1. **Identification**

| Title/Number | Accompanying Measures for Sugar Protocol Countries, Trinidad and Tobago 2011-2013  
CRIS Number: 023-150 |
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Total cost</td>
<td>EU Contribution: EUR 31 724 161</td>
</tr>
</tbody>
</table>
| Aid method / Method of implementation | - Sector Policy Support Programme:  
- Sector budget support (centralised management); |
| DAC-code     | 31120                             Sector Agricultural Development  |

2. **Rationale and country context**

2.1. **Country context and rationale for SPSP**

2.1.1. **Economic and social situation and poverty analysis**

While Trinidad and Tobago (T&T) is now classified as high income economy with a Gross Domestic Product (GDP) per capita of USD 13 757 in 2011, the real GDP growth has been in decline since 2004. The economy is still dependent on oil and gas exports and energy downstream industries. According to the latest IMF Article IV consultation in T&T published in April 2012, the country's economy will resume growth in 2012. Real economic activity growth is projected to remain at 0.9% in 2012 and 2.2% in 2013. The IMF team assessed that ample buffers, including savings in the Heritage and Stabilization Fund (now at USD 4 billion, around 14% of GDP), low public debt and high international reserves have cushioned the impact of the global economic and financial crisis including the breakdown of the Clico Limited (CL) Financial conglomerate. Expected easing commodity prices in 2012 -13 and weak domestic demand should keep inflationary pressures mild by historical standards (around 5%).

Trinidad and Tobago's small size, geographic dispersion and isolation from large markets, places it at disadvantage economically and prevent economies of scale.\(^1\) The high GDP hides unequal distribution of income (Gini coefficient is 0.39) while the poverty rate in Trinidad and Tobago in 2005 was 16.7%.

2.1.2. **National development policy**

Trinidad and Tobago's National Development Policy is outlined in the "Innovation for Lasting Prosperity: Medium-Term Policy Framework 2011–2014". This policy framework is anchored on the seven pillars of the governing coalition Peoples’ Partnership electoral Manifesto, which constitutes the Government’s strategic cornerstone for sustainable

\(^1\) Agenda 21 (Article 17.12)
development, with Pillar 5 addressing, among others, environmental sustainability. In the Government's Medium-term Policy Framework, Agriculture and Food Security are listed as number 2 on the list of 5 strategic priorities for the Administration's term. In 2012, a multiannual action plan was presented by the Ministry of Food Production (MFP) entitled “National Food Production Action Plan 2012 – 2015” with the overarching goal for the agricultural sector to create a food secure nation.

2.2. Sector context: policies and challenges

The Trinidad and Tobago National Adaptation Strategy for the sugar sector (TTNAS) is a sector policy document which is incorporated in the national development policy 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. The EU has been assisting the Government of the Republic of Trinidad and Tobago's strategy since 2008. Government has already implemented important measures to restructure the formerly state owned sugar company, Caroni (1975) Ltd. in the context of its divestment policy:

2. Establishment of the Sugar Manufacturing Company Ltd. (SMCL) to provide for a transitional period for private cane farmers
3. Training for former employees of Caroni and private farmers
4. Development of 17 agricultural estates, 30 residential estates and 10 industrial estates
5. Pension plan for former Caroni employees
6. Financial compensation for private farmers

While the programming years 2007 – 2010 focused on divestment of the sugar industry, this programme envisages assisting with more active and fine-tuned measures in the area of business development and agricultural diversification. It is in line with the Government's efforts to increase domestic food production and improve food security. For fiscal year 2012, Government has allocated TTD 483.7 million (ca. EUR 52 million) to support efforts to boost agricultural production and self-sufficiency in food. Major investments in the sector will be carried out by the Ministry of Food Production, Land and Marine Affairs and will focus on developing land for distribution to farmers, construction of irrigation systems and access roads, upgrade of fishing centres, development of new disease-free crop varieties and scientific research and development into new agricultural technologies. In March 2012, MFP presented a National Food Production Action Plan 2012 – 2015. The plan intends to:

1. reduce the food import bill;
2. further reduce inflation, primarily driven by food prices;
3. create a sustainable, long term productive employment;
4. contribute to the diversification of the economy.

MFP plans to focus on 6 commodity groups, namely staples, vegetables, legumes and pulses, fruits, livestock and aquaculture with the target to achieve a greater degree of self-sufficiency over the next 5 years for each commodity. The action plan identifies shortcomings and challenges for each commodity group and lays out a plan to overcome these by among others, a revised incentive programme, training, research and improved marketing and distribution schemes.

Moreover, the Ministry of Planning and Sustainable Development is working on a National Performance Framework. This framework is a management tool that intends to clearly outline the Governments’ Key Results Areas, Outcomes, Indicators and Targets to be achieved over the medium term. The Framework is aligned to the seven (7) Development Pillars identified in the official framework of Government and the five (5) priorities of the Medium Term Policy Framework 2011-2014. The results to be achieved under each of the seven (7) Development Pillars identified in the official framework of Government and the five (5)
priorities of the Medium Term Policy Framework 2011-2014 are articulated in the framework. Hence it provides a mechanism to measure, monitor, report and evaluate progress in the achievement of targets, indicators and outcomes.

The socio-economic baseline study conducted under the Accompanying Measures for Sugar Protocol countries (AMSP) in the Annual Action Plan (AAP) 2007 made several recommendations on how to improve the Central Statistical Office (CSO)’s capacity. Reform of the CSO, for which Statistics Sweden was contracted to support in 2012, is long overdue. For the time being, the Central Bank and most line Ministries have their own independent statistics departments.

As for the macro challenges the 2008 Public Expenditure and Financial Accountability report 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 Public Finance Management action plan submitted in July 2011 addresses the main weaknesses identified under the Public Expenditure and Financial Accountability assessment including the establishment of the Financial Management Information System, the introduction of results informed budgeting and Public Procurement Reform. Loan agreements with the Inter-American Development Bank have been concluded to cover improvements in these areas, as well as in strengthening of the Auditor General’s office. However, there are constraints in the implementation and absorption capacity of the Ministry of Finance. No sector specific issues pertaining to the area of Public Finance Management (PFM) have been identified.

The EU is the only grant donor in the agricultural sector. However, the Inter-American Development Bank (IADB) has in the past been involved in land reform programmes and support to the Agricultural Development Bank.

Oversight responsibilities for policy implementation was transferred to a Cabinet approved Steering Committee under the chairmanship of the Permanent Secretary of MFP. This Committee comprises Permanent Secretaries or senior representatives of all involved line Ministries. In order to support the working of this Steering Committee, some administration staff of the former sugar company Caroni act as a Technical Secretariat to the Committee advising on the implementation of the TTNAS. In this capacity also, Caroni Ltd. liaises with the EU and provides documentation and information to fulfil the requirements for the disbursement of grant funds in the remaining tranches. The Steering Committee also monitors the mitigation of risks associated with the performance indicators.

2.3. Eligibility for budget support

The 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
4. Budget Transparency is assessed to be adequate for budget support operations in Trinidad and Tobago.

2.4. Lessons learnt

The AMSP implementation is on track and the annual allocations 2007 – 2009 as well as the 2010 fixed tranche have been 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 Government. They have given concrete guidance and how to improve the programme's implementation and therefore the overall quality of relevant policies implemented by Government. Seven years after the decision to stop subsidising the industry, the issue is still politically sensitive. The implementation of the TTNAS is well advanced and the Government has invested
considerable funds in the restructuring of the sector. However, it would seem that the ambition to increase domestic food production, one of the election promises of the present administration, has not borne sufficient fruit as yet. The new National Food Production action plan intends to address the shortcomings in the agricultural sector.

2.5. Complementary actions

This programme builds on past EU projects in T&T under the 8th and 9th EDF (poverty reduction, SME support) and is consistent with the 10th EDF programmes on Support to Enabling Environment for Competitive Businesses and the Environment programme. It is the continuation of the AMSP 2007 – 2010.

2.6. Donor coordination

Government 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 NAS and EU support and review progress reports, evaluation reports and reports of consultancies undertaken under the Programme. The EU is the only donor in the sector.

3. Description

3.1. Objectives

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 as mentioned in the Multi-Annual Indicative Programme (MIP). As a long-term objective, the Government is committed to poverty eradication, a more equitable distribution of wealth and an improving standard of living for all. A national goal is a reduction in the poverty level by 10% over the next 3 years. It is also anticipated that the national economy recover growth path thereby bringing improvement in the living standards of the population. With the sugar industry being almost completely divested, the current programme supports Government's objective of national food security and economic diversification. To this end substantial resources have been committed to revitalizing the Agricultural Sector. The key elements being reduction in the food import bill estimated to be approximately USD 4 billion annually and diversifying the Agricultural Sector towards more home grown food crops. Furthermore, several measures will be taken in the framework of economic diversification and alternative use of the former sugar areas and its assets. Another major objective is the protection of the environment. In this regard the Government is committed to implementing the recommendations of the Strategic Environmental Assessment as it moves towards diversification of the Economy.

3.2. Expected results and main activities

Activities will centre on Government's strategy to reduce the food import bill; reducing inflation driven by food prices; creating sustainable, long term productive employment in the agricultural sector; contributing to the diversification of the economy, and increasing the country's food security. Infrastructure for irrigation and drainage of agricultural lands will be upgraded, improved water management, marketing capacities for agricultural products enhanced, creation of employment in the former sugar dependent areas.
3.3. Risks and assumptions

The main assumption is that the Government is committed in implementing the strategy, the reforms and support programmes envisaged in it. The risks for implementation of the programme are minimal since it is embedded in a national strategy. It also is the continuation of the support programme for 2007-2010 with well-established policy dialogue and implementation modalities. However, there is capacity constraints related to, among others, monitoring and reporting in the implementing line Ministry. The capacity of the Ministry of Finance (MoF) to implement the PFM reform has also been low. The establishment of the transformation unit at the MoF to coordinate this effort must improve this capacity.

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. Representatives of independent cane farmers had reached an agreement on a compensation package with the Government. Besides its close cooperation with Government and public authorities, the EU Delegation emphasized the inclusion of the private sector in the implementation process. In that sense, a working committee has been established in 2011 to further consult with farmers and include them in the policy dialogue. Regular consultation meetings are organized between the EU Delegation and EU Member States, Government and stakeholders of the sugar sector. Stakeholders from private sector (farmers, agri business), state agencies (Trinidad and Tobago Agri-business Association, Environmental Management Agency, Estate and Land Management Agency, National Agricultural Marketing and Development Cooperation, Agricultural Development Bank, etc.) and the respective line Ministries were involved in consultations on the indicators.

3.5. Crosscutting Issues

Although the sugar industry in T&T was male dominated, there are indirect impacts for dependent women and family as well as those engaged in other farming activities. Environmental sustainability is an objective of this programme. A Strategic Environmental Assessment was conducted in 2009, and its recommendations will be considered for the further activities related to climate change and environmental matters.

4. Implementation issues

4.1. Method of implementation

Direct centralised management – on the basis of 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). Actions related to technical assistance/studies will also be implemented through centralised management following the signature of the Financing Agreement. The Financing Agreement will be signed by the Minister of Food Production on behalf of Government and the European Commission.

4.2. Procurement and grant award procedures

1) Contracts

All contracts implementing the action must 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) DCI.

2) Specific rules for grants
The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. The maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities.

- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget.

4.3. Budget and calendar
Trinidad and Tobago has been allocated EUR 31 724 161 for 2011-2013 under the AMSP. Following is the indicative time schedule for the disbursements:

<table>
<thead>
<tr>
<th>Fixed tranche</th>
<th>15 124 161</th>
<th>Approx. October 2013</th>
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<tbody>
<tr>
<td>Variable tranche 1</td>
<td>8 000 000</td>
<td>Approx. October 2013</td>
</tr>
<tr>
<td>Variable tranche 2</td>
<td>8 000 000</td>
<td>Approx. October 2014</td>
</tr>
<tr>
<td>Technical Assistance,</td>
<td>600 000</td>
<td>Commitments starting after signature of the Financing Agreement (FA). There will be approximately 3 procurement contracts.</td>
</tr>
<tr>
<td>Studies, Visibility,</td>
<td></td>
<td></td>
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<tr>
<td>Evaluation and Audit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>31 724 161</td>
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4.4. Performance monitoring and criteria for disbursement
The Coordinator of the Budget Execution and Implementation Unit in the Ministry of Finance, which was in charge of restructuring Caroni 1975 Limited under the guidance of a high–level Ministerial Committee, will assist the Ministry of Food Production that is in charge of the implementation. The Cabinet appointed Ministerial Committee, comprised of representatives from several line ministries will continue to hold oversight responsibility for monitoring. Caroni 1975 Limited will provide the EU with quarterly reports on the progress of the implementation of the TTNAS and with the meeting reports of the Ministerial Committee. A representative of the EU will participate at the meetings of the Technical Committee on the Restructuring of Caroni and at the Caroni Board meetings.

The allocation will be disbursed in three trances; a fixed tranche and two variable tranches. Payments of all tranches are subject to the Commission’s assessment that the general conditions are met. The fixed tranche of EUR 15 124 161 is payable upon request after signature of FA, which is expected to be at the start of the financial year following the signature of the FA. Both variable tranches totalling EUR 16 000 000 will be payable upon materialisation of the process indicators (Annex 3 – Indicator Matrix MIP 2011-13) that were
agreed with Government. A disbursement of fixed and variable tranches at the same moment is possible in case the indicators are fulfilled.

4.5. **Evaluation and audit**

A sum of EUR 200 000 has been allocated for evaluation.

4.6. **Communication and visibility**

Minimal requirements are visibility at disbursement ceremonies and information on the EU’s assistance for this programme should be available on the Ministry of Food Production webpage as well as the EU Delegation's webpage. Funds under the TA component can be used for visibility and communication. In line with the guidelines on visibility, the communication plan on the programme will be updated and implemented.