

AGRICULTURE SECTOR REFORM PROGRAM

(TT-0032)

EXECUTIVE SUMMARY

**BORROWER AND
GUARANTOR:**

Republic of Trinidad and Tobago

EXECUTING AGENCY:

Ministry of Agriculture, Land and Marine Resources of
Trinidad and Tobago

AMOUNT AND SOURCE:

IDB: Technical Cooperation: US\$9 million (O.C.)
Fast Disbursing: US\$65 million (O.C.)
Subtotal: US\$74 million (O.C.)
Local Currency: US\$2 million
Total: US\$76 million

**TERMS AND
CONDITIONS:**

Amortization period: 20 years
Disbursement period:
- Technical Cooperation: 3 years
- Fast Disbursing: 4 years
Interest rate: OC: variable
Inspection and supervision: 1%
Credit fee: 0.75%

OBJECTIVES:

The Agriculture Sector Loan (ASL) will support a range of policy and institutional reforms to strengthen the performance of the agriculture sector in Trinidad and Tobago. These reforms are intended to rationalize public sector expenditure in agriculture and to achieve fiscal savings. The program will also reform protectionist, distortionary economic policies to increase competitiveness. In the medium term, it is expected that the program will generate foreign exchange through increased exports, more rational land utilization, as well as foster economic diversification and increase sectoral employment.

DESCRIPTION:

The components of the loan include: (i) trade and price policy; (ii) land use policy and administration; (iii) restructuring and divestment of state-owned enterprises (SOEs); and (iv) public administration reform to improve agricultural support services and sector policy, programming and budget functions. The operation also includes a component to help mitigate the social impact of sector adjustment, particularly as it affects the most vulnerable groups.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environmental Management Committee, at its meeting of July 26, 1994 classified this as a Category III operation.

BENEFITS:

The principal benefits of the Program are anticipated as a result of reforms in trade and pricing policies, land use expenditure and public sector rationalization. First, the reforms seek to increase agricultural productivity by improving access to land and enhancing agricultural support services (extension, trade promotion, grades and standards, food safety, etc.). Second, greater reliance on market determined prices will shift more resources to the production of higher value products. Finally, as a result of the reduction in subsidies and protection, accompanied by increased access to land for non-agricultural purposes, there should be an expansion of activity in what are currently "rural" areas, but are in fact under pressure for commercial or residential development. The ultimate objective of these reforms is to maintain or increase the current level of production, while reducing the excessive cost of the current agricultural policies to the Government of Trinidad and Tobago (GOTT).

RISKS:

There are two types of risks or problem areas that can be identified in the loan. These risks are in the areas of policy actions and institutional implementation.

The policy reforms proposed in the loan may be difficult to implement, either because of opposition within the GOTT, or because of opposition from private interest groups. Concerns regarding a government's ability to implement policy reform are part of the risk inherent in the policy lending process. In the case of the agricultural sector reform program in Trinidad and Tobago the most critical and sensitive policy conditionality pertains to land divestiture and trade reform.

The institutional capacity of the GOTT is a major concern in terms of timely and effective adjustment of agricultural sector policies. The implementation capacity of the MALMR and other government institutions is weak, and may not be up to the task of implementing a series of reforms as comprehensive as established in the ASL. The GOTT and the Project Team have therefore prepared a US\$11 million technical assistance program (1995-1997) to support the implementation of the policy reforms proposed in the sector loan.

**THE BANK'S COUNTRY
AND SECTOR
STRATEGY:**

The proposed ASL is fully consistent with current Bank strategy for Trinidad and Tobago as outlined in the Country Program Paper. This strategy, in line with the objectives of the Government's Medium Term Policy Framework (MTPF), lends strong support for continued structural adjustment, pursuit of macroeconomic stability and sustained growth, and diversification and liberalization of the economy, away from excessive dependence on oil. This also involves support for public sector reform measures, including social service delivery, and the promotion of private sector activity in those non-oil productive sectors such as agriculture and tourism, as a means to revitalize and diversify the economy.

The Bank's strategy sets out two basic criteria by which priority areas for Bank activities and programs should be determined. First, Bank action should contribute to private sector stimulation and productive employment. Second, Bank action should contribute to more effective public sector administration and more efficient resource allocation. The proposed ASL is consistent on both counts. Moreover, with the strategy's recognition of the increased unemployment and poverty that has accompanied the adjustment process in the country, the proposed loan incorporates a US\$15 million Social Mitigation Program to help offset the impact on vulnerable groups in rural areas and displaced workers.

The ASL builds upon the foundation of sectoral reform laid by the Investment Sector Reform Program (ISRP)(758 and 759/OC-TT) and provides the necessary support required for the follow-on agricultural investment operation in the 1996 pipeline (TT-0020). The sectoral reforms in the ISRP and ASL will establish a policy structure compatible with sustainable growth within the agricultural sector. The follow-on investment operation will concentrate on the development of the physical and service infrastructure required to increase private investment, including infrastructure and institutional strengthening in the following areas: (i) land titling, (ii) irrigation and drainage, (iii) agricultural support services, and (iv) promotion of non-traditional export crops.

Projected lending under the Bank's operative program for the period 1995-1996 is an estimated total of US\$433 million. In addition to the ISRP and the ASL, the portfolio (in execution and under preparation)

includes loans for preinvestment, environmental and social sectors, a global line of credit under the PPF, road infrastructure, microenterprise and tourism, and a technical cooperation to strengthen Women's Affairs. The ASL takes these operations into account, as part of an integrated and balanced approach to Bank support for Trinidad and Tobago.

**SPECIAL
CONTRACTUAL
CONDITIONS**

The Loan Contractual Conditions will contain the following special contractual conditions:

- a. The conditions to be fulfilled before the presentation of this loan and technical cooperation proposal to the Board of Executive Directors. These conditions are stated in Section F., paragraphs 3.14 to 3.20 of this proposal.
- b. The conditions precedent to disbursement of the First Tranche will be: (i) those which appear under the General Conditions of Bank loan contracts for this type of operations; and (ii) the presentation of evidence that the macroeconomic policy framework of the Borrower is consistent with the objective of the program.
- c. The special conditions precedent to disbursement of the Second Tranche will be those stated under Section G., paragraphs 3.21 to 3.27 of this proposal.
- d. The special conditions precedent to disbursement of the Third Tranche will be those stated under Section H., paragraphs 3.28 to 3.34 of this proposal.

Because of the length of the full text of the above-mentioned conditions, said text is not incorporated into this Summary. However, for purposes of the pertinent resolution they are herein incorporated by reference.

I. FRAME OF REFERENCE

A. Macroeconomic Performance

- 1.1 Trinidad and Tobago has been heavily dependent on oil and gas as the mainstay of its economy for many years. During the oil-based boom of the 1970s, when increases in oil prices and domestic crude production fueled rapid economic growth, international reserves mounted, leading to a strong exchange rate and increased propensity to import. Consumption levels were high. This period of relative abundance induced generous real wage levels, substantial transfers and subsidy programs and a bias towards public sector investment and employment. However, the international competitiveness of the non-oil productive sectors deteriorated rapidly.
- 1.2 This inward-looking pattern of development collapsed with declining oil production and the plunge in oil prices during the 1980s. Export revenues were down, interest payments were up, the capital account worsened and private sector profits fell. To contain macroeconomic disequilibrium, fiscal policy was progressively tightened, especially in terms of public investment. During the period 1983-1990, as a result, the economy contracted by an average of 4% per annum and unemployment doubled to 20% of the labor force. Persisting fiscal and balance of payments deficits led in turn to a depletion of net foreign exchange reserves, despite significant external borrowing.
- 1.3 Initial steps to stem the crisis in the early 1980s were not effective, including a devaluation of the exchange rate in 1985, and the economic situation remained weak. A turning point for deeper economic reform came in 1987 with the adoption of a comprehensive medium-term adjustment program. The government implemented structural reforms through trade and exchange regime liberalization, divestment of state-owned enterprises and improvements in the legal and regulatory framework. In April, 1993, the Government abolished the exchange rate regime and floated the T&T dollar.
- 1.4 These policies have controlled inflation, reduced the incentive framework, and strengthened the net reserves position of the country. Prudent fiscal management and tight monetary policies were combined to eliminate fiscal and balance of payments deficits. The economy registered growth of 1.5% and 2.7% in 1990 and 1991, respectively. Although the growth process faltered slightly in 1992 and 1993 when GDP fell by 1.7% and 1.4%, respectively, there was a resurgence of economic activity in 1994 with preliminary official estimates placing GDP growth at about 4.6%. This performance was spurred by increased output of 10.5% in the capital-intensive hydrocarbon sector and buttressed by approximately 2% growth in non-oil activity, with the result that unemployment declined by more than a full percentage point.

- 1.5 In part because of recent structural reforms, economic prospects are clearly more favorable now than they have been for many years. The macroeconomic situation remains stable, with a strong balance of payments position and a roughly balanced government budget. The economy is likely to continue growing, albeit more slowly. GDP growth will probably be around 2% in 1995. The major economic challenges remain diversifying the economy away from its dependence on the hydrocarbon sector, and making a sustainable reduction in unemployment.

B. The Medium Term Policy Framework

- 1.6 The macroeconomic and sectoral strategies and policy goals of the GOTT's Medium Term Policy Framework (1994-1996) rest on the foundation and achievements established and supported previously under the two IMF Stand-by arrangements, as well as the World Bank's SAL (1990-1992). In addition to a stable macroeconomic environment, there are three main planks of the Medium Term Policy Framework (MTPF) strategy: (i) enhanced monetary and fiscal management; (ii) greater economic efficiency through improved resource allocation and divestment of public sector activities; and (iii) improved policy frameworks to foster the role of the private sector and export activities. It is anticipated that a boost in private capital flows through stimulation of investment coupled with export performance would help manage the external debt and improve the balance of payments situation.
- 1.7 In support of the MTPF, the Bank and the Government have also developed the Investment Sector Reform Program (ISRP). The US\$80 million loan proposal was signed in August 1993. The ISRP's primary objective is to improve incentives and opportunities for efficient private sector investment in Trinidad and Tobago. It will deepen and broaden the divestment process and support Government modernization and rationalization of the most important elements of the legal, regulatory and institutional framework affecting the investment climate. The ISRP also initiates trade and price liberalization in the agricultural sector.
- 1.8 Having set in motion a wide range of policy reforms under the MTPF framework, the Government has now trained its attention on the agriculture sector. Favorable climate, soils and location are all factors which provide a sound basis for the sector's contribution to the national economy. However, over the past 30 years agriculture's contribution has diminished, largely as a result of the oil boom, but also because of cultural and ethnic factors which attached a stigma to agriculture in the period following independence. While the agriculture sector at present comprises only a small portion of GDP (less than 3%), the sector's contribution in employment (12%) and savings of foreign exchange are important features, and could be expanded. An improvement in agricultural production will contribute to the diversification of the economy, with positive direct and indirect employment benefits.

C. The Bank's Lending Strategy

- 1.9 The ASL is fully consistent with current Bank strategy for Trinidad and Tobago as outlined in the recently approved Country Program Paper. This strategy, in line with the objectives of the Government's MTPF, lends strong support for continued structural adjustment, pursuit of macroeconomic stability and sustained growth, and diversification and liberalization of the economy, away from excessive dependence on oil. This also involves support for public sector reform measures, including social service delivery, and the promotion of private sector activity in those non-oil productive sectors such as agriculture and tourism, as a means to revitalize and diversify the economy.
- 1.10 The Bank's strategy sets out two basic criteria by which priority areas for Bank activities and programs should be determined. First, Bank action should contribute to private sector stimulation and productive employment. Second, Bank action should contribute to more effective public sector administration and more efficient resource allocation. The proposed ASL is consistent on both counts. Moreover, with the strategy's recognition of the increased unemployment and poverty that has accompanied the adjustment process in the country, the proposed operation will incorporate a social mitigation component to help offset the impact on vulnerable groups and displaced workers.
- 1.11 ASL builds upon the foundation laid by the ISRP and provides the necessary support required for the follow-on agricultural investment operation in the 1996 pipeline (TT-0020). The sectoral reforms in the ISRP and ASL will establish a policy structure compatible with sustainable growth within the agricultural sector. The proposed investment operation will concentrate on the development of the physical and service infrastructure required to increase private investment including infrastructure and institutional strengthening in the following areas: (i) land titling, (ii) irrigation and drainage, (iii) agricultural support services, and (iv) promotion of non-traditional export crops.
- 1.12 Projected lending under the Bank's operative program for the period 1995-1996 reaches an estimated total of US\$433 million. In addition to the ISRP and the ASL, the portfolio (in execution and under preparation) includes loans for preinvestment, environmental and social sectors, a global line of credit under the PPF, road infrastructure, microenterprise and tourism, and a technical cooperation to strengthen Women's Affairs. The ASL takes these operations into account, as an integrated and balanced approach to Bank support for Trinidad and Tobago. In particular, with regard to diversification, the proposed ASL is intended to be follow-on to the Investment Sector Reform Program, building upon the stage set under that program as relates to private investment and expanding on those reform areas contemplated under the ISRP directly linked to the agriculture sector.

D. ISRP Status of Compliance

- 1.13 The Investment Sector Reform Program, approval in 1993 includes policy actions which are relevant to the agricultural sector in three areas. *Trade and price policy* reforms for rice and pork were agreed to, as well as studies of the levels of subsidies of agricultural commodities to use as a basis for trade policy reforms in the ASL. In the case of *agricultural credit*, the GOTT agreed to a restructuring plan for the Agricultural Development Bank (ADB). Finally, the GOTT agreed to a *land use rationalization program*, including the drafting of new legislation to address the problems of squatting, insecure tenancy, and lack of access to agricultural lands. The GOTT has made steady progress in understanding these reforms and all conditionality pertaining to the agricultural sector in the ISRP has been satisfied.

E. Justification for the Sector Loan Operation

- 1.14 Until the recent return to agriculture in response to the slack growth in the oil sector, the sector had experienced a steady decline in the 1970's and 1980's. Agriculture, which in the 1960's contributed over 5% of GDP, by 1990 had fallen to 2.2% of GDP, or US\$99 million, although the agro-processing sector adds another 4.0% of GDP and US\$157 million to the economy. However, agriculture is still an important sector in terms of employment, with about 12% of the economically active population.
- 1.15 The obstacles facing the Trinidad and Tobago's agricultural sector can be attributed to several factors, including policy distortions, institutional weaknesses and inadequate investment in the sector. The agricultural sector loan program is intended to address problems in the policy area and thereby provide a solid foundation for IDB lending in the other two areas in the future. A brief overview of the agricultural sector lending strategy follows:
- a. Policy distortions affecting agriculture: Since the late 1970's the exchange rate acted as a major constraint to the sector. The high value of the local currency, supported by oil exports, created the typical symptoms of "Dutch Disease" and the lack of competitiveness of non-oil activities. The disincentives to the agricultural sector were exacerbated by a highly distortionary trade regime, in which some basic food items were imported with low or zero duties (wheat, beef, milk powder) while other items received extremely high levels of protection (sugar, rice, poultry). The financing of agricultural activities through the Agricultural Development Bank (ADB) was driven by production targets, and resettlement schemes, which biased rural investment decisions and savings mobilization. The extensive land holdings of the state and state-owned companies (over 50% on the island of Trinidad) limited scope for private ownership, and restrictions on land rental by

private owners resulted in the lack of a well developed market for agricultural lands.

- b. Institutional problems in agriculture: Despite the agriculture sector's limited contribution to GDP, it has required large central government subsidies estimated in excess of US\$100 million per year. In addition, a large share of expenditure goes to personnel costs, as the public sector institutions are typically overstaffed, with weak professional training, or are engaged in activities that could be more efficiently performed by the private sector. The public employees in the sector therefore need greater training, either to improve their current performance, or as part of a program for retrenchment in the public sector.
- c. Infrastructure priorities in agriculture: As part of the preparation for the Agricultural Sector Loan the IDB is studying the feasibility of an investment program in agriculture (TT-0020). Investment in the productive infrastructure of the agricultural sector such as irrigation and drainage will play a critical role in achieving the desired increase in aggregate sector output and in improving the performance of the export sector.

II. THE SECTOR PROGRAM

A. Objectives and Identification

- 2.1 The Agriculture Sector Loan (ASL) will support key policy and institutional reforms to strengthen the competitiveness of the agriculture sector in Trinidad and Tobago. These reforms, as complementary elements of a basic strategy, can be summarized as follows:
- a. foster economic diversification and increase direct and indirect employment through greater flexibility and efficiency of land markets;
 - b. reform protectionist, distortionary economic policies to increase competitiveness;
 - c. generate foreign exchange through increased exports, and import substitution, and;
 - d. rationalize public sector expenditure in agriculture to achieve fiscal savings.
- 2.2 There are several factors that will determine the success of the program in achieving these objectives. First, the reforms seek to increase agricultural productivity by improving tenure security. Second, greater reliance on market determined prices and enhancing agricultural support services (extension, trade promotion, grades and standards, food safety, etc.) will shift more resources to the production of higher value products. Finally, as a result of the reduction in subsidies and protection, accompanied by increased access to land for non-agricultural purposes, there should be an expansion of activity in what are currently "rural" areas, but are in fact under pressure for commercial or residential development. These reforms are expected to maintain or increase the current level of production, while reducing the excessive cost of the current agricultural policies to the GOTT.

B. Policy Components

- 2.3 The Government has proposed a comprehensive agricultural sector adjustment program. The key elements of this reform are contained in the Food and Agriculture Policy 1994-1996 White Paper which was presented to Cabinet in 1994. Since the reform program is underway, the IDB would participate in the Government's program in a supportive mode.
- 2.4 The key policy reform areas to be addressed in the ASL are: (i) trade and price policy; (ii) land use policy and administration (iii) restructuring and divestment of state-owned enterprises

(SOEs); and (iv) public administration reform to improve agricultural support services and sector policy, programming and budget functions. The operation also includes a social mitigation component. These issue areas have been analyzed in a comprehensive set of Bank-supported studies. 1/

C. Trade and Price Policy

- 2.5 Trade policy has been heavily protectionist, and combined with price supports to producers, these policies have resulted in high prices to consumers and transfer payments to agriculture, estimated at about US\$100 million annually. 2/ The government has found that it can no longer pay these subsidies and is currently attempting to reduce levels of support to these commodity groups. The proposed reforms are intended to significantly reduce protection and its fiscal costs and establish the basis for agriculture's growth potential according to comparative advantage.
- 2.6 Despite the liberalization of trade policies for manufactured goods in the period 1988-1992, as part of the World Bank SAL, the agricultural sector has continued to receive heavy protection. Support to agriculture has taken the form of: (i) direct subsidies for activities such as input purchase, replanting and planting material; (ii) price support payments, (iii) quantitative trade restrictions (eg. the negative list, quotas, and import monopolies), and (iv) favorable credit conditions. Notwithstanding these protectionist policies, the GOTT has maintained a dichotomous and highly distortionary set of price and support policies. Until the recent liberalization on January 1, 1995, almost all agricultural products remained on the negative list, although there were important exceptions such as wheat, beef and milk powder which were imported without license and at zero duty. Today, sugar, poultry, coconut oil, rice and many other products receive high levels of protection, which will be phased down over five years.
- 2.7 Price and trade policies and their costs in terms of producer subsidy equivalents (PSE's) were evaluated in joint Bank -

1/ (Tahal Basic Agricultural Studies 1992, Wisconsin Land Tenure Center 1992, Pemberton and Orden, et al 1993).

2/ The total dollar value of support provided to producers is concentrated in sugar, poultry and rice (due to import restrictions and domestic prices supports). The estimated total value of support for the commodities in 1992 was estimated at \$US 96.4 million, compared to a value of production at world market prices of \$US 105.2 million.

Government studies conducted in 1993, ^{3/} based on 1992 levels of production. These figures demonstrate the large magnitude of subsidies to sugar, and poultry, and to a lesser degree, pork, beef, rice, coconut oil, milk and other products. The aggregate PSE for agriculture and livestock in Trinidad and Tobago is approximately 50%, compared to PSE's of about 30% in the United States and the European Union.

- 2.8 Nominal protection is very high on basic items in the consumption basket, such as vegetables (40% to 180%), rice (80%) poultry (110%), and pork (32%). These high levels of protection have been maintained for agriculture, although the manufacturing sector has been liberalized under the World Bank SAL, creating an additional inter-sectoral distortion.
- 2.9 These agricultural policies of Trinidad and Tobago restrict trade and have high consumer and fiscal costs that the country can ill afford. Furthermore, the policies distort the incentives facing agricultural producers thus reducing the income that is generated in agriculture. Consumers also face price distortions that may shift their diets away from commodities for which their is relative comparative advantage for domestic producers.
- 2.10 Proposed Actions: Reforms to be implemented as part of the program include:
 - a. Conversion of trade restrictions from non-tariff barriers (negative list, government monopoly) to a tariff equivalent system consistent with the December 1993 GATT agreements on agriculture and the government's commitment to extend and strengthen trade and price liberalization in the agricultural sector.
 - b. Phased reduction of the dispersion among tariff rates and their average level in order to improve the incentives facing agriculture consistent with comparative advantage and attaining benefits for consumers from improved market access and lower food costs.
 - c. Within the framework of the established tariff structure, maintenance of a open and transparent trade regime for agriculture with a minimum of government intervention.

^{3/} The results reported include the nominal rate of protection (percentage by which the domestic price exceeds the world price) and producer subsidy equivalents (PSE). The PSE measures the proportion of producer revenue as a result of the difference between domestic and world prices plus direct subsidy payments from government expressed either as a percentage of total revenue or in total dollar value.

- d. Containment of direct support payments and subsidies to producers consistent with the GATT agreement and prudent domestic fiscal management.

D. Land Use Policy and Administration

- 2.11 Access to, and ownership of land are key constraints to investment and growth in the agricultural sector. The Government owns slightly over 50% of the land in Trinidad (255,748 hectares), and about 40% of the land in Tobago (10,772 hectares). State enterprises such as Caroni, Ltd., Trintopec, and Trintoc (now PETROTRIN) have extensive lands suited to sugar, rice and other crops. Generally, public ownership results in inefficient land use and costly subsidies to state enterprises (eg. Caroni, Ltd.), as well as foregone tax revenue which could be levied were the lands privately owned.
- 2.12 In an effort to address these issues, the IDB financed a set of studies of land use in Trinidad and Tobago by the Wisconsin Land Tenure Center. These studies resulted in the Government's development of a Land Rationalization and Development Program (LRDP), which was the basis for a policy document presented to Parliament titled A New Administration and Distribution Policy for Land, (Ministry of Planning and Development, November 1992).
- 2.13 The LRDP, while addressing the problems of state lands and the regularization of squatters, does not fully address other factors that are necessary for improving land allocation and investment. Additional issues that need to be addressed include the need to contain and abate illegal use of land; the need to establish and depend upon market mechanisms to set land values and influence land allocation; the need for making land use regulation more efficient and less subject to administrative or political discretion; the need to reform the land taxation system and, last but not least, the need to enforce adopted regulations and laws.
- 2.14 The deficiencies in the Government's land tenure, planning and regulation, and taxation systems may be related to past circumstances which did not demand revenues derived from management of State land assets and the real estate sector of the economy generally. With a revenue base derived primarily from the oil sector, the Government has not had to depend upon land related revenues (land rents or property taxes) as a significant revenue source. The weakness of the oil sector and the challenges being faced by the agricultural sector now demand that land resources be viewed and managed as a economic and financial resource. As an economic resource, land must be allocated in a manner that supports economic development, including agricultural revitalization, manufacturing, tourism, housing, as well as protection of natural resources and environmentally sensitive areas.
- 2.15 The institution responsible for developing and implementing these land use policy reforms is the Town and Country Planning Office

(TCPO) in the Ministry of Planning and Development. The administration of land use policy by the TCPO has failed to recognize the importance of market forces in determining land use, lacks transparency and accountability, is overly centralized, and is subject to high levels of administrative discretion. Recent Bank studies in the housing sector have determined that almost 80% of residential building occurs without the approval of the Town and Country Planning Office.

2.16 As a result, important national land use policies are not achieved, with adverse, economic, social and environmental consequences. Excessively restrictive policies intended to maintain land in agriculture have resulted in significant loss of land in production as large amounts of both state and private lands have been abandoned. Large amounts of agricultural land has effectively been withdrawn from land markets in response to the policies aimed at preventing land from being reallocated to non-agricultural purposes such as housing and in some cases, tourism. Similarly, policies intended to favor low income households have left these households dependent for the most part on low quality housing constructed by themselves or with the help of friends. Lack of legal status or past evasion of restrictions enforced by the Town and Country Planner reduces the market value of these assets. Finally, current land use policies and programs have failed to protect environmentally sensitive areas as planning permissions and State lands leasing are not fully informed by potential environmental impacts or related mitigation measures. Policies and programs for Protected Areas have not been fully articulated or implemented.

2.17 Policy Actions: Reforms proposed to be implemented as part of the program include:

a. Modernize leasing of State-owned land by (i) revising the Agricultural Small Holdings Act; (ii) establishing a new Standard Agricultural Lease instrument which incorporates terms that protect the interests of small farmers, sanction environmental damage, assure long-term productive use, and strengthen economic value and financial security of the leasehold; (iii) improving and expediting leasing of land by adopting formal land disposition programs designed to maximize agricultural productivity and economic values within the context of social and environmental policy; and (iv) establishing a Land Management Authority (centralizing land management functions previously served by the Lands and Surveys Division and other State land management functions).

b. Establish an Urban and Regional Planning Agency (replacing the present Town and Country Planning Division) following adoption of a revised Urban and Regional Planning Act. The new planning agency should strive to improve public participation and confidence in the development plan and planning permissions process, decentralize planning and development control

activities where appropriate, and limit administrative and political discretion. Land use policy and regulation need to be placed in the context of overall economic reforms underway in Trinidad and Tobago and be harmonized with efforts to: (i) improve management of State-owned lands; (ii) control and regularize illegal occupations; (iii) enhance agricultural productivity; and (iv) support other economic development initiatives.

E. Divestiture of State Owned Enterprises

- 2.18 The active role of parastatal agencies in agricultural production, marketing and trade contribute to the high fiscal cost and economic inefficiency of the sector. A major issue relates to the extensive public lands managed by Caroni, Ltd. The Caroni, Ltd. lands are among the best suited for agriculture in terms of quality and location, but the company has been characterized by a lack of financial discipline, poor management, and low labor productivity. Furthermore, the extensive state land holdings act as a barrier to potential development of new export products, and increase the risk faced by private farmers who must compete with state subsidized activities. Similarly, other public sector enterprises such as the National Flour Mills Ltd. (NFML), raise costs to domestic agroindustry, and could be more efficiently operated by the private sector.

1. National Flour Mills. Ltd.

- 2.19 The NFML is the sole importer of the foodgrains (wheat, rice) feedgrains (corn, sorghum, soybean) and oilseeds (soybean) at the core of the food processing industry in Trinidad and Tobago. Previous circumstances and conditions led to the combination of a substantial amount of assets into the NFML and its operation as a State Owned Enterprise (SOE) to perform certain functions deemed to be in the public interest. The GOTT is now contemplating a major shift in its economic policies which will result in a much more open economy and a significantly altered business environment for the food and agriculture sectors. The policy changes resulted in the loss of NFML's highly advantageous monopoly position in the domestic market as a commodity importer and product manufacturer. While current policy enable NFML to operate apparently successfully (reporting positive net returns), it is doubtful that it would be a viable (sustained profitability) private business entity under a significantly restructured policy environment as is likely to emerge. Thus, the GOTT has directed that preparations begin for the eventual shift of NFML's assets to private ownership and management.

2. Caroni. Ltd.

- 2.20 Caroni, Ltd. is the state owned (and only) sugar estate and processing facility. Caroni, Ltd. also has land in production for rice, beef, dairy, citrus, and a pilot shrimp project. The 77,000

acres owned by Caroni, Ltd. comprise about 30% of the arable land on the island of Trinidad. After mounting losses which exceeded US\$25 million per year in the late 1980's, in 1991-1992 the GOTT successfully negotiated a landmark Tripartite Agreement with Caroni, Ltd. labor unions and Caroni, Ltd. management, as the basis of a plan intended to achieve profitable Caroni, Ltd. operations by 1998.

2.21 During the early stages of loan preparation, it was agreed with the GOTT that the Tripartite Agreement should be the basis for the resolution of the difficult problems facing the sugar sector in Trinidad and Tobago. As the timeframe for the implementation of the Tripartite Agreement is 1993-1998, a three tranche loan is proposed, so as to maximize the Banks' opportunity to monitor the implementation of key policies and actions in the Tripartite Agreement. The specific quantitative targets have been identified in a Performance Agreement that was negotiated with Government. Key areas of the Tripartite Agreement which have been identified for the Bank to monitor for compliance in the Performance Agreement are as follows:

- a. Cane pricing mechanism. Payment for cane on the basis of quality and sugar content is vitally important to improved cane quality and increased industry efficiency. The shift to payment on a quality basis is a very major change, perceived as threatening by some producers.
- b. Improved production efficiency and revenue sharing. A major feature of the Tripartite Agreement is an overall production increase in order to increase factory capacity utilization and reduce fixed costs. Key factors in the success of this initiative are to: (i) shift to a revenue sharing formula to limit variable costs to amounts available from future revenues, and (ii) shift to reliance from costly Caroni, Ltd. cane production to the purchase of cane from private farmers for at least 60% of the cane crushed.
- c. Labor costs and manpower requirements. Labor costs are a major component of Caroni's cost structure. The Performance Agreement requires Caroni, Ltd. to reduce employment by over 1,200 by 1998. However, it will incur net costs through 1998, with positive benefits after that time. In spite of the central importance of such a plan in reducing Caroni, Ltd. longer-term costs, no provision has been made in GOTT budget plans to begin its implementation.
- d. Capital requirements/losses. The production and efficiency targets in the Tripartite Agreement will require very significant capital investment over the next several years, especially during the early part of the period. These investments are required for several purposes, including the funding of the retirement program, the early retirement

incentive program and for upgrading of equipment for cane production and refining. Caroni's current estimate for new capital requirements for cane production and refining during 1994-97 is TT\$138.19 million.

- e. **Diversification.** Caroni, Ltd. has agreed that in cases where diversification activities have clear potential for profitable operation, Caroni, Ltd. should seek private investors. Several such projects are emphasized in Caroni's current strategic plan.

2.22 Policy Actions: Reforms to be implemented as part of the program include:

a. Caroni, Ltd.

- (i) Caroni, Ltd. implementation of a system for cane purchase based on quality incentives, requiring the purchase of 3 core samplers;
- (ii) Transfer of at least 6,000 acres cultivated by Caroni, Ltd. to independent cane farmers (approximately one-quarter of current Caroni, Ltd. sugar cane acreage);
- (iii) Reduction in force of at least 1,200 Caroni, Ltd. employees by 1998;
- (iv) Ministry of Finance to provide loan guarantees of \$TT138.19 million in Caroni, Ltd. refining/production during 1994-97, plus funding for the accelerated retirement program and for funding for the sugar workers pension fund, plus operational losses of \$TT90 million in 1994, declining to 5% of total revenue by 1998.

b. National Flour Mills, Ltd.

- (i) Termination of all monopolies, negative lists, licensing requirements and price controls for NFM products. The GOTT may divest NFM at some future date.

F. Government Expenditure and Public Administration

2.23 The organization, functions and regulatory system of the agricultural public sector in Trinidad and Tobago are in need of immediate and broad based reforms. Changes in the structure of the public sector are required not only to adapt it to the new policy environment to be supported by the proposed ASL, but to correct administrative and managerial deficiencies which even in the absence of such reforms would be necessary to reform.

2.24 The successful implementation of the new policies to be supported by the proposed ASL will require reorienting the role of the

agricultural public sector institutions towards a primary supervisory and regulatory role as purveyor of key services in support of policy reforms. This reorientation would include the identification of the services/functions to be transferred to the private sector, and most importantly, MALMAR's support for mixed public-private research and extension activities to accelerate the farming sector's transition towards agricultural productivity growth, and the development of new non-traditional export products. The reorganization of the public sector administration should aim at correcting the main shortcoming of the public administration which can be summarized as follows: (i) lack of coherent strategy, weak policy linkages and coordination; (ii) overexpanded, complex, and inefficient organization and management; and (iii) need to increase public investment levels in a time of fiscal austerity.

- 2.25 In this environment, it is not surprising to observe that the budgeting system is also weak, e.g. the sector is not well informed ex-ante about the planning parameters or the financial restrictions that should govern the budgeting process. Entities do not see the budgeting process as a planning instrument nor as an instrument to evaluate implementation of programs and projects. The system does very little more than track the movement of money in a rudimentary way. The expenditure classification has become obsolete and the lack of norms to adapt the budgeting process to the needs of the different public entities has caused a lack of uniformity in budgeting classification. Under these conditions, budgeting control and evaluation have become difficult, if not impossible. The budgeting process is almost totally unrelated to and of little use for measuring achievements of concrete objectives or the cost efficiency of agency activities.
- 2.26 Policy objectives: The main elements of the sector restructuring plan include:
- a. a satisfactory plan for the reorganization of the Ministry of Agriculture, Land and Marine Resources (MALMR),
 - b. a program to phase out commercial activities, or transfer them to the private sector;
 - c. a satisfactory plan to strengthen support services for the small farming sector;
 - d. identification of staff and day laborers for retrenchment, and,
 - e. a satisfactory plan to improve budget planning, programming and execution.

G. Social Impact Mitigation

- 2.27 Despite its expected beneficial long-term effects, the adjustment process may lead to a short-term deterioration of social

indicators, including overall unemployment, currently estimated at about 20%. However, because so many households have other sources of income, (1982 Agricultural Census) and rely on agriculture for only part of their support, precise estimation of ASL impact on poverty is difficult. Nevertheless, for safety net purposes, the impact of specific policy changes can be traced to identifiable low-income farm families, with exact numbers being influenced by producer prices and costs for individual commodities.

- 2.28 The potential safety net requirements for the ASL can be approximated by starting with the 60,000 people said to be working in the agricultural sector, excluding forestry and fisheries, and subtracting those clearly unlikely to require compensatory programs or other special protection to keep them above a minimum acceptable standard of living. For example, the 10,000 staff and workers of Caroni, Ltd., will need no safety net, since the Tripartite agreement and collective bargaining contracts protect them against dismissal without adequate protection. Another 10,000 people work on crops that will not be affected substantially by liberalization policies of the Loan. 4/
- 2.29 Among the 40,000 workers remaining, at least 20,000 are not now poor and will not become so because of any likely consequences of the Agricultural Sector Loan. There are, for example, many part-time farmers and seasonal farm laborers who will continue to maintain incomes well above the poverty line, despite effects of the ASL. In other cases, holdings are large enough to prevent reductions in farm income from having catastrophic impact on family living standards.
- 2.30 There remain, at most, 20,000 smallholder and workers vulnerable to poverty because of the ASL. This number includes some already below any poverty standard used, whose poverty will increase, and others who will be thrust into poverty by loss of profits or employment. However, income losses are unlikely to average more than 50%, since most small farm families and agricultural workers are seasonal or part-time. Nevertheless, this cannot hide the fact that the ASL will have a significant impact on a number of small farmers.
- 2.31 Based on this analysis of the social impact of the ASL, the GOTT has requested that the social impact measures be targeted, and linked, to the identification of rural areas and low-income individuals affected by specific commodity changes. As these groups cannot be identified with certainty in advance, the GOTT has proposed to maintain the maximum flexibility by establishing a menu

4/ It is noteworthy that the GOTT is committed to maintaining producer price and input subsidy programs during loan execution. These programs, not to exceed 10% of the agricultural GDP per year, will tend to buffer the impact of trade liberalization on the producers of commodities included.

of options for impact mitigation. The Bank has therefore recommended that the Government undertake as an integral part of the agricultural reform effort, a targeted intervention program of US\$5 million per year during 1995-1997 (See technical document in files for a complete description of the program). The program would consist of the following set of flexible instruments designed to address the potentially affected groups:

- a. competitiveness-enhancing measures for farmers who remain in agriculture,
- b. training for the population leaving agriculture,
- c. for those facing extreme hardship in rural areas, public works employment or income vouchers,
- d. for former public sector employees, payments to be used for purchase of land, re-training or small business development.
- e. additional measures as necessary for groups where impact was unanticipated.

2.32 An inter-ministerial group has been formed, and working with consultants from the University of the West Indies, and the Bank, has to develop the institutional mechanism to implement the program. The group is developing a monitoring mechanism to identify the rural areas where agricultural prices, income and employment indicate that the policy adjustment program has had an effect. The group is also working to link the potentially affected individuals in the rural areas to credit, training and public works projects currently underway in Trinidad and Tobago.

2.33 It should be noted that the land divestiture program may result in the sale of public assets currently occupied by squatters. During the analysis mission, the Bank raised this issue with the GOTT to insure that involuntary resettlement is minimized and that provision is made for: (i) consultations with affected parties prior to the sale of GOTT assets, (ii) compensation is provided where appropriate, and (iii) provision is made for adjudication of disputes.

2.34 Policy Actions: The reforms would require the design of institutional mechanisms and allocation of at least US\$5 million per year (not including the cost to the GOTT for severance payments at MALMAR and Caroni, Ltd., estimated at US\$21 million) in financial resources to address the social impact of the policy adjustment in the rural areas and due to public sector retrenchment.

III. PROGRAM EXECUTION

- 3.1 An IDB loan amount of US\$65 million is being considered, with three tranches of US\$22.5 million, US\$22.5 million and US\$20 million respectively. Bank financing would be provided with resources of Ordinary Capital. The proposed financing scheme would also include a parallel US\$11 million Technical Assistance Program (US\$2 million local counterpart funds), to support policy implementation in the areas of trade policy, land use, public enterprise divestiture, public administration reform and social and environmental impact mitigation.

A. Program Implementation

- 3.2 The GOTT and the IDB have worked together to develop an agenda for agricultural policy reform which could be supported by a sector loan. The preparation of the agenda and related sector work has benefitted greatly from the work supported by the IDB financed Basic Agricultural Studies 1990-1992 and the subsequent policy dialogue. The policy reform agenda has been widely discussed with the nation's public and private sector. There is a widely shared recognition of the need for changes in the policies and institutions that have been the basis of Trinidad and Tobago's agriculture for many decades. On the basis of the project development during the past three years, the Project Team believes that the Government has developed a sound program for agricultural policy reform in Trinidad and Tobago.
- 3.3 The Borrower would be the Republic of Trinidad and Tobago. The executing agency for the Project would be the Central Bank, while the Ministry of Agriculture, Land and Marine Resources (MALMR) would be the executing agency for the proposed Program. A Project Implementation Unit will be designated for the purpose of loan execution, to be supported by staff contracted under the technical assistance program.

B. Technical Assistance Program

- 3.4 Successful implementation of the ASL demands intervention of an organizational, managerial and technical nature which go beyond the current capabilities of the agricultural management institutions in Trinidad and Tobago. The Technical Assistance Program (TAP) will contract a consulting firm to backstop staff at the Ministry of Agriculture, Land and Marine Resources, and Ministry of Planning and Development and Caroni, Ltd., in the principal program components. (See Annex III) An international advisor will be responsible for the planning, management and implementation of the program. The TAP will also endeavor to institutionalize the policy reforms consistent with the ASL through "hands-on" training and educational programs for both the public and private sector.

C. Procedures for Disbursement and Procurement

- 3.5 The Project Team will be responsible for monitoring compliance with the policy matrix, and making recommendations regarding disbursement. Prior to each tranche, the project team would prepare a technical recommendation regarding disbursement to Senior Bank Management. Since this loan supports extension of agricultural sector reforms initiated during 1993-94 in conjunction with the Investment Sector Reform Program, a precondition for disbursements will be compliance with the ISRP tranche conditions for the Agricultural Development Bank, Land Tenure, Trade Facilitation, and Agricultural Trade and Pricing Policy Reform.
- 3.6 Disbursement Procedures: Disbursements would be in three tranches, of which the first would be upon loan effectiveness. The loan would be used to finance 100% of the c.i.f. costs of general imports not contained in a negative list. Ineligible imports comprise goods financed by other multilateral or bilateral sources, luxury goods, and goods intended for military use.
- 3.7 Procurement Procedures: Procurement would be conducted according to the Bank's procurement guidelines for sectoral operations. All contracts for the procurement of general imports to cost the equivalent of US\$5 million or more would be awarded through simplified international competitive bidding. Contracts with the private sector, which should include whenever possible two quotations from eligible bidders from at least two foreign countries. Contracts with the public sector would be procured following government procurement procedures acceptable to the Bank.
- 3.8 Mechanisms to Control Loan Resources: The Central Bank of Trinidad and Tobago (CBTT) will be responsible for maintaining loan accounts and for preparing and submitting withdrawal applications. Disbursements from the proposed loan would be made on the basis of a summary from CBTT detailing individual import transactions in each relevant period, and of their eligibility under the loan. Applications for withdrawals will be consolidated and submitted in amounts not less than US\$1 million. The CBTT will maintain separate accounts to record and monitor loan disbursements and repayments. All records and accounts in support of statements of expenditures financed under the proposed loan will be made available to the Bank and will be audited each year in accordance with sound auditing principles by independent auditors acceptable to the Bank.

D. Environmental Aspects

- 3.9 The proposed program is a policy-driven, fast-disbursing operation, with no financing for infrastructure projects, so that direct environmental impacts are not anticipated as a result of program implementation. Furthermore, under the ISRP the Government is firmly committed to establishing an appropriate legal and

institutional framework to safeguard the environment, and to address any environmental issues that may arise in the future expansion of the agricultural sector. A technical needs assessment to lay the groundwork for the Environmental Management Agency (EMA) as a planning and regulatory body has already been completed, and draft legislation along with a proposed operating plan are currently at an advanced stage of review. In addition, the World Bank is currently preparing a Natural Resources Management Loan which will include the following components: (i) a national park system; (ii) watershed management; (iii) coastal zone management and (iv) institutional strengthening for the MALMAR.

- 3.10 While no direct environmental impacts are expected, the result of some of the policy actions of the program can be expected to indirectly impact on the environment. These impacts in general should be positive, such as establishing zoning ordinances to protect environmentally critical areas. In some cases, negative indirect impacts could result (eg. increased agricultural chemical use to improve yields), so that appropriate safeguards should be included in program implementation. Consequently, a classification of category III is considered applicable for this operation.
- 3.11 To address these potential impacts an Environmental Action Plan has been prepared consisting of the following activities:
 1. Agricultural Chemicals
 - a. Review and revise MALMR's agricultural chemical use regulations and implementation;
 - b. Establish producer/export destination guidelines for use of agricultural chemicals.
 2. Caroni, Ltd.
 - a. Integrated Pest Management Program: design and implement a program (including the biological control of thrips and froghopper) in sugarcane;
 - b. Rum distillery: design and implement an environmentally sound and safe method for effluent control.
 3. Public Administration
 - a. Retraining of redundant public workers: design a program to train park rangers;
 - b. Review and revise MALMAR's research and extension program in light of environmental issues.

4. Land Use

- a. Preparation of environmental and land use aspects of Urban and Regional Planning Act.

3.12 These activities will be undertaken with the assistance of consultants hired under the Technical Assistance Program at the total cost of approximately US\$700,000 to the GOTT (loan resources US\$200,000).

E. Agricultural Sector Loan Conditionality and Tranching

3.13 The Letter of Sector Policy discussed on the analysis mission includes the key agricultural policy reforms that have been agreed as well as the timing of these measures as (i) actions for board presentation, (ii) actions for second tranche release, and (iii) actions for third tranche release.

F. Actions Prior to Board Presentation

3.14 General Conditions. Present satisfactory evidence to the Bank that:

- a. A macroeconomic framework has been maintained that is consistent with and supportive of agricultural sector reform.
- b. There has been compliance with the ISRP Second Tranche conditionality for the Agricultural Development Bank, Land Tenure, Trade Facilitation, and Agricultural Trade and Pricing Policy Reform, and progress on all other ISRP second tranche conditionality.

3.15 Trade and Price Policy. Present satisfactory evidence to the Bank that:

- a. Action has been taken to remove quantitative import restrictions on all agricultural commodities, and replace the quantitative restrictions with CARICOM common external tariffs (CET) and tariff surcharges. During a phase-in period, agricultural products will be subject to transition tariff surcharges.
- b. Direct support payments and subsidies to agriculture have been monitored on a commodity and program basis and total annual expenditures have not exceeded 10% of agricultural GDP.
- c. Anti-Dumping Legislation tabled in Parliament.

3.16 Land Use. Present an agreed Land Use Action Plan including:

- a. A State Lands Disposition Program which addresses program for disposition of State and State-owned industry (e.g. Caroni, Ltd.) land;
- b. Guidelines for the revision of the Agricultural Small Holdings Act;
- c. Preparation of a Standard Agricultural Lease;
- d. Agreed guidelines for revision of the draft Urban and Regional Planning Act.

3.17 Reform of State Owned Enterprises: Present a satisfactory Performance Agreement based on the Caroni, Ltd. Tripartite Agreement with the following actions:

- a. The Caroni, Ltd. Board has implemented its plan to reorganize its management and operations into five divisions based on its 1993 management audit.
- b. Caroni, Ltd. has purchased 3 core sampling machines to be delivered in 1995.
- c. Caroni, Ltd. has scheduled labor force reductions by department to reduce its general labor force by at least 1,510 persons and its staff by at least 120 persons by 1999.
- d. The GOTT has scheduled guaranteed loan funding of \$TT40.31 million to support Caroni's early retirement program.
- e. The GOTT has scheduled investment support for Caroni, Ltd. amounting to \$TT138.14 million during 1995-98 for capital investment in Caroni, Ltd. factory and field equipment.
- f. Caroni, Ltd. has developed a detailed land lease program to move 6,000 acres of sugar land into private management by 1998.
- g. Caroni, Ltd. has developed a strategic plan to reduce its operating losses from 25% of revenues in 1994 to no more than 5% by 1999.

3.18 Government expenditure and administration. Present satisfactory evidence to the Bank that the GOTT and the Ministry have taken the following actions:

- a. Appointed a senior officer as Coordinator of the Adjustment Program with Terms of Reference acceptable to the Bank, and provided this officer with adequate budgetary, office, communications, and professional and administrative staff support.

b. Agreed to execute studies and other activities required to design and initiate a Public Administration Action Program (PAAP) which will:

- (i) Strengthen the Ministry's policy analysis and management capabilities, and develop complementary policy-driven internal planning and budget management procedures and supporting MIS systems;
- (ii) modernize and streamline the regulatory setting for the sector so as to promote growth while also strengthening health and environmental protection;
- (iii) phase out selected Ministry commercial activities and promote private sector investment in potentially profitable areas;
- (iv) improve Research and Extension and other farmer service capabilities needed to improve sector competitiveness;
- (v) develop and support water management and other infrastructure investment programs with strong provisions for beneficiary management; and
- (vi) strengthen and streamline the Ministry so that it can achieve and sustain agreed PAAP and other sector goals.

c. Present a loan-financed Technical Cooperation Program to assist the Ministry in, inter alia, defining and meeting these PAAP goals.

3.19 Social impact mitigation. Present satisfactory evidence to the Bank that the following actions have been taken:

- a. Design of institutional mechanisms and allocation of at least US\$5 million in financial resources to address the social impact of trade liberalization in the rural areas and retrenchment of public sector employees.

3.20 Environmental Action Plan. Presentation of an agreed Environmental Action Plan, to consist of the following activities:

1. Agricultural Chemicals

- a. Review and revise MALMR's regulations and implementation.
- b. Establish producer/export destination guidelines.

2. Caroni, Ltd.

- a. Integrated Pest Management Program: design and implement a program (including the biological control of thrips and froghopper) in sugarcane.
- b. Rum distillery: design and implement an environmentally sound and safe method for effluent control.

3. Public Administration

- a. Retraining of redundant public workers: design a program to train park rangers.
- b. Review and revise all research and extension program in light of environmental issues.

4. Land Use

- a. Preparation of environmental and land use aspects of Urban and Regional Planning Act.

G. Actions Prior to Second Tranche Disbursement

3.21 General Conditions. Present satisfactory evidence to the Bank that:

- a. A macroeconomic framework has been maintained that is consistent with and supportive of agricultural sector reform.
- b. There has been compliance with the ISRP Third Tranche conditionality for the Agricultural Development Bank, Land Tenure, Trade Facilitation, and Agricultural Trade and Pricing Policy Reform, and progress on all other ISRP third tranche conditionality.

3.22 Trade and Price Policy. Present satisfactory evidence to the Bank that:

- a. Tariffs on agricultural commodities have been limited to agreed upon CARICOM rates and tariff surcharges.
- b. Direct support payments and subsidies to agriculture have been monitored on a commodity and program basis and total annual expenditures have not exceeded 10% of agricultural GDP during the preceding fiscal year.
- c. Enactment of regulations for Anti-Dumping legislation.

3.23 Land Use. Satisfactory progress on Land Use Action Plan including:

- a. Implementation of Land Disposition Program including transfer of 2,000 acres of Caroni, Ltd. land to private farmers, at least 7,000 acres of other State-owned land to private farmers, and regularization of at least 3,500 acres of squatter settlements.
- b. All newly made State land leases conform to the revised Standard Agricultural Lease policies, terms, and conditions.
- c. Enactment of a revised Urban and Regional Planning Act which conforms to the Urban and Regional Planning Guidelines agreed to by the Bank and the Government.
- d. Reorganization of the Town and Country Planning of the Ministry of Planning and Development Office as mandated by the Urban and Regional Planning Act.

3.24 Reform of state owned enterprises. Present satisfactory evidence to the Bank that:

- a. Caroni, Ltd. has tested its 3 core sampling machines during the 1996 crop, and has developed an operations manual and training program for incentive-based sugar cane purchases from private buyers.
- b. Caroni, Ltd. has reduced its general labor force by at least 800 persons in 1995-96 and its staff by at least 30 persons during that period.
- c. The GOTT has guaranteed loan funds for Caroni's early retirement program of made \$TT40.31 million made available in 1995-96.
- d. The GOTT has made \$TT42.64 million available for capital investments in 1996.
- e. Caroni, Ltd. has 2,000 acres leased.
- f. Caroni, Ltd. has reduced its production costs during 1995-96.
- g. Caroni, Ltd. has initiated a study of land markets to assist in the determination of additional land for sale or lease.

3.25 Government expenditure and administration. Present satisfactory evidence to the Bank that:

- a. The Coordinator of Adjustment is overseeing PAAP activities to the satisfaction for the GOTT and the Bank.

b. The Ministry has completed all agreed studies and other preparatory work and reached agreement with the Bank concerning time bound goals in each of the six PAAP areas, eg.:

- (i) sector policy and Ministry planning and budget management and supporting MIS improvements,
- (ii) regulatory modernization including the completion of proposals for required legislative changes,
- (iii) phasing out of selected commercial activities,
- (iv) strengthening Research and Extension and other sector services,
- (v) improving the design and management of water management and other infrastructure investment programs, and
- (vi) strengthening and streamlining the Ministry, including the opening of planning processes to beneficiary participation.

c. The Ministry's 1996 Program of Work and Budget reflect new sector policy priorities and PAAP agreements.

d. Agreed Technical Cooperation Programs under execution to the satisfaction of the Bank and the GOTT.

3.26 Social impact mitigation. Present satisfactory evidence to the Bank that the following actions have been taken:

- a. Implementation of an institutional mechanism and expenditure of at least US\$5 million in financial resources during 1995 to address the social impact of trade liberalization in the rural areas, the retrenchment of public sector employees, and resettlement due to divestiture of state lands.

3.27 Environmental Action Plan. Satisfactory progress in the implementation of:

- a. Initiation of the activities in the Environmental Action Plan, including approval of Terms of Reference and contracting of consultants.

H. Actions Prior to Third Tranche Disbursement

3.28 General Conditions. Present satisfactory evidence to the Bank that:

- a. A macroeconomic framework has been maintained that is consistent with and supportive of agricultural sector reform.

- b. There has been compliance with the third tranche conditions for the ISRP.
- 3.29 Trade and Price Policy. Present satisfactory evidence to the Bank that:
- a. Tariffs on agricultural commodities have been limited to agreed upon CARICOM rates and tariff surcharges.
 - b. Direct support payments and subsidies to agriculture have been monitored on a commodity and program basis and total annual expenditures have not exceeded 10% of agricultural GDP during the preceding fiscal year.
- 3.30 Land Use. Satisfactory progress in the implementation of the Land Use Action Plan including:
- a. Continued implementation of Land Disposition Program including transfer of an additional 1,500 acres of Caroni, Ltd. land to private farmers, at least 1,200 acres of other State-owned land to private farmers, and regularization of at least 1,900 acres of squatter settlements.
 - b. Complete operational audit of the new Urban and Regional Planning Division of the Ministry of Planning and Development to determine compliance with Urban and Regional Planning Act of 1995.
- 3.31 Reform of state owned enterprises. Present satisfactory evidence to the Bank that:
- a. Caroni's incentive-based sugar cane purchase program was operated on a trial, parallel basis during the 1996 crop and is scheduled for full operation for the 1997 crop.
 - b. Caroni, Ltd. has reduced its general labor force by at least 907 persons in by the end of 1997 and its staff by at least 60 during that period.
 - c. The GOTT has guaranteed loan funds for Caroni's early retirement program which has continued to be implemented on schedule.
 - d. The GOTT has made \$TT27.86 million available for capital investment in 1997.
 - e. Caroni, Ltd. has leased an additional 1,500 acres.
 - f. Caroni, Ltd. has reduced its production costs during 1995-97.

- g. Caroni, Ltd. has completed a study of land markets to assist in the determination of additional land for sale or lease at Caroni, Ltd.

3.32 Government expenditure and administration. Present satisfactory evidence to the Bank that:

- a. The Coordinator of Adjustment is overseeing PAAP activities to the satisfaction of the GOTT and the Bank.
- b. The Ministry has achieved agreed targets with regard to:
 - (i) the introduction and practical use of sector policy and Ministry planning and budget management and supporting MIS improvements,
 - (ii) the completion of regulatory modernization measures including the adoption of duly approved legislative changes,
 - (iii) the definitive phasing out of selected commercial activities,
 - (iv) the strengthening of Research and Extension and other sector services,
 - (v) improvements in the design and management of infrastructure investment programs, and
 - (vi) the strengthening and streamlining the Ministry, including beneficiary participation in planning.
- c. The Ministry's 1997 Program of Work and Budget reflect new sector policy priorities and PAAP agreement.
- d. Agreed Technical Cooperation Programs have been executed to the satisfaction of the Bank and the GOTT.

3.33 Social impact mitigation. Present satisfactory evidence to the Bank that the following actions have been taken:

Maintenance of an institutional mechanism and expenditure of at least US\$5 million in financial resources during 1996 to address the social impact of trade liberalization in the rural areas, the retrenchment of public sector employees, and resettlement due to divestiture of state lands.

3.34 Environmental Action Plan. Completion of all activities in the Environmental Action Plan.

IV. VIABILITY

- 4.1 **Project benefits:** For many years, Trinidad and Tobago has suffered from a policy regime which focussed on the oil sector and neglected the agricultural sector. As a result, human and capital resources have progressively shifted out of agriculture, with the resulting deceleration of growth in the sector. The current government recognized the limitations of the policies pursued in the past and now proposes to take the initiative in establishing a new policy regime which is more consistent with the rapidly changing international economic environment of the 1990s. In agriculture, the potential impact of these new policies is great. Policy measures proposed in the ASL can realistically improve the rate growth of agricultural GDP in the next five years, with even greater benefits into the future. The agricultural sector in Trinidad and Tobago has the capacity to simultaneously generate jobs, rapid growth in foreign exchange earnings and significant foreign investment.
- 4.2 **Project risks:** There are two types of risks or problem areas that can be identified in the loan. These risks are in the areas of policy actions, and institutional implementation
- a. Policy reforms maybe difficult to implement, either because of disagreement within the GOTT, or because of opposition from private interest groups. Concerns regarding a government's ability to implement policy reform are part of the risk inherent in the policy lending process. In the case of the agricultural sector reform program in Trinidad and Tobago the most critical and sensitive policy conditionality pertains to land use issues. The sensitivity of these reforms may make the conditions difficult to achieve. The Project Team will continue to monitor and discuss the program with the GOTT and be prepared to provide the appropriate support to ensure the government does carry through these reforms.
 - b. The institutional capacity of the GOTT is a major concern in terms of timely and effective adjustment of agricultural sector policies. The implementation capacity of the MALMR and other government institutions is weak, and may not be up to the task of implementing a series of reforms as comprehensive as established in the ASL. The GOTT and the Project Team have therefore prepared the Technical Assistance Program described in Annex III to support the implementation of the policy reforms proposed in the sector loan.

TRINIDAD AND TOBAGO
AGRICULTURE SECTOR LOAN
(TT-0032)
POLICY MATRIX

POLICY AREA		TRANCHE CONDITIONALITY		
ISSUES	OBJECTIVES	PRIOR TO BOARD PRESENTATION	PRIOR TO SECOND TRANCHE	PRIOR TO THIRD TRANCHE
INITIAL CONDITIONS				
Exchange and fiscal policy are supportive of reforms.	Appropriate enabling environment.	A macroeconomic framework has been maintained that is consistent with and supportive of the diversification of the economy.	A macroeconomic framework has been maintained that is consistent with and supportive of the diversification of the economy.	A macroeconomic framework has been maintained that is consistent with and supportive of the diversification of the economy.
Trade and financial reforms have been initiated.	Initiate sectoral reform process.	There has been satisfactory progress in the implementation of ISRP Second Tranche conditionality for the Agricultural Development Bank, Land Tenure, Trade Facilitation, and Agricultural Trade and Pricing Policy Reform.	There has been satisfactory progress in the implementation of the ISRP Third tranche conditionality for the Agricultural Development Bank, Land Tenure, Trade Facilitation, and Agricultural Trade and Pricing Policy Reform.	

ANNEX I

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POLICY AREA		TRANCHE CONDITIONALITY		
ISSUES	OBJECTIVES	PRIOR TO BOARD PRESENTATION	PRIOR TO SECOND TRANCHE	PRIOR TO THIRD TRANCHE
AND POLICY				
ations and agricultural k products sts to GOTT ers. overnment and in monopoly in trade.	<p>Improve the efficiency and competitiveness of agriculture by:</p> <p>(i) progressive reduction of non-tariff barriers leading to a tariff regime with a low average tariff and dispersion, and</p> <p>(ii) elimination of GOTT monopolies and minimized GOTT intervention in trade of agricultural products and inputs.</p>	<p>Present an agreed Trade and Price Action Plan with the following components:</p> <p>a. Action has been taken to remove quantitative import restrictions on all agricultural commodities, with the temporary exceptions of sugar and poultry parts, and replace the quantitative restrictions with CARICOM common external tariffs (CET) and tariff surcharges as provided in Annex III.</p> <p>b. A program to monitor direct support payments and subsidies not to exceed 10% of agricultural GDP has been established on a commodity and program basis.</p>	<p>Present satisfactory progress on the Trade and Price Action Plan including:</p> <p>a. Tariffs on all agricultural commodities have been limited to agreed upon CET rates and tariff surcharges have been reduced as specified in Annex III. 1%</p> <p>b. Direct support payments and subsidies to agriculture have been monitored on a commodity and program and total annual expenditures have not exceeded 10% of agricultural GDP.</p>	<p>Satisfactory progress on the Trade and Price Action Plan</p> <p>a. Tariffs on all agricultural commodities have been limited to agreed upon CET rates and tariff surcharges have been reduced as specified in Annex III. 1%</p> <p>b. Direct support payments and subsidies to agriculture have been monitored on a commodity and program and total annual expenditures have not exceeded 10% of agricultural GDP.</p>
of non- s to regulate	Measures to protect agriculture from predatory pricing and dumping by trading partners.	Anti-Dumping Legislation tabled in Parliament.	Enactment of regulations for Anti-Dumping Legislation.	

Annex III is the Agriculture Trade and Pricing Action Plan.

POLICY AREA		TRANCHES CONDITIONALITY	
SS	OBJECTIVES	PRIOR TO BOARD PRESENTATION	PRIOR TO SECOND TRANCHE
holding sector of land and commitment to SE	improve access to public land through increased allocation by leasehold or freehold.	Present an agreed Land Use Action Plan with the following components: a. a State Lands Disposition Program which addresses program for disposition of State and State-owned industry (e.g. Caroni Ltd.) land; b. guidelines for the revision of the Agricultural Small Holdings Act; c. preparation of a Standard Agricultural Lease which conforms to agreed guidelines; d. agreed guidelines for revision of the draft Urban and Regional Planning Act.	2. implementation of Lands Disposition Program including transfer of 2,000 acres of Caroni, Ltd. land to private farmers and at least 7,000 acres of other State-owned land to private farmers through transfer or squatter regularization. b. all newly made State land leases conform to the revised Standard Agricultural Lease policies, terms, and conditions; c. enactment of a revised Urban and Regional Planning Act which conforms to the Urban and Regional Planning Guidelines agreed to by the Bank and the Government; d. reorganization of the Town and Country Planning Office as mandated by the Urban Planning Act.
			1. Continued im- Lands Dispos- including trans- 1,500 acres of to private farm acres of other to private farm 1,900 acres of regularization. b. complete opera- Urban and Re- Division to de- with Urban a- Planning Act.

ANNEX 1

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POLICY AREA		TRANCHE CONDITIONALITY		
ISSUES	OBJECTIVES	PRIOR TO BOARD PRESENTATION	PRIOR TO SECOND TRANCHE	PRIOR TO THIRD TRANCHE
MANAGEMENT OF STATE OWNED ENTERPRISES				
State owned enterprises are not profitable and government ownership is disincentive to investment.	Implement the Caroni Tripartite Agreement to develop viable sugar industry.	<p>Present an agreed Action Plan for State Owned Enterprises including:</p> <p>A satisfactory Performance Agreement based on the Caroni Ltd. Tripartite Agreement, with the following actions:</p> <ol style="list-style-type: none"> The Caroni Board has implemented its plan to reorganize its management and operations into five divisions based on its 1993 management audit; place an order for 3 core sampling machines; schedule accelerated labor force attrition through a voluntary separation and retirement Program; funding of TT\$40 million to support Caroni's early retirement program; investment support for Caroni amounting to \$TT45.00 million during 1995; a land lease program to move at least 6,000 acres of sugar land into private management by 1998; a strategic plan to reduce its operating losses from 25% of revenues in 1994 to no more than 5% by 1999. 	<p>Satisfactory progress on the Action Plan for State Owned Enterprises including:</p> <p>Satisfactory evidence to the Bank of compliance with targets established in the Caroni Ltd. Performance Agreement:</p> <ol style="list-style-type: none"> 3 core sampling machines tested during the 1996 crop; scheduled labor force reductions by department; scheduled retirement program; scheduled investment support for Caroni (\$TT42.64 in 1996); a land lease program with 2,000 acres leased; Caroni has reduced its production costs during 1995-96; initiated a study of land markets to assist in the determination of additional land for sale or lease at Caroni Ltd. 	<p>Satisfactory progress on the Action Plan for State Owned Enterprises including:</p> <p>Satisfactory evidence to the Bank of compliance with targets established in the Caroni Ltd. Performance Agreement:</p> <ol style="list-style-type: none"> Caroni's income has increased due to cane purchase operation; scheduled investment support of at least \$TT42.64 of 1997; Caroni's early retirement program has continued; scheduled investment support of at least \$TT42.64 available in 1997; land lease program with 2,000 acres leased; continued production of sugar; completed study of land markets to assist in the determination of additional land for sale or lease at Caroni Ltd.
Caroni has high production costs and large operating losses.	Reduce costs and improve efficiency of the enterprise.			

POLICY AREA		TRANCHE CONDITIONALITY		
	OBJECTIVES	PRIOR TO BOARD PRESENTATION	PRIOR TO SECOND TRANCHE	PRIOR TO THIRD TRANCHE
ADMINISTRATION				
Capabilities to promote and elaborate	Strengthen sector policy management capabilities.	Agreement on Public Administration Action Program (PAAP) to:	PAAP studies completed and agreed, time-bound targets set for:	Achievement of agreed targets with regard to:
Framework while adequate	Modernize regulatory legislation and practices.	a. strengthen policy and budget management and MIS capabilities,	a. policy and budget management and supporting MIS improvements,	a. use of new policy management
Special sector	Phase out selected commercial activities and promote private initiative.	b. modernize the regulatory setting,	b. regulatory modernization including proposals for required legislative changes,	b. completion of regulatory framework practices,
Not fully	Strengthen budget planning procedures.	c. phase out selected commercial activities,	c. phasing out selected commercial activities,	c. phasing out selected activities,
and	Strengthen R&E and other service programs	d. improve R&E and other sector services,	d. strengthening R&E and other sector services,	d. implementation of strengthened R&E services,
E) and	Improve ability to prepare and manage economically sound infrastructure projects.	e. support sound infrastructure investment programs, and	e. improving design and management of infrastructure investment programs, and	e. implementation of strengthened infrastructure investment programs,
Programs		f. strengthen and streamline Ministry organization to achieve these objectives.	f. strengthening and streamlining Ministry.	f. execution of program to strengthen and streamline Ministry.
Effectiveness.		Appoint a coordinator of the Adjustment Program.	1996 Program of Work and Budget reflect new sector policy priorities and PAAP agreement.	1997 Program of Work reflects new sector policy priorities and PAAP agreement.
Infrastructure		Present to the Bank a loan-financed Technical Cooperation Program.	Agreed Technical Cooperation Program under execution	Agreed Technical Cooperation Program has been executed

[illegible]



OFFICE OF THE MINISTER OF AGRICULTURE
LAND AND MARINE RESOURCES

ST. CLAIR CIRCLE, PORT-OF-SPAIN, TRINIDAD AND TOBAGO

LETTER OF SECTORAL POLICY

August 11, 1995.

Mr. Enrique Iglesias,
President,
Inter-American Development Bank,
1300 New York Avenue. N.W.
Washington, D.C. 20577

Dear Mr. Iglesias,

1. The Government of the Republic of Trinidad and Tobago is seeking the support of the Inter-American Development Bank in carrying out a reform program intended to foster long-term efficiency, competitiveness and dynamism in the agricultural sector. This sector is a significant contributor to employment, and although its current share of real gross national product is quite modest at only 2.5%, there is a considerable untapped potential for sustainable income, employment and foreign-exchange generation. Moreover, the realization of this potential is an important aspect of the Government's overall strategy for promoting diversification of the structure of the economy. In order to achieve these objectives the Government is committed to effecting a number of key changes in the existing sectoral policy and institutional environment to complement facilitatory investments in the physical infrastructure.
2. The agriculture sector adjustment initiatives must be seen in the context of the comprehensive programme of bold economy wide reforms that the Government has been implementing to strengthen the economy. A major thrust of this policy is to create an economic environment that is conducive to growth and vibrancy in private investment on an economy-wide basis. Included among the major reforms already undertaken are the following:
 - a. abolition of exchange controls and adoption of a floating exchange rate regime in April 1993;
 - b. divestment of several major state-owned commercial enterprises (including those engaged in methanol, urea, cement, telecommunications, printing and packaging);

- c. dismantling of price controls;
 - d. trade liberalization;
 - e. changes in the petroleum taxation regime;
 - f. increased protection for intellectual property rights; and
 - g. new environmental legislation leading to the establishment of an Environmental Management Authority.
3. Already in train are reforms with respect to the liberalization of the foreign investment regime, customs administration, the rationalization of fiscal incentives, the mobilization of equity financing through venture capital funds, (including the establishment of a Securities Exchange Commission), and the introduction of private sector involvement in the provision of services such as water, electricity, port and airport facilities.
4. In pursuing all of these initiatives, the Government is very conscious of the importance of a supportive framework of sound macroeconomic policies. The Government is therefore firmly committed to prudent fiscal and monetary policies that are consistent with the objectives of stability, international competitiveness, and economic diversification.

TRADE AND PRICING POLICY

5. With respect to agriculture, the government has taken a number of steps concerning trade and price policy to rationalize incentives and encourage domestic resource use consistent with international comparative advantage and a greater contribution of the agricultural sector to national income. The Government has capped the level of support payments to rice producers and will continue to monitor its fiscal expenditures on agriculture on a commodity and programme basis. It is committed to maintain total annual outlay on direct support payments and subsidies to agriculture within the GATT agreed limits of 10% of agricultural GDP. Within this overall objective of cost containment, the Government will continue to assess its expenditures and modify its programs to target strategic commodities and enhance agricultural productivity.
6. The Government has converted quantitative restrictions on trade of agricultural products to equivalent tariffs, in accordance with the December 1993 GATT agreements, and to

phased reduction of the dispersion among the tariff rates and their average level. The elimination from the Negative List of all agricultural products except sugar and poultry parts has taken effect from January 1st, 1995.

7. In keeping with the agreed time schedule adopted by CARICOM in implementing the Common External Tariff (CET), the Government has adopted a schedule for tariff reduction that lowers tariff rates an average of 31 percent over five years. This provides a deeper and more rapid reduction of tariff levels than the overall 24 percent reduction over ten years required of developing countries by the GATT. Adoption of this more proactive schedule reflects the Government's interest in providing a rational incentive structure for agriculture and attaining benefits for consumers from improved market access and lower food costs. Together with the commitment to contain fiscal support to agriculture, this schedule of tariff reductions ensures compliance with the reduction of the Aggregate Measure of Support required by the GATT agreements on agriculture.
8. Recognizing the goals and commitments outlined herein, the Government is mindful of the possible adverse effects on domestic production of distortions in international markets resulting from the agricultural policies of its major trading partners. The Government has consequently enacted an Anti-Dumping and Countervailing Duties Act and is implementing an institutional framework to ensure its proper enforcement in accordance with GATT guidelines. Within the framework of the established tariff schedule, the Government seeks to maintain an open and transparent trade regime for agriculture.
9. The Government is also concerned about the short-term social costs of too rapid a process of reform. For this reason, it is proceeding with particular caution in the case of two sensitive commodities: sugar and poultry parts.

a. Sugar:

The domestic sugar industry holds a central role in domestic agriculture. The Government is committed to several steps to improve the efficiency of the sugar industry and reduce the fiscal burden of subsidies to the sugar sector, as outlined within this letter. To afford these measures an opportunity to have effect, the Government will proceed to tariffication of this commodity

consistent with its formal submission to the GATT with effect from 1st January, 1996.

b. Poultry Parts:

Because of consumer preference in North America, certain poultry parts can be imported into the domestic market at relatively low prices influenced by subsidised policies in producer countries and this creates severe competition for domestic producers. The Government therefore seeks to protect this sensitive commodity by implementing a tariff regime on the formal submission to the GATT with effect from 1st January, 1996.

LAND USE REGIME

10. The basic policy framework for reforms to the Government's land use policy is set out in the New Administration and Distribution Policy for Land (Ministry of Planning and Development, November 1992). The direction of land use policy reform is towards a more open system of allocation, within the context of the Government's social and environmental policy objectives. In particular, land use policy and regulation is to be placed in the context of overall economic reforms underway in Trinidad and Tobago and be harmonized with efforts to: (i) improve management of State-owned lands; (ii) control and regularise illegal occupations; (iii) reduce legal impediments to agricultural contracts on private lands; (iv) provide flexibility in allowing changes in land use consistent with economic development, environmental and conservation initiatives.
11. In order to stimulate investment in agriculture and the better policy functioning of land markets, the Government has revised the Standard Agricultural Lease which applies to state land holdings to promote efficiency in the management and use of the State's land resources.
12. The new Standard Agricultural Lease incorporates new lease terms including (but not limited to):
 - a. Pricing of Leases based on open market value.

- b. The Standard Lease term being for a thirty (30) year period with an option to renew.
 - c. The right to transfer the lease being granted to the tenant.
 - d. A subordination clause which allows the State's interest to be subordinated to lending institutions.
 - e. Internalization of clear and enforceable land policies and regulations such as continuation of beneficial use, environmental management criteria, restrictions upon sublets and informal subdivisions, water use efficiency, and use restrictions (e.g. prohibition of residential uses).
 - f. Required contractual participation in any drainage and irrigation management activities, including proper onset management practices and payment of fees and service charges to the Government or parastatal organizations for drainage and irrigation services.
 - g. A rent abatement procedure that would respond to unforeseen external contingencies (force majeure) that could significantly reduce agricultural use values and cause hardship upon tenant farmers.
 - h. A binding arbitration clause which provides for an efficient dispute resolution method.
13. The Government will also develop a strategy to apply the new Standard Agricultural Lease to the existing Agricultural Land Settlement Projects that are underutilized at the present time. More importantly, the Government will pursue the development of a modern, computerized Land Information System which will contain inventory of the State's land holdings and will create a database on:-
- land tenure status
 - occupancy rights
 - land use and land values

- topography
- physical development etc.

This exercise is critical for the development of a coherent land disposition and estate management program.

14. As set forth in a New Administration and Distribution Policy for Land, it is the GOTT's intention to increase the distribution of state lands with the objective of facilitating agricultural production. At the current time, a Land Management Authority is being established with technical assistance from the IDB and will have the responsibility for designing and implementing appropriate and effective land distribution and estate management programs to facilitate the achievement of the national objective of distribution of State-owned agricultural lands for productive agricultural development.
15. In the short term the Government will implement a three (3) year program of land disposition, including areas which are currently unoccupied and in areas which are currently occupied by squatters. This program will also include lands owned by Caroni (1975) Ltd. These lands with the exception of Caroni lands will be distributed under the terms of the new Standard Agricultural Lease as described above. The total amount of land which will be leased in the first two (2) years of this program is 5,562 hectares (14,155 acres). During this period also the state agricultural land inventory exercise will be undertaken. The information generated will be used to determine the lands (both occupied and unoccupied) which will be leased in the third (3rd) year.
16. The Government is aware of the difficulties created on private lands by the existing Agricultural Small Holdings Act and Agricultural Contracts Act. It therefore will replace these Acts, with a new Agricultural Small Holdings Act, which will seek to strike a better balance between the present too narrow focus on the private tenant farmers' permanence on the land and the proper interests of the land-lord.
17. The Government has also initiated steps to improve the functioning of land markets and to facilitate land use patterns consistent with the thrust for economic reform over the medium term. This action includes the preparation of a

Draft Urban and Regional Planning Bill that is intending to replace the existing Town and Country Planning Act, in effect since 1969. A broad-based Committee (the Urban and Regional Planning Act Committee) has been appointed to consider the responses received from the public comment process on this Draft Bill. A legal specialist of international standing will also be engaged to assist in the finalization of the legislation. The URPA Committee has been asked to ensure that the following guidelines, regarding which there is agreement between the Government and the Bank are reflected in the revision of the Draft Bill:

- a. a shift in land use policy to achieve a more open, forward-looking market-oriented system of allocation within the context of the Government's social, environmental and other policy objectives;
- b. a land use planning regime which must strike a balance between the individual's right to the enjoyment of private property and national cum, community interest, with emphasis being given to transparency, establishment and implementation of objective standards, publication of standards and public participation;
- c. the conduct of land use planning in a manner that allows for the effective involvement of those affected at the local, regional and national levels, and consistency between national and subordinate plans;
- d. provision of powers for the Minister to delegate development control function to municipalities and regional corporations;
- e. development approvals to be granted on the basis of certification by registered professions submitting designs conforming to declared standards;
- f. the definition and establishment of clearly defined policies and procedures for the preparation of comprehensive land use plans, appropriate regulations and site standards, and for processing and review of development applications;
- g. provision for Environmental Impact Assessment required for the processing of applications for permission to develop land;

- h. strengthening the standing and effectiveness of plans through the process of Parliament, the review of plans at specified periods, the establishment of a Planning Commission advisory to the Minister to ensure that the broad range of public views are fed into development planning exercise;
- 18. The Government of Trinidad and Tobago will also commission a management review of the Town and Country Planning Division to determine the organizational and related changes necessary to support the implementation of new legislation. Additionally, Government will initiate the preparation of a new National Physical Development Plan to establish national land use policies, the critical inter-sectoral linkages to land use policies and the framework for preparation of subordinate plans.

STATE OWNED ENTERPRISES

Caroni (1975) Ltd.

- 19. The GOTT will continue to pursue the policies for the sugar industry identified in the Tripartite Agreement (1992) with the objective of putting Caroni (1975) Limited on a viable footing over an agreed time frame. Government will also review and strengthen the existing oversight mechanisms as well as develop an institutional arrangement to facilitate the implementation of an equitable cane purchasing mechanism.
- 20. Under the Agreement, the GOTT is committed to help restructure Caroni financially. Several key steps toward that end have been completed. Caroni now has in process a complete revaluation of its fixed assets, and the firm's 1991 and 1992 balance sheets have been adjusted to eliminate previously outstanding debts to GOTT. The GOTT has authorised Caroni's management to seek financing for its investment programs, if necessary with a government loan guarantee.
- 21. Caroni (1975) Ltd. is committed to reorganising its management and operations on a more efficient basis. It has developed and recommended to its board a 5-division structure (based on its 1993 management audit) to permit decentralisation and organization on the basis of effective cost-centers for discrete types of activities. The Caroni Board is continuing to review the current proposals, and will be encouraged to implement the new organizational structure in 1995.

22. Caroni (1975) Ltd. has achieved the 125,000 ton sugar production target in the Tripartite Agreement, well ahead of schedule and has reduced its costs per ton as a result. However, Caroni's financial losses for 1994 were more than TT\$50 million, but, it is fully committed to implement changes necessary to reduce its costs as necessary. Specific changes include:
- a. **Increased Reliance on Private Cane.** The Tripartite Agreement envisions a profitable Caroni depending heavily on private cane (for 60% of its supply) with returns shared between the millers and cane growers on a 70/30 basis. To move to such a basis (with cane returns on delivered-cane sugar content and company revenues) from the current fixed-rate cane buying system, cane sampling systems were purchased and commissioned in May 1995. These systems are being tested and an education campaign for private cane producers is being developed. Parallel test/educational operations will be instituted for the 1996 crop and full operation for the 1997 crop (with an operations manual and educational program developed in 1995 and 1996).
 - b. **Increased production of private cane.** The GOTT and Caroni are committed to the expansion of private cane production to the 60% share in the Agreement. To maintain its throughput, Caroni will reduce its cane production as private farmer cane production increases. For the 1995 crop private farmers cane production was 50% of total cane production.
 - c. **Caroni cane production efficiency.** Caroni cane production is more costly than that on private farms, but those costs can be lowered by reducing surplus labor, and reducing hand-harvesting operations. A major capital investment program has been developed to increase mechanical harvesting (from 11,000 to 15,000 acres) and to introduce other cost saving investments. Caroni has been able to use available funds to improve each of these aspects moderately during 1993/94, but could not develop any of the major capital investments originally planned. The GOTT will schedule and support the development of funding sources for these investments through 1995-98.
 - d. **Caroni factory efficiency.** Targets for improved factory operations require significant investment in new equipment, as well as technical assistance and staff training. A new engineering study has been developed and specific equipment needs identified to improve plant efficiency significantly during the next two years. With current equipment, about 90.7% of the sugar in the cane is recovered. The proposed equipment would increase the

level to 93.6%, and increase sugar production from the current cane production by 6,000 to 7,000 tons within two years. The GOTT will schedule and support the development of funding sources for these investments through 1995-98.

- e. **Diversification.** The diversification program will be reviewed to ensure that only projects with the potential for profitability are supported.
- f. **Orderly Divestment of Caroni land.** The development of effective leases for private operations of Caroni sugar land is essential to reduce Caroni's own production costs and to provide alternative employment for part of its current labour force, as well. Caroni has developed a leasing scheme for 1,417 hectares (3,500 acres) to be undertaken over the next two years (1995-1996). While problems with lease arrangement have limited progress in this area, the GOTT will support new agreements in 1995 that will permit Caroni to move quickly to complete these leases.
- g. **Caroni labour reductions.** The Tripartite Agreement calls for reduction of Caroni's surplus labour both by attrition and by voluntary retirement programs. Caroni has prepared a schedule of reduced surplus labour from attrition and from voluntary retirement, and is prepared to begin implementation of this program. The GOTT supports this approach, and is working with Caroni to finance the targeted labour force reductions.

NATIONAL FLOUR MILLS

23. The Government is committed to the divestment of certain State-owned enterprises including the National Flour Mills Ltd (NFML). An overall divestment plan has been formulated and various governmental and corporate actions necessary to effect the transfer of assets to the private sector have been developed. It is within the context of this overall plan that arrangements for the divestment of NFML are being undertaken. In this regard, Government has already demonopolised the import trade of commodities and products which were under the control of NFML. In addition, a first tranche of 20% NFML shares has been offered for sale in May 1995. It is proposed to complete the open market sales of shares of up to 49% within the next year. Eventually, Government intends to take the Company into majority private ownership.

PUBLIC ADMINISTRATION

24. In order to improve the efficiency and effectiveness which public services are provided to producers, the MALMR will be appropriately strengthened and restructured. These reforms will gradually transfer the commercial activities of the MALMR to the private sector, rationalise the Research and Development operations, create new capabilities to provide services for export and quality promotion, enhance its capabilities in the areas of food quality and safety, and strengthen the commitment to natural resource management.
25. The Government is committed to accelerate its review of existing programs, projects and activities currently undertaken by the MALMR in order to achieve a better strategic fit between resources and opportunities. This evaluation exercise will inform further proposals for re-organising and re-aligning the Ministry's Program of Work and Budget and re-deployment of personnel as appropriate.
26. Recognising its responsibility to ensure the existence of adequate infrastructure for the Agricultural Sector, the Government of Trinidad and Tobago will continue its financial support for:
- (a) technology generation and adaptation;
 - (b) research and development;
 - (c) transfer of technology - extension;
 - (d) physical infrastructure - access roads, marketing facilities, irrigation and drainage;
 - (e) information services; and
 - (f) export promotion.

The Government would function as a facilitator and will actively seek the private sector involvement in setting goals and priorities, providing the services and sharing the cost.

27. In order to enhance the planning and programming capabilities in the Agricultural Sector, which will be critically important during the adjustment process, the Government will strengthen the MALMR's Planning Division. The Ministry's budgeting process will be re-engineered, elements of costs and managerial accounting introduced, a Management Information Systems established and a Human Resource Management Division created to improve management of the MALMR as well as its fiscal control.

THE ENVIRONMENT

The Government is aware of the potential negative environmental impacts of the loan related activities (agricultural chemicals, Caroni (1975) Limited, Public Administration and land use). Consequently, initiatives will be taken to address these issues by identifying, designing and implementing appropriate mitigating activities.

SOCIAL MITIGATION PROGRAMME

28. The Government is convinced that the proposed reform measures will contribute to long-term improvements in efficiency, competitiveness and dynamism in the agricultural sector. However, it is expected that there will be some short-term dislocation as a result of increase competition from cheaper food imports. In order to assist in mitigating the adverse social effects of the adjustment measures, the Government will implement a short-term social impact mitigation program. The elements of the program will include but not limited to:

- a. enhancing competitiveness through improved technical support measures to the farming community;
- b. training/retraining agriculturist who may wish to switch to other endeavours;
- c. public works employment or income support for those in rural areas facing extreme hardship.
- d. financial support to public sector employees adversely affected by the reform measures to enable them to purchase land, for retraining, or for small business development; and
- e. additional measures as necessary for groups where impact was unanticipated.

ACTION PLANS

Action Plans for the execution of these programme are attached hereto:

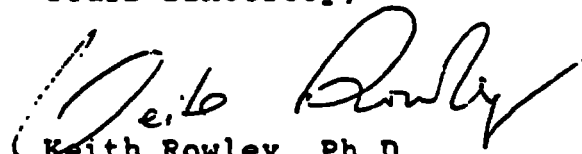
- (i) Trade and Price Policy

- (ii) Land Use
- (iii) State Owned Enterprise
- (iv) Public Administration Reform, and
- (v) Environment

PROJECT EXECUTION AND TECHNICAL ASSISTANCE

29. The monitoring of the reform program will be the responsibility of the MALMR. A program manager will be appointed and will report directly to the Permanent Secretary. His role will be to plan, co-ordinate, monitor and facilitate the implementation of the program, and to act as the liaison with the IDB and with the consulting entities that will provide technical assistance. The Government intends to request that loan funds be available to finance arrangements for supporting the Ministry's staff in the implementation of the Agricultural Sector Reform Program.

Yours sincerely,



Keith Rowley, Ph.D.
Minister of Agriculture, Land and
Marine Resources.

AGRICULTURE SECTOR REFORM PROGRAM

(TT-0032)

PLAN OF OPERATIONS

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR: Republic of Trinidad and Tobago

EXECUTING AGENCY: Ministry of Agriculture, Land and Marine Resources of Trinidad and Tobago

AMOUNT AND SOURCE:

IDB:	US\$9.0 million (OC)
Local counterpart funding:	US\$2.0 million
Total:	US\$11.0 million

FINANCIAL TERMS AND CONDITIONS:

Amortization period:	20 years
Disbursement period:	3 years
Interest rate:	variable
Inspection and supervision:	1%
Credit fee:	0.75%

OBJECTIVES: The Technical Cooperation project has the dual objectives of (i) assisting the GOTT and the Ministry of Agriculture, Land and Marine Resources in the implementation of the Agricultural Sector Reform Program, including the transformation of the Ministry to take on its new role as facilitator of the private sector and (ii) in fostering the rapid expansion of agriculture by assisting private sector to explore and take advantage of new opportunities. The rapid response of private enterprise to the new opportunities created by structural reform will provide sustainable positive impacts to offset the immediate negative impacts of the program.

DESCRIPTION: Successful implementation of the Agriculture Sector Reform Program demands interventions of an organizational, managerial and technical nature which go beyond the current capabilities of the agricultural management institutions in Trinidad and Tobago. The economic policy changes being made as part of the Sector Loan Program, alter the terms of trade faced by the agriculture sector. As imported agricultural products becoming more expensive, local producers have new incentives to expand production for the domestic market. Likewise, export

commodities are now more competitive with other producers creating new opportunities for the sector.

The Technical Cooperation program will provide assistance to the government in six areas namely, sectoral policy reforms, agribusiness development, land information and management systems, rationalization of state owned enterprises social impact mitigation and restructuring the Ministry of Agriculture. The Technical Cooperation program will be implemented through a contract with an international consulting firm.

**ENVIRONMENTAL
CLASSIFICATION:**

On July 26, 1994, the Environmental Management Committee met and reviewed this operation in conjunction with Trinidad and Tobago Agricultural Sector Loan. The committee classified this operation Category III. The Impact Summary was approved by the CMA on October 11, 1994.

BENEFITS:

The principal benefit of having a team of long-term experts in each of the critical technical areas will be to significantly reduce the risk of failure to execute the program. The team will be able to provide the GOTT with the analytical and theoretical rationale for the reforms to help offset the negative impacts of reform. In addition, assistance will be provided to help the small farmer and commercial agribusiness community take advantage of the new policy environment. To the extent that this can be accomplished rapidly, it becomes a sustainable offset to the negative impacts of reform for those engaged in these activities. Most of the high value agribusiness activities have significant forward and backward linkages to the rest of the economy. Many of these commodities are labor intensive and have the potential to generate new sources of foreign exchange.

RISKS:

The principal risk being mitigated by the provision of technical assistance is the timely compliance with the conditions of the Agriculture Sector Loan which have been agreed to with the Bank. Having a team of long-term experts in each of the critical technical areas will significantly reduce the risk of failure to execute the program. The team will be able to provide the GOTT with the analytical and theoretical rationale for the reforms and will be able to design and implement programs to facilitate policy implementation.

**THE BANK'S
COUNTRY STRATEGY:**

The ASL and the proposed Technical Cooperation are fully consistent with the current Bank strategy for Trinidad and Tobago as outlined in the recently approved Country Program Paper. This strategy is very supportive of the GOTT's Medium Term Policy Framework (MTPF) and the desire to continue sustained economic growth through structural adjustment and liberalization of the economy. The Bank's strategy sets out two basic criteria by which priority areas for Bank activities and programs should be determined. First, Bank action should contribute to private sector stimulation and productive employment. Second, Bank action should contribute to more effective public sector administration and more efficient resource allocation. The proposed Technical Cooperation is consistent on both criteria. It has been designed to enable both the private and public sectors to quickly make the transition to their respective new roles.

In addition to helping the government stay the course on the economic policy front, the Technical Cooperation will lay the ground work for both the agricultural support services and agribusiness investor services components of the follow-on agricultural investment operation in the 1995 pipeline (TT-0020). The Technical Cooperation will also pave the way for increased agriculture sector investment in appropriate areas by assisting the government to improve the land management and information systems. The improvement in land information should also help control and protect environmentally critical areas.

**SPECIAL
CONTRACTUAL
CONDITIONS**

"The Technical Cooperation Agreement will contain:

- a. the conditions prior to the signature of the Agreement, which shall comprise the presentation of (i) the terms of reference of the Consulting Firm and the Long-Term Consultants; and (ii) evidence that the selection procedure for hiring said Consulting Firm and long-term consultants have begun;
- b. the conditions prior to first disbursement, which shall include: (i) those stated in the General Conditions of loans financed with ordinary capital; and (ii) the presentation of evidence that the Program Implementation Committee has been established, and that the Consulting Firm and long-term consultants have been hired.

- c. the conditions for during the execution of the Program, which shall consist in the presentation of: (i) annual work plans for the following year, 60 days before the end of each calendar year. The first work plan will be presented 2 months after the Consulting Firm has been hired; (ii) quarterly progress reports; and (iii) a final report, within 60 days from the date of last disbursement of the financing"

I. BACKGROUND

- 1.1 The Government of Trinidad and Tobago (GOTT) is undertaking a program of agricultural sector revitalization financed, in part by the Inter-American Development Bank (IDB). The Agricultural Sector Loan (ASL) of the IDB is designed to provide balance of payments support to the GOTT during the period of transition to a modern agricultural sector. The components of the loan include actions in the areas of trade and price policy, land and water use, divestiture of state owned enterprises (SOE's), government expenditure and public administration and social impact mitigation. The completion of the policy reforms will establish a sound framework for future investment in agriculture.
- 1.2 Successful implementation of the agriculture sector reform program demands interventions of an organizational, managerial and technical nature which go beyond the current capabilities of the agricultural management institutions in Trinidad and Tobago. The economic policy changes being made as part of the sector loan program, alter the terms of trade faced by the agriculture sector. As imported agricultural products becoming more expensive, local producers have new incentives to expand production for the domestic market. Likewise, export commodities are now more competitive with other producers creating new opportunities for the sector.
- 1.3 Assistance will be offered in agricultural trade and price policy, land use, state owned enterprises, public administration and social impact mitigation. Each of the areas will pay special attention to the possible environmental impacts of recommended actions.

II. OBJECTIVES

- 2.1 The technical cooperation project has the dual objectives of (i) assisting the GOTT and the Ministry of Agriculture, Land and Marine Resources in the implementation of the Agricultural Sector Reform Program, including the transformation of the Ministry to take on its new role as facilitator of the private sector and (ii) in fostering the rapid expansion of agriculture by assisting agribusiness to explore and take advantage of new opportunities.

The rapid response of private enterprise to the new opportunities created by structural reform will provide sustainable mitigation to the immediate negative impacts of the program.

III. PROJECT DESCRIPTION

A. Sectoral Policy Reforms

- 3.1 The GOTT has put in place a number of new measures related to agricultural trade and price policy. The technical cooperation program will provide assistance to the Ministry of Agriculture, Land and Marine Resources in periodic analyses of the economic performance of the agricultural sector with a view to identification of constraints to growth and advice on further policy adjustments. In addition, there is a need to strengthening the capacity of both the Ministry of Agriculture, Land and Marine Resources and the Central Statistics Office in the collection, processing and analyses of data on agricultural sector economic performance. A key component will be participation of MALMR staff in international policy seminars.
- 3.2 The services to be provided by the Technical Cooperation project in the area of policy reform are summarized in the table below:

AREA OF EXPERTISE	MONTHS	COUNTERPART AGENCY
Team Leader/Agricultural Policy Expert	36	MALMR
Applied Agricultural Economist	6	MALMR
Total	42	

B. Agribusiness Development

- 3.3 The Technical Cooperation will provide direct assistance to the private sector agribusiness community to stimulate a rapid response with new investment and in reorienting existing production and processing operations to take advantage of opportunities for competitiveness presented by the reformed economic policy environment. The technical assistance team will work with agribusiness organizations to help identify opportunities for high value, non-traditional products and/or markets. The team will facilitate access to the necessary information on technologies, market information, such as quality standards, prices, timing, sanitation and other requirements and on organization to facilitate market access. An international training component in agribusiness will strengthen MALMR's capacity in this area.
- 3.4 The services to be provided by the Technical Cooperation project in the area of agribusiness promotion are summarized in the table below:

AREA OF EXPERTISE	MONTHS	COUNTERPART AGENCY
Agribusiness Specialist	24	NGO
Commodity/Technology/Market Experts	14	NGO
Producer Association Management	4	NGO
Total	42	

C. Land Use Policy and Administration

- 3.5** Execution of the Land Use Policy and Administration component of the Agricultural Sector Loan requires provision of technical assistance to the Lands and Surveys Division of the Ministry of Agriculture, Land and Marine Resources (MALMR) and Town and Country Planning Department of the Ministry of Planning and Development.
- 3.6** The Land Use Policy and Administration component of the Technical Cooperation Program will provide technical assistance in three specific areas: (i) developing the conceptual framework and an implementation plan for the Land Management Authority; (ii) developing draft land surveying regulations; and (iii) assisting Town and Country Planning in implementing the guidelines of the Urban and Regional Planning Act.
- 3.7** Land Management Authority: The Cabinet by Minute 2192, dated 25/8/94 has given approval for the transformation of the Lands and Surveys Division into a Land Management Authority (LMA). The LMA will be a Statutory body responsible for the management and divestiture of State lands, the containment of squatting on these lands, the acquisition of private lands for State purposes and performance of all State mandated surveying (including hydrography) and mapping activities.
- 3.8** Land Surveying Regulations: As part of the land tenure based legislative reforms of the Investment Sector Loan a new Land Surveyors Act is being prepared by Government. A Land Surveying Specialist is needed to review the proposed Land Surveyors Act, the current Land Survey Ordinance, existing Land Surveying Regulations and relevant IDB consultant reports to prepare a draft of revised Trinidad and Tobago Survey Regulations. These regulations require revision to correspond with the proposed Act and also to reflect and accommodate changes in cadastral surveying technology including; the use of computerized field instruments, Global Positioning Systems receivers and the development of land information systems. Regulations should take into account the modernization efforts underway in the Land Registry to create a parcel-based land registration system.

- 3.9 Land Use Planning: A recommended framework for the implementation of the Urban and Regional Planning Act (URPA) has been agreed to by the Bank and the Government. A Land Use Planning Specialist is needed to assist in the performance of a management review of the existing Town and Country Planning Department (T&CP) to determine the organizational, procedural, technological and land use planning changes necessary to support the reorganization of T&CP of the Ministry of Planning and Development. The Specialist will also provide access to professional land use planning skills to compliment existing planning staff.
- 3.10 The services to be provided by the Technical Cooperation project in the area of Land Use Policy and Administration are summarized below:

AREA OF EXPERTISE	MONTHS	COUNTERPART AGENCY
Land Use Planning Specialist	24	MPD/TCP
Land Management/Administration Adviser	18	MALMR/L&S
Land Surveying Specialist	2	MALMR/L&S
Total	44	

D. Rationalization of State Owned Enterprises

- 3.11 Technical assistance will be provided to the management of Caroni, Ltd. (the State Sugar Company) to assist in the implementation of the Governments program to rationalize agriculture sector State Owned Enterprises. This will involve assisting the management of Caroni Sugar Estate to fully implement the Tripartite Agreement which will lead to a reduction in production losses, a reduction in employment and an improved pricing policy for cane purchased from private farmers. Assistance will also be provided in executive management training, to improve internal management, operations of the distillery and to develop a program of biological control of frog hopper and thrips.
- 3.12 The services to be provided by the Technical Cooperation project in the area of rationalization of state owned enterprises are summarized in the table below:

AREA OF EXPERTISE	MONTHS	COUNTERPART AGENCY
Sugar Factory Engineers (2)	48	CARONI
Sugar Chemist	24	CARONI
Cane Pricing Specialist	18	CARONI
Sugarcane Agronomist	2	CARONI
Human Resource/Training Specialist	6	CARONI
Distillery Technologist	2	CARONI
Total	100	

E. Public Administration Reform

- 3.13 The loan's fundamental policy reform objectives will shape Public Administration Reform institutional strengthening work. Responsible Ministry executives along with senior Technical Cooperation Team (TCT) advisors will define the basic policy framework for institutional strengthening efforts, guide management and budget systems advisors in designing the planning and budget management procedures that will ensure that service and investment activities are policy-driven, and assist in ensuring that the basic functions and internal organization of a streamlined Ministry reflect sector policy objectives.
- 3.14 Institutional strengthening efforts will center on six related goals that will be pursued by a team of short-term specialists working in close cooperation with a senior public Management Specialist. Loan-financed institutional strengthening efforts will aim principally at creating a basic framework for longer-term improvement programs, many of which will be incorporated into Bank or other investment programs that are now under discussion with the GOTT.
- 3.15 Institutional strengthening activities will include:
- a. Helping to design, test and train staff in the use of Program of work planning, budget preparation and management, and supporting MIS procedures that will ensure that Ministry service and investment programs reflect new sector policy priorities;
 - b. Assisting in evaluating and preparing to meet the communications, organizational, and staff training implications of proposed changes in the sector's regulatory framework and enforcement policies and practices;
 - c. Assisting in estimating the potential profitability of commercial activities being phased out by the Ministry with an

emphasis on promoting private investment (or transferring potentially viable entities to their employees);

- d. Assisting in identifying the basic organizational arrangements as well as planning and budgeting, training support and logistical systems needed to support the rapid introduction of improved Research and Extension and other support services for farmers;
 - e. Strengthening Ministry capabilities and presenting recommendations for increasing beneficiary participation in the management and financing of irrigation and drainage and other infrastructure projects;
 - f. Assisting in clarifying fundamental Ministry missions in the new sector policy environment, supporting already ongoing reorganization and streamlining efforts, defining long-term managerial and administrative staff training needs, and recommending cost reduction strategies.
- 3.16 A final task will be to support training for other Technical Cooperation Program activities, including identifying local centers for specialized management training programs, training in computerization, and improving administrative and logistical support capabilities.
- 3.17 Internationally-recruited services to be provided through the Technical Cooperation Project in this area are summarized below:

AREA OF EXPERTISE	MONTHS
Senior Management Specialist	15
Budget and Planning Systems Expert	6
MIS/Computer Systems Expert	3
Regulatory Practices Expert	3
Human Resource and Training Specialist	3
Total Person Months	30

- 3.18 Two additional senior short-term experts will be recruited directly through international agricultural research and training centers to assist the Ministry in preparing to meet the organizational and managerial requirements of improved Research and Extension programs and of farmer- managed irrigation and drainage schemes. These probably will include:

AREA OF EXPERTISE	MONTHS
Research and Extension Management Expert	2
Irrigation System/WUA Management Expert	2
TOTAL Person Month	4

- 3.19 The Technical Cooperation program will also provide vehicles and computer equipment required by the professional staff of the consultancy contractor (US\$275,000). These items will be property of the GOTT and will be left in-country upon termination of the program.

IV. PROJECT EXECUTION

- 4.1 The GOTT will implement the Technical Cooperation program through a contract with an international consulting firm with previous experience in such programs. Each member of the Contract Team will have one or more counterpart persons, either in the public sector or from the private sector with whom to work. The role of the consultants, both long and short term is to train and mentor the staff of the Ministry and private sector organizations to which they are assigned. The emphasis of the work is on implementation rather than analyses or study of problems. Some analytical work will be required, but the majority of assistance is focused on implementation of the changes which have been identified. The Contract Team will also conduct in-country seminars on topics related to the ASL.
- 4.2 The executing agency for the project will be the Ministry of Agriculture, Lands and Marine Resources through the Program Implementation Committee (PIC). The PIC will be chaired by the Permanent Secretary of the Ministry and will draw other members from the Standing Committee on Agriculture. The private agribusiness and private banking sectors will be represented on the PIC. In addition, the Program Coordinator of the Ministry and the Team Leader of the Consulting firm will be non-voting members of the PIC.
- 4.3 The functions of the PIC will include:
- review and approve the annual work plan of the Consulting Firm
 - advice and counsel on achieving the objectives and activities of the Technical Cooperation program.
 - review quarterly progress reports.
 - ensure that adequate funds are budgeted by the Ministry to support implementation of the program.

- 4.4 The technical assistance team will consist of a Team Leader who will be an agricultural economist with experience in trade and price policy. The team will also include eight long-term specialists in land use planning, agribusiness promotion, agricultural policy, sugar factory engineering, sugar chemistry, cane pricing and public sector management. A total of 189 person months of long-term specialists will be provided over the three year duration of the technical cooperation program. The long-term staff will be supported by short-term experts in the areas of environmental impacts, agricultural policy, public sector management, agricultural markets, land information, agricultural regulation, sugarcane pricing, distillery technology, plant/animal health and agribusiness organization management. Approximately 73 months of short-term assistance will be required.
- 4.5 Conditions prior to first disbursement of this TC will be according to normal Bank procedures. In addition, the Executing Agency will present evidence that the Project Implementation Committee has been formally established, and that the consulting firm and long term consultancy have been hired, as well as all necessary arrangements have been made to keep accounts of the operation and to have audited, annual financial statements to be presented to the Bank within 120 days of the closing of the fiscal year. Prior to signing the loan contract, the GOTT will have presented for Bank approval the final terms of reference for the technical cooperation, as well as the proposed international bidding procedures to be followed during the procurement phase

V. MONITORING

- 5.1 The Contractor will prepare for review and approval of the PIC an annual work plan. The first annual work plan will be due for presentation not later than ninety (90) days after signature of the contract. As part of the first annual work plan, the Contractor will prepare and submit for approval the format and contents of the quarterly progress reports. At a minimum these reports will be keyed to the annual work plan and will discuss progress against the milestones established in the approved plan and will explain any delays or problems encountered in the accomplishment of the work plans and overall objectives of the Contract.
- 5.2 The PIC will meet at least quarterly to review progress and problems presented in the quarterly reports. The annual work plan will be reviewed and revised if necessary during these quarterly reviews.
- 5.3 The Bank will supervise the implementation of the Agriculture Sector Loan through quarterly supervision missions by the Project Team. The Project Team will receive copies of the contractors quarterly reports and will meet with contract staff during the quarterly supervision missions.

- 5.4 The Bank will disburse funds directly to the bank account of the selected consulting firm, upon request of the Government of Trinidad and Tobago. The Bank will provide an advance of funds of up to 10 percent of the amount of the contract. The contractor will present vouchers as services are rendered in order to replenish the advance. Vouchers will be presented to and evaluated by the Government of Trinidad and Tobago, who will then transmit its request for disbursement to the representation of the Bank in Port of Spain with appropriate supporting documentation.
- 5.5 Funds have been provided in this Technical Cooperation program to evaluate performance of the technical assistance contractor. This evaluation will take the form of a management audit and will be performed by an independent international firm specialized in management audits and with experience in the implementation of similar efforts. The terms of reference for this evaluation will be presented to the Bank for approval.

VI. COSTS AND FINANCING

- 6.1 The total cost of the Technical Cooperation program will amount to US\$11 million, of which US\$9 million will be Bank financing on a re-imbursable basis. The GOTT and participating private sector organizations will provide counterpart personnel as well as office space and logistical support to the contractor. The GOTT and private organization will contribute US\$2 million or 20 percent to the program. The following table provides the estimated dimensioning of the project and sources of financing.

DETAILED COST ESTIMATE			
CATEGORY	IDB	GOTT	TOTAL
1. Professional Services Firm	7,500,000	0	7,500,000
1.1 Fees			0
(International firm - 262 p/mos)	7,500,000	0	7,500,000
2. Individual consultants	0	400,000	400,000
2.1 Compensation	0		0
(Local consultants 36 p/mos)	0	400,000	400,000
3. Scholarship Students and Participants	300,000	20,000	320,000
3.1 Registration Fees	180,000	0	180,000
3.2 Subsistence	55,000	0	55,000
3.3 Travel Expenses	65,000	20,000	85,000
3.3.1 International Travel	55,000	0	55,000
3.3.2 Local Travel	10,000	20,000	30,000
6. General Support	275,000	1,400,000	1,675,000
6.1 Office Premises	0	250,000	250,000
6.2 Office Furnishings	0	50,000	50,000
6.3 Equipment	275,000	50,000	325,000
6.4 Office Supplies	0	50,000	50,000
6.5 Support Personnel	0	1,000,000	1,000,000
Subtotal	8,075,000	1,820,000	9,895,000
Contingencies	835,000	180,000	1,015,000
Inspection Fee	90,000		90,000
TOTAL	9,000,000	2,000,000	11,000,000

VII. BENEFITS AND RISKS

- 7.1 The principal benefit of the provision of technical assistance is the timely compliance with the conditions of the Agriculture Sector Loan which have been agreed to with the Bank. Having a team of long-term experts in each of the critical technical areas will significantly reduce the risk of failure to execute the program. The team will be able to provide the GOTT with the analytical and theoretical rationale for the

reforms and will be able to design and implement programs to help offset the negative impacts of reform.

- 7.2 In addition, assistance is being provided to help the private agribusiness community take advantage of the new policy environment. To the extent that this can be accomplished rapidly, it becomes a sustainable offset to the negative impacts of reform for those engaged in these activities. Most of the high value agribusiness activities have significant forward and backward linkages to the rest of the economy. Many of these commodities are labor intensive and have the potential to generate new sources of foreign exchange.
- 7.3 Because of the number of technical areas and the complicated nature of the reform program, the Bank has decided to supervise implementation through quarterly supervision missions. This will enable the Bank and the Project Team to stay abreast of events and will further reduce the risks of failure. The Project Team of the Bank will receive the progress reports of the technical assistance team and will meet with the team during the quarterly missions.
- 7.4 The principal risk in the provision of technical assistance is the potential delay in the contracting of the consulting firm. A delay in the selection and initiation of work by the Contractor would seriously hamper the Executing Agency's ability to initiate actions required under the loan. In addition, as the policy measures take effect and result in changes in agricultural prices and subsidy payments, pressures on the GOTT from the farming sector are likely to mount. The provision of timely technical assistance to back-stop the GOTT's efforts to implement the program, (especially the social impact mitigation measures) will be critically important to respond to pressure from the farming sector. To expedite the process of obtaining the required technical assistance, the Bank and GOTT have already prepared the Request for Proposal and Terms of Reference for the technical assistance contract. Furthermore, the initiation of the selection of the consulting firm is a condition for signature of the loan.

VIII. RECOMMENDATIONS

- 8.1 In order to assure successful implementation of the reform objectives which this technical cooperation supports, the executing agency will have initiated the international procurement procedures prior to signature of the Agricultural Sector Loan contract and will have the full technical assistance team mobilized and working prior to second tranche of the Loan.

TECHNICAL ASSISTANCE REQUIREMENTS LONG TERM/SHORT TERM	
Team Leader/Agricultural Policy	36
Agribusiness Advisor	24
Land Use Planner	24
Sugar Factory Engineers (2)	48
Sugar Chemist	24
Cane Pricing Specialist	18
Public Sector Management	15
Total-Long Term	189
Agricultural Economist	6
Commodity/Market/Technology	14
Producer Association Management	4
Land Management Authority Designer	18
Survey Regulation	2
Sugar Agronomist	2
Human Resources/Training	6
Distillery Technologist	2
Agricultural Regulations Expert	3
Public Administration	6
MIS/Computer Expert	3
Irrigation Specialist	2
Research and Extension	2
Human Resource/Training	3
Total Short Term	73

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Appendix I

PROPOSED RESOLUTION

**TRINIDAD AND TOBAGO LOAN ____/OC-TT TO THE REPUBLIC OF TRINIDAD AND TOBAGO
(Agriculture Sector Reform Program)**

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Trinidad and Tobago as Borrower, for the purpose of: (a) cooperating in the execution of an agriculture sector reform program, hereinafter referred to as the "Program"; and (b) financing a project for the importation of eligible goods, hereinafter referred to as the "Project". Such financing will be for the amount of up to US\$65,000,000, or its equivalent in other currencies, except that of Trinidad and Tobago which are part of the Ordinary Capital resources of the Bank, and will be subject to the "Special Contractual Conditions" and the "Terms and Financial Conditions" of the Executive Summary of the Loan Proposal.

PROPOSED RESOLUTION

**TRINIDAD AND TOBAGO. REIMBURSABLE TECHNICAL COOPERATION TO
THE REPUBLIC OF TRINIDAD AND TOBAGO FOR
THE AGRICULTURE SECTOR REFORM PROGRAM**

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreements as may be necessary and to adopt such other measures as may be pertinent for the execution of the plan of operations referred to in Document PR-_____ which comprises the proposal for the loan and for the technical cooperation with the Republic of Trinidad and Tobago for the financing of an agriculture sector reform program.
2. That up to the sum of US\$9,000,000, or its equivalent in other currencies, except that of Trinidad and Tobago, is authorized for the purpose of this Resolution, chargeable to the resources of the Ordinary Capital of the Bank.
3. That the above-mentioned sum shall be provided on a reimbursable basis, according to the terms and conditions set forth in the agreement to be entered into for this operation (hereinafter referred to as the "Reimbursable Technical Cooperation Agreement").
4. That the Reimbursable Technical Cooperation Agreement shall be signed simultaneously with Contract /OC-TT.