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**MEMORANDUM OF THE PRESIDENT  
OF THE  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
TO THE  
EXECUTIVE DIRECTORS  
ON A  
COUNTRY ASSISTANCE STRATEGY  
OF THE WORLD BANK GROUP  
FOR THE REPUBLIC OF  
TRINIDAD AND TOBAGO**

**March 24, 1999**

**Caribbean Country Management Unit  
Latin America and the Caribbean Region**

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## **TRINIDAD AND TOBAGO FISCAL YEAR**

January 1-December 31

### **CURRENCY EQUIVALENTS**

(as of March 1999)

Currency Unit = TT\$

US \$1.00 = 6.22 TT\$

### **ABBREVIATIONS AND ACRONYMS**

ACP	African Caribbean Pacific Countries
CARICOM	Caribbean Community
CAS	Country Assistance Strategy
CDB	Caribbean Development Bank
CGCED	Consultative Group for Caribbean Economic Development
CIDA	Canadian International Development Agency
CPAR	Country Procurement Assessment Report
CPI	Consumer Product Index
DFID	Department For International Development
DOD	Debt Disbursed and Outstanding
EIA	Environmental Impact Assessment
ESW	Economic and Sector Work
EU	European Union
FAO	Food and Agricultural Organization
FIAS	Foreign Investment Advisory Service
FTAA	Free Trade of the Americas Agreement
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
HIPC	Highly Indebted Poor Country
IDF	Institutional Development Fund
IDB	Inter-American Development Bank
IFC	International Finance Corporation
ILO	International Labor Organization
IMF	International Monetary Fund
LAC	Latin American and Caribbean Countries
LIL	Learning and Innovation Loan
MIGA	Multilateral Investment Guarantee Agency
NAFTA	North American Free Trade Agreement
NEAP	National Environmental Action Plan
NGC	National Gas Company
NGO	Non-governmental Organization
NLS	Non-Lending Services
NPMC	National Petroleum Marketing Company
NZPIL	New Zealand Post International Limited
PNM	Peoples National Movement
RIC	Regulated Industries Commission
SIP	School Improvement Program
SME	Small and Medium Enterprises
SOE	State-Owned Enterprises
TA	Technical Assistance
TAL	Technical Assistance Loan
TIDCO	Tourism and Industrial Development Company
T&T	Trinidad and Tobago
T&TEC	Trinidad and Tobago Electricity Commission
UNC	United National Congress
UNDP	United Nations Development Program
WASA	Water and Sewerage Authority
WTO	World Trade Organization
YTEPP	Youth Training for Employment and Partnership Program

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**TRINIDAD & TOBAGO  
COUNTRY ASSISTANCE STRATEGY**

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## TRINIDAD AND TOBAGO: COUNTRY ASSISTANCE STRATEGY EXECUTIVE SUMMARY

1. **Background.** Trinidad and Tobago (T&T) is a parliamentary democracy. The incumbent United National Congress (UNC) party came to power in November 1995. It is largely a coalition party which gained a narrow majority in the Parliament from the support of two Parliamentarians belonging to another political party. Subsequently, the coalition was strengthened with the support of two independent members. There is a broad agreement between the Government and the Opposition as to the need to improve the competitiveness of the economy, but there is less agreement on the depth and the speed of reform. These factors have affected the pace of reform. Nevertheless, the Government has requested the Bank for a 10-year indicative economic program that would serve as a common framework for all three political parties. This 3-year CAS would be a first step within that long term framework. The CAS preparation began in May 1998 with discussions between Bank Senior Management and the Prime Minister and key Ministers. This was followed by several discussions with the Government, external donors and several civic groups. Focussed workshops on key sectors such as the oil and natural gas, youth and social development, education and financial system facilitated in the design of this CAS.

2. **Development Context.** T&T is a small country of 1.3 million people. The small size limits its capacity to exploit economies of scale in production, and to diversify risk within the domestic economy. T&T has largely circumvented its scale-disadvantage by specializing in the production of oil and gas. The narrow economic base has resulted in volatile incomes.

3. Over the past two decades, successive administrations have found it difficult to diversify the economy away from the oil and natural gas base, and to efficiently allocate the revenue from the exploitation of natural resources. At the same time, successive Governments have given less attention to risk diversification and financial management.

4. In the 1970s, the windfall from the sharp increase in the price of oil was used to expand employment in the public sector and to develop economic and social infrastructure, including the development of the gas sector. The fall in the price of oil in the mid 1980s made this strategy unsustainable, and the economy entered into a period of protracted economic decline and timid structural reform. Between 1983 and 1993 per capita income fell by 4% per year, unemployment soared, and there was a significant migration of relatively skilled labor. Since 1994, the economy has stabilized and grown at an average rate of 3% a year, mostly as a result of high foreign investment in natural gas related industries and spurt of growth primarily in the services sector. However, poverty remains at 21% of population and is associated with unemployment (including underemployment) of 19%.

5. **Development Challenges and Priorities.** The Government's Development Strategy for the next decade is designed to reduce poverty from the current 21% to 12% by end-2009. During the CAS horizon poverty is to be reduced from 21% to 18%. To achieve this objective, the Government intends to use the rents from the oil and gas sectors to improve economic and social infrastructure so as to stimulate economic diversification and employment generation. The Bank's advice to the Government is to use the oil and gas rents to improve the quality of human development, and to limit the role for the state in the economy. The Government is keen to continue with an IMF Staff Monitoring Program to maintain macro-financial stability.

6. The following are the development priorities of the Government of T&T that are supported by the development partners:

- *Increasing the economic rents from the oil and gas sectors.* The Government needs to improve its revenue collection from the sector (now 21% of Government revenues) by revising the tax and incentive regimes and the production sharing arrangements. Some of these measures are spelled out in the Bank's Gas Study of FY98-99, and could be supported by the proposed review of the tax and incentive regimes, possible IFC and MIGA operations.
- *Facilitating private sector led employment generation and entrepreneurship in non-oil sectors:* During the past decade, private sector has increasingly become the engine of growth. However, the Government is involved in gas-related products, agriculture, tourism, and several public utilities. Cumbersome administrative processes are involved in approval of new investments and implementation of public projects. Public sector employs about 25% of the labor force compared to 20% in agriculture and industry. Some of the social programs may be serving as disincentives to work. The result of these accumulated interventions is low labor productivity and low employment growth. The Government is keen to turnaround this situation and has initiated actions to streamline the investment approval process. The Bank, together with IFC and MIGA, plans to work with the Government in the reform efforts.
- *Increasing human capital through investment in education and social programs:* Limited capacity at secondary school impacts upon 30% of students at that level, who have to leave school early or move to technical-vocational schools. Unemployment and risk of social exclusion is highest amongst youth with such profiles. To this end, Bank's advice to the Government is to increase efficiency of public spending in the social sectors and enhance private sector participation in the education sector, particularly at the primary and secondary levels. The Bank support is also focused on improving the coverage and targeting of the existing system of safety net programs, while reducing the disincentives to work.
- *Improving the delivery of public services will support private sector led economic diversification:* Infrastructure bottlenecks and inefficiencies in the delivery of public services are deterring private sector activity. Delays in procurement are impacting on the performance of Bank projects. Bank support is ongoing in improving the regulatory framework for the water, power, and telecommunications sectors, privatizing public entities such as the postal services, and improving the procurement and financial management practices of the public sector. The Bank's knowledge on governance issues in T&T is very limited. As such, issues such as improving the transparency in public contracts and public accountability and streamlining the procurement process will be addressed through the recently agreed action plan for improving financial management, recently initiated Country Procurement Review, proposed review of tax incentives and exemptions, planned public expenditure and governance assessment review, and planned judicial services project.
- *Diversifying Risks.* Given its vulnerabilities and the volatility in incomes, T&T needs to focus more on financial risk management, including the foreign exchange reserves, royalties, and increased savings from pension plans and social security contributions. In 1998, the Government initiated the reform of the pension and social security system. With support from the Bank, IFC and the IDB, the Government needs to step up its efforts in asset and liability management and channel private savings into equity and longer-term bonds to support capital investment.
- *Ensuring environmentally sustainable growth:* Environmental degradation is associated with oil and gas-related activities, inadequate water, land and waste management, excessive

logging, and squatting. T&T has made significant progress in setting up the regulatory and institutional framework for environmental protection. The Bank has played an important role in this process through the Environmental Management Project and the National Environmental Action Plan (NEAP). Bank support is envisaged in three strategic areas -- water conservation, soil degradation and land management. Watershed Management project, which is in advanced stage of preparation, will address the conservation of the upper watersheds. A drainage and flood control project, currently under preparation, will focus on water and soil conservation in the lower watersheds. A proposed National Parks project will protect critical forest areas, and a sustainable tourism project will focus on protection of coastal areas, particularly in Tobago. These Bank projects will ensure a participatory approach and support institutional strengthening and integration of the environmental regulatory framework for natural resource protection.

7. **The Bank's Assistance Program.** Taking into consideration the Government's long term developmental objectives, the Bank prepared this 3-year CAS and plans to continue with this approach of preparing three-year CASEs and/or CAS Progress Reports as needed. This approach will also enable the Government and the Bank to make mid-course adjustments in development strategy and policy agenda. Our proposed assistance program takes into account: (i) the lessons from the implementation of Bank financed projects; (ii) the stage of the reform process; (iii) the programs of the IDB, the CDB, the EU, Japan EXIM Bank and other development partners; and (iv) the country's access to international capital markets.

8. Weak institutional capacity in the executing agencies primarily due to lack of experienced staff and middle managers, and difficult procurement practices have hampered the implementation of Bank financed projects. As such, *portfolio performance of our projects during the past three years has been mixed*, with two of the four ongoing Bank projects rated as unsatisfactory. Disbursements on Bank projects averaged US\$14 million per year during the past three years (disbursement rate of 21%). In response to the slow pace of implementation, the Bank has approved only one project (Education) since March 1995. The proposed lending program takes into account the implementation deficiencies through simpler and more focused design (e.g. LILs and TALs) and is contingent upon changes in procurement and financial procedures.

9. At this stage of the reform process there is a need for further clarity within the Government on sectoral strategies and policies and the role of the state. Correspondingly, the CAS has a heavy focus on ESW and non-lending services so as to impact on the Government's policy framework.

10. IDB has a large and comprehensive lending program of over 10 loans and 8 technical assistance loans/grants with an undisbursed balance of US\$364 million. Five other projects totaling US\$300 million are under preparation by the IDB. Disbursements averaged about US\$40 million in each of the past 3 years and 50% of IDB's portfolio is rated unsatisfactory. The key challenge for the Bank is to work closely with the IDB in accelerating the implementation of reforms.

11. **The Base Case Scenario:** Provided the Government improves the performance of Bank financed projects through more decisive policy actions at the sectoral level, procurement changes and strengthening of implementation units, the Bank envisages a **lending program of about two projects a year, amounting to about US\$60 million per year in commitments**. The base case is the most likely scenario. The new lending program is focused on improving the efficiency of the public sector, improving access and quality of education, facilitating social development and

poverty reduction, and strengthening environmental management. Procurement reform and improving financial management will be necessary for effecting the Bank's new lending strategy. In addition, one to two pieces of ESW per year focused on sectoral issues (e.g. oil and gas tax and incentive regime, agriculture and land tenure, and education sector needs) are planned to support the design of new projects. If T&T is able to obtain an investment grade credit rating and further access the international capital markets, the need for Bank financing would be further reduced. The Bank Group exposure indicators in T&T remain minimal over the next decade. Since statistics on the incidence of poverty are available with a delay of 1-2 years, the Bank and the Government will regularly monitor two leading indicators -- real GDP growth and employment growth in labor intensive sectors such as agriculture, construction, and tourism-related services because data on real GDP and employment are available on an annual and quarterly basis respectively.

12. ***The Low Case Scenario:*** Should the Government not improve the performance of Bank-financed projects, including through private sector management of projects and not expedite necessary procurement changes, the Bank would not seek approval of any new projects.

13. **Managing Risks.** The assistance program involves a number of important risks. First, the oil prices are projected to remain low at US\$10 per barrel for several years. Gas prices may also be depressed. Fiscal adjustment and restructuring of the oil and gas sector may not occur at the required pace. Second, there is little clarity and specificity from the Government on sectoral strategies and the role of the state in key areas – oil and gas, water, agriculture, land tenure, education, health and social protection. Third, the Government has assigned a high priority for consolidated supervision of banks and non-banks. but risks remain. Fourth, there may be little progress in procurement and financial management. Taking these risks into account, the Bank has identified a smaller lending program than the previous CAS with emphasis on non-lending services.

14. The following issues are suggested for Board discussion:

- The Government is seeking IBRD assistance in the form of high-quality advice and lending to help improve the efficiency of the public sector, improve access and quality of education, facilitate social development and poverty reduction, and environmental management. Does the Bank identify the right set of long-term development issues facing the country? The CAS outlines a small lending program for the Bank for the next three years, which complements the IDB program, and focuses on non-lending services, including policy advice. Is this the right approach?
- T&T is a small economy vulnerable to external events. For instance, a drop in oil prices by US\$1 is likely to reduce the nominal value of oil and gas exports by 2% and could reduce Government revenues by 0.5% of GDP. The Government would like to ensure continuity of Bank presence in T&T. Do the Bank instruments and program spelled out in the CAS provide for flexibility to respond to the changing environment and associated risks?



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FOR THE REPUBLIC OF TRINIDAD AND TOBAGO**

**I. Recent Political, Economic and Social Developments**

***A. Development Context and the Economic Setting***

1. Trinidad and Tobago (T&T) is a twin-island open economy, with a population of about 1.3 million people.<sup>1</sup> The population is diverse with about 39.6% African origin, 40.3% East-Indian, 14% mixed, 1% white, 1% Chinese and 1% other. T&T has three political parties. For most of the past three decades the country was governed by the Peoples National Movement (PNM). The National Alliance for Reconstruction (NAR) was in power during 1986-91 followed by a PNM administration during 1991-95. The incumbent United National Congress (UNC) Government which came to power in November-1995, is largely a coalition party whose majority in the Parliament was gained from the support of two Parliamentarians belonging to another political party and was subsequently strengthened with the support of two independent members. Despite this narrow majority in the Parliament, the Government continued to implement the economic program of the previous government and has been building a consensus on key issues facing the country and is implementing economic reforms. The next general elections have to be held by early 2001. The Government has requested the Bank to prepare a 10-year indicative economic program that will transcend election cycles and party politics. This 3-year CAS is a first step within that long term framework.

2. Historically the country is heavily dependent on oil and natural gas production. Until recently its economic fortunes have closely followed the fluctuations in world oil prices. *This is reflected in the per capita GNP, which increased from US\$3,800 in 1972 to US\$6,600 in 1982, only to decline to US\$3,900 by end-1993.* During the 1970s, when oil prices were high, the oil revenue windfalls were used for economic and social infrastructure, including infrastructure for gas production. The collapse of oil prices in the 1980s ushered in a prolonged period of economic contraction. Except for positive growth during 1990 and 1991, during the remaining years of 1983-93, T&T recorded negative growth and 20% unemployment. During this period, poverty and net emigration of skilled workers increased.

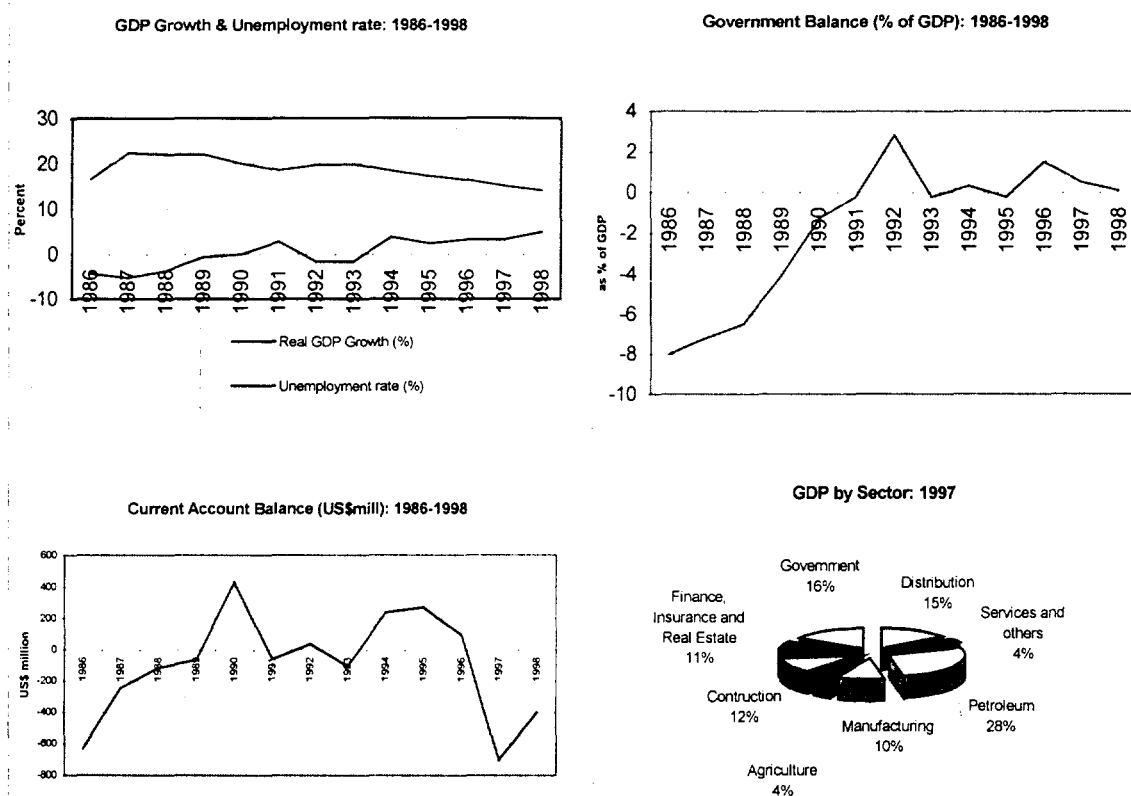
- The Bank graduated T&T from IBRD lending in 1984. The country approached the IMF for a Intermediate Financing Facility in 1986 and sought IDB assistance. In 1988, four years after its graduation, T&T approached the Bank for renewed assistance. The Bank approved a SAL and a TAL in 1990 and later followed up with projects focussed on business expansion, institutional strengthening in the water sector, and youth training.

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<sup>1</sup> About 95% of the population live in the larger island of Trinidad (4820 sq. km in area) which is industrialized with oil and natural gas as the main sector. Tourism is the mainstay of the other island of Tobago. Since its independence in 1962, the Republic of T&T has a bicameral parliament with 36-members directly elected to the House of Representatives and 31 members appointed to the Senate by the President. The Prime Minister appoints a Cabinet, responsible to the Parliament, which sits for 5 years. T&T is a unitary state with some degree of regional autonomy for Tobago. The legal system comprises Magistrate and appellate courts with the Supreme Court at the apex but with the final appellate power rests with the Privy Council in the UK.

3. Under the 1988-94 reform program, the economy was successfully stabilized and structural reforms were initiated. Since 1994, despite declining petroleum prices, the country recorded real GDP growth of over 3% per year and low inflation. It also achieved small budget surpluses and balance in external accounts. The current economic recovery is fueled by stronger than expected performance in the non-oil sectors, primarily in services related to construction, distribution, tourism, financial, and telecommunication sectors. While petroleum is supplanted by natural gas products, the economic base remains narrow. Unemployment (excluding under employment) was reduced from about 20% in 1994 to about 14% by end-1998; the lowest recorded since 1984 (Figure 1).

**Figure 1: Selected Macroeconomic Indicators**



4. Exchange rate policy is conducted under a floating exchange regime. During 1997-98, tight fiscal and monetary policies helped maintain a stable nominal exchange rate of TT\$6.30 per US\$. Real exchange rate is estimated to have appreciated by about 2% during the past two years. The large external current account deficits of over 11% of GDP during 1997-98 reflect the high level of foreign direct investment in the oil and gas sector, which necessitated large imports of capital goods and construction materials (Figure 1). There was also a surge in auto imports after customs and other charges were reduced in 1997. The Government has been able to rebuild its international reserves to about 3 months of imports and reduce external debt stock. *The Government is keen to continue with an IMF Staff Monitoring Program to ensure macro-financial stability.*

5. Reserve requirements on banks are 21% on domestic currency deposits and 9% for non-banks. There are no reserve requirements on foreign currency deposits. The tight monetary policy, the relatively high reserve requirements and the high administrative costs of the local banks have kept the lending interest rates quite high with the prime rate being 17.5% and the interest rate spread between deposit rates and borrowing rates being about 10%. The non-performing loan ratio for the entire banking system was estimated at 7.5% at end-1997. The loan loss provisions are deemed sufficient. The financial system is now being strengthened with support from the Bank and the IDB.

- T&T banks and insurance companies have expanded in several Caribbean countries. There are a few major conglomerates with offshore operations, which are entering high-risk activities, such as property development. Ownership links exist with financial, commercial and industrial enterprises. The Government is making a major effort to enhance the regulation and supervision of these conglomerates as well as insurance companies, mutual funds, trusts and securities.
- In recent years, savings from pension plans and social security contributions as well as assets in the form of international reserves with the Central Bank have been increasing. Given the vulnerability of this small economy and the volatility in incomes, T&T needs to focus more on risk management. In 1998, the Government began to reform the pension and the social security system. It needs to strengthen further the asset and liability management as well as channel private savings into equity and longer-term bonds to support capital investment.

### Box 1: Oil and Natural Gas Issues

Oil and gas sector is an "enclave" as it is mostly foreign owned. In 1998, energy sector accounted for 23% of GDP, 21% of total Government revenue, 55% of all exports, 71% of foreign exchange earnings (includes royalties), and 4% of total employment (20,000 persons). Oil production has declined steadily over decades is now averaging about 120,000 barrels per day. Proven reserves are about 534 million barrels (land and offshore) or about 10 years of current production. State-owned Petrotrin and AMOCO with over 50% of the oil production are the major players. Gas output is currently about 874 million cubic feet per day. Proven reserves about 520 billion cubic meters (40 years at current production rates). Gas utilization is mainly for petrochemicals and power generation. National Gas Company (NGC) has a monopoly in purchase, transmission and sale of gas. Its role is expanding as a facilitator, regulator, distributor and negotiator of contracts.

- The Government plays a key role in the development of oil and natural gas and participates in upstream and downstream industries through PETROTRIN, which also has a refinery, the NGC and the National Petroleum Marketing Company (NPMC). Key issues pertain to: (1) *limiting the NGC to its commercial role while unbundling the transmission and industrial activities while the Government will take over as the regulator;* (2) *divesting state-owned companies as these may not be strategic over time;* (3) *making pricing and risk-taking more transparent in corporate decisions;* (4) *strengthening the regulatory capacity of the Government;* and (5) *assessing the costs and benefits of diversification as some of its current activities may be unprofitable.*
- Given the small size of the country, generous fiscal incentives had been given to foreign oil companies in the form of tax holidays and tax allowances and exemptions. *T&T may be receiving less tax revenues in comparison with other oil-producing nations in the region. The current system of tax and incentive administration is complex and the production sharing contracts distort the allocation of risk and profits between the State and the private companies. Therefore, there is a need to replace it by a uniform tax and tariff regime that is common to both energy and non-energy corporations. The highly capital intensive sector will not directly create many jobs, except a few skilled and semi-skilled jobs. A major challenge is to increase the economic rents from this sector and utilize the resources for physical and human capital formation. Also, current oil prices are historically low. In order to compete at that price international oil companies are restructuring themselves. The Government should introduce the required policy reforms and restructure the sector to produce efficiently and compete internationally.*

6. Under the adjustment programs implemented during 1988-94, the Government sharply reduced the public spending, revised the tax regime and introduced the VAT, moved to a market based exchange rate regime, eliminated exchange controls, deepened the trade liberalization, removed price controls on consumer items, divested about 50% of the assets of the state-owned enterprises, and initiated retrenchment of staff in statutory agencies. More recently, the Government has initiated reforms in several sectors (Table in the Appendix D) and private sector is increasingly becoming an engine of growth. However, to sustain the recent economic recovery and employment growth the Government needs to deepen the structural reforms as detailed below (paras. 14-21). In particular, strengthening the financial system, streamlining the investment approval process, reforming the sugar sector and land tenure system, removing impediments in the labor market, improving the regulatory frameworks in critical sectors such as oil and gas, power, water, and telecommunications, and improving the efficiency in public sector, including strengthening the implementation capacity of project units, education, health, social protection and environmental management, are crucial. A major challenge for the Government is to rebalance the roles of the public and private sectors in most of the above sectors.

### ***B. Poverty and Social Issues***

7. Successive Governments have consistently shown a strong commitment to provide quality social services. As a result, social indicators are impressive when compared with other Latin American and Caribbean countries. Life expectancy is 72 years, infant mortality is low at 13 deaths per 1000 births, child malnutrition is almost non-existent and literacy is almost universal. However, the quality of both health and education services has deteriorated significantly in recent years due to falling public expenditures and lack of effective management in the social sectors.

8. During the period of economic decline of 1983-93 unemployment increased significantly and changed the profile of the poor. In the past, poverty was associated with specific vulnerable groups of the society such as the old and the disabled. *Now, the "new poor" are active members of the labor force subsisting at low wages. About 265,000 or 21% of the population are below the poverty line of TT\$2,420 or US\$384 per year. About 11% of the population are in extreme poverty with consumption levels below the minimum amount required to purchase the nutritionally balanced low-cost food basket. The incidence of poverty is associated with unemployment (14%) and underemployment (5%). About 31% of the youth are unemployed. Unemployment among women is 30% higher than men's. One-third of poor households is headed by females. Poverty is evenly distributed between rural and urban areas, but incidence of poverty is highest in St. Andrews and St. George counties.*

9. The majority of Afro-Trinidadian population is now concentrated in urban areas and along the East-West corridor, while most of the Indo-Trinidadians are now settled in the sugar producing areas and are largely employed in business and agriculture. In the 1990s, the small and medium enterprises (SMEs), estimated to be about 25,000 in number with each having 26 employees or less, have become an important source of employment in the economy. Women and poorly educated persons have benefited from the SMEs and from the recent growth in construction, distributive and tourism-related services.

10. Analysis reveals a pattern of systematic exclusion of certain youths from education and employment. For instance, in 1995-96, of the 313,652 youth of ages 5-16 years, about 21%

were absent from the formal school system. About 13,500 youth belonging to the age group of 15-19, were seeking work and could not find it. *The limited number of school places at the secondary level results in about 30% of students at that level leaving the school early or moving to technical-vocational schools.* High youth unemployment and social exclusion is leading to detrimental risk behaviors such as early sexual activity, crime and drug use.

11. The Government has not yet clearly defined a comprehensive policy regarding education and youth development. Several ministries provide services to youth and often individual private companies sponsor programs such as internship and training programs. Several civic groups offer punctual responses but are faced with lack of access to funding and institutional capacity. Much attention has been given by the Government, civic society and donors to the plight of male youths. However, female street children and female youth offenders face similar challenges without adequate programs that cater to them. In addition, youth at high risk of social exclusion, which includes institutionalized children, street children, and children of single parents are receiving little attention. There is a need to establish family and juvenile courts, improve the access and quality of education, including providing alternatives to long term institutionalization. Mainly due to its location, T&T is used as a trans-shipment point in international drug trafficking and drug-related crime is increasing.

12. Nevertheless, the poor have access to most basic amenities. About 75% of the poor have access to electricity. Primary school enrollment among the poor is nearly universal with no gender bias. Malnutrition rates are extremely low. The Government has a wide array of social safety nets, amounting to 2% of GDP, with expanded coverage of the safety nets focused on supplementary feeding, employment programs and a range of training, extension and business development services for economic betterment. However, most of these programs provide ameliorative assistance and are spread over several ministries with each program servicing a small group of beneficiaries. There is a need to review and rationalize the social programs appear to improve efficiency in terms of cost, outreach and targeting. In recent years, the Government has granted greater autonomy to Tobago and has decentralized to the local governments some of the social programs such as unemployment relief program. However, lack of capacity within the local governments is impeding successful delivery of these programs.

### ***C. Environment***

13. Environmental degradation is associated with oil and gas related products. Excessive logging and large number of squatters also contribute to degradation. Major concerns include denudation of forest cover, pollution of coastal and river waters mostly due to economic activity related to oil and natural gas production, and overflow in sewerage systems and landfills due to unmanaged dumps and inadequate waste management facilities. Occasional flooding in low lying areas, sewerage discharge near beaches due to increased yachting, and road traffic congestion and vehicle emissions in Port of Spain are environmental challenges. The Government has introduced penalties for polluters and is empowering communities to care for their own environment. It has updated the National Environmental Action Plan in 1994-99, articulated an environmental policy in 1998, and is updating its environmental legislation while strengthening the implementation capacity in environmental management under the ongoing Bank project. An Environmental Commission, that will arbitrate and resolve environmental matters, has also been established and is currently being operationalized.

## II. Development Priorities for the Next Decade

14. The Government's over-arching objective is to reduce poverty from the current 21% of population to 12% by end-2009 while ensuring equitable access to employment, essential services and resources such as land. Over the past few years, the Government has demonstrated strong leadership through the preparation of annual economic reviews, medium term policy frameworks, and a 7-year national strategic development framework. A broad national consensus exists on the need for poverty-reducing growth and market driven economic development and this is reflected by the current administration continuing to implement the economic program of the previous Government. T&T's relative strengths are the abundance of natural resources such as oil and gas in Trinidad and bio-diversity in Tobago, a vibrant domestic private sector, and proximity to the markets in North America. Other advantages include: (1) its status as a vibrant manufacturing and business center providing financial and commercial services; (2) a niche market in hydrocarbons such as liquefied natural gas, compressed gas, ammonia and methanol; (3) an established market for sugar exports and for agricultural products such as fruit juices and concentrates; and (4) a potential to broaden its economic base in tourism, and financial and information services, construction and entertainment services. Its disadvantages are mainly due to its small size. T&T, like other Caribbean countries, is faced with high unit costs in provision of public services and is limited in economic diversification. In addition, volatility in oil prices continues to exacerbate the income fluctuations of T&T. To mitigate against these vulnerabilities, T&T has been coordinating with other Caribbean and neighboring countries, such as Venezuela, in trade policy and higher education and research (e.g. University of West Indies and Center for Monetary Studies).

15. The Government's Development Strategy for the next decade is designed to reduce unemployment and poverty in a phased manner. For the three-year horizon of this CAS, the Government is keen to reduce poverty from 21% to 18%. Since employment creation is of immediate concern, the Government needs to increase collection of economic rents from the oil and gas sectors and utilize these resources for human and physical capital formation. The Government's solution is to use the oil and gas rents for public sector led economic and social infrastructure and participate in "strategic industries" to encourage diversification and employment generation. *The Bank's advice to the Government is to use the oil and gas rents to improve the quality of human development and limit the role of the state in the economy.* Therefore, a multi-pronged approach to poverty reduction is focused on: (1) increasing the economic rents from capital-intensive oil and gas sectors; (2) utilizing these rents for improving the access to and quality of education and for improving economic and social infrastructure in collaboration with the private sector; (3) reforming the agriculture sector, land tenure system, the cumbersome administrative processes involved in approval of new investments and improving the delivery of public services to support employment generation and entrepreneurship in non-oil sectors; and (4) linking wages to productivity and removing labor market rigidities involving regulations on severance pay and employee termination. In addition, diversification of financial risks to reduce volatility in incomes and preservation of environment to ensure sustainable growth and higher quality of life is an integral part of this approach. The following are the development priorities for the Government of T&T.

16. *Increasing the Economic Rents from the Oil and Gas sectors.* The dominant oil and natural gas sector accounts for 55% of merchandise exports, but because of its capital intensity, accounts for only 4% of employment. In the past, to attract multinational oil companies the Government agreed to incentives and tax exemptions leading to lower tax revenues from the

energy sector in comparison to the other oil-producing countries in the region (see table below). With the current lower oil prices and lower tax revenues from the oil and gas sector, the Government is facing a tighter fiscal situation. The Government needs to improve its revenue collection from the sector (currently 21% of Government revenues as shown in Table 1) by revising the tax and incentive regimes and the production sharing arrangements. Some of these measures are spelled out in the Bank's Gas Study of FY98-99, and could be supported by the proposed review of the tax and incentive regimes and possibly by IFC and MIGA operations. The Government's efforts in this sector are supported by an ongoing IDB financed energy sector loan and Japan's EXIM assistance in upgrading the Petrotrin Refinery.

**Table 1: Petroleum and Natural Gas Sector (1997)**

	Value Added (% of GDP in current prices)	% of Merchandise Exports	% Central Government Revenues
Ecuador	14.0	29.6	43.8
Mexico	8.0	10.0	38.0
Peru	10.5	5.5	8.1
Trinidad & Tobago	23.0	55.0	21.0
Venezuela (1996)	26.6	76.9	60.0

17. *Facilitating Private Sector led Employment Generation and Entrepreneurship in Labor Intensive Agriculture and Export Services Sectors:* As discussed in Box 1, the capital-intensive energy sector and the narrow economic base curtailed job creation. Despite reforms, public sector still accounts for 25% of employment compared to a combined employment of 20% in agriculture, mining, and manufacturing. The State is involved in the oil and natural gas sectors, and "strategic industries" such as the liquefied NG, the sugar and tourism sectors. The Government is cognizant that several actions are required to accelerate the pace of economic diversification. Its strategy for labor-intensive broadening of the economic base depends on the following four pillars.

- *Streamlining Investment Approval Process.* In March 1999, the Government initiated actions to overhaul the current investment incentives and approval processes, and is focussing on land-ownership problems. The FIAS study of August 1996 revealed that with the exception of the export allowance and the investment allowances under the tax code, incentives under the various Acts pertaining to Fiscal Incentives, Hotel Development, and Free Zones etc., are all approval-based incentives, requiring evaluation of potential projects by the Government for their qualification. Based on the FIAS report, a new Investment Promotion Act will become effective within the next few months. The criteria are being clarified, the approval process is being streamlined, and the Foreign Investment Law is being restructured to remove the restrictions on licensing and share acquisition requirements and land ownership. Other studies highlight the average import tariff of 20%, high average wages in the organized sector, and severance pay and employee termination regulations as factors discouraging private investment.
- *Removing Labor Market Rigidities.* The Government's role in employment generation made it possible for past Governments to formulate working conditions which served as disincentives against high labor productivity and performance-based employment. Over the years, average wages (after adjusting for labor productivity) have increased rapidly in part due to higher wages in the oil and gas sector. The establishment of the Industrial Court is another case in point. While the Court provides acceptable judgements it also

institutionalized delays in the settlement of disputes and attracts legal resolution of disputes which should otherwise be resolved through an earlier conciliation. The passage of the Retirement and Severance Act in 1985, which compensates employees for layoffs, is another landmark legislation which now requires review and revision. It penalizes employers and limits their flexibility to adjust employment during periods of low demand. As a result, companies are increasingly turning to casual and contract workers to avoid labor regulations. These laws sustain high wages in the organized sector and have contributed to high rates of unemployment. To ensure industrial peace and stability, the Government is working with the ILO in improving the system of dispute resolution and enforcement of health and safety standards. In 1996, the Bank undertook a partial review of the labor markets as part of its poverty assessment and this was followed in 1997 by a labor market survey by the IDB. The IDB is assisting the Government in labor training and employment programs.

- *Reforming the Agricultural Sector.* The Government can tackle employment generation and poverty reduction by helping stimulate agricultural production and employment through the sale/long term lease of public lands and enhanced land management. The Government prefers leasing of public lands. The slow pace in addressing land tenure reforms and land titling, given the political and ethnic sensitivities, meant that approximately 40% of agricultural land remains within the public sector. Restructuring the sugar company (CARONI), which comprises half of the national product in agriculture and received subsidies since the mid-1970s, has also lagged. The Government is addressing the agricultural policy and framework under ongoing and planned IDB agricultural sector loans. Under the IDB loan, a large portion of CARONI's sugar lands are to be sold to farmers to encourage private production of sugar. CARONI is also required to contract out/divest rum distillery, citrus and shrimp farming. The Government is developing an institutional structure to facilitate land registration by revamping the Registrar General Department and the Land Registry. The focus is on improving information, eliminating bureaucratic delays in transfer and recording of land transactions. It has also developed programs to increase access to agricultural credit, strengthen institutional support to farmers, fishermen and aqua-culture through policy changes, training programs and appropriate infrastructure. The Bank proposes to complement the IDB's program in reforming the agricultural sector, by focusing on land tenure and management issues. IFC and MIGA support for private sector are also proposed.
- *Encouraging the Services Sector.* Tourism strategy includes investment facilitation, institutional strengthening, product development and marketing. For stimulating investment, selective fiscal incentives that are now available to hotels only will be extended to an array of tourism projects and facilities to upgrade and increase accommodations. Training programs for hospitality workers, taxi drivers and tour guides is underway. Development of a cadre of tourism professionals under the Tourism and Industrial Development Corporation (TIDCO) is being undertaken. Ongoing reforms in the financial sector and planned development of the capital markets will foster the expansion of business and financial services. The Government is undertaking the reform of telecommunications, which is a joint-venture with Cable and Wireless, to stimulate the information services sector. The agro-processing and manufacturing sectors will, in part, be helped by a competitive exchange rate. T&T has a rich tradition of Steel Band and Calypso music. About 10,000 jobs are created during Carnival month. The Government needs to collaborate with private sector in establishing a niche market for these



entertainment services in the USA, the United Kingdom, and Latin American countries. Bank support is ongoing and planned for financial sector strengthening, tourism, and information services.

18. *Increasing Human Capital through Investment in Education, Health and Social Programs:* Limited capacity at secondary school impacts upon 30% of students at that level, who have to leave school early or move to technical-vocational schools. Unemployment and risk of social exclusion is highest amongst youth with such profiles. Over the short to longer term, the Government intends to utilize the economic rents from the energy sector and revolutionize the education sector. To this end, Bank's advice to the Government is to bring in private sector participation in the education sector, particularly at the primary and secondary levels. In 1998, the Government decided to eliminate the common entrance examination. The sector objectives are to: (1) enhance quality of education at the primary level; (2) increase access to and quality of secondary education; and (3) expand the coverage of Early Childhood Development programs. The Government intends to reorganize the education administration at the levels of Ministry, regional offices and schools to clarify their roles and specialize services. To address these issues there is a need for curriculum development, teacher training, upgrade of educational facilities and distribution of educational materials. In addition, there is a need for educational testing that serves not to weed out students but could be used as an instrument to ensure school accountability, establish incentives for schools and provide support for successful schools. Strengthening school-based management could lead to a market-driven system that will improve quality. The Bank's ongoing basic education project is supporting these efforts.

- *Improving Healthcare Facilities.* In the area of primary care, under the National Health Services Plan supported by the IDB, the existing health centers are being improved, district health facilities are being constructed, physicians are provided an opportunity to upgrade their skills, and the rationalization of hospital services are undertaken.
- *Improving the Efficiency of Social Programs.* While the safety net system is extensive, there are significant duplications and gaps in coverage. There is also a large number of civic organizations that provide overlapping services to beneficiaries, particularly to "youth at risk". The Government is keen to re-evaluate and prioritize these programs, improve targeting and place greater emphasis on rehabilitation and enhancement of the earning potential of the recipients. Administrative rationalization of the programs is also required to improve their efficiency and to provide an integrated range of services for maximum effectiveness. The Government has recently decentralized the unemployment relief program to the local governments but lack of capacity at the local level is hampering effective delivery of services. As such, the Government has initiated a program to strengthen the operational, technical and financial capacity of the local bodies. Greater decentralization with increased involvement of NGOs is also being considered in the delivery of other social services to encourage increased community participation to address the complex issues of poverty, drug use, domestic violence and the breakdown of family structures. The European Union, the IDB and the Bank are working with the Government and local NGOs in the area of social safety nets.

19. *Improving the Delivery of Public Services will Support Private Sector led Economic Diversification:* Infrastructure bottlenecks and inefficiencies in the public administration are deterring private sector activity. Services involving water, drainage and flood control,

education and health, and transport, have suffered from lack of maintenance, overstaffing, low tariffs/cost recovery, lack of financial accountability, poor overall management, and weak implementation capacity. Inadequate management of public utilities, for example in the water sector, results in water shortages and financial losses. Delays in procurement have adversely impacted on the implementation of Bank and IDB projects.

- The Bank's knowledge on governance issues in T&T is very limited. While an independent media, attorney-general's office, and auditor-general's office ensure transparency in public accounts, there is a growing demand within the country for better governance through improvements in the judicial, procurement and financial management processes. For instance, the Attorney-General is actively pursuing a strong reform agenda to deal with most of these issues. As such, issues such as improving the transparency in public contracts and public accountability, and improving procurement practices to international standards will be addressed through the recently agreed action plan for improving financial management, recently initiated Country Procurement Review, proposed review of tax incentives and exemptions, planned public expenditure and governance assessment review, and planned judicial services project.
- To attract capital investment and improve efficiency, the Government is willing to introduce private investment in power transmission, water, ports and transport sectors. In order to establish a more appropriate regulatory framework, the Government has reconstituted the Public Utilities Commission and the Regulated Industries Commission is being established. Through lending and non-lending services, the Bank supports the updating of legislation, reforming the judicial system, strengthening of the financial system, improving the regulatory frameworks in natural gas, water, power, and telecommunications sectors, and privatizing several public entities.

20. *Diversifying Risks.* The Central Bank's focus is on price stability, protection of external account balance, and the stability of the financial system. It is cognizant that in recent years the large foreign exchange inflows, build-up of international reserves, rapid increase in pension and social security contributions, and introduction of new financial instruments by the local private sector are posing new challenges for economic and financial management. Expansion of the financial services is ongoing through full operationalization of the Securities and Exchange Commission, reform of the social security and pension systems, introduction of a new employee ownership plan, and legislative changes with respect to companies and disclosure standards, mutual funds, insurance companies and credit unions. These actions are expected to improve the environment for savings and investment. Given its vulnerabilities and the volatility in incomes, T&T needs to focus more on financial risk management. With support from the Bank, the IFC and the IDB, the Government needs to step up its efforts in asset and liability management and channel private savings into equity and longer-term bonds to support capital investment.

21. *Ensuring Environmentally Sustainable Growth:* In keeping with its commitments with various multilateral agencies, the Government will develop a National Bio-diversity Strategy and Action Plan and prepare the first National Communications on Greenhouse Gases Sources and Sinks as well as on Vulnerability Assessment and Adaptation. In forestry, the Government's focus is on management and conservation of natural forest cover with the

objective of increasing sustainable production of wood and non-wood products as well as protection of the country's wildlife. National Parks System and management of the national wetlands with emphasis on the Nariva Swamp will also be continued. The Bank is supporting environmental policy reform, and strengthening of environmental management. There proposed lending operations for water, drainage and flood control, national parks and watershed management will continue Bank's involvement in preserving the environment. The Government is also aware of the inter-linkage between environment and tourism and has therefore focused on: (1) improving its capacity to evaluate environmental impact assessments (EIAs) done by the private sector and monitor the progress of implementation of tasks such as the land-use zoning for resort and nature tourism, protection of national parks/areas; (2) integrating the coastal zone management to reduce degradation of coastal waters and safeguard the beaches and fisheries; and (3) working with private sector and external agencies in ensuring the adequacy of critical infrastructure, including waste management. There is an active policy dialogue between the Government and the Bank in the tourism sector, while the IDB has ongoing projects in waste management and tourism.

22. The above development agenda appears ambitious. The Government's latest policy framework paper indicates the following sequencing of actions.

- *In 1999:* Complete the supervision of insurance companies and large financial conglomerates, scrutinize the operations of National Insurance Board, complete revision of financial legislation. Address the Y2K problem with the help of an IDB loan. Finalize the energy policy paper, including the review of tax and incentive regimes, complete the agriculture and land tenure policy framework and step-up a framework for the implementation of agricultural reform, and the business, financial and information services framework. Complete the survey of living conditions. Begin the construction of a new terminal at Piarco airport, begin public/private investment in water and drainage systems, and schools to accommodate for more students after the elimination of entrance examination by 2000, step up an infrastructure maintenance mechanism for schools, health facilities, water systems, and landfills. Begin reform of procurement practices and delegate decisions relating to project implementation to the sector ministries. Continue the implementation of environmental projects.
- *During 2000-01:* Continue the reform of CARONI and the agricultural sector, begin land reform and land titling and reform of judicial services, complete revamping the investment approval process, clarify rules for leasing. Begin civil service reform with particular focus on a performance based compensation system. Continue the restructuring of Petrotrin, NGC, and NMPC into core and non-core activities so as to corporatize the core activities and divest the non-core activities, continue to bring in private participation in the utilities, and continue the public investment/maintenance program in social and economic infrastructure. Complete the reform of procurement and the construction of the airport terminal. Complete the strengthening of the financial system and the regulatory frameworks and the enforcement agencies in critical infrastructure. Continue with survey of living conditions and implement the recommendations of the education needs and labor skills assessments, and the youth/social development study. Complete the rationalization of the social programs and improve targeting. Complete the squatter regularization program.

- *During 2002-06 and beyond:* Complete the public sector modernization program and the privatization/restructuring of several public entities. Complete the health reform agenda. Complete the decentralization of social programs to local governments, including strengthening their capacity to implement programs and projects. Deal with major transport problems. Continue to implement programs relating to education, labor training, health care, social development, environmental management.

### III. External Environment and Prospects

23. T&T is an open economy with total exports of about 46% of GDP during 1997-98. About 55% of merchandise exports comprised of oil and gas related products -- 20% crude petroleum, 25% refined petroleum products and the remaining exports relate to gas and chemicals (ammonia, methanol, and urea), steel, sugar, fruit concentrates and small manufacturing. Over the past two decades, the dependence on oil exports has declined steadily due to a progressive increase in gas and related industries. *Despite some export diversification, the export structure remains narrow with energy products largely oriented to the North American market. Sugar exports to the EU and the USA are under preferential arrangements while the exports of small manufactures and agro-processed items are mainly to neighboring CARICOM and Latin American countries.*

24. As such, in the short to medium term, the economic prospects of T&T will continue to depend on the fortunes of the oil and gas sectors. Crude oil prices are currently about US\$10 per barrel and are expected to continue to be around that level for the next few years. These prices are about \$10-11 below the average price for 1991-93 and \$8 below the 1994-97 prices. Oil production is expected to decline by about 3-5% per annum over the next decade. This decline is likely to be offset by increases in natural gas and gas-based chemical industries. Diversification in non-oil sectors is crucial for export growth. T&T is well positioned to expand into services including tourism, informatics, insurance, off-shore banking, and construction services. There is also export potential in light manufacturing, export of vegetables and cut-flowers and specialized agricultural products.

25. While NAFTA parity or access to NAFTA is important for T&T, the country is continuing to expand its trading horizons by negotiating bilateral trade agreements with Latin American countries such as Venezuela, Colombia, Costa Rica, Panama, Argentina and Mexico. In addition, T&T is seeking membership in the Free Trade of the Americas Agreement (FTAA) which is expected to be concluded by the year 2005. Furthermore, within the EU context, and in collaboration with other ACP countries, CARICOM is negotiating a new Lome Agreement and a free trade agreement with the Andean countries. Investment promotion treaties such as double taxation treaties with North American and European countries and bilateral treaties with UK, France and USA have been concluded by T&T in recent years. The country has already established a track record of trade liberalization and direct foreign investment, which increased manifold during the past decade. However, this foreign investment has been overwhelmingly concentrated in the oil and gas sectors. The challenge now is to continue attracting foreign investments in the non-oil export sectors and supporting infrastructure.

26. After rescheduling its debt with the Paris Club in 1988, T&T has been meeting all its repayment obligations on schedule and has enhanced its creditworthiness through its prudent economic management. This has enabled it to secure a Moody (sovereign) rating of Ba1 and

to regain access to private capital markets. T&T has placed bonds amounting to \$500 million on the Eurobond market over the last five years. In addition, T&T is keen to use hedging mechanisms to minimize risks associated with interest and exchange rate fluctuations amidst volatile capital markets. Thus far, T&T has been immune to the recent international developments, including the Mexican, the Asian, the Russian and the Brazilian crises. However, when the country tried to access the international financial markets in 1998 it faced a higher cost of borrowing in the range of 12-13%. By end-1998, the public sector external debt was considered manageable at about 40% of GDP. The domestic debt stock is about 22% of GDP. The external debt service ratio is about 14% and is expected to decrease after next year. Despite low oil prices, T&T has provided a disproportionate share of debt relief to Guyana under Naples terms and more recently under HIPC.

27. **Base Case.** Provided the development agenda outlined above remains on track and public investments are maintained in the range of 4-5% of GDP, notwithstanding the lower crude oil prices of US\$10-11 per barrel, the economy could grow at about 4% per year over the next decade (Table 2). The sources of future growth are potentially the gas and gas-related chemicals, agro-processing, and services -- business, financial and telecommunication services, hotel activities, tourism related transport, distributive trade, construction and entertainment services. Should the economy achieve these rates of growth, unemployment rates could fall to about 13% by end-2001 and to about 6-7% by end-2009. During 1998, export earnings dropped by about 9% and large foreign direct investment in the energy sector fueled a sharp increase in capital imports. But capital imports demand is anticipated to moderate and narrow the external current account deficit over the next few years. Large capital inflows and signing bonuses on oil exploration contracts is enabling the Government to accumulate international reserves. Additional pressures on the economic reform program could come from domestic politics. Within the next two years, the Government must face an electorate that has seen satisfactory progress in economic growth and reduction in unemployment.

**Table 2: Base Case Scenario: Selected Economic Indicators, 1995-2008**

	Actual				Projections				
	1995	1996	1997	1998	1999	2000	2001	2005	2008
<b>Real Growth Rates (% per year)</b>									
GDP	3.8	3.5	3.2	4.1	4.1	4.2	4.2	4.5	4.5
GDP per capita	2.6	2.3	2.2	2.9	2.9	3.0	3.0	3.5	3.5
Private Consumption per capita	4.9	4.7	4.5	2.6	3.3	2.1	2.1	4.3	4.0
Exports of goods	15.2	-6.9	3.9	4.7	4.7	6.2	6.8	3.4	3.0
<b>Shares of GDP (%)</b>									
Gross Domestic Investment	16.0	17.2	21.8	21.6	21.4	21.2	22.5	21.5	20.8
Gross National Savings	21.0	18.4	9.6	10.2	9.2	10.3	12.0	18.2	18.1
BOP Current Account Balances	5.1	1.2	-12.2	-11.4	-11.2	-10.9	-10.5	-3.3	-2.7
Central Govt Balance (excl. grants)	0.2	1.7	1.8	1.7	2.1	2.1	2.2	2.2	2.8
<b>Other</b>									
Inflation (CPI eop %)	5.3	3.4	3.5	5.5	5.2	5.2	5.1	3.8	1.8
Gross Reserves in months of imports	2.0	2.8	3.0	2.8	2.7	2.6	2.5	2.3	2.2
DOD/GDP (%)	38.7	39.3	42.0	40.2	35.8	36.9	37.7	28.6	19.9
Debt Service/Exports (%)	18.1	18.9	19.6	13.5	13.5	16.9	10.1	8.9	6.4

28. ***Downside Case.*** Despite its rising per capita income and prudent economic management, the economy is small and remains vulnerable to sharp changes in the world prices of petroleum or gas-related chemicals. For instance, a drop in oil prices by US\$1 is likely to reduce oil and gas exports by 2% and Government revenues by 0.5% of GDP. A further fall in oil prices, to US\$8-9 could adversely impact economic performance and the Government's ability to implement its reform agenda. In such a scenario, and in light of limited room to cut current expenditures, outlays on social programs and public investment are likely to be sharply curtailed and could result in lower growth, higher unemployment and higher incidence of poverty. Hence, careful management of the impact of energy price fluctuations will remain critical until the economy succeeds to reduce substantially its dependence on energy production and exports.

#### **IV. The Bank's Country and Regional Assistance Strategy**

29. ***Previous CAS of March 1995:*** Since the early 1990s, as the economy stabilized and access to international capital markets improved, the Government preferred financing from the IDB, the CDB, Japan EXIM and the international capital markets. IBRD assistance shifted from adjustment lending to institutional strengthening, reform of private sector incentives, the social sectors, and the environment. Under the March 1995 CAS, the Bank focused on: (1) improving the framework for private sector participation to accelerate economic diversification (e.g. through the ongoing business expansion project); (2) building institutional capacity (through the strengthening of the water and sewerage company, regulatory reforms in water, energy and telecommunication sectors and postal services privatization); (3) improving basic education, training for youth employment, and monitoring of poverty; and (4) strengthening environmental management.

30. ***Portfolio Management under the 1995 CAS:*** While the macro management and economic performance significantly improved since 1995, progress in implementation of Bank projects has been quite limited. Two of the four ongoing projects are unsatisfactory (Annex B2). Annual disbursements averaged US\$14 million per year during the past three years, implying a disbursement rate of 21% (Table 3). Projects being implemented satisfactorily are/were the Youth Training project (completed in June 1998) and the ongoing Basic Education and Environmental Management projects. Because of the design of Bank project, weak staff performance, and the difficulties with the private management company, the Government found it difficult to implement the water sector institutional strengthening project. As a result, the financial viability of the Water Company continues to be at risk with delays in voluntary separation of excess labor, tariff adjustments and limited collections. The Business Expansion project designed to assist the private sector to adjust in a changing environment was slow in implementation due to weak staff performance, procurement delays, and weak project management capacity. In general, IBRD projects are hampered by procurement practices, and weak project management capacity. Reacting to project implementation issues, the Bank prepared and approved only one project (Education project) since the March 1995 CAS.

- IDB, which has a larger lending volume than the Bank, is also faced with similar implementation and procurement problems with five of its ten projects rated

unsatisfactory. In August 1998, an Inter-Ministerial Committee chaired by the Prime Minister was established to review and resolve bottlenecks affecting project and program implementation and to make the line ministers more accountable for their programs. It is too early to assess the results.

**Table 3: Selected Indicators of Bank Portfolio Performance, FY96-FY99**

	1996	1997	1998	1999
Number of Projects under Implementation	6	6	5	4
Average Implementation period (years)	3.32	4.32	4.70	4.72
Percent of Problem Projects (by number)	0	0	40	50
Disbursement Ratio (%)	29.85	14.90	18.15	11.20

31. The acquired **lessons** in portfolio performance and implementation of reforms are being incorporated into the Bank's assistance strategy.

- *Ownership at the Cabinet level is important.* The Bank would take into account the decision making at the Cabinet level. Past experience indicates that once the political commitment has been established, implementation is usually satisfactory. While this has sometimes delayed initial preparation, and in the past, led to the abandonment of project preparation in property tax reform, privatization of power and provision of infrastructure for exports, it assures Government ownership of reforms and projects. For instance, after Cabinet deliberations, the Government, on its own, approached the Bank for assistance in reform of the financial and telecommunication sectors, postal and judicial services, and a Gas sector strategy. The Government is also very candid with the Bank about the difficulties in implementing a comprehensive civil service reform and accelerating the pace of implementation of further privatization.
- *Need for Institutional Strengthening.* Weak project implementation capacity has been one of the major factors in the Government emphasizing a phased approach to reform, which means smaller well targeted projects, geared to meet clear policy objectives. The Government has also been keen to have institution strengthening in most of the projects.
- *Need Further Donor Coordination.* As the IDB, the EU, and the CDB are key players in T&T, the Bank has been devoting considerable efforts in coordinating with these agencies. The Bank will continue to work with the IDB in order to increase the pace of implementation of structural reforms in crucial sectors.

32. **Bank's Country Strategy:** This assistance strategy has been prepared following a participatory approach, which started in May 1998 with discussions between the Prime Minister, key Ministers and Senior Bank Management. It was followed by several meetings with the Government, consultations with multilateral and bilateral agencies based in T&T, the private sector and civic groups. IFC and MIGA also participated in the CAS preparation.

33. With the objective of deepening the policy dialogue, the Bank has successfully launched several activities at the country and regional level over the last three years. These

include: (1) workshops and discussions on financial sector issues, poverty assessments, labor market reform, trade policy, energy sector, youth development, and new Bank financial products; (2) improved coordination with and participation of the civic groups and external agencies based in T&T in the preparation of Bank tasks; and (3) expanded participation of private sector and civic society in the Caribbean Group for Cooperation and Economic Development (CGCED). These activities have clearly facilitated the preparation of the CAS.

### Box 2: Development Partners – Assistance Programs, 1999-2001

<b>IBRD</b> Commitments: US\$160 million over 3 years <ul style="list-style-type: none"> <li>• Basic Education and Early Childhood development, Social Development, Poverty monitoring</li> <li>• Improving the efficiency of public sector: Judicial reform; Water sector loan with private sector participation; NLS for regulatory and procurement reform.</li> <li>• Strengthening Environmental Management: Parks, flood control, watershed mgmt.</li> </ul>	<b>CDB</b> Commitments: US\$80 million over 3 years <ul style="list-style-type: none"> <li>• Southern Main Road</li> <li>• Infrastructure development</li> <li>• Line of credit to a commercial bank</li> </ul>
<b>IFC</b> Office in Port of Spain services T&T, Guyana, and the Eastern Caribbean <ul style="list-style-type: none"> <li>• Possible equity investment in a leasing company, investment fund and or in micro-financial institution</li> <li>• Possible line of credit to a commercial bank and/or leasing company</li> <li>• Possible TA for capital market development</li> <li>• Possible participation in tourism, petrochemicals and related infrastructure</li> </ul> <b>MIGA</b> Encourage foreign direct investment and financing <ul style="list-style-type: none"> <li>• Privatization/private sector development</li> </ul>	<b>EU</b> Commitments: US\$50 million for 3 years <ul style="list-style-type: none"> <li>• Road Rehab. Projects</li> <li>• Youth Agricultural Credit and Training</li> <li>• Poverty Reduction</li> <li>• Small Business Development</li> <li>• EIB loans for oil-natural gas projects; small-medium enterprises; export promotion</li> </ul> <b>Japan</b> Grants for infrastructure <ul style="list-style-type: none"> <li>• EXIM Loan for Upgrading Refinery</li> </ul>
<b>IDB</b> Commitments: US\$300 million for 3 years <ul style="list-style-type: none"> <li>• Agricultural Sector Reform</li> <li>• National Highways, Roads &amp; Bridges</li> <li>• Health Sector Reform</li> <li>• Community Development Fund</li> <li>• Investment Sector Reform</li> <li>• Secondary Education</li> <li>• Micro-enterprise Development</li> <li>• Oil Waste and Solid Waste Management</li> <li>• Tourism Development</li> <li>• Local Govt. Strengthening</li> <li>• Y2K</li> </ul>	<b>UN Agencies:</b> <ul style="list-style-type: none"> <li>• Poverty Reduction (UNDP, FAO)</li> <li>• Institutional Strengthening (UNDP)</li> <li>• Land reform and agriculture (FAO)</li> <li>• Environmental Protection (UNDP, FAO)</li> <li>• Labor Markets and Training (ILO)</li> </ul>
<b>IMF:</b> Policy Advice on macro-financial sector. Regional Advisor for Monetary Affairs is stationed in Port of Spain	

34. **Partners.** Given the high level of development of T&T, several bilateral agencies, such as USAID, CIDA, and DFID are not active. However, a large number of multilateral agencies are active in T&T. The IDB, the CDB and the EU have a larger presence than the Bank in T&T. IDB is involved in most sectors -- oil and gas, private sector development, agriculture, primary education, health, community development, tourism, oil waste and solid waste management, and poverty alleviation. For the next three years, IDB plans new commitments of about US\$300 million. As IDB, the EU, and the CDB are key players in T&T, the Bank has been devoting considerable efforts in coordinating with these agencies. In moving forward, the Bank will need to step-up coordination with the IDB in order to



increase the pace of implementation of structural reforms in crucial sectors. Box 2 represents an indicative list of assistance programs of the Bank's development partners for the period 1999-2001.

35. The Bank's current assistance strategy builds on the close collaboration with other development partners and complements the IDB, the CDB, the EU and others' programs in support of the Government's efforts in poverty reduction. Towards this objective, the Bank program is *highly selective* and is focused on improving education and effectiveness of social programs, modernizing the core public sector to ensure delivery of essential services, and safeguarding the environment. Despite our limited role in T&T, the effectiveness of the CAS should be judged against its ability to deliver the desired poverty reduction results. To this end, joint efforts of the Government and other partners need to be fully focused on a set of core outcome benchmarks on the incidence of poverty (Table 4).

36. **Benchmarks.** Since data on the number of persons below the poverty line is only available with a 1-2 year lag, the Bank has suggested to the Government that employment and real GDP growth be used as two leading progress indicators. Specifically, employment growth in labor-intensive sectors such as agriculture, construction, tourism and other services, data on which is available on a quarterly basis by sector, age group and gender, will be a key progress indicator. Real GDP growth in the same sectors, data on which is available on an annual basis, will be another progress indicator. The Bank has been working with the Ministry of Planning in strengthening its capacity to update the Survey of Living Conditions on an annual basis. In addition to the project performance, the Bank in close collaboration with the Government, plans to monitor the progress of the CAS implementation by the following criteria.

**Table 4: Proposed CAS Core Benchmarks**

Performance Benchmarks	1997	2001	2005	2009
<b>Key Benchmark:</b> Poverty Headcount Ratio (%)	21	18	15	12
<b>Leading Progress Indicators:</b> (i) As total labor force is projected to grow at about 1.0% per year, total employment growth of at least 2.5% per year is required during 1999-09 to achieve poverty reduction benchmarks; (ii) Similarly, real GDP growth of 4-5% per year during 1999-2009 would be crucial to impact on poverty.				

- Other benchmarks that significantly impact on poverty include the allocation of public lands to farmers and improvements in the delivery of social programs and education services. Bank Poverty Updates, ESW and proposed projects on Youth and Social Development, Review of Safety Nets and Education will be directly supporting the poverty alleviation efforts.
- As IDB and EU are key players, the Bank given its small program would need to work closely with these and other development partners to achieve the poverty reduction benchmarks.
- Considering the long term development objectives of the Government, the Bank will prepare 3-year CASEs and/or CAS Progress Reports as needed. This would enable the Bank, together with the Government, to monitor the progress of CAS implementation, evaluate the development strategy and make mid-course adjustments of the reform agenda and assistance program, if needed. Country Program Matrix (annex B1) captures the long

term development challenges and serves as a road map for the Government and could be revised in each successive CAS.

37. As detailed in the Country Program Matrix for the period FY1999-FY2009 (Annex B1) the thrust of Bank activities is to be focused on the following:

- ***Strengthening the Financial System:*** During FY98-99, in collaboration the IDB, and the IFC, the Bank has taken the lead in providing policy advice for the revision of financial legislation, financial sector diagnostics, improving the mandate and structure of the deposit insurance corporation, and moving towards a consolidated supervision of financial institutions. The Government would be requesting a LIL for modernizing the Central Bank and reforming the pension and social security systems. IFC may provide non-lending services in the area of capital markets development.
- ***Modernizing the Core Public Sector:*** The Bank is assisting the Government with its on-going program to transform the public sector. Specific objectives are to:
  1. ***Strengthen the delivery of services and to develop regulatory capacity:*** Since there is limited capacity to undertake a comprehensive reform of the public sector, the Bank plans to support the Government through focused lending interventions while continuing the overall policy dialogue. The Bank's strategy is to: (i) increase private sector participation in public utilities through lending and use of Bank Guarantees while strengthening regulation in postal services, water, energy, power and telecommunication sectors; and (ii) strengthen institutional capacity. The Judicial Services Reform project, which is in advanced stage of preparation, is focused on the revision of legislation and the rules related to court proceedings, family and civil law, the enforceability of alternative dispute resolution, the restructuring of court districts, the creation of specialized courts, improving case flow management and financing the ongoing education of judicial officials. In addition, the Bank has proposed a LIL for supporting the implementation of the Tourism Action Plan. Should the Government so decide, Bank is willing to consider investment projects for reform of agriculture sector and land tenure system. IFC and MIGA operations will also support private sector development.
  2. ***Gas Sector Strategy and Reform:*** In FY98-99, upon the Government's request, the Bank prepared a Gas Sector Strategy Study. The study has served as an input to the Government's Green Paper on Energy Policy. An active policy dialogue on the Government's energy policy is well underway. The Bank has proposed further assistance in reviewing the tax and incentive regime, in supporting the reform efforts in the oil and gas sectors. IFC and MIGA support for attracting foreign investment is also proposed.
- ***Procurement Reform and Strengthening of Institutional Capacity:*** Given that procurement changes are crucial for improving our project implementation the Bank has initiated preparatory work on a country procurement assessment (CPAR), which would be completed within the next few months. The Bank team would collaborate with the Government, donors and stakeholders to develop an action plan to elevate T&T procurement system to international standards. Over the next few months, the Bank plans to organize a workshop focused on best practices in hiring of consultants, increasing local participation in Bank-financed projects, enhancing transparency and accountability, and reviewing the role of Central Tender Board. The Government recently agreed with the

Bank on an action plan to improve the financial management capacity within the Government. Proposed review of tax incentives and exemptions, planned public expenditure and governance assessment review, and planned judicial services project will be crucial for the Government in identifying reform priorities. Also, the Bank's ongoing and proposed projects in infrastructure, judicial reform, education, youth development, tourism, and environment contain institutional strengthening components.

- ***Improving Education and Social Services:*** The Bank's recent poverty assessment showed a strong correlation between the incidence of poverty, unemployment, and low level of education. The Bank fully supports the Government's reform agenda through the following activities in education, youth development, and poverty reduction:
  1. ***Basic Education Reform:*** Upon the Government's request, the Bank's ongoing Basic Education project was prepared to support the rehabilitation of educational facilities, strengthening the curriculum and institutional reforms based on greater decentralization of the education system. In collaboration with the IDB, the Bank has proposed to undertake in FY99-2000 a thorough review of the needs in this sector, including the financing needs and the possibility of market driven mechanisms. Our program in the basic education sector and possible early childhood development is complemented by the IDB's strong pipeline in the primary and vocational education, and in the health sector. Over the longer term, the Bank plans to continue its involvement in the education sector and will work closely with IDB in this area.
  2. ***Youth Development:*** The recently completed Youth Training and Employment Project (YTEPP) initiated a strengthening of youth skills. The Government is now continuing to build on this training program with its own financing. In FY99, the Bank initiated follow-up sector work on Youth Development Issues that identified factors underlying the problem of "youth at high risk of social exclusion" and the gaps in policies and programs in this area. The Bank is proposing to have follow-up projects focused on Early Childhood Development and Youth and Social Development in the medium term.
  3. ***Monitoring Poverty Reduction:*** Through non-lending services, the Bank is supporting the Government in monitoring and understanding the root causes of poverty. An IDF for capacity building for poverty updates is now under execution. The Bank will continue to support the Government in rationalizing the social programs and enhancing targeting.
- ***Safeguarding the Environment:*** T&T has made significant progress in setting up the regulatory and institutional framework for environmental protection. The Bank has played an important role in this process through the Environmental Management Project and the National Environmental Action Plan (NEAP). The Bank will continue to support the Government's strategy to ensure environmentally and sustainable growth through a second-generation of interventions designed to protect existing natural resources while promoting economic growth. These areas cover the major environmental threats in the country namely the effects of unplanned and rapid urban growth, illegal squatting and overexploitation of watershed areas. Four operations already in the pipeline will be designed to achieve these strategic goals and curtail major environmental threats: a watershed management project which will address the conservation of the upper watersheds with community involvement, a drainage and flood control project will focus on water and soil conservation in the lower watersheds,

a national parks project will protect critical forest areas; and a sustainable tourism project focusing on protection of coastal areas, particularly in Tobago. Through these projects, the Bank will support institutional strengthening and integration of the environmental regulatory framework for natural resource protection. A common feature of all these projects will be a participatory approach in project design and a focus on financial and institutional sustainability. Further, while T&T is situated outside the hurricane belt, it is subject to natural disasters such as floods in low-lying areas and could participate in a regional program for disaster mitigation and relief currently under preparation in the Bank.

38. ***The Bank's Regional Strategy.*** A second prong of our assistance strategy is through regional policy platforms such as the biennial CGCED, and the Small States Initiative. The Bank as chair of the CGCED, works closely with the other partners involved in the Caribbean economic development agenda in focusing on themes such as trade liberalization, transition issues, increased openness to the private sector, refocusing of the public sector, education reform, information services, labor market and financial sector reforms, constraints to tourism and environmental sustainability. T&T has been one of the major players in advancing this regional policy agenda. The CGCED regional agenda for the next few years, which is developed in close cooperation with the client countries will focus on a Vision for the Caribbean that will include action plans for reducing the vulnerability of small economies, through diversification, investment in education, and disaster management.

39. ***IFC Strategy:*** The IFC's portfolio consists of (1) a loan to Caribbean Ispat to modernize its steel plant and environmental standards (approved in FY96 for US\$27.4 million); (2) an equity participation in Home Mortgage Bank (approved in FY84 for US\$0.41million). A multi-country credit facility of US\$50 million with the Bank of Nova Scotia, Toronto, has been approved for use by small and medium scale export industries.

- For the next decade, the IFC plans to continue its assistance for economic diversification through: (1) development of capital markets by the creation of additional securities, encouragement of private sector listings of corporate paper and equity and cross-border trading of these securities; (2) financing for viable tourism projects; (3) privatization support in the areas of ports, water, power transmission and distribution, and technical assistance for regulatory framework in these sectors; and (4) selective support for new petrochemical projects and related infrastructure.

40. ***MIGA Strategy:*** In 1994, MIGA has issued four contracts of guarantee totaling US\$50 million for a project in the manufacturing sector. MIGA's medium term strategy is to assist in the development of the private sector by fostering private foreign investment. Towards this objective, MIGA will continue to use: (1) its guarantee program; and (2) its office in Investment Marketing Service to work with Tourism Development Corporation in developing promotion strategies. MIGA plans to be active especially in infrastructure, tourism, financial services, and agro-industries. Furthermore, MIGA will market its guarantee program to T&T investors seeking to participate in other countries in the region.

41. ***Bank's Assistance Program.*** Since Bank lending to T&T resumed only in 1988, and as our interventions have been highly selective and small taking into account the Government's own capacity to implement projects, the Bank's current portfolio consists of only four loans totaling about US\$109 million of which US\$57 million remain undisbursed.

42. The Government is increasingly requesting the Bank to provide advice in areas where the Bank has knowledge and experience. The Government is able to finance most of the traditional investment projects, such as roads and bridges and other infrastructure, through the IDB, the CDB or from own resources. Therefore, a key element of our assistance strategy is analytical support through policy notes, such as the recently completed gas sector study, review of youth issues, and financial sector diagnostics. In the future, we anticipate requests for non-lending services to review the incentives and tax regimes, educational sector needs and financing, sustainable tourism, and efficiency of social programs.

### Box 3: Proposed Bank Group Assistance Strategy by Priorities, FY1999-2009

#### **The Over-arching Objective: Reduce Poverty from 21% now to 18% by end-2001 and 12% by end-2009**

##### **Incentives Regime and Financial Sector**

- Review of tax and incentive regimes in FY2000
- Financial sector diagnostics, updating financial legislation, modernizing Central Bank (NLS) in FY99-00

##### **Modernizing the Public Sector**

- Governance Assessment in FY99-00 and Review of Public Expenditures (NLS) in FY00-01
- Improve Energy Sector policy framework, including regulatory framework for the Gas Sector (NLS) in FY99-01
- Possible investment projects for tourism in FY00-01 and improving financial and information services in FY99-01
- Strengthen public services -- postal (FY99), judicial services (FY2000), rehabilitation of water facilities (ongoing and new project in FY01), drainage and flood control works (FY2000), tourism-environ. management (FY00-01)
- Possible investment projects for civil service reform, privatization of State-owned enterprises and public sector modernization, streamlining ministries and consolidation of institutions during FY00-05
- Ongoing Analytical work/TA to improve regulatory frameworks in oil and gas, power, telecom, water and sewerage
- Portfolio management, improving procurement practices, transparency and accountability (NLS) in FY99-01.
- IFC: Possible line of credit to a com. Bank and/or leasing company; financing of viable tourism and petrochemical & related projects, capital markets development, private participation in infrastructure during FY00-05
- MIGA: Services to attract foreign investment in infrastructure, tourism, finance, and agro-industry during FY00-09

##### **Reducing Poverty and Human Resource Development**

- Poverty Updates on a regular basis (FY99-09); review of youth development and social programs (FY99-00); education needs (FY00-01); regional education and Vision 2020 reports (NLS/IDF) in FY00-09
- Investment projects in Youth & Social Development during FY00-01
- Investment projects to improve facilities, quality and management in Basic Education (ongoing), and Early Childhood Development (FY02)

##### **Safeguarding the Environment**

- Investment project to support the establishment of the Environmental Management Agency (ongoing)
- Investment projects for establishment of National Parks (FY01) and Wildlife Authority including watersheds and wetlands (FY01)

43. **Lending Scenarios.** Improving portfolio performance of Bank-financed projects is crucial for any new lending. As such, procurement reform and improvements in financial management will be the main factors in effective our new lending strategy. The two unsatisfactory projects of Business Expansion and Water Strengthening are scheduled to close by the end of FY99. Special attention is paid to ensure that projects under preparation are of good quality at entry. Based on the understanding that portfolio performance will be improved, in the *base case scenario, which is most likely*, the Bank plans to focus more on a *lending program of about two projects per year, approximately totaling US\$60 million per year*. Some of our interventions are likely to be quite small (i.e. LILs) and phased to support a series of reform initiatives over the medium term to longer term. To enhance private participation, we also plan to explore opportunities to use partial risk Bank guarantees, especially in privatization in water, power, oil and natural gas sectors. Once T&T is able to access international capital markets and obtain an investment grade credit rating the need for Bank lending may be further reduced. Our exposure indicators in T&T remain minimal.

Current Bank debt disbursed and outstanding (DOD) in T&T is only US\$76 million and accounts for 6% percent of the total DOD of the country (Annex B7). The Bank Group debt service amounts to less than 1% of total exports.

44. In the **low case scenario**, should the Bank financed projects not be satisfactorily implemented by the Government, the Bank will not seek approval of new projects. In the **high case scenario**, the Bank remains flexible in increasing its lending program to three projects amounting to US\$75-80 million per year. Such a lending scenario is also conditioned upon the Government accelerating the implementation of Bank financed projects through procurement reforms as well as implementing a comprehensive civil service reform and privatization programs. With sustained growth, T&T's GNP per capita could increase rapidly. Despite its rising per capita income, T&T is a small economy that is vulnerable to external price shocks. For instance, a drop in oil prices by US\$1 per barrel is likely to reduce oil and gas exports by 2% and could reduce Government revenues by 0.5% of GDP. The Bank therefore remains flexible in changing its program of lending and non-lending services. IFC and MIGA are also willing to step-up its program if private sector-led economic diversification gains momentum. The Bank Group exposure indicators in T&T remain minimal over the next decade.

- Over the next decade, there could be major changes in both the domestic politics and economy as well as in the external environment. Within the context of the long term framework outlined above, the Bank will prepare CASes and/or CAS Progress Reports as needed. This would also facilitate the Bank and the Government, to re-evaluate the development strategy and make mid-course adjustments of the reform agenda and assistance strategy, if needed. Given the Bank's small program, there would a constant need for the Bank to work closely with major players such as the IDB and the EU, and fine-tune the Bank's assistance program.

45. **Instruments for Lending and Non-Lending Services.** The Government is receptive to a variety of Bank products. The Bank envisages (1) the preparation of a country procurement assessment report (CPAR) in FY99-00 and a Governance Assessment and Public Expenditure Review in FY00-01; (2) utilization of LILs where the Bank and the Government is unsure of the scope of reform effort and where the Bank can play a catalytic role in support of partnerships (e.g. tourism-environment linkage; youth and social development; judicial reform; central bank modernization, and reform of pension and social security system); (3) the preparation of TALs for strengthening institutional capacity in key sectors such as strengthening the regulatory framework in the gas sector; (4) small investment loans of high quality to support sectoral reforms as in the accompanying postal services project and the proposed drainage and flood control project; (5) possible partial risk Bank Guarantee for private sector participation in the water sector and possible IFC and MIGA Guarantees for privatization and private sector development; and (6) sector studies and policy notes to support our proposed lending operations (e.g. sector report on social development; policy note on incentive and tax regime, and education sector study as shown in Annex B4).

46. **Managing Risks.** The assistance program involves a number of important risks. First, the oil prices are projected to remain low at US\$10 per barrel for several years. Gas prices may also be depressed. Fiscal adjustment and restructuring of the oil and gas sector may not occur at the required pace. Second, there is little clarity and specificity from the Government on sectoral strategies and the role of the state in key areas – water, agriculture,

land tenure and social protection. Third, the Government has assigned a high priority for consolidated supervision of banks and non-banks, but risks remain. Fourth, there may be little progress in procurement and financial management. Taking these risks into account, the Bank has identified a smaller lending program than the previous CAS with emphasis on non-lending services. Small and well-focused projects (e.g. LILs and TALs) will be utilized to minimize risks. Improved portfolio management and strengthening of capacity of the executing agencies will also mitigate Bank's risks and will be an early indication of Government's commitment and our ability to deliver results on the ground. In addition, Bank's lending operations will be supported by ESW to clarify our joint understanding of and to generate open discussion of the difficult issues ahead of the project preparation.

James D. Wolfensohn  
President

by Caio K. Koch-Weser

Washington, D.C.  
March 24, 1999

# Trinidad and Tobago at a glance

Annex A2

	Trinidad and Tobago	Latin America & Carib.	Upper-middle-income
<b>POVERTY and SOCIAL</b>			
<b>1997</b>			
Population, mid-year (millions)	1.3	494	571
GNP per capita (Atlas method, US\$)	4,250	3,880	4,520
GNP (Atlas method, US\$ billions)	5.6	1,917	2,584
<b>Average annual growth, 1991-97</b>			
Population (%)	0.8	1.7	1.5
Labor force (%)	1.8	2.3	1.9
<b>Most recent estimate (latest year available, 1991-97)</b>			
Poverty (% of population below national poverty line)	21	..	..
Urban population (% of total population)	73	74	73
Life expectancy at birth (years)	73	70	70
Infant mortality (per 1,000 live births)	12	32	30
Child malnutrition (% of children under 5)	7	12	..
Access to safe water (% of population)	82	73	79
Illiteracy (% of population age 15+)	2	13	15
Gross primary enrollment (% of school-age population)	96	111	107
Male	91	..	..
Female	102	..	..

**Development diamond\***

Life expectancy

GNP per capita

Gross primary enrollment

Access to safe water

— Trinidad and Tobago

- - - Upper-middle-income group

	1976	1986	1996	1997	
<b>KEY ECONOMIC RATIOS and LONG-TERM TRENDS</b>					
GDP (US\$ billions)	2.5	4.8	5.7	5.9	
Gross domestic investment/GDP	24.6	21.6	17.2	21.8	
Exports of goods and services/GDP	55.8	33.3	52.6	49.4	
Gross domestic savings/GDP	40.3	17.3	27.7	14.9	
Gross national savings/GDP	35.5	11.4	18.4	9.6	
Current account balance/GDP	11.4	-8.6	1.2	-12.7	
Interest payments/GDP	0.4	2.5	3.0	2.2	
Total debt/GDP	3.8	39.2	39.6	36.7	
Total debt service/exports	5.3	18.9	15.7	18.8	
Present value of debt/GDP	..	..	..	..	
Present value of debt/exports	..	..	..	..	
	1976-86	1987-97	1996	1997	1998-02
<i>(average annual growth)</i>					
GDP	4.3	1.0	3.5	3.2	4.3
GNP per capita	1.7	0.1	2.3	7.0	3.1
Exports of goods and services	5.1	-0.3	-6.9	3.9	6.3

**Economic ratios\***

Trade

Domestic Savings

Investment

Indebtedness

— Trinidad and Tobago

- - - Upper-middle-income group

	1976	1986	1996	1997
<b>STRUCTURE of the ECONOMY</b>				
<i>(% of GDP)</i>				
Agriculture	3.9	2.8	1.8	1.7
Industry	59.5	39.7	46.1	45.9
Manufacturing	14.5	7.9	8.6	9.4
Services	36.6	57.7	52.1	52.4
Private consumption	47.5	59.2	61.4	74.9
General government consumption	12.2	23.4	10.9	10.2
Imports of goods and services	40.1	37.5	42.2	56.3
	1976-86	1987-97	1996	1997
<i>(average annual growth)</i>				
Agriculture	-7.5	2.0	3.8	1.1
Industry	-2.0	0.5	2.7	3.5
Manufacturing	-9.4	2.3	2.0	7.5
Services	4.0	0.9	3.6	3.3
Private consumption	6.0	3.1	13.0	19.4
General government consumption	5.6	-7.0	-2.9	-8.2
Gross domestic investment	1.3	0.7	11.6	0.0
Imports of goods and services	8.7	-2.2	13.4	5.6
Gross national product	3.3	0.9	3.1	7.9

**Growth rates of output and investment (%)**

60

40

20

0

-20

92 93 94 95 96 97

— GDI

— GDP

**Growth rates of exports and imports (%)**

20

10

0

-10

-20

-30

-40

-50

92 93 94 95 96 97

— Exports

— Imports

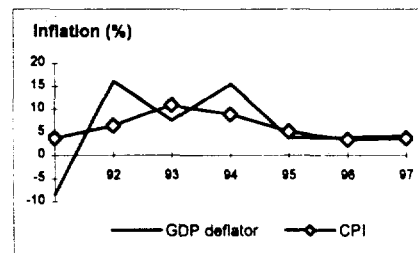
Note: 1997 data are preliminary estimates.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

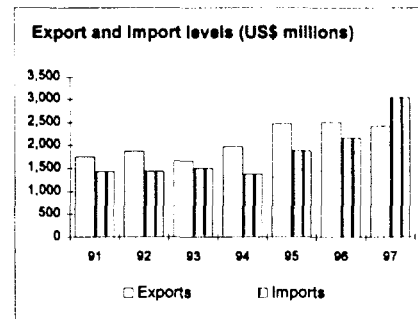


**PRICES and GOVERNMENT FINANCE**

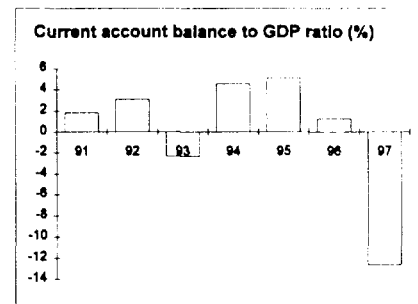
	1976	1986	1996	1997
<b>Domestic prices</b>				
(% change)				
Consumer prices	10.7	7.7	3.4	3.7
Implicit GDP deflator	3.2	-1.3	3.9	4.2
<b>Government finance</b>				
(% of GDP, includes current grants)				
Current revenue	..	30.9	28.1	27.1
Current budget balance	..	..	3.4	4.9
Overall surplus/deficit	..	..	2.7	0.1


**TRADE**

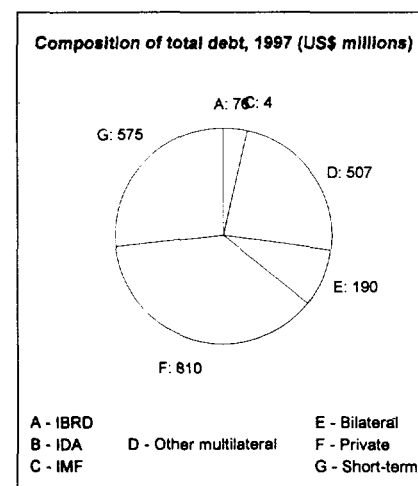
	1976	1986	1996	1997
(US\$ millions)				
Total exports (fob)	..	..	2,506	2,427
Fuel	..	..	1,261	1,171
Fuel X	..	..	568	608
Manufactures	..	..	101	111
Total imports (cif)	..	..	2,159	3,038
Food	..	..	172	164
Fuel and energy	..	..	305	78
Capital goods	..	..	652	1,401
Export price index (1995=100)	..	..	100	100
Import price index (1995=100)	..	..	110	110
Terms of trade (1995=100)	..	..	91	91


**BALANCE of PAYMENTS**

	1976	1986	1996	1997
(US\$ millions)				
Exports of goods and services	1,391	1,650	2,975	2,852
Imports of goods and services	1,002	1,823	2,383	3,287
Resource balance	389	-173	592	-435
Net income	-103	-211	-515	-316
Net current transfers	..	..	-7	5
Current account balance	285	-412	69	-746
Financing items (net)	-85	-310	144	924
Changes in net reserves	-200	722	-213	-178
<b>Memo:</b>				
Reserves including gold (US\$ millions)	1,014	478	546	709
Conversion rate (DEC, local/US\$)	2.4	3.6	6.0	6.2


**EXTERNAL DEBT and RESOURCE FLOWS**

	1976	1986	1996	1997
(US\$ millions)				
Total debt outstanding and disbursed	98	1,879	2,241	2,162
IBRD	52	40	79	76
IDA	0	0	0	0
Total debt service	77	330	474	547
IBRD	6	9	10	14
IDA	0	0	0	0
<b>Composition of net resource flows</b>				
Official grants	0	1	7	..
Official creditors	3	10	-27	-52
Private creditors	-54	167	23	-244
Foreign direct investment	..	..	..	..
Portfolio equity	0	0	..	..
<b>World Bank program</b>				
Commitments	7	0	51	0
Disbursements	9	0	17	12
Principal repayments	2	6	5	9
Net flows	7	-6	12	4
Interest payments	3	3	5	5
Net transfers	3	-9	7	-2



## **Trinidad & Tobago – CAS Program Matrix**

In reading the T&T CAS Matrix, please note that:

1. This is a 10-year indicative program. Over the next year, the Bank and the Government will work together to specify sector strategies.
2. The overarching objective of poverty reduction is measured by Poverty Headcount Ratio defined as person below the poverty line as a percent of total population.
3. Since Poverty Headcount Ratio is estimated with a lag of 1-2 years, the Bank and the Government will monitor growth and employment changes in labor-intensive sectors such as in agriculture, construction, and services. Data on GDP growth is available on an annual basis while data on employment by sector, age group, and gender is available on a quarterly basis. Therefore, GDP growth and employment will serve as leading indicators for poverty reduction.
4. Other benchmarks that significantly impact poverty include the allocation of public lands to farmers, improvements in delivery of social programs, and increase in number of school places at all levels.
5. Outcome benchmarks for poverty reduction for the year 2001 and beyond will serve as a criterion for the success of the Bank and the Government. Indicators to be monitored by the Bank are denoted by \*\*

# TRINIDAD and TOBAGO CAS: Country Program Matrix (FY1999- FY2009)

CAS Annex B1  
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Development Objective/Key	Diagnosis	Strategy/Actions	Progress Indicators/	Bank Group Instruments		Partners
Issues			<b>**Bank Group Indicators</b>	NLS	Lending	
<b>Over-arching objective: Reduce Poverty from 21% to 12% by FY2009:</b>						
<b>Maintain Macro Stability</b> Continue fiscal discipline while protecting social expenditures	. Volatility in oil prices, high level of tax exemptions, write-offs and losses in public entities are underlying factors for pressures on fiscal balances	. Reduce exemptions to oil companies . Reduce losses in and transfers to public entities through privatization, restructuring, and management contract . Broaden tax base (e.g. re-evaluation of property tax) and strengthen tax and customs administration	. Achieve small surplus each year in central Government budget  . Achieve IMF staff program targets	. FY00: review tax-incentive regime		. Joint with IMF
<b>Strengthen Financial System</b> .Continue with market-based exchange rate and ensure adequate credit to private sector  .Strengthen the legal, regulatory, institutional and informational environment of the financial market since money flows to markets with the best regulatory environment	. Lending rates are relatively high at 16-18% . Need to generate higher level of savings and investment, improve linkages to the energy sector and develop capital markets to lower borrowing costs . The enabling environment is deficient .There is virtually no market for corporate bonds . Equity for sound, well-structured Greenfield projects is non-existent, also, most companies are highly leveraged. Thus, it is difficult to diversify the economy by developing sectors which need lots of equity like tourism, agriculture, health, downstream petro-chemicals, etc.	. Further Reduce reserve requirements on commercial banks . Intensify open market operations . Prepare Financial Sector strategy . Train Central Bank Inspectors . Revamp Deposit Insurance . Ensure consolidated supervision of large conglomerates . Establish additional prudential norms . Unify/upgrade regulatory system for banks, insurance, mutual funds . Implement pension reform . Clarify rules to permit leasing . Deepen stock market with linkages to the Energy Sector, tourism, infrastructure, and privatizations	. Lower and unify reserve requirements for banks and non-banks <b>**Deposit Insurance Corp. with a new mandate by FY2000</b> <b>**Increased supervision of insurance companies and other financial firms from FY99</b> <b>**Cabinet approval of improved financial legislation by FY99</b> . Reform of pension and social security system by FY2000	. Ongoing diagnostics study; review of deposit insurance . Ongoing review of legislation & regulations . FY00-01: support to upgrade superintendency of insurance .FY01: IFC support capital markets dvpt MIGA: attract foreign banks and investors	. FY00:LIL for Financial Sector          . FY00-02: IFC Possible credit line to banks . Possible IFC investment in an investment fund manager	. IMF Canadian TF Financial Sector studies   . IDB: Financial Sector grant  . US Fed: Ongoing staff training for bank supervisors

# TRINIDAD and TOBAGO CAS: Country Program Matrix (FY1999- FY2009)

CAS Annex B1  
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Development Objective/Key Issues	Diagnosis	Strategy/Actions	Progress Indicators/ <b>**Bank Group Indicators</b>	Bank Group Instruments		Partners
				NLS	Lending	
<b>Good Government</b> . Public sector employment is 25% compared to 20% in energy, agriculture, manufacturing, and tourism . Invest in systems to significantly improve public sector management . Promote a culture of good governance	. Size of public employment reduced, but the attractiveness of salaries at lower levels has made it bottom heavy. Also, technical-managerial jobs are not well compensated . Simplify and clarify legislation and regulations, reduce the discretionary power of ministers . Need to delegate decisions made at the Cabinet and ministerial levels and restructure ministries & public entities . Revamp procurement and project implementation procedures . Strengthen Local Govts' capacity in accounting, management, and project implementation	. Revise compensation system based on performance and incentives . Strategic reform of civil service . Continue with privatization program . Strengthen laws, regulations, and institutional capability to better handle delegated authority from cabinet and ministers . Revise Central Tendering process . Improve budgetary process and coordination among ministries . Greater autonomy to all public agencies in managing staff and projects	. New compensation system in place by 2001 . Reduce staff at lower levels by FY2001 . Divestment/restructuring of CARONI, WASA, Post, Petrotrin, Gas company, NPMC during FY99-FY06  <b>**Implement recommendations of CPAR during FY2000-01</b> <b>**Implement recommendations of PER &amp; Governance Assessment during FY2000-01</b> Local governments to implement unemployment relief program and other social programs	. Advisory service for civil service reform . FY99: Gas Sector Study and workshop . FY99-00: CPAR and Procurement Workshop . FY00: Governance Assessment and Public Expenditure Review	. FY99-01: Ongoing & new water projects . FY99: TTPost . FY00-02: IFC Possible support for privatization program	. IDB Energy project . CPAR with IDB, local contractors . IDB: project to strengthen local governments
<b>Judicial Reform</b> . Improve access to judicial services for all users. Special emphasis is given to lower income users . Promote a culture of client-oriented service . Maintain law and order and reduce the incidence of violent crime	. Inordinate delays in the justice system essentially due to large backlog of cases . Increase in violent crime over the years. The country is a trans-shipment point for drugs	. Overhaul of most legislation, rules related to court proceedings, creation of specialized courts, and case flow management . Better cooperation with regional governments in tracking drug traffic . Reorganization of the Ministry of National Security, computerization of protective services, integration of community policing in the country	<b>**Implement reforms within the Judiciary and Executive as agreed under Judicial Services project by FY03</b>		. FY00: Judicial Services project	. Collaboration with the governments in the region

# TRINIDAD and TOBAGO CAS: Country Program Matrix (FY1999- FY2009)

CAS Annex B1  
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Development Objective/Key	Diagnosis	Strategy/Actions	Progress Indicators/	Bank Group Instruments		Partners
Issues			<b>**Bank Group Indicators</b>	NLS	Lending	
<b>Economic Diversification</b> . Improve Policy Environment in Oil and Gas Sectors to enhance efficiency in production and exploration  . Reform agricultural sector and accelerate private sector led activities in non-oil sectors  . Establish T&T as leading location for business and investment by continuously updating the legal, regulatory, and institutional framework	. Key role of state in Oil & NG sectors; monopoly of Gas company . Tax and incentive system quite complex and incentives to oil firms are too generous  . Need to strengthen the local capacity to formulate policies, monitor operations, enforce environmental standards, and coordinate within the Government and the private sector . Criteria for incentives are not clear, investment approval process is cumbersome and involve unnecessary levels of authority . Agriculture not generating adequate growth and employment as 40% of agriculture land is under the public sector, major sugar public enterprise (CARONI) is having losses, and land tenure policy is inadequate . Significant untapped tourism and entertainment potential as outlined in the Tourism Master Plan funded by IDB . Potential for development in agroprocessing, tourism, international finance business . Inefficient joint-venture in Telecom, prices are high, need for improved services	. Implement the recently prepared Energy Policy that revises the role of the State and revises the sector pricing policy, the tax and incentive framework, the production sharing contracts, the leasing in oil recovery, and licensing system for petrochemicals . Improve the regulatory framework for the gas sector . Overhaul investment incentives, investment approval process and the foreign investment law as recommend in FIAS report  . Implement agriculture reform by restructuring CARONI, leasing public lands, land-zoning and resources management . Coordinate with Tobago and implement the strategic tourism plan . Complete ongoing review of the telecom sector . Establish a framework for financial, information, and entertainment services . Develop strategic plans to expand the following sectors: International financial services, agriculture, informatics, entertainment including carnival, Calypso music exports, and other indigenous products	. Divestment/Restructuring of PETROTRIN, NGC and NPMC during FY99-FY06  Revision of Foreign Investment Act by FY2000 Formulate a Competitiveness Policy by FY2001  . Restructure CARONI and reduce transfers to it  <i>**Significantly increase distribution of public lands during FY2000-05</i>  . Restructure Land Registry and Registrar General	. FY99: Gas Study and Workshop . Ongoing: Support for telecom reform and financial services	. Ongoing: Business Expansion project  . FY00: LIL to strengthen tourism-environment linkage IFC: Feasible tourism projects	. IDB: Ongoing project on Energy Sector Japan EXIM upgrading Refinery  . IDB: Agriculture project; Investment sector project FAO TA  . IDB: tourism project

# TRINIDAD and TOBAGO CAS: Country Program Matrix (FY1999- FY2009)

CAS Annex B1  
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Development Objective/Key	Diagnosis	Strategy/Actions	Progress Indicators/	Bank Group Instruments		Partners
Issues			<b>**Bank Group Indicators</b>	NLS	Lending	
<b>Infrastructure Services</b>						
. Improve overall efficiency & increase private sector participation	. Generally, State provides services rather than policy making, regulation, and enforcement	. Develop a framework for Regulated Industries Commission and implement an incentives price regulation and establish service standards	. Improve sector legislation (power, water, telecom, ports, gas) by FY20001 . Ensure infrastructure maintenance during FY99-09	. Ongoing: Advisory services in power, water, and telecom .MIGA Services for privatization	FY00-09: IFC possible support for privatization private investment in infrastructure . Planned: Water-projects . FY99: T&T Postal Reform project	. IDB TA in establishing a regulatory commission . New-Zealand Post . IDB project in roads and highways
. <i>Postal Services:</i> Poor service	. Regulatory & policy functions are not separated from services . Inadequate infrastructure maintenance	. Introduce private management in T&T Post and restructure	<b>**Undertake management contract with private operator in 1999</b>			
. <i>Roads:</i> road network needs maintenance. Traffic congestion is a problem in Port of Spain and San Fernando. Traffic alleviation in key roads	. Loss-making operation and need to improve operational efficiency and effectiveness of service . Insufficient resources for maintenance, work undertaken by state-owned maintenance companies.	. Improve the road sector regulatory framework . Increase private sector participation. In road and highway maintenance by contracting out, including to small businesses and micro-enterprises	. Introduce parking meters and user fees . Establish a road maintenance fund . Resolution of traffic congestion problem			
. Road expansion and upgrade is needed to open up new areas for the development such as Chagaramas, parts of the North & East Coasts, etc						
. <i>Electricity:</i> Large losses of T&TEC. Enhance its operational efficiency and financial viability	. T&T Electric Company management has little incentive and cost control measures to tackle problem of losses	. Continue to involve private sector in management and co-generation using IPP approach . Continue Rural Electrification	. Establish a regulatory framework in the power sector . Amend T&TEC Act in 1999	. Ongoing advisory service for power regulations		. IDB: Possible power project

# TRINIDAD and TOBAGO CAS: Country Program Matrix (FY1999- FY2009)

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Development Objective/Key Issues	Diagnosis	Strategy/Actions	Progress Indicators/	Bank Group Instruments		Partners								
			<b>**Bank Group Indicators</b>	NLS	Lending									
<p>. <i>Water:</i> Improve delivery service of WASA and enhance financial viability</p> <p>. Improve watershed management to ensure water and soil conservation</p> <p>. <i>Drainage:</i> Develop flood control facilities</p> <p>. <i>Air and Sea Transport</i></p>	<p>. Water shortages in the country. Leakage is about 65%. WASA, currently under management contract, has little autonomy and incentive to reduce losses, only a small part of the funds required for investment are generated internally</p> <p>. Inadequate flood and erosion prevention mechanisms to protect commercial and public properties</p> <p>. Inadequate airport facilities to meet the growing demands for air travel</p> <p>. Need to improve shipping legislation and regulatory framework</p> <p>. Need to develop inter-island sea transport</p>	<p>. Implement longer term management agreement with clear benchmarks and autonomy</p> <p>. Agree on tariff changes</p> <p>. Provide proper drainage and irrigation facilities</p> <p>. Develop a Wastewater policy</p> <p>. Encourage private sector management and equity in air and sea ports</p> <p>. Develop port and ferry services in key locations</p>	<p><b>**Private participation in WASA</b></p> <p><b>**Establish Regulatory Structure within the RIC</b></p> <p>. Eliminate sea water intrusion by FY2002</p> <p>. Complete the expansion of runway and build a new terminal at Piarco airport by 2001</p> <p>. Revise the shipping Act</p>		<p>. Ongoing: Water project</p> <p>. FY00-01: Follow-up water project &amp; Partial Risk Bank Guarantee</p> <p>. FY2000: Drainage and Flood Control project</p>									
<p><b>Poverty Reduction and Human Resource Development</b></p> <p>. About 21% of population is below the poverty line with 11% in extreme poverty</p> <p>. Protect the vulnerable groups, including youth at risk of social exclusion</p>	<p>. Incidence of poverty is high because of high unemployment (14%) and underemployment (5%)</p> <p>Among females and youth, it is even higher. A combination of factors has led to this situation.</p> <p>i. Lack of growth until 1993</p> <p>ii. Over-dependence on oil sector which generated few jobs</p> <p>iii. Neglect of agricultural and services sector, including tourism</p> <p>iv. Labor market impediments</p>	<p>. Accelerate economic diversification</p> <p>. Improve labor market functioning by revising Severance Pay Act of 1985, establishing national training agency with private sector collaboration, improve technical-vocational education through curriculum devpt, structuring of training, and apprenticeship programs, including community dvpt programs</p> <p>. Increase access to National Skills development program and retraining</p>	<p><b>**Complete SLC by end-1999</b></p> <p><b>**Reduction in incidence of poverty by 1% each year</b></p> <table border="1"><tr><td>1997</td><td>2001</td><td>2005</td><td>2009</td></tr><tr><td>21%</td><td>18%</td><td>15%</td><td>12%</td></tr></table> <p>Increase in GDP growth, at least 4% per year</p> <p>Increase in employment in agriculture, construction, and services by age group and gender will be monitored on a quarterly basis</p>	1997	2001	2005	2009	21%	18%	15%	12%	<p>. FY02: Skills Demand Study with IDB and private sector</p>	<p>. FY00: Social Development Project with EU</p>	<p>. IDB: Labor Market Review</p> <p>Large oil companies based in T&amp;T contributing to labor training</p> <p>. IDB: ongoing community dev. Project</p>
1997	2001	2005	2009											
21%	18%	15%	12%											

# TRINIDAD and TOBAGO CAS: Country Program Matrix (FY1999- FY2009)

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Development Objective/Key Issues	Diagnosis	Strategy/Actions	Progress Indicators/ <b>**Bank Group Indicators</b>	Bank Group Instruments		Partners
				NLS	Lending	
	<ul style="list-style-type: none"> <li>include restrictions on severance pay and employee termination</li> <li>v. Entrance exam and inadequate secondary schools results in students leaving school at an early stage</li> <li>vi. Quality of education needs to be improved</li> <li>. Social programs' effectiveness need to be improved in terms of outreach, targeting, and cost</li> <li>. Need to regularize squatters and provide essential services to poorer communities</li> </ul>	<ul style="list-style-type: none"> <li>of displaced workers with private sector partnership</li> <li>. Update Survey of Living Conditions to improve targeting</li> <li>. Reform social security system</li> <li>. Develop and lease public lands and encourage local governments and community participation in shelter construction and provision of services</li> <li>. Develop and implement a comprehensive youth development policy</li> </ul>	<ul style="list-style-type: none"> <li><b>**Increase the number of long-term leases and titles granted</b></li> <li><b>**Review and rationalize social program during 1999-01</b></li> </ul>	<ul style="list-style-type: none"> <li>. Ongoing advisory service &amp; IDF for Poverty Assessment</li> <li>. FY99-00: Sector work on youth issues</li> </ul>		<ul style="list-style-type: none"> <li>. IDB: ongoing housing project</li> <li>. Joint with EU, Churches, and other NGOs</li> </ul>
<b>Education</b> <ul style="list-style-type: none"> <li>. Improve quality of teaching and student achievement in primary education</li> <li>. Improve and expand physical infrastructure of facilities for ECCE, primary, and secondary education</li> <li>. Local flexibility and autonomy at the school-level</li> <li>. Enhance the enabling environment to encourage more private sector investment at all levels</li> </ul>	<ul style="list-style-type: none"> <li>. Over the years, quality of education has steadily deteriorated mainly due to lack of effective management in the sector</li> <li>. Inequity in access to schools and school quality</li> <li>. Inadequate number of places for secondary schools results in students leaving at an early stage</li> <li>Government recently decided to eliminate common entrance examination (CEE) by year 2000</li> </ul>	<ul style="list-style-type: none"> <li>. Curriculum Development, teacher training, upgrade of educational facilities and distribution of educational materials</li> <li>. Continue with decentralization of education to expand access</li> <li>. Reorganize the Education Ministry, regional offices and schools</li> <li>. Strengthening school-based management to promote quality through financing of School Improvement Program (SIP)</li> <li>. Utilize capacity in private schools to increase overall enrollment</li> <li>. Expand access to Early Child Care and Education programs (ECCE)</li> </ul>	<ul style="list-style-type: none"> <li><b>**Increase number of children age 11+ scoring below 40% of the maximum score in Mathematics and English in the standard 5 CEE</b></li> <li><b>**Increase number of ECCE places for children in poor communities</b></li> <li><b>**Increase number of students in primary and secondary schools</b></li> <li><b>**Increase percentage of primary schools which have functioning SIPs Management Contracts</b></li> </ul>	<ul style="list-style-type: none"> <li>. FY00-01: Education Needs assessment (with IDB)</li> </ul>	<ul style="list-style-type: none"> <li>. Ongoing: Education project</li> <li>. FY02: Early Childhood Development project</li> </ul>	<ul style="list-style-type: none"> <li>. IDB: Secondary education program</li> </ul>



# TRINIDAD and TOBAGO CAS: Country Program Matrix (FY1999- FY2009)

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Development Objective/Key Issues	Diagnosis	Strategy/Actions	Progress Indicators/ <b>**Bank Group Indicators</b>	Bank Group Instruments		Partners
				NLS	Lending	
<b>Health</b> . Improve the quality of health services . Enhance the enabling environment to attract more private sector investment . Privatize or partially privatize via a management contract elements of the health sector i.e. deepen and strengthen the sector to better serve the needs of all the segments of the market	. Inadequate physical facilities, particularly in the districts . Need for rationalization of services to enhance cost savings and quality of care	. Increase investment in health care, rationalization of specialist services, decentralization of services management, and implementation of a national health insurance system . Physicians to have an opportunity to upgrade their skills	. Introduction of a national health insurance program			. IDB: Health sector reform project
<b>Environment</b> . Sustainable use of natural resources to support social and economic development	. Limited institutional and technical capacity . Inadequate legal and regulatory framework . Upper watershed degradation as a result of deforestation, unplanned settlements, and poor cultivation practices . Need sustainable management of forestry . Need to manage solid and liquid waste and prevent air and water pollution . Many of WASA's and NHA's sewer plants do not work . Loss of ecosystems & biodiversity	. Strengthening Institutional Capacity with external assistance to evaluate environmental impact assessments; to develop and maintain parks and protected areas, and to monitor and enforce environmental standards . Develop pollution standards and penalties; develop land fills for solid waste disposal . Encourage investment in recycling . Provide incentives to encourage investment in pollution abatement . Set clean air standards for vehicles and outlaw leaded gas . Land-using zoning for resort and nature tourism	<b>**Implementation of environmental legislations &amp; regulations</b> <b>**Further strengthening of EMA with technical personnel and equipment</b> . Establish an Environmental Code in collaboration with energy companies  <b>**Implement programs related to protected areas and execution of international conventions</b>	. FY02: Advice for updating NEAP	Ongoing: Environment management project . FY00: National parks project  . FY00: LIL for Tourism-Environment . FY01: Watershed management	. IDB: Hazardous and oily waste management project  . IDB: Tourism sector project

## TRINIDAD and TOBAGO CAS: Country Program Matrix (FY1999- FY2009)

CAS Annex B1  
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Development Objective/Key	Diagnosis	Strategy/Actions	Progress Indicators/	Bank Group Instruments		Partners
Issues			<b>**Bank Group Indicators</b>	NLS	Lending	
<b>Regional Agenda</b> . To build consensus on issues common to all Caribbean countries and to increase coordination among all partners	. Hurricane related disasters are common to the Caribbean. The region has identified education, implementation of Vision 2020, and tourism-environment linkage as priorities for the next two years	. Once every two years, the Bank as chair of the Consultative Group for Caribbean Economic Development organizes a forum to discuss country and Regional issues and is open to external agencies, domestic and private sector and civic groups interested in the Caribbean	<b>**Reach a consensus with Caribbean governments on the findings of the regional initiatives prepared by the Bank</b>	. Ongoing: Regional initiatives on Vulnerability of Small States, tourism, education, & Vision 2020 . CGCED meetings in June 2000 & beyond	. FY00: Caribbean Reinsurance Facility	. BK, IDB, EU, several bilateral agencies, private sector and civic groups

**Trinidad and Tobago - Selected Indicators of  
Bank Portfolio Performance and Management**

Indicator	1996	1997	1998	1999
<i>Portfolio Assessment</i>				
Number of Projects under implementation <sup>a</sup>	6	6	5	4
Average implementation period (years) <sup>b</sup>	3.32	4.32	4.70	4.72
Percent of problem projects <sup>a, c</sup>				
by number	0.00	0.00	40.00	50.00
by amount	0.00	0.00	40.02	47.60
Percent of projects at risk <sup>a, d</sup>				
by number	0.00	20.00	75.00	50.00
by amount	0.00	39.25	53.32	47.60
Disbursement ratio (%) <sup>e</sup>	29.85	14.90	18.15	11.20
<i>Portfolio Management</i>				
CPPR during the year (yes/no)				
Supervision resources (total US\$)	265.14	237.61	244.59	80.65
Average Supervision (US\$/project)	44.19	39.60	48.92	20.16

Memorandum item	Since FY80	Last five FYs
Projects evaluated by OED		
by number	8	2
by amount (US\$ millions)	113.30	44.00
Percent rated U or HU		
by number	28.57	0.00
by amount	32.15	0.00

- a. As shown in the Annual Report on Portfolio Performance (except for current FY)
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: investment projects only.

# Trinidad and Tobago - Bank Group Program Summary, FY 1999-2001

## Proposed IBRD/IDA Base-Case Lending Program, FY 1999-2001<sup>a</sup>

<i>FY</i>	<i>Project</i>	<i>US\$(M)</i>	<i>Strategic rewards<sup>b</sup> (H/M/L)</i>	<i>Implementation<sup>b</sup> risks (H/M/L)</i>
1999	DRAINAGE AND FLOOD CONTROL	30.0	H	L
	POSTAL SERV. REFORM	14.5	H	M
	<b>Subtotal</b>	<b>44.5</b>		
2000	JUDICIAL REFORM	5.0	M	L
	NAATL PARKS & WTRSD	9.0	H	L
	WATERSHED MANGEMENT	10.0	H	M
	WATER & SEWERAGE RESTR & PRIV	35.0		
	<b>Subtotal</b>	<b>45.0</b>		
2001	SECONDARY EDUCATION	30.0	M	L
	<b>Subtotal</b>	<b>30.0</b>		
	<b>Total, FY 1999-2001</b>	<b>128.5</b>		

a. This table presents the proposed program for the next three fiscal years.

b. For each project, indicate whether the strategic rewards and implementation risks are expected to be high (H), moderate (M), or low (L).

**Trinidad and Tobago - IFC and MIGA Program, FY96-99**

Category	Past			
	1996	1997	1998	1999
IFC approvals (US\$m) <sup>a</sup>	27.40	0.00	0.00	0.00
Sector (%)				
	0.00	0.00	0.00	0.00
Mining & Metals	100.00	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00
Investment instrument (%)				
Loans	100.00	0.00	0.00	0.00
Equity	0.00	0.00	0.00	0.00
Quasi-Equity <sup>b</sup>	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00
MIGA guarantees (US\$m)	50.00	50.00	50.00	0.00
MIGA commitments (US\$m)	0.00	0.00	0.00	0.00

<sup>a</sup>Excludes AEF projects.<sup>b</sup>Includes quasi-equity types of both loan and equity instruments.

## Trinidad and Tobago—Summary of Nonlending Services

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience<sup>a</sup></i>	<i>Objective<sup>b</sup></i>
<b>Recent completions</b>				
Gas Sector Strategy Note	FY99	US\$30,000	Government	Knowledge Generation
Financial Sector Diagnostics Study	FY99	US\$20,000	Government	Knowledge Generation
Financial Sector Policy Notes on Deposit Insurance	FY99	US\$20,000	Government	Knowledge Generation
Review of Deposit Insurance	FY99	US\$20,000	Government	Knowledge Generation
<b>Underway</b>				
Sector Work on Youth Issues	FY99-00	US\$100,000	Public Dissemination	Public Debate
Gas and Oil Workshop	FY99	US\$10,000	Government	Knowledge Generation
Power Sector Regulatory Framework TA	FY99	US\$3,000	Government	Problem-solving
Y2K	FY00	US\$1,000	Government	Problem-solving
TA to Revise Financial Sector Legislation	FY00	US\$2,000	Government	Knowledge Generation & Problem Solving
<b>Planned</b>				
TA on Civil Service Reform	FY00	US\$10,000	Government	Knowledge Generation
CPAR and Procurement Workshop	FY99-00	US\$80,000	Government	Knowledge Generation & Problem Solving
Incentives and Tax Exemptions – Policy Note	FY00	US\$30,000	Government	Knowledge Generation
Country Economic Memorandum	FY00	US\$60,000	Government	Public Debate
Macro Assessment (Every 2 years)	FY00	US\$30,000		
Regional Reports under CGCED aegis	FY00	US\$15,000	Public Dissemination	Knowledge Generation
Public Expenditure Review	FY00	US\$35,000	Government	Knowledge Generation & Problem solving
Governance Assessment	FY01	US\$50,000	Government	Knowledge Generation & Problem solving
Education Needs Assessment	FY00-01	US\$20,000	Public Dissemination	Knowledge Generation
Poverty Assessment (IDF)	FY02	US\$170,000	Public Dissemination	Public Debate & Knowledge Generation
Skills Demand Study	FY02	US\$150,000	Public Dissemination	Knowledge Generation
Updating of NEAP	FY02	US\$30,000	Government	Knowledge Generation

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

# Trinidad and Tobago Social Indicators

	Latest single year			Same region/income group	
	1970-75	1980-85	1990-96	Latin America & Caribbean	Upper-middle-income
<b>POPULATION</b>					
Total population, mid-year (millions)	1.0	1.2	1.3	485.8	473.2
Growth rate (% annual average)	0.8	1.7	0.8	1.7	1.5
Urban population (% of population)	63.0	66.2	72.2	73.7	73.0
Total fertility rate (births per woman)	3.5	2.9	2.1	2.7	2.6
<b>POVERTY</b>					
<i>(% of population)</i>					
National headcount index	..	..	21.0	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
<b>INCOME</b>					
GNP per capita (US\$)	1,910	6,040	3,870	3,710	4,600
Consumer price index (1987=100)	25	84	193	631	506
Food price index (1987=100)	..	76	354	..	..
<b>INCOME/CONSUMPTION DISTRIBUTION</b>					
<i>(% of income or consumption)</i>					
Lowest quintile	3.0	..	..	..	..
Highest quintile	53.0	..	..	..	..
<b>SOCIAL INDICATORS</b>					
<b>Public expenditure</b>					
Health (% of GDP)	..	..	2.6	3.0	3.4
Education (% of GNP)	..	6.1	4.5	3.9	5.0
Social security and welfare (% of GDP)	..	..	..	..	..
<b>Net primary school enrollment rate</b>					
<i>(% of age group)</i>					
Total	87	92	88	91	91
Male	..	91	83	..	..
Female	..	92	94	..	..
<b>Access to safe water</b>					
<i>(% of population)</i>					
Total	93	98	82	73	76
Urban	..	100	83	84	87
Rural	..	93	80	43	42
<b>Immunization rate</b>					
<i>(% under 12 months)</i>					
Measles	..	34	87	84	84
DPT	..	75	89	86	88
Child malnutrition (% under 5 years)	..	..	7	..	..
<b>Life expectancy at birth</b>					
<i>(years)</i>					
Total	66	67	73	70	70
Male	63	65	70	66	66
Female	68	70	75	73	73
<b>Mortality</b>					
Infant (per thousand live births)	50	26	13	33	30
Under 5 (per thousand live births)	55	39	15	41	36
<b>Adult (15-59)</b>					
Male (per 1,000 population)	231	234	170	182	181
Female (per 1,000 population)	181	166	130	114	107
Maternal (per 100,000 live births)	..	..	90	..	..

## Trinidad and Tobago - Key Economic Indicators

Indicator	Actual			Estimate			Projected		
	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>National accounts</b> (as % GDP at current market prices)									
Gross domestic product	100	100	100	100	100	100	100	100	100
Agriculture <sup>a</sup>	2.0	1.8	1.8	1.7	1.6	1.6	1.6	1.6	1.6
Industry <sup>a</sup>	45.3	44.0	44.1	43.9	43.2	42.6	41.4	40.2	38.9
Services <sup>a</sup>	48.3	49.9	49.9	50.1	46.0	46.7	48.0	49.3	50.7
Total Consumption	66.8	69.9	72.3	85.1	88.2	88.8	87.8	86.1	84.4
Gross domestic fixed investment	20.2	16.0	17.2	21.8	22.1	22.2	22.3	22.1	21.8
Government investment	1.6	2.0	1.7	2.9	3.1	3.1	3.4	3.5	3.5
Private investment (includes increase in stocks)	18.6	14.0	15.5	18.9	19.0	19.0	19.0	18.7	18.3
Exports (GNFS) <sup>b</sup>	46.6	54.5	52.6	49.4	46.1	45.4	46.2	47.8	49.4
Imports (GNFS)	33.7	40.4	42.2	56.3	56.4	56.3	56.3	56.0	55.6
Gross domestic savings	33.2	30.1	27.7	14.9	11.8	11.2	12.2	13.9	15.6
Gross national savings <sup>c</sup>	24.7	21.0	18.4	9.6	11.6	10.8	11.9	13.3	14.7
<i>Memorandum items</i>									
Gross domestic product (US\$ million at current prices)	4967	5350	5658	5892	6159	6555	6971	7426	7910
Gross national product per capita (US\$, Atlas method)	3830	3780	3970	4250	4680	4890	5150	5430	5700
<b>Real annual growth rates</b> (%, calculated from 1985 prices)									
Gross domestic product at market prices	3.6%	3.8%	3.5%	3.2%	4.1%	4.2%	4.3%	4.4%	4.4%
Gross Domestic Income	0.8%	1.9%	8.4%	3.7%	2.2%	4.0%	4.3%	4.7%	4.6%
<b>Real annual per capita growth rates</b> (%, calculated from 1985 prices)									
Gross domestic product at market prices	2.7%	2.9%	2.7%	2.4%	6.7%	3.0%	3.0%	3.2%	3.2%
Total consumption	-9.8%	3.4%	9.4%	14.3%	6.5%	3.0%	2.4%	2.3%	2.2%
Private consumption	-12.4%	4.5%	12.1%	18.5%	6.4%	3.2%	2.3%	2.1%	2.0%

(Continued)



## Trinidad and Tobago - Key Economic Indicators (Continued)

Indicator	Actual			Estimate			Projected		
	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Balance of Payments (US\$m)</b>									
Exports (GNFS) <sup>b</sup>	2306	2893	2975	2852	2838	2973	3218	3550	3910
Merchandise FOB	1972	2477	2506	2427	2341	2415	2585	2818	3065
Imports (GNFS) <sup>b</sup>	1665	2142	2383	3287	3472	3689	3925	4158	4397
Merchandise FOB	1374	1885	2159	3038	3209	3411	3629	3844	4065
Resource balance	641	752	592	-435	-634	-716	-708	-608	-488
Net current transfers (including official current transfers)	-6	-16	-7	5	204	205	206	207	208
Current account balance (after official capital grants)	224	274	69	-746	-649	-744	-729	-652	-560
Net private foreign direct investment	278	274	356	863	600	900	500	450	300
Long-term loans (net)	823	364	471	494	461	340	1039	596	603
Official	37	48	-27	-52	4	66	73	95	82
Private	786	316	498	546	457	273	966	501	521
Other capital (net, including errors and omissions)*	-1137	-869	-684	-433	-405	-452	-766	-345	-292
Change in reserves <sup>d</sup>	-188	-43	-213	-178	-7	-44	-44	-49	-52
<i>Memorandum items</i>									
Resource balance (% of GDP at current market prices)	12.9%	14.1%	10.5%	-7.4%	-10.3%	-10.9%	-10.1%	-8.2%	-6.2%
Real annual growth rates (1985 prices)									
Merchandise exports (FOB)	18.7%	25.6%	1.2%	-3.2%	4.3%	4.3%	6.0%	6.6%	6.8%
Primary	23.1%	33.6%	2.6%	-1.1%	3.9%	3.9%	5.9%	6.6%	6.9%
Manufactures	35.6%	58.8%	-20.5%	9.9%	4.5%	4.0%	4.2%	4.2%	4.2%
Merchandise imports (CIF)	-11.8%	30.2%	3.7%	40.7%	5.3%	5.6%	5.7%	4.7%	4.5%
<b>Public finance (as % of GDP at current market prices)*</b>									
Current revenues	25.8	27.0	28.1	27.1	24.6	24.5	24.2	24.0	24
Current expenditures	24.5	24.8	24.7	22.2	22.2	21.4	20.5	20.0	20

(Continued)

### Trinidad and Tobago - Key Economic Indicators (Continued)

Indicator	Actual			Estimate			Projected		
	1994	1995	1996	1997	1998	1999	2000	2001	2002
Current account surplus (+) or deficit (-)	1.3	2.2	3.4	4.9	2.4	3.2	3.7	4.0	4.1
Capital expenditure	5.0	3.3	4.5	7.8	2.6	2.7	3.0	3.1	3.2
Foreign financing	-0.9	-1.3	0.3	-4.5	1.9	4.2	0.6	2.5	1.9
<b>Monetary indicators</b>									
M2/GDP (at current market prices)	35	35	36	38	38	37	37	37	37
Growth of M2 (%)	15	10	8	13	13	6	10	10	10
Private sector credit growth / total credit growth (%)	-207	19	42	98	69	41	49	43	40
<b>Price indices( 1985 =100)</b>									
Merchandise export price index	99	99	99	99	91	90	91	93	95
Merchandise import price index	118	125	138	138	140	141	142	144	145
Merchandise terms of trade index	84	79	72	72	65	64	64	65	65
Real exchange rate (US\$/LCU) <sup>f</sup>	86	84	85	84	84	84	84	84	84
Real interest rates									
Consumer price index (% growth rate)	8.8%	5.2%	3.4%	3.6%	9.8%	5.7%	4.8%	4.4%	4.4%
GDP deflator (% growth rate)	15.5%	3.8%	3.9%	4.2%	5.7%	5.2%	5.2%	5.2%	5.0%

- a. If GDP components are estimated at factor cost, a footnote indicating this fact should be added.  
b. "GNFS" denotes "goods and nonfactor services."  
c. Includes net unrequited transfers excluding official capital grants.  
d. Includes use of IMF resources.  
e. Should indicate the level of the government to which the data refer.  
f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

## Trinidad and Tobago - Key Exposure Indicators

Indicator	Actual			Estimate			Projected		
	1994	1995	1996	1997	1998	1999	2000	2001	2002
Total debt outstanding and disbursed (TDO) (US\$m) <sup>a</sup>	2495	2737	2241	2162	2427	2241	2443	2621	2858
Net disbursements (US\$m) <sup>a</sup>	150	212	-418	-6	-21	-184	201	178	239
Total debt service (TDS) (US\$m) <sup>a</sup>	544	417	474	547	381	391	529	336	331
Debt and debt service indicators (%)									
TDO/XGS <sup>b</sup>	105.6	92.1	74.4	74.2	83.8	73.9	74.5	72.6	71.9
TDO/GDP	50.2	51.2	39.6	36.7	39.4	34.2	35.0	35.3	36.1
TDS/XGS	23.0	14.0	15.7	18.8	13.1	12.9	16.1	9.3	8.3
Concessional/TDO	..	..	..	..	2.6	4.7	6.5	8.4	10.1
IBRD exposure indicators (%)									
IBRD DS/public DS	1.4	2.9	2.3	2.8	4.5	5.2	5.3	11.3	15.7
Preferred creditor DS/public DS (%) <sup>c</sup>	23.2	25.4	19.6	17.9	29.2	31.9	30.6	62.6	86.5
IBRD DS/XGS	0.3	0.3	0.3	0.5	0.5	0.6	0.7	0.7	0.7
IBRD TDO (US\$m) <sup>d</sup>	61	72	79	76	83	91	104	121	143
Of which present value of guarantees (US\$m)									
Share of IBRD portfolio (%)	..	..	..	..	..	..	..	..	..
IDA TDO (US\$m) <sup>d</sup>	0	0	0	0	0	0	0	0	0
IFC (US\$m)									
Loans			27	0	0	0	0		
Equity and quasi-equity /c									
MIGA									
MIGA guarantees (US\$m)			50	50	50	50	50		

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

## Status of Bank Group Operations in Trinidad and Tobago Operations Portfolio

Project ID	Fiscal Year	Borrower	Purpose	Original Amount in US\$ Millions				Difference Between expected and actual disbursements a/		Last PSR Supervision Rating b/	
				IBRD	IDA	Cancel.	Undisb.	Orig	Frm Rev'd	Dev Obj	Imp Prog
Number of Closed Projects: 16											
<u>Active Projects</u>											
TT-PE-8100	1992		BUSINESS EXPANS & IN	27.00	0.00	0.00	5.21	4.54	2.18	S	U
TT-PE-37006	1995	GOVERNMENT	WTR SCTR INSTIT STRE	25.00	0.00	0.00	4.21	4.20	0.00	U	U
TT-PE-36007	1995	GOVERNMENT	ENVIRON MGMT	6.25	0.00	0.00	3.34	2.98	0.00	S	S
TT-PE-35312	1996	REPUBLIC OF TRINIDAD AND	BASIC EDUCATION	51.00	0.00	0.00	44.60	15.17	0.00	S	S
Total				109.25	0.00	0.00	57.36	26.89	2.18		
				<u>Active Projects</u>	<u>Closed Projects</u>	<u>Total</u>					
Total Disbursed (IBRD and IDA):				51.89	156.49	208.38					
of which has been repaid:				5.00	114.92	119.92					
Total now held by IBRD and IDA:				104.25	41.60	145.85					
Amount sold :				0.00	22.87	22.87					
Of which repaid :				0.00	22.87	22.87					
Total Undisbursed :				57.36	.02	57.38					

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

b. Following the FY94 Annual Review of Portfolio performance (ARPP), a letter based system was introduced (HS = highly Satisfactory, S = satisfactory, U = unsatisfactory, HU = highly unsatisfactory): see proposed Improvements in Project and Portfolio Performance Rating Methodology (SecM94-901), August 23, 1994.

**Note:**

Disbursement data is updated at the end of the first week of the month.

**Trinidad and Tobago**  
**STATEMENT OF IFC's**  
**Committed and Disbursed Portfolio**  
 As of 31-Dec-98  
 (In US Dollar Millions)

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1984	Home Mortgage	0.00	.41	0.00	0.00	0.00	.41	0.00	0.00
1996	Caribbean Ispat	25.69	0.00	0.00	50.42	25.69	0.00	0.00	50.42
Total Portfolio:		25.69	.41	0.00	50.42	25.69	.41	0.00	50.42
Approvals Pending Commitment									
		<u>Loan</u>	<u>Equity</u>	<u>Quasi</u>	<u>Partic</u>				
Total Pending Commitment:		0.00	0.00	0.00	0.00				

## Trinidad and Tobago—CAS Summary of Development Priorities

<i>Network area</i>	<i>Country performance<sup>a</sup></i>	<i>Major issue<sup>b</sup></i>	<i>Country priority<sup>c</sup></i>	<i>Bank priority<sup>e</sup></i>	<i>Reconciliation of country and Bank priorities<sup>d</sup></i>
<b>Poverty Reduction &amp; Economic Management</b>					
• Poverty reduction	Fair	Unemployment	High	High	Politically Sensitive
• Economic policy	Good	Privatization Diversification	Low	High	
• Public sector	Fair	Reform of Civil Service Improve ministerial coordination	High	High	
• Gender	Good	Fragmented and not well targeted programs	Low/Moderate	Moderate	
<b>Human Development Department</b>					
• Education	Good	Deterioration of education quality	Moderate	High	Dialogue improving. Slow implementation IDB is involved
• Health, nutrition & population	Fair	Inadequate facilities (esp. rural) Need for rationalization of services	High	Moderate	
• Social protection	Good	Youth unemployment and poverty. Fragmented and not well targeted programs	Moderate	High	
<b>Environmentally &amp; Socially Sustainable Development</b>					
• Rural development	Fair	Improve infrastructure and services	Moderate	High	IDB and other MDB and NGOs involved
• Environment	Good	Need to manage solid and liquid waste air and water pollution. Develop and protect National Parks and Wildlife.	High	High	
• Social development	Fair	Provide essential services to poorer communities	High	Moderate	

**Finance, Private Sector & Infrastructure**

• Financial sector	Fair/Good	High lending rates Need to generate higher levels of savings and investment	High	Moderate	IMF and IDB involvement
• Private sector	Fair/Good	Further deregulate investment regime Agricultural sector reform	High	High	
• Energy & mining	Fair/Good	Revise role of state in sector, including tax and incentive framework.	High	High	
• Infrastructure	Good	Divestment of key utility services Provide proper drainage and irrigation facilities Improve air and sea ports	Moderate	High	Administrative delays. Need to revamp procurement and project implementation laws

- Use "excellent," "good," "fair," or "poor."
- Indicate principal country-specific problems (e.g., for poverty reduction, "rural poverty;" for education, "female secondary completion;" for environment, "urban air pollution").
- To indicate priority, use "low," "moderate," or "high."
- Give explanation, if priorities do not agree; for example, another MDB may have the lead on the issue, or there may be ongoing dialogue.

## The Government's Development Agenda for the Next Decade

1. The Government's over-arching objective is to raise the level of human welfare for all people in T&T by reducing the incidence of poverty to 12% of population by the year 2009 while ensuring equitable access to employment, basic services and resources such as land. Over the past few years, the Government has demonstrated a strong leadership through the preparation of annual economic reviews, medium term policy frameworks, and a 7-year national strategic development framework. A broad national consensus exists on the need for poverty-reducing growth and market driven economic development. Pre-requisites for enhancing growth and employment and reducing poverty can be thematically summarized as:

- *Consolidating the Macro Stability*
- *Transforming the wealth of the oil and gas sectors to physical and human capital formation*
- *Improving Public Sector Efficiency*
- *Developing Human Capital*
- *Safeguarding the Environment.*

### *Consolidating the Macro Stability*

2. The Government is cognizant that its primary responsibility is to ensure a stable macroeconomic environment that is conducive for promoting long-run growth and economic diversification. The volatility in oil prices, the large capital inflows, and large tax exemptions and write-offs often adversely impact upon fiscal and monetary policies. The Government's focus is maintaining a tight fiscal and monetary policy that is conducive for enhancing a strong savings and investment climate and on a free trade and investment promotion policy targeted to develop the non-oil sectors. *The Government is keen to continue with the IMF informal monitoring program. The Government's highest priority is to step-up supervision of banks, insurance companies and large conglomerates and reform the pension and social security system.*

- Government's fiscal policy in the short to long term is designed to take into account the impact of international financial and commodity markets developments to generate an overall Central Government balance of 1-2% of GDP in each of the years over the next decade. The Government intends to: (1) contain expenditures through reduction in transfers to public entities, civil service reform to improve efficiency, rationalization of social programs, and divestment of several entities; (2) enhance revenues through reduction in tax exemptions, in particular for oil and gas sector, improvement in tax administration by reforming the Inland Revenue Department by introducing an identification number, upgrading the existing computer system, establishing tax processing centers, and updating the property taxation. In addition, stepped up cost recovery in several basic services is also programmed; and (3) further strengthen the external and domestic debt management.
- Central Bank's focus is on price stability, protection of external account balance and the stability of the financial system. (1) It is cognizant that despite the large foreign exchange inflows in recent years, the nominal exchange rate has been steady at about US\$6.30 per US\$ and it intends to minimize its intervention in the foreign exchange market to let the nominal exchange rate fluctuate daily within a narrow band. It intends to build-up reserves consistent with the maintenance of a competitive exchange rate. The current focus is on liquidity management by expanding the number and type of instruments used in Open Market Operations together with a phased reduction of reserve requirements to facilitate a lowering of intermediation costs. (2) The Central Bank, with support



from the World Bank, IDB, and the US Federal Reserve Board has initiated actions in early 1998 to restructure and modernize its operations, strengthen the supervision capacity particularly the supervision of large conglomerates through staff training, revise the regulations governing the financial institutions, revamp the deposit insurance corporation and strengthen its link with the Bank Supervision Department. Lowering and unifying the reserve requirements for banks and non-banks is a key issue. (3) Capital market development and the expansion of the financial services is ongoing through full operationalization of the Securities and Exchange Commission, reform of the social security and pension systems, introduction of a new employee ownership plan, and legislative changes with respect to companies and disclosure standards, mutual funds, insurance companies and credit unions. These actions are expected to improve the environment for savings and investment.

### *Transforming the wealth of the Energy Sector and Stimulating Economic Diversification*

3. As discussed in Box 1, the capital-intensive energy sector and the narrow economic base curtailed job creation. An issue that is crucial for economic diversification and job creation is the inability of the Government to overhaul the investment incentives and approval process and deal with land-ownership problems. In the past, to attract multinational oil companies the Government agreed to incentives and tax exemptions leading to lower tax revenues from the energy sector in comparison to the other oil-producing countries in the region.

<b>Petroleum and Natural Gas Sector (1997)</b>			
	Value Added (% of GDP in current prices)	% of Merchandise Exports	% Central Government Revenues
Ecuador	14.0	29.6	43.8
Mexico	8.0	10.0	38.0
Peru	10.5	5.5	8.1
Trinidad & Tobago	23.0	55.0	21.0
Venezuela (1996)	26.6	76.9	60.0

- T&T has the potential to be a regional powerhouse in technical skills. *There is a need to strengthen the local capacity to formulate policies, issue licenses, negotiate and contract, monitor operations, supervise and enforce safety and environmental standards. Other factors constraining the performance of the sector include the lack of administrative flexibility to implement policies and programs; inadequate technical staff and remuneration; and coordination of ministry's operations with other ministries and private sector. Building capacity in the energy sector will have a manifold effect on other sectors of the economy as was successfully done in Venezuela and Ecuador.*
- ❖ The FIAS study of August 1996 revealed that with the exception of the export allowance and the investment allowances under the tax code, incentives under the various Acts pertaining to Fiscal Incentives, Hotel Development, and Free Zones etc., are all approval-based incentives, requiring evaluation of potential projects by the Government for their qualification. The criteria are not clear and the approval process is tedious involving unnecessary levels of authority. The Foreign Investment Law needs to be restructured to remove the restrictions on licensing and share acquisition requirements and land ownership.
- ❖ There is an immediate need for a policy framework for agriculture sector, including land management issues such as tenure and zoning, restructuring the sugar company, CARONI, and phasing out protection under the WTO rules. The slow pace in addressing land tenure reforms and land titling, given the political and socially sensitivities, meant that approximately half of the country's land base and 40 percent of agricultural land remains within the public sector. Rationalization of Caroni, which comprises half of the national product in agriculture and received

subsidies since the mid-1970s, has also lagged. These issues remain critical impediments to the diversification of the export base in high value agricultural products.

- ❖ The Government is addressing the agricultural trade policy and land tenure issues under an ongoing IDB agricultural sector loan (A follow up project is under preparation by IDB). Under the IDB loan, a large portion of CARONI's sugar lands are to be sold to farmers to encourage private production of sugar. CARONI is also required to contract out/divest rum distillery, citrus and shrimp farming. It is developing an institutional structure to facilitate land registration by revamping the Registrar General Department and the Land registry. The focus is on improving information, eliminating bureaucratic delays in transfer and recording of land transactions. It has also developed programs to increase access to agricultural credit, strengthen institutional support to farmers, fishermen and aquaculture through policy changes, training programs and appropriate infrastructure.
- ❖ Tourism strategy includes investment facilitation, institutional strengthening, product development and marketing. For stimulating investment, selective fiscal incentives that are now available to hotels only will be extended to an array of tourism projects and facilities to upgrade and increase accommodations. Training programs for hospitality workers, taxi drivers and tour guides is underway. Development of a cadre of tourism professionals under TIDCO is being undertaken. The Government is undertaking the reform of telecommunications, which is a joint-venture with Cable and Wireless, to stimulate the financial and information services sector. The agro-processing and manufacturing sectors will, in part, be helped by a competitive exchange rate. T&T has a rich tradition of Calypso and Steel Band music. About 10,000 jobs are created during the Carnival month of February. The Government needs to collaborate with private sector in establishing a niche market for these entertainment services in the USA and Latin American countries.

### *Improving the Efficiency of the Core Public Sector*

4. Since 1992, two successive Governments have been making progress in modernizing the public sector. There are several key issues remaining. The Government's preferred strategy is to implement reforms in a phased manner instead of a comprehensive reform as the Government fears that a comprehensive approach is likely to be politically destabilizing. Also, this Government has restored labor calmness in recent years and does not want to take on the civil service unions at this time. In addition, the Government does not have adequate technical skills and institutional capacity to implement a comprehensive reform at this stage.

- The size and scope of the public sector is still large. Despite reforms, public sector still accounts for 25% of employment compared to a combined employment of 20% in agriculture, mining, and manufacturing. The State is involved not only in the oil and natural gas sectors, but also "strategic industries" such as the liquefied NG, methanol, the sugar sector, education and labor training, health sector, delivery of social programs, public utilities, urban transport, and low-income housing.
- The pattern of public employment also remains bottom heavy despite recent attrition, and the remuneration at the technical, professional and managerial levels is not attractive. The Government is keen to intensify the ongoing transformation of the Public Service into a more efficient and modernized institution. To this end, a comprehensive evaluation of the effectiveness is being undertaken. It is considering an incentives based system of public management, delegation of authority, client orientation and accountability for performance. In addition, it is also reviewing the required composition of public employment to reduce further low skilled employees and to improve the technical and managerial skills composition. However, given the extensiveness of these reforms

and their political sensitivity, the Government prefers a selective approach with a slow pace of implementation, while fine-tuning its strategy for a system wide reform at a later stage.

- In recent years, the Government has granted greater autonomy to Tobago and has decentralized to the local governments some of the social programs such as unemployment relief program. However, lack of capacity within the local governments has impeded successful delivery of these programs.
  - *Privatization* Major divestment since 1992 accounts for about US\$525 million (10% of GDP) and includes enterprises involved in methanol, cement, petrochemicals, power generation, steel production. Despite this effort, the annual transfers to the operations of the sugar, the gas-related and the utility companies continue to be in the range of 1-1.5% of GDP. Realizing this the Government intends to undertake further divestment during 1999-2003 of state equity holdings, including in public utilities, and CARONI. Petrotrin and NGC are being restructured. Commercial involvement of the Government will be limited only to strategic industries areas such as ammonia and liquefied NG.
  - *Utilities.* During the oil boom years, the state undertook heavy investments in infrastructure development services, which have deteriorated significantly due to lack of maintenance, poor management and absence of new investments. In particular water, drainage and flood control, education and health, transport and power, have suffered from lack of maintenance, overstaffing, low tariffs/cost recovery, lack of financial accountability, poor overall management, low investment allocations coupled with weak implementation capacity and inadequate frameworks. To attract capital investments and to improve the management efficiency in the utilities, the Government has introduced private participation in all the key sectors of power, water, ports and transport. To put in place an appropriate regulatory framework, it has already reconstituted the Public Utilities Commission and a Regulated Industries Commission is being put in place.
- (1) There is a shortage of water since the demand is increasing rapidly due to development in Point Lisas and other industrial estates. Unaccounted for water is over 45 percent due to leaks and inadequate metering. There is a need to fix the system before new investment is undertaken. Even under a private management, that was supported by the Bank, the water company's financial position and operational efficiency has not significantly improved due to lack of performance benchmarks, and inadequacy in tariff changes and voluntary separation of employees. The Government strategy is now to invite the Bank to support its strategy of private sector operated company with some equity participation. Assistance in the form of a Bank Guarantee is possible.
- (2) The Government's strategy in electrical power is to de-monopolize power generation through the encouragement of co-generators and increased autonomy to T&TEC for future transmission and distribution through tariff increases, financial restructuring, and operational efficiency. A new power sector legislation will help establish T&TEC as a public limited liability company and support implementing a large investment program with additional capacity to meet the demand for electricity at Point Lisas. Bank has been providing TA for improving the regulatory framework in this sector.
- (3) The accompanying loan (T&T Post) will support the Government's immediate strategy to implement the New Postal Act that establishes the Post Office as a self-financed agency operated by an internationally experienced firm (i.e. NZPIL).

(4) In the transport sector, the Government's focus is on continuing to expand and modernize the road infrastructures, improve the transport regulatory framework, modernize the airport facilities at Piarco and Crown Point airports and improve the sea-port facilities. The IDB is active in this sector.

(5) The Parliament passed in 1998 the establishment of a Regulated Industries Commission (RIC) which will replace the ad hoc rate setting mechanism current in place. The RIC is expected to grant licenses for service providers, introduce criteria for determining tariffs for such service, and establish and enforce quality standards. The Bank and IDB are providing TA in this effort.

- All legislation in the country needs updating. The judicial system remains cumbersome and inefficient with a large number of case backlog. The Judiciary operates with outdated procedures and practices. Lack of infrastructure, alternate dispute resolution techniques, and inadequate attention to the Magistrate Courts have resulted in a steady deterioration in judicial services. These pose a significant deterrent to private investments. The Government's objectives are to speed up administration of justice with minimal costs to the public and by reducing backlog of cases, to restore confidence in the legal and judicial process. During the past few years, reforms were initiated by the Supreme Court Chief Justice and later by the Attorney General. The Government is seeking Bank support for such reforms.
- strengthening the Central Statistical Office and improving inter-ministry coordination to ensure continued integration of the analytical information in the design and fine-tuning of Government programs.

### *Developing Human Resources*

5. Unemployment and underemployment are together estimated at about 19% of labor force. The Government estimates that more than 21% of the population is below the poverty line. Poverty is associated with unemployment. The Government is cognizant that to reduce unemployment and poverty, there is a need for a multi-pronged approach focused on (1) agricultural reform and land tenure; (2) improving access to and quality of education and labor training; (3) improving access to health and water; (4) removing labor market constraints such as excessive regulations on severance pay and employee termination; and (5) better targeting of social programs.

- **Labor Market Rigidities.** The Government's role in employment generation made it possible for the Governments of the past to formulate working conditions which served as disincentives against high labor productivity and performance-based employment. Over the years, average wages (after adjusting for labor productivity) have increased rapidly in part due to higher wages in the booming sector. The establishment of the Industrial Court is another case in point. While the Court provides acceptable judgements it also institutionalized delays in the settlement of disputes and attracts legal resolution of disputes which should otherwise be resolved through an earlier conciliation. The passage of the Retirement and Severance Act in 1985, which compensates employees for layoffs, is another landmark legislation which now requires review and revision. As a social legislation, this Act serves to protect the worker. However, it penalizes employers and introduces sufficient ambiguities and rigidities in job security and other working conditions. These laws sustain high wages in the organized sector and have contributed to high rates of unemployment.
- Other issues of concern in the labor market are: (1) the rapid increase in casual or non-permanent workers which shows flexibility in the labor market but could be harmful to social development; and (2) mismatch in labor skills as there is a surplus of agriculture laborers but shortage of skilled workers for the energy, manufacturing and services sectors. The shortage of skilled workers is

somewhat relieved, after bureaucratic delays, with work permits for foreign nationals. While the labor market has become much more flexible in recent years, there are still these rigidities that constrain private investment. To ensure industrial peace and stability, the Government is working with the ILO in improving the system of dispute resolution and enforcement of health and safety standards. In 1996, the Bank has undertaken a partial review of the labor markets as part of its poverty assessment and this was followed by an IDB study in 1997. The IDB is assisting the Government in labor training and employment programs.

6. ***Improving Education, Health and Social Services.*** Implementation of the Government's stated policy of high quality and equitable social services requires coordinated actions on restoring the level of resources allocated to the social sectors. Institutional strengthening and management reforms are also urgent priorities in both sectors to improve the efficiency and quality of services.

- The Government is keen to revolutionize the education system. It has recently decided to increase the number of school places at the secondary level because 30% of students passing the primary school are unable to move forward to secondary school. The Government also decided to abolish the "common entrance examination" by the year 2000 because under this two-track system students unable to pass this examination were weeded out at the secondary level and relegated to low-quality alternative schooling or ended up as school dropouts. The sector objectives are: (1) to enhance quality at the primary level; (2) to increase access to and quality of secondary education; (3) to expand the coverage of Early Childhood Development programs. It intends to reorganize the education administration at the levels of Ministry, regional offices and schools to clarify their roles and specialize services. It is also keen to work with private sector in ensuring life-long learning opportunities exist for every individual irrespective of age. To address these issues there is a need for curriculum development, teacher training, upgrade of educational facilities and distribution of educational materials. In addition, there is a need for educational testing that serves not to weed out students but could be used as an instrument to ensure school accountability, establish incentives for schools and provide support for successful schools. Strengthening school-based management could lead to a market-driven system that will promote quality. Bank's ongoing basic education project is supporting these efforts.
- The Health reform program of the Government is geared to make the health care system efficient. In the area of primary care, the existing health centers are being improved, health facilities in districts will be constructed, physicians are provided an opportunity to upgrade their skills, and the rationalization of hospital services are undertaken under the National Health Services Plan which is supported by IDB.
- While the safety nets are extensive, they have become increasingly fragmented over time, with significant duplications and gaps in coverage. There are also a large number of civic organizations that provide overlapping services to beneficiaries, particularly to "youth at risk". The Government is keen to re-evaluation and prioritize the programs, improve targeting and place greater emphasis on rehabilitation and enhancement of the earning potential of the recipients. Administrative rationalization of the programs is also required to improve their efficiency and to provide an integrated range of services for maximum effectiveness. The Government has recently decentralized the unemployment relief program to the local governments but the lack of capacity at the local level is hampering effective delivery of services. Greater decentralization with increased involvement of NGOs is also being considered in the delivery of social services as an instrument for increased community participation to address the complex issues of poverty, crime, domestic violence and the breakdown of family structures.

- To monitor progress the Government also needs to institutionalize regular monitoring mechanisms in the area of manpower needs, skills availability, poverty and unemployment situation.

***Safeguarding Environment***

7. In forestry, the Government's focus is on management and conservation of natural forest cover with the objective of increasing sustainable production of wood and non-wood products as well as protection of the country's wildlife. National Parks System and management of the national wetlands with emphasis on the Nariva Swamp will also be continued. In keeping with its commitments with various multilateral agencies, Government will develop a National Bio-diversity Strategy and Action Plan and prepare the first National Communications on Greenhouse Gases Sources and Sinks as well as on Vulnerability Assessment and Adaptation. The Government has sought Bank assistance in strengthening the technical capacity in all these efforts.

8. The Government of T&T is also keen to expand tourism and related services. It is aware of the inter-linkage between environment and tourism and has therefore focused on (1) improving its capacity to evaluate environmental impact assessments (EIAs) done by the private sector and monitor the progress of implementation of tasks such as the land-use zoning for resort and nature tourism, protection of national parks/areas; (2) integrating the coastal zone management to reduce degradation of coastal waters and safeguard the beaches and fisheries; (3) and work with private sector and external agencies in ensuring the adequacy of critical infrastructure, including waste management. The Bank has offered a LIL to support the Government's efforts.

**Trinidad and Tobago: Country's Development Agenda, FY99-FY2009**

**Achievements to Date**

***Over-arching objective: reduce poverty from 21% of population to 12% by FY 2009 while ensuring equitable access to resources and services***

**Macro Stability**

- Generating fiscal surplus each year and maintaining a tight monetary policy, a competitive exchange rate and improving the external debt and international reserves position; lowered reserve requirements.
- Reduction in corporate tax, simplification of tax structure through VAT, import tariffs, import duties and QRs on imports.

**Financial System**

- Review of financial legislation to improve supervision of banks, insurance, mutual funds and securities markets and diagnosis of needs in modernizing the financial system. Review of pension and social security reform.
- Stock market and Securities Commission established

**Good Government**

- Regular auditing of public accounts and accountability among public servants. Passage of money laundering act
- Over 30% reduction in size of public employment since 1982
- Some streamlining of ministries and departments in public sector

**Judicial System**

- Revision of some legislation

**Broadening Economic Base**

- Tax incentives for private sector, domestic and foreign, for oil/gas exploration and improvements in secondary yields.
- Promoting foreign investments and joint ventures along with selective liquidation and divestment of over 22 entities including methanol, urea, cement, flour mills, iron and steel, and power generation companies.
- Active promotion of the use of natural gas and gas based industries; Draft Energy Policy.
- Decision to accelerate economic diversification
- Telecommunications reform underway

**Improving Infrastructure Services**

- Partial divestment of public transport company.
- Divestment of electricity generating capacity.
- Some private participation in water and ports.
- Established Regulated Industries Commission.
- Contracting out implementation of some public investments.
- Upgrading airport facilities











**Development Agenda for the next decade**

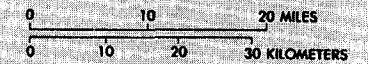
- Maintain these macro policies; achieve small Central Govt. surplus each year
- Reduce tax exemptions and transfers to public entities, broaden the tax base and strengthen the tax administration and property tax evaluation
- Lower import tariffs and access large trading blocs such as NAFTA, FTAA
- Modernize the Central Bank through staff training, revamping of Deposit Insurance, strengthening the Research and Policy Department, identification of rules on consolidated supervision across countries and sectors; additional prudential norms.
- Unify and upgrade regulatory system for banks and fin. Institutions; implement Pension and Social Security reform; clarify rules to permit leasing
- Deepen stock market with linkages to the energy sector; develop capital markets; strengthen minority shareholders rights
- Reform Procurement and ensure transparency in public tenders. Improve budgetary process and expenditure controls, project preparation and implementation procedures and capacity
- Reduce the bottom heavy public service while improving the compensation of technical and managerial staff.
- Delegate decisions at the Cabinet level. Continue streamlining of ministries and promote a culture of client-oriented public service
- Modernize the judicial system through overhaul of legislation, rules related to court proceedings, creation of specialized courts, and case flow mgmt
- Overhaul investment incentives, investment approval process and the foreign investment law
- Divest non-core operations of/restructure PETROTRIN, National Gas Company, CARONI, and other SOEs in the productive sectors
- Review State role in energy sector, reduce tax exemptions in the sector and strengthen the regulatory framework for the Gas sector
- Finalization of the agriculture policy framework.
- Accelerate land divestment/lease and registration
- Implement tourism development plan
- Establish framework for financial & inform. services
- Resolve traffic congestion problem in Port of Spain
- Implement private participation in water and ports
- Strengthen the regulatory frameworks in critical infrastructure sectors and institutional capacity
- Implement water metering and billing system
- Establish flood and erosion prevention mechanisms
- Increase spending on infrastructure maintenance

<b>Developing Human Resources</b>	
<ul style="list-style-type: none"> <li>• A network of social safety nets exists to meet the needs of those displaced, youth at risk, and other vulnerable groups.</li> <li>• Regularized some squatters and provided essential services to some poorer communities</li> <li>• Decentralization of unemployment relief benefits</li> <li>• Establishment of a modern framework for early childhood care and education</li> <li>• Direct transfers to school to promote their autonomy.</li> <li>• Establishment of school improvement program (SIP) as a tool for strategic planning</li> <li>• Development of new mathematics and language curriculum</li> <li>• Decision to eliminate Caribbean Common Examination by 2000 and implement Vision 2020</li> </ul>	<ul style="list-style-type: none"> <li>• Rationalize safety nets with focus on improved targeting and quality of services.</li> <li>• Increase distribution of public lands and encourage local community participation in shelter construction and provision of essential services</li> </ul>
<ul style="list-style-type: none"> <li>• Comprehensive reform of the health sector underway.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase and reallocate levels of expenditures for health and education to increase number of primary and secondary school places</li> <li>• Curriculum development and continue with decentralization of education to expand access</li> <li>• Implement school based management through financing of SIP</li> <li>• Establish a national assessment/testing system</li> <li>• Reorganize the Education Ministry, regional offices and schools</li> <li>• Expansion of access to early childhood care and education programs</li> <li>• Utilize private schools' capacity to increase overall enrollment and reduce classroom congestion</li> <li>• Implement initiatives to strengthen management systems in health with decentralization of service delivery.</li> <li>• Implement national health insurance system</li> <li>• Remove labor market rigidities such as excessive restrictions on severance pay and employee termination.</li> <li>• Assess frequently the demand and supply of skills</li> <li>• Implement ILO labor standards as agreed</li> <li>• Continue regular updating of poverty and unemployment indicators and improve integration of the analytical information in government programs.</li> </ul>
<b>Safeguarding the Environment</b>	
<ul style="list-style-type: none"> <li>• Formulated a National Environmental Action Plan</li> <li>• Established an Environmental Management Agency and strengthening its capacity to provide guidelines</li> <li>• Signed 38 memoranda of understandings within the country</li> <li>• Parliament submission of the National Parks and Wildlife Act</li> <li>• Established an Environmental Commission to resolve conflicts</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to implement legal and regulatory frameworks</li> <li>• Implement programs to protect the National Parks and other International Agreements</li> <li>• Continue rationalization of ministries to improve implementation of environment legislation and regulation.</li> </ul>



# TRINIDAD AND TOBAGO

-  Main Roads
-  Principal Ports
-  Secondary Ports
-  National Capital
-  Towns
-  Oil Refineries
-  Oil Fields
-  Unassociated Gas Fields
-  Gas Pipelines
-  International Boundaries



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