America (26.5 percent).<sup>8,9</sup> Income inequality as measured by the Gini coefficient was estimated to be 42.5 percent in 2014, lower than the average for Latin America (47.9 percent). However, the measures implemented to curb the spread of COVID-19 have affected businesses and all sources of household income. The economic fallout from the pandemic is expected to increase poverty and inequality, but precise estimations require additional data. The results of an IDB online survey conducted during April-July 2020 found that the percentage of households reporting income below the minimum wage increased from 12.4 percent in January 2020 to 47.1 percent in April-July 2020. Low-income households were most severely affected, particularly from employment loss (66.8 percent), compared to middle- and high-income households (60.2 percent and 19 percent, respectively).<sup>10</sup> The IDB online survey also found that 55.8 percent of households closed their businesses either because of the authorities' requirements or due to lack of demand. Results from the same survey showed that the incidence of domestic violence increased by almost 14 percent during the pandemic compared to January 2020.

- 1.3 Putting the country on a path to achieve sustainable and inclusive growth would require policies to improve competitiveness and the business environment, human capital, and the timely delivery of services and utilities, underpinned by digitalization.**<sup>11</sup> Some of the main microeconomic and social factors affecting competitiveness include an unfavourable business environment, confrontational labour relations, low-quality urban mobility, limited financing for firms, and high rates of crime and violence.<sup>12</sup> Also, productivity continues to be challenged by several factors, including inadequate digital infrastructure, low technology adoption, and low innovation. Relatedly, there is ample room to increase the contribution of human capital to economic growth by expanding the use of digital tools for improving educational outcomes and addressing longstanding challenges of inequality in educational attainment and implementing policies to reduce gender-based violence. Prioritizing renewable energy sources and related technologies, and efficient, cost-effective climate policies will be important to support the country's economic transformation drive and enhance its resilience to climate change impacts. Underlying these challenges are important institutional weaknesses in the public sector such as low levels of digitalization in government, archaic systems, undeveloped human capital, opaque policy making and a lack of data that undermines the equitable and timely delivery of public and social services and evidence based policies. Accelerating economic transformation by leveraging digitalization and new technologies could help the country address the main development challenges particularly in the context of the pandemic and the need to develop economic resilience to unexpected shocks.

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<sup>7</sup> See <https://bit.ly/3i6LWS4>

<sup>8</sup> The poverty thresholds were calculated as US\$7.15 and US\$7.58 per day in 2014 purchasing power parity for Trinidad and Tobago, respectively.

<sup>9</sup> The country's National Policy for Gender and Development also notes that single female heads of households with dependent children are among the poorest in the nation. See <https://bit.ly/35ZSlKr>

<sup>10</sup> The pandemic had different consequences by gender groups. For details, see <https://bit.ly/362FEhW>

<sup>11</sup> See <https://bit.ly/3w7DxVz>

<sup>12</sup> See World Economic Forum (2019).

## II. THE IDB GROUP IN TRINIDAD AND TOBAGO

### (i) Portfolio Summary

- 2.1 **The main objective of the 2016-2020 Country Strategy was to assist the Government of Trinidad and Tobago in removing constraints that hinder economic diversification, and support macroeconomic policy adjustments.** The Country Strategy focused on three overarching strategic objectives: (i) strengthening public sector institutions and governance; (ii) promoting private sector development; and (iii) fostering human capital development. Cross-cutting issues of climate change and environmental sustainability and gender equality and diversity were mainstreamed into the three areas of intervention.
- 2.2 **During the CS period, the Bank approved US\$150 million for two sovereign guaranteed loans, both in the final year of the CS.** Loan approvals were aligned with the CS priority areas. In addition, a reformulation of US\$24.5 million from the portfolio was approved in January 2021 to fund social protection initiatives related to COVID-19. The upsurge of approvals was primarily because of urgent financing needs precipitated by the COVID-19 emergency. Ten national technical cooperation (TC) grants were approved during the CS period for an amount of US\$2.5 million in the areas of health, education, institutional strengthening, housing and urban revitalization, renewable energy, and gender.
- 2.3 **Disbursement performance declined over the 2016-2020 CS period, after a peak of US\$100 million in 2017 related to investment loans.**<sup>13</sup> Total disbursements in the 2016-2020 CS period were US\$382.8 million. US\$100 million was disbursed for the first operation in a Policy Based Programme (PBP) during the COVID-19 pandemic, which contributed to positive net flows in 2020. The country's portfolio is older (5 years) and highly disbursed (66 percent) signalling the need for new approvals to stymie further disbursement performance declines in the new CS period. Disbursement performance from the investment loan portfolio over the new CS period is expected to remain modest. Projected disbursements would represent approximately 15 percent of the IDB's Caribbean Country Department expected sovereign guarantee disbursements from its ordinary capital funds during 2021-2025 (or 1 percent of the Bank's planned disbursements over the same period).
- 2.4 **Private sector engagement improved during the 2016-2020 CS period.** Since 2016, IDB Invest approved seven operations for US\$158.5 million<sup>14</sup> in financing for housing, trade, retail and financial sector initiatives and disbursed US\$126.8 million (includes issued guarantees). IDB Invest also approved an uncommitted Trade Finance Facilitation line in the amount of US\$5 million for local financial institutions. Over the same period, ten operations were approved for IDB Lab including eight technical cooperation products (TC), one Investment Grant financed by the European Union with the support of the Office of Outreach and Partnerships (ORP), and one loan for a total of US\$12.9 million in financing. Three of these operations were related to climate-smart agriculture focusing on the promotion of high-value markets for organic produce and cocoa, farmer training, and linking farmers directly to retailers and processors. Other TC operations covered climate resilience and disaster preparedness for special needs groups, land rehabilitation using vetiver and engaging communities in the process to improve livelihoods, a prototype operation to support the rollout of a health technology response to COVID-19, and an operation to support a local company in energy efficiency and innovative building sanitization services. Three operations supported innovation in small and medium-sized enterprises (SME) and

<sup>13</sup> Including the period from January 2016 to approval of the CS in March 2017.

<sup>14</sup> This includes the Regional Portland Fund and the Regional Small Enterprise Assistance Fund.

strengthening of the innovation ecosystem. It is worth noting that through one of these operations, TT-T1094 Shaping the Future of Innovation, IDB Lab secured its first co-financing with the European Union in the sum of EUR 7.9 million. This represents the largest mobilization of external resources for a national project in the history of IDB Lab and the highest mobilization of resources by IDB Lab in 2020. In addition, the work of IDB Lab in Trinidad and Tobago with this operation led to a second EU co-financed operation for Honduras in 2020.

## **(ii) Key Results Achieved**

- 2.5 **Progress towards achieving the CS objectives under the priority areas has been mixed.** To support the attainment of the strategic objective, Strengthening Public Financial Management (PFM) Systems, the strategy proposed enhancing budget planning and implementation as well as increasing transparency and accountability through the design and application of an Integrated Financial Management Information System (IFMIS),<sup>15</sup> for collecting real-time data from all line ministries and delivery units. An off-the-shelf IFMIS system was purchased, the pilot of which is due to commence in early 2022 in four line ministries including the Budget and Treasury Divisions of the Ministry of Finance before enterprise-wide implementation. Several complementary activities are also being undertaken to strengthen public financial management, including the rollout of organizational change management activities, a communication and awareness campaign, the design of a cybersecurity strategy for public finances, and revisions to the legislative and regulatory framework for public finances. In addition, the internal audit function of all Ministries is being restructured, and the proposed structure for a Central Audit Secretariat has been approved by the Cabinet. In 2020, US\$100 million was disbursed for the first operation in a policy-based programme<sup>16</sup> to assist with the provision of resources in response to the COVID-19 pandemic and strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of over 30,000 vulnerable households and increase liquidity for 3,800 businesses.
- 2.6 In the area of promoting private sector development, under the Strengthening of the Single Electronic Window for Trade and Business Facilitation loan<sup>17</sup>, Trinidad and Tobago is making strides towards improving its business environment and trade potential. Currently, the online Automated Construction Permitting System is being piloted in north Trinidad, allowing applicants to easily submit their applications and respond to queries.<sup>18</sup> This system, together with some changes in business processes, has significantly reduced the number of days to complete the application process. A technical cooperation programme financed by Compete Caribbean is also supporting the country's quality regulatory and legal framework by establishing the Accreditation Service for Conformity Assessment. In addition, under a Business Process Re-engineering consultancy, recommendations have been presented to various government agencies involved in trade and logistics with incremental steps already being implemented towards improving of domestic interoperability among national government institutions. Application enhancements have also been made to the Single Electronic Window – TTBizLink – making it more user friendly. TTBizLink applications and services have also been migrated to a Cloud Based Solution which will provide significant improvements in cost efficiency, agility, business continuity, security, and innovation.
- 2.7 To promote energy efficiency and renewable energy sources, the IDB financed an energy efficiency pilot study for public buildings and contributed to the development of the licensing

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<sup>15</sup> TT-L1042: Support to Strengthen Trinidad and Tobago's Public Financial Management System.

<sup>16</sup> TT-L1058: Programme to Strengthen Fiscal Policy and Management in Response to the Health and Economic Crisis Caused by COVID-19 in Trinidad and Tobago.

<sup>17</sup> TT-L1044: Strengthening of the Single Electronic Window for Trade and Business Facilitation.

<sup>18</sup> The Ministry of Trade and Industry and the Ministry of Planning and Development are the drivers of this process.

framework for utility scale renewable energy generation with focus on solar photovoltaics. Additionally, the IDB Group supported the National Energy Corporation (NEC) with: (i) technical analysis and assistance for the development of a super ESCO approach and model for further expansion of energy efficiency measures, provided by IDB Invest; (ii) a study to analyze the potential development of blue/green hydrogen for the energy and industrial sector in Trinidad and Tobago as well as possible exports in the form of ammonia and methanol, its associated infrastructure, and value chains; (iii) analysis of safety measures and environmental and social safeguards for blue and green hydrogen production and export; and (iv) decarbonization strategies, including hydrogen, for the hard to abate industries such as cement, chemical, and waste, among other industries.

- 2.8 IDB Invest support to SMEs through partnerships with financial institutions increased access to finance to 2,513 smaller firms.<sup>19</sup> Private sector operations also improved access to mortgages for households in the lowest quintiles of the income distribution. This was achieved by a partial loan guarantee issued by IDB Invest, to support the issuance of a mortgage-backed bond amounting to TT\$400 million, equal to a total of US\$58.9 million. The bond term was five years, and it was the first IDB Invest project that contributed to the development of the capital market in small island nations, simultaneously strengthening the development of the real estate market. To date, this operation, together with additional support to housing through financial institutions, have led to increased access to housing for 10,483 households.<sup>20</sup> IDB lab provided project financing to local firms to develop and monetize business innovations, thereby improving their competitiveness and sustainability in the domestic and global markets. To date, 43 SMEs and 28 owners of micro-enterprises have received direct technical support. The support provided to firms included technical advisory services to assist in developing innovations in products, services and business models. Firms that benefitted were from a range of sectors including manufacturing, services, and retail. IDB Lab supported the development of high-value markets for the local cocoa industry. By the end of the project, at least 44 farms were linked to strategic business partners and a new chain of custody as well as the creation of a new flavour profile database for the cocoa growing sector in Trinidad and Tobago. Technical support was provided to the Tobago House of Assembly (THA) for development of a public-private partnership (PPP) policy for Tobago and assessment of potential PPP projects, delivery of training on PPP structuring, and management and prioritization by IDB Lab and the PPP Unit. Additionally, a technical study was conducted to analyze potential PPP scenarios for the Port of Port of Spain (PPOS) and a Workshop on Best Practices on Port Governance and Management Models was delivered. A high-level dialogue has also been initiated with the PPOS Privatization committees.
- 2.9 In health, the IDB contributed to the reduction of non-communicable diseases by increasing awareness of the impact of the diseases and related risk factors, through a nationwide TTMoves Physical Exercise campaign; screening of approximately 50,000 women for gestational diabetes and 59,000 patients for cancer; developing policies and guidelines for the screening and treatment of non-communicable diseases and associated risk factors; and equipping community centers across the country with physical activity equipment to encourage physical movement and exercise. Regarding the increased access to basic services in informal settlements, under the Neighborhood Upgrading Programme, the IDB contributed to the upgrading of settlements for 3,302 families.
- 2.10 In labour markets, the IDB contributed to the development of digital skills in the workforce. Grants were used to provide training in a wide range of skills, including animation, digital media, web

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<sup>19</sup> 12469-01, Republic Bank - Caribbean Partnership.

<sup>20</sup> Operations 12204-01 (TTMF-IDB Invest Housing Partnership and 12469-01 (Republic Bank - Caribbean Partnership).

development, and cybersecurity, among others. More than 600 trainees were directly trained and many more were trained indirectly through the development of seven curricula.<sup>21</sup>

- 2.11 During this Country Strategy period, two operations were executed within the water and sanitation sector towards increasing access to sanitation services. The first of these is the Water and Sewerage Authority of Trinidad and Tobago (WASA) Modernization and Wastewater Infrastructure Rehabilitation Program that benefited 13,000 persons in Southwest Tobago and improved the environmental conditions by decreasing the uncontrolled discharge of untreated wastewater into wetlands and the marine environment. The second is the Multi-Phase Wastewater Rehabilitation Program – Phase I which includes the construction of two wastewater treatment plants, of which one is fully operational. The first of these is the 40 million liters per day Malabar Wastewater Treatment Plant (WWTP) and its collection system, which will ultimately benefit 108,000 persons. Currently, the WWTP is benefiting 7,571 households. Additional investment is needed to build out the collection system and the property connections. The other plant is the 45 million liters per day San Fernando Wastewater Treatment Plant and Collection System which is under construction (94 percent completed) and will benefit 111,600 persons.
- 2.12 **Results under the cross-cutting themes are encouraging.** In the area of gender equality, a technical cooperation program<sup>22</sup> financed by the Japanese Fund was implemented to engage young women and girls in high-risk communities to develop life skills and increase employability. This program was able to create 24 safe spaces for women and girls and trained over 400 individuals. In the area of climate change, IDB lab supported projects that facilitate the adoption of climate-smart agricultural practices. To date, at least 825 farmers have received training in this area with 330 farmers adopting these practices. Training of farmers in more climate smart resilient practices has focused on cultivation, handling and storage processes, and includes (i) the cocoa sector in partnership with the Cocoa Research Centre where emphasis given to increasing yields, matching varieties to soil conditions and ensuring higher bean quality as well as (ii) in partnership with The Cropper Foundation, the emphasis has been on reducing the use of chemicals and practices that result in SAFE (Sustainable Accountable Factual Eco-Friendly) food production which has been certified and branded under the GROW label. It is notable that in both instances farmers had opportunities for inclusion in direct sales to cocoa processors and retailers (for general produce) thereby providing options for a more stable and predictable income to offset costs of adopting new practices and improve livelihoods.
- 2.13 **Lessons learned.** Portfolio execution was affected by delays in decision making and sub-optimal portfolio execution arrangements in some instances. Review of processes and the use of technology within GORTT can help improve the timeliness of decision making, which may reduce transaction costs and accelerate project execution, including those projects financed by IDB. In that regard, it was observed that a clear delineation of roles and responsibilities and appropriately delegated authority to the heads of project units helped to reduce delays in decision making and improve overall project execution. Additionally, the Bank and the main counterparts at the Ministry of Planning and Development developed a stronger relationship over the CS period. This was the result of enhanced stakeholder engagement with the IDB focal point and the leadership of executing agencies that focused on building institutional capacity and stronger partnerships. The COVID-19 pandemic also provided an avenue to increase engagement and foster dialogue on an action plan which included the reallocation of existing loan resources (reformulation) and a request for a fiscal policy-based loan.

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<sup>21</sup> The curriculum was made for technical and vocational education and training institutions which included private institutions and public ones, such as the University of Trinidad and Tobago. See TT-T1058 and TT-L1043.

<sup>22</sup> TT-T1050: Becoming a Woman: Creating Safe Spaces for At-Risk Girls and Young Women.

- 2.14 **The main lessons learned from private sector engagement are:** (i) in smaller markets, many potential clients have gaps in their corporate governance, accounting, or other practices that require upstream intervention through advisory services to build firm capacity (including Anti-Money Laundering/Combating the Financing of Terrorism in the case of financial intermediaries), to structure projects, and to support the client through execution; (ii) relatedly, close collaboration between IDB Invest and IDB is needed to promote institutional strengthening of regulatory agencies and improvements to environment and social legislative frameworks with the objective of creating a more enabling set of factors for future investment supported by international lenders; and (iii) presenting an attractive value proposition for smaller transactions requires careful consideration of how to lower fixed costs for clients.<sup>23</sup>

### III. STRATEGIC AREA

- 3.1 **The IDB Group’s Country Strategy in partnership with the Government of Trinidad and Tobago 2021-2025 aims to support the implementation of the country’s digital transformation agenda to achieve more sustainable and inclusive growth.** In light of the potential impact of the pandemic, the Government of Trinidad and Tobago refocused its medium term priorities by accelerating digitalization to support economic transformation (see Box 1). In the country’s Roadmap for Trinidad and Tobago: Transforming to a New Economy and a New Society (Phase 2) plan<sup>24</sup>, the Government identifies three (3) pillars of recovery, namely (i) diversifying and transforming the economy in Trinidad and Tobago – leveraging digitalization; (ii) achieving food security; (iii) leaving no one behind: making equity and empathy central in Trinidad and Tobago. During this strategy period, the Bank will emphasize its efforts on the first pillar of the government’s plan, which seeks to adopt modern technology nationally, beginning with the digitalization of public services, to transform the economy from being energy dependent into one that generates revenues and foreign exchange from a broader range of sectors and a wider portfolio of products.
- 3.2 **Specifically, based on lessons from previous country strategies, the 2016 CPE and OVE’s ICPR, the CDC findings, and in line with government priorities and civil society consultations, the new strategy focuses on one main area: promoting digitalization to support economic transformation.** The 2016 CPE recommended that the Bank “be more selective and consider less complicated and more strategically focused loans”.<sup>25</sup> This recommendation was reinforced by OVE’s 2021 ICPR conclusion, on the 2016-2020 CS, that “the selection of strategic objectives proved overly broad, limiting the use of the CS as a tool for strategic orientation”. In light of those longstanding concerns raised by OVE, the 2021-2025 CS adopts a highly focused approach. In particular, the 2016-2020 CS focused on 3 priority areas and included 13 strategic objectives, 29 expected results and 38 indicators to measure progress while the 2021-2025 CS has identified one priority area for Bank intervention and includes 3 strategic objectives, 10 expected results and 11 indicators to measure progress. In addition to gender equality and diversity and climate change and environmental sustainability, the 2021-2025 CS also includes institutional capacity and the rule of law as a cross cutting theme to be mainstreamed into the IDB Group’s operations.

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<sup>23</sup> Small and Island Action Plan Update. CII/GN-354-1. Internal IDB Group document.

<sup>24</sup> See [Roadmap for Trinidad and Tobago: Transforming to a New Economy and a New Society \(Phase 2\)](#).

<sup>25</sup> See <https://publications.iadb.org/en/country-program-evaluation-trinidad-and-tobago-2011-2015>

### **Box 1. Adjusting Priorities to the Pandemic**

Recognizing the potential impact of the pandemic, the Government of Trinidad and Tobago refocused its medium term priorities as laid out in the country's 2016-2030 National Development Strategy (Vision 2030) to effectively respond to the consequences of the pandemic over the medium term. In so doing, the government developed a recovery plan—"Roadmap for Trinidad and Tobago: Transforming to a New Economy and a New Society"—which benefitted from consultations with experts in the public sector, private sector, civil society, labour unions and academia. The recovery plan's main objective is to transform Trinidad and Tobago to a new economy and a new society by focusing on three main pillars: (i) Diversifying and Transforming the Economy by leveraging digitalization; (ii) Making Food Security a Reality in Trinidad and in Tobago; (iii) Making Equity and Empathy central in Trinidad and Tobago. The first pillar seeks to transform the economy from being energy dependent into one that generates revenues and foreign exchange from a broader range of sectors and a wider portfolio of products by infusing technology into the operations and processes of government, private sector and other economic actors. The second pillar focuses on food security of the country and emphasizes production that uses modern technology. It is also intended to attract young, well-trained entrepreneurs into food production. The third pillar places emphasis on human capital development and on expanding the range of business opportunities for all sections of society.

- 3.3 **The proposed IDB Group actions are aligned with the Second Update to the Institutional Strategy 2020-2023 and Vision 2025.** The priority area and cross-cutting issues outlined in this section relate to the objectives of the *Second Update to the Institutional Strategy 2020-2023 and Vision 2025. Reinvest in the Americas: A Decade of Opportunity*, through the establishment of smart institutional frameworks and enhanced capacity of the state; developing quality human capital through life-long skills development; providing adequate knowledge and innovation ecosystems by facilitating the use of technologies; promoting gender equality and diversity; and addressing the economic and social impacts of climate change adaptation and mitigation. The priorities outlined here are also aligned with the priority segments of IDB Invest's 2020-2022 Business Plan to support infrastructure development, strengthen capacity to support the corporate segment, and leverage resources through the financial system for the priority areas and cross-cutting issues.

#### ***A. Promoting digitalization to support economic transformation.***

- 3.4 **Promoting digitalization can help Trinidad and Tobago improve its resilience and unlock its potential to realize stronger, more sustainable, and more equitable growth.** Digitalization is akin to a technology or supply shock that can improve competitiveness, innovation, and productivity.<sup>26</sup> This is important for Trinidad and Tobago as the country has experienced unfavourable economic performance reflected in declining productivity indicators, falling external competitiveness, low innovation, and an accumulation of macroeconomic and social risks.<sup>27</sup> The pandemic has accentuated development challenges, especially given the lack of digitalization to allow continuity of services provided by the public and private sectors.<sup>28</sup> In that context, digitalization can be a key enabler for improving the country's competitiveness, innovation, and productivity. The country has been pursuing reforms to facilitate digital transformation through the implementation of its National ICT Plan.<sup>29</sup> The country has completed several actions to improve connectivity, promote digital inclusion and government efficiency. There is ongoing work in the

<sup>26</sup> See <https://bit.ly/2TGAxkC>

<sup>27</sup> See Khadan, J. 2021. Rekindling Economic Growth and Productivity in Trinidad and Tobago. Unpublished.

<sup>28</sup> During the spread of COVID-19, access to telecommunications allowed the continuity of use of public services and consumption remotely. It is estimated that this access has prevented losses, depending on the degree of digital development, between 20-25 percent of GDP during the period of restricted mobility. The gaps in access and use of Information and Communication Technologies (ICT) have limited the most vulnerable population (the elderly, low-income households, and inhabitants of rural areas) to use telemedicine services as remote consultations, online education, or doing work activities from home. See <https://bit.ly/3ju0nDp>

<sup>29</sup> See National ICT Plan 2018-2022. <https://bit.ly/3pv1P9D>.

areas of modernizing the legal and regulatory framework, strengthening safety, security and resilience, building ICT human capital, e-commerce, green ICT and further enhancing digital inclusion and digital government.<sup>30</sup> Currently, Trinidad and Tobago performs better than the LAC region in digital adoption<sup>31</sup> measured across businesses, people, and the government.<sup>32</sup> There is ample room for the country to continue the digitalization agenda, especially for businesses and the government—the country significantly underperforms in digital adoption measures when compared to the average for OECD countries.<sup>33,34</sup> Digitalization of key processes, systems, and policy frameworks that facilitate the adoption of digital tools will be fundamental to the country's economic transformation process. In that regard, economic transformation can be achieved by improving the business environment to enable digital transformation, expanding the use of digital tools for improving educational outcomes and digital skills, improving the delivery of services, and mainstreaming gender equality and diversity, climate change and environmental sustainability and institutional capacity and the rule of law.

**3.5 Making the business environment more digital friendly can expand the value added by the private sector.** The private sector's current profile, weak performance, and low innovation do not bode well for sustainable economic growth. It is largely import oriented with only 14 percent of firms classified as exporters, 9 percent as two-way traders, and 82 percent of firms categorized as either stagnant or declining.<sup>35</sup> Expenditure on research and development is 0.09 percent of GDP, significantly lower than the average for Latin America (0.71 percent of GDP).<sup>36</sup> The results of the 2021 Innovation, Firm Performance and Gender (IFPG) showed that the main constraints to business operations in Trinidad and Tobago as identified by the firms are: (i) inadequately educated workforce (23.3 percent of firms), (ii) crime, theft and disorder (9.4 percent of firms), and (iii) corruption (8.9 percent of firms).<sup>37</sup> There are also challenges related to inefficient procedures for enforcing contracts, paying taxes, and trading across borders.<sup>38</sup> The country should focus on developing a digital-friendly trade and investment climate with supporting digital infrastructure to improve the business environment and the private sector's performance.<sup>39</sup> Indeed, there is ample room for improvement in the country's legal framework's adaptability to digital business models, which includes e-commerce, sharing economy, and financial technologies<sup>40</sup>, as Trinidad and Tobago was ranked 123 out of 141 countries in this area by the World Economic Forum. Implementation of the country's financial innovation hub is important to foster payments and credit in the financial system to bridge the gap in financial inclusion for micro, small, and medium-sized

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<sup>30</sup> Ministry of Public Administration and Digital Transformation. See <https://mpadt.gov.tt/>

<sup>31</sup> The World Bank's digital adoption index takes into account technologies, necessary businesses, people, and governments to promote development in the digital era as it relates to productivity, accelerating broad-based growth for business, improving welfare for people, and increasing the efficiency and accountability of public service delivery.

<sup>32</sup> See <https://bit.ly/2RDu5KM>

<sup>33</sup> See <https://bit.ly/3zcKjLO>

<sup>34</sup> There are also digital adoption gaps for persons with disabilities. See <https://bit.ly/3qxFFUC>

<sup>35</sup> See Khadan, J., and I. Ruprah. 2016. Diversification in Trinidad and Tobago: Waiting for Godot? Country Department Caribbean Group Policy Brief IDB-PB-256. Inter-American Development Bank, Washington, DC.

<sup>36</sup> Low innovation is also observed at the firm level where expenditure on research and development averages 0.95 percent of sales for Trinidad and Tobago firms, compared with an average of 4.7 percent of sales for the rest of the Caribbean. Moreover, only 5 percent of firms in Trinidad and Tobago have a research department, lower than the average of 11 percent of firms in the rest of the Caribbean. See Khadan, J. 2017. Are Oil and Gas Smothering the Private Sector in Trinidad and Tobago? Washington: Inter-American Development Bank.

<sup>37</sup> See <https://www.competecaribbean.org/ifpg-call/>

<sup>38</sup> See Khadan, J. 2017. Are Oil and Gas Smothering the Private Sector in Trinidad and Tobago? Washington: Inter-American Development Bank.

<sup>39</sup> Digital and ICT-based solutions have been shown to improve the business environment and spur private sector development. See <https://bit.ly/3hLLFGR> and <https://bit.ly/2RwZ3UT>

<sup>40</sup> The introduction of the Central Bank's e-money policy is important to improving the domestic payments systems and financial inclusion. See [Fintech Entities \(E-money Issuers\) | Central Bank of Trinidad and Tobago \(central-bank.org.tt\)](https://www.central-bank.org.tt/fintech-entities-e-money-issuers)

enterprises (MSME), including women-owned MSMEs and individuals.<sup>41, 42</sup> The country also lacks a robust legal and regulatory framework to facilitate e-business, e-commerce, and e-services.<sup>43</sup> Furthermore, there are institutional constraints to trade as reflected in the country's performance on the administrative and logistical process for both exports and imports.<sup>44,45</sup> Thus, to improve trade, especially exports, and compete in a digital environment the country should accelerate implementation of digital trade facilitation measures.<sup>46</sup>

**3.6 Enhancing digital competence<sup>47</sup> is important for economic transformation.** The pandemic has highlighted the importance of digital infrastructure and systems to facilitate online/hybrid education and to strengthen digital competence for future jobs. Adequate levels of digital competence is becoming increasingly important not only for digital inclusion and employability but also for improving countries' competitiveness, productivity and economic growth.<sup>48</sup> For instance, a 2020 World Economic Forum study on the future of jobs found that 84 percent of employers are set to rapidly digitalize working processes, including moving 44 percent of their workforce to operate remotely.<sup>49</sup> These developments, accelerated by the pandemic, imply that digital competence will become an even more important facet of educational development. Although Trinidad and Tobago has made substantial gains in expanding access to education over the past decades, the sector still faces issues of quality and equity as evidenced by poor student learning achievements.<sup>50</sup> Disaggregated figures indicate that students from lower income quintiles perform significantly worse than students from upper income quintiles, and on average boys score significantly lower in mathematics, science and reading.<sup>51,52</sup> Inadequate physical infrastructure and institutional gaps, including a lack of explicit and structured mechanisms to evaluate teacher effectiveness are some of main factors that affect the quality of the education system. The lack digital competences (for teachers and students) and digital infrastructure to facilitate online/hybrid education<sup>53</sup> during the pandemic has only served to exacerbate existing challenges and inequalities in the country's education sector. This was particularly evident as, in September 2020, an estimated 65,000 students (or 29 percent of the country's total student population) did not have devices to access online learning.<sup>54</sup> In addition, the education sector lacks relevant and quality digital content and inadequate teacher training and assessment tools (for online/hybrid education)

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<sup>41</sup> Increasing access to finance for exporting SMEs in non-energy sectors is critical to economic transformation and increased foreign earnings in the country.

<sup>42</sup> According to data from the [MSME Finance Gap \(2019\)](#), the country has a gap for MSME financing of up to US\$10 billion for an estimated amount of 20,000 enterprises. The total estimated supply of funds offered by the financial system reaches up to US\$1.52 billion, while the total demand reaches US\$12.8 billion. This gap is equivalent to 36 percent of the Gross Domestic Product for the country in 2017.

<sup>43</sup> See <https://bit.ly/3bMzKoE>

<sup>44</sup> For instance, in Trinidad and Tobago it costs US\$ 500 on average to get customs clearance and inspections done when exporting goods, substantially more expensive than the OECD average of US\$ 139. See: <https://bit.ly/3xakRo6>

<sup>45</sup> In this vein, operationalization of institutions that promote fair competition and international trade standards such as the Trinidad and Tobago Accreditation Service for Conformity Assessment (TTASCA) and Trinidad and Tobago Fair Trading Commission (TTFTC) can contribute to firms producing high value-added products and services that can compete in export markets and operate in a fair and competitive domestic playing field.

<sup>46</sup> Digital trade facilitation measures have been shown to significantly reduce trade costs. See <https://bit.ly/3fl3vln>

<sup>47</sup> Digital competence encompasses the knowledge and skills required for an individual to use technologies and systems. See <https://bit.ly/3coRyGr>

<sup>48</sup> See <https://bit.ly/3s8N8Ky>

<sup>49</sup> This study is based on information from 26 advanced and emerging countries across 15 industry sectors. See <https://bit.ly/3fCpoJ7>

<sup>50</sup> Khadan, J. 2017. Are Oil and Gas Smothering the Private Sector in Trinidad and Tobago? Washington: Inter-American Development Bank.

<sup>51</sup> See PISA 2015 Database: <https://www.oecd.org/pisa/data/2015database/>

<sup>52</sup> The primary reasons for male-female achievement differential relates to societal factors such as gang violence, delinquency, criminal activity, and illicit drug use and abuse. Certain female characteristics such as work ethic and maturation also favour females. See <https://bit.ly/3AcFngE> for more details on male underachievement.

<sup>53</sup> Digital conditions for distance learning are not sufficiently developed in areas related to connectivity in schools, virtual lessons, and digital resource bundles or packages. See: <https://bit.ly/3yG6KYT>

<sup>54</sup> See IDB, 2020, Caribbean Quarterly Bulletin: November 2020. Inter-American Development Bank.

to ensure that all children and youth acquire digital competence, including closing the digital gender gap.<sup>55,56</sup> Thus, to address gaps in digital access to quality education and equity in the education sector, the country should accelerate the implementation of measures to improve online/hybrid learning systems and curriculum reforms to enhance digital competence.

**3.7 Accelerating digitalization of the public sector is critical to support equitable delivery of public services and improving trust in public administration.**<sup>57</sup> With respect to transactional services, an IDB study found that the quality of management and public service delivery is low in Trinidad and Tobago, including low levels of digitalization in government, long processing times, and duplication of efforts and procedures.<sup>58</sup> For instance, evidence from firm-level data show that senior management of firms in the country spend 10 percent of their time dealing with government regulations, the second highest in the Caribbean.<sup>59</sup> There is room to improve the quality of institutions and governance, the rule of law, revenue policy,<sup>60</sup> expenditure policy,<sup>61</sup> and related economic institutions.<sup>62</sup> The country's water and sanitation sector is also characterized by operational inefficiencies, unreliable service, and sustained losses which are caused by several factors, including institutional and policy weaknesses and inadequate use of smart water infrastructure technologies. The delivery of public health services remains inadequate. Non-communicable diseases,<sup>63</sup> childhood obesity, post-COVID-19 health conditions, and mental health problems remain among the main health challenges facing the country. The underlying causes of these health problems relate to behavioral risk factors, low quality primary care services, including the lack of an integrated systemic approach to health care delivery<sup>64</sup> and the slow adoption of digital technologies<sup>65</sup> for healthcare management and delivery, insufficient health personnel in key

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<sup>55</sup> The country is ranked 92 out of 141 countries for basic digital skills (computer skills, basic coding, and digital reading) among the active population.

<sup>56</sup> See <https://bit.ly/3s6Mv4n>

<sup>57</sup> See <https://bit.ly/3fBCXsi>

<sup>58</sup> IDB, 2018. Building State Capacity in the Caribbean: The State of Civil Service in Trinidad and Tobago. Inter-American Development Bank, Washington, D.C.

<sup>59</sup> Khadan, Jeetendra. 2017. Are Oil and Gas Smothering the Private Sector in Trinidad and Tobago? Washington: Inter-American Development Bank.

<sup>60</sup> The 2017 Tax Administration Diagnostic Assessment Tool (TADAT) report identified several deficiencies in the country's tax system. These include low integrity in the taxpayer registration database, underdeveloped compliance risk management practices, limited use of electronic services for filing and payment, limited use of non-audit initiatives to promote voluntary compliance, delays in processing taxpayer accounting transactions, lack of impact assessment of compliance management interventions, a deficient value added tax refund process, weak revenue accounting systems, shortage of technical staff, a weak internal audit function, and an inadequate external assurance capacity undermined by confidentiality provisions. See <https://bit.ly/2Tn5g6t>

<sup>61</sup> Some of the main concerns include excessive transfers and subsidies, off-budget and non-transparent expenditures by public bodies, lack of best expenditure institutions, state-owned enterprises and other decentralized bodies are not subject to the same regulatory authority as other state bodies, and public investment management shows weaknesses at all stages of the investment process.

<sup>62</sup> World Bank, World Governance Indicators. See <https://bit.ly/3feZV9l>

<sup>63</sup> Controlling COVID-19 is an immediate priority for the country and it cannot be undertaken without continued attention to NCDs which: (a) are still the primary causes of premature death and disease; (b) increase the severity of COVID-19 infections; (c) are implicated in 80 percent of the deaths from COVID-19; and (d) may increase further because some 20 percent of those infected with COVID-19 are likely to experience chronic health conditions associated with "Long COVID". It is therefore critical for the country to address this large and growing disease burden by applying the required resources to develop and implement a comprehensive Chronic Care Model (CCM) to address these conditions along with investments that improve healthcare service administration, screening and disease management, and enhance the quality of public health initiatives.

<sup>64</sup> In keeping with the IDBGs Health Sector Framework Document, the country requires systemic change and also governance reforms within the health sector which will be necessary to promote: (i) appropriate linkages between primary health care, CCM and other healthcare services; (ii) financial management systems that allocate resources based on need and cost-effectiveness, while providing positive incentives for staff and management; and (iii) systemic interventions that are people-centered, focus on service quality, and establish work cultures that reward performance measurement, analysis, adaptation, and improvement.

<sup>65</sup> Digital transformation is critical to the health sector and in order to be effective, it requires coordinated and strategic efforts in six key areas: (1) governance and management; (2) infrastructure; (3) interoperability and standards; (4) people and culture; (5) public health and knowledge management; and (6) adoption of key applications, such as electronic health records, telemedicine, and mobile health.

specialties, and institutional weaknesses.<sup>66</sup> There is also room to improve social welfare administration with digital technologies in order to automate the processing of applications and facilitate improved client communication and access. These inefficiencies across a wide range of public and social services have led to low citizen satisfaction resulting in widespread distrust in public administration.<sup>67</sup> Research has shown that digitalization is critical to improve delivery of public services, and boost transparency and citizen's trust.<sup>68</sup> There is ample room for improvement in this area given that the country's ranking in the United Nations (UN) e-Government Development Index (EGDI), which is a composite measure of three important dimensions of e-Government, namely: provision of online services, telecommunication connectivity, and human capacity, declined from 70 in 2016 to 81 in 2020 (out of 193 countries). Given the challenges identified, it is important to strengthen institutional capacity in the public sector especially for institutions that collect and disseminate national statistics and information about policy decisions and outcomes. Furthermore, there is a need to increase the level of digitization in the public sector, including enhanced interoperability and digital literacy programs. These measures are all the more important given the substantial impact of the pandemic.

**3.8 Investing in infrastructure to support inclusive digital connectivity and renewable energy is critical for economic transformation.** Public and private sector coordination will be necessary for achieving high quality digital infrastructure to promote digital inclusion and social and productive development. Some important areas that should be strengthened to enhance digital connectivity include ICT infrastructure and cyber security protection;<sup>69</sup> and modernizing the legal and regulatory framework and improving access and reliability of supporting infrastructure such as telecommunications, electricity,<sup>70</sup> and Internet, especially in rural areas.<sup>71</sup> Also, the country's broadband penetration (percent of population) is relatively low and below the OECD average: broadband fixed penetration is 24.3 compared to an average of 34.8 for OECD countries and broadband wireless penetration is 48.9 compared to an average of 127 for OECD countries.<sup>72</sup> To support digital inclusion and economic transformation, a greater focus on generating energy from renewable energy sources will be required given the country's commitment to reducing emissions from its three main emitting sectors – power generation, transport, and industry.<sup>73</sup> This is

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<sup>66</sup> See <https://bit.ly/3zgUI9e>

<sup>67</sup> Khadan, Jeetendra. 2017. Are Oil and Gas Smothering the Private Sector in Trinidad and Tobago? Washington: Inter-American Development Bank.

<sup>68</sup> See <https://bit.ly/3vccat5>

<sup>69</sup> A 2020 cybersecurity report identified room for improvement in critical infrastructure protection, cybersecurity reporting and ICT security standards, incident response, and internet infrastructure resilience. See <https://bit.ly/3oSDnP6>

<sup>70</sup> The country's electricity sector faces several challenges. Data shows a 13 percent increase in electricity outages and greater electricity interruptions per customer during the period 2016-2019. The System Average Interruption Duration Index ranged between 6.4 to 7.7 hours between 2016 and 2019. On average, customers experienced interruptions totaling 7.7 hours in duration in 2019, which is the highest for the four-year period (See <https://bit.ly/2UdjxTt>). The unreliability of electricity is not only affecting residential customers but also businesses. Indeed, a large share of firms (65 percent) in Trinidad and Tobago reported being affected by electricity outages, with a frequency of five interruptions per month and an average duration of three hours per interruption. The literature notes that a high frequency and duration of outages adds to the cost of doing business and is a critical infrastructure to facilitate digital transformation (See <https://bit.ly/3zuQTnk>). Moreover, unsustainable energy subsidies, high indebtedness, and unprofitability of the country's state-owned electricity company could further worsen the reliability of electricity supply and hamper the country's efforts to achieve economic transformation via digitalization. Thus, it is important for the country to invest in renewable energy and diversify its energy mix (renewable energy's share of the total energy mix was less than 0.01 percent in 2020). The diversification of electricity generation using renewable energy sources can increase access and improve reliability of the country's electricity supply. A diversified energy matrix also reduces the risk of disruption to energy services from natural, technological, and human-caused—such as weather events, cyberattacks, and global market disturbances (see for example, [U.S. Department of Energy. "U.S. Energy Sector Vulnerabilities to Climate Change and Extreme Weather." Washington, D.C.: DOE. July 2013](#)).

<sup>71</sup> See <https://bit.ly/3bMzKoE>

<sup>72</sup> See <http://dx.doi.org/10.18235/0002080>

<sup>73</sup> Renewable energy (including promoting green hydrogen) and energy efficiency investments will help to improve resilience to climate change.

particularly important for Trinidad and Tobago as climate change impacts could include more intense rainfall, water stress, sea level rise and coastal erosion, which may affect the country's infrastructure and productive sectors of the economy such as agriculture, manufacturing and tourism. Prioritizing renewable energy sources presents a unique opportunity for both private and public sectors to contribute to mitigating climate change risks through the adoption of more efficient, cost-effective climate policies which must also become core to the country's economic transformation drive and could increase the private sector's resilience to climate change impacts. The development of a robust environmental governance system for climate change management through the enhancement of existing systems to fully implement the Paris Agreement will be critical. In that regard, policies should focus on the following areas: (i) energy matrix diversification and decarbonization, using hydrogen and other cleaner energy carriers; (ii) energy transition and transformation of heavy industry into a cleaner and greener industry, and (iii) strengthening of energy sector governance structures to achieve energy transition.

### **3.9 Against this backdrop, the IDB Group will pursue three strategic objectives and support several lines of action:**

- (i) **Improving the business environment to enable digital transformation.** The CS will assist by (a) developing the nascent financial technologies industry, (b) supporting reforms to legislation and policies to strengthen the legal and regulatory framework to facilitate e-business, e-commerce and e-services, (c) supporting actions to accelerate implementation of the country's digital trade facilitation infrastructure, (d) supporting policies to reduce gender inequality as it relates to financial inclusion, women-owned businesses and gender-based violence, (e) supporting reforms to strengthen the institutional framework and laws (for example, enforcing contracts, paying taxes, registering property, trading across borders, and obtaining a construction permit) that are needed for the emergence of a dynamic private sector, and (f) supporting actions to improve the private sector's resilience to climate change.<sup>74</sup> The IDB Group will seek strategic coordination among IDB, IDB Invest and IDB Lab to strengthen the IDB Group's response to supporting the country's in improving the business environment to enable digital transformation.<sup>75</sup>
- (ii) **Expanding the use of digital tools for improving educational outcomes and digital skills.** Specifically, the CS will assist by (a) improving digital connectivity infrastructure and digital learning platforms, (b) strengthening the curriculum, including new teaching approaches, curation and creation of quality digital content, teacher education, and assessment tools, to promote digital skills, (c) supporting policies to reduce gender gaps in educational outcomes and the implementation of programs to rethink dominant patterns of masculinity and femininity in society, and (d) supporting reforms to improve institutional capacity and governance as it relates

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<sup>74</sup> This includes support to high-growth companies; smart agriculture investments that would foster food security and to the non-energy and export-oriented sector businesses.

<sup>75</sup> The IDB group will promote improvements in the environmental and social regulatory aspects, institutional capacity and coordination among institutions, donors, companies, local governments, and other relevant stakeholders in order to face the many challenges and the adoption of international best practices, as well as the new IDB's Environmental and Social Framework in the implementation of future operations.

curriculum implementation and monitoring progress, structured mechanisms to evaluate teacher effectiveness, and collecting, managing and analyzing the data to inform education policies. The IDB Group will seek strategic coordination among IDB, IDB Invest and IDB Lab to strengthen the IDB Group's response to supporting the country's educational outcomes and digital skills.<sup>76</sup>

- (iii) **Enhancing the digital delivery of services.** Specifically, the CS will support by (a) expanding broadband infrastructure, (b) promoting smart water infrastructure technologies, renewable energy sources and related technologies, (c) establishing an efficient and targeted social safety net, including the efficient delivery of public services, (d) strengthening institutions to produce high-quality data and statistics, and (e) supporting institutional reforms to improve the country's fiscal framework, energy efficiency policy, public administration and developing human capital within the public sector.<sup>77</sup> The IDB Group will seek strategic coordination among IDB, IDB Invest and IDB Lab to strengthen the IDB Group's response to supporting the country's digital delivery of services.<sup>78</sup>

## **B. Cross-cutting issues**

**3.10 Gender equality and diversity:** With respect to gender equality, there is room to reduce gender-based violence, the digital gender gap, and suicide especially among men. Trinidad and Tobago has a high femicide rate of 2.9 per 100,000 women, placing it among Latin America and the Caribbean countries least safe for women. The prevalence of physical violence against women has been reported as high as 28 percent in Trinidad and Tobago.<sup>79</sup> The male suicide rate (13.9 per 100,000 male population) is also problematic and exceeds that of females (3.6 per 100,000 female population). Evidence-based reports confirm that rigid gender norms contribute to men's use of violence against their female partners. Descriptive evidence on the existence of a digital gender gap in mobile phone ownership in the country points out that women are less likely to own a mobile phone with respect to their male counterparts. Access to mobile phones have been shown to offer "leapfrog" opportunities for women also by increasing their employment options as well as their outlook as entrepreneurs.<sup>80</sup> Based on these challenges, the IDB Group will continue to mainstream gender equality components in its operations, prioritizing measures to reduce gender-based violence, male suicides, gender gaps in educational outcomes and access to digital tools, and implementation of programs to rethink dominant patterns of masculinity and femininity in society. Given the dearth of gender disaggregated data, the CS will also prioritize efforts to

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<sup>76</sup> The IDB group will promote improvements in the environmental and social regulatory aspects, institutional capacity and coordination among institutions, donors, companies, local governments, and other relevant stakeholders in order to face the many challenges and the adoption of international best practices, as well as the new IDB's Environmental and Social Framework in the implementation of future operations.

<sup>77</sup> Support would be provided for a more efficient and inclusive provision of public services including infrastructure services, through both sovereign and non-sovereign financing and advisory services.

<sup>78</sup> The IDB group will promote improvements in the environmental and social regulatory aspects, institutional capacity and coordination among institutions, donors, companies, local governments, and other relevant stakeholders in order to face the many challenges and the adoption of international best practices, as well as the new IDB's Environmental and Social Framework in the implementation of future operations.

<sup>79</sup> See <https://bit.ly/3dru5VN>

<sup>80</sup> See [Digital exclusion: an obstacle that hinders rural women's work | IADB](#)

generate and analyze socioeconomic data by gender groups to inform public policy on gender equality.

- 3.11 Climate change and environmental sustainability:** The country faces important risks stemming from climate change. Climate change impacts for Trinidad and Tobago could include more intense rainfall, sea level rise, water stress and coastal erosion, which may affect fishing communities and the agroindustry, lead to infrastructure damage and reduce tourism.<sup>81</sup> Furthermore, climate change impacts are expected to disproportionately affect the poor and vulnerable. In its first National Determined Contribution (NDC) under the Paris Agreement, the country committed to a reduction of greenhouse gas (GHG) emissions compared to business-as-usual scenario by 15 percent (conditional) and 30 percent in public transport (unconditional) by the end of 2030.<sup>82, 83</sup> Based on these challenges, the IDB Group will work with the country on policies to address climate change impacts by supporting actions for mangrove restoration, improving coast zone management policy, the adoption of nature-based infrastructure to reduce coastal erosion, climate resilient building code and climate-sensitive urban development policies (e.g., compact settlements), energy efficiency and energy production from renewable resources, green skills development, institutional strengthening and regulatory reform (e.g., reduced fuel subsidies), and identification of vulnerable transport infrastructure. The IDB Group will also support the country in designing and implementing an effective energy policy, including a focus on digitally intensive renewable energy and energy efficiency technologies, new instruments and investments, and measures to strengthen the electricity sector to meet the Paris Agreement commitments. The commitment to the Paris Agreement and the subsequent “Solidarity and Just Transition Silesia Declaration” (2018),<sup>84</sup> imply the need to transition to a low carbon and resilient economy and the country would benefit from assistance to help manage the risks, labour, and social disruptions but also open opportunities related to this transition.
- 3.12 Institutional capacity and Rule of Law:** The lack of adequate institutional capacity and governance frameworks due to archaic systems, undeveloped human capital, opaque policy making and a lack of data impact all aspects of policy implementation in Trinidad and Tobago, including public sector performance, investor confidence, and economic growth.<sup>85</sup> International comparisons based on World Governance Indicators suggest that there is room for the country to improve in terms of quality of institutions and governance, the rule of law, control of corruption, procurement processes,<sup>86</sup> and monitoring and evaluation practices.<sup>87</sup> Based on these challenges, the IDB Group proposes to support the country to improve institutional capacity by strengthening governance frameworks and increase training in the public sector. For example, digitizing paper

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<sup>81</sup> A [2014 IDB report](#) on the economics of climate change adaptation noted that the country will likely experience higher tropical storm frequency and the effects derived from them: flooding in rural and urban areas, wind, and rainfall. Additionally, the island will likely experience sea level rise and more frequent and intense droughts.

<sup>82</sup> These commitments are based on the country’s Carbon Reduction Strategy developed for its power generation, transportation, and industrial sectors, these being the major emitting sectors of the economy. Regarding climate adaptation, the NDC highlights that the country is also vulnerable to temperature increases, changes in precipitation, and sea level rise, and thus calls for action to reduce climate vulnerability.

<sup>83</sup> The Ministry of Planning and Development is responsible for coordinating the implementation of this agreement.

<sup>84</sup> [Solidarity and Just Transition Silesia Declaration](#).

<sup>85</sup> See Khadan, J. 2021. Rekindling Economic Growth and Productivity in Trinidad and Tobago. Unpublished.

<sup>86</sup> The country is yet to operationalize the substantive provisions of Public Procurement and Disposal of Public Property.

<sup>87</sup> World Bank, World Governance Indicators.

based records, implementing ICT systems to improve service delivery and retooling public institutions to generate and publish high quality and relevant information in a timely manner.<sup>88</sup>

### **C. Dialogue area**

- 3.13 Knowledge products and coordination with other donors would contribute to an efficient flow of information to support labour markets in the following areas: (i) reducing the skill gaps in the information technology-enabled services sector that limit business development and foreign investment; and (ii) supporting skills for digital transformation ranging from basic digital competencies to more advanced subjects like coding and cybersecurity.

## **IV. ESTIMATED LENDING FRAMEWORK**

- 4.1 **The IDB foresees sovereign guaranteed approvals of US\$250 million.** This represents a modest increase in approvals if compared with the previous Country Strategy period (2016-2020). Relatively higher financing needs are expected given the fiscal and socioeconomic impacts of the pandemic. Lessons learned from the previous CS period highlighted the need to be more strategic regarding country programming, leveraging the Bank's sectoral experience in the country to reduce bureaucratic hindrances in the execution of new operations. Notwithstanding some backloading of approvals is expected given the country's absorptive capacity. The Bank will explore using a wider suite of Bank instruments such as Policy-based Loans (PBLs), Conditional Credit Line for Investment Projects (CCLIPs), Lending by Results (LBRs) and Partial Credit Guarantees (PCG). Approvals will average US\$50 million annually over the period 2021-2025. Loan disbursements should remain at similar levels to previous CS, averaging US\$58.6 million per year (exclusive of PBLs) and total US\$292 million. The outstanding debt to the IDB will increase to US\$779 million by the end of the period, equivalent to 35.7 percent of multilateral debt and 29.5 percent of external debt (Annex IV). Non-sovereign guaranteed lending and technical assistance through IDB Invest and IDB Lab are expected to play a role in facilitating public-private synergies, stimulating private sector competitiveness, and catalyzing access to finance for entrepreneurs, to enhance productivity and spur economic growth.

## **V. STRATEGY IMPLEMENTATION**

- 5.1 **New approvals should positively impact portfolio indicators.** Collaborative efforts to troubleshoot portfolio issues, build relationships with the management of executing agencies and engage key actors in the procurement approval process will continue for the new CS. The effectiveness of consultative planning between the Bank and Executing Agencies has already resulted in strong portfolio performance, with only one project in Alert between 2018 and 2020. If new operations are approved, other portfolio indicators such as net flows and aging will continue to improve. A wider use of instruments in the new CS, including policy-based lending, conditional credit lines (CCLIP), and contingency financing could also have a positive effect on the execution and disbursement of the portfolio. Furthermore, the 2021-2025 CS adopts a highly focused approach which is aligned with the conclusions made by the Independent Country Program Review carried out by OVE.
- 5.2 **Country Systems.** In line with its strategy to expand the use of country systems and efforts to improve execution in Trinidad and Tobago, the Bank relies on the budget, treasury, and external audit subsystems of the country. During the 2021-2025 Country Strategy period, the Bank will continue to support the Government of Trinidad and Tobago with its ongoing PFM reform. This

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<sup>88</sup> The country's statistical capacity score, a composite measure assessing the capacity of a country's statistical system, was 47.8 in 2020 (overall average on a scale of 0-100), and lower than the average for LAC (64.1). See <https://bit.ly/3w2FSB3>

will allow the GORTT to achieve great improvements in PFM, enhancing efficiency and transparency. This should also allow the achievement of acceptable standards, resulting in satisfactory results in aspects of the financial management system leading to the increase in the use of Country Systems by the Bank, either in full or partially.

5.3 More specifically, the Bank will support country systems through the ongoing implementation of Loan 3473/OC-TT which will allow for the full implementation of an integrated computerized PFM system, attaining great improvements in PFM by having an integrated platform for all public expenditures and streamlining budgetary and accounting processes. In addition, the Bank will support the strengthening of the internal audit function of the IFMIS system which, if successful, may result in the use of the accounting subsystem for the financial management of IDB-financed operations. It is expected that a Public Expenditure and Financial Accountability assessment will be undertaken in coordination with the GORTT during the new strategy period. Additionally, the Bank will provide additional support to the GORTT in its efforts to achieve the full proclamation of the Public Procurement and Disposal of Public Property Act as well as its implementation when fully proclaimed. The dialogue will continue to introduce best practices directed at closing the gaps with international procurement standards. Furthermore, the Bank will assist those Government Ministries and Agencies that are at the same time Executing Agencies of IDB-funded operations, to strengthen their institutional capacity in procurement in keeping with the standards, competence levels, and certification requirements established by the Office of Procurement Regulation with the purpose of facilitating a smooth transition to the decentralized system without impacting the implementation of the IDB-funded operations.

5.4 **Synergies within the IDB Group.** The IDB Group will continue to seek a more strategic coordination among IDB, IDB Invest, and IDB Lab, as well as an increasing mobilization of capital and financing by the private sector that would allow the IDB Group to strengthen its impact in the country. For instance, the presence of an IDB Lab staff member within the Operations team over the last CS period to provide operational support and improve knowledge sharing has proved to be beneficial. The country also began hosting bimonthly meetings with sectorial, IDB Invest, and IDB Lab staff to increase collaborative discussions and allow for staff to readily identify areas of cooperation. The IDB Group will also focus on improving the institutional framework and management of PPP projects, as well as to maximize operational synergies within SG operations that allow for crowd-in private investment. The nascent renewable energy sector, resilient and sustainable infrastructure, climate financing, and digitalization are also identified areas where public-private dialogue could provide collaborative solutions to the most pressing needs during the post-COVID 19 economic recovery. Another area with potential synergies for private sector development is the continued knowledge sharing and joint research efforts in the country, building up on efforts such as the PROTEqIN and other firm-level surveys led by Compete Caribbean which provides insights into the main drivers of productivity and innovation, as well as the more recent data collection during the pandemic. There are also opportunities for the IDB Group, particularly IDB Lab, to pilot private and civil society-led solutions to problems prioritized in the CS.

5.5 **Donor Coordination and Resource Mobilization.** The Bank meets regularly with multilateral agencies such as the UN agencies, the Development Bank of Latin America (CAF), World Bank (WB), the European Union (EU), as well as bilateral donors and embassies to coordinate on climate change, health, gender, migration, and innovation initiatives. Over the last CS period, the IDB funded the onboarding of a consultant to work on the creation of a Donor Coordination Unit within the Ministry of Planning and Development to break down the current siloed system and create a single focal point for multilateral and bilateral funding in the country. Though all technical reports and recommendations have been accepted, development on this unit remains at an

incipient stage. The Office of Outreach and Partnerships (ORP) could support and coordinate this effort by providing technical advice to the Ministry of Planning and Development as it has done with other governments in the region. With respect to co-financing opportunities, the Bank has initiated a dialogue with the Japan International Cooperation Agency (JICA) relating to infrastructure projects, particularly in the water sector. Moreover, with ORP's support other co-financing opportunities could be explored with other agencies. Also, the EU has provided a EUR 7.9 million grant for IDB LAB's project "Support to Competitive and Innovative Economy in Trinidad & Tobago - Shaping the Future of Innovation" aimed at supporting innovation initiatives for startups and entrepreneurs in the country. No co-financing schemes have been identified yet with CAF, which has approved US\$1,150 million using mainly budget support instruments since Trinidad and Tobago became a full member of CAF in 2016. In terms of COVID-19, the Bank has been closely collaborating with: (i) CARPHA and PAHO to provide coordinated support to the Government's COVID-19 health response; and (ii) the WB to better align and find complementarity in our health programs. The Bank will propose and eventually support the Government of Trinidad and Tobago in developing a donor-coordination matrix in the country with ORP's support. There is room to improve donor coordination and outreach efforts with other actors to explore additional funding through co-financing, grants, and non-financial resources such as knowledge sharing and capacity building with universities, NGOs, etc. Therefore, the Bank is planning to host a regional roundtable to enhance the dialogue and coordination with international donors and to identify co-financing opportunities to support the country. In addition, the IDB will continue its efforts to enhance and increase financing opportunities with the private sector. Furthermore, the Bank will explore leveraging resources with financial intermediary funds (including green funds), sovereign development agencies, the European Union, and others. This could form the basis of ongoing donor coordination meetings led by the government.

## VI. RISKS

**6.1 Macroeconomic risks.** Trinidad and Tobago is experiencing two shocks, the spread of COVID-19 and the sharp decline in oil and gas prices. Facing these shocks, the economy is characterized by low economic growth but with a current account surplus and a small primary surplus as of 2019. The country has sizeable fiscal savings (HSF has 26.5 percent of GDP), low government liquidity risks, and adequate international reserves estimated at roughly 8 months of imports of goods and services. The banking sector is well capitalized, liquid, and profitable, with capital adequacy ratios that will continue above the 8 percent statutory benchmark in the event of an extreme shock, but rising household debt, sovereign credit exposures, natural disasters, and contagion risks between investment funds and banks are among the main vulnerabilities that may lead to potential financial imbalances. In that context, the first source of risk is related to macroeconomic policy adjustment being postponed or delayed because of political resistance by vested interests to the institutional reforms and budget consolidation program that are necessary to support economic diversification and preserve fiscal sustainability in the medium term. There is also the risk of a further decline in global prices of oil and gas and continuation of the effects of the COVID-19 pandemic which could contract government revenues, further reduce export earnings, and thus force an abrupt fiscal retrenchment and or external adjustment with adverse consequences for vulnerable groups. The Bank is currently supporting the Government of Trinidad and Tobago to strengthen its macro-fiscal management through the enhancement of its medium-term fiscal framework and debt-sustainability analysis. Similarly, the Bank is also supporting actions to improve the management and prioritization of public investment, which will contribute to the mitigation of natural disasters and climate shocks through the development of guidelines to prioritize resilient infrastructure. Macroeconomic risks will be mitigated and monitored by close supervision of economic performance and policies in order to continue supporting corrective measures.

**6.2 Climate risks and natural disasters.** The islands are exposed to a wide range of natural hazards and climate-related events (such as tropical storms, extreme rainfall, flooding, drought, and landslides), including slow onset impacts (for example, coastal erosion and heat waves) due to sea level rise and increases in air and sea surface temperatures. A natural disaster of significant proportions or a series of chronic climate-related events during the Country Strategy period could undermine potential for growth and employment and increase the potential for social disruptions.<sup>89</sup> With respect to climate change mitigation, the country has committed to: (i) reducing emissions from its three main emitting sectors – power generation, transport, and industry – by 15 percent by 2030; (ii) reducing public transport emissions by 30 percent by 2030; and (iii) generating 10 percent of its energy production from renewable sources.<sup>90</sup> To reduce these risks and support the government efforts, several actions are recommended to advance the country's climate change agenda, including a strategy for mangrove restoration, improved coast zone management policy, the adoption of nature-based infrastructure to climate-resilient infrastructure, and a climate-resilient building code.<sup>91</sup>

**6.3 Portfolio execution risks.** Limited utilization of the bank's financing instruments by the government, an aging portfolio as well as inadequate operational capacity among project execution units have the potential to hinder operational implementation and undermine efforts to deliver development impact in the new Country Strategy period. In order to mitigate against these risks, the IDB Group will: (i) seek to continue building deeper relationships with Government agencies and counterparts and leverage the improved relations with the Ministry of Planning and Development (IDB's focal point), to create a clear niche for the products, services, and benefits the IDB Group can bring to Trinidad and Tobago. In the face of increasing foreign exchange shortages, increasing competition, and the dynamic nature of issues being tackled by government, the IDB Group hopes to consider additional new instruments and financial products that can offer greater support to the government, particularly in the aftermath of the global COVID-19 pandemic; (ii) identify new operations for the portfolio that will offset the aging portfolio and the low number of approvals experienced in the last CS period. Alignment with the government's new impetus in the areas of agribusiness, innovation, integrated water resources management, climate resilience, and digital transformation have already begun and potential operations in some of those areas are part of the strategic dialogue with the government. These efforts will continue moving into the new CS period; (iii) facilitate capacity building through training and knowledge transfer in order to address weaknesses in project management capacity, increase awareness of procurement practices, and strengthen leadership skills. Lessons learned from the last CS period have shown that this type of engagement has improved project execution and enhanced professional relationships with executing units; (iv) engage in frequent stakeholder consultations and communication to ensure buy-in at all levels throughout the program cycle; and (v) include change management activities in each project plan. The IDB Group continues to advocate for the creation of a Donor Coordination Unit within the Ministry of Planning and Development, based on the recommendations of the Project Management Consultant funded by the Bank. Efforts will be made in the new CS period to ensure that this matter is given priority to break the fragmented nature of donor coordination that currently exists and create a more dedicated focal point for IDB

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<sup>89</sup> The interrelation of natural disasters and climate change risks could result in more severe and frequent events. The threat of natural disasters could also result in significant damage to physical infrastructure and assets of the country that could in turn affect economic growth and employment.

<sup>90</sup> See <https://bit.ly/3w6cCsn>

<sup>91</sup> The country also needs to recognize that stranded assets in the transition to a 1.5C-compatible world represent a risk for investments and jobs. Those potential negative impacts can be avoided if managed appropriately and from an early stage to ensure a just transition. See Caldecott B, Elizabeth H, Cojoianu T, Kok I and Pfeiffer A. 2016. Stranded assets: a climate risk challenge IDB Working Paper Series IDB-MG-481 1–6.

Group projects moving forward. The IDB Group will emphasize the use of ICT tools to improve execution during the Country Strategy period.

## Annex I: Results Matrix

Government Priorities	Strategic Area	IDB Strategic Objectives	Expected Results	Indicators	Baseline	Source
Diversifying and Transforming the Economy-leveraging digitalization	Promoting digitalization to support economic transformation	1.1 Improving the business environment to enable digital transformation	Improve private sector competitiveness	Global competitiveness index score <sup>92</sup> (0-100)	58.3 (2019)	World Economic Forum's Global Competitiveness Report 2019
			Diversify the energy mix	Renewable energy share (%) of the total energy mix.	0 percent (2020)	Ministry of Energy and Energy Industries
			Improved digital payments	Used mobile/internet to access account (%)	16.1 percent (2017)	Global Findex, World Bank.
			Improved access to finance	Domestic credit to private sector (% of GDP)	45.1 percent (2020)	World Bank's World Development Indicators
		1.2 Expanding the use of digital tools for improving educational and digital skills outcomes	Improved digital competence	Digital skills among the population (0-100)	47.4 (2019)	World Economic Forum's Global Competitiveness Report 2019
			Reduce repeaters of the Secondary Entrance Assessment <sup>93</sup>	Percentage of female repeaters	2.2 percent (2017)	Central Statistical Office, Trinidad and Tobago
				Percentage of male repeaters	4.4 percent (2017)	Central Statistical Office, Trinidad and Tobago
		1.3 Enhancing the digital delivery of services	Improved digitalization of the public sector	E-Government Development Score (ranges from 0-1)	0.678 (2020)	United Nations E-Government Development Index 2020
			Improved data production and access	Statistical Capacity Score (overall average on a scale of 0-100)	47.8 (2020)	World Bank, World Development Indicators

<sup>92</sup> The pillars of the global competitiveness index cover broad socio-economic elements include those related to digital transformation such as ICT adoption, institutions, infrastructure, macroeconomic stability, health, skills, product market, labour market, the financial system, market size, business dynamism and innovation capability. See <https://bit.ly/2Y9Rgi1>

<sup>93</sup> See footnote 52 for an explanation of the male–female achievement differential in Trinidad and Tobago.

			Improved digital infrastructure	Fixed Broadband penetration (percentage of the population)	24.3 (2017)	Digilac, Inter-American Development Bank
			Improved institutional capacity	Institutions (0-100)	47.9 (2019)	World Economic Forum's Global Competitiveness Report 2019

## Annex II: Country Systems Matrix

Expected Outcome	Indicator	Unit of Measure	Baseline	Baseline Year	Main Target	Timing	Alignment to CRF
Increase the use of the External Control and Accounting subsystems	Use of Accounting subsystem	% of sovereign guaranteed portfolio (based on number of loans)	0%	2020	10%	At the end of the CS period	-Institutional capacity and rule of law -Productivity and innovation -Social inclusion and equality
	Use of External Control subsystem	% of sovereign guaranteed portfolio (based on number of loans)	54%	2020	60%	At the end of the CS period	-Institutional capacity and rule of law -Productivity and innovation -Social inclusion and equality

## Annex III: Main Economic and Social Indicators

<b>ANNEX III: Main Economic and Social Indicators</b>							
	2014	2015	2016	2017	2018	2019	2020
<b>Real Sector and Prices</b>							
	(Annual percentage changes)						
Real GDP	n.a.	1.5	-5.6	-3.0	0.1	-1.2	-7.8*
Real GDP-Energy	n.a.	-0.8	-9.7	0.5	-3.5	-4.5	n.a.
Real GDP- Non-energy	n.a.	2.1	-3.0	-3.4	0.4	1.7	n.a.
Headline Inflation	5.7	4.7	3.1	1.9	1.0	1.0	0.6
(In percent of GDP)							
<b>External Sector /1</b>							
Current Account	15.0	8.2	-3.5	6.3	6.8	4.6	2.3
Trade Balance (merchandise)	26.6	16.8	6.3	14.2	17.4	11.8	4.6
Exports (merchandise)	55.2	46.8	37.8	42.9	45.3	37.8	26.2
Energy Exports	46.5	36.0	29.6	35.0	38.4	30.1	n.a.
Imports (merchandise)	28.6	30.1	31.5	28.7	27.9	26.0	21.6
Energy Imports	7.5	5.8	6.9	7.2	7.4	5.3	n.a.
Services Balance (net)	-5.1	-7.1	-7.9	-9.4	-7.2	-4.7	-4.4
Primary Income (net)	-6.2	-1.0	-1.9	0.2	-3.0	-2.6	1.9
Current Transfers (net)	-0.3	-0.4	0.0	1.2	-0.4	0.1	n.a.
(In percent of Fiscal Year (FY) GDP)							
<b>Central Government (on a FY basis)</b>							
Revenues	33.6	34.9	29.7	23.9	27.3	31.2	22.7
Current	32.9	31.8	27.2	23.1	26.8	29	22.2
Energy	16.2	11.4	4.4	5.1	7	10.1	5.2
Non-Energy	16.7	20.5	22.8	17.9	19.8	19	17
Capital	0.8	3	2.5	0.9	0.5	0.6	0.5
Expenditure	36.2	36.5	35	32.9	30.9	32.2	33.9
Current	31.3	31.9	32.1	30.6	28.7	29.8	31.2
Wages and Salaries	4.9	6.1	6.3	6.6	5.7	5.8	6.0
Goods and Services	4.6	4.9	4.8	3.9	3.9	4.1	3.6
Interest Payments	1.8	2.1	2.5	3.0	3.0	3.2	3.3
Transfers and Subsidies	20.0	18.7	18.4	17.2	16.1	16.7	18.2
Capital Expenditure and Net Lending	4.9	4.6	2.9	2.3	2.2	2.4	2.7
Overall Balance	-2.6	-1.7	-5.3	-9	-3.6	-2.6	-11.2
<b>Debt Indicators (on a FY basis)</b>							
Net Public Sector Debt	40.2	47.3	58.2	62	60.4	65.5	80.7
Central Government External Debt	7.2	8.4	14.1	15.6	15.6	16.7	21.0

Source: Central Bank of Trinidad and Tobago; Ministry of Finance Trinidad and Tobago.

Notes: \* World Economic Outlook, April 2021; /1 Data for 2020 corresponds to the period January to September 2020.

## Annex IV: Indicative Lending Framework

### Net Cash Flow 2015-2025

Figures in US\$ million, unless otherwise specified.

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Average 2021-2025	Total 2021-2025
Approvals	25.0	-	-	-	150.0	135.0	25.0	30.0	30.0	30.0	50.0	250.0
Loan disbursements (target)	68.0	101.4	76.9	19.8	16.7	54.8	60.0	61.0	62.0	55.0	58.6	292.8
<i>PBL disbursements</i>	-	-	-	-	100.0		100.0					100.0
Repayments (principal)	42.7	47.8	54.1	60.7	63.0	64.5	60.9	60.8	60.4	53.6	60.0	300.2
Net loan flow	25.3	53.6	22.8	(40.9)	53.7	(9.7)	99.1	0.2	1.6	1.4	18.5	92.6
Subscriptions and contributions	1.7	-	-	-	-	-	-	-	-	-		
Net capital flow	23.6	53.6	22.8	(40.9)	53.7	(9.7)	99.1	0.2	1.6	1.4	18.5	92.6
Interest and charges	16.0	17.1	22.6	26.4	20.8	15.1	14.9	13.6	12.3	10.9	13.4	66.8
Net cash flow	7.6	36.5	0.2	(67.3)	32.9	(24.8)	84.2	(13.4)	(10.7)	(9.5)	5.2	25.8
IDB Debt	669	721	744	705	686	677	776	776	777	779		
IDB Debt (% of Multilateral Debt)	93.5	67.4	53.7	46.1	45.8	41.6	44.1	41.0	38.3	35.7		
Public External Debt (% of GDP)	15.7	16.7	17.3	18.8	21.8	25.1	26.6	27.7	28.6	29.5		
IDB Debt (% of GDP)	3.0	3.2	3.1	2.9	3.0	3.1	3.5	3.4	3.3	3.2		

Source: IDB staff calculations.

Notes: (1) Disbursements in 2021-2025 refer to target figures.

## ANNEX V: Country Strategy Development Effectiveness Matrix

### COUNTRY STRATEGY: DEVELOPMENT EFFECTIVENESS MATRIX

In August 2008, the Board of Directors approved the Development Effectiveness Framework (GN-2489) to increase the evaluability of all Bank development products.

The Development Effectiveness Matrix for Country Strategies (DEM-CS) is a checklist of the elements that are necessary to evaluate a country strategy. It is based on the evaluation criteria developed by the Evaluation Cooperation Group (ECG) of the Multilateral Development Banks in the "Good Practice Standards for Country Strategy and Program Evaluation."

#### COUNTRY STRATEGY: Trinidad and Tobago

##### **STRATEGIC ALIGNMENT**

*Refers to the degree to which the design and objectives of the CS are consistent with the country development challenges and with the government's development plans and priorities.*

##### **EFFECTIVENESS**

*This measures whether the country strategy is likely to achieve its intended objectives, through an examination of three dimensions: (i) the quality of the diagnostics on which Bank action is based in each area of work; (ii) the quality of the results matrix for the strategy; (iii) the use and buildup of country systems.*

Effectiveness dimensions	
I. Country Diagnosis - Country Development Challenges (CDC)*	
- The CDC is comprehensive / holistic / complete	Yes
- The CDC clearly identifies the main development challenges	Yes
- The CDC presents magnitudes of the main development challenges that are based on empirical evidence	Yes
II. Priority Areas Diagnostics	%
- That clearly identify and dimension, based on empirical evidence, the <b>priority area's</b> specific constraints and challenges	100%
- That clearly identify and dimension, based on empirical evidence, the <b>main factors</b> or causes contributing to the specific constraints and challenges	100%
- That provide corresponding <b>policy recommendations</b>	100%
III. Results matrix**	
- The strategic objectives are clearly defined	100%
- The expected outcomes are clearly defined	100%
- The strategic objectives and expected results that are directly related to the main constraints identified in the diagnosis	100%
- The indicators are outcome indicators and are SMART	100%
- The indicators have baselines	100%
IV. Vertical logic	
- The CS has vertical logic	100%

\* This analysis includes any potential diagnostic document used to inform the CS.

\*\* The Results Matrix is composed by indicators that are meaningful to, and capture progress towards, the expected results. The expected results stem from the strategic objectives.

**CS Diagnostic:** As part of the Country Strategy 2021–2025, a country development challenges diagnostic was presented under the title "Trinidad and Tobago: Country Development Challenges." The CS diagnostic is comprehensive and based on empirical evidence. The diagnostic identifies one priority area for Bank intervention: Promoting Digitalization for Economic Transformation.

- The diagnostic clearly identifies and dimensions, based on empirical evidence, 100% priority area's specific constraints and challenges.
- The diagnostic clearly identifies and dimensions, based on empirical evidence, the main factors or causes contributing to the specific constraints and challenges for 100% of the priority areas.
- The diagnostic provides corresponding policy recommendations for Bank actions, which are based on empirical evidence, for 100% of the priority areas.

**Results matrix:** The section of the Results Matrix corresponding to the new strategic area includes three strategic objectives for Bank action, ten expected results and eleven indicators to measure progress.

- 100% of the strategic objectives are clearly defined.
- 100% of the expected outcomes are clearly defined.
- 100% CS Objectives are related to the main constraints identified in the Country Diagnosis.
- 100% of the indicators used are SMART.
- 100% of the indicators have baselines.

**Country Systems:** The use of country systems in Trinidad and Tobago is progressing. The IDB Group continues to encourage its member countries to use the country's budgetary, treasury, accounting systems, and reporting and external audit system for all loans.

**Vertical logic:** The CS has vertical logic.

**RISKS.** *This measures three dimensions: (i) identification of factors that actually do or might affect attainment of the proposed objectives; (ii) definition of mitigation measures; and (iii) monitoring mechanisms.*

*The Strategy identifies three risks: (i) macroeconomic risks; (ii) climate change resilience; and (iii) portfolio execution. Mitigation and monitoring measures have been identified for all the risks.*