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TRINIDAD AND TOBAGO

SOCIAL SAFETY NET REFORM PROGRAM

(TT-L1014)

LOAN PROPOSAL

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ELECTRONIC LINKS	
REQUIRED	
1.	Policy Letter http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36434863
2.	Means of Verification http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36343308
3.	Results Matrix for Programmatic PBL http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36343345
4.	Monitoring and Evaluation Arrangements http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36335443
5.	Plan of Activities (POA) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36344142
OPTIONAL	
1.	Cost Benefit Analysis http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36353719
2.	Project Management Risk http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36353973
3.	Procurement Plan for Investment Component http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36343365
4.	Safeguard Policy Filter and Safeguard Screening Form http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36371847

ABBREVIATIONS

CCTP	Conditional Cash Transfer Program
CSSP	Continuous Sample Survey of Population
FY	Fiscal Year
GDP	Gross Domestic Product
GORTT	Government of the Republic of Trinidad and Tobago
HBS	Household Budget Survey
IDB	Inter-American Development Bank
IT	Information Technology
M&E	Monitoring and Evaluation
MIS	Management Information System
MISSP	Management Information System for Social Programmes
MOF	Ministry of Finance
MPSD	Ministry of the People and Social Development
NIB	National Insurance Board
PBL	Policy Based Loan
PMT	Proxy Means Test
SLC	Survey of Living Conditions
SSN	Social Safety Net
TCCTP	Targeted Conditional Cash Transfer

PROJECT SUMMARY
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(TT-L1014)

Financial Terms and Conditions				
Borrower: Republic of Trinidad and Tobago Executing Agency: Ministry of Finance (MOF) and Ministry of the People and Social Development (MPSD)		Amortization period:		
		PBL component:		20 years
		Investment component:		20 years
		Grace period:		
		PBL component:		5 years
		Investment component:		36 months
		Disbursement period PBL:		12 months
		Disbursement period Investment:		36 months
Source	Amount	%	Interest rate PBL:	LIBOR based
IDB (OC) PBL component	45 million	100	Interest rate Investment:	LIBOR based
IDB (OC) Investment component	5 million	100	Supervision and inspection fee:	*
Local	0		Credit fee:	*
Total	50 million	100	Currency:	US\$ single currency facility
Project at a Glance				
<p>Project objective/description: The operation presented here is the first PBL operation of a series of three under the programmatic approach with the overall objective to contribute to the improvements in effectiveness, efficiency, transparency and accountability of the country's social safety net programs through (i) reform of cash grants provided by MPSD; (ii) an improved targeting system for MPSD non contributory social protection programs; and (iii) capacity development and implementation of monitoring and evaluation of systems in the MPSD. The first operation will support the design and kick-off implementation of the SSN policy and institutional reform measures which will be evaluated and then refined in the second and third operations respectively. The first operation has been structured as a hybrid operation with a PBL component (US\$45 million) and an investment component (US\$5 million).</p> <p>The main objective of the PBL component is to increase the effectiveness and efficiency of the MPSD's main cash grants through: (i) the consolidation of processes, personnel and organization in order to avoid duplication and generate economies of scale; (ii) the development of a transparent and effective targeting mechanism; (iii) strengthening the monitoring, and evaluation capacity of the Ministry of People and Social Development (MPSD) to improve existing programs; and (iv) a reduced and operational set of conditions for the cash grants to strengthen human capital accumulation of the poorest households. The Investment component will support: (i) finalization of the MPSD 2011-2016 Strategic Plan and development of departmental operational plans to action the SSN reforms; (ii) update and implementation of the monitoring and evaluation framework to support the roll out of a consolidated cash transfer program; (iii) expansion of the IT systems within the MPSD to improve data collection and analysis to facilitate improved decision making; (iv) conduct of research studies in SSN service delivery to inform forward planning and future policy actions; and (v) design and implementation of a strategy to integrate, resource, certify, monitor and regulate civil society organizations that deliver SSN services.</p> <p>Special contractual clauses: Condition for disbursement of the PBL component: the borrower, through the executing agency, will have complied with the commitments as stated in the Policy Matrix and will have submitted the evidence of compliance with the conditions of the sole disbursement. (par. 1.32). Conditions prior to the first disbursement of the investment component: the Executing Agency will have approved and put into effect the Operations Manual and established the PEU (par. 1.40). Exceptions to Bank policies: N/A Project qualifies for: SEQ <input checked="" type="checkbox"/> PTI <input type="checkbox"/> Sector <input type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/></p>				

(*) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provision of the Bank's policy on lending rate methodology for ordinary capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, justification

- 1.1 **Macroeconomic and social context.** Trinidad and Tobago's economy is still recovering from the impact of the global financial crisis. After experiencing economic growth of an average of 7 percent in real terms for more than 15 years, economic activity decreased to 3.5 percent in real terms in 2009 and growth is expected to resume, after remaining flat in 2010. The non energy sector also suffered from the impact of the crisis, contracting by 7.2 percent in 2009, mainly in construction and distribution sectors. The substantial contraction in economic activity of 2009 was triggered by unfavorable performance in the energy sector, namely low commodity prices and sustained decrease in oil production, together with increased economic uncertainty caused by the failure of a large indigenous financial holding, CL Financial. Economic recovery remains fragile (growth expectations for 2011 are 1.2 percent) and the recovery is highly dependent on fiscal stimuli, particularly for the non energy sector. In addition, medium term growth expectations are much more modest than the rates observed in previous years due to challenges in the energy sector and the limited growth potential of the non-energy sector. Moreover, natural gas reserves have been steadily declining over the last 10 years and recent reports¹ estimate that the country has just over nine years of natural gas reserves. The country is in a relatively strong position in terms of its public debt. The debt level stood below 40 percent of GDP at the end of FY 2009/2010 and, under moderate scenarios, will remain at sustainable levels in the medium term. The current debt profile is in a positive position with only 10 percent of the debt is maturing over the next five years.
- 1.2 The fiscal situation deteriorated with the onset of the economic crisis. Fiscal deficits were around 5 percent and 4 percent of GDP in FY 2008/2009 and FY 2009/2010, respectively. The deterioration is mainly due to sustained levels of public expenditure in spite of substantial decreases in energy revenues (42 percent between FY 2007/2008 to FY 2009/2010). Through a disciplined approach to debt management over the last fiscal year, the Government of Trinidad and Tobago (GORTT) has demonstrated its commitment to regaining fiscal discipline in the medium term. The fiscal deficit for FY 2010/2011 is expected to be around 3 percent of GDP (net of the fiscal cost of the bailout of the financial sector) and the financing needs for FY 2011/2012 are estimated at around US\$860 million, excluding the bail out of the financial sector. Given the tight fiscal space, the Social Safety Net Reform programmatic PBL operation presented here will contribute toward bridging the fiscal gap.
- 1.3 **Persistent Poverty.** Measuring changes in poverty over time in Trinidad and Tobago is difficult mainly due to the absence of consistent data. Estimates of poverty utilize different methodologies so they do not facilitate simple comparison, however all surveys suggest that poverty is persistent.

¹ Ryder Scott Audit Report, 2011.

Estimates range from 18.5 percent of households (1989, HBS), to 21 percent of individuals (1992, SLC), to 24 percent of individuals (1997/1998, HBS). The most recent data² indicate that poverty is at 16.7 percent of individuals or 11 percent of households (2005, SLC).³ Trinidad, in particular, has large geographic disparities with respect to poverty rates ranging from 4.5 percent in the Borough of Arima to 39 percent in Sangre Grande.⁴ The Ministry of the People and Social Development (MPSD) has identified the poor, including the elderly poor, women, children in households that are poor and the disabled poor as the most vulnerable groups in society.⁵ The recent decline in economic activity and the substantial increases in food prices⁶ have likely produced “new poor” as purchasing power of some households erodes below the poverty line.⁷

- 1.4 **Social protection.** The country has an extensive social protection system with more than 120 programs, comprising: (i) social safety net programs (cash and in kind transfers, school feeding, social care services, and active labor market programs);⁸ (ii) social insurance programs (pensions, disability, maternity, survivor insurance); and (iii) employment protection and promotion (labor legislation, collective bargaining and related institutions). Although there is a wide social safety net (SSN); it is comprised of many small programs administered by multiple ministries and agencies with no clear articulation of safety net priorities. This results in duplication of effort and spending, and programs missing opportunities for economies of scale.
- 1.5 **Social Sector Spending.** In recent years there has been increased emphasis on the social sector. Between 2006 and 2010, recurrent social sector expenditures increased from 5.9 percent of GDP to 7.9 percent of GDP.⁹ Spending increased in the Health and Social Development sectors in particular where the latter grew from 1.3 percent to 2 percent of GDP (See Table I-1).

² While a Household Budget Survey was completed in 2008, results in terms of poverty estimates have not yet been published and are likely to have comparability issues with previous estimates due to the different nature of the survey. A Household Budget Survey is structurally different from a Living Standards Survey in the detail of the questions.

³ The 1989 estimate was based on HBS data (year not specified) by Henry and Melville, based on an approach from Henry (1975). The 1992 estimate was based on SLC 1992 data, by a World Bank (1995) study. The 1997/1998 estimate was based on HBS 1997/1998 data, by an IDB-commissioned study (2004) by Kairi Consultants. The 2005 estimate is based on SLC 2005 data, by Kairi Consultants (2007). Source: Analysis by Kairi Consultants (2007) of the 2005 Survey of Living Conditions (SLC). Ministry of Social Development, Government of the Republic of Trinidad and Tobago. Pg 5-6.

⁴ The most recent poverty rate remains substantial at 16.7 percent for individuals and 11 percent for households in 2005. Survey of Living Conditions, 2005. Ministry of Social Development, GORTT.

⁵ Social Sector Investment Programme, Ministry of the People and Social Development, 2011

⁶ Food prices increased 91 percent between January 2007 and December 2010.

⁷ The vulnerability line is 125 percent of the poverty line.

⁸ Active labor market programs include programs such as training and retraining for especially vulnerable groups, job search assistance, wage subsidies, etc.

⁹ Real Safety Net Spending grew by 29 percent in the same period.

Table I-1 Recurrent Social Sector Spending (As a percent of GDP)

	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
Ministry of Education	2.4	2.1	2.0	2.6	2.6
Ministry of Health	1.7	1.8	1.6	2.4	2.6
Ministry of People and Social Development ⁽¹⁾	1.3	1.2	1.3	2.1	2.0
<i>Social Welfare</i>					1.8
<i>TCCTP</i>					0.2
Ministry of Community Development, Culture and Gender Affairs	0.2	0.2	0.2	0.3	0.3
Ministry of Sports and Youth Affairs	0.2	0.2	0.2	0.2	0.2
Ministry of Labor and Small and Medium Enterprise Development	0.1	0.1	0.1	0.1	0.1
Total	<u>5.9</u>	<u>5.6</u>	<u>5.3</u>	<u>7.8</u>	<u>7.9</u>

⁽¹⁾ Includes expenditures by MPSD on Food Security Program in MOF

- 1.6 Spending in the MPSD is mostly comprised of cash grant programs that are targeted towards the poor. The cash grants under the MPSD are administered by two main units: The Social Welfare Division and the Targeted Conditional Cash Transfer Program (TCCTP) Unit. In FY 2010/2011, expenditures on cash grants (including administration and transfers) were estimated at US\$409 million, with about 2 percent reported for administration.¹⁰ (See Table I-2)

Table I-2 Cash Grants in the MPSD: Expenditures, 2010 (USD Million)

	Administration	Grants	Total	Number of Beneficiaries 2010
Social Welfare	5.9	369.2	375.1	
Senior Citizens Grants		275.4		73,519
Disability Assistance Grants		48.5		21,856
Public Assistance		39.4		21,372
Other		5.9		4,188
TCCTP	1.1	33.3	34.5	29,000
Total MPSD Cash Grants	<u>7.1</u>	<u>402.5</u>	<u>409.6</u>	

Source: Social Welfare Division, Draft Estimates (2011) TCCTP, MPSD

- 1.7 **The Social Welfare Division** administers seventeen cash and in-kind grant programs¹¹ that are mostly targeted to the poor. Eligibility is determined through a multiplicity of poverty criteria, methodologies, and forms,¹² but typically relies on reported income as the main determinant of eligibility. The three largest programs are the Senior Citizens' Grant, Disability Grant and Public Assistance Grant (a detailed description of the programs is provided in the [program description](#)).

¹⁰ This does not represent a full accounting of administrative expenses as it does not include all staff, rents, utilities and other expenses absorbed as part of the central ministry overhead.

¹¹ See [list of programs](#).

¹² See [program applications](#).

- 1.8 **Targeted Conditional Cash Transfer Program (TCCTP).** The other main cash grant program is the Targeted Conditional Cash Transfer Program (TCCTP). Eligibility for the TCCTP is determined through a paper-based scoring system that gives different weights to characteristics of the household. The program was originally designed to target indigent households.¹³ Although the indigent population represents less than 2 percent of the population, the program has expanded to cover over 16 percent of the population with considerable leakage to the non-poor. Administrative costs of the program are not high (3.3%),¹⁴ however the reason for this is partly that the program is not investing in human capital, as it is not monitoring any conditions or following up on beneficiaries due to the overwhelming workload of existing personnel. Monitoring conditionalities would increase administrative costs by 1-3 percentage points based on other programs experiences.¹⁵
- 1.9 **In addition, the original design had some important conceptual weaknesses given institutional realities in Trinidad and Tobago.** Receipt of benefits is designed to be conditioned on beneficiaries fulfilling over [50 conditions](#). Program design specifies that recipients remain on the program for a maximum of two years. However, conditions and time limits are not monitored or enforced. Beneficiaries should receive psychosocial support to help them fulfill conditions; however staff resources are not available to provide this support consistently. Beneficiaries receive payment via electronic debit card (the TT Smart Card) which they are supposed to use for food purchases; however, such a program design that mandates monitoring of food purchases is generally very difficult to effectively implement.
- 1.10 **Benefits differ between the different cash grant programs.** For example, the monthly benefits of the TCCTP are a function of household size with benefits ranging from US\$65 for households with three or fewer members to US\$110 a month for households of six or more members (average transfer is 23 percent of consumption of a poor household).¹⁶ Senior Citizens Grants¹⁷ can range from US\$476 to US\$293 per month depending on the income of the senior citizen. Public Assistance benefits can range from US\$135 to US\$230 depending on household size. The Disability Grants are approximately US\$206 per month to the disabled irrespective of household size.
- 1.11 **Duplication of functions and overlapping constituencies.** Approximately 16 percent of recipients of the TCCTP also receive Senior Citizens Grant.

¹³ These are defined as households with consumption below the amount required to purchase the basic food basket. The food basket is defined by the Caribbean Food and Nutrition Institute.

¹⁴ An average of 8 countries in LAC show administrative costs of 10% however the gap between necessary spending and actual spending may be larger as Chile Solidario, which has a similar design to the TCCTP has 20% in administrative spending.

¹⁵ Fiszbein, A. and Schady, N. (2009) Conditional cash transfers: reducing present and future poverty. World Bank

¹⁶ The transfer value for the case of Trinidad and Tobago is one of the largest in terms of % of consumption compared to other LAC countries (see Cost Benefit Analysis for more details).

¹⁷ The value of the grant was increased to US\$476/month per recipient in 2010, compared to US\$309 previously.

18 percent receive Public Assistance and also receive TCCTP; and 12 percent receive both Disability Grant and TCCTP. Although programs implemented by the Social Welfare Division and the TCCTP support essentially the same households, each program requires completion of separate applications, investigation by staff by each group, and support documentation, even though information collected is generally the same for all programs. TCCTP and Social Welfare operate separate IT systems. The MPSD administers 24 regional offices (13 for TCCTP and 11 for Social Welfare), but only eight of these offices are shared by Social Welfare and TCCTP.

- 1.12 **Targeting outcomes and poverty impacts could be improved.** Social Welfare Programs rely on reported and unverifiable income to assess eligibility. The TCCTP relies on a proxy means test, but one that was not developed based on quantitative analysis. The Auditor General reported that the TCCTP's Proxy Means Test is not applied consistently. Only about 50 percent of public assistance beneficiaries are poor.
- 1.13 **Education.** The country has achieved almost universal enrollment in primary education; however, only 75 percent of children are enrolled in pre-school.¹⁸ There are also gaps in pre-primary enrollment among the poor and non-poor where 87 percent of the non-poor five year olds are in school while only 82 percent of the poor attend at that level. The gap reemerges at the secondary school level with 90 percent of non-poor 14 year olds attending school in contrast to 74 percent of poor 14 year olds.¹⁹
- 1.14 **Drop Out Rates.** Adolescents mainly drop out of school to enter the labor market; and about 70 percent of out-of-school adolescents are working or seeking work.²⁰ The out of pocket and opportunity costs of education are high, 14 and 15 year olds who work account for almost 50 percent of the income of their households. While dropout rates tend to be higher among boys, it is not uncommon for girls to also drop out due to pregnancy. The teenage pregnancy rate is approximately 12 percent with about 400 girls of school age giving birth each year. Secondary school drop-outs are at great risk of substance abuse, crime and violence.²¹
- 1.15 **Health and Nutrition.** While [overall health](#) indicators are good, obesity rates among children are estimated at 16 percent, with increasing concerns about diabetes.²² Moreover, 18% of births are below optimal birth weight, which suggests nutrition and health challenges among pregnant women (particularly non-communicable diseases). At 13 percent, exclusive breastfeeding is low and only

¹⁸ UNICEF/Central Statistical Office (2008) Multiple Indicator Cluster Survey 3, Port of Spain.

¹⁹ Calculations based on 2005 Survey of Living Conditions.

²⁰ Idem.

²¹ World Bank (July 2009), analytical work related to "Regional Caribbean Initiative on Keeping Boys out of Risk.

²² Batson, Y. et al (undated) Screening for diabetes in school children in Trinidad and Tobago, University of the West Indies, Faculty of Medical Sciences, UWI, St, Augustine Campus, Trinidad.

about one third of babies are breastfed until 12 – 15 months. Immunization rates among children range from 73 percent for DPT to 89 percent for measles; however, only 50 percent of children are fully immunized.²³

B. Program justification

- 1.16 **Recent progress in SSN reform.** The recent global financial crisis has put pressure on GORTT to develop an efficient, effective, and sustainable safety net. Accordingly, the GORTT has made a policy decision to consolidate its main cash transfer programs to better protect the poor.²⁴ While the GORTT has already made a commitment to this reform through a policy decision to deliver all grants through a single electronic card,²⁵ GORTT recognizes that other duplication of functions remains. GORTT has identified consolidation of cash transfer programs to eliminate duplication of administrative functions as a policy priority.
- 1.17 **Rationale for Consolidation of Cash Transfer Programs.** GORTT wishes to improve the efficiency of cash grant administration through consolidation of its cash grants programs and functions, including intake, targeting, information management, case management and the operation of local offices. GORTT will establish one administrative structure with one set of administrative systems for cash grants in the MPSD. The new consolidated program would introduce a reduced number of key conditions that can be monitored and enforced. The selection of these conditions will be based on the country's socio-economic context and will also be informed by positive experiences in other developing countries.
- 1.18 **Move towards a new targeting methodology.** Only 46 percent of TCCTP beneficiaries were in the poorest 2 quintiles of the population according to per capita consumption in 2008.²⁶ A simulation with 2005 household survey data shows that just the TCCTP transfer could have an impact of 0.6 percent points on the poverty rate.²⁷ If this was the case, a program with the same budget and structure of the TCCTP, but with better targeting, would have lowered poverty to 14.7 percent.²⁸ For the Public Assistance Grant which has a similar coverage the percentage of beneficiaries who are poor is 50.1 percent.

²³ UNICEF/Central Statistical Office (2008) Multiple Indicator Cluster Survey 3. Port of Spain.

²⁴ These programs, implemented by the MPSD, include TCCTP, Public Assistance Grant, Disability Grants, and the Old Age Assistance.

²⁵ In 2011, Cabinet approved a plan to migrate payments of the ministry towards a single biometric card that will include many "pockets" for the different transfers.

²⁶ The 2008 Survey of Living Conditions included a specific module to ask about access to various social programs. No official poverty figures have been calculated so far with this survey, which is why the incidence analysis of social programs uses the bottom 2 quintiles as a reference point taking into consideration that the previous poverty figures are 16.7 percent in the 2005 SLC.

²⁷ This is an indicative exercise, in order to do it the beneficiary distribution of the observed 2008 survey was replicated in the 2005 survey by assigning the same coverage by decile of consumption randomly within each decile, consumption levels of the 2005 survey were adjusted by inflation to 2011 levels to make them comparable to the current size of the transfer.

²⁸ The scenario presented here randomly assigns beneficiaries to be in the poorest quintile of the distribution. An upper limit to the improvements that could be obtained with a better targeting

- 1.19 **Proxy Means Test.** GORTT intends to better reach the appropriate beneficiaries²⁹ through the implementation of a new targeting system consisting of a new PMT and a revised process for enrolling beneficiaries supported by a new information system and a central beneficiary register. Once refined, the targeting system is intended to be standardized and used for all poverty targeted programs delivered by the MPSD based on the understanding that the existing multiple targeting framework increases both administrative costs and transaction costs for beneficiaries. Using the new targeting system, an applicant would fill one single form in order to be assessed for eligibility for different programs. Information would be entered by Ministry personnel into the system online and a score would then be assigned to the beneficiary based on the new PMT methodology. In addition to being used for targeting of new beneficiaries, the PMT would also be used for reassessing existing beneficiaries and correcting inclusion errors.
- 1.20 **Monitoring and evaluation (M&E).** The MPSD currently has a M&E strategy³⁰ and a M&E Division, however there has been limited implementation of the existing strategy. The GORTT will revise the M&E strategy to include evaluations of the various new processes, and an impact evaluation of the new consolidated CCTP. The main areas to be revised in the M&E framework are: (i) the MISSP (Management Information System for Social Programmes), which needs to include more elements on evaluation as the current focus is mainly on monitoring activities/ outputs; (ii) the instruments being used for monitoring, which are outdated; and (iii) the capacity building plan, which needs to focus on implementation issues, such as the training of personnel on M&E activities,³¹ appropriate use of instruments, production of user-friendly data for implementation, and Information Technology (IT) support.
- 1.21 The monitoring of the activities and products will be done by means of process evaluations. The monitoring and evaluation of the results produced by the PBL will focus on: (i) the efficiency gains of the program (i.e. decreased transactions fees and leakage); (ii) increased effectiveness of the programs (i.e. increased enforcing compliance of co-responsibilities); (iii) increased human capital of beneficiaries, particularly pre-schoolers and adolescent youth; and (iv) the effectiveness of the targeting methods (increased coverage, decreased inclusion errors, decreased poverty due to amount of transfers).
- 1.22 The impact evaluation will also address “second generation” questions on CCTs, namely the targeting result in the removal of some families from the cash

methodology would be to achieve perfect targeting of beneficiaries. This simulation shows the maximum benefit in an ideal scenario, no program in the region has achieved the perfect targeting simulated in this exercise.

²⁹ In a special mission of 2-5 August 2011, it was agreed that the PMT to be developed would predict consumption and be based on poverty according to the latest official estimate from the 2005 SLC.

³⁰ “A framework for Monitoring and Evaluating Social Sector Interventions”(Ministry of Social Development, Monitoring and Evaluation Division, October 2006)

³¹ There are few experts on M&E and those staff who have training in M&E usually move to the private sector. It seems there is room to work on incentives for work on public sector.

transfers, the impact of withdrawing ineligible households, and the most effective way of addressing these issues. There will also be new conditionalities related to outcomes described in the POD in terms of including families with small children to send them to pre-school or educational sessions on health and nutrition.

C. Request for Bank Support

- 1.23 The GORTT is undertaking a SSN reform as part of a wider economic transformation aimed at promoting human capital development especially among the poor. Based on the country's macroeconomic context, GORTT has requested a three single-tranche programmatic PBL series over a 4 year period in which the first operation of the series will be a hybrid operation with a programmatic PBL component (US\$45million) and an investment component (US\$5 million).
- 1.24 The Country Strategy for Trinidad and Tobago for 2004-2007 (GN-2335) was approved on September 28, 2004, later updated in 2008 (GN-2477) and updated again in 2010 (GN-2570 approved on May 4, 2010 by the IDB Board of Directors). This operation is aligned to the priority area of promoting social development by social improving public services of this 2004-2007-2010³² Country Strategy. The Country Strategy is expected to provide countercyclical support until the economy regains dynamism, while at the same time providing technical assistance and financial support for the reform agenda. This operation is also in keeping with IDB-9³³ given its emphasis on improving SSN quality and access to the poor and vulnerable groups of Trinidad and Tobago.

D. Overall objectives, components and costs

- 1.25 The overall objective of Program is to support GORTT's reform efforts to improve the effectiveness of the SSN programs delivered by the MPSD through: (i) reform of cash grants provided by MPSD; (ii) an improved targeting system for MPSD non contributory social protection programs; and (iii) capacity development and implementation of M & E systems in the MPSD. A summary of the program components is outlined as follows:
- 1.26 **Cash Transfer Program Component - the reform of cash grants.** The MPSD will consolidate existing cash transfer programs, eliminating duplication in processes and multiple targeting criteria for entry into programs. Consolidation means that the MPSD will merge existing cash grant programs and that it will implement one cash transfer program through a single cash grant unit. The consolidated cash transfer would be targeted to the poor, including poor households with children, the elderly poor, and the disabled poor. A set of key conditions to promote human capital accumulation for children and pregnant and lactating women are to be selected and monitored, with receipt of benefits to be conditional on compliance. Households might receive separate benefits under the consolidated cash transfer program (e.g., an unconditional senior citizens benefit

³² See [Country Strategy for Trinidad and Tobago](#).

³³ Building well articulated safety nets has been identified as one of the priority areas of IDB-9.

payable to the senior citizen and a conditional cash transfer benefit for children and pregnant and lactating women payable to the household representative); however, households would be targeted as a single unit with selection based on an improved proxy means test. Future disbursements under the PBL series would depend on evidence of monitoring and enforcement of these key conditions.

- 1.27 **Targeting Component - Improved targeting system for beneficiaries of targeted programs³⁴.** This component will support the creation of a PMT for targeting of programs and the development of a MIS and a Central Beneficiary Registry that will allow: (i) the entering of data from the PMT forms; and (ii) obtaining of a score that will determine eligibility for targeted programs.
- 1.28 The component will also support the implementation of M&E mechanisms to determine the effectiveness of the targeting methods. A process evaluation will be undertaken and includes a census of a number of neighborhoods to determine exclusion due to lack of information or interest and inclusion due to performance of the PMT or operational errors.³⁵ In addition, an evaluation of targeting outcomes of the new PMT will also be done. To facilitate these evaluations, specific questions are to be included in the Continuous Sample Survey of Population (CSSP). The component will include the revision of the targeting model based on the evaluations that have been done. Depending on the results of the evaluations, the demand based enrolment model may need to be revised.
- 1.29 **M&E Component - Capacity development of monitoring and evaluation.** This component will increase the M & E capacity of the MPSD through: (i) the design of a M & E plan for the new consolidated CCTP; (ii) training of human resources; (iii) implementation of a series of process evaluations of different aspects of the consolidated CCTP; and (iv) implementation of an impact evaluation of the consolidated CCTP.

E. Program structure and key indicators

- 1.30 Given the robust nature of the reforms and coupled with the current modest institutional capacity of the MPSD, the programmatic PBL allows GORTT to properly pace the policy reforms. The programmatic approach is in keeping with projected MPSD timelines to build the required capacity in a cumulative manner to manage the policy reforms and institutional changes. The success of the reforms largely depends on wide stakeholder consensus-building, and the proposed PBL operation of a series of three under the programmatic approach is best suited to support such a gradual and deliberate change management process.

³⁴ The Bank has an accumulated experience in accompanying the improvement of targeting mechanisms through PBLs, namely, El Salvador (ES-L1040) and Jamaica (JA-L1031). Both cases were based on the improvement of the existing PMT based on studies performed as part of the operation.”

³⁵ See Coady and Parker, 2004.

1. Programmatic PBL

- 1.31 Throughout the Program, the GORTT shall keep a stable macroeconomic framework which will be achieved through maintaining an appropriate macroeconomic policy framework congruent with the program's objectives and in accordance with the provisions of the Policy Letter.
- 1.32 **First programmatic PBL.** As outlined in paragraph 1.23, the first operation presented here is a PBL hybrid operation with a programmatic PBL component and an investment component. This operation is the first of three PBL series that, while technically related, are being financed independently under the programmatic PBL modality, in accordance with documents CA-450-1 and CS-3633. For disbursement of the first PBL operation, the GORTT will present verification that the policy conditions as stated in the [Policy Matrix](#) are met for each of the following components:
- 1.33 **Cash Transfer Program Component.** The evidence to be presented to the Bank will be as follows: (i) design of the consolidated CCTP. The design will include as a minimum: the definition of target population in terms of poverty, extreme poverty, the estimation of the size of eligible population in terms of number of households, the definition of the revised value and structure of the benefits, and the form that the revised social contract will take, with respect to the conditions to be monitored and enforced for receipt of benefits; (ii) implementation Plan for consolidation of TCCTP, Public Assistance, Old-Age Pension, Dietary, Clothing, Education, School Supplies and Disability Grants. Key elements of the implementation plan will include a series of [detailed operational plans](#); (iii) the establishment of an inter-departmental MPSD steering committee to oversee the implementation of the consolidated CCTP; and (iv) Design and pilot of **MIS modules** for data entry of applications and for calculation of PMT scores.
- 1.34 **Targeting Component:** (i) plan for the use of the new PMT for the consolidated CCTP; and (ii) approved questions to monitor targeting of consolidated cash transfer be included in CSSP questionnaire to be fielded in the 1st quarter of 2012.
- 1.35 **Monitoring and Evaluation Component:** (i) updated M&E Plan for the consolidated CCTP; (ii) as confirmed by a letter from the Ministry of Finance, GORTT will verify that there is adequate budget for the design and baseline of the impact and process evaluations of the consolidated CCTP; and (iii) as evidenced by letter from the MPSD, attaching CVs and job descriptions, GORTT will install staff with the appropriate skills-set at the MPSD to implement the M&E plan.
- 1.36 **The second programmatic PBL.** Estimated at US\$30 million, will support the continued policy direction of the program and will focus on the following:
CashTransfer Component: (i) application of the Operations Manual for the consolidated CCTP by the MPSD; (ii) enforcing the social contract between the MPSD and the beneficiaries and transitioning of personnel, infrastructure and

systems for the consolidated CCTP; and (iii) launching the full MIS for the CCTP. **Targeting Component:** (i) Through the PMT, selecting or recertifying at least 60 percent of total in the roster of beneficiaries for the CCTP; (ii) Monitoring of targeting of the consolidated CCTP through the use of the module and inclusion of the module in the CSSP for the 3rd quarter of 2012 and the 1st quarter of 2013; and (iii) Conducting a process evaluation of adequacy of the existing TCCTP demand based model which incorporates beneficiaries for the new CCTP and includes a revised enrolment process based on recommendations from the evaluation. **M & E component:** (i) Designing and selecting a sample for impact evaluation; (ii) Designing the process evaluation; (iii) Implementing the revised and updated M&E framework; and (iv) Implementing evaluations as outlined in the updated M&E framework.

- 1.37 **Third programmatic PBL.** The last of the series, estimated at US\$30 million will complete the policy measures of the program as follows: **Cash Transfer Component:** (i) Ensuring that the value of benefits from the consolidated CCTP transfer is maintained in real terms at the agreed level as outlined in the 1st programmatic operation; (ii) Continued enforcing of the social contract between MPSD and the beneficiaries; (iii) Recertifying of beneficiaries in accordance with the Operations Manual; (iv) Conduct of a Financial audit for consolidated CCTP; and (v) Completion of an external evaluation of the MIS and payment mechanism and recommendations adopted in a revised version of the Operations Manual. **Targeting Component:** (i) Application of the PMT to select or recertify at least 75 percent of total beneficiaries on the roster for the CCTP. (ii) Conducting a targeting evaluation of the consolidated CCTP. (iii) Updating³⁶ the PMT and MIS for the consolidated CCTP based on recommendations from the targeting evaluation; and (iv) Application of the PMT for other targeted SSN programs. **M & E Component:** The finalization of the Operations Manual based on findings of the process evaluation and the first round of impact evaluation of the consolidated CCTP.

- 1.38 The expected results from this Program are detailed in the [Results Matrix](#).

2. Investment Component

- 1.39 As stated previously in paragraph 1.23, the investment component (US\$5million) of the first operation will support activities aligned with the overall policy objectives, build MPSD institutional capacity and support technical work to action policy conditions in the second and third operations. The IT enhancement under the investment component is a critical and specific investment which will assist the MPSD in not only improving the quality of CCTP in this loan but extend to improving poverty data collection and analysis for the sector which has been a long outstanding sector-wide challenge. The investment component will support the design and implementation of the Central Beneficiary Registry, which includes software/hardware and operational protocols. The registry will allow

³⁶ These updates are to be included in a revised Operations Manual approved by MPSD.

MPSD to determine duplication of benefits, assess efficiencies in administrative costs and undertake systematic management of beneficiary exit criteria for the consolidated CCTP. The investment component will also support: (i) finalization of the MPSD 2011-2016 Strategic Plan and departmental operational plans and (ii) implementation of the updated M&E framework to support, among other tasks, the roll out of a consolidated CCTP. The expected targets and results are outlined in [Annex II](#).

- 1.40 MPSD will execute the investment component and will: (i) prepare annual operating plans; (ii) monitor indicators outlined in the results framework; and (iii) undertake the financial administration of the project in accordance with Bank policies and procedures. A [Project Execution Unit](#) (PEU) will be created for program execution, and the MPSD will prepare the Operations Manual for the investment component. Both the Operations Manual and the creation of the PEU will be prior conditions to first disbursement of the investment component.³⁷

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The first operation under the programmatic series has been structured as a hybrid operation **comprising a Policy Based Loan (PBL) component (US\$45 million) and an investment component (US\$5 million). The second operation is tentatively** scheduled to be prepared in late 2012 for approximately US\$30 million and will support the evaluation phase of the reforms and the third operation, prepared in 2013 in the sum of approximately US\$30 million will support the required adjustments stemming from the results of the evaluations carried out during the second operation.

B. Environmental and social safeguard risks

- 2.2 The safeguard policy filter report categorized the investment component of this loan as a “C” project indicating that this component’s net environmental and social impacts are likely to be positive for those communities which will have increased access to social safety net programs.

C. Fiduciary risks

- 2.3 The fiduciary risk of the investment component of the first operation is expected to be medium risk, mainly due to the lack of an efficient accounting system for the accounting and financial reporting of the project and the MPSD’s limited

³⁷ To satisfy conditions prior and in keeping with normal operating procedures for investment loans currently in execution in Trinidad, the MPSD will submit the required verification that the PEU has been established and the contracting of the Project Coordinator completed.

experience with fiduciary procedures and requirements for Bank funded projects. No issues are foreseen with regard to the timing of Bank or counterpart resources to the project. The mitigating actions to address the areas of risk identified are outlined in [Annex III](#).

- 2.4 Procurement for the proposed investments will be carried out in accordance with the Policies for the Procurement of Works and Goods financed by the IDB (GN-2349-9) of March 2011; and the Policies for the Selection and Contracting of Consultants financed by the Inter-American Development Bank (GN-2350-9) of March 2011, and with the provisions established in the loan contract and the procurement plan.
- 2.5 **Audits.** The MPSD will be responsible for contracting an external auditor and shall present annual financial statements of the investment component audited by an independent auditor acceptable to the Bank within 120 days of the end of each fiscal year, and a final financial statement to be submitted within 120 days after the date of the last disbursement. Audit costs will be financed through the loan.

D. Economic analysis

- 2.6 A partial economic analysis of the program was conducted in order to test different scenarios of economic viability of the program. The focus of the analysis was the targeting component of the program and the single delivery mechanism through an electronic card. In order to simulate the potential return of such a policy reform, data from the 2008 Household Budget Survey was used³⁸. The simulation model³⁹ tests different scenarios of performance of a Proxy Means Test (PMT) and ways in which it could be implemented in the field. For example given a baseline leakage scenario of 54 percent a performance of the PMT of 65 percent and if the PMT is used to recertify all existing beneficiaries and replace them with new ones in a way that the current coverage of the program is maintained the rate of return would be of 140 percent in a three year period⁴⁰. Among the alternative scenarios for the investment, the exercise highlighted that any performance below 63 percent for the PMT would put the profitability of the investment at risk. In the case of an electronic card, an analysis comparing fees paid by programs in other countries showed that in order to be profitable (excluding other likely benefits for households such as time savings) the MPSD should negotiate a fee below US\$0.22 cents per transaction.⁴¹

³⁸ The Household Budget Survey includes a module of access to social programs.

³⁹ Please see [details of the simulation model](#).

⁴⁰ See [Cost Benefit Analysis](#) for more detail on assumptions to run the model.

⁴¹ The net present value assuming no further investments are needed for the next three years and a fee of US\$0.20 would be US\$116 thousand.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. SUMMARY IMPLEMENTATION ARRANGEMENTS

- 3.1 The Borrower is the Republic of Trinidad and Tobago. The MOF⁴² will oversee the overall preparation and coordination of the program while the MPSD will be responsible for program execution. A Project Execution Steering Committee, chaired by the MPSD, and comprising officials from the Ministries of Finance, Planning, Community Development and at least two members from Civil Society will: (i) monitor implementation progress; (ii) maintain key stakeholder participation; and (iii) resolve strategic, technical and coordination issues. Previous experience with PBLs has produced successful coordination using a mechanism such as proposed here.
- 3.2 The MPSD will develop an Implementation and Management Plan which includes stakeholder workshops and public dissemination campaigns to address beneficiary eligibility criteria and operational rules of SSN programs as part of the social marketing of the program to focus in particular on increasing public knowledge on: (i) the nature of the reforms; and (ii) eligibility criteria and operational rules of SSN programs.

B. SUMMARY OF ARRANGEMENTS FOR MONITORING RESULTS

Based on its prior experience with both PBL and Investment loans, the MOF supported by the MPSD, will monitor the progress and completion of the policy measures of the program. Indicators for monitoring and evaluating the scope of program objectives will include: (i) Household Budget Survey⁴³ (2008 and previous surveys) for poverty simulations, consumption indicators, status of education and health indicators; (ii) Multiple Indicators Cluster Surveys⁴⁴ to monitor the status of health with particular focus on infant mortality, chronic diseases and school enrolment and attendance; (iii) annual administrative reports from the Auditor General and MPSD to monitor beneficiary compliance with the social contract; and (iv) to monitor efficiency gains, Annual Cost-Benefit Analyses from the MPSD detailing transaction fees, bank charges and overlaps. The Policy Matrix outlines the key indicators for monitoring and evaluating the scope of the program objectives. The Bank Project Team will assist the GORTT by providing supervision assistance and scheduling special missions at critical points during program implementation. For the investment component, MPSD will be responsible for: (i) semester reports on program status; and (ii) compliance with the contractual clauses.

⁴² The Permanent Secretary, MOF will be responsible for presenting to the Bank: (i) the means of verification with respect to the fulfillment of policy conditions as outlined in the Policy Matrix and (ii) submission of the required documentation to effect disbursements.

⁴³ While annual or bi-annual data would be optimal, Household Budget Surveys are conducted every 5-10 years with no fixed schedule.

⁴⁴ The Multiple Indicators Cluster Survey is conducted every five years.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	The intervention contributes to the lending program for small and vulnerable countries and poverty reduction and equity enhancement.		
Regional Development Goals	The intervention contributes to reductions in extreme poverty rate and share of youth ages 15 to19 who complete ninth grade.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	The intervention contributes to Bank output: Students benefited by education projects (girls, boys) and Individuals (all, indigenous, afro-descendant) receiving targeted anti-poverty		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2335	Reduction in poverty, improvement in national income and reduction of inequality.	
Country Program Results Matrix	GN-2617	The operation is included in the 2011 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	7.4		10
3. Evidence-based Assessment & Solution	7.8	25%	10
4. Ex ante Economic Analysis	10.0	25%	10
5. Monitoring and Evaluation	7.0	25%	10
6. Risks & Mitigation Monitoring Matrix	5.0	25%	10
Overall risks rate = magnitude of risks*likelihood		Medium	
Environmental & social risk classification		C (Investment Component)	
III. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)	Yes	The following country systems are used: Budget and Treasury.	
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan.			

The operation is a PBL with the overall objective to improve the effectiveness, efficiency, transparency and accountability of the country's social safety net programs. The PBL focuses on improvements in the effectiveness and efficiency of the main cash grant programs, while the investment element supports technical work. The program presents a clear diagnostic of the problem, objective population, and proposed solution.

The Ministry of Finance is responsible for monitoring of the program, and will develop a system for gathering and maintaining data included in the results matrix. Evaluations will be conducted by independent evaluators. Preliminary evaluation questions and a potential quasi-experimental methodology are proposed. An economic cost-benefit analysis was performed. The project has a risk matrix that identifies potential risks and mitigation measures.

RESULTS FRAMEWORK AND MATRIX OF INDICATORS FOR THE INVESTMENT ELEMENT¹**Investment Element Objectives**

The Investment element seeks to provide technical support in the following areas: (i) finalization of the MPSD 2011-2016 Strategic Plan and development of departmental operational plans to action the SSN reforms; (ii) update and implementation of the monitoring and evaluation framework to support the roll out of a consolidated cash transfer program; (iii) expansion of the IT systems within the MPSD to improve data collection and analysis to facilitate improved decision making; (iv) conduct of research studies in SSN service delivery to inform forward planning and future policy actions; and (v) design and implementation of a strategy to integrate, resource, certify, monitor and regulate civil society organizations that deliver SSN services.

Sub Components	Base	Yr 1	Yr 2	Yr 3	Comments
1.1 MPSD Strategic Plan 2011-2016; Departmental Operational Plans					
Expected results					
1.1.1. Updated MPSD Strategic Plan and new departmental operational plans	0	Cabinet approval of MPSD strategic plan	Implementation of departmental operational plans	Review and update of departmental plans	In order to achieve common consensus, a critical component of the strategic plan will include a change management component and transition plan along with an internal stakeholder communications strategy.
1.1.2 Staff training	0	Ministerial approval of staff training plan to support implementation of consolidated cash transfer plan	40% of MPSD frontline client staff trained	60% of MPSD frontline client staff trained	Quality insurance will be carried out by the MPSD's training unit to ensure that service staff is well trained to implement the consolidated cash transfer program.
1.2 IT Systems expansion; design of Central Beneficiary Registry					
Expected results					
1.2.1 Conceptual design for the CBR	0	Ministerial approval of: (i) IT expansion Plan; and (ii) Conceptual Design for the Central Beneficiary Registry (CBR)	Installation of CBR and implementation of wider IT expansion plan	Refinements to CBR	It is expected that by year 2, the MPSD will use the CBR to administer and evaluate the consolidated transfer program.

¹ This Matrix reflects outputs. The outcomes needed to fill this Matrix properly will be discussed with the GORTT in the upcoming mission September 19 – 23 2011.

Sub Components	Base	Yr 1	Yr 2	Yr 3	Comments
1.3 M & E Framework					
Expected results					
1.3.1 Updated M&E Framework	0	Cabinet approval of M&E revised framework	Implementation of process and impact evaluation of the CCTP in line with the revised M & E framework	Use of M&E framework for other targeted SSN programs	
1.4 Civil Society Strategy					
Expected results					
1.4.1 Civil Society Integration Strategy and Implementation Plan	0	Ministerial approval of civil society integration strategy and implementation plan	Implementation of plan	Review and update of plan	In order to generate synergies and cohesion, the civil society integration plan will include a process of information sharing among all SSN program providers, both public and private, to provide information about the complementarities of what each provider does.

FIDUCIARY ARRANGEMENTS

COUNTRY: The Republic of Trinidad and Tobago
PROJECT: TT-L1014. Social Safety Net Program
EXECUTING AGENCY: Ministry of the People and Social Development (MOPSD)

I. Executive Summary

The investment component of the project will be executed by a Project Executing Unit (PEU) to be established within the Ministry of the People and Social Development. As the PEU will be new, the Bank will provide close guidance and supervision during its establishment, so as to ensure that adequate fiduciary procedures and systems are implemented. In as much as possible, the project will use the fiduciary financial management systems that are currently being used within the Ministry (e.g. budget and treasury systems). Where necessary however, the financial management systems will be supplemented to make them more efficient e.g. introduction of a computerized accounting system for the project, to supplement the manual and heavily paper based system currently being used. The use of the country's public procurement system is not being contemplated under this project. Public procurement in Trinidad and Tobago currently operates under a decentralized system and no uniform policies or procedures exist within a national framework. The Bank is currently assisting the Government to modernize its procurement systems through loan and grant funds.

II. Executing Agency's Fiduciary Context

The Bank will provide support and guidance to the PEU in the implementation and/or strengthening of its fiduciary capacity to execute the proposed project. This will be needed since the Ministry is unfamiliar with the Bank's requirements and procedures for the fiduciary management of projects. Even though the project will rely on the Ministry's current systems, these will need to be supplemented in order to make them more efficient and effective for the fiduciary management of the project.

Once the PEU has been established and relevant personnel assigned, a follow-up exercise will be done in order to further assess its capacity and further tailor the fiduciary arrangements to meet the needs of the project and PEU.

III. Fiduciary risk evaluation and mitigation actions

The fiduciary risk of the project is medium. The following areas of risk have been highlighted for close supervision:

Risk	Risk	MITIGATION MEASURES
Accounting and Information System inadequate for project accounting and reporting.	Medium	The Executing Agency will implement a computerized accounting system for the project to facilitate the maintenance of the project accounts in an adequate and timely manner.
Fiduciary capacity of the Executing Agency	Medium	Bank to provide capacity building training in Bank procedures and requirements for financial management and procurement.

IV. Aspects to be considered in the Special Conditions of Contract

To facilitate the contract negotiation by the project team and specifically by the LEG, the fiduciary arrangements that should be considered in the Special Clauses are described below:

- (i) **Dedicated personnel** should be identified by the Ministry to support the fiduciary (procurement and financial management) planning and management of the project.
- (ii) **Annual audited financial statements** of the project are to be submitted to the Bank within 120 days after the close of the fiscal period in addition to Final Audited Financial Statements which are due for submission to the Bank within 120 days of the close (last disbursement date) of the Project.
- (iii) **Exchange rate:** For purposes of justification of expenses to the Bank (including reimbursements), if the project expenses have been incurred in local currency, the equivalent amount to be reported in the project currency, shall be determined using:
 - i. the effective exchange rate used to convert the funds denominated in the project's currency to the local currency, or
 - ii. the effective exchange rate of the payment date, without regard to the source of the financing used.

FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

1. Procurement Execution

Procurements for the proposed project will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (GN-2349-9); and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-9), and with the provisions established in the loan contract and this procurement plan. In addition, prior to any procurement being initiated for this project, the Borrower is required to prepare and submit to the Bank a draft General Procurement Notice.

- a. **Procurement of Works, Goods and Non- Consulting Services:** The procurement plan for the Social Safety Net Program covering the first 18 months of project execution of the investment component (summarized in Appendix 1), indicates the procedure to be used for procurement of goods, and the contracting of non consulting services. No works procurement is anticipated under this project. The review of technical specifications in all cases, during the process of selection is the responsibility of the sector specialist of the project.
- b. **Procurement of IT systems:** Two major procurements of IT hardware and software are expected under the project. Hardware in the form of computers is expected to be procured from one supplier in the amount of approximately US\$1,000,000, and software in the amount of approximately US\$550,000 to support a registry of beneficiaries of the program, is expected to be procured from another supplier. The international competitive bid method will be used to select the bidder with the lowest evaluated price.
- c. **Procurement of Consulting Services:** The procurement of the main activities for the Social Safety Network Program is summarized in the table below (section 3). The

table indicates the procedure to be used for the procurement of consultancy services, and the method of selecting consultants. The PEU is responsible for preparing and implementing the project, and therefore for preparing the TORs, short lists, selecting the consultants, and awarding and subsequently administering the contract.

- **Selection of Individual Consultants:** Individual consultants are employed on assignments for which: (a) teams of personnel are not required; (b) no additional outside (home office) professional support is required; and (c) the experience and qualifications of the individual are the paramount requirement. Individual consultants are selected on the basis of their qualifications for the assignment. Advertisement is not required¹ and consultants do not need to submit proposals. Consultants shall be selected through comparison of qualifications of at least three candidates among those who have expressed interest in the assignment or have been approached directly by the Borrower. Individual consultants may be selected on a sole-source basis with due justification in exceptional cases. This is to be carried out in accordance with Section V (Selection of Individual Consultants) of GN-2350-9 paragraphs 5.1-5.4.
 - **Training:** The detailed procurement plan indicates to which consultancy services training and workshops are applicable.
- d. **Recurring Expenses:** Include payment of utilities and other office operating expenses of the Executing Agency.
- e. **Advance contracting/ Retroactive Financing:** Section 1.9 of the procurement policies allows for retroactive financing and advance contracting where the procurement procedures, including advertising, are in accordance with the procurement policies in order for the eventual contracts to be eligible for Bank financing. The Bank shall review the process used by the Borrower. A Borrower undertakes such advance contracting at its own risk, and any concurrence by the Bank with the procedures, documentation, or proposal for award does not commit the Bank to make a loan for the project in question. If the contract is signed, reimbursement by the Bank of any payments made by the Borrower under the contract prior to loan signing is referred to as retroactive financing and is only permitted within the limits specified in the Loan Contract.
- f. **Domestic Preferences:** Determining whether it is appropriate and necessary to use domestic preference in the evaluation of bids should be guided by Appendix 2 of GN-2349-9 paragraphs 1-6.

¹ However, in some cases Borrowers may consider the advantage of advertising at their option.

2. Country Threshold Table (US\$ Thousands) for Trinidad and Tobago

Works			Goods			Consulting Services		Limit for Ex-Post Revision
International Competitive Bidding	National Competitive Bidding	Shopping/ Price Comparison	International Competitive Bidding	National Competitive Bidding	Shopping/ Price Comparison	International Competitive Bid	Short Lists Solely by Nationals	
+ 3,000	250 -3,000	-250	+ 250	50-250	-50	N/A	-200	12 months
Ex Ante Review	Ex Post Review	Ex Post	Ex Post Review	Ex Post Review	Ex Post Review	Ex ante	Ex Post Review	
Individual Consultants: will be reviewed ex ante for services at or above US\$100,000. For amounts below US\$100,000, such procurements will be reviewed ex post.								
Direct contracting: contracts valued above US\$5,000 will be reviewed ex ante.								

Note: Amounts for ex post and ex ante review are applicable based on the capacity of the executing agency and complexity of procurements. These amounts may be adjusted by the Bank, as capacity is improved, and as agreed with the executing agency.

3. Procurement Plan

The procurement plan for the SSN Reform Program covering the first 18 months of project execution² has been agreed upon by the Bank and the MPSD. The plan indicates the procedure to be followed for the procurement of goods, the contracting of works or services, and the method of selecting consultants, for each contract or group of contracts. It also indicates cases requiring prequalification; the estimated cost of each contract or group of contracts; the requirement for prior or post review by the Bank; and estimated periods (dates) for the publication of specific procurement notices and completion of the contracts included in this project. The procurement plan will be updated annually or whenever necessary or as required by the Bank. The detailed procurement plan will be available at www.iadb.org/procurement, or via SEPA.

Main Procurement Activities

Activity	Procurement Method	Estimated Date	Estimated Amount US\$
Goods			
Related hardware and software to support (i) SSN data collection and analysis at the MPSD and (ii) central beneficiary register	ICB	December 2011	1,550,000
Firms			
Develop MPSD Strategic Plan and Departmental Operational Plans	QCBS	January 2012	400,000

² The first 18 months of project execution are counted from the date of publication of the general procurement notice, or the first specific procurement notice published following approval of the loan, whichever is earlier

Activity	Procurement Method	Estimated Date	Estimated Amount US\$
Update to M & E Framework	QCBS	January 2012	300,000
Contracting of Audit Firm	QCBS	TBD	20,000
Individuals			
6 Poverty Research studies	QCNI	April 2012	500,000 (80,000 per study)
Develop Civil Society Strategy	QCNI	March 2012	50,000
Design of Central Beneficiary Registry	QCNI	January 2012	50,000
Project Coordinator (36 months)	QCNI	Nov 2011	120,000
Financial Specialist (36 months)	QCNI	Nov 2011	120,000
Administrative Assistant (36 months)	QCNI	Nov 2011	40,000

4. Procurement Supervision

Supervision will be ex ante for ICB levels (except for procurement of goods, which is supervised ex post), and for all direct contracting above US\$5,000. All other procurements will be supervised ex post, unless otherwise agreed. Ex post procurement review should take place at least once every 12 months, in accordance with the supervision plan of the Project. Ex post review may be conducted by Bank staff, expert consultants, or as part of the regular audit of the project.

5. Other Requirements:

Use of Electronic Procurement System: The IDB/World Bank on-line Electronic Procurement Execution System (known by its Spanish acronym as SEPA) was introduced in Trinidad in August 2010. It is expected that the executing agency will use the SEPA program for management of its procurement plan and activities. As part of the E-government and Knowledge Brokering facility, financed by the IDB, the Government of Trinidad is also planning to develop an on-line procurement notice publication portal. Procurement processes falling below the national competitive bid thresholds may also be advertised on this site once it becomes operational.

6. Records and Files

The PEU will have responsibility for maintaining the files and records of the project. Records and files should be managed and updated in a timely and organized manner in accordance with accepted best practices; and kept for up to three (3) years beyond the end of the operation's execution period.

FIDUCIARY ARRANGEMENTS FOR FINANCIAL MANAGEMENT

1. Programming and Budget

Each year, the Ministry of Finance publishes a Call Circular, usually in March, requesting the submission of estimates of income and expenditure from ministries and other agencies for inclusion in the National Budget for the following fiscal year, October to September. The Call Circular provides the format in which the estimates are to be submitted, and the required submission deadlines.

The PEU will prepare annual estimates in the required format for the approval by the Permanent Secretary, Ministry of the People and Social Development, which will be included in the Ministry's overall budget estimates. The estimates will consider the total cost of financing required for execution

of the program, and provide a breakdown of the sums to be financed by the IDB and Counterpart Contribution for each category of expenditure. Adequate justification will be documented to support the sums requested.

The Draft Estimate of Expenditure is submitted to the Ministry of Finance for approval and inclusion in the Public Sector Investment Program (PSIP) of the budget. The budget (Appropriation Bill) is presented to Parliament usually two weeks before the close of the fiscal year. Once presented, it is debated by the Upper and Lower Houses, voted on and approved, and becomes an Act of Parliament. Once the budget is approved, the Ministry of Finance, informs the various government ministries and agencies of their approved allocations for the fiscal year.

The amounts approved in the budget may be amended through the presentation of a supplementary appropriation bill to parliament. The midterm review, usually held in March, is often a trigger for possible reallocation of budgetary resources among Government Departments.

2. Accounting and Information Systems

The national accounting system is cash based, manual and based mainly on expenditure control. According to the financial regulations, Exchequer and Audit Act, an accounting officer shall keep an appropriate control over the expenditure of his department to ensure that the amounts provided in the estimates are not exceeded. This control is required to be done via the maintenance of the departmental vote book³.

In the case of the project, the departmental vote book for the relevant sub-heads under the estimates will be maintained, as required by the national financial regulations. As this process is manual and may not provide the required information to facilitate the timely financial reporting under the project, a parallel electronic accounting system will be used to maintain the project accounts. The accounting system at a minimum will facilitate 1) the recording and accounting of all financial transactions according to source of funding and categories of investments as per the budget of the project; and 2) the generation of information related to planned vs. actual financial execution for the project. Project accounting will be guided by Exchequer and Audit Act, International Financial and Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS), when applicable.

Financial Reports that will be required for the project are:

1. Annual Audited Financial Statements, to be submitted within 120 days after the end of the fiscal period;
2. Final Audited Financial Statements, to be submitted within 120 days after the closing of the project;
3. Financial Plans, to be submitted with each request for an Advance of Funds;
4. Reconciliation of the Advance of Funds, to be submitted with each request to justify the advance of funds;
5. Financial Execution Status reports, to be submitted semi-annually as part of the progress report of the Project; and any other reports, audited or unaudited that may be reasonably requested by the Bank.

³ Control record over expenditure of Ministry departmental allocation

3. Disbursements and Funds Flows

The PEU will have responsibility for disbursements and payments under the Investment Component of the project. A treasury authorized bank account with the Central bank of Trinidad and Tobago will be used for the management of loan resources.

Disbursement methods that may be used to disburse funds from the loan financing are as follows: Advance of Funds; Reimbursement of Payments Made; or Direct Payment to Supplier.

Disbursements will be ex-post, except for Requests for Direct Payment to Suppliers. The Executing Agency will be responsible for the maintenance of adequate and original documentation to support disbursement requests. Such documentation will include, accounting receipts, canceled invoices, payment receipts, legible canceled cheques, customs duties certificates, certificates of works, employment contracts, shipping, unloading, and storage documents, receipt reports, and any other payment support document acceptable to the Bank.

It is expected that the Bank's eDisbursements system, which was recently introduced to facilitate the electronic submission of disbursement requests to the Bank, will be used for the Project. Final determination of its use will be determined based on the readiness of the PEU and a cost-benefit analysis to be conducted.

4. Internal Control and Audit

The internal control system of the Ministry is considered acceptable and as such, will be incorporated into the internal control system which is to be established for the project. The system to be established should provide reasonable assurance that 1) the project funds are used for their intended purpose and project development objectives, with special attention given to the principles of economy and efficiency; 2) project assets are properly safeguarded; 3) project transactions, decisions, and activities are properly authorized and documented; and 4) project transactions are executed in accordance with the established policies and procedures delineated in the legal agreements. In order to enhance the internal control system of the project, a recommendation should be made to the Executing Agency for the Internal Audit Department of the Ministry to periodically audit the project.

5. External Control and Reporting

The Executing Agency will be required to submit to the Bank, Annual Audited Financial Statements of the Project to be submitted within 120 days after the close of the fiscal period and Final Audited Financial Statements due within 120 days of the close (last disbursement date) of the Project. The audit will be done in accordance with International Auditing Standards. The Terms of Reference will be agreed on between the Executing Agency and the Bank, and will include at a minimum, the requirement to audit basic financial statements of the project, review internal controls and carry out ex-post disbursement and procurement reviews.

The external auditors to be used for the project is pending agreement with the Borrower. The Auditor General's Department may be used to conduct the audit, or a competitive process to select a private audit firm may be carried out. Audit fees will be eligible for funding from the loan resources.

6. Financial Supervision Plan

The initial Financial Supervision Plan of the project will focus on 1) activities related to the implementation and follow-up of arrangements and systems being implemented for the financial

management and procurement of the project; and, 2) capacity building of PEU personnel in the Bank's procedures and requirements.

POLICY MATRIX

The objectives of the Social Safety Net Reform Program are to: (i) improve the efficiency and effectiveness of key safety net programs and (ii) establish a coherent and fiscally sustainable social safety net in Trinidad and Tobago.

ACTIONS TO BE TAKEN DURING EXECUTION TO TRIGGER DISBURSEMENTS

Specific Objectives	Policy triggers for the 1 st programmatic loan	Policy triggers for the 2 nd programmatic loan	Policy triggers for the 3 rd programmatic loan
I. Macroeconomic Framework			
Maintain a stable macroeconomic framework.	The Borrower shall maintain an appropriate macroeconomic policy framework congruent with the program's objectives and in accordance with the provisions of the Policy Letter.	The Borrower shall maintain an appropriate macroeconomic policy framework congruent with the program's objectives and in accordance with the provisions of the Policy Letter.	The Borrower shall maintain an appropriate macroeconomic policy framework congruent with the program's objectives and in accordance with the provisions of the Policy Letter.
II. Cash Transfer Programs			
Strengthen the delivery of Cash Transfer to enhance efficiency and effectiveness	<p>Ministerial approval of design features of Consolidated Cash Transfer Program (CCTP) including¹:</p> <ul style="list-style-type: none"> -definition of target population. -estimation of the size of eligible population. -value and structure of the benefits. -form that the revised social contract will take with respect to the conditionalities to be monitored and enforced for receipt of benefits. <p>Cabinet approved plan² developed in consultation with all relevant stakeholders for consolidation³ of TCCTP, Public Assistance, Old-Age Pension, Dietary, Clothing, Education, School Supplies and Disability Grants. Key elements of the plan to include:</p>	Operations manual for the CCTP approved by the Bank and by Permanent Secretary of MPSD. ⁶	Value of benefit from consolidated cash transfer maintained in real terms at level agreed in policy trigger for 1st programmatic loan.

¹ This will include bank support through workshop sessions to reach necessary agreements

² This will include bank support through workshop sessions to reach necessary agreements

³ The plan for the consolidation of the programs will be based on evidence regarding the specific details about where there will be efficiency gains based mainly upon the cost benefit analysis and other related technical work to prepare the program. The plan should include meaningful changes for key items, including: personnel structure, infrastructure and system processes.

Specific Objectives	Policy triggers for the 1 st programmatic loan	Policy triggers for the 2 nd programmatic loan	Policy triggers for the 3 rd programmatic loan
	<p>-Description of the consultation process to be followed to develop the plan.</p> <p>-Transition plan for the integration of systems, personnel, infrastructure and processes.</p> <p>-Plan for monitoring compliance with conditionalities.⁴</p> <p>-Plan for recertification of existing beneficiaries.</p> <p>-Plan for enrolment of new beneficiaries and exit strategy.</p> <p>-Plan for the design of the Executing Unit for the CCTP.</p> <p>Cabinet approved Steering Committee to oversee the implementation of the CCTP.⁵</p> <p>MIS modules for data entry of applications and for calculation of PMT score complete and piloted.</p>	<p>Evidence that compliance with social contract (beneficiary co-responsibilities) is being enforced.⁷</p> <p>Transition of personnel, infrastructure, and systems to CCTP complete.</p> <p>Full MIS for consolidated cash grant launched.</p>	<p>Evidence that compliance with social contract (beneficiary co-responsibilities) continues to be enforced.</p> <p>Evidence of compliance with recertification process according to Operations Manual.</p> <p>Submission of management audit⁸ (of quality acceptable to Bank) for consolidated cash transfer.</p> <p>Report of an external evaluation of MIS and payment mechanism and recommendations adopted in revised version of the Operations Manual approved by Bank.</p>

⁶ To include design of consolidated program, including responsibilities of key staff, and all of the processes to be followed for enrollment, recertification, delivery of transfers, key links to other ministries and programs and monitoring and evaluation mechanisms to be followed, including reports to be submitted to the IDB. The OM should also include the level of benefit, targeting and eligibility criteria, co-responsibilities, duration of eligibility and recertification requirements, internal and external audits, and appeal mechanisms.

⁴ The plan would identify institutional reforms (consolidation of divisions, governance structure); operational reforms (including MIS, payment systems, and key performance and operational indicators), criteria to define the eligible population, the estimation of the size of the eligible population, the definition of the size and design of the benefits associated with the consolidated cash transfer, and the plan to support the transition from the current array of programs to the CCTP.

⁵ As evidenced by a letter from the Ministry of Finance confirming Cabinet's decision.

⁷ Report to Bank indicating the percentage of beneficiaries per month that were compliant with co-responsibilities, those that were non-compliant and did receive the transfer and those that did not receive transfer due to noncompliance with co-responsibilities.

⁸ A management audit is a systematic assessment of methods and policies of an organization's management in the administration and the use of resources, tactical and strategic planning, and employee and organizational improvement. The objectives of a management audit are to (1) establish the current level of effectiveness, (2) suggest improvements, and (3) lay down standards for future performance.

Specific Objectives	Policy triggers for the 1 st programmatic loan	Policy triggers for the 2 nd programmatic loan	Policy triggers for the 3 rd programmatic loan
III. Targeting			
Develop an efficient, easily verifiable and transparent targeting system that can be used for targeted safety net programs	<p>Cabinet approved plan for the use of the new Proxy Means Test (PMT) for CCTP under the MPSD⁹</p> <p>Module to monitor targeting of CCTP included in <i>Continuous Sample Survey of Population</i> in 1st quarter of 2012.¹⁰</p>	<p>Evidence that PMT is being used to select beneficiaries for the consolidated cash transfer program. At least 60% of the total roster of beneficiaries should have been selected or recertified based on the PMT.¹¹</p> <p>Module to monitor targeting of consolidated cash transfer included in <i>Continuous Sample Survey of Population</i> for 3rd quarter of 2012 and 1st quarter of 2013</p> <p>Process evaluation of adequacy of TCCTP demand-based model to incorporate beneficiaries for a CCTP.¹² Revised enrolment process based on recommendations from evaluation.</p>	<p>Evidence that PMT is being used to select beneficiaries for the consolidated cash transfer program. At least 75% of the total roster of beneficiaries should have been selected or recertified based on the PMT.</p> <p>Targeting evaluation of the consolidated cash transfer program¹³ has been conducted and the PMT and MIS for consolidated cash transfer program have been updated based on recommendation of this evaluation. The updates are included in a revised Operations Manual approved by the Permanent Secretary of the MPSD.</p> <p>Evidence that PMT and MIS for consolidated cash transfer program have been updated based on recommendations from targeting evaluation.</p> <p>Cabinet approved Plan to expand use of PMT to other targeted safety net programs.</p>

⁹ The plan would identify the strategy to assess the eligibility of current and new beneficiaries for the consolidated CCTP and exit strategy for current and new beneficiaries who will not be eligible for the consolidated CCTP. The plan would also identify the strategy for capturing new beneficiaries including geographical areas for specific outreach exercise, promotion methods and timeline to be prioritized.

¹⁰ The targeting module would be included in the *CSSP* annually.

¹¹ Indicator =
$$\frac{\text{New enrolments using PMT} + \text{existing beneficiaries recertified using PMT}}{\text{Total beneficiaries of the program}}$$

¹² This evaluation should include focus groups to answer key questions such as beneficiaries' knowledge and understanding of the program.

¹³ The evaluation would consist on a census of a few selected geographical areas to collect information about socioeconomic characteristics, and information about the percentage of population (who should and should not get the program) who know about the program, who applied for the program, got into the program and the reasons behind each one of these answers (see Coady and Parker, 2004). Information from the Continuous Sample Survey of Population should be also used.

Specific Objectives	Policy triggers for the 1 st programmatic loan	Policy triggers for the 2 nd programmatic loan	Policy triggers for the 3 rd programmatic loan
IV. Monitoring and Evaluation			
Development and implementation of a robust monitoring and evaluation strategy	<p>Monitoring and Evaluation Plan for the CCTP approved by Cabinet.¹⁴</p> <p>Evidence that budget for the design and baseline for the impact and process evaluations of the CCTP have been assigned.¹⁵</p> <p>Evidence that competent staff are in place to implement the M&E plan.¹⁶</p>	<p>Design and sample selection for impact evaluation submitted to, and approved by Bank.</p> <p>Design of the process evaluation submitted to, and approved by Bank.</p> <p>Evidence that the monitoring system as specified in M&E Framework is being implemented.</p> <p>Evidence (based on signed contracts for impact and process evaluations) that implementation of evaluations specified in the M&E Plan has commenced.</p>	<p>Revised Operations Manual based on findings of process evaluation approved by Permanent Secretary of MPSD.</p> <p>First round of the impact evaluation of CCTP carried out and revised Operations Manual based on preliminary findings of first round of evaluation approved by the Permanent Secretary of MPSD and by Bank.</p>

¹⁴ Plan to include as a minimum, mechanisms to carry out process evaluations, impact evaluations and beneficiary assessments.

¹⁵ As evidenced by letter from the Ministry of Finance confirming the 2012 budget allocation for the design and baseline for the the impact and process evaluations.

¹⁶ As evidenced by letter from the Ministry of the People and Social Development assigning competent staff with the appropriate combination of training and experience to oversee the implementation of the M&E plan.