



TRINIDAD AND TOBAGO'S RELATIONSHIP WITH THE WORLD BANK

Trinidad and Tobago is a long-standing member of the World Bank. This institution provides low-interest loans, grants, policy advice and technical assistance to developing countries. This Note explores whether and how Trinidad and Tobago has benefitted from its participation in the organisation. It is the 8th in the Public Education Series aimed at explaining important economic matters and monetary policy developments to the public in nontechnical terms. Please send any comments and suggestions for future topics to info@central-bank.org.tt.

What is the World Bank?

The World Bank, or more precisely the [World Bank Group](#) (WBG), is the world's largest development finance entity consisting of five institutions that were established between 1944 and 1988. In 1944, the [International Bank for Reconstruction and Development](#) (IBRD) was set up to rebuild those nations that were devastated during the second world war. In 1956, the [International Finance Corporation](#) (IFC) was established to provide financing to the private sector. In 1960, the [International Development Association](#) (IDA) was formed to address the needs of the world's poorest countries. In 1966, the [International Centre for Settlement of Investment Disputes](#) (ICSID) was formed to engage in the mediation of disputes between governments and foreign investors. In 1988, the [Multilateral Investment Guarantee Agency](#) (MIGA) was created to promote foreign investment in developing countries by providing political and economic risk insurance.

The objective of the WBG has evolved over time to meet global challenges. Initially, the goal was to provide long-term financing for post-war reconstruction, but now the stated aim is to help to end poverty globally and boost shared prosperity. As a result, the WBG focuses on addressing development challenges in low- and middle-income countries. On its [Board of Governors](#), Trinidad and Tobago is represented by the Minister of Finance and Minister of Planning, Economic Affairs and Development as Governor and Alternate Governor, respectively. [Mr. Delvin Cox](#) represents Trinidad and Tobago as Advisor to the Executive Director in the [Constituency](#) that includes Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname and Trinidad and Tobago.

How has Trinidad and Tobago benefitted as a member of the World Bank?

Financial Assistance

With respect to IBRD and IDA, the Government of Trinidad and Tobago has sourced loan financing over the years. These include US\$12 million to fund investment in the Caroni Limited Company; US\$20.0 million for HIV/Aids Prevention and Control; US\$11.5 million to reform the Postal Service; US\$51.0 million for a Basic Education Project; US\$25.0 million to restructure the Water and Sewerage Authority of Trinidad and Tobago; and US\$6.3 million for Environmental Management. The most recent and only active loan of US\$20.0 million was taken in 2020 to tackle COVID-19. In addition, IFC, the arm of the WBG that focuses on private sector developments, made loans and equity investments to local companies in the financial, services and manufacturing sectors.

The World Bank, in conjunction with the International Monetary Fund (IMF) conducted an assessment of the financial sector in Trinidad and Tobago in 2020. At least once a decade, a [Financial Sector Assessment Program \(FSAP\)](#) is carried out to evaluate the soundness of a country's financial sector, to identify risks and vulnerabilities, and to develop policy solutions. In these assessments, the IMF focuses primarily on financial sector stability while the WBG concentrates on the developmental needs of the financial system.

On the capacity building side, Trinidad and Tobago continues to benefit from ongoing technical assistance under the [Reserve Advisory and Management Partnership](#) (RAMP) program, which is geared towards enhancing the management of the country's foreign currency reserves and the Heritage and Stabilisation Fund. Recently, the World Bank also provided advisory services to the Government of Trinidad and Tobago on ways to optimise expenditure on social programs and on strengthening the country's insolvency framework. Currently, discussions are taking place on how the WBG can assist with the introduction of a [domestic fast payments system](#).

Can Trinidad and Tobago benefit further from its engagement with the World Bank?

Relatively speaking, Trinidad and Tobago has not accessed a great deal of loan financing from the World Bank to date. One reason is our access to other funding sources, including international capital markets. Another is our [income level](#). Since 2007, Trinidad and Tobago has been classified as a high-income country, making it ineligible to borrow from the World Bank at below market interest rates based on that classification. Such preferential rates are offered to low- and middle-income countries in support of their economic development.

In comparison, several middle-income countries in the Caribbean region have made much more use of World Bank financing over time. Jamaica has accessed over US\$3 billion in loan and grant funding since joining the World Bank, for various projects such as education sector reform, rural economic development and public sector transformation. In the same vein, over US\$2 billion in World Bank funding has been deployed across the Eastern Caribbean in a wide cross-section of areas including infrastructural upgrade; economic transformation and development; and climate resilience. There seems to be space currently for Trinidad and Tobago to explore further the existing facilities and their appropriateness as low-cost funding for our long-term development needs.

On the eligibility side, the World Bank is revisiting how it can increase its support to countries which are designated as [high income](#), but are extremely vulnerable to climate change and natural disasters because of their small population size, such as [small island developing states](#) (SIDs). Several of these initiatives are already [being supported by Trinidad and Tobago](#) at the World Bank Board level. These include the recent [Crisis Preparedness and Response Toolkit](#), which involves a broad spectrum of disaster risk financing instruments. At the same time, efforts to further streamline the World Bank's [loan processing](#), to manage the timing and cost of [technical assistance](#), and to [lower lending rates](#) can be accelerated.

In order to improve the contribution of the private sector to national development, Trinidad and Tobago can further explore opportunities with IFC, taking advantage of this institution's global experience in public/private sector partnerships. MIGA guarantees can also be explored as a means of improving the attractiveness of investing in Trinidad and Tobago while lowering the cost of funding.

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