

Annex

1. Identification

Title/Number	Trinidad and Tobago Annual Action Programme 2010 on Accompanying Measures on Sugar; CRIS reference: DCI-SUCRE/2009/21900		
Total cost	EU contribution : EUR 16 551 000		
Aid method / Method of implementation	Sector Policy Support Programme: Sector budget support (centralised management)		
DAC-code	33150	Sector	Trade related adjustments

2. Rationale and country context

2.1. Country context and rationale for SPSP

2.1.1. *Economic and social situation and poverty analysis*

Trinidad and Tobago has one of the highest per capita incomes in Latin America and the Caribbean. The energy sector accounts for over 40% of Gross Domestic Product (GDP), about 90% of exports and more than 50% of government revenues. After 15 years of consecutive economic boom, Trinidad and Tobago has experienced a slow-down in 2009 due to the global financial and economic crisis. Activity in Trinidad and Tobago's energy sector has declined sharply, with several firms forced to advance scheduled maintenance to contain layoffs. Unemployment is forecast to rise from below 5% in 2008 to 6% in 2010. The Central Bank projects a 2% growth rate for 2010. Economic growth for 2009 is down from 3.5% in 2008 and 7% in 2007. The country's Heritage and Stabilisation Fund grew in 2009 and now stands at US\$2.96 billion. Nevertheless, there is a big gap between wealth and development which is particularly acute in the rural and remote areas addressed by this programme. The latest IMF Article IV consultations welcomed the decision to trim fiscal spending for 2008/09 in response to lower energy revenue and concurred that the recent cycle of monetary policy tightening had been appropriate to stem inflationary pressures. The International Monetary Fund (IMF) assessed that the real effective exchange rate of the Trinidad and Tobago dollar is broadly in line with current fundamentals.

2.1.2. *National development policy*

The Trinidad and Tobago National Sugar Adaptation Strategy (NAS), was finalized and approved by the Government of the Republic of Trinidad and Tobago in May 2008. Various stakeholder consultations were organised and a number of academics and institutes were interviewed in the process of the preparation of the NAS.

The overall goal of the NAS is to contribute to the realization of four of the priorities established in the National Development Plan, Vision 2020, to become a developed nation by the year 2020. These priorities are: create an environment of competitiveness, innovative people, a caring society and an improved government.

2.2. Sector context: policies and challenges

The Trinidad and Tobago National Adaptation Strategy (NAS) is a sector policy document which is incorporated in the national development process and is based on the Government's decision in 2003 to disengage from sugar cultivation and to end subsidies to the sugar industry in Trinidad and Tobago by the end of 2007. Important measures have been taken and a significant part of the cost relating to the sugar sector reform has been spent since 2003.

The EU Support strategy aims at:

1. promoting economic diversification of sugar dependent areas;
2. addressing broader impacts related to social, environmental, community and area-based issues.

The EU's objective is also to monitor and evaluate the measures taken by the Government of Trinidad and Tobago in the restructuring process of the sugar industry since 2003 in order to ensure their quality.

Financial institutions in Trinidad and Tobago are very sound and stable. Reform of the Central Statistical Office (CSO) is long overdue and the socio-economic baseline study conducted under the AMSP AAP 2007 made several recommendations on how to improve its capacity. For the time being, the Central Bank and most line Ministries have their own independent statistics department. The final report for the 2008 Public Expenditure and Financial Accountability assessment is positive and confirms that the annual budgetary cycle, budgetary control, accounting, recording and reporting generally work well and provide trustworthy data, although accounting systems are largely manual and old fashioned. The EU Delegation concluded in its Annual PFM Monitoring report in November 2009 that the existing public finance management (PFM) system in Trinidad and Tobago is satisfactory. A draft action plan for further improvement has been approved by the Ministry of Finance in spring 2010. The plan includes steps to introduce an integrated financial management information system, output-based budgeting as well as the introduction of a new tax database, property tax and reform of the revenue authority, which will improve revenue collection.

2.3. Eligibility for budget support

It can be concluded from the preceding sub-chapters that the three eligibility criteria for sector budget support are met.

1. A defined sector policy is in place;
2. There is macroeconomic stability;
3. The Public Finance Management (PFM) was deemed satisfactory in 2009 and a credible and relevant programme to further improve PFM has been approved.

2.4. Lessons learnt

The AMSP implementation started at a moderate pace due to sector budget support (SBS) being a new instrument in development cooperation between the EU and Trinidad and Tobago and hence a need for disseminating information and educating the counterparts in the Government to reinforce understanding the possibilities of the approach and ownership of the process. Moreover, the decision of the Government to divest sugar production was made independently from the EU decision to assist and support changes in the sugar protocol countries, including Trinidad and Tobago. After clarifications and improved policy dialogue on the SBS approach and the EU assistance focussing on the quality of the implementation of the decided measures, the first annual programme (programming year 2007) is now on track with the fixed tranche disbursed. A part of the 2007 grant was allocated to technical assistance. The studies and technical assistance and their recommendations and findings have contributed to improve the quality of the policy dialogue with the Government of Trinidad and Tobago. They have given concrete guidance on how to improve the programme's

implementation and therefore the overall quality of relevant policies implemented by the Government. Seven years after the decision to stop subsidising the industry, the issue is still politically sensitive. The implementation of the NAS is well advanced and the Government has invested considerable funds in the restructuring of the sector. A contract with a professional communication agency was awarded in 2010, following a tender launched in 2009 in order to help the EU Delegation to meet the need to better inform and communicate the European Union's contribution.

2.5. Complementary actions

The EU is the only donor in this programme. It builds on past EU projects in Trinidad and Tobago under the 8th and 9th EDF (poverty reduction, SME support) and is consistent with the 10th EDF programme of Support to enabling environment for competitive businesses.

2.6. Donor coordination

The Government of Trinidad and Tobago ensures coordination of all loan and grant funds. A Ministerial Committee comprising relevant stakeholders in the field gives general guidance to the implementation of the National Sugar Adaptation Strategy (NAS) and EU support and review progress reports, evaluation reports and reports of consultancies undertaken under the Programme.

3. Description

3.1. Objectives

The general objective of the EU Sugar related assistance is to mitigate the adverse effects of the Council of Ministers decision to cut the guaranteed price for the Sugar Protocol Countries, while supporting the Government of Trinidad and Tobago in the realization of the priorities established in its Vision 2020 development strategy.

3.2. Expected results and main activities

The EU support for the NAS focuses on assisting in diversifying the economy from sugar sector to other productive sectors of the economy including agriculture, as well as mitigating the adverse socio economic and environmental impacts of the restructuring. The expected results of the EU response strategy include:

- Farmers and cane workers have received the package of measures to facilitate exit from sugar sector and/or are employed by other activities
- Farmers and cane workers exiting the sugar industry are retrained
- SME activity in sugar belt intensified
- Increased agricultural production
- Fixed assets divested or disposed in a controlled way
- Ecological balance on former sugar lands maintained
- Growth in poverty reduced in sugar dependant regions
- Economic, social and rural infrastructure improved in sugar dependant regions

In addition to the variable and fixed tranches, funding foreseen in the AAP 2010 is reserved for various technical assistance and study missions to assist the Government of Trinidad and Tobago in improving the quality of its measures. Indicators to trigger release of variable tranches have been agreed upon with the Government of Trinidad and Tobago.

3.3. Risks and assumptions

The main assumption is that the Government of Trinidad and Tobago is committed to implementing the strategy, the reforms and support programmes envisaged in it. The risks are minimal as this is the 4th programming year of the AMSP and the Government of Trinidad and Tobago has proven its commitment to the programme. Policy dialogue has improved substantially since the elaboration of the NAS in 2006/2007 and the pace of implementation of the programme is satisfactory. A PFM action plan has been submitted by the Government of Trinidad and Tobago which addresses several areas of improvement of an already satisfactory PFM environment. Policy dialogue has to focus not only on implementation of AMSP but also of the action plan to improve PFM approved by the Government of Trinidad and Tobago in 2010.

3.4. Stakeholders

The restructuring plan for Caroni (1975) Ltd. foresees a detailed plan for compensation measures for its former employees' pension plans, training measures, allocation of agricultural/residential land. In September 2007 representatives of independent cane farmers had reached an agreement on a compensation package with the Government of Trinidad and Tobago. Besides its close cooperation with the Government of Trinidad and Tobago and public authorities, the EU Delegation emphasized the inclusion of the private sector in the implementation process. Regular consultation meetings are organized between the EU Delegation and EU Member States, the Government of Trinidad and Tobago and stakeholders of the sugar sector.

3.5. Crosscutting Issues

Although the sugar industry in T&T was male dominated, there are indirect impacts for dependent women and families as well as those engaged in other farming activities. A Strategic Environmental Assessment was conducted in 2009, recommendations are being considered by the Government of Trinidad and Tobago for the further activities related to environmental matters.

4. Implementation issues

4.1. Method of implementation

Direct centralised management.

4.2. Procurement and grant award procedures for complementary support

All contracts implementing the action will be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by Regulation 1905/2006. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in Articles 31(7) and (8) of the DCI.

4.3. Budget and calendar

Trinidad and Tobago has been allocated EUR 16 551 000 for 2010 under the AMSP.

Item	Amount €million
Fixed tranche	6 171 000
Variable tranche	9 800 000
Technical Assistance, Studies	560 000
Visibility	Under 2009 allocation
Evaluation	20 000
Total	16 551 000

The operational duration of the Financing Agreement shall commence on the entry into force of the Financing Agreement and end 36 months after this date.

4.4. Performance monitoring and criteria for disbursement

The 2010 assistance will be disbursed in two tranches; a fixed tranche and a variable tranche. Payment of both tranches is subject to the Commission's assessment that the general conditions are met. The fixed tranche of EUR 6 171 000 is payable upon request after signature of the Financing Agreement. The variable tranche of EUR 9 800 000 will be payable upon materialisation of the process indicators that were agreed with the Government of Trinidad and Tobago. A disbursement of fixed and variable tranches at the same moment is possible in case the indicators are fulfilled.

4.5. Audit and Evaluation

EUR 20 000 have been allocated for evaluation.

4.6. Communication and visibility

Following communications activities are scheduled before end of 2012:

- Comprehensive information on the programme on the EU Delegation's webpage
- Activities as foreseen under the communication strategy (signature and disbursement ceremonies, press releases, and media coverage of the events)

MEMORANDUM TO THE DCI COMMITTEE CONCERNING THE

Annual Action Programme 2010 of Accompanying Measures for Sugar Protocol Countries in favour of the Republic of Trinidad and Tobago to be financed under Article 21.06.03.00 of the general budget of the European Union

5. Identification

Budget heading	21.0603 DCI- SUGAR
Total cost	EU contribution: EUR 16 551 000
Legal basis	Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a Financing Instrument for Development Cooperation (DCI)

6. Country and Thematic background

The general objective of the EU sugar-related assistance is to mitigate the adverse effects for sugar growing areas of the EU's decision to cut the guaranteed price for the Sugar Protocol Countries by 36% during a four year period starting in 2006, while supporting the Government of Trinidad and Tobago in the realization of the priorities established in Vision 2020, the country's National Development Plan to become a developed nation by the year 2020.

Sector strategy

This Annual Action Plan covers the 2010 allocation for Trinidad and Tobago under the Accompanying Measures for Sugar Protocol Countries.

On 5 March 2007, the Government of Trinidad and Tobago submitted to the European Commission its National Sugar Adaptation Strategy (NAS). This is a sector policy document which is incorporated in a wider national development policy (Vision 2020) and, which for its main thrust with focus on sugar, is based on the Government's policy to divest from sugar and its decision to end subsidies to the sugar industry in Trinidad and Tobago by the end of 2007.

The General objective of the EU Sugar related assistance is to mitigate the adverse effects for the sugar growing areas of the end of the Sugar Protocol, while supporting the Government of Trinidad and Tobago in the realization of the priorities established in Vision 2020, the country's National Development Plan, to become a developed nation by the year 2020. The EU intervention focuses on:

promoting economic diversification of sugar dependent areas;
addressing broader impacts related to social, environmental, community and area-based issues.

On the basis of the EU response strategy, a multi annual indicative programme was created to cover allocations under the Accompanying Measures for Sugar Protocol countries, years 2007-2010. The total indicative amount allocated to Trinidad and Tobago is EUR 43 289 000, the 2010 allocation is EUR 16 551 000 being delivered by sector budget support.

Economic and social situation

The country is a regional financial centre and a significant source of capital flows to sovereign and private entities in the Caribbean. Thanks to energy resources (mainly gas), Trinidad and Tobago has one of the highest GDP per capita in the Caribbean and Latin America. However, there is a big gap between wealth and development. The 2006 Poverty Survey states that 17% of the population lives below the poverty line. This is especially visible in the remote and rural areas such as the ones targeted by this programme.

Moreover, the country was not spared from the global financial and economic crisis. Activity in Trinidad and Tobago's energy sector has declined sharply, with several firms forced to advance scheduled maintenance to contain layoffs. Unemployment is forecast to rise from below 5% in 2008 to up to 6% in 2010. Nevertheless, Trinidad and Tobago seems better placed than many other countries to weather this adverse external environment, reflecting the high level of international reserves and the fundamentally sound banking system. The latest International Monetary Fund (IMF) Article IV consultations published in February 2009 welcomed the decision to trim fiscal spending for 2008/09 in response to lower energy revenue and concurred that the recent cycle of monetary policy tightening had been appropriate to stem inflationary pressures. They considered that the Central Bank has scope to gradually loosen monetary policy, once concerns over second-round inflationary effects have abated. IMF assessed that the real effective exchange rate of the Trinidad and Tobago dollar is broadly in line with current fundamentals. The Central Bank projects slow recovery with a 2% real economic growth for 2010 up from a zero growth in 2009 and after 15 consecutive years of growth until 2008.

7. Summary of the Action Programme

1) Background:

The overall goal of the Trinidad and Tobago National Sugar Adaptation Strategy (NAS) is to contribute to the realization of four of the priorities established in Vision 2020. These priorities are to create an environment of competitiveness, innovative people, a caring society and improved government.

The EU Support Strategy is based on the NAS and comprises 2 Strategic Objectives:

1. promoting economic diversification of sugar dependent areas and
2. addressing broader impacts related to social, environmental, community and area-based issues

Strategic Objective 1 aims at smoothing the transition of all stakeholders in the closed industry to other productive sectors of the economy and ensures that regulatory reforms are reinforced to create a better enabling environment for agricultural production.

Strategic Objective 2 includes activities to avoid increases in poverty and to mitigate the potential negative environmental impacts of the transformation.

3) Coherence with the programming documents: The purpose of the EU support for the National Sugar Adaptation Strategy for Trinidad and Tobago is to assist the Government in the diversification of the economy from the sugar sector to other productive sectors of the economy, including agriculture, as well as in the mitigation of the adverse socio-economic and environmental impacts of the restructuring. Since the Government's decision to end all support to the sugar sector, various measures have been taken to promote economic

diversification of sugar dependent areas and addressing broader impacts related to social, environmental, community and area-based issues corresponding to the 2 strategic objectives of the EU support strategy.

The policy dialogue has been substantially improved, partly also due to the conclusion of the first technical study. Further support is expected from the conclusions and recommendations of the socio-economic baseline study in spring 2010. Therefore, the technical assistance component has been significantly strengthened in comparison to the previous programming years.

4) Identified actions

Since the Government's decision to end all support to the sugar sector, various measures have been taken to promote economic diversification of sugar dependent areas and addressing broader impacts related to social, environmental, community and area-based issues corresponding to the two strategic objectives of the EU support strategy.

The Government has drafted a strategic plan for the transition of the agricultural sector to increase the domestic production. Former Caroni workers and farmers have been compensated. Leases for large-scale farms on lands formerly owned by Caroni (1975) Limited have been given out and four of these farms would be in full production. An action plan to combat pretrial larceny would be adopted by Cabinet. The funds foreseen for technical assistance (EUR 560 000) could be used to assist Trinidad and Tobago with studies in its efforts to increase agricultural production while maintaining social and environmental stability.

5) Expected results: The actions covered by the present Annual Action Programme aim at contributing to Trinidad and Tobago's national development plan.

6) Past EU assistance and lessons learnt

The programme is the continuation of last year's programme. The first annual programme was signed in August 2008.

The Accompanying Measures for Sugar Protocol Countries' implementation started at a moderate pace due to sector budget support (SBS) being a new instrument in development cooperation between the EU and Trinidad and Tobago and hence a need for disseminating information and educating the counterparts in the Government to reinforce understanding the possibilities of the approach and ownership of the process. Moreover, the Government's decision to divest sugar production was made independently from the EU decision to assist and support changes in the sugar protocol countries, including Trinidad and Tobago. After clarifications and improved policy dialogue on the SBS approach and the EU assistance focussing on the quality of the implementation of the decided measures, the first annual programme (programming year 2007) is now on track with the fixed tranche disbursed. A part of the 2007 grant was allocated to technical assistance. The studies and technical assistance and their recommendations and findings have contributed to improve the quality of the policy dialogue with the Government. They have given concrete guidance on how to improve the programme's implementation and therefore the overall quality of relevant policies implemented by the Government. Seven years after the decision to stop subsidising the industry, the issue is still politically sensitive. The implementation of the NAS is well advanced and the Government has invested considerable funds in the restructuring of the sector. A contract with a professional communications agency was awarded in 2010,

following a tender launched in 2009 in order to help the EU Delegation meet the need to better inform and communicate the European Union's contribution.

8. Communication and visibility

Before the end of 2011 the EU Delegation will carry out, as a minimum, the following communication activities:

- Comprehensive information on the programme on the Delegation webpage;
- Signature ceremony for the 2010 allocation and media coverage of the event;
- Activities and events as foreseen under the action plan for the EU Delegation's visibility.

9. Cost and financing

EUR 16 551 000 has been allocated for the Accompanying Measures for Sugar Protocol Countries, Trinidad and Tobago 2010.

Cumulated changes of the allocations to the specific actions not exceeding 20% of the maximum contribution of the European Union are not considered to be substantial provided that they do not significantly affect the nature and objectives of the Annual Action Programme. This may include an increase of the maximum contribution of the European Union up to 20%.

The Committee is invited to give its opinion on the attached Annual Action Programme for Accompanying Measures for Sugar Protocol Countries 2010 allocation in favour of Trinidad and Tobago.