

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

TRINIDAD AND TOBAGO

URBAN UPGRADING AND REVITALIZATION PROGRAM

(TT-L1056 AND TT-L1057)

LOAN PROPOSAL

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REQUIRED ELECTRONIC LINKS (REL)	
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REL#3	Environmental and Social Management Report (ESMR)
REL#4	Procurement Plan

OPTIONAL ELECTRONIC LINKS (OEL)	
OEL#1	Analysis of Project Cost and Economic Viability
OEL#2	Operating Manual (Operating Regulations for Component 3)
OEL#3	Gender Analysis
OEL#4	Project Completion Report for TT-L1016; 2469/OC-TT
OEL#5	Public Utilities Policy
OEL#6	Climate Change Analysis
OEL#7	Reference list
OEL#8	Safeguard Policy Filter (SPF) and Safeguard Screening Form (SSF)

ABBREVIATIONS	
AOP	Annual Operational Plan
CTB	Central Tenders Board
EPOSDC	East Port of Spain Development Company
ESA	Environment and Social Assessments
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESMR	Environmental and Social Management Report
ESS	Environmental and Social Strategy
GDP	Gross Domestic Product
HDC	Housing Development Corporation
IDB	Inter-American Development Bank
LSA	Land Settlement Agency
MDB	Multilateral Development Bank
MHUD	Ministry of Housing and Urban Development
MWP	Multiple Works Program
NIPDEC	National Insurance Property Development Company Limited
NPV	Net Present Value
NSDS	National Spatial Development Strategy
NUP	Neighborhood Upgrading Program
OM	Operating Manual
OPR	Office of Procurement Regulation
PCR	Project Completion Report
PEFA	Public Expenditure and Financial Accountability
PEP	Pluriannual Execution Plan
PFMS	Public financial management systems
PMCEU	Program Management, Coordinating and Evaluation Unit
PMR	Progress Monitoring Report
POS	Port of Spain
PPDPP	Public Procurement and Disposal of Public Property
PPS	Public-Private Partnerships
SAI	Supreme Audit Institution
SIL	Specific Investment Loan
THA	The Tobago House of Assembly
TTMF	Trinidad and Tobago Mortgage Finance Company
WASA	Water and Sewerage Authority

PROJECT SUMMARY
TRINIDAD AND TOBAGO
URBAN UPGRADING AND REVITALIZATION PROGRAM
(TT-L1056 AND TT-L1057)

Financial Terms and Conditions						
Borrower				Flexible Financing Facility ^(a)		
Republic of Trinidad and Tobago				Amortization Period:	24 Years	
Executing Agency				Disbursement Period:	6 Years	
Ministry of Housing and Urban Development (MHUD)				Grace Period:	6.5 Years ^(b)	
Source	Amount (US\$ million)		Total	%	Interest rate:	LIBOR Based
	TT-L1056	TT-L1057				
IDB (Ordinary Capital):	32.5	17.5	50.0	100	Credit Fee:	(c)
					Inspection and Supervision Fee:	(c)
Total:	32.5	17.5	50.0	100	Weighted Average Life (WAL):	15.25 Years
					Currency of Approval:	Dollars of the United States of America
Project at a Glance						
Project Objective/Description: The general objective of the program is to contribute to the improvement of the quality of the urban built environment. The specific objectives are to: (i) improve the habitability in urban settlements on State-owned lands; and (ii) improve the physical quality and economic performance of urban public spaces; (iii) enhance housing conditions for low income households; and (iv) strengthen the capacity of supply side stakeholders to satisfy effective housing demand.						
Special Contractual Clauses prior to the First Disbursement: the executing agency will provide evidence to the satisfaction of the Bank of: (i) the establishment of the Program Management, Coordinating and Evaluation Unit (PMCEU) and of the assignment or hiring by the executing agency of a program director, a financial specialist, a monitoring and evaluation specialist, a procurement specialist, and an environmental and social specialist; and (ii) its approval of the Operating Manual (OM) of the program, in accordance with the terms previously agreed upon with the Bank (¶3.4). See also other special contractual conditions in Annex B of the Environmental and Social Management Report (ESMR).						
Special Contractual Clauses of Execution: the executing agency will provide evidence to the satisfaction of the Bank: (i) prior to the disbursement of loan resources for Component 1 activities in Trinidad, that an agreement has been entered into between the executing agency and the Land Settlement Agency (LSA) for the execution for such activities; and (ii) prior to the disbursement of loan resources for the execution of Components 1, 2 and 3 activities in Tobago, that an agreement has been entered into between the executing agency and the Tobago House Assembly (THA) for the execution of such activities (¶3.5). See also other special contractual conditions in Annex B of the Environmental and Social Management Report (ESMR).						
Exceptions to Bank Policies: None.						
Strategic Alignment						
Challenges^(d):	SI	<input checked="" type="checkbox"/>	PI	<input checked="" type="checkbox"/>	EI	<input type="checkbox"/>
Cross-Cutting Themes^(e):	GD	<input checked="" type="checkbox"/>	CC	<input checked="" type="checkbox"/>	IC	<input checked="" type="checkbox"/>

^(a) Under the Flexible Financing Facility (document FN-655-1), the borrower has the option to request modifications to the amortization schedule, as well as currency, interest rate and commodity conversions. In considering such requests, the Bank will take into account operational and risk management considerations.

^(b) Under the flexible repayment options of the Flexible Financing Facility (FFF), changes in the grace period are possible as long the Original Weighted Average Life (WAL) and the last payment date, as documented in the loan agreement, are not exceeded.

^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and justification

- 1.1 Trinidad and Tobago is slowly recovering from a deep economic recession. The economy contracted by 6.5% in 2016, another 1.9% in 2017 and remained roughly flat in 2018 and 2019 [22].¹ As a result of a fiscal consolidation program, public debt has stabilized, measuring 62.2% of Gross Domestic Product (GDP) [2] at the end of 2018. Going forward, the economy is expected to grow by 1.5% in 2020 [22], however, volatility in energy prices and production volumes, underscores the need for continued discipline in public expenditure, even as the Government of Trinidad and Tobago attempts to stimulate growth and reduce inequity.
- 1.2 The Government is committed to improving equity, efficiency, and sustainability in the urban built environment.² This program will finance a needed extension of informal settlement upgrading, affordable housing finance programs, and institutional strengthening activities implemented under the recently concluded Neighborhood Upgrading Program - NUP (TT-L1016; 2469/OC-TT). It will, however, prioritize upgrading and improvements in housing quality in the main urbanized corridors and also contribute to the revitalization of urban centers,³ as part of a strategy to foster a pattern of more sustainable built development. The program will be executed through two different loan modalities, a Multiple Works Program (MWP), TT-L1056, and a Specific Investment Loan (SIL), TT-L1057.
- 1.3 **High incidence of informal settlement.** An international analysis of 87 countries found that with close to 30% of its urban population squatting⁴ in 2005, Trinidad and Tobago has a much higher incidence of slum population than expected,⁵ given its high GDP per capita [14]. One in every five households is squatting [30] and in 2019, the Land Settlement Agency (LSA) mapped 250 squatter sites that are known to be predominantly on State lands, with the most populous located in urban areas. The LSA identified a further 60 sites as also possibly being predominantly on State land. In Trinidad, which is 71% urbanized, such settlements in urban areas are often on hillsides or close to water courses, increasing their vulnerability to natural disasters and high impact rainfall events associated with climate change-vulnerability that upgrading interventions typically reduce. In squatter sites, not only are the land tenure, road layout and buildings typically irregular, but squatter households are twice as likely (15% vs 8%) to lack piped-water and three times more likely (26% vs 9%) to use pit-latrines, than non-squatter households, which poses potential implications for household health and disproportionate impacts on women and female-headed households [1]. Squatter sites are also

¹ Optional electronic link [OEL#7](#) contains the bibliographic references identified by the number in brackets [#].

² Commonly understood to include man-made features such as buildings, infrastructure, and public facilities in urban centers and along urban corridors.

³ Commonly understood as city or town areas where there is proximity to a range of commercial, retail, and public administration activities and a concentration of employment opportunities.

⁴ Squatting is commonly understood as the occupation of land without the expressed authorization of the owner.

⁵ Generally understood as heavily populated urban areas characterized by substandard housing and poor living conditions due to deficient or missing basic services.

notable for irregular and sometimes illegal electricity connections, and for a lack of fire hydrants, increasing their risks of significant fire-related losses. More generally, inadequate housing and infrastructure conditions have been shown to be associated with lesser life satisfaction [23, 6].

- 1.4 Improving the habitability in informal settlements will improve the quality of the urban built environment and directly impact the quality of life of low-income households⁶ living in those communities since among other things, it will provide the convenience and security of an access to each home that does not require passing through a neighbor's yard, drain, river, or informal path. In many cases, vehicles, will now be able to travel directly to the homes, providing significant convenience and improved safety. Improved habitability will also reduce the inconvenience, risks and costs associated with not having potable water supply and indoor water closet toilets – an inconvenience disproportionately borne by women who do the majority of household chores such as: cooking, laundry, and cleaning. Servicing greenfield sites located close to economic centers with basic infrastructure and systematically allocating the serviced-plots to low-income households will also help to improve the urban built environment by providing an alternative to new informal settlement.
- 1.5 **Housing unaffordability.** Nationally, the House-Price-to-Wages ratio was consistently over 10:1 for the period between the mid-1990s and 2015 [18], much higher than the 3:1 threshold of affordability defined by international standards [4]. This is likely the result of a mismatch between demand and formal supply. The National Spatial Development Strategy (NSDS) of 2013 estimated an annual housing demand of 5,000 units per year up to 2033 to cater for the formation of new households, as well as replacement of aging housing stock [9]. There is, however, an acute shortage of formal housing for low-income- households,⁷ evidenced in part by squatting (settlement on land without the authorization of the owners – described above) and a waiting list for state-supplied housing that exceeds 175,000 applicants according to the Housing Development Corporation (HDC) of which approximately 50% do not meet the minimum qualification criteria for a state subsidized mortgage for the typical unit produced by the HDC. In the housing production chain, the country's rankings in the World Bank's 2019 Doing Business Rankings [36] for enforcing contracts, land registration and construction permitting, of 174th, 158th and 125th, respectively, are illustrative of systemic challenges in improving formal housing supply efficiency.
- 1.6 Women, and in particular low-income households headed by women,⁸ are disproportionately affected by housing unaffordability, given that the ratio of women's earnings to men's is estimated at 0.64 [37] and that women are 15 percentage points less likely than men to borrow from financial institutions.⁹ In addition, almost 1 in 3 women have or will experience some form of physical or

⁶ To be understood as household income of TT\$96,000 or less per year or TT\$8,000 or less per month -slightly less than the TT\$8,500 median monthly, household income as determined by the CSO from its 2014, Continuous Sample Survey of Population (CSSP).

⁷ To be understood as having a household income of TT\$8,000 or less per month or TT\$96,000 or less per year.

⁸ 40% of households were female-led in 2018 [27].

⁹ According to data from the Global Findex, only 20% of the women in Trinidad and Tobago borrowed from a financial institution in 2017, compared to 35% of men [34].

sexual violence in their lifetime in Trinidad and Tobago [28], which indicates the importance of ensuring that women and their children have access to adequate housing and the means to be financially independent. However, gender challenges also extend to adolescent and young men who are at-risk of joining street gangs and engaging in violence (many of whom live in informal settlements in urban areas), given their lower performance and expected years of schooling.¹⁰ (See [OEL#3](#)).

- 1.7 These affordability and informal settlement challenges occur in a context of sub-urbanization and the neglect of urban centers. The main urban centers, including Port of Spain (POS), San Fernando and Chaguanas in Trinidad, and Scarborough in Tobago, have all seen a significant increase in suburban development (residential and mixed-use development on the outskirts of the urban centers), while their core areas are congested by slow-moving vehicular traffic, lacking in new investments and high quality public space, and aesthetically unattractive. As in San Fernando, the waterfront in Scarborough is underdeveloped and underutilized. In fact, a 2012 regional analysis based on 2007 Gallup Survey data ranked local respondents' overall satisfaction with the city or area in which they live 21st out of 24 countries [14].
- 1.8 While the POS waterfront was significantly redeveloped with the completion of the International Waterfront Center in 2009, the Central Business District has not seen comparable investment, and in some sections, value is being undermined by vacant sites in prime locations; old and poorly maintained facilities, such as public malls. One of them, Eastside Plaza on Charlotte Street, a building of historical import given that it was the site of the original market of the city and has rare architectural features, is badly in need of retrofits and modernization. Such facilities and vacant sites, blight surrounding properties and are sometimes characterized by unsafe conditions for tenants and customers.
- 1.9 In this context, the national pattern of housing and built environment expansion is unsustainable. The administratively determined capital city, POS, and the second city, San Fernando, experienced declines of 24% and 12% respectively [7], between the 2000 and 2011 censuses [9]. At the same time, five of the six Regional Corporations in Trinidad that experienced the largest population growth between the 2000 and 2011 censuses have extremely low population densities by urban standards (less than five persons per hectare). Similarly, a 2018 analysis found that the rapid spatial expansion of the Scarborough and Roxborough built up areas in recent decades has been very inefficient [21]. Overall, this pattern of dispersed housing and built-environment growth is creating a growing fiscal and environmental cost [5].
- 1.10 Improving the physical quality and economic performance of public spaces in urban centers will contribute to the improvement in the quality of the urban built environment by creating conditions that enhance productivity and encourage more customer and visitor traffic. Project investments in structural features such as site infrastructure, building reinforcements, updated mechanical and electrical systems, cost-saving green-building technologies, and better site layout functionality, will facilitate higher levels of productivity and lower risk for those who

¹⁰ According to the United Nations Development Programme (UNDP) 2018 Human Development Index.

perform economic activities on the site. Streetscaping infrastructure (e.g. sidewalks, benches, exercise and play equipment, and shade trees), as well as design features that maximize site views, more functional circulation of visitors, better visibility for shop frontages, improved accessibility (e.g. elevators and ramps), and attention to comforts and safety (e.g. air-conditioning and security cameras), enhance the visitor experience, encouraging more visitors, longer stays, higher demand to host events on site, all of which should add to patronage of businesses on or proximate to the site. Overall, the project investments should generate higher economic rents and more employment for the target sites and adjacent areas, adding to the attractiveness of the urban area.

- 1.11 **Qualitative urban housing deficits.** In addition to the high incidence of informality, housing in urban areas is older than the rest of the stock and suffers from significant qualitative deficits. According to the 2011 Census, 71% of the stock in POS, and over 50% in the adjoining populous urban areas of Diego Martin and San Juan/Laventille, as well as in San Fernando, was built prior to 1980. Analysis of the 2014 nationally representative Survey of Living Conditions shows that 16.5% of the poorest households (lowest income quintile), had outer walls of their houses made of wood or galvanize.¹¹ In the same 2014 Survey, more than a third (34.1%) of low-income households,¹² was living in overcrowded conditions.¹³ Moreover, 2012 UN-Habitat Urban Profiling exercises found poor housing in terms of durability, adequacy and design in the Greater POS Area [32], San Fernando [33], and Scarborough, Tobago [34].
- 1.12 Improving housing conditions for low-income households through home construction and home improvement subsidies will directly enhance the urban built environment and the quality of life of low-income households since it will alleviate daily frustrations and burdens associated with inadequate living conditions such as overcrowding, a leaking roof, an insecure outer wall, or an outdoor toilet facility (pit latrine). Savings in usage on electricity and water through inclusion of green technologies in new homes will also provide benefits associated with more disposable income.
- 1.13 **Institutional capacity gaps.** Beyond fixing the above-described short-term problems in the existing housing stock, there is a need for sector studies to help fill information gaps and position government policy and programming in the medium-term. For example, systematic analyses of drainage, flood abatement and waste-water management in the Diego Martin River Basin is needed. Similarly, a determination of what constitutes appropriate development standards in densely populated, urban, hillside-communities is needed if longer-term goals for full regularization, including land titling are to be achieved. Likewise, medium-term housing and urban development planning in Tobago would benefit from the development of an Infrastructure Plan. Better-targeted interventions in informal settlements and low-income housing programs require up-to-date socio-economic information from an ongoing national survey of those settlements, and proper analysis of the existing, extensive HDC application database. At the sector scale, a more systematic analysis of housing demand and supply-chain constraints is

¹¹ Zinc-coated sheets of metal commonly used for roofing or fences.

¹² Lowest 2 income quintiles.

¹³ Households were classified as overcrowded when there were 2 or more persons per bedroom.

needed. Meanwhile, the Ministry of Housing and Urban Development (MHUD) needs capacity strengthening to perform broader urban development roles, given the findings of a recent SWOT analysis¹⁴ documented in its Strategic Plan 2018-2023, that noted lack of clarity in its urban development mandate and limited innovation in solving housing problems [13]. This includes strengthening of technical and information systems capacity in real estate management and spatial analysis, and broader exposure to international learning through global and regional conferences and exchanges with Spanish speaking counterparts in the region.

- 1.14 Government's strategy for addressing the challenges of unaffordability and informality have been dual-pronged. On the one hand there has been a systematic program of informal settlement regularization on State lands for the last three decades. On the other hand, with respect to affordability, the government has augmented housing supply through construction of public housing units by the Housing Development Corporation (HDC), servicing of some greenfield sites with residential infrastructure, and by expanding housing finance. Regarding housing finance, this has included subsidized interest rates through the Trinidad and Tobago Mortgage Finance Company (TTMF) which in December 2018 received a partial-credit guarantee of TT\$120 million from IDB Invest – the IDB's private sector arm.
- 1.15 At a more direct and modest scale, approximately four thousand low income households benefitted from Home Improvement Subsidies and Home Construction Subsidies under the operation 2469/OC-TT [12]. By the end of the operation 2469/OC-TT in 2017 there were hundreds of pre-screened applicants who were deemed eligible but did not receive grants due to limitations on funding. These limitations are reflected in the fact that the average recurrent expenditure allocated to the MHUD in the 2017-2018 and 2018-2019 budget cycles was 34% less than the allocation in 2012-2013.
- 1.16 Regarding suburbanization and the neglect of urban centers, Government aims to improve the functionality and attractiveness of urban centers as places to recreate, do business, and even reside. As the NSDS puts it: "constraining the spatial expansion of urban areas will only be effective if efforts and resources are simultaneously directed towards improving the efficiency and quality of existing urban areas" [8]. The Government is pursuing such measures through initiatives such as the San Fernando Waterfront Redevelopment Project; the revitalization of Skinner Park in San Fernando; the completion of the Government campus near the waterfront in POS; and the restoration of several landmark, heritage buildings in POS. With respect to Tobago, the NSDS calls for strengthening the urban fabric of Scarborough to harness its cultural and tourism potential, and the Tobago House of Assembly (THA) has begun to design a waterfront initiative to this effect. Additionally, several regeneration investments in POS were identified in the IDB-financed Sustainable POS Action Plan [16].

¹⁴ SWOT analysis (strengths, weaknesses, opportunities and threats analysis) is a framework for identifying and analyzing the internal and external factors that can have an impact on the viability of a project, product, place, institution or person.

- 1.17 **Climate change and sustainability.** Sustainability is an emerging theme in the country's development agenda. Trinidad and Tobago ranks 90th in the ND-GAIN index [27] and faces hazards such as tropical storms, flooding, wind and heavy rainfall. With climate change, expected temperature increases will result in longer warm spells, longer hot and dry spells, an increase in intense rainfall, and moderate to extreme drought. In 2018 the country experienced its worst flooding in history, affecting 150,000 people and causing an estimated of US\$3.7 million in economic damages [3]. In some informal settlements, indiscriminate disposal of solid waste into drainage channels and watercourses exacerbates flooding vulnerabilities. In light of these threats, infrastructure and building designs need to incorporate climate resilience and the sustainable use of energy and water, consistent with Government's policy on the greening of its operations [10].
- 1.18 **Program strategy.** The program to be funded by this operation is part of the MHUD's ongoing strategy to address informal settlement regularization on State lands, reduce the qualitative and quantitative housing deficits, and revitalize urban centers. The program's emphasis on consolidating the build development footprint in urban centers and along the main urban corridors, and on minimizing dislocation of households from economic and social networks, is fully consistent with the emphasis of the New Urban Agenda developed at the United Nations flagship 2016 forum, HABITAT III. It is also consistent with the development approach embodied in the National Spatial Development Strategy of 2014 [8,9] and guided by the 2010 Local Area Spatial Development Plans for practically all urban centers and areas alongside the main urban corridors. In the case of proposed investments in or around Port of Spain, there is also consistency with the Sustainable Port of Spain Action Plan [16] produced under the IDB's Emerging and Sustainable Cities Initiative in 2015. Finally, the development strategy emphasized in this program is congruent with the Government's focus on sustainable urban mobility as embodied in ongoing Technical Cooperation exercises, as well as the 2016 Analysis of Mass Transit Alternatives for POS and the Main Urban Corridors of Trinidad [17].
- 1.19 **Sector knowledge.** Based on Caribbean experiences, a recent IDB study found that direct subsidies for self-construction were successful in addressing housing deficits and that infrastructure upgrading was effective in reaching vulnerable populations [19]. In relation to home construction subsidies, it has been shown that the mechanism of combining household savings and the grant-voucher, was successful in targeting poor populations [24]. In addition, according to other regional studies in Latin America and the Caribbean, infrastructure upgrading interventions can contribute to increased land and property values. Moreover, research on Trinidad and Tobago has shown that augmenting perceptions of tenure security through infrastructural works can be a reliable contributor to greater home improvement and repair [29]. Looking at the English experience, Tyler et al [31] concluded that benefit-cost ratios for urban regeneration projects range between 2.4 and 3.5 on average, and between 5.9 to 7.9 for the kind of regeneration projects included in the present program (urban markets and plazas).
- 1.20 **Lessons Learned.** Regarding 2469/OC-TT, the Final Evaluation similarly concluded that the housing subsidies/grants program was very successful in controlling the amount of public investment, while leveraging private sweat equity and cash contributions [12]. The Project Completion Report (PCR) for 2469/OC-TT ([OEL#4](#)), recommends selecting future upgrading sites with high baseline population density, and proximity to income-generating economic activities [20],

consistent with the focus in this new operation. Additional recommendations from the PCR that were incorporated into the program design include: (i) inclusion of regulatory agencies in the Steering Committee to facilitate better coordination on regulatory approvals; (ii) inclusion of a dedicated Monitoring and Evaluation Officer, in the executing agency; and (iii) timing the execution of institutional strengthening activities to make use of potentially valuable inputs, and better inform investment decisions.

- 1.21 **Strategic alignment.** This operation is consistent with the Second Update to the Institutional Strategy - UIS (AB-3190-2) and is expected to contribute to the Corporate Results Framework 2020-2023 - CRF (GN-2727-12) through the development challenge of: (i) Social Inclusion and Equality, by facilitating the integration of informal settlers; and (ii) Productivity and Innovation, through its contributions to enhanced economic performance of urban public spaces. It also aligns to the cross-cutting themes of: (i) Gender Equality and Diversity, through its targeting of female-headed households for housing grants and targeting of women as well as at-risk young men for community-sourced labor in the upgrading of living conditions in informal settlements; (ii) Climate Change and Environmental Sustainability, through its drainage and flood-mitigation initiatives within upgrading sites, and incorporation of green building technologies; and (iii) Institutional Capacity and Rule of Law, through its training and information systems management investments. According to the [joint Multilateral Development Bank \(MDB\) approach](#) on climate finance tracking, 37.5% of total IDB funding result in climate change mitigation and adaptation activities. The program contributes to the IDBG's climate finance goal of 30% of approvals by year's end 2020" ([OEL#6](#)).
- 1.22 The operation is consistent with the IDB Group Country Strategy with the Republic of Trinidad and Tobago 2016-2020 (GN-2888), through the Strategic Area of Fostering Human Development and the Strategic Objective of Increasing Access to Quality Housing. It is also consistent with the Bank's Disaster Risk Management Policy (GN-2354-5) and the Urban Development and Housing Sector Framework (GN-2732-6) through the following Lines of Action: (i) support programs for the improvement of informal neighborhoods; (ii) improve the maintenance, coverage, quality, and environmental sustainability of urban services and infrastructure; (iii) foster and expand access to public and private financing for housing services for the poorest households or in areas of high environmental, climate-related, or geophysical vulnerability; (iv) foster and expand the supply of housing services with low environmental and climate impact in areas with access to services and job markets; (v) reinforce the capacity of the institutions involved in producing, financing, and regulating affordable housing; (vi) revitalize degraded urban areas and preserve the historical heritage of the cities without harming the residents of these areas; and (vii) expand the supply and improve the accessibility and quality of urban green areas. It is also consistent with the Climate Change Sector Framework (GN-2835-8) through the Line of Action to mainstream climate action; the Gender and Diversity Sector Framework (GN-2800-8) through the Line of Action to improve the well-being of women and children by expanding access to quality public services that are culturally relevant; and the Public Utilities Policy (GN-2716-6). This operation is also consistent with the policies of the Government as reflected in several key policy documents such as the Vision 2030 Strategy [11]. Lastly, TT-L1056 is included in the 2020 Operational Program Report (GN-2991-1).

- 1.23 **Gender.** Several of the gender-sensitivities raised in the diagnostic ¶1.6 and in [OEL#3](#) are addressed in the program design through the following: (i) targeting of women as well as at-risk young men for community-sourced labor in Component 1; (ii) investments in improved access to homes, street lighting, as well as in-house piped potable water supply in Component 1 to decrease the security risks that women and girls face in their daily activities; (iii) improving the conditions for more productive and safer enterprise in Eastside Plaza where women are the vast majority of existing tenants, under Component 2; and (iv) targeting of female-headed households in Component 3 to increase women's financial independence.
- 1.24 **Compliance with the Public Utilities Policy ([OEL#5](#)).** The program complies with the conditions of financial sustainability and economic evaluation and is aligned with the goals and principles of the Public Utilities Policy (GN-2716-6) and with the objectives and principles of the Policy as it relates to the provision of water and sanitation, solid waste and electricity services to the beneficiary households under the program. The Water and Sewerage Authority (WASA) is mandated by its 1965 Act to provide water and sewerage services for Trinidad and Tobago. WASA has been able to meet its O&M costs through a combination of tariffs and timely and transparent subsidies from the Government. Additionally, WASA recently commissioned a Business Plan and Price Control Proposal (2019 – 2024) that seeks to improve the operational and financial sustainability of the utility. This is in addition to current Institutional Strengthening under TT-L1026 (LO2890/OC-TT). The Trinidad and Tobago Electricity Commission, a corporatized entity, provides electricity service and the Municipal Corporations Act (Act 21 of 1990) mandates the collection and disposal of solid waste. Finally, the infrastructure services to be financed under the program are socio-economically viable according to Net present Value (NPV) and Internal Rate of Return (IRR) calculated by the economic evaluation ([OEL#1](#)).

B. Objective, components, and cost

- 1.25 **Objective.** The general objective of the program is to contribute to the improvement of the quality of the urban built environment. The specific objectives are to: (i) improve the habitability in urban settlements on State-owned lands; (ii) improve the physical quality and economic performance of urban public spaces; (iii) enhance housing conditions for low income households; and (iv) strengthen the capacity of supply-side stakeholders to satisfy effective housing demand.

Component 1. Urban Residential Infrastructure (US\$15.0 million)

- 1.26 This Component will finance a cohort of independent, urban residential infrastructure sub-projects of similar scope, to either upgrade living conditions in informal settlements on State lands or to develop planned, residential sub-divisions in well-located State-owned greenfield sites, for systematic allocation to low-income households. Locationally, the focus will be on the main urban corridors, and on sites not previously upgraded. This component's specific investments will include: (i) construction or upgrading of resilient site infrastructure, including drainage systems, waste-water management systems, road and accessibility systems, streetlights, potable water supply, fire-hydrants and social infrastructure, such as community centers and recreational facilities (with gender-sensitive

designs), when appropriate; (ii) solid-waste management, including installation of recycling collection points and receptacles within upgraded settlements; and (iii) regularization of electricity supply. Infrastructure will be designed to cope with anticipated climate change effects and common natural hazard threats. Community labor, including women and at-risk young men, would be engaged in construction activities where appropriate. In densely populated, urban, hillside communities, early and emergency works will be the focus, primarily improving accessibility to homes through paved pathways, stairways and railings, as well as alleviating urgent drainage and land slippage challenges.

- 1.27 The Multiple Works Program (MWP) sample for this component comprises three sites in the highly-urbanized East-West corridor, including two sites (Sahadeen Trace and Bois Bande C) in the Sangre Grande region which saw very significant population growth between the last two censuses. The third sample site is Factory Road in the Diego Martin region which is home to some of the nation's largest informal settlements,¹⁵ and is representative of sites that will receive the more limited treatment of early and emergency infrastructure works.
- 1.28 The Pre-construction activities including surveying, land use planning, engineering designs, and environmental and social assessments for these three sites are complete. Tender documents are also close to finalization. The MWP sample represents 38% of the cost of Component 1.
- 1.29 Both the MWP sample and other eligible projects under Component 1 are subject to the following Eligibility Criteria which require that they: (i) are focused on residential infrastructure; (ii) are for sites wholly or predominantly State-owned; (iii) are located in an urban center or along a main urban corridor; and (iv) cannot be classified as Category A according to Bank's Environmental and Social Safeguards Compliance Policy, OP-703. In the case of informal settlement upgrading, sites must: (v) have a majority of households with gross annual household incomes of TT\$96,000 or less; (vi) have infrastructure deficits as measured by indicators such as paved roads per hectare and amenities per unit of population; and (vii) be at least 70% occupied. For greenfield sites, where systematic allocation of serviced plots will occur, beneficiaries must have: (viii) average gross annual household incomes of TT\$96,000 or less.

Component 2. Urban Regeneration (US\$15.5 million)

- 1.30 This component will finance a cohort of independent, urban regeneration initiatives of similar scope, with an emphasis on improving the physical quality and economic performance of urban public spaces. This is an innovation since globally, such investments are today seen as integral to harnessing the potential of urbanization. Since it is an emerging development front in the country, the MWP modality will allow the flexibility to define some of the investments after local contextualization and prioritization have improved. This component's specific investments will include building refurbishment, site and streetscaping infrastructure, and landscaping to increase the attractiveness, resilience, and sustainable use of urban public spaces and facilities. This component may finance some land assembly/acquisition in exceptional cases. An Operations and Maintenance Plan

¹⁵ According to LSA's 2018 mapping and survey of informal settlements on State lands.

will also be financed for each upgraded place/facility, to help promote sustainability. This component will be supported by an awareness campaign to promote empowerment and ownership of beneficiaries in urban public spaces, including reducing littering and increasing recycling, financed under Component 4.

- 1.31 The MWP sample project for this component is the renovation of Eastside Plaza, a publicly-owned urban mall on lower Charlotte Street in POS which houses about 150 service and retail facilities as well as production workshops. The economic performance and attraction of this nearly century-old facility that once served as the capital city's historic market, is expected to be significantly boosted by the project interventions that will include a more efficient, accessible, and functional layout of the facility; addition of about 20 booths for new tenants (existing tenants, who are majority female, will all be retained); improvements in the health and safety conditions through major electrical, mechanical, plumbing, air-conditioning and surveillance system revamps; and introduction of cost-saving green-building technologies such as thermal insulation for the roof, installation of a chill-water air-conditioning system, enhanced natural lighting, efficient lights controlled by sensors, dual flush toilets, and low-flow faucet aerators.
- 1.32 Pre-construction activities for the Eastside Plaza renovation, including conceptual designs, architectural designs, mechanical and electrical designs, engineering designs for construction, and environmental and social assessments are complete. The MWP sample represents 39% of the cost of Component 2.
- 1.33 Both the MWP sample and other eligible projects under Component 2 must comply with the following Eligibility Criteria: (i) be focused on the rehabilitation or construction of buildings or public space in an urban center; (ii) have a significant commercial land use element (either on-site or directly adjacent); and (iii) cannot be classified as Category A according to Bank's Environmental and Social Safeguards Compliance Policy (OP-703). One such candidate project under design is the redevelopment of the esplanade and waterfront market area in Scarborough, Tobago.

Component 3. Affordable Housing Subsidies (US\$15.0 million)

- 1.34 This component will finance specific investments to further improve habitability for low-income households through reducing the qualitative and quantitative housing deficits, as well as sustainability of the built environment. It will provide subsidies nationwide to finance: (i) selective home improvements for currently-occupied homes, which qualitatively enhance the basic living conditions of eligible low-income households; and (ii) new construction or acquisition of basic homes on property that is already owned, which directly services the housing needs of low-income households. Subsidy caps will be the same as used under 2469/OC-TT, as these limits proved to be adequate and the Government is increasingly trying to reach more households with limited resources (¶1.26). A family income threshold of TT\$8,000 per month will be part of the eligibility criteria (see [OEL#2](#)).
- 1.35 Approximately 3,500 households who were not granted subsidies under earlier IDB-financed operations will receive subsidies, 2,460 for home improvement, and 1056 for new construction. A significant innovation is that subsidies will be

administered in a manner that facilitates more sustainable outcomes. In particular, at least 75% of all subsidies will be for households located proximate to the main highway networks,¹⁶ thus contributing to the consolidation of the housing stock in areas that are well serviced by existing infrastructure and accessibility. At least 10% of home improvement subsidies (HISs) will be reserved for projects that include the addition of a self-contained housing solution, within existing premises, which will augment the supply of housing in the existing built up areas. At least 75% of construction subsidies (HCSs) will be conditional on the agreement of the beneficiary to include eco-technologies that reduce the consuming of water and electricity. Such criteria will also be mandated for at least 15% of home improvement subsidies.¹⁷ Finally, at least 40% of all subsidies will be allocated to women-headed households, to help redress the disproportionate vulnerability that such households experience.

- 1.36 Under Component 3, for HISs, following an open application window, households and proposed projects will be screened by technical officers of the MHUD and largely implemented as owner-managed projects without public procurement of goods or labour. For HCSs, a two-tranche system will be used as under 2469/OC-TT, whereby disbursement of the second tranche will be contingent upon certification of satisfactory completion of the pre-agreed first phase activities. While it is anticipated that most HISs and HCSs will be for owner-managed projects, a notable innovation is that the subsidies will also be payable directly to an intermediary such as one of the more established Credit Unions or to a pre-qualified Executing Developer certified by MHUD, on behalf of an eligible beneficiary household, according to criteria established in the OM. Under such arrangements the focus remains on household beneficiaries and no developer-led housing construction projects in greenfield sites will be financed under this component.

Component 4. Strengthening of Housing and Urban Development Sector Stakeholders' Capacities (US\$2.0 million)

- 1.37 This component will finance a range of activities which will better equip supply-side stakeholders to address the medium-term housing and sustainable urban development needs of the country. Among them will be various sector studies, including a national housing market study; a drainage and waste-water management Plan for the Diego Martin area; and a Study of appropriate development standards in dense, hillside, urban communities. For the Tobago House of Assembly (THA), a key activity will be the preparation of an Infrastructure Investment Plan to guide sustainable development. All of these studies will strengthen the underlying physical planning framework for public policy and investments. For the MHUD and its line Agencies, capacity building in real-estate management and analysis, will be financed with the aim of better understanding dynamic land and housing market trends and improving the strategic management of real estate assets under the control of MHUD and its line agencies. This will be complemented by financing: the completion of the nationwide survey of squatters on State-owned lands; cleaning and analysis of the HDC application database;

¹⁶ Proximity will be further defined in the OM, however an IDB 2016 Mass Transit Technical Cooperation Report noted that 72% of the population of Trinidad lives within 3km of the main highway network.

¹⁷ The OM will include the list of eco-technologies and associated guidelines.

building of an information system for Real Estate Management and housing market updates; purchase and installation of geographic information software for the HDC; MHUD's ongoing Communications campaign, and an impact evaluation of past regularization efforts. Conference participation of key sector stakeholders, training in business and conversational Spanish, update of the Yardi software, and purchase of equipment and a vehicle will also be financed. Most of the Sector studies to be undertaken in this component will be executed during the first two years of the operation, so that the information they yield can be factored into sub-project selection under Components 1 and 2. Such studies may also benefit from preliminary data releases from the 2020 national population Census.

- 1.38 In addition, the Program's administrative,¹⁸ auditing, monitoring and evaluation expenses will be financed. This amounts to US\$2.5 million of which US\$2.0 million will be under TT-L1056 and US\$0.5 million will be under TT-L1057.

C. Key results indicators

- 1.39 **Expected results.** The program is expected to achieve the following outcomes: (i) an increase in the proportion of households in the project sites with an indoor water closet toilet; (ii) a decrease in the proportion of households in the project sites with inadequate access to their home; (iii) an increase in the proportion of low-income households that live in houses with adequate quality; (iv) water savings in new dwellings; (v) energy savings in new dwellings; (vi) an increase in average weekly revenues of retail units at each regenerated site; (vii) an increase in the number of events per year hosted at each regenerated site; (viii) water savings in each regenerated site; (ix) energy savings in each regenerated site; (x) a reduction in the average number of months in the project cycle to complete housing solutions (home improvement and home construction); and (xi) an increase in the proportion of housing solutions developed by MHUD and its line agencies that is affordable to low income households.
- 1.40 The economic evaluation ([OEL#1](#)) measured the expected benefit and cost streams for the sample interventions. For Component 1, information on local housing prices in the sample sites was gathered and compared with prices from a district with better infrastructure, Kangalee Village; the area represents the scenario of the impact that infrastructural works at Bois Bande C, Sahadeen and Factory Road could have after the intervention. The evaluation for Component 1 was based on both land and housing prices, and the total cost of implementing the project. Additional assumptions include a discount rate of 12%, an evaluation period of 10 years, and full capture of benefits and complete valuation of land and housing at the third year. The analysis for Component 1 showed a NPV of TT\$13.590.028, and an IRR of 49%. The analysis for Component 2 included benefits related to an increase in jobs, sales and energy savings in East Side Plaza. The analysis showed an NPV of TT\$10.097.121, and an IRR of 18%. Additional sensitivity analyses were carried out for Component 1 (Bois Bande, Sahadeen, and Factory Road) and Component 2 (East Side Plaza). The results of the sensitivity analysis showed that in the eventuality that there were external shocks that increased costs and reduced benefits by 25% the project

¹⁸ Administrative expenses may include recurrent expenses for the payment of utilities and office operating costs, advertisement costs, remuneration of consultants to be hired to strengthen the capacity of the PMCEU and LSA, as well as travel related costs for the PMCEU members.

works are still deemed to be financially viable. The analysis for Component 3 includes as benefit the increase in wealth of the beneficiaries of home improvement through the increase in house value. The average property value of dwellings in fair, poor and very poor condition is TT\$67,500 and the project estimates to reach 2,460 households. The aggregated estimated benefit would be an increase in the property values of TT\$65,390,490. As such, the benefit-cost ratio is 1.33.

- 1.41 **Beneficiary population.** The primary beneficiaries of this operation will be low-income households currently residing in inadequate housing and settlement conditions. According to the 2014 Survey of Living Conditions, 14% of all households were living in inadequate housing at that time. And as noted earlier in ¶1.3, approximately 20% of all households are estimated to be squatting. A secondary set of beneficiaries will be current and potential users of urban public spaces.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The project's estimated cost is US\$50 million, as shown in Table 2. It will be financed through an Investment loan with the following modalities: (i) a Multiple Works Program (MWP) for US\$32.5 million (TT-L1056) chargeable to the Ordinary Capital (OC) of the Bank; and (ii) a Specific Investment Loan (SIL) for US\$17.5 million (TT-L1057) also chargeable to the OC of the Bank. The structure was chosen for the program in order to differentiate the scope and nature of each component, and to facilitate orderly monitoring by financing modality. Components 1 and 2 satisfy the requirements for a MWP since they have the purpose of financing similar work groups (a sample of which have been completely defined) with the following characteristics: (i) they are physically similar, but independent of each other; (ii) its feasibility does not depend on the execution of a particular number of work projects; and (iii) its individual size does not justify that the Bank directly manages the operation. Components 3 and 4 will be financed through a SIL since they satisfy the requirements for a SIL in that the activities they finance are defined at the time the Bank's loan is approved and represent several specific projects within a sectoral program. The disbursement period for both modalities will be six years, as follows in Table 1:

Table 1. Disbursement Schedule (in US\$ million)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
IDB	13.4	11.9	13.1	4.8	5.9	0.9
%	27	24	26	9	12	2

Table 2. Summary of Program costs (in US\$ million)				
Components	TT-L1056	TT-L1057	IDB (OC) Total	%
Component 1. Urban Upgrading and Service-sites	15.0	-	15.0	30
Comprehensive residential infrastructure civil works	11.7	-	11.7	23.4
Emergency civil works	3.3	-	3.3	6.6
Component 2. Urban Regeneration	15.5	-	15.5	31
Urban buildings regeneration	9.3	-	9.3	18.6
Public space regeneration	6.2	-	6.2	12.4
Component 3. Affordable Housing Subsidies	-	15.0	15.0	30
Home improvement subsidies	-	7.8	7.8	15.6
Home construction subsidies	-	7.2	7.2	14.4
Component 4. Strengthening of Housing and Urban Development Sector Stakeholders' Capacities	-	2.0	2.0	4
Sector studies	-	1.7	1.7	3.4
Training	-	0.2	0.2	0.4
Nationwide squatters survey	-	0.1	0.1	0.2
Administration, auditing and M&E	2.0	0.5	2.5	5
Total	32.5	17.5	50.0	100.0

Note: The sub-category estimates for Components 1 and 2 are indicative

B. Environmental and social safeguard risks

- 2.2 TT-L1056 is expected to have mostly positive impacts; identified social and environmental impacts are short-term, localized, and can be mitigated. Therefore, it has been classified as category “B”, according to the Bank’s Environmental and Social Safeguards Compliance Policy, OP-703. Environmental impacts are those typically related to construction and will be mitigated following standard protection procedures. Upgrading and green-field development under Component 1 will focus on state-owned lands and the provision of standard urban infrastructure (water, sanitation, street-lighting, waste collection) that will not require land acquisition; as in the previous programs, involuntary resettlement is expected to be exceptional, as shown for the MWP representative sample for this Component. The MWP representative sample for Component 2 (Eastside Plaza) is expected to cause temporary displacement. Accordingly, a Temporary Relocation and Livelihood Restoration Plan was prepared in consultation with the affected population. Several alternatives have been analyzed to minimize this impact and offer compensations for potential economic displacement considering the options proposed by the affected population. Because the country is prone to suffer from natural disasters, OP-704 has been triggered to ensure construction meets adequate standards. The project will also apply the Gender Equality Policy (OP-761) to ensure women’s access to project benefits. Women participated in consultations conducted during preparation and will continue to do so under the program.
- 2.3 Because TT-L1056 has been designed under the MWP modality, an Environment and Social Assessment (ESA) and Environmental and Social Management Plan (ESMP) have been prepared for each specific project sample. Based on the findings and recommendations of these studies, an overall Environmental and

Social Management Framework (ESMF) has been prepared in compliance with OP-703, B.6 to guide the ESA and ESMP preparation for other projects to be undertaken under the Program. Draft and Final versions of the ESMF, sample project assessments, and respective mitigation plans were consulted with the public and [disclosed](#) according to Bank Policy. The executing agency, together with a consultant, conducted meaningful stakeholder consultation meetings at all sample project locations. Key recommendations of the consultations for Component 2 referred to the works to be conducted within Eastside Plaza and have been taken into consideration in the Management Plan. Also, recommendations from consultations in the three sample settlements included in Component 1 (timing of the work, communication, interaction with neighbors, improvements to the settlement) were included in the respective Management Plan.

- 2.4 The operation TT-L1057 is not expected to have environmental and social impacts and has been categorized as “C” according to OP-703. The focus of this operation will be mainly on institutional strengthening and on the provision of affordable housing subsidies. The subsidies will be managed by the executing agency, and will finance: (i) selective home improvements for currently occupied homes, which qualitatively enhance the basic living conditions of eligible low income households; and (ii) new basic home construction on land already owned by beneficiaries and acquisition of new homes, which directly services the housing needs of low income households. Being a category “C” project, no Environmental and Social Assessment and consultations are required.

C. Fiduciary risk

- 2.5 Fiduciary assessments of the MHUD and LSA were undertaken and the overall fiduciary risks have been ranked as Medium. The main fiduciary risk identified, as described in Annex III, is that limited fiduciary capacity within the PMCEU and LSA may create bottlenecks and delays in addressing fiduciary matters. Mitigating actions are being addressed through: (i) recruitment or appointment of a procurement specialist and for LSA as well as one for MHUD/PMCEU and, a Financial Specialist for the MHUD/PMCEU; and (ii) training sessions on Bank’s policies and procedures for both PMCEU and LSA.

D. Other risks and key issues

- 2.6 Institutional Capacity Assessments for the MHUD and the LSA were conducted and identified mitigations measures for various public management and governance risks, and development risks. The high Public Management and Governance Risk of inadequate coordination between the MHUD and the LSA and the MHUD and the THA (for works conducted by the MHUD in Tobago) will be countered by inter-Agency MOUs and by a Steering Committee that will provide oversight of compliance with the terms of those agreements.¹⁹ Another high Public Management and Governance Risk that a change of administration after

¹⁹ The Steering Committee will include representation from: MPD; MHUD; LSA; THA; WASA; Trinidad and Tobago Electricity Corporation (T&TEC); Ministry of Works and Transport – Drainage Division; Ministry of Agriculture, Lands and Fisheries – Commissioner of State Lands and Lands and Surveys Division; and Habitat for Humanity. The role, responsibilities, and composition of the Steering Committee will be included in the OM.

the 2020 General Election can lead to reprioritization of intervention sites, causing delays, is countered by the MWP design and ESMF of TT-L1056 which provide some flexibility to adapt sub-project selection. A medium Public Management and Governance Risk, that if the Government maintains its fiscal conservatism, the MHUD may not receive enough budgetary allocations to facilitate the timely award of contracts and payment of contractors, is mitigated by the PMCEU committing project resources against fiscal space allocated in the national budget as early as possible through signed contracts. Intensive liaison with target communities, and explicit provisions for the use of community labor where appropriate, will help to counter the high Development Risk of contractors and authorities being denied free access to the site due to concerns about inadequate use of local labor. Additionally, clear and early demarcation of public rights of way and communal plots, as well as inter-Agency information sharing and coordination, will be used to counter the medium Development Risk of indiscriminate new squatting in project sites that can increase the cost of construction and delay execution.

- 2.7 Section 7(2)(b) of the Public Procurement and Disposal of Public Property (PPDPP) Act, 2015, could create challenges with the implementation of the program as it states that, in the event of a conflict between the Act and an agreement with an international financing institution, the procurement of goods, works or services shall be governed by the Act. However, the Act is not yet fully in force since several Sections, including Section 7, are not yet proclaimed, and approval of the Procurement Regulations by Parliament is still pending. The Government has also signaled its intention to propose an amendment to Section 7. Consequently, it is not clear what effect if any this Act will have on the program, however, the Bank is currently engaging the Government in order to address any potential conflict.
- 2.8 **Sustainability.** In comprehensive upgrading sites under Component 1, adherence to all pertinent local development standards would make ongoing operational and maintenance (O&M) needs in those sites, the responsibility of the respective local governments, who in turn can represent those needs in their annual budgetary requests. Sustainability in Component 2 investments is promoted by the incorporation of cost-saving green technologies and the requirements to produce and implement Operation and Maintenance Plans for the upgraded facilities. Subsidies granted under Component 3 are predominantly for sites where households are already living (either in a home that needs repair or in one in need of complete replacement), reducing the risk that has plagued many government housing programs in other countries (e.g. Mexico, Brazil, South Africa), whereby the effective demand for houses in locations picked by governments is often overestimated, leading to under-occupation, informal sub-letting, or even abandonment. Invested sweat equity is also likely to deepen the sense of ownership that usually drives maintenance. Finally, the capacity building efforts under Component 4 are expected to continue bearing fruit after the loan operations close since the LSA is a long-established institution of the Government with an ongoing mandate, and the PMCEU is being established to serve a wider and longer-term role within the MHUD.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower is the Republic of Trinidad and Tobago. The executing agency will be the MHUD, through the PMCEU for all Components of the program, with the LSA as a sub-executing agency for Component 1 sites in Trinidad only. Among other responsibilities, the MHUD will be: (i) performing technical and operational coordination of the program; (ii) preparing and updating the Pluriannual Execution Plan (PEP), Annual Operational Program (AOP); Procurement Plan (PA); Risk Matrix (RM); and the Progress Monitoring Report (PMR). The MHUD will be responsible for maintaining all formal communication with the Bank.
- 3.2 The MHUD will assign responsibility for program coordination, monitoring, and financial and procurement management to the PMCEU, within the MHUD for the purposes of the Program. The PMCEU duties will include planning (including procurement planning for the entire program), coordination and monitoring of all aspects of the program implementation including social and environmental safeguards, as well as, report preparation, procurement management (except for some sites in Component 1), disbursement of program resources, and interface with the Bank, LSA, THA, and Government of Trinidad and Tobago officials.
- 3.3 For sites in Trinidad, implementation of Component 1 (Urban Upgrading and Serviced Sites) will be the main responsibility of the LSA under the coordination and monitoring of the PMCEU. In such cases, the LSA will be responsible for all procurement processes, supervision of all consultants and contractors working on the sites, as well as for the acquisition of all statutory approvals for the development of the sites. For some sites under Component 2, and for some sites in Tobago, under Component 1, MHUD has decided to hire the National Insurance Property Development Company Limited (NIPDEC) to provide project management and procurement management services (see ¶3.8 below and paragraph 5.1 (iv) of Annex III). In Tobago, the THA will participate in contract evaluation processes, provide technical input and general oversight.
- 3.4 **Special Contractual Clauses prior to the First Disbursement: the executing agency will provide evidence to the satisfaction of the Bank of: (i) the establishment of the Program Management, Coordinating and Evaluation Unit (PMCEU) and of the assignment or hiring by the executing agency of a program director, a financial specialist, a monitoring and evaluation specialist, a procurement specialist, and an environmental and social specialist; and (ii) its approval of the Operating Manual (OM) of the program, in accordance with the terms previously agreed upon with the Bank.** Condition (i) will ensure that the EA has an execution unit with the adequate personnel in place to initiate and conduct program execution while condition (ii) will allow for the proper execution of the program by detailing the guiding principles for execution and coordination of activities.
- 3.5 **Special Contractual Clauses of Execution:** the executing agency will provide evidence to the satisfaction of the Bank: (i) prior to the disbursement of loan resources for Component 1 activities in Trinidad, that an agreement has been

- entered into between the executing agency and the Land Settlement Agency (LSA) for the execution of such activities; and (ii) prior to the disbursement of loan resources for the execution of Components 1,2 and 3 activities in Tobago, that an agreement has been entered into between the executing agency and the Tobago House Assembly (THA) for the execution of such activities. These conditions are justified to ensure a clear understanding of responsibilities and reporting requirements to facilitate an efficient execution of the program. Condition (i) and (ii) are deemed important in order to establish the institutional framework between the entities collaborating in the program execution and the EA, and to expedite the program's implementation.
- 3.6 The OM will establish standards and procedures for the EA with regards to programming activities, execution plan, coordination with other entities involved in the program, procurement, fiduciary management arrangements, environmental and social requirements, and Monitoring and Evaluation (M&E) arrangements, among others, which will govern program execution.
- 3.7 **Procurement execution.** Procurement activities will be carried out in accordance-with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank – IADB (GN-2349-15) of May 2019, and the Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-15) of May 2019. They will also be subject to the provisions established in the Loan contract.
- 3.8 **Single sourcing.** The National Insurance Property Development Company Limited (NIPDEC) will be hired through a Single-Source Selection to provide project management and procurement management services for some Component 2 projects and for some Component 1 sites in Tobago. NIPDEC is considered to have experience of exceptional worth for the assignment as the Company has collaborated with Government Ministries and the THA on infrastructure projects for more than four decades with satisfactory results. As such, a single-source selection is acceptable based on subsection (d) of paragraph 3.11, GN-2350-15. Given that NIPDEC is a state-owned enterprise, the MHUD conducted a legal analysis to confirm that the IDB eligibility requirements stated in paragraph 1.13 (b) of the GN-2350-15 are met by NIPDEC.
- 3.9 **Audits.** The MHUD will be responsible for the recruitment of the external auditor, who will perform the financial audit of the program as outlined in Annex III.
- 3.10 **Retroactive financing.** It is anticipated that the project may finance retroactively under the loan, eligible expenses incurred by the Borrower prior to the date of loan approval up to the amount US\$156,566 (0.31% of the proposed loan amount), for project management fees under Components 1 and 2; and project administration consultant remuneration expenses for the Financial Specialist, Monitoring and Evaluations Specialist, Procurement Specialist, Environmental/ Health and Safety Officer, Social/ Community Engagement Specialist, and Housing Development Inspectors). These expenses must have been incurred or on after September 13th, 2019 (approval date of the Project Profile), and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.

B. Summary of arrangements for monitoring results

- 3.11 **Monitoring.** The monitoring and evaluation of this program will be carried out based on verifiable and objective product indicators directly related to expected outcomes. These indicators will be measured annually during program implementation in order to determine the achievement of targets and the completion of products in the specific projected periods. Annex II - RM, contains the detailed annual programming of the result indicators, expected products, and their means of verification, consistent with the AOP and the PEP, including the baseline against which project execution will be measured; the units of measure, associated costs, annual targets and end-of-project targets. These targets have been defined based on the sample of representative investments identified for this program and the target value estimates for other investments that the executing agency could propose. Target values will be adjusted and updated as other specific investments are declared eligible for financing under this program. The evolution of the verifiable indicators, products and milestones will be collected semi-annually in the project progress reports submitted by the MHUD.
- 3.12 **Evaluation.** The evaluation of the investment works, and subsidies financed through this loan will seek to determine whether the program fulfilled its specific objectives. Two evaluations will be performed: a midterm and a final evaluation, which will be carried out by independent consultants upon the disbursement of 50% and 90% of loan resources, respectively. The midterm report will include: (i) the outcomes of the physical-financial execution; (ii) the degree of fulfillment of targets in the RM; (iii) the degree of fulfillment of environmental requirements; (iv) a summary of the results of the audits and of the improvement plans; and (v) a summary of the main lessons learned. The final evaluation will also include an ex post-economic analysis (cost-effectiveness) (see [REL#2](#)).

Development Effectiveness Matrix		
Summary TT-L1056 & TT-L1057		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Households benefitting from housing solutions (#)* -Households with new or upgraded access to drinking water (#)* -Households with new or upgraded access to sanitation (#)* -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)* -Households with new or improved access to electricity supply (#)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2888	Increase access to quality housing.
Country Program Results Matrix	GN-2991-1	The intervention is included in the 2020 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability	Evaluable	
3. Evidence-based Assessment & Solution	9.3	
3.1 Program Diagnosis	3.0	
3.2 Proposed Interventions or Solutions	3.6	
3.3 Results Matrix Quality	2.7	
4. Ex ante Economic Analysis	8.0	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	3.0	
4.2 Identified and Quantified Benefits and Costs	3.0	
4.3 Reasonable Assumptions	0.0	
4.4 Sensitivity Analysis	2.0	
4.5 Consistency with results matrix	0.0	
5. Monitoring and Evaluation	7.7	
5.1 Monitoring Mechanisms	1.8	
5.2 Evaluation Plan	6.0	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation		
Environmental & social risk classification	B for TT-L1056; C for TT-L1057	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, External Control.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The objective of the program is to contribute to the improvement of the quality of the urban built environment. The specific objectives are to: (i) improve the habitability in urban settlements on State-owned lands; (ii) improve the physical quality and economic performance of urban public spaces; (iii) enhance housing conditions for low income households; and (iv) strengthen the capacity of supply side stakeholders to satisfy effective housing demand and urban development needs.

The project presents a complete diagnosis; with a precise description of the challenges related to living conditions of households in urban settlements in State-owned lands, public spaces, and access to housing for low-income households. The results indicators included in the results matrix reflect the vertical logic of the program and have means of verification.

The economic analysis of the project was carried out through separate cost-benefit analyses (CBA) that focus on expected benefits related to the valuation of real estate assets in the area of intervention (habitability and access to housing), and benefits related to increase in jobs, sales and energy savings in the upgraded public spaces. The CBA has an adequate sensitivity analysis. The analysis concludes that the urban upgrading components are economically viable with an ERR of 49% for the habitability component and an ERR of 18% for the upgraded public spaces, using a rate 12% discount. The access to housing component analysis concludes that the housing improvement subsidies have a benefit-cost ratio of 1.33.

The project includes a monitoring and evaluation plan that is consistent with Bank standards. The effectiveness of the proposed intervention will be measured following an ex-post cost-efficiency and a before and after analysis.

RESULTS MATRIX

Project Objective:	The general objective is to contribute to the improvement of the quality of the urban built environment. The specific objectives are to: (i) improve the habitability in urban settlements on State-owned lands; and (ii) improve the physical quality and economic performance of urban public spaces; (iii) enhance housing conditions for low income households; and (iv) strengthen the capacity of supply-side stakeholders to satisfy effective housing demand.
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EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline Value	Baseline Year	Final Target	Means of verification	Observations
Component 1: Urban Residential Infrastructure						
Specific Objective 1: Improve the habitability in informal settlements on State-owned lands						
Average proportion of households with a water closet	Households in comprehensive upgrading project sites with a water closet toilet/ Total of households in comprehensive upgrading project sites	74%	2019	90%	Surveys to be conducted by LSA in the neighborhoods, before and after the intervention.	See question 27 in LSA baseline socio-economic survey. Contributes to CDRI #4: 'Households with improved access to water and sanitation (#)'.
Average proportion of households in the project sites that have inadequate access to their home	Households in project sites without direct access to the road from their homes (earthen or paved)/ Total of households in project sites	30%	2019	10%	Surveys to be conducted by LSA in the neighborhoods, before and after the intervention.	Inadequate access is defined as accessing the home by "Along drain or river" or "neighbor's yard" or informal paths" (see question 23 in LSA baseline socio-economic survey).
Component 2: Urban Regeneration						
Specific Objective 2: Improve the physical quality and economic performance of urban public spaces						
Average weekly revenue of retail units	TT\$	10,000	2019	13,000	Data collected during the Survey of Tenants of Eastside Plaza	Contributes to CRFI #4: Growth rate of GDP per person employed (%).

Indicators	Unit of measure	Baseline Value	Baseline Year	Final Target	Means of verification	Observations
Number of events per year hosted at each regenerated site	Event	2	2018	4	Management records of the facilities	Events with 20 or more participants that require advanced authorization for use of the facility by management.
Water savings in the East-Side Plaza	m3 /month	520	2018	416	WASA bills based on installed meter	The baseline was set based on the upper bound of water consumption for which the East-Side Plaza was billed in 2018.
Energy savings in the East-Side Plaza	MWh/ month	79	2018	63	T&TEC bills	The baseline was set with the electricity consumption bill of the East-Side Plaza in 2018. Contributes to CRFI #12: "CO2 emissions from fuel combustion (tons)"; and to: CDRI # 19: "Emissions avoided (annual tons CO2 equivalent)".
Component 3: Affordable Housing Subsidies						
Objective 3: Enhance housing conditions for low-income households						
Proportion of low-income households that live in houses with adequate quality	Households in a nationally representative sample that live in houses of adequate quality / Total residents in a nationally representative sample	86%*	2016	87%	Nationally representative, annual Labor Force Survey	Definition of adequate quality houses: <ul style="list-style-type: none"> Outerwall material: Brick (plastered or not plastered) /concrete; wood and brick/concrete Toilet facilities: WC linked to the sewer; WC not linked to the sewer Water Supply: public piped into dwelling; public piped into yard; private piped into dwelling Source of lighting: electricity

Indicators	Unit of measure	Baseline Value	Baseline Year	Final Target	Means of verification	Observations
						Contributes to CDRI #4: "Households with improved access to water and sanitation". *Note that the baseline and target values shown here are national statistics and will be updated to reflect low-income households only.
Water savings in the new dwellings	m ³ /month	36	2018	28.8	Savings proved in the literature from the list of eco-technologies included in the loan requirements and guidelines.	The baseline was calculated with the following assumptions: 377 liters per capita/day ¹ and average household size: 3.2. ²
Energy savings in the new dwellings	kWh/month	1390 kWh/month	2018	1112 kWh/month	Savings proved in the literature from the list of eco-technologies included in the loan requirements and guidelines.	The baseline was calculated according to the electricity consumption in a typical household. ³ Contributes to CRFI #12: "CO2 emissions from fuel combustion (tons)"; and to: CDRI # 19: "Emissions avoided (annual tons CO2 equivalent)".
Component 4: Strengthening of Housing and Urban Development Sector Stakeholders' Capacities						
Specific Objective 4: Strengthen the capacity of supply-side stakeholders to satisfy effective housing demand						
Average number of months in the project cycle to complete housing	Months	6	2018	4.8	MHUD case management system	Cycle is measured from approval of the subsidy until verification of use and completion of the subsidy.

¹ Castalia, "Business Plan and Price Control Proposal for the Water and Sewerage Authority," 2019.

² Ministry of Social Development and Family Services, Central Statistical Office, and UNICEF, "Trinidad and Tobago Multiple Indicator Cluster Survey 2011, Key Findings & Tables.," Port of Spain, 2017.

³ N. C. M. Fernando, C. Cañeque, J. Klein, and D. Loy, "A Unique Approach for Sustainable Energy in Trinidad and Tobago," 2015 and Renewable Energy Committee, "Framework for Development of a Renewable Energy Policy for Trinidad and Tobago," no. January, pp. 1–74, 2011.

Indicators	Unit of measure	Baseline Value	Baseline Year	Final Target	Means of verification	Observations
solutions (home improvement subsidies)						Contributes to CFRI #15: "Government effectiveness (average LAC percentile)".
Average number of months in the project cycle to complete housing solutions (home construction subsidies)	Months	9	2018	7	MHUD case management system	Cycle is measured from approval of the subsidy until verification of use and completion of the subsidy. Contributes to CFRI #15: "Government effectiveness (average LAC percentile)".
Proportion of housing solutions developed by MHUD and its line agencies that is affordable to low income households	Percentage	10**	2018	20	MHUD case management system	Low income household is defined as household income of TT\$8,000 or less per month. Affordable is defined as monthly payment at prevailing interest rates not to exceed 30% of gross monthly income. ** Note the baseline value is to be updated with more refined data from MHUD.

OUTPUTS

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of project	Means of verification	Observations
<u>Component 1: Urban Residential Infrastructure</u>												
Resilient sites built or upgraded	Sites	0	2019	0	3	2	0	0	0	5	Program reports	Contributes to CDRI #21: "Habitat that is sustainably managed using ecosystem-based approaches (hectares)".
Early and emergency civil works investment packages completed	Contracts	0	2019	3	3	4	0	1	1	12	Program reports	Contributes to CDRI #21: "Habitat that is sustainably managed using ecosystem-based approaches (hectares)".
<u>Component 2: Urban Regeneration</u>												
Revitalization Projects completed	Projects	0	2019	0	0	2	0	1	0	3	Program reports	Contributes to IDNGPI # 2: "Projects supporting productivity and innovation (% of new approvals/ commitments)".
Benchmark: Operations and Maintenance Plan	Plan	0	2019	0	0	2	0	1	0	3	Approved Plan	

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of project	Means of verification	Observations
Component 3: Affordable Housing Subsidies												
Home Improvement Subsidies	Subsidies	0	2019	492	492	492	492	492	0	2,460	Program reports	Criteria outlined in the OM. Contributes to IDBGPI #1: "Projects supporting social inclusion and equality (% of new approvals/ commitments)".
Benchmark: Home Improvement Subsidy beneficiaries (female led households)	Subsidies	0	2019	196	196	196	196	196	0	980	Program reports	40% of HIS.
Home Construction Subsidies	Subsidies	0	2019	211	211	211	211	212	0	1,056	Program reports	Criteria defined in the OM. Contributes to IDBGPI #1: "Projects supporting social inclusion and equality (% of new approvals/ commitments)".
Benchmark: Home Construction Subsidies (female led households)	Subsidies	0	2019	84	84	84	84	84	0	420	Program reports	40% of HCS.

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of project	Means of verification	Observations
Benchmark: Home Improvement Subsidies for an additional housing solution on the beneficiary plot	Subsidies	0	2019	50	50	50	50	50	0	250	Program reports	10% of all HIS. Contributes to IDBGPI #1: "Projects supporting social inclusion and equality (% of new approvals/ commitments)".
Benchmark: Home Improvement and Home Construction Subsidies for housing solutions near a main transport network	Subsidies	0	2019	528	528	527	527	527	0	2637	Program reports	75% of all subsidies.
Benchmark: Home Construction subsidies paired with credit from a financial intermediary	Subsidies	0	2019	50	50	50	50	50	0	250	Program reports	Approximately 25% of HCS.

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of project	Means of verification	Observations
Benchmark: Home Construction subsidies and Home Improvement subsidies incorporating green housing solutions	Subsidies	0	2019	232	232	232	232	233	0	1,161	Program reports	75% HCS, 15% HIS.
Component 4: Strengthening of Housing and Urban Development Sector Stakeholders												
Sector Studies	Studies	0	2019	0	1	2	2	0	0	5	Approved documents	
Training workshops	Workshops	0	2019	0	1	1	1	0	0	3	Program reports	Contributes to CDRI #26: "Government agencies with strengthened digital technology and managerial capacity".
Nationwide survey of squatters completed	Survey	0	2019	0	1	0	0	-	-	1	Final version of the Survey	

FIDUCIARY ARRANGEMENTS

COUNTRY: Trinidad and Tobago
PROJECT #: TT-L1056 and TT-L1057
NAME: Urban Upgrading and Revitalization Program
EXECUTING AGENCY: Ministry of Housing and Urban Development (MHUD)

I. EXECUTIVE SUMMARY

- 1.1 The executing agency is the MHUD through the Program Management and Coordinating Execution Unit (PMCEU) and with participation of the Land Settlement Agency (LSA) as a sub-executing agency. The PMCEU has successfully executed the recently concluded Neighborhood Upgrading Program - 2469/OC-TT.
- 1.2 Institutional assessments of the MHUD and LSA were conducted in September 2019 using the PACI methodology. The assessments and the previous experiences of the Bank in working with MHUD and LSA concluded a medium fiduciary risk. Supervision and mitigation actions will be focused on efforts to strengthen the fiduciary capacity. A re-evaluation of the fiduciary risks will be conducted during execution to ensure efficient support to project execution.
- 1.3 **Fiduciary context of the country.** The most recent evaluations of the public financial management systems (PFMS) in Trinidad and Tobago were the 2013 Public Expenditure and Financial Accountability (PEFA) and the 2016 Supreme Audit Institution Performance Measurement Framework (SAI-PMF) assessments. The PEFA concluded that PFMS would require further improvements in the areas of accounting and reporting, internal controls and procurement to conform to levels consistent with fiduciary management of Bank-funded projects. The areas of budgeting, treasury and external control are considered satisfactory and are used in sovereign guaranteed operations. The SAI-PMF assessment concluded that the SAI is severely constrained by external factors related to its legal, financial and operational independence and mandate. The Public Procurement and Disposal of Public Property (PPDPP) Act, 2015, was assented to in January 2015 and was partially proclaimed in July 2015 to allow for the establishment of the Office of Procurement Regulation (OPR). The Regulations necessary to achieve its full proclamation were drafted in November 2018 and are still pending from approval by Parliament. The full proclamation of the PPDPP Act will mean the disbandment of the Central Tenders Board (CTB). Although the implementation of the PPDPP Act is expected to commence once it is proclaimed, the OPR has indicated that there will be a transitional period to the decentralized procurement system established in the act in which the CTB will conclude any ongoing procurement processes. However, Section 7(2)(b) of the PPDPP could create challenges with the implementation of the program, since it states, that in the event of a conflict between the Act and an agreement with an international financing institution, the procurement of goods, works or services shall be governed by the Act. The Act is not yet fully in force since several Sections, including Section 7, are not yet proclaimed, and approval of the Procurement Regulations by Parliament is still pending. The Government has also signaled its intention to propose an amendment to Section 7. Consequently, it is not clear what effect if any this Act will have on the program, however, the Bank is currently engaging the Government in order to address any

potential conflict. Since the national procurement system has not yet been validated by the Bank, its use is not contemplated for this operation.

II. EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 The MHUD through the PMCEU will be responsible for the overall execution of the Loan. The PMCEU was designed to execute the MHUD's projects and to actively participate in the design of any new donor funded project, in order to improve the delivery and provide administrative savings and eventual knowledge transfer to the Ministry. In order to strengthen the execution capacity of PCMEU and LSA, a dedicated Financial Specialist and Procurement Specialist should be recruited or seconded to the PCMEU to discharge the expected fiduciary duties for the duration of the Loan.
- 2.2 The MHUD use a manual accounting system for the financial management of the MHUD. It is recommended that this program use an automated integrated accounting system for the financial management of the Program.
- 2.3 The MHUD is subject to the CTB Act. All procurement activities with an estimated amount above the Permanent Secretary's financial limits must be conducted by the CTB on behalf of the Ministry; contracts awarded by the CTB must be prepared by the Chief State Solicitor (CSS) Office for the Ministry's signature. Section 20(A)(c) of the CTB Act allows the Government to act on its own behalf by entering into a contract with the National Insurance Property Development Company Limited or a company which is wholly owned by the State. LSA is a body corporate established under the State Land (Regularisation of Tenure) Act; it is not subject to the CTB Act. Procurement decisions are made by their Board (Land Settlement Committee) and contracts are signed by the LSA's Corporate Secretary.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The Project Team in consultation with the MHUD and other stakeholders developed a Risk Matrix which is included in the documents of this operation. The Bank and MHUD will undertake joint reviews of the matrix on a yearly basis and introduce adjustments as deemed necessary.
- 3.2 The financial management risk has been classified as medium. The recruitment of a financial Specialist for PMCEU coupled with the provision of training on Bank policies and procedures for both PMCEU and LSA should mitigate the existing risk and strengthen the control environment.
- 3.3 Regarding procurement, it is estimated that the overall level of risk is also medium. The MHUD and LSA have experience following the IDB Procurement Policies. The risks associated to the procurement function will be mitigated through the recruitment of Procurement Specialists for both the MHUD and LSA. Additionally, training sessions on the IDB's Procurement Policies will be conducted by the Bank with the participation of officials from the MHUD and LSA. The use of standardized bidding documents, contracts and templates will be a requirement to make sure all procurement activities are properly documented. Lastly, all national and international competitive bidding processes will be subject to ex-ante review by the Bank.

IV. ASPECTS TO BE CONSIDERED IN THE LOAN CONTRACT

- 4.1 Given the assessment, the following fiduciary arrangements should be considered in the Special Conditions: Exchange Rates, For purposes of accountability and justification of expenses to the Bank, the equivalent amount to be reported in the project currency, shall be determined using the effective exchange rate on the payment date, without regard to the source of the financing used. Applicable rate of exchange shall be the Central Bank of Trinidad and Tobago's selling rate.

V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 **Procurement execution:** Procurement activities will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (GN-2349-15), of May 2019, and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-15), of May 2019. They will also be subject to the provisions established in the Loan contract. In addition, the MHUD is required to prepare and submit to the Bank, a General Procurement Notice as well as an initial procurement plan which will be updated in accordance with the applicable sections of the Policies and the Loan Agreement.
- i. **Procurement of works, goods and non-consulting services:** Contracts for works, goods, and non-consulting services subject to International Competitive Bidding will be carried out using the Standard Bidding Documents and standard contracts issued by the Bank. The procurement processes subject to National Competitive Bidding and Price Comparison will be carried out using bidding documents, request for quotations and form of contracts agreed to by the Bank. Templates of evaluation reports provided by the Bank will be used in conducting all procurement activities. The review of technical specifications is a responsibility of the Project Team Leader.
 - ii. **Selection and contracting of consultants:** The consulting services contracts will be executed using the Standard Request for Proposals and standard form of contracts issued by the Bank. Templates of evaluation reports provided by the Bank will be used in conducting all procurement activities. The review of terms of reference is a responsibility of the Project Team Leader.
 - iii. **Selection of individual consultants:** Individual consultants will be selected in accordance with Section V of GN-2350-15. The review of terms of reference is a responsibility of the Project Team Leader.
 - iv. **The following Single-Source Selection is envisaged:** National Insurance Property Development Company Limited (NIPDEC) at an estimated cost of US\$1,014,000.00 to provide procurement and project management services for all civil works under Component 3, and for civil works in Tobago under Component 1. NIPDEC is considered to have experience of exceptional worth for the assignment given that for more than four decades it has successfully provided such services on numerous projects, including housing development projects, on behalf of the Government and the THA. As such, a single-source selection is acceptable based on subsection (d) of paragraph 3.11, GN-2350-15. Given that NIPDEC is a state-own enterprise, the MHUD conducted a legal analysis to confirm that the eligibility requirements stated in paragraph 1.13 (b) of the GN-2350-15 are met by NIPDEC.

- v. **Recurrent expenses:** The project may finance recurrent expenses for the payment of utilities and office operating costs such as security, janitorial and maintenance services related to the PMCEU office space, purchasing of office supplies for the PMCEU, costs associated to advertisements of procurement activities and contracts award notices in national newspapers, remuneration of the consultants to be hired to strengthen the PMCEU and LSA's capacity to implement the program as well as the cost of air travel and per diem, and other transportation costs for the PMCEU members.
- vi. **Retroactive financing:** It is anticipated that the project may finance retroactively under the loan, eligible expenses incurred by the Borrower prior to the date of loan approval up to the amount US\$156,566 (0.31% of the of eligible expenses proposed loan amount), for project management fees under Components 1 and 2; and project administration consultant remuneration expenses for the Financial Specialist, Monitoring and Evaluations Specialist, Procurement Specialist, Environmental/ Health and Safety Officer, Social/ Community Engagement Specialist, and Housing Development Inspectors). These expenses must have been incurred or on after September 13th, 2019 (approval date of the Project Profile), and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.

Table 1. Trinidad and Tobago's thresholds Table (US\$'000)

Procurement method	Works	Goods and non-consulting services	Consulting Firms
International Competitive Bidding	> 3,000	> 250	-
National Competitive Bidding	> 250 *	> 50 *	-
Price Comparison	< 250	< 50	-
International Shortlist	-	-	> 200
Shortlists solely by Nationals	-	-	< 200
* When procuring simple works and common goods and their amount is under the International Competitive Bidding thresholds, Price Comparison may be used			

- 5.2 **Procurement plan:** The Procurement Plan for the operation covering the first 18 months of project execution can be accessed through the following [REL#4](#). The online Procurement Plan Execution System, or any other electronic tool developed by the Bank, will be used for the management and publication of the Procurement Plan during the implementation of the project. The MHUD/PMCEU will be responsible for preparing and maintaining up to date the procurement plan for the entire operation. The table below includes the list of the main procurement activities for this Loan.

Table 2. Main procurement activities¹

Activity	Procurement method	Estimated period for commencing the process	Estimated amount
Civil Works			
Sahadeen Trace	NCB	IQ 2020	2,352.9
Bois Bande C	NCB	IQ 2020	2,647.06
Factory Road*	PC*	I-IVQ 2020	735.29
Roads work at Wallerfield	NCB	IQ 2020	1,500

¹ Components 1 and 2 will be executed as a Multiple Works Program (MWP). The details below only includes contracts identified as part of a sample.

Activity	Procurement method	Estimated period for commencing the process	Estimated amount
Guapo, Point Fortin	ICB	IVQ 2020	4,029.41
Diego Martin*	PC*	IIQ 2020 – IQ 2023	2,478.56
Riseland	NCB	IIQ 2020	1,256.71
Eastside Plaza regeneration	ICB	IIQ 2023	6,029.41
Scarborough Esplanade	ICB	IQ 2022	5,522.39
Project 3	ICB	IQ 2022	2,934.2
Consulting services			
Procurement services and project management services (NIPDEC)	SSS	IIIQ 2020	1,014
National Squatter Survey	CQS	IVQ 2020	150
Study on appropriate development standards for hillside development	CQS	IIQ 2020	50
Infrastructure Investment Plan for Tobago	QCBS	IIQ 2020	250
Wastewater Management Plan and Drainage Plan for Diego Martin area	QCBS	IIIQ 2020	300
National Housing Market Study	QCBS	IIIQ 2020	250
Information Systems (Real Estate Management and Housing Market) updates	CQS	IIQ 2020	130
Impact evaluation of squatter regularization	CQS	IIQ 2020	100

*Several packages. Considering that this are simple works, separate procurement process will be carried out using Price Comparison method. The estimated amount for each one of the processes is below the ICB threshold

Table 3. Threshold for ex-post review (US\$'000)*

Works	Goods and non-consulting services	Consulting services
Up to 250	Up to 50	N/A

*The established threshold amounts for ex-post review are applied based on the fiduciary capacity of the executing agency and can be modified by the Bank, if the level of capacity varies during implementation

- 5.3 **Procurement supervision.** The following considerations will apply: (i) All procurement activities to be partially or in whole funded with loan resources will be listed in the procurement plan indicating the applicable supervision method; (ii) ICBs and NCBs processes will be subject to ex-ante review; (iii) Ex-post review visits will be performed every 6 months; the reports will be uploaded to the Supervision Plan in Convergence; and (iv) It will be conducted at least one physical inspection visit per year to verify the existence of works or goods; the sample covered by the visit will correspond at least to 10% of the revised contracts.
- 5.4 **Records and files.** It has been agreed that the MHUD and LSA shall maintain the files and records of the project according to accepted best practices and be kept for up to three years beyond the end of the operation's Last Disbursement Date. Contracts let to

third parties will require retention of documents and records related to the Bank-financed activities for seven (7) years after completion of the work contemplated in the relevant contract. The minimum content of procurement files will be established in the Operating Manual.

VI. FINANCIAL MANAGEMENT

- 6.1 **Reports and audited financial statements:** (i) annual financial statements of the project, audited by the Auditor General of Trinidad and Tobago or an eligible independent Audit firm are to be submitted to the Bank within 120 days at the end of each fiscal year, beginning with the fiscal year in which the first project expenditures are incurred; and (ii) a final audited financial report of the program is to be submitted within 120 days after the date of the last disbursement.
- 6.2 **Programming and budget.** The Ministry of Planning and Development will liaise with the MHUD to facilitate the assignment of a Budget Line in the National Budget. to allow for drawdowns under the proposed loan.
- 6.3 **Accounting and information systems.** An off-shelf automated accounting system will facilitate the recording and classification of all financial transactions.
- 6.4 **Treasury (disbursements and flow of funds).** The MoF will establish, a special account, denominated in US Dollars at the Central Bank of Trinidad and Tobago for project resources. The main disbursement methodology will be the Advance of Funds based on a 6 month cash flow needs. The trigger for new advances will be 80% justification of the previous advance. In order to request disbursements from the Bank, the EA will present the following:

Table 4. Forms and supporting documents

Type of Disbursement	Mandatory Forms	Optional forms/ information that can be requested by the IDB
Advance of Funds	Disbursement Request/ Financial Plan	List of Commitments Physical/Financial Progress Reports
Reimbursements of Payments Made (Direct Payment to Borrower)	Disbursement Request/ Project Execution Status/ Statement of Expenses	List of Commitments Physical/Financial Progress Reports
Direct Payment to Supplier	Disbursement Request/ Statement of Expenses/Acceptable Supporting Documentation	List of Commitments Physical/Financial Progress Reports

- 6.5 Supporting documentation for disbursements will be kept at the office of the EA and be reviewed by the Bank on an ex-post basis.
- 6.6 **Internal controls and internal audit.** The MHUD will assume the responsibility for designing and implementing internal controls for the project which will be documented in the OM and provide reasonable assurance that: (i) the project funds are used for their intended purpose; (ii) project assets are properly safeguarded; (iii) project transactions, decisions and activities are properly authorized, documented, recorded and supported; and (iv) project transactions are executed in accordance with the established policies, practices and procedures delineated in the legal agreements.

- 6.7 **External control and reporting.** The MHUD through the PCMEU will submit annual Financial Reports of the Program and one final Audited Financial Report at the end of the Program, audited by the Auditor General of Trinidad and Tobago or an eligible independent audit firm.
- 6.8 **Financial supervision.** Financial Supervision will be developed based on the initial and subsequent risk assessments carried out for the project. Execution mechanism. MHUD through PMCEU will be the EA with responsibility for the financial administration of the program. The responsibilities will include: (i) preparation of required project reports; (ii) monitoring product, output and outcomes achievement using established indicators; (iii) preparation and submission of disbursement requests to the Bank and justification of expenses; (iv) preparation of financial reports; (v) ensure compliance with all aspects of the Operating Manual; and (vi) maintain adequate documentation filing system.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/20

Trinidad and Tobago. Loan ____/OC-TT to the Republic of Trinidad and Tobago
Urban Upgrading and Revitalization 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 granting it a financing to cooperate in the execution of the Urban Upgrading and Revitalization Program. Such financing will be for the amount of up to US\$32,500,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2020)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/20

Trinidad and Tobago. Loan ____/OC-TT to the Republic of Trinidad and Tobago
Urban Upgrading and Revitalization 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 granting it a financing to cooperate in the execution of the Urban Upgrading and Revitalization Program. Such financing will be for the amount of up to US\$17,500,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2020)