

SIMULTANEOUS DISCLOSURE

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

TRINIDAD AND TOBAGO

PROGRAM TO SUPPORT THE CLIMATE CHANGE AGENDA I

(TT-L1022)

LOAN PROPOSAL

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ABBREVIATIONS

ACCC	Adaptation to Climate Change in the Caribbean
APR	Air Pollution Rules
CBA	Cost Benefit Analysis
CCS	Carbon Capture and Storage
CDM	Clean Development Mechanism
CPACC	Caribbean Planning for Adaptation to Climate Change
EA	Executing Agency
ECC	Sustainable Energy and Climate Change Unit
EMA	Environmental Management Authority
ESMR	Environmental and Social Management Report
ESS	Environmental and Social Strategy
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GoRTT	Government of Trinidad and Tobago
ICZM	Integrated Coastal Zone Management Policy
IDB	Inter-American Development Bank
IMA	Institute of Marine Affairs
INE	Infrastructure and Environment Sector
LNG	Liquefied Natural Gas
MACC	Mainstreaming Adaptation to Climate Change
MEAU	Multilateral Environmental Agreements Unit
MEEA	Ministry of Energy and Energy Affairs
MHE	Ministry of Housing and the Environment
MOF	Ministry of Finance
MEP	Ministry of Planning and the Economy
NEP	National Environmental Policy
NPCC	National Policy on Climate Change
OC	Ordinary Capital
PBL	Policy Based Loan
PCR	Project Completion Report
PETROTRIN	Petroleum Company of Trinidad and Tobago
POD	Proposal for Operation Development
SAP	Strategic Action Plan
SLR	Sea Level Rise
SNC	Second National Communication
SSF	Safeguard and Screening Form for Screening and Classification of Projects
UNECLAC	United Nations Economic Commission for Latin America and the Caribbean
UNFCCC	United Nations Framework Convention on Climate Change
VPC	Office of the Vice President for Countries

PROJECT SUMMARY
TRINIDAD AND TOBAGO
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Financial Terms and Conditions			
Borrower: Republic of Trinidad and Tobago		Amortization Period:	20 years
		Grace Period:	5 years
Executing Agency: Ministry of Finance (MOF)		Disbursement Period:	12 months
Source	Amount (USD)		
IDB (OC)	US\$80 million	Supervision and Inspection Fee:	*
		Interest Rate:	Libor-based
		Credit Fee:	*
Total	US\$80 million	Currency: US\$ from the Single Currency Facility of the Ordinary Capital (OC).	
Project at a Glance			
Project Objective/Description: The program’s main objective is to support the Government of Trinidad and Tobago (GoRTT) in strengthening and modernizing the regulatory, institutional and policy framework to integrate climate change and its impacts into national economic development. The specific objectives of the program: (i) to support the mainstreaming of climate change into national policies and institutions (ii) to develop and promote instruments to assess and reduce vulnerability and risks associated with climate change, and (iii) promote carbon markets and policies to reduce Greenhouse Gas (GHG) emissions¶1.24.			
Special contractual clauses: The disbursement of the single tranche is subject to the presentation by the GoRTT of evidence satisfactory to the IDB that: (i) the policy conditions described in Annex II Policy Matrix have been duly fulfilled in accordance with the means of Verification Matrix and (ii) submission by the GoRTT of a Policy Letter referred to in paragraph ¶3.7.			
Exceptions to Bank policies: None			
Project qualifies for: SEQ [] PTI [] Sector [] Geographic [] Headcount []			

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

I. PROGRAM DESCRIPTION

A. Background and Problem Addressed

1. Introduction

- 1.1 The program is the first of two programmatic policy-based loans (PBL) to support the Government of Trinidad and Tobago develop and implement a reform process “for the pursuance of a low-carbon development path through suitable and relevant strategies and actions to address climate change, including sectoral and cross-sectoral adaptation and mitigation measures”¹. The operation TT-L1022 will draw upon the resources from the Single Currency Facility of the IDB Ordinary Capital in the amount of US\$80 million.

2. Macroeconomic outlook

- 1.2 Trinidad and Tobago (T&T) is a twin-island State covering an area of 5,128 square kilometers (km²) with a total population of 1.3 million people, mostly located in Trinidad, the larger of the twin isles with 4,820 km² of area and 95 percent (%) of the total population.
- 1.3 Trinidad is heavily industrialized, while Tobago is economically dependent on tourism and agriculture. T&T is still recovering from the consequences of the global financial crisis and its implications for the country. After growing more than 7% on average for more than 15 years, economic activity decreased by 3.5% in 2009 and growth is yet expected to resume, after remaining flat in 2010. The substantial contraction in economic activity of 2009 was triggered by unfavorable conditions in the energy sector (low oil and gas commodity prices and a sustained decrease in oil and gas production) together with the failure of an indigenous financial holding, CL Financial. The non-energy sector of the economy is suffering the impact of the economic crisis and its recovery is highly dependent on fiscal stimuli, whose magnitude and scope are now limited by the worsening fiscal situation. Growth expectations are much more modest than the rates observed in previous years due to challenges in the energy sector and the limited growth potential of the non-energy sector.
- 1.4 The fiscal situation deteriorated substantially with the onset of the economic crisis. After several years of fiscal surpluses, owing to both high hydrocarbons prices and levels of production, the Central Government started running fiscal deficits. Fiscal deficits were around 5% and 0.4% of Gross Domestic Product (GDP) in Fiscal Year (FY) 2008/09 and FY 2009/10, respectively. Moreover, the fiscal deficit for FY 2010/11 is expected to be around 3% of GDP (net of the fiscal cost of the bailout of the financial sector). The deterioration in the fiscal accounts highlights the rigidity of public expenditure and the decision to maintain a substantial level of public expenditure regardless of the substantial decrease in energy revenues (42% between FY 2007/08 to FY 2009/09). The fiscal

¹ National Climate Change Policy for Trinidad and Tobago, 2011.

deterioration is also observed for the public entities, generating further contingent liabilities to the Central Government.

- 1.5 The Government of the Republic of Trinidad and Tobago (GoRTT) has stressed its commitment to regain fiscal discipline in the medium term. The financing needs for FY 2011/12 are around US\$860 million, excluding the bail out of the financial sector, and the proposed operation will contribute toward the financing of the fiscal gap. T&T is in a relatively strong position in terms of its public debt and its external position. The debt level stood below 40% at the end of FY 2009/10 and is expected to remain at sustainable levels in the medium term under moderate scenarios, even after including the fiscal cost of the bailout to the financial sector. The debt profile is also favorable, as only 10% of the debt is maturing in the next 5 years. The country is a net creditor of foreign assets thanks to reserves levels that amount to more than US\$9 billion (around 11 months of imports) and the Heritage and Stabilization Fund² that amounts more than US\$3 billion.

3. Analysis of the Problem

- 1.6 **Projected impacts of Climate Change and sector vulnerabilities.** Trinidad and Tobago as a small island developing State within the Caribbean region is highly vulnerable to the impacts of global climate change due to its limited land space, fragility of its ecosystems, limited human and technological capacity, and susceptibility to the vagaries of international trade and exogenous economic shocks³. The impacts from climate change in the country are expected to stem specifically from [rising temperatures, decreased precipitation and sea level rise](#). Sea level for the region and by extent for Trinidad and Tobago is projected to raise from 0.13 to 0.43m under a best case scenario for global emissions reductions (B1) and 0.18 to 0.56m under a worst case scenario (A1)⁴. It is anticipated that these changes will likely have adverse effects on biophysical and socio-economic conditions in Trinidad and Tobago, with the following [specific sectors](#) likely to be impacted: (i) agriculture; (ii) human health; (iii) human settlements; (iv) coastal zones, where climate change impacts are expected to be multi-sectoral based on the fact that T&T settlements are concentrated within those areas; and (v) water resources (Table 1. below).

² The objectives of the Heritage and Stabilization Fund (Fund) are to smooth public expenditure given the variation in energy prices as well as to save resources for future generations. The Fund is regulated by specific rules for deposits and withdrawal.

³ Caribbean Community Climate Change Centre, 2009. Climate Change and the Caribbean: A regional framework for achieving development resilient to climate change (2009-2015).

⁴ Intergovernmental Panel on Climate Change (IPCC) climate scenarios. <http://www.ipcc.ch/pdf/special-reports/spm/sres-en.pdf>.

TABLE 1. SECTORAL IMPACTS OF CLIMATE CHANGE

Sector	Projected Impact	Expected Changes
Agriculture	Air temperature increase	Increased aridity of soils, decreased crop yields due to intolerance of crop varieties.
	Decreased precipitation	Increased aridity of soils, decreased crop yields due to less irrigation water availability.
	Sea level rise	Inundation and flooding of coastal areas and salinisation of productive soils leading to decreased crop yields and available areas for agricultural production.
Human Health	Air temperature increase	Increased spread of vector insects due to increased humidity giving rise to favorable conditions for increased vector populations in Trinidad and Tobago.
	Decreased precipitation	Reduced availability of potable water, which can have further indirect impacts on food availability.
	Sea level rise	Increase in the incidences of water borne diseases in permanently or often flooded areas
Human Settlements	Increase in intensity of precipitation events	Increased incidences of flooding in flood plains - disruption of settlements, commerce, transport and towns and villages.
Coastal Zones	Sea surface temperature increase	Loss of natural coastal defenses such as coral reefs, further leading to loss of fisheries and increased erosion and inundation as a result of increased wave energy reaching the coast.
	Sea level rise	Increased inundation, increased erosion and loss of coastline and coastal amenities such as human settlements; loss of natural resources such as wetlands and associated ecosystem goods and services; and loss of coastal agricultural lands due to soil salinisation.
Water Resources	Air temperature increase	Loss of available surface water as a result of increased evapotranspiration.
	Decreased precipitation	Reduced percolation and recharge of groundwater reserves in aquifers; reduced availability of surface water and potable water.
Source: National Climate Change Policy for Trinidad and Tobago (2011)		

- 1.7 Estimates of the cost of climate change both in terms of impacts and adaptation have not been readily quantified but it is expected that these costs would be significantly high given the expected extent of change, particularly related to sea level rise (SLR) that will impact Trinidad and Tobago. *Bueno et al* (2008)⁵ provides some estimates of impact from hurricane damages, tourism losses and infrastructure losses under best case and worst case levels of global inaction on climate change. For Trinidad and Tobago these losses were estimated to range

⁵ Bueno, R., Herzfeld, C., Stanton, E. and Ackerman, F., 2008. The Caribbean and Climate Change: The costs of inaction. Stockholm Environment Institute – US Center Global Development and Environment Institute, Tufts University.

from 4% (2025) to 16% (2100) of GDP⁶ between the differences of the two scenarios.

- 1.8 At the sectoral level, vulnerability assessments have been undertaken by the Petroleum Company of Trinidad and Tobago (PETROTRIN) for their facilities on the west coast of Trinidad, show moderate to severe land loss and accompanying loss of oil and gas infrastructure (i.e. access roads, pipelines, storage tanks, pump jacks, offshore platforms, jetties and harbors and administrative buildings) in response to future SLR scenarios and storm surges of 2–5 m.⁷ However, the studies lack both cost estimates of loss and of the recommended adaptation measures. In addition, estimates have been recently reported on the economic impacts of climate change for key sectors for countries in the Caribbean⁸. For the agricultural sector in Trinidad and Tobago the estimate of cumulative losses (2011-2050) under a global high Greenhouse Gas (GHG) emissions scenario is calculated as approximately US\$352.8 million (1.37% of 2008 GDP) and approximately US\$270.8 million (1.05% of 2008 GDP) under a low emissions scenario. Similarly for the health sector, treatment cost for conditions related to communicable diseases that are influenced by climatic conditions such as dengue, are expected to increase in the order of approximately US\$26 million under both high and low emissions scenarios during the 2011 -2050 period. For the energy sector the analysis of the impact of climate change focused on its impact on the domestic demand for electricity and on the export of liquefied natural gas and crude oil to the United States. On the electricity demand side in the long run, it is expected that there would be an annual increase in electricity consumption per capita of 1.07% and 1.01% over the period 2011 – 2050 under worst case and best case scenarios respectively. On the supply side, the analysis indicates a decline in LNG export earnings estimated to be the equivalent to 2.2% reduction in 2009 GDP. Nevertheless the analysis for all three sectors does not provide estimates for other key sectors of the economy or the cost of adaptation.
- 1.9 In spite of the limited information surrounding the magnitude of the costs of the impacts and adaptation, the country has been involved in initiatives to reduce impacts and build resiliency. The country has participated in the regional “Caribbean Planning for Adaptation to Climate Change” (CPACC) project and subsequent programs on “Adaptation to Climate Change in the Caribbean” (ACCC) and “Mainstreaming Adaptation to Climate Change” (MACC). The implementation of the [Nariva Wetland Restoration and Carbon Sequestration Project](#) under the World Bank Biocarbon Fund, which even though the main focus was on the restoration of forested wetland areas to enhance carbon sequestration,

⁶ The baseline used was 2004 GDP levels.

⁷ Singh, B and El Fouladi, A., 2005. Phase 2 Vulnerability Assessment Survey for the *Pointe-a-Pierre* Foreshore Area; Singh, B and El Fouladi, A., 2005. Phase 2 Vulnerability Assessment Study for Exploration and Production Development Works in the Oropouche Field; Singh, B and El Fouladi, A. 2005. Detailed Vulnerability Assessment Survey and Storm Surge Modelling of the West Coast of Trinidad: *Vessigny to Cap-de-Ville* Quadrant.

⁸ United Nations Economic Commission for Latin America and the Caribbean (UNECLAC), 2011. The Economics of Climate Change in the Caribbean Summary Report, 2011.

also had the co-benefit of improving adaptive capacity of the forest as a protective barrier against strong winds. There have also been limited educational programs particularly through the Environmental Management Authority,⁹ on climate change targeting specific audiences, which has enhanced public awareness on climate change.

- 1.10 **Greenhouse Gas (GHG) Emissions.** The Government of Trinidad and Tobago (GoRTT) recognizes the country's unique position as an oil and gas producer and the potential to engage in significant greenhouse gas (GHG) emissions reductions [as part of its response](#) to climate change. The country has a very high per capita greenhouse gas emissions in the order of 7.58 metric tons of carbon (in 2010 it was [ranked](#) 6th globally), although this accounts for less than 1% of total global carbon emissions. The main sources of emissions in Trinidad and Tobago are from the petrochemical and power generation sectors, together with the transportation sector. During the period 1990 – 2006, it was estimated that the carbon emissions from the energy sector increased by 278% (63,456 gigagrams of carbon¹⁰) with a similar trend showing in the other sectors and processes.
- 1.11 As emissions from these sectors are expected to increase¹¹, the GoRTT envisions the opportunity to pursue a strategy for carbon emission mitigation that could render financial benefits from access to global climate change initiatives while showcasing the country's commitment to mitigating climate change and of reducing its [carbon footprint](#). In this context, the role of carbon sinks is highlighted: ecosystems such as forests which sequester carbon and reduce emissions. Therefore, increasing the capacity of natural carbon sinks through the expansion of protected areas, sustainable forestry and reforestation, will contribute to offsetting increased emissions in the future, together with other technological options and behavioral changes such as the use of renewable energy and energy efficiency technologies and conservation.

4. Diagnostic of the institutional and policy framework

- 1.12 The fact that Trinidad and Tobago presents a unique situation of being a highly vulnerable small-island State and is also a net producer of fossil fuels, the GoRTT is confronted with the issue of addressing the impacts of climate change through adaptation without overlooking the opportunity to mitigate its increasing emissions portfolio. As Trinidad and Tobago is signatory of the United Nations Convention on Climate Change (UNFCCC) and the Kyoto Protocol, the implementation of the Convention in Trinidad and Tobago requires the establishment of appropriate policy, legislative and institutional structures at the national level to address both the adaptation and mitigation elements of the climate change agenda. The following challenges must be addressed to respond to the issues related to climate change and achieve a low carbon development path.
- 1.13 At the policy level, climate change is not specifically addressed in existing sectoral and national policies, besides broad references to mitigation and

⁹ An example of this is the EMA's eco-song competition.

¹⁰ National Climate Change Policy for Trinidad and Tobago (2011).

¹¹ Ibid.

adaptation as in the [National Environmental Policy \(NEP\)](#). Hence, the approval of the [National Policy on Climate Change \(NPCC\)](#) represents a significant step toward this direction - providing guidance for the GoRTT to develop such administrative and legislative framework to address climate change, through sectoral, and cross-sectoral adaptation and mitigation measures. The NPCC seeks to integrate adaptation into national planning because of the cross sectoral nature of the impacts of climate change, to take advantage of the co-benefits of mitigation actions, and to generate economic opportunities and cost savings through various adaptation and mitigation actions, while enhancing energy security for the country. This process is to be achieved by integrating elements of the NPCC into existing and proposed sectoral policies together with the implementation of new or updated legislation, the reduction of knowledge gaps in the understanding of impacts of climate change and the strengthening of institutional capacity to manage climate change issues.

- 1.14 This process has begun to some extent with the approval of the [National Forest Policy](#) and the [National Protected Areas Policy](#). Both policies have clear synergies and reinforce each other's core objectives toward more sustainable development, such as protecting biodiversity and genetic heritage, and maintaining ecosystem services while sustaining livelihoods. Specifically, both have incorporated key principles and priorities set forth in the NCCP, highlighting the importance of ecosystem services such as climate regulation, contribution to carbon sinks and building resilience to risks and climate change. Also, it is expected that the new renewable energy policy and the energy policy will have similar considerations - e.g. the framework of the renewable energy policy indicates one of the complementary elements to the implementation of the renewable energy policy would be GHG emissions reductions as a function of carbon reduction strategies.¹² Similar consideration of climate change issues must take place across all sectors, including finance, environment, planning, agriculture, water and health that should result in adaptation and/or mitigation strategies, if a low carbon, climate resilient developmental pathway is to be achieved.
- 1.15 Furthermore, at the legislative level, implementing the priorities of climate change adaptation and mitigation set forth in these policies will require amendment of existing legislation or the development of new supporting legal instruments. The Environmental Management Act, the Environmentally Sensitive Areas Rules 2001, the Forest Act, National Parks and other Protected Areas Bill and Conservation and Wildlife Bill will need to be amended in order to integrate and put into context the mandates on climate change and to enable the implementation of managerial instruments consistent with the three new policies; the Planning Act and Development of Land Bill (PDLB) needs to be updated to integrate climate change vulnerability, impacts and adaptation into national development plans and building codes; the Certificate of Environmental Clearance Rules, among other supporting regulations will need to be harmonized; and new legislation such as

¹² MEEA, 2011. Framework for Development of a Renewable Energy Policy for Trinidad and Tobago. A report of the Renewable Energy Policy.

the Air Pollution Rules (a draft has been prepared) which considers GHG emissions or an Integrated Coastal Zone Management Bill which incorporates climate change adaptation and disaster risk management, will also have to be drafted.

- 1.16 There is limited institutional and technical capacity within the government to adequately manage climate change issues. Institutionally, the Multilateral Environmental Agreements Unit (MEAU) within the Environmental Policy and Planning Division of the Ministry of Housing and the Environment is principally mandated to guide and develop environmental policies including that of climate change. This mandate extends to the monitoring and evaluation of the implementation and effectiveness of such policies and the implementation of related projects. However, presently the MEAU has limited technical capacity to carry out its role, and existing institutional arrangements are not adequate for systematic observations related to climate change. The Unit is also expected to interact and collaborate with all governmental ministries and agencies which are key stakeholders in the implementation of actions related to climate change adaptation and mitigation, but there are weak institutional arrangements for these interactions to take place. Similarly capacity issues exists within other government agencies that would have direct responsibilities for implementing aspects of the climate change program including the Environmental Management Authority (EMA) and the Institute of Marine Affairs (IMA), statutory bodies under Ministry of Housing and the Environment. The EMA is mandated under the Environmental Management Act (2000) among other functions to develop and implement policies and programs for the effective management and wise use of the environment, promote education and public awareness programs on the environment and develop and establish national environmental standards and criteria.¹³ Similarly with the IMA, its functions among other things, is to study the multiple uses of the sea and coastal zones, their resources and potential use and to advice on the development and optimum utilization of these resources.¹⁴
- 1.17 Despite these limitations, Trinidad and Tobago has established a national grant facility -the “Green Fund”- which provides funding for environmental projects in the areas of remediation, reforestation and conservation. The Green Fund has been an important source of funding for projects in these areas of climate change mitigation and adaptation, granting, for example, in 2010 over US\$68 million for the Nariva Swamp Carbon Sequestration and Livelihoods Project.

5. Operation design and its contribution to the country strategy and the results matrix of the capital increase

- 1.18 As part of its [Development Strategy](#),¹⁵ the GoRTT is pursuing policy reforms aiming at a low carbon development pathway that incorporates adaptation to climate change measures and principles across all sectors whilst developing and

¹³ Environmental Management Act, 2000.

¹⁴ Institute of Marine Affairs Act, 1990.

¹⁵ Innovation for Lasting Prosperity: Medium-Term Policy Framework, 2011-2014, Ministry of Planning and the Economy, October 2011.

implementing GHG emissions reduction strategies and actions, through promotion of alternative energy resources and conservation as well as carbon sequestration.

- 1.19 The GoRTT recognizes the financial requirements to adequately address climate change issues, and the importance of developing the policy framework to adequately transition to a low carbon development path, to improve resilience with a greater adaptive capacity and to strengthen the institutions responsible for the management of climate change related portfolios. This burgeoning focus and political will demonstrated by the GoRTT presents the Bank with an excellent opportunity to support Trinidad and Tobago move the climate change agenda forward, using the various financial instruments available at its disposal.
- 1.20 In this context the Program is focused on supporting and promoting the reforms initiated by the GoRTT with the Climate Change Policy that will guide the process of mainstreaming climate change into national development strategies and the country's shift to a low carbon economy. The first operation will support establishment of key reforms and institutional arrangements and initial policy commitments to address climate change mitigation and adaptation challenges. These reforms will then be consolidated and implemented through appropriate administrative and legislative reforms and the subsequent programmatic loan operation will include commitments associated with the achievement of results and specific implementation targets.
- 1.21 This program will also include a package of technical assistance to support and provide analytical input for implementing the policy and strategic reforms to meet future commitments agreed with the GoRTT and reflected in the policy matrix. This will consist of: (i) support for policy development on coastal zone management and climate change adaptation; (ii) assessment and proposal for the reduction of the carbon footprint of Government's operations; (iii) institutional strengthening needed for mainstreaming of climate change into environmental management; and (iv) study on the economics of climate change adaptation (ECA), including impact of climate risks on economic sectors and cost-benefit analyses of risk mitigation and transfer measures. In addition a study of the feasibility of carbon capture and storage (CCS) will be undertaken through the technical cooperation Mainstreaming Climate Change into National Development and Capacity Building for Participation in Carbon Markets (ATN/OC-12182-TT), currently being implemented, in support of developing a carbon reduction agenda.
- 1.22 **Consistency with GCI-9 and the Country Strategy.** The operation is consistent with the priorities outlined in the Country Strategy with the Republic of Trinidad and Tobago (2011-2015) (GN-2638), and the accompanying Climate Change Sector Note, as it will directly contribute to the development and incorporation of climate change adaptation and carbon reduction policies and strategies into the sectoral policies and strategies, as well as helping to reduce the vulnerabilities of key sectors and areas. The operation is aligned with the IDB's institutional priorities as outlined in the Report on the Bank's Ninth General Increase in Resources (AB-2764): (i) supporting development in small and vulnerable countries; and (ii) assisting borrowers in dealing with climate change, sustainable

energy and environmental sustainability. In addition the program is fully aligned with the Bank's Integrated Strategy for Climate Change (GN-2609-1), as it will support institutional strengthening of government entities for the development and implementation of policies oriented towards climate change.

- 1.23 **Coordination with other IDB operations in the country.** A separate programmatic PBL targeting a sustainable energy framework (TT-L1023) is being prepared and has the potential for overlap with the proposed operation. The Sustainable Energy PBL will focus on the reforms needed to transform the energy mix of the country into a more sustainable and cleaner energy state, which will involve policy measures related to renewable energy, energy efficiency and conservation only within the energy sector. The area of potential overlap is in policy reforms related to GHG emissions reduction in the energy sector but the two teams are collaborating to avoid duplication of efforts in this area and ensure synergy. In addition this present PBL will focus on emissions reduction at a national level, which will go beyond the energy sector and will include measures for the transportation sector and land use.

B. Program objectives and description

- 1.24 **Program general objective:** The program's main objective is to support the GoRTT in strengthening and modernizing the regulatory, institutional and policy framework to integrate climate change and its impacts into national economic development. The specific objectives of the program are: (i) to support the mainstreaming of climate change into national policies and institutions; (ii) to develop and promote instruments to assess and reduce vulnerability and risks associated with climate change; and (iii) promote carbon markets and policies to reduce Greenhouse Gas (GHG) emissions. The Policy Matrix ([Annex II](#)) establishes a series of commitments to policy reforms and institutional development for the entire program structured in three components:
- 1.25 **Component I. Policy and Institutional Framework.** Under the first programmatic loan, this component will support the development of the necessary policy and institutional framework through: (i) the approval of a National Climate Change Policy that outlines the government's policy initiatives on both adaptation and mitigation to climate change; (ii) the approval of a National Protected Areas Policy that includes strategies for the conservation of natural heritage and ecosystem diversity and for restoration and enhancement of ecosystems that provide important ecological services, such as carbon sequestration and resilience to climate risks; (iii) the approval of a National Forest Policy that include maintenance and enhancement of ecological processes to provide important ecosystem services in terms of climate regulation, contribution to increase carbon sinks and to biodiversity, and in protecting land vulnerable to natural disasters; (iv) the designation of Multilateral Environmental Agreements (MEA)/climate change focal points¹⁶ approved by Cabinet within key Government ministries

¹⁶ Within the MHE resides the MEA unit which is the focal point for all the multilateral environmental agreements including the UNFCCC, the UN Convention on Biodiversity that the GoRTT is signatory. The climate change focal points will be one aspect of the MEAs.

related to energy, agriculture, water, planning, transport and finance; (v) proposal for the development of a Green Government Policy¹⁷ that provides guidance to incorporate climate change mitigation and adaptation measures into government operations; (vi) the establishment of a committee of ministers on climate change comprising of key ministers with portfolios related to climate change to monitor the coordination of related activities of the national climate change agenda; (vii) amendment of legislation on the Green Fund to allow non-profit organizations and community groups to access finance to implement climate change related projects; (viii) the approval of a Strategic Action Plan (SAP) 2010-2014 for the Environmental Management Authority (EMA) which includes climate change considerations; and (ix) the placement of the Institute of Marine Affairs under the aegis of the MHE to guide the process of the development of an integrated coastal zone management program.

- 1.26 **Component II – Support for Adaptation.** This component is to assist in developing and expanding access of information and tools to relevant government stakeholders to assess and incorporate vulnerability and risks associated with climate change into public investment projects under their leadership. Specific policy reforms and actions included in the first loan are: (i) the establishment of a National Planning Task Force to review and update the Planning and Development of Land Bill (PDLB); (ii) the approval of a proposal to develop an Integrated Coastal Zone Management Policy (ICZM) framework, strategies and action plan that incorporates climate change adaptation; and (iii) the establishment of a Steering Committee for the development of Integrated Coastal Zone Management Policy framework, strategies and action plan.
- 1.27 **Component III – Support for Carbon Reduction.** This component is to assist in the development of a low carbon economy through the promotion of carbon markets and policies to reduce greenhouse gas emissions. Specific policy commitments include: (i) the implementation of a carbon sequestration project to demonstrate a strategy to reduce greenhouse gas emissions using the reforestation of a wetland system; (ii) identification of potential Clean Development Mechanism (CDM) projects; and (iii) the submission to the Chief Parliamentary Counsel of draft Air Pollution Rules (APR).

¹⁷ The Green Government Policy is expected to guide the greening of government with measures such as utilizing eco-friendly materials, implementing recycling in its offices, reducing greenhouse gas emissions of its operations through use of renewable energy, energy efficiency and conservation, and increasing the resilience of its buildings to climate change related impacts.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financial Instruments and contractual conditions

- 2.1 The first operation of the series of two PBLs under the programmatic approach will support the necessary policy reforms and institutional arrangements to help mainstream climate change into national development and the country's shift to a low carbon economy. These reforms are expected to be significant vis-à-vis revisions to the country sectoral policies, which will go beyond the "reviews" of such policies. The subsequent operation is planned for 2013 contingent upon completion of the policy conditions associated with this operation. Disbursement for this first operation is scheduled for the end of the 4th quarter of 2011, upon execution of the respective contract and fulfillment of the policy matrix conditions agreed upon with the GoRTT and included in the Policy Matrix, Results Matrix and Means of Verification Matrix.

B. Key Results and Indicators

- 2.2 In the long run, the program is expected to contribute to a reduction in greenhouse gas emissions and an increased resilience against to climate hazards and change. Given the unique features of climate change interventions, these overall outcomes are expected to materialize beyond the span of the program and hence targets for 2013 have not been defined, as the executing period of this operation represent the initial phase for the process needed to achieve these goals. Nonetheless, to reach this overall purpose, the following specific outcomes will be realized: (i) climate change considerations incorporated into key national sectoral policies and institutions; (ii) improved capacity to assess and reduce vulnerability and risks associated with climate change; and (iii) increased participation in carbon markets and actions to reduce greenhouse gas emissions. These outcomes with their corresponding indicators, baselines, targets and data sources are presented in the [Results Matrix](#) which will be measured and verified using the methodology described in the [Monitoring and Evaluation Plan](#).

C. Environmental and Social Safeguard Risks

- 2.3 The program will generate a framework towards a low-carbon and climate-resilient development in Trinidad and Tobago, while seeking to improve its development planning and natural resource management. The policy and institutional reforms are not expected to have any direct environmental and social risks impacts. To the contrary, the program will have a positive impact on the environment and social livelihoods: the three national policies on climate change, forest management and protected areas, which the GoRTT is committed all have synergies and reinforce each other core objectives, towards more sustainable development such as protecting biodiversity and genetic as well as cultural/historic heritages, and maintaining ecosystem services while sustaining livelihoods.

D. Other Key Issues and Risks

2.4 **Fiduciary Risk:** The fiduciary risk is considered low given the sound financial management framework of the GoRTT. Being structured as a PBL funds will be disbursed in one tranche upon the approval and signature of the loan contract and the fulfillment of the conditions prior to the first disbursement established therein.

2.5 **Execution Risk:** Due to the nature of this Program, policy conditions are all expected to be fulfilled prior to the presentation of the PBL for approval by the IDB's Board of Executive Directors. Given the above and that the full amount of this loan is expected to be disbursed shortly following Board approval, no execution risk is foreseen.

Cost Benefit Analysis (CBA): A cost-benefit analysis (CBA) for the Program was carried out focusing on two areas: (i) adaptation to the impacts of sea level rise on the facilities of the Petroleum Company of Trinidad and Tobago (PETROTRIN) on the west coast of Trinidad and (ii) an assessment of the Nariva Swamp Sequestration and Livelihoods project as an example of the mitigation options available to reduce GHG emissions. The adaptation measure considered in the analysis involved the protection of over 30 kilometers of coastline with the expected benefit of avoided land loss with its associated infrastructure. On the other hand, the mitigation project aims at carbon sequestration and emissions reduction through the restoration of 1300 hectares of degraded wetland forest and its hydrological system on the east coast of Trinidad. The results indicate that the adaptation measure is a cost-effective intervention with a net present value (NPV) equal to US\$3.4 million¹⁸ and an ERR of 20%. On the other hand, the results from the mitigation project highlight the importance in mitigation actions of this type, not only to take into account the direct benefits of selling carbon credits but also to include or value co-benefits such as biodiversity, cultural patrimony and ecosystem services as these add to the intrinsic value of these projects. The CBA study is available as an [optional link 1](#).

2.6 **Other Risks:** Potential risks for the policy reforms envisioned under this operation include: (i) Government's continued commitment to advance in the transition to a low carbon economy; (ii) inter-institutional coordination between by the MHE and the MOF in undertaking the policy and regulatory changes in a timely fashion; (iii) delays in the preparation of the analytical inputs that will inform the operation; (iv) low level of coordination among stakeholders involved in the operation; and (v) limited institutional capacity within the MHE. These risks are to be mitigated through the implementation of the technical cooperation (ATN/OC-12182-TT) which helps in the long term mainstreaming of climate change into the development of Trinidad and Tobago, underlining the Government's commitment to the pursuit of a climate change agenda. A project coordinator has also been hired for the TC, who will help in the process of fulfilling the commitments of the operation thereby increasing the institutional capacity of the MHE to implement the program. To improve coordination

¹⁸ Using a discount rate of 12%.

between the two ministries, there will be the establishment of an inter-ministerial governance structure involving but not restricted to the key ministries of MHE and the MOF. The operation will also support a process of engagement and mediation as well as capacity building in all key governmental entities. Finally the hiring of a consultant to undertake the economic analysis for the program will assist in the preparation of the operation.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of Implementation Arrangements

- 3.1 **Borrower and Executing Agency (EA):** The Borrower is the GoRTT while the Executing Agency will be the Ministry of Finance (MOF). The policy matrix has been agreed and will be monitored through the MOF. The EA will work and coordinate together with the MHE to accomplish the conditions agreed in the [Policy Matrix](#).
- 3.2 The MOF will: (i) provide evidence that the conditions have been met and any other reports that the IDB may need to approve the disbursement; (ii) support the actions required to fulfill the second phase; and (iii) once the disbursement of the Program is completed, gather and prepare the required information and performance indicators so that the IDB and the GoRTT can follow up, measure and evaluate the results of the Program.

B. Summary of Arrangements for Monitoring Results

- 3.3 The IDB Project Team will be from the Sustainable Energy and Climate Change Unit based in Washington DC (INE/ECC) and in Trinidad and Tobago (VPC/CTT), which will be responsible for the follow-up of the Program. The main indicators for the monitoring of the Program are those presented in the Result Matrix and the Evaluation and Monitoring Plan.
- 3.4 Once each program has been completed and disbursed, the IDB Project Team and the MOF will prepare a progress report, showing the evolution of results, with the objective of identifying progress and required additional support to fulfill the conditions.
- 3.5 In compliance with IDB policies, a Project Completion Report (PCR) funded by the IDB, will be prepared six months after the last phase of the Program has been fully disbursed. The PCR will evaluate the impact and results obtained by the Program.
- 3.6 The Borrower is responsible for the gathering of information and data required for monitoring and evaluation.

C. Policy Letter

- 3.7 The IDB has agreed with the GoRTT on the macroeconomic and sector policies included in the [Policy Letter](#) which was presented by the MOF in November 2011. The letter describes the main components of the GoRTT's strategy for the Program and reaffirms its commitment to implement the agreed activities with the IDB.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	(i) Lending to support small and vulnerable countries, and (ii) Lending to support climate change initiatives, renewable energy and environmental sustainability.		
Regional Development Goals	(i) Stabilization of CO2 equivalent emissions (metric tons per habitant), and (ii) Countries with planning capacity in mitigation and adaptation of climate change.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	(i) National frameworks for climate change mitigation supported, (ii) Climate change pilot projects in agriculture, energy, health, water and sanitation, transport, and housing, and (iii) Number of projects with components contributing to improved management of terrestrial and marine protected areas.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2335		
Country Program Results Matrix	GN-2617	The project is included in the 2011 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	9.0		10
3. Evidence-based Assessment & Solution	8.3	25%	10
4. Ex ante Economic Analysis	10.0	25%	10
5. Monitoring and Evaluation	7.5	25%	10
6. Risks & Mitigation Monitoring Matrix	10.0	25%	10
Overall risks rate = magnitude of risks*likelihood		Low	
Environmental & social risk classification		B.13	
III. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)	Yes	The project relies on the use of all Financial Management Sub-Systems.	
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan.	Yes	The evaluation of the effectiveness in reaching the program's expected results will involve an ex-post cost-benefit analysis.	

The POD and the Cost-Benefit Analysis harness the available empirical information on potential climate change scenarios and possible impacts, whilst recognizing a number of key data gaps. The POD provides sufficient empirical evidence on the importance of developing a coherent policy framework for addressing climate change adaptation and mitigation. The Results Matrix is of good quality, with at least one SMART indicator for each output and outcome. Longer term impacts have been identified and have SMART indicators; however, current data was not available to specify baselines, and such impacts are not likely to materialize by the project end date in 2013.

The ex ante cost-benefit analysis considers one adaptation and one mitigation project, to measure potential benefits from enhanced policy framework to expand adaptation and mitigation projects. The CBA analysis uses best available data from a wide range of sources, and performs sensitivity analyses around those parameters with the greatest uncertainty; results indicate that non-monetized benefits are likely to be very important. The main risks relate to government's continuing commitment to developing and implementing climate change-related policy; the risk is moderate and the commitment can be monitored by meeting commitment contained in the Policy Matrix.

POLICY MATRIX

OBJETIVES	RESPONSIBLE INSTITUTION / AGENCY	FIRST PROGRAMMATIC PBL (2011)	SECOND PROGRAMMATIC PBL (2012 - 2013)
Macroeconomic Stability			
General Macroeconomic Framework is stable	MOF	(i) Macroeconomic framework is consistent with the objectives of the program and with policy letter.	(i) Macroeconomic framework is consistent with the objectives of the program and with policy letter.
I. Policy and Institutional Framework			
I.a. Support the mainstreaming of climate change into national policies and institutions	MHE	(i) National Climate Change Policy approved by Cabinet, which provides guidance for the development of an administrative and legislative framework, for the pursuit of a low carbon development path through strategies for implementation and integration of sectoral and cross-sectoral adaptation and mitigation measures, and actions in education, awareness, capacity building, institutional strengthening, information and data sharing and financing.	(i) Strategy and action plan for the National Climate Change Policy approved by MHE and under implementation, which will include: <ul style="list-style-type: none"> a. Identification of key legislative, policy and regulatory reforms and changes to institutional arrangements to facilitate the implementation of National Climate Change Policy. b. Proposal developed for institutional strengthening of the Designated National Authority (DNA) under the United Nations Framework Convention on Climate Change (UNFCCC).
	MHE	(ii) National Protected Areas Policy approved by Cabinet, which will provide guidelines for the selection, designation and management of protected areas in Trinidad and Tobago, and includes strategies for the conservation of natural heritage and ecosystem diversity and for restoration and enhancement of ecosystems that provide important ecological services, such as carbon sequestration and resilience to climate risks.	(ii) Action plan for legislative and institutional arrangements to implement the Forest and Protected Areas Policies approved by MHE and under implementation with key elements to include: <ul style="list-style-type: none"> a. Revised National Parks and Other Protected Areas legislation presented to Parliament for consideration. b. New forest resources legislation presented to Parliament for consideration c. Conservation of wildlife legislation presented

			to Parliament for consideration. d. Legislation presented to Parliament for consideration to establish the Forests and Protected Areas Authority.
I.a. Support the mainstreaming of climate change into national policies and institutions	MHE	(iii) National Forest Policy approved by Cabinet, which provides a wide set of policies to guide the sustainable management of forest resources. The policy outlines a series of strategies, which include maintaining and enhancing the ecological processes to provide important ecosystem services in terms of climate regulation, contribution to increase carbon sinks and to biodiversity, and in protecting land vulnerable to natural disasters.	
	MHE	(iv) Multilateral Environmental Agreements - climate change focal points' designations approved by Cabinet for the following key ministries related to: energy, agriculture, water, planning, transport and finance.	(iii) Multilateral Environmental Agreements/climate change focal points designated and approved by Cabinet within remaining Government ministries.
	MHE		(iv) Second National Communication submitted to United Nations Framework Convention on Climate Change (UNFCCC) by MHE.
	MHE + MTI		(v) National Building Code and action plan that incorporates considerations for adaptation and mitigation to climate change, (including the use of renewable energy and energy efficiency) approved by Bureau of Standards, Ministry of Trade and Industry (MTI)
	MHE	(v) Proposal for the development of a Green Government Policy that provides guidance to incorporate climate change mitigation and adaptation measures into government operations, approved by Cabinet.	(vi) Green Government Policy and action plan that incorporates climate change considerations approved by Cabinet.

	MHE	(vi) Committee of ministers on climate change comprising of key ministers with portfolios related to climate change, approved by Cabinet to monitor the coordination of related activities of the national climate change agenda.	
	MHE	(vii) The legal framework on the Green Fund amended to allow non-profit organizations and community groups to access finance to implement climate change related projects.	
	MHE	(viii) Strategic Action Plan (SAP) 2010-2014 for the Environmental Management Authority (EMA) approved by Cabinet, which includes the development of a communications, education and public awareness strategy on climate change, in alignment with the National Climate Change Policy.	
	MHE	(ix) Placement of the Institute of Marine Affairs under the aegis of the MHE by the Office of Prime Minister, to help guide process of the development of an integrated coastal zone management program.	
	MHE		(vii) NIE (National Implementing Entity) accredited by the Adaptation Fund of Board of the UNFCCC to facilitate access to the Adaptation Fund.
	MHE		(viii) National Environmental Policy (NEP) revised and approved by Cabinet to reflect the integration of climate change, forests and protected area policies issues as appropriate.
	MHE		(ix) National Physical Development Plan that incorporates climate resilience reviewed and approved by Cabinet

II. Support for Adaptation

II.a. Develop and promote instruments to assess and reduce vulnerability and risks associated with climate change	MHE+MPE	(i) National Planning Task Force established by Ministry of Planning and the Economy to review and update the Planning and Development of Land Bill (PDLB) that would include measures for the sustainability of communities and the design and location of physical infrastructure.	(i) Planning and Development of Land Bill (PDLB) that would include measures for the sustainability of communities and the design and location of physical infrastructure presented to Parliament for consideration.
	MHE	<p>(ii) Proposal to develop an Integrated Coastal Zone Management Policy (ICZM) framework, strategies and action plan that incorporates climate change adaptation approved by Cabinet. The ICZM should include actions on land use planning, economic and market based incentives, research, monitoring and mapping and public awareness.</p> <p>(iii) Steering Committee comprising of members from various governmental agencies and departments, established for the development of Integrated Coastal Zone Management Policy framework, strategies and action plan. The Steering Committee should be comprised of least the Ministry of Housing and Environment, Institute of Marine Affairs, Environmental Management Authority, Ministry of Energy and Energy Affairs, Ministry of Planning and the Economy, Fisheries Division and Tobago House of Assembly.</p>	<p>(ii) Integrated Coastal Zone Management (ICZM) Policy developed by MHE and approved by Cabinet that incorporates climate change considerations.</p> <p>(iii) Integrated Coastal Zone Management (ICZM) Plan for Tobago developed in consultation with the Tobago House of Assembly (THA) that addresses the particular vulnerabilities of Tobago to the impacts of climate change.</p> <p>(iv) Legislative, regulatory and institutional arrangements related to the management of the coastal zone reviewed and recommendations approved by Cabinet.</p>
	MHE		<p>(v) Vulnerability assessments commissioned by MHE completed on agriculture, human settlements and infrastructure and coastal zones as outlined in the National Climate Change Policy.</p> <p>(vi) Vulnerability assessments incorporated into</p>

			<p>strategic planning documents for agriculture, human settlements and infrastructure and coastal zones.</p> <p>(vii) National disaster risk evaluation which develops a profile of disaster risk at the national level completed by Office of Disaster Preparedness and Management and accepted by the Inter-ministerial Committee on Disaster Management.</p> <p>(viii) Policies related to agriculture, human settlements and infrastructure and coastal zones as identified in the National Climate Change Policy revised so as to integrate climate change adaptation, approved by Cabinet.</p>
	MHE		(ix) National strategy on climate change adaptation developed by MHE and approved by Cabinet.
III. Support for Carbon Reduction			
	MHE/EMA	(i) Carbon sequestration project implemented to demonstrate a strategy to reduce greenhouse gas emissions using the reforestation of a wetland system.	<p>(i) Feasibility study on carbon capture and storage (CCS) completed and recommendations for implementation accepted by MHE.</p> <p>(ii) National carbon reduction strategy for energy, transportation, power generation and industrial sectors with intervention options completed and approved by Cabinet.</p> <p>(iii) Policies relevant to energy, transportation, power generation and industrial sectors revised and approved by Cabinet to incorporate climate change mitigation considerations.</p>
	MHE	(ii) Identification by MHE of potential Clean Development Mechanism (CDM) projects.	(iv) Clean Development Mechanism (CDM) Portfolio developed by MHE for implementation of climate change mitigation projects.
	MHE/EMA	(iii) Draft Air Pollution Rules (APR) developed by	(v) Air Pollution Rules) approved by Cabinet and

		the Environmental Management Authority (EMA) and submitted to Chief Parliamentary Counsel within the Office of the Attorney General.	presented to Parliament for consideration. (vi) Air Pollution Rules amended to include GHG emissions and approved by Cabinet.
	MHE+MEEA		(vii) Assessment of the carbon footprint of the National Gas Company of Trinidad and Tobago Limited (NGC) completed and recommendations to reduce carbon footprint accepted by NGC. (viii) Proposals developed for the reduction of the carbon footprint of facilities of the National Gas Company of Trinidad and Tobago Limited (NGC) accepted by NGC.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE___/11

Trinidad and Tobago. Loan ____/OC-TT to the Republic of Trinidad and Tobago
Program to Support the Climate Change Agenda I

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 a program to support the climate change agenda I. Such financing will be in the amount of up to US\$80,000,000 from the resources of the Single Currency Facility 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 _____ 2011)

LEG/SGO/CCB/IDBDOCS#36452843-11

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