



Board of Executive Directors

For consideration

On or after 11 November 2015

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To: The Executive Directors
From: The Secretary
Subject: Trinidad and Tobago. Proposal for a loan for the project "Strengthening of the Single Electronic Window for Trade and Business Facilitation"

Basic Information: Loan type Specific Investment Operation (ESP)
Borrower Republic of Trinidad and Tobago
Amount up to US\$25,000,000
Source Ordinary Capital

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Remarks: This operation is not included in Annex III of document GN-2805, "2015 Operational Program Report", approved by the Board of Executive Directors on 15 April 2015. Therefore, it does not qualify for approval by Simplified Procedure.

Reference: GN-1838-1(7/94), DR-398-17(1/15), GN 2805(4/15), PR-3709(6/11), DE-52/11, PR-4317-2(10/15), DE-90/15, PR-3812(11/11), DE-190/11, PR-3888(7/12), DE-88/12, PR-3512(12/09), DE-235/09

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

TRINIDAD AND TOBAGO

STRENGTHENING OF THE SINGLE ELECTRONIC WINDOW FOR TRADE AND BUSINESS FACILITATION

(TT-L1044)

LOAN PROPOSAL

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ELECTRONIC LINKS
REQUIRED
1. Project Execution Plan (PEP)
2. Monitoring & Evaluation Arrangements
3. Procurement Plan
OPTIONAL
1. Analysis of project cost and economic viability
2. Stakeholder Matrix and Register
3. Draft Operations Manual
4. Proposed Programme Organization Chart
4. Economic Analysis Summary
5. Communications Matrix
6. SEW Lessons learned

ABBREVIATIONS	
AOP	Annual Operating Plan
EA	Executing Agency
ESMR	Environmental and Social Management Report
ESS	Environmental and Social Strategy
CCB	Country Department Caribbean
GORTT	Government of the Republic of Trinidad and Tobago
IDB	Inter-American Development Bank
LAC	Latin America and the Caribbean
IMC	Inter-Ministerial Committee
MTI	Ministry of Trade and Industry
OECD	Organization for Economic Cooperation and Development
OGA	Other Government Agency
PCR	Project Completion Report
PEP	Project Execution Plan
POD	Proposal for Operation Development
PIU	Project Implementation Unit
SAI	Strategic Agenda on Integration
SPF	Safeguard Policy Filter
SSF	Safeguard Screening Form
SEW	Single Electronic Window
TT	Trinidad & Tobago
WTO	World Trade Organization

PROJECT SUMMARY
TRINIDAD & TOBAGO
STRENGTHENING OF THE SINGLE ELECTRONIC WINDOW FOR TRADE AND BUSINESS
FACILITATION
(TT-L1044)

Financial Terms and Conditions				
Borrower: Republic of Trinidad and Tobago			Flexible Financing Facility^(a)	
			Amortization Period:	25 years
Executing Agency: Ministry of Trade and Industry (MTI)			Original WAL:	15.25 years
			Disbursement Period:	5 years
Source	Amount (US\$)	%	Grace Period:	5.5 years
IDB (OC):	\$25,000,000	100	Supervision and Inspection Fee:	(b)
			Interest rate:	LIBOR BASED
			Credit Fee:	(b)
Total:	\$25,000,000	100	Currency of Approval:	US Dollars chargeable to the Ordinary Capital (OC)
Project at a Glance				
Project Objective/Description: The objective of this project is to improve the trade performance and business facilitation environment in Trinidad and Tobago (TT) through the strengthening of the Single Electronic Window (SEW). The project specific objectives are to: (i) optimize and simplify foreign trade and business processes to reduce time and costs; (ii) improve domestic interoperability among national government institutions and external interoperability with trading partners; and (iii) modernize the governance and the institutional framework of the SEW.				
Special Contractual Clauses prior to the first disbursement: (i) evidence that the MTI has appointed, according to professional profiles satisfactory to the Bank, a project administration team comprising of one (1) Program Manager, one (1) Procurement and Contract Management Specialist and one (1) Financial Specialist to work alongside the existing technical personnel within its Single Electronic Window Unit, which will be the Project Implementation Unit; (ii) evidence that MTI has approved, with the prior non-objection of the Bank, an Operations Manual for the project; and (iii) presentation of an Initial Report including the updated Project Execution Plan (PEP), the first Annual Operation Plan, and Procurement and Financial Plans (¶3.6).				
Special Contractual Clauses of execution: None				
Exceptions to Bank Policies: None				
The project qualifies for^(c): SV <input checked="" type="checkbox"/> PE <input type="checkbox"/> CC <input type="checkbox"/> CI <input checked="" type="checkbox"/>				

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

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

^(c) SV (Small and Vulnerable Countries), PE (Poverty Reduction and Equity Enhancement), CC (Climate Change, Sustainable Energy and Environmental Sustainability), CI (Regional Cooperation and Integration).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, Problem Addressed and Justification

- 1.1 The economic performance of Trinidad and Tobago (TT) is significantly contingent on the performance of its energy sector. Over the 2013/2014 Fiscal Year, the Petroleum Sector accounted for 39.5% of GDP and was estimated to decline faintly to 39.1% for the 2014/2015 Fiscal Year.¹ The plunge in global oil and gas prices has contributed significantly to the overall decline in GDP thus hampering the performance of the commodity dependent economy. A persistent decline in oil and gas prices will amplify the priority of the government to diversify the economy towards the non-petroleum sector of the economy. This requires the government to make investments to enhance the other potential revenue generating sectors of the economy: namely the agriculture, manufacturing and services sectors. The performance of the aforementioned sectors hinges on the ability of the government to create a conducive and supportive environment to propel economic growth.
- 1.2 The Government of TT is acutely aware of the need to diversify production and exports in order to wean the economy from overdependence on the energy sector.² One of the key pillars of this diversification strategy is the development of an ecosystem that facilitates and simplifies business and trade processes. As part of this national strategy, in 2009, the Government of the Republic of Trinidad and Tobago (GORTT), through the Ministry of Trade and Industry (MTI), launched the Single Electronic Window (SEW³) for Trade and Business Facilitation Project, with the trade name [TTBizLink](#). This nationwide project arose out of efforts to improve the country's ease of doing business, enhance its competitiveness, and instill a culture of excellence in government. Furthermore, as part of the government's commitment to improve the trade facilitation environment, TT has recently notified its Category A commitments⁴ under the Trade Facilitation Agreement of the World Trade Organization (WTO).

¹ Ministry of Finance and the Economy: Review of the Economy, 2014.

² As part of this diversification strategy, in 2003 the Government of TT signed a \$7 million loan with the IDB (TT0052) to strengthen the country's technical and institutional capacity to formulate and implement trade policy, to participate effectively in trade negotiations, to implement trade agreements, and to increase and diversify exports. The main lessons learned from this operation include: (i) the need for strong ownership of the project; (ii) a competent project manager with access to senior executives and key decision makers; and (iii) importance of collecting performance data to monitor progress. The project completion report for this operation can be found [here](#).

³ The most common and widely accepted definition of Single Window is a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export, and transit related regulatory requirements (United Nations, Recommendation 33). However, there is not a universal and common understanding of the concept. Some countries are developing "single windows" exclusively for Customs Administrations while others are doing so with the intention to connect all government agencies involved in international trade which is more consistent with the nature of a single window environment.

⁴ Category A Commitments refer to the provisions that the member country will implement by the time the Agreement enters into force (or in the case of a least developed country member, within one year after entry into force).

- 1.3 TTBizLink, the first of its kind in the Caribbean, is a secure business portal that provides 24/7 access to trade and business related government services via a single electronic platform. Applications submitted online are automatically routed to the relevant approving agency for electronic processing. The agency then communicates with the applicant electronically on the application's status indicating whether it has been approved, rejected or queried. TTBizLink is coordinated by an Inter-Ministerial Committee comprising the following ministries: Trade and Industry (Chair), Public Administration, Finance, Agriculture, Land and Fisheries, Works and Transport, Attorney General and Legal Affairs, Health, and Planning and Development. The following table lists the main stakeholders connected to TTBizLink.

Table 1.1 Main Stakeholders on TTBizLink

Central Tenders Board	Trinidad & Tobago Coast Guard
Customs & Excise Division	National ICT Company Ltd (iGovTT)
Inland Revenue Division	Maritime Services Division
The National Insurance Board	Port Authority of Trinidad and Tobago
Animal Production and Health Division	Point Lisas Industrial Port Development Corporation
Plant Quarantine Services	American Chamber of Commerce
Chemistry Food and Drugs Division	The Shipping Association of Trinidad and Tobago
Environmental Health Unit	Trinidad and Tobago Bureau of Standards
Registrar General's Department	Trinidad and Tobago Chamber of Industry and Commerce
Immigration Division	Trinidad and Tobago Manufacturer's Association
Work Permit Secretariat	Investment Directorate
ExporTT Limited	

- 1.4 After three (3) phases of development, and with more than 6,500 registered users, TTBizLink currently hosts forty five (45) transactional e-services administered by twenty four (24) government departments across nine (9) separate Ministries and has substantially reduced the need to send duplicate and repetitive information to multiple agencies, improved information sharing among government agencies and removed many of the inconsistent and fragmented trade and business processes which existed.

Table 1.2 TTBizLink accomplishments to date*

Service	Result
e-Company Registration	Processing time reduced from 7 days to 3 days
e-Work Permit	Processing time reduced from 6 weeks to 2.5 weeks
e-Import/Export Permits & Licenses	Processing time reduced from 4 weeks to 1 day
e-Certificate of Origin	Processing time reduced from 1 day to 30 mins
e-Fiscal Incentives	Processing time reduced from 6 weeks to 11 days
e-Import Duty Concession	Processing time reduced from 6 weeks to 12 days
e-National Insurance Board Registration	Processing time reduced from 30 days to 1 day
e-Company/Partnership BIR	Processing time reduced from 30 days to 2 days
e-Company VAT Registration	Processing time reduced from 30 days to 3 days

Source: TTBizLink.gov.tt

* For more information, see [Improving the Ease of Doing Business in TT](#)

- 1.5 **Problems addressed.** Despite the success of TTBizLink, the business climate in TT still presents challenges for enterprise development as highlighted by the Global Competitiveness Report 2014-2015 where Trinidad ranks 89th out of 144 countries and where “inefficient government bureaucracy” was identified by respondents as the most problematic factor for doing business.⁵ Furthermore, trading across borders is still problematic. According to the 2015 Doing Business Report, TT ranks 76th out of 189 economies, taking an average of 11 days and US\$843 (per container) to export, and 14 days and US\$1,260 (per container) to import, significantly higher than leading countries such as Singapore (6 days and \$460 to export, and 4 days and \$440 to import).
- 1.6 More specifically, there are a number of gaps in the local trade and business facilitation architecture and in the operation of the SEW which have been jointly identified by public and private sector stakeholders including: (i) the SEW has not achieved interoperability with all the information systems within key logistics stakeholders (such as the Customs and Excise Division, the Port Authority of Trinidad and Tobago and the Port of Point Lisas) as well as international interoperability with main trading partners; (ii) current operational processes in key agencies such as Customs and Excise Division are not in line with international best practices⁶ and require an in-depth business process reengineering to further simplify and automate processes; (iii) although TTBizLink is available 24/7, government agencies process operations from 8am to 4pm; (iv) the current risk management system in the Customs and Excise Division, as well as within the other major regulatory agencies, is rudimentary at best and requires substantial improvement; (v) national legislation needs to be reviewed and updated to conform to the new operating environment and facilitate the transition to a paperless environment; (vi) there is currently no electronic payments solution on the SEW; (vii) lack of a Business Continuity Plan and Data Recovery Solution for the SEW; and (viii) institutional Governance of the SEW requires strengthening in order to ensure its long-term sustainability. See Table 1.3 for a more detailed description of the problems.

Table 1.3 Main Project Lines of Action

<u>Problem</u>	<u>Contributing Factor(s)</u>	<u>Impact</u>	<u>Proposed Intervention</u>
Insufficient interoperability between TTBizLink and key stakeholders in the logistics value chain and with trading partners.	Outdated regulatory framework for the exchange of trade documentation.	Increased transaction costs and time for trade operators.	Update business processes, identify technical requirements and implement full integration of information systems between TTBizLink and OGAs. Implement Pilot for the exchange of Certificate of Origins with one relevant trading partner.

⁵ World Economic Forum, Global Competitiveness Report 2014-2015.

⁶ As recommended by the World Customs Organization through its [Single Window Compendium and Guidelines](#), and by the [United Nations Recommendation No. 33](#) on Establishing a Single Window.

<u>Problem</u>	<u>Contributing Factor(s)</u>	<u>Impact</u>	<u>Proposed Intervention</u>
High rate of physical inspection of goods by the Customs and Excise Division.	Inadequate risk management system employed by the Customs and Excise Division and OGAs.	It's estimated that at least 30% of all cargo is currently being selected for physical examination with very low detection rates resulting in substantial additional costs for importers.*	Implement a robust risk management system based on international best practice.
Underutilization of TTBizLink and lack of auto approvals.	Government officers operate from 8am to 4pm Monday to Friday. Currently the SEW still requires human intervention to make basic decisions.	Trade and business approval processes are only being executed between 8am and 4pm Monday to Friday.	Business process reengineering and progressive implementation of auto approvals for selected processes.
Inability of business community to pay on-line for critical government e-services.	Absence of an electronic payment facility in the Single Electronic Window.	Currently trade operators must physically go to the Customs and Excise Division cashier to make payments in cash. These cashiers operate from 8am to 2pm (Monday to Friday) making it difficult for the business community to efficiently comply with payments which is an essential step to obtain the authorization to release goods.	Integrate the Single Electronic Window with national electronic payment gateway to allow payment processing 24/7.
Risk of breach and loss of sensitive data and availability of e-services.	Absence of a business continuity plan and data recovery solution.	As of June 30 th , 2015 TTBizLink currently hosts sensitive data for 2114 companies and 4635 individuals which handle approximately 95% of volume of trade.	Implement data recovery solution and business continuity plan.
Redundant processes and lack of collaboration among government agencies.	Outdated legislation and regulations. Limited number of agreed service standards for delivery services in the SEW.	Depending on the type of commodity, the number of documents for import varies from 11 to 15 documents.	Implement business process re-engineering, legislation review, and change management consultancies.
Potential failure to finance the maintenance and support of SEW in the long term.	Absence of a commercial business model and legal framework to guarantee the sustainability of the SEW.	Current maintenance and support cost of the SEW is approximately US\$3.9 million per year. This figure is expected to increase as system is expanded.	Implement new Institutional governance framework for the SEW.

<u>Problem</u>	<u>Contributing Factor(s)</u>	<u>Impact</u>	<u>Proposed Intervention</u>
Outdated and cumbersome post-incorporation business processes	Outdated legislation for current post-incorporation processes ⁷ requires 100% paper based and human intervention.	Low compliance rate with post-incorporation processes. Non compliance carries a TT\$300 penalty per month (US\$50) according to Section 5.16 of the Companies Act and the exclusion to participate and bid for government contracts.	Legislative review and automation of post-incorporation processes on TTBizLink.
Inefficient logistics system.	Currently there is no single system that provides a national platform or a one-stop shop for the individuals/businesses and government agencies involved in trade & logistics process in TT to interact with seamlessly.	As there is no single entity managing the communication between all the stakeholders involved in trade,** operators incur higher operational costs as they require additional personnel to manage the manual processes and higher IT costs to communicate with multiple IT systems developed separately by the stakeholders.	Development of a multimodal logistic module for synchronization of logistic services and information across the entire value chain for all cargo originating from or destined to a TT port.

* The percentage of cargo physically examined in advanced economies is typically 5%-7%.

** Port authorities, terminal operators, customs, shipping lines, shipping agents, depot operators, trucking companies, state tax authorities, banks, cargo owners/shippers, etc.

- 1.7 This project will support the expansion of the current SEW and will benefit the private sector of TT, regardless of industry and operations volume, and in particular the trading community in the following industries: oil and gas, methanol, ammonia, urea, steel products, beverages, food processing and agriculture (cereal, sugar, cocoa, citrus fruit, vegetables, flowers), cement, and cotton textiles. Furthermore, the stakeholders listed on Table 1.1 as well as the end users will also benefit from the expansion of the SEW through the optimization and simplification of trade and business processes and capacity building. Finally, the government agencies involved in this operation will also benefit from the reengineering, and automation of cumbersome and often redundant business processes. This will translate in improved compliance, optimized revenue collection, and a more effective and efficient deployment of resources.
- 1.8 The implementation of single window environments has produced positive results worldwide. As several international organizations have reported, namely the Organization for Economic Cooperation and Development (OECD) and United Nations⁸ countries with a single window system have experienced substantial

⁷ Companies and businesses file various post registration/incorporation documents with the companies registry. The companies registry processes those applications. Some of the applications are verified and indexed, while others are verified and approved by legal officers/register general and a certificate is issued. Post-incorporation processes include notice of change of directors, change of address, secretary, restated articles of incorporation, filing of annual returns, etc. See IDBDOCS [39838078](#) for more information about the volume of these processes.

⁸ UN/CEFACT, Recommendation and Guidelines on Establishing a Single Window to Enhance the Efficient Exchange of Information between Trade and Government, 2005.

cost and time savings and enhanced transparency and interagency collaboration.⁹⁻¹⁰ In Latin America and the Caribbean (LAC), the development of single window environments is in its early stages of implementation, although countries like Mexico and Uruguay have already experienced substantial improvements from the implementation of a SEW.¹¹ Overall, more than 70 economies¹² around the world have implemented single-window systems of varying complexity and an increasing number of developing economies are in the process of introducing similar systems. The lessons learned from the implementation of single window projects have been taken into consideration for the design of this operation, mainly: strong and sustained political support, inter-institutional leadership and coordination, alignment of incentives among stakeholders, incremental step by step development, modernization of procedures and regulatory framework, and strong emphasis on change management and training. For more information on SEW lessons learned, please see [Optional Electronic Link 6](#).

- 1.9 **Strategic alignment.** This operation is consistent with the IDB's country strategy (2011-2015) in TT (GN-2638) which states that "The private sector development was identified as an area for further dialogue with the government during the strategy period. Support in this area will be focused on providing assistance on improving the enabling environment for business development and innovation, trade facilitation and investment attraction." The program will contribute to the lending program priorities of the Ninth General Increase in the Resources of the Inter-American Development Bank (AB-2764) to: (i) small and vulnerable countries; and (ii) support competitive regional cooperation and global integration automatically by the criteria cross-country focus and regional additionality set forth in GN-2650 and GN-2733 through the expansion of the Single Electronic Window and its interoperability with trading partners, and the training of public government officials and entrepreneurs in trade issues. It will also contribute to the regional development goals of trade openness and intraregional trade as defined in the results framework. The program is also aligned with the objectives Trade Sector Framework Document (GN-2715-2) and the Competitive Regional and Global Integration Sector Strategy (GN-2565-4) since the project will reduce inefficiencies in key trade and business processes, strengthen the national SEW of TT, and improve collaboration domestically and internationally.
- 1.10 This operation is also aligned with the Caribbean Strategic Agenda on Integration (SAI), which identifies projects for collaboration between the Bank and Country Department Caribbean (CCB) member countries on integration. The components in this operation respond to the identified action line of "Trade Facilitation" and in particular, supporting the implementation of SEW. This action line was validated at the national and regional level, and endorsed as an area of cooperation at a workshop in Miami in December 2014, organized by CCB. Externally, this operation also responds directly to priorities identified for Trade Facilitation in the CARICOM Regional Aid for Trade Strategy (2013).

⁹ Single Windows as Trade Facilitators: Evidence from the OECD Trade Facilitation Indicators, 2013.

¹⁰ Ten Years of Single Window Implementation. United Nations, 2011.

¹¹ Mexico has reported annual savings of US\$14 million per year, while Uruguay has reported significant time reduction in the processing of key processes for trade. See IDBDOCS [39820199](#) and [39820220](#) for more information about the single window experience in Mexico and Uruguay respectively.

¹² Trading Across Borders. Doing Business, 2014.

- 1.11 The IDB is the leading multilateral institution supporting the development of single window environments in the LAC region and is currently supporting the governments of Chile (2539/OC-CH, CH-L1061), Peru (PE-L1159), Jamaica (2658/OC-JA, JA-L1039), Bahamas (2756/OC-BH, BH-L1016) and Barbados (1617/OC-BH, BA-L1007)¹³ in the strengthening or development of their single window platforms. Furthermore, the Bank coordinates the [Red Vuce](#) initiative which serves as a regional forum for governments and private sector as a platform to disseminate best practices, advance the interoperability of single window systems at a regional level, and exchange lessons learned.

B. Objective, Components and Cost

- 1.12 The objective of this project is to improve the trade performance and business facilitation environment in TT through the strengthening of the SEW. The project specific objectives are to: (i) optimize and simplify foreign trade and business processes to reduce time and costs; (ii) improve domestic interoperability among national government institutions and external interoperability with trading partners; and (iii) modernize the governance and the institutional framework of the SEW.
- 1.13 **Component 1: Enhancing and expanding the services of the SEW (US\$11,462,550).** This component will focus on upgrading the current SEW to international best practices,¹⁴ through the following activities: (i) developing and implementing a robust risk management system for Customs and Excise Division and other relevant government agencies (including Plant Quarantine Services, Chemistry, Food and Drugs Division, Trade License Unit and Trinidad and Tobago Bureau of Standards); (ii) designing a secure interface to connect TTBizLink with the National e-Payment Gateway; (iii) customization of selected services and development of service oriented architecture; and (vii) designing and implementing an Information Security Plan and Business Continuity System.
- 1.14 **Component 2: Enhancing the Interoperability¹⁵ of SEW (US\$6,285,520).** This component will enhance the interoperability of SEW by the exchange and analysis of data between the SEW and the information systems at the Port of Port of Spain and Port Point Lisas and the Customs and Excise Division, as well as the information systems of strategic trading partners of TT. The main activities in this component include: (i) enhancing domestic and international interoperability; (ii) implementing a Trade Data Information System in collaboration with the Central Statistical Office; (iii) implementing an Integrated Multimodal Logistics Module.¹⁶

¹³ Except CH-L1061, IDB single window projects are in the early stages of implementation.

¹⁴ Defined by the World Customs Organization and United Nations.

¹⁵ Interoperability is a key component of any single window environment. It is the ability of different information technology systems and software applications to communicate, exchange data and use the information that has been exchanged. The outputs will follow the best practices and guidelines provided by United Nations (Recommendation 34 – Data Simplification and Standardization) and the World Customs Organization Data Model.

¹⁶ The integrated multimodal logistics platform will provide port authorities and logistics players with a platform capable of providing comprehensive management of all logistics processes in the movement of cargo by coastal/air shipping and international routes, from booking requests sent to shipping agents to

- 1.15 **Component 3: Modernizing the Governance and the Institutional Framework of the SEW (US\$4,000,000).** This component will modernize the governance and institutional framework of the SEW by addressing the deficiencies in the regulatory framework, process architecture, and strengthen the institutional governance of the SEW. The main activities in this component include: (i) reviewing domestic and foreign trade regulatory and institutional framework; (ii) conducting business process reengineering of all relevant government agencies; (iii) designing and implementing an integrated change management strategy to strengthen the support and buy-in of all government agencies involved in the SEW and transitioning to a culture of government collaboration and customer service excellence; (iv) designing and implementing a knowledge management strategy and a capacity building program for government officers and private sector; and (v) designing and implementing a public awareness campaign.

C. Key Results Indicators

- 1.16 The project's expected outcomes are: (i) optimization and simplification of foreign trade and business processes required by key government agencies; (ii) reduction of time for foreign trade and business processes; and (iii) enhanced interoperability between national government institutions and with international trading partners. The main outcomes, extracted from the complete Results Framework, are presented in Table 1.4.

Table 1.4 Expected outcomes

Outcome Indicator	Baseline	Target
Number of days for document preparation and customs clearance (export)	6	4
Number of days for document preparation and customs clearance (import)	9	6
Percentage of manifest data that will be electronically shared between the Customs and Excise Division and the Port Authorities through TTBizLink	0%	100%
Percentage of customs releases that will be electronically shared between the Customs and Excise Division and the Port Authorities through TTBizLink	0%	100%
Type of documents electronically shared with a foreign single window system ¹⁷	0	1

- 1.17 An ex ante economic analysis was undertaken to assess if the expected benefits of the program exceed its cost. As a simplifying assumption, the analysis focuses on the opportunity cost of capital to quantify the transaction cost savings to importers from the reduction in the number of days for document preparation, customs clearance and inspections. The model projects the growth of imports based on historical data, estimates the percentage of imports utilizing the SEW

trucking companies coordinating with depots and ports for cargo pickup and/or delivery. The E-Services include, among others, online freight-container booking, request for depot services, intermodal cargo track and trace, and e-Marketplace.

¹⁷ The document that will be electronically shared with a foreign window service will likely be the certificate of origin which is a critical document for all import operations as it is used to determine the duties applicable to all goods imported.

(TTBizLink) using a baseline statistic and growth assumption, and utilizes Professor Domodaran's methodology for calculating country-specific cost of capital. Each of these assumptions, along with the program's estimates of time reductions, was tested by sensitivity analysis, and the economic returns were found to be positive (NPV= US\$23.7MM; ERR= 23.5%) at a discount rate of 11%¹⁸. The cost-benefit demonstrates that if the target reductions to import processing time are achieved, the economic returns to the stakeholders justify the investment in improving the SEW. View [full economic analysis](#)

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1 This operation will be financed through an investment loan. The total cost of the project is US\$25,000,000 from the Ordinary Capital of the Bank. The disbursement period is 5 years. Table 2.1 presents the project costs broken down by component and product. A preliminary disbursement forecast is also summarized on Table 2.2 below.

Table 2.1 Summarized Budget

Component 1. Enhancing and Expanding the services of the Single Electronic Window	\$11,462,550
Risk Management System	\$1,500,000
Interface of TTBizLink with National e-Payment Gateway	\$1,000,000
Customization of Selected Services and Development of Service Oriented Architecture	\$5,062,550
Information Security Plan and Business Continuity System	\$3,900,000
Component 2. Enhancing the Interoperability of the Single Electronic Window	\$6,285,520
Domestic and International Interoperability	\$2,400,000
Integrated Multimodal Logistics Module	\$3,085,520
Trade Data Information System	\$800,000
Component 3. Modernizing the Governance of SEW and the Institutional Framework	\$4,000,000
Review of domestic and foreign trade legislation and Institutional Governance	\$1,400,000
Business Process Reengineering	\$750,000
Change Management Strategy	\$750,000
Capacity Building Program and Knowledge Management Strategy	\$850,000
Public Awareness Campaign	\$250,000
Project Administration	\$2,061,480
Project Implementation Staff	\$1,711,480
Evaluations	\$100,000
Financial Audits	\$250,000
Contingencies @ 5%	\$1,190,450
TOTAL	\$25,000,000

¹⁸ A country-specific opportunity cost of capital of 11.0% was calculated in the economic analysis, and this figure was therefore utilized as the most suitable discount rate for the country context. The IDB standard discount rate of 12% returns a higher NPV of US\$25.0 MM for the program, as indicated in the sensitivity analysis.

Table 2.2 Preliminary Disbursement Forecast¹⁹

2016	2017	2018	2019	2020
\$1,500,000	\$7,100,000	\$6,500,000	\$6,500,000	\$3,400,000

B. Environmental and Social Safeguard Risks

- 2.2 In accordance to the results of the IDB “Safeguards Policy Filter Report”, and the safeguard and Environmental Policies (OP-703), this operation is classified as “C” Category, given the low impact on environmental and social issues.

C. Fiduciary Risk

- 2.3 The IDB Project Team, in consultation with MTI and other stakeholders, has identified the major risks that are likely to affect the proposed project. The main mitigation measures for fiduciary arrangements will include: definition and establishment of the functions, roles and responsibilities of the major entities for the execution of the project; formal and informal training processes for the fiduciary officers, and the acquisition, installation, customization and deployment of an off-the-shelf accounting system to supplement recording and reporting on the financial transactions of the proposed loan and the installation of adequate capacity in financial management and procurement. The MTI will document and formalize all these arrangements, including key processes such as budget, payment/disbursement and procurement, in the OM, which will be a condition precedent to first disbursement. Other measures to respond to the broader project risks are incorporated as institutional strengthening activities throughout the other components of the project and are outlined in the initial risk analysis conducted for the project. The Bank will provide fiduciary support and supervision on these institutional arrangements while providing continual training and advice on Bank’s policies, procedures and best practices as needed. The level of the fiduciary risk will be monitored during execution through a supervision plan designed for such purpose and through the annual financial audit exercise.

D. Other Key Issues and Risks

- 2.4 Risks and mitigation measures. A comprehensive risk assessment was carried out by the IDB Project Team, with the participation of the project stakeholders, through which the main risks were identified. Each identified risk was given a risk rating and the overall project risk was assessed as medium. Table 2.3 presents those risks and related mitigation measures not assessed in Section II-C.
- 2.5 A modernization project of this nature inevitably requires changes in business processes and regulatory framework. All countries that have developed or are in the process of developing a single window environment have had to substantially update its regulatory framework and modernize business processes. Aware of the importance of this issue, the Government of TT has already identified the main gaps in the regulatory framework for the main institutions involved in the SEW. The proposed intervention will review the gaps identified, analyze and

¹⁹ This forecast includes contingencies of US\$1,190,450.

- propose best practices implemented globally to fill the gaps identified, and will draft regulatory proposals.
- 2.6 Furthermore, the Government of TT has already made significant improvements in the legal environment to support the development of TTBizLink through 2 recent laws:
- a. Electronic Transactions Act, Ch. 22:05, which gives legal effect to electronic documents, signatures and transactions.
 - b. Data Protection Act, Ch.22:04
- 2.7 The Government of TT has also made an amendment to the Customs Act-Ch.78:01, No. 6 (2013) to allow specific agencies to access a defined dataset to perform the electronic clearance of goods. This was a critical step to pave the way for information sharing between the Customs and Excise Division and other government agencies.
- 2.8 The Government is also implementing its e-payment legislation that will facilitate the services of TTBizLink. Finally, TTBizLink is a program that has enjoyed support of various administrations since 2008.

Table 2.3 Summary of risks and mitigation measures

TYPE OF RISK	RISKS	RISK CATEGORY	MITIGATION MEASURES
Public Management & Governance	Delay in Project implementation due to changes in the Heads of Stakeholder Agencies and project leadership.	High	Build Organisational Process Assets (Project Briefs, Reports, Presentations, and Approvals etc). Inclusion of Inter-Ministerial and Technical Steering Committees in Project Governance.
Development	Resistance by some stakeholders (public and civil society) to proposed changes to business processes, structures and legal framework	High	Development and implementation of a Change Management Strategy. Engagement of Unions (PSA, BIGWU, SWWTU) in planning and implementation of the loan.
Development	Potential shift in political and/or national development focus due to change in government	Medium	Conduct an orientation session for new administration on project activities and benefits. This activity will take place before project is officially approved by the Bank.
Fiduciary	Inadequate procurement capacity within EA to deliver in accordance with project requirements (e.g. IDB rules and guidelines).	High	Workshop for key members of Project Execution Team conducted by IDB. Recruitment of two experienced procurement and contract management specialists to support PIU.
Fiduciary	Institutional weaknesses due to the use of a non-integrated electronic financial management system.	Medium	An accounting system will be purchased and integrated to facilitate financial reporting and budgeting under the Project. Training on Bank's financial management procedures will be given to PIU on a continuous basis.

III. IMPLEMENTATION AND MANAGEMENT

A. Summary of Implementation Arrangements

- 3.1 The borrower is the Republic of TT. The Executing Agency (EA) of this Project will be the MTI, which will be responsible for the administration of the resources and procurement processes of the program. The Project Implementation Unit (PIU) is the current MTI SEW Unit, which will be strengthened with the appointment of a Project Administration Team, comprising, at least, one program manager, two procurement and contract management specialists, one financial specialist, one monitoring and evaluation specialist, and one project administrator. The program manager will report directly to the Director of Strategy, Business Facilitation and Project Management of the MTI who manages the Single Electronic Window Unit and who reports directly to the Permanent Secretary, MTI. Technical support is provided by the Project Steering Committee comprising the Permanent Secretary and the Director of Strategy, Business Facilitation and Project Management of the MTI, a representative from the Customs and Excise Division, and a representative from the Ministry of Planning and Development.
- 3.2 Implementation and inter-institutional coordination support will be provided by the Inter-Ministerial Committee (IMC). The IMC meets quarterly and comprises the following ministries:
- a. Minister of Trade & Industry (Chair)
 - b. Minister of Public Administration
 - c. Minister of Finance
 - d. Minister of Agriculture, Land and Fisheries
 - e. Minister of Works and Transport
 - f. Minister in the Ministry of the Attorney General and Legal Affairs
 - g. Minister of Health
 - h. Minister of Planning and Development
- 3.3 PIU responsibilities include: (i) preparation and implementation of the Annual Operating Plan (AOP); (ii) financial administration, accounting, and preparation of budgets and disbursement requests; (iii) preparation of annual procurement plan and procurement of goods and services; (iv) preparation of technical reports and financial statements; (v) monitoring of project activity progress, environmental and social safeguards compliance, and actual and planned results variance; (vi) selection and hiring of the external audit firm and implementation of recommendations; (vii) hiring of consultants to conduct external evaluations; and (viii) serving as liaison for the Project with the Bank; and (ix) any other responsibilities as established in the Operations Manual. The specific tasks entrusted to each member of the PIU are spelled out in more detail in the Program Operations Manual. View [Optional Link 3](#) for a draft version of the Operations Manual.
- 3.4 The procurement of all goods and services will be conducted in accordance with the Policies for the Procurement of Works and Goods (GN-2349-9) and the Policies for the Selection and Contracting of Consultants financed by the IDB (GN-2350-9). As specified in Annex III, procurement of goods and consulting

services will be subject to ex ante review by the IDB, and disbursements will be reviewed on an ex post basis. IDB will periodically assess procurement and financial procedures through inspection visits. The general level of risk may evolve depending on the results of said visits.

- 3.5 The main disbursement methodology will be the Advance of Funds. As is customary, the Bank's operations team will closely monitor liquidity needs to promote efficiency in the use of the loan resources.
- 3.6 **Special contractual clauses prior to the first disbursement: (i) evidence that the MTI has appointed, according to professional profiles satisfactory to the Bank, a project administration team comprising of one (1) Program Manager, one (1) Procurement and Contract Management Specialist and one (1) Financial Specialist to work alongside the existing technical personnel within its Single Electronic Window Unit, which will be the Project Implementation Unit; (ii) evidence that MTI has approved, with the prior non-objection of the Bank, an Operations Manual for the project; and (iii) presentation of an Initial Report including the updated Project Execution Plan (PEP), the first Annual Operation Plan, and Procurement and Financial Plans.**

B. Summary of Arrangements for Monitoring Results

- 3.7 **Monitoring and reporting.** The Bank and the MTI have agreed to use the results matrix and the monitoring and evaluation plan as the principal elements for monitoring the program. The program supervision and monitoring system will include: (i) analysis of the technical and financial reports; (ii) annual monitoring meetings; and (iii) midterm and final evaluations. In addition, the system will include routine inspection visits normally carried out by the IDB Trinidad and Tobago Country Office. The MTI will present semiannual technical and financial progress reports. In addition, it will present annually: (i) an assessment of the implementation of the AOP for the previous year; (ii) the AOP for the upcoming year; and (iii) audited financial statements. The information from these documents will serve as input for the annual monitoring meetings and inspection visits.
- 3.8 Annual monitoring meetings will start at the end of the first year of execution, with a focus on the timing of procurement and contracting; the AOP for the following year; and compliance with results framework indicators. Throughout project implementation and to support project monitoring, the PIU will collect, store, and retain information, reports, and documents produced under the project. These will serve as inputs to the Bank's Project Completion Report (PCR).
- 3.9 **Evaluation.** The EA shall hire an independent external consultant to conduct a mid-term evaluation upon disbursement of 50% of loan resources and the final evaluation upon disbursement of 90% of loan resources. The Monitoring and Evaluation Plan for this project provides further information on the methodology for the conduct of these evaluations. The Bank will commence preparation of a PCR when 95% of loan resources have been disbursed, to evaluate achievement of project outputs and outcomes. This evaluation will focus on: (i) verifying the degree of compliance with the results matrix indicators for the program and its

several components; (ii) taking stock of the success and shortcomings of project's design and execution; and (iii) recommending corrective or monitoring measures for future projects of a similar nature.

Development Effectiveness Matrix				
Summary				
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Lending Program		-Lending to small and vulnerable countries -Lending to support regional cooperation and integration		
Regional Development Goals		-Trade openness (trade as percent of GDP) -Intraregional trade in LAC as percent of total merchandise trade		
Bank Output Contribution (as defined in Results Framework of IDB-9)		-Number of public trade officials and private entrepreneurs trained in trade and investment -Regional and sub-regional integration agreements and cooperation initiatives supported -Number of cross border and transnational projects supported (infrastructure and customs, etc.)		
2. Country Strategy Development Objectives		Not Aligned		
Country Strategy Results Matrix				
Country Program Results Matrix			The intervention is not included in the 2015 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			Private sector development was identified as a key area for technical assistance in the Country Strategy with Trinidad & Tobago. The Country strategy establishes that support in this area will be focused on providing assistance on improving the enabling environment for business development and innovation, trade facilitation and investment attraction.	
II. Development Outcomes - Evaluability		Evaluable	Weight	Maximum Score
		8.1		10
3. Evidence-based Assessment & Solution		7.2	33.33%	10
3.1 Program Diagnosis		1.8		
3.2 Proposed Interventions or Solutions		2.8		
3.3 Results Matrix Quality		2.6		
4. Ex ante Economic Analysis		10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0		
4.2 Identified and Quantified Benefits		1.5		
4.3 Identified and Quantified Costs		1.5		
4.4 Reasonable Assumptions		1.5		
4.5 Sensitivity Analysis		1.5		
5. Monitoring and Evaluation		7.1	33.33%	10
5.1 Monitoring Mechanisms		2.5		
5.2 Evaluation Plan		4.6		
III. Risks & Mitigation Monitoring Matrix				
Overall risks rate = magnitude of risks*likelihood		Medium		
Identified risks have been rated for magnitude and likelihood		Yes		
Mitigation measures have been identified for major risks		Yes		
Mitigation measures have indicators for tracking their implementation		Yes		
Environmental & social risk classification		C		
IV. IDB's Role - Additionality				
The project relies on the use of country systems				
Fiduciary (VPC/FMP Criteria)		Yes	Financial Management: Budget, Treasury.	
Non-Fiduciary				
The IDB's involvement promotes additional 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				

This project is a scale up of the current Single Electronic Window (SEW) in Trinidad and Tobago launched in 2009. The main objective of this project is to improve the trade performance and business facilitation environment in Trinidad. The specific objectives are to (i) optimize and simplify trade processes; (ii) improve domestic and international interoperability; and (iii) modernize the Single Electronic Window (SEW).

The proposed intervention is well described and responds to the needs of modernization of the current state of the SEW. However, the description of beneficiaries is rather generic. Furthermore, due to lack of data availability, the project lacks empirical evidence to justify how the identified factors contribute to problems described.

In terms of the results matrix, indicators reported are SMART and have means of verification. However, the results matrix should include the outcome indicator proposed in the evaluation plan.

The cost-benefit analysis is complete and consistent with the program's logic. It also includes a complete sensitivity analysis that shows positive NPV even in the most extreme scenarios.

Finally, the project includes a monitoring and evaluation plan. The effectiveness of the proposed intervention will be measured following a before and after approach. The risks identified in the risk matrix are rated for magnitude, include mitigation measures and related metrics to track their implementation.

[illegible]

Expected Results	Unit	Baseline		Intermediate		Goals		Means of verification	Observations
Percentage of manifest data that will be electronically shared between Customs & Excise Division and the Ports of Port of Spain and Point Lisas through TTBizLink	%	0%	2015	-	-	100%	2020	Executing Agency with data from TTBizLink	
Percentage of customs releases that will be electronically shared between Customs & Excise Division and the Ports of Port of Spain and Point Lisas through TTBizLink	%	0%	2015	-	-	100%	2020	Executing Agency with data from TTBizLink	
Type of documents electronically shared with a foreign single window system	Number	0	2015	-	-	1	2020	Executing Agency with data from TTBizLink	It is anticipated that the Certificate of Origin will be the document electronically shared with foreign trading partners through the implementation of DocXChange platform on TTBizLink.

PRODUCTS

Products	Unit	Baseline	2016	2017	2018	2019	2020	Final Goal	Means of verification
<u>Component I: Enhancing and Expanding the services of the Single Electronic Window</u>									
New Risk Management system implemented	Number	0			1			1	Inspection Visit Reports by Executing Agency
TTBizLink online payments solution interface implemented	Number	0			1			1	Inspection Visit Reports by Executing Agency
Trade-in-Box module implemented	Number	0				1		1	Inspection Visit Reports by Executing Agency
Business Continuity Plan Developed	Number	0				1		1	Copy of the Plan approved by MTI
Service Oriented Architecture Implemented	Number	0				1		1	Inspection Visit Reports by Executing Agency
Permits of Fisheries Division Automated	Number	0				1		1	Inspection Visit Reports by Executing Agency
Permits of Ministry of National Security Automated	Number	0				1		1	Inspection Visit Reports by Executing Agency
Post-Incorporation Procedures at Companies Registry Automated	Number	0			2	3	2	8	Inspection Visit Reports by Executing Agency
<u>Component II: Enhancing the Interoperability of the Single Electronic Window</u>									
Interface between TTBizLink and BIR Gen Tax System Implemented	Number	0					1	1	Inspection Visit Reports by Executing Agency
Cross Border DocXChange module Implemented	Number	0					1	1	Inspection Visit Reports by Executing Agency

Products	Unit	Baseline	2016	2017	2018	2019	2020	Final Goal	Means of verification
Trade Data Information System Implemented	Number	0					1	1	Executing Agency progress reports
Navis and Asycuda Systems Integration Interface Implemented	Number	0				1		1	Executing Agency progress reports
Synchronization of Logistics e-Services Implemented	Number	0				1		1	Executing Agency progress reports
Electronic Maritime Vessel Registration System Implemented	Number	0					1	1	Executing Agency progress reports
Component III: Modernization of the Institutional Framework for International Trade and Implementation of the New Institutional Governance of the Single Electronic Window									
Comprehensive review of trade regulatory framework completed and draft Bills prepared	Number	0		1				1	Copy of Draft Bills approved by MTI
Business Process Reengineering Analysis completed	Number	0		1					Copy of the BPR Document approved by MTIIC
Change management strategy developed	Number	0		1				1	Copy of the Plan approved by MTI
Entrepreneurs benefited by assistance and training in trade and investment	Number	0		25	50	50	50	175	Training reports by Executing Agency
Public officials benefited by assistance and training in trade and investment	Number	0		50	50	75	100	275	Training reports by Executing Agency
New Institutional Governance Designed	Number	0				1		1	Copy of the Document approved by MTI

FIDUCIARY ARRANGEMENTS

Country: The Republic of Trinidad and Tobago
Project: Strengthening of the Single Electronic Window for Trade and Business Facilitation (TT-L1044)
Executing Agency: Ministry of Trade and Industry (MTI)
Prepared by: Shirley Gayle, Fiduciary Procurement Specialist and Gregory Dunbar, Fiduciary Financial Management Specialist

I. EXECUTIVE SUMMARY

- 1.1 Since 2005, the Government of the Republic of Trinidad and Tobago (GoRTT) has been making steady strides towards improving the transparency, efficiency and cost-effectiveness of Public Financial Management (PFM) framework within which public money is managed. This has culminated in the May 20, 2015 Board approval of 3473/OC-TT (TT-L1042) "Support to Strengthen Trinidad and Tobago's Financial Management System" whose objective is to improve the efficiency and effectiveness of the GoRTT to allocate public resources.
- 1.2 Cabinet has agreed to multi-annual planning horizons and on annual budget ceilings; however ceilings have not yet been agreed or reflected in the annual Call Circular that heralds the start of the formal Budget Cycle for the Fiscal Year, which runs from October 1 to September 30. A Single Treasury Account, which includes development programmes, is maintained but only for Central Government. The process for accounting and reporting continues to be manual and heavily paper-based, which negatively impacts efficiencies, accuracy and timeliness of reporting for decision-making. However, the outcome of 3473/OC-TT (TT-L1042) is expected to strengthen the budgeting, accounting and reporting and decision-making processes. The Office of the Auditor General for Trinidad and Tobago has been improving its capabilities, tools and techniques to deliver its mandate with institutional strengthening provided via ATN/FI-12795-TT (TT-T1024). Other oversight of arms, such as the Public Accounts Committee (PAC) of Parliament, chaired by a member of the Opposition, appears under resourced, which may account for the backlog¹ in the reviews of both audited and unaudited accounts of public entities.
- 1.3 The Government has taken clear actions to address deficits in PFM. In 2010, the Cabinet appointed a PFM Modernization Unit (PFMMU) to lead a broad-based PFM reform. The PFMMU prepared a draft PFM reform strategy which has been approved by Cabinet. The procurement framework is being overhauled, the Public Procurement and Disposal of Public Property (No. 2) Bill 2014 was passed by the Parliament on December 5, 2014. However, the Bill is partially proclaimed as the Regulations necessary to make it operational now have to be formulated and approved by Parliament. The new legislation proposes a decentralized procurement system overseen by a Regulator.
- 1.4 The new Institutional Capacity Assessment (ICA) tool being piloted by SPD and the Bank's original methodology for Project Risk Assessment were utilized to

¹ A. Staddon (2012) Delegation of the European Union commissioned "Activities on Strengthening Parliamentary Practices in Trinidad and Tobago" Page 59, Paragraph 3.76.

identify the fiduciary risks and to determine the corresponding risk response. The Institutional Capacity Assessment System (ICAS or SECI) methodology was used to evaluate the fiduciary capacity of the Executing Agency (EA). The MTI capacity to execute the proposed programme suggests a medium risk level with respect to overall financial and procurement management. It is anticipated that after implementation of risk responses and activities being implemented independently of the scope of the loan programme and prior to the attainment of fully eligibility, the risk will be further reduced. It should also be noted that the budget, treasury and external audit sub-systems of GoRTT's PFMS have been cleared by the Bank for use during execution and supervision of Bank-financed operations.

II. EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 The MTI is established within the public sector architecture with a clear mandate² to grow trade, business and investment, particularly through driving the non-energy sectors of the economy. As the pivotal agency for trade promotion and development, MTI manages and coordinates the trade process to ensure access to international markets for companies located here. Critical to this mandate is the aggressive development of business and industry through the formulation of appropriate industrial and services policies, designed to enhance the capability of the local industrial sector to compete in the global marketplace. Some experience in the execution of Bank-financed operations has been acquired through the lessons learned from its execution of loan 1454/OC-TT (TT0052) "Trade Sector Support Program", which was a US\$5 million investment loan programme whose objective was to improve the international trade performance of Trinidad and Tobago.
- 2.2 The Permanent Secretary (PS) of the MTI will be the responsible officer for this operation supported by the Director of Strategy, Business Facilitation and Project Management to whom the Project Implement Unit (PIU) will report through its Programme Manager – [see organizational structure](#). Implementation support at the strategic level will be provided by an Inter-Ministerial Committee (IMC) and at the technical level by the Project Steering Committee (PSC). The PIU's capacity will be bolstered by the inclusion of professionals in the areas of financial management, procurement, monitoring and evaluation, project management and administration. The functions of the PIU, IMC and the PSC will be outlined in the Project's Operations Manual (OM) to document pertinent roles and responsibilities as well as the policies and procedures related to fiduciary and technical operation. The OM will also establish the reporting relations among the MTI and the PIU. With respect to Procurement, the Central Tenders' Board or its equivalent, the Ministerial Committee, and the PS will provide the requisite approvals in keeping with prevailing thresholds. As a Ministry, the financial management arrangements for the MTI are governed by the Exchequer and Audit Act and the Financial Regulations made thereunder; the Financial Instructions, 1965, the Financial Regulations (Stores) and Circulars issued by the Minister of Finance and the Economy.
- 2.3 The procurement function in the MTI is carried out by the respective Divisions. Purchases are guided by the Central Tenders Board Act Chapter 71:91 as well

² Source: MTI Website

as the thresholds granted to Permanent Secretaries by Cabinet. The PS has authority to approve procurement of goods up to TT\$1 Million and can approve consultancy services up to the limit of TT\$0.5 Million. A Ministerial Tenders Committee may be used for the procurement of goods for contracts in excess of TT\$1 Million, but less than TT\$2 Million and for consultancy services in excess of TT\$0.5 Million, but less than TT\$2 Million, and above TT\$2 Million through the Central Tenders Board. The PS has delegated authority by way of purchasing thresholds to the Heads of Divisions. This is the approval structure that the project's procurement will follow in addition to adhering to the IDB's policies. The MTI does not have an internal Procedures Manual for procurement; however, Circulars 5 and 6 issued by the PS, Ministry of Finance in 2012 give instructions for the procurement of goods and services including the monetary thresholds and the limits for Department Heads.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The IDB Project Team, in consultation with MTI and other stakeholders, has identified the major risks that are likely to affect the proposed project. The parties have also jointly developed a preliminary Risk Mitigation Matrix which outlines the risk responses to be taken. The main mitigation measures for fiduciary arrangements will include: definition and establishment of the functions, roles and responsibilities of the major entities for the execution of the project; formal and informal training processes for the fiduciary officers, and the acquisition, installation, customization and deployment of an off-the-shelf accounting system to supplement recording and reporting on the financial transactions of the proposed loan and the installation of adequate capacity in financial management and procurement. The MTI will document and formalize all these arrangements, including key processes such as budget, payment/disbursement and procurement, in the OM, which will be a condition Precedent to First Disbursement. Other measures to respond to the broader project risk are incorporated as institutional strengthening activities throughout the other components of the project and outlined in the initial Risk Matrix for the project. The Bank will provide fiduciary support and supervision on these institutional arrangements while providing continual training and advice on Bank's policies, procedures and best practices as needed. The level of the fiduciary risk will be monitored during execution through a supervision plan designed for such purpose and through the annual financial audit exercise.
- 3.2 A joint review of the Risk Matrix will be undertaken annually, and any necessary additional mitigating actions will be adopted. The overall financial management risk rating of the EA is Medium for all execution areas. The implementation of the mitigation actions indicated below can further reduce the risk level for the execution of the project.

Risks Identified	Probability	Severity	Impact	Mitigating Measures
Inadequate procurement capacity within the EA to deliver in accordance with project requirements (e.g. IDB policies and guidelines)	Medium	High	High	Workshop for key members of Project Execution Team conducted by IDB. Recruitment of two experienced procurement and contract management specialists to support PIU
Lack of clear assignment of roles and responsibilities impairing project execution.	Low	High	Medium	Operations Manual to be developed, incorporating an Organizational Chart with defined and elaborated roles and responsibilities of the MTI and PIU and coordination with other key functionaries involved in execution for operations and financial management, reporting, risk management and performance monitoring and supervision.
Lack of adequate systems to support accurate and timely accounting and financial reporting	Low	High	Medium	An accounting system that will integrate and facilitate the financial reporting and budgeting under the project, according to source of funding and categories of investments (at a minimum) will be implemented for the project.

IV. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS OF THE CONTRACT

- 4.1 The following Fiduciary Arrangements should be considered in the special conditions to complement the conditions appearing in the Bank's General Conditions to sovereign guaranteed investment operations:

A. Special Contractual Conditions prior to the first disbursement include:

- 4.2 Presentation of evidence that the Borrower, through MTI, has hired, at least, the Program Manager, one Procurement and Contract Management Specialist, and one Financial Specialist, pursuant to professional profiles satisfactory to the Bank.
- 4.3 Presentation of evidence that MTI has approved, with the prior non-objection of the Bank, an OM for the project, including inter alia administrative, procurement, financial management (budgeting, cash management, payment/disbursement, procedures to ensure proper operation and maintenance of Bank-financed assets, accounting and reporting) policies, procedures and other internal control requirements to define overall project management.
- 4.4 Presentation of an Initial Report including the updated Project Execution Plan (PEP), including the first Annual Operation Plan, and updated Procurement and Financial Plans.

B. Exchange rate

- 4.5 For purposes of justification of expenses to the Bank (including reimbursements), where the project expenses have been incurred in local currency, the equivalent amount to be reported in the project currency, shall be determined using the effective exchange rate on the payment date, without regard to the source of the financing used, as published by the Central Bank of Trinidad and Tobago on its website.

C. Financial reports and audit financial statements

- 4.6 The MTI will be required to submit annual audited financial statements of the project within 120 days following the closing of each fiscal year. The last of these audited financial statements shall be presented by MTI no later than 120 days following the date stipulated for the final disbursement of the Financing. The financial statement audits will be conducted in accordance with the Bank's policies and will be carried out by the Auditor General of the Republic of Trinidad and Tobago or a firm of independent public accountants acceptable to the Bank and the Auditor General where such appointment has been accepted.

V. REQUIREMENTS AND AGREEMENTS FOR EXECUTION OF PROCUREMENT

- 5.1 The procurement fiduciary arrangements establish the conditions applicable to all procurement execution activities in the project. **Procurement Execution: Staff:** The PIU in the MTI shall be staffed with two (2) Procurement and Contract Management Officers, experienced in procurement. **Procurement of Works Goods and Non-Consulting Services:** Procurement under the project will be governed by the policies contained in GN2349-9 Policies for the Procurement of Goods and Works. The Procurement Plan indicates the procedures to be used for the contracting of works, goods, and services generated under the project. The processes subject to National Competitive Bidding (NCB) may be executed through the use of National Bidding Documents satisfactory to the Bank. Where these are not available, the Bank's Standard Bidding Documents will be used. Review of technical specifications during the preparation of the selection process, is the responsibility of the project sector specialist. **Procurement of Information Technology (IT) Systems:** Procurement of Information Technology Systems and any other IT systems will be done in keeping with the policies referenced above. **Selection and Contracting of Consultants:** Procurement of Consulting services will be conducted in accordance with GN-2350-9 Policies for the Selection and Contracting of Consultants. The Procurement Plan indicates the procedure to be used for the contracting of consulting services. Review of Terms of Reference for the selection of consulting services is the responsibility of the project sector specialist. **Selection of Individual Consultants:** Individual Consultants will be selected in accordance with the policy for Selection of Consultants referenced above. **Sole Source Selection:** The use of sole source selection may be permitted with appropriate justification according to the Bank's policies and with the Bank's non-objection. **Training:** The detailed procurement plan indicates the consultancy services to which training and workshops are applicable. As per GN-2350-9 if the assignment includes an important component for training or transfer of knowledge to Borrower staff or national consultants, the TOR shall indicate the objectives, nature, scope, and goals of the training project, including details on trainers and trainees, skills to be transferred, time frame, and monitoring and evaluation arrangements. The cost for the training project shall be included in the consultant's contract and in the budget for the assignment.
- 5.2 **Procurement Plan (PP):** See [link](#).
- 5.3 **Procurement Supervision.** The procurement plan of the project covering the duration of project execution is attached. It indicates the procedures to be used for the procurement of goods, the contracting of works or services, and the

method of selecting consultants, for each contract or group of contracts. It also indicates cases requiring prequalification; the estimated cost of each contract or group of contracts; the requirement for prior or post review modality by the Bank. Ex ante supervision will be maintained from project inception. Once the PIU staff is in place and orientated, the supervision modality may be revisited with the IDB Project Team Leader and the required supervision modality revised, if appropriate and evidence is presented to demonstrate capacity to perform under a different supervision modality. Where ex post is applied, reviews will be performed at least once per year but may be done more frequently if the volume of procurement activities under the ex post review modality warrants. The ex post review process will include at least one physical inspection visit.

- 5.4 The procurement plan will be updated annually or as necessary, as required by the Bank.

A. Records and Files

- 5.5 The MTI (through the PIU) shall maintain the files and records of the project. All records and files will be maintained by the Executing Agency, according to accepted best practices, and be kept for up to three years beyond the end of the operation's execution period.
- 5.6 Country Thresholds for Procurement (in US\$) www.iadb.org/procurement.

Goods	Consulting Services
International Competitive Bidding	Short Lists Solely by Internationals/ICB
≥250,000	≥200,000

VI. SPECIFIC FIDUCIARY ARRANGEMENTS FOR FINANCIAL MANAGEMENT

A. Programming and Budget

- 6.1 The Ministry of Planning and Development, as the Focal Point for IDB lending, will liaise with the MTI to facilitate the assignment of a Budget Line Item in the annual Budget Cycle of the Government of the Republic of Trinidad and Tobago for this operation to open the way for drawdowns under the proposed loan.
- 6.2 The Borrower will commit to allocate and facilitate the Release of Funds, for each fiscal year of project execution, adequate fiscal space to guarantee the unfettered execution of the project; as determined by the project's operative instruments such as the Annual Operating Plan, the Financial Plan and the Procurement Plan. The PIU will liaise with the MTI to ensure its liquidity needs are sent forward as part of its annual submission to the annual budget process.

B. Accounting and Financial Information Systems

- 6.3 Project accounting will be completed under the cash basis, in accordance with International Financial Reporting Standards and the Exchequer and Audit Act and (related) Financial Regulations to the Exchequer and Audit Act of the Republic of Trinidad and Tobago. Given the paper-based system that is used by Central Government and its inherent limitations, the accounting system will be augmented by the use of off-the-shelf accounting software to be reimbursed from loan funding. The accounting software will record and classify all financial transactions by component, provide information related to: planned vs. actual

- financial execution and generate: Statements of Cash Flows; Cumulative Investments; and list of Commitments.
- 6.4 **Treasury: Disbursements and flow of Funds.** The MTI will establish, exclusively for the project, a separate bank account, denominated in US Dollars, at the Central Bank of Trinidad and Tobago for the management of the project resources. The 18-month financial plan (included in the first Annual Operations Plan) will serve as the basis for the disbursement of funds to the MTI to cover the project's liquidity needs. The main disbursement methodology will be the Advance of Funds. Other disbursement methodologies that will be used are the Reimbursements (to Borrower or Executing Agency, for which separate banking information to that of Programme's Bank Account shall be provided), Direct Payment to Supplier; and Reimbursement against a Letter of Credit. Disbursements will be reviewed within the ex-post modality, except for Requests for Direct Payment to Suppliers, which will be reviewed on an ex-ante basis.
- 6.5 **Internal Control and Internal Audit.** The management of the project, at both the level of the MTI and the PIU, will assume the responsibility for designing and implementing a sound system of internal controls for the project. Given the limited presence of codified policies and procedures, the agreed system of internal controls will be documented in the OM and will provide reasonable assurance that: (i) the project funds are used for their intended purpose; (ii) project assets are properly safeguarded as outlined in the Financial Regulations (Stores); (iii) project transactions, decisions and activities are properly authorized, documented, recorded and supported; and (iv) project transactions are executed in accordance with the established policies, practices and procedures delineated in the legal agreements. In addition, proper segregation of duties, approval authority levels for signature of contracts, commitment of funds, reception of goods and services and payment to suppliers and beneficiaries should be arranged adequately and completely captured in the accounting system and records of the project. It was also agreed, in keeping with the Financial Regulations, the MTI's Internal Audit Unit will provide oversight of the Financial Management of the project through its annual audit plan with particular reference to the project's cash resources.
- 6.6 **External Control and Reporting.** As an eligible entity to audit Bank-financed operations, the Auditor General for Trinidad and Tobago will be included as an option, along with independent private audit firms, for the conduct of the Financial Audits of the project. Audits will be performed in accordance with Bank's Guidelines for Financial Reports and External Audit and the International Standards on Auditing or the equivalent. The EA, through the PIU, will be responsible for contracting of an external auditor eligible to the Bank and the Auditor General to perform the project audit as follows: (i) an annual financial audit of the project to be submitted within 120 days of the end of fiscal year; (ii) a quarterly review of expenditures included in disbursement requests to be submitted within 20 days following the end of each calendar quarter; and (iii) one final financial audit of the project to be submitted within 120 days after the date of last disbursement.
- 6.7 **Financial Supervision Plan.** Financial Supervision will be informed by the initial and subsequently assessed risk of the project and the MTI. Financial, Accounting and Institutional Inspection visits will be conducted at least once per year to ascertain the proper functioning of the accounting systems, and the adequacy of the internal control system and follow up the fiduciary risk initially assessed.

- 6.8 **Execution Mechanism.** The Borrower has designated the MTI as Executing Agency, with oversight responsibility for all matters related to the project, and with direct responsibility for the administration of loan financing and the procurement processes. The PIU, headed by the Program Manager, will be responsible for actual implementation; including the overall administration of resources and coordination and execution of project activities. The PIU will also have two procurement and contract management officers, and one finance officer. The Internal Audit Unit of the MTI will provide financial management oversight, via its annual plan, especially in the area of cash management and compliance.
- 6.9 Specific responsibilities of the PIU will include: (i) preparation, implementation and coordination of the Annual Operation Plans; (ii) preparation of budgets, project accounting, including disbursements and reimbursement of project funds; (iii) preparation of the project's Procurement Plan, (iv) coordination of the preparation of technical reports, progress and financial reports; (v) monitoring of the progress of project activities and analysis of variances of actual results against plans; (vi) hiring the external audit and ensuring that the approved recommendations are implemented; (vii) facilitation of external evaluations of the project and ensuring, in collaboration with the participating entities, that the approved recommendations are implemented; and (viii) serving as a liaison for the project with the Bank.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/15

Trinidad and Tobago. Loan ____/OC-TT to the Republic of Trinidad and Tobago
Strengthening of the Single Electronic Window for Trade and Business Facilitation

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 for the strengthening of the single electronic window for trade and business facilitation. Such financing will be for the amount of up to US\$25,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____)