

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

TRINIDAD AND TOBAGO

**PUBLIC SECTOR REFORM INITIATION
PROGRAM**

**Operation No. 1523/OC-TT
Approved on December 17, 2003**

INSTITUTIONAL DEVELOPMENT SECTOR FACILITY

PUBLIC SECTOR REFORM INITIATION PROGRAM

(TT-0057)

EXECUTIVE SUMMARY

Borrower and Guarantor: The Government of the Republic of Trinidad & Tobago (GOTT)

Executing agency: The Ministry of Public Administration and Information (MPAI)

Bank's Financing	IDB: (OC)	US\$	5,000,000
Amount and	Local:	US\$	<u>1,250,000</u>
source:	Total:	US\$	6,250,000

Financial terms and conditions:	Amortization Period:	20	Years
	Grace Period:	36	Months
	Execution Period:	30	Months
	Disbursement Period:	36	Months
	Currency:	US\$ from single currency facility	

The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendation. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount.¹

Interest Rate:	Ajustable option/LIBOR-based option
Credit Fee:	0.25%
Inspection and Supervision	0%

Objectives: This program aims at supporting the initial development and implementation of a long-term strategy to reform the Public Sector.

The program supports the national goal of achieving developed country status by year 2020. The implicit instrumental objectives of the long-term strategy are to remove the structural rigidities that hinder its effectiveness, economy and transparency. To accomplish this, this project aims at developing a strategic plan to progressively adopt a series of measures to improve the composition of public expenditure and

¹ With regard to the inspection and supervision fee, in no case will the charge exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount, divided by the number of six-month periods included in the original disbursement period.

optimise the size, management, structure, organization, functioning, human resources, legal framework and accountability and service delivery mechanisms of the Public Sector.

The specific objectives of this operation are to: (i) assist the GOTT to clearly identify the issues for the transformation of the Public Sector; (ii) define a suitable, socially and politically sensitive strategy for the transformation of the Public Sector; (iii) facilitate the attainment of the consensus necessary to implement such strategy; and (iv) develop some basic management instruments and capacity to help the GOTT to better plan and steer the reform process.

Components:

Component 1: Public Sector Reform Strategy (US\$2.3 million)

This component will finance the following five discrete but closely linked and coordinated activities: (i) a study for the identification of issues and policy options; (ii) the development and implementation of the first phase of a Consensus-Building Strategy; (iii) the development and implementation of a Communication Strategy; (iv) the training of key decision-makers and stakeholders in economic policy and national strategy; and (v) a panel of experts to play a quality control role during the process. This component will assist the GOTT to: (i) develop a better understanding of the political economy of the reform to make sure that the political, social and institutional aspects are properly incorporated in the reform process. This necessarily would require a profound analysis of all stakeholders, and the definition of a realistic implementation plan –including compensation mechanisms for those adversely affected by the reforms; (ii) conduct a consensus-building process to increase the chances of success of the eventual reform process; and (iii) disseminate the contents of the reform to catalyse public support for the reform process.

Component 2: Strengthening the Public Sector's Structural Capacity (US\$2.6 million)

This component will assist the Government of Trinidad & Tobago in developing a basic capacity to initiate the implementation of the eventual second phase of the reform process. Component 2 will provide the necessary resources for technical assistance, training, equipment and materials to facilitate the readiness of the financial, human resources, and information management systems (including the Central Statistical Office - CSO) and the capacity of the Ministry of Public Administration & Information and the Trinidad House of Assembly (THA), especially in its monitoring and evaluation role, to support during the implementation of the reform process. Also, assistance will be provided to unburden the decision-making process at the Cabinet level. Readiness in these areas is regarded as a first step, but a critical one, to the wider transformation efforts, that will follow.

Special contractual conditions:

Prior to the first disbursement, the Government will present to the Bank:

1. Evidence of: (i) the creation and staffing of the Project Implementation Unit (PIU); (ii) the creation of the Project Steering Committee (PSC); (iii) the enactment of the Operating Manual; (iv) the approval of the Annual Implementation Plan (AIP); and (v) the implementation of an adequate system of internal accounting and administrative controls, including a financial accounting general ledger that is in compliance with Clause 7.01 of the General Conditions within the Loan Contract.
2. The final Procurement Plan and bidding documents for the hiring of individual consultants and international consulting firms.

Progress in the completion of above-mentioned conditions is in an advanced stage of preparation. The Operating Manual has already been discussed and agreed with the GOTT.

Relation to Bank's country and sector strategy:

The Bank's strategy for Trinidad and Tobago focuses on supporting the Government's efforts to improve competitiveness, promote growth and diversification, fight unemployment, reduce poverty, and reform the Public Sector.

The Bank's strategy for Modernization of the State (GN-2235-1) has identified the following areas for Bank action in this sector: a) develop and strengthen civil service systems under the criteria of merit and flexibility; b) strengthen the fiscal capacity of the state and improve efficiency and transparency in expenditure management; c) improve the capacity for coordination of strategies and public policies, especially those that fight poverty; d) modernize public services management; and e) use the potential of knowledge and information technologies in public management. The proposed project aims at laying down the basis for gradually reforming all the cited areas.

Coordination with other Multilateral Development Institutions:

This programme has been designed in line with the IMF Staff Report for the 2003 Article IV Consultation recommendations to reinvigorate structural reforms in the Public Sector, prevent the excessive growth of the Public Sector that would eventually crowd out the non-energy economy, and improve data and information management.

The UNDP, through a small technical cooperation grant, is providing support for the enhancement of career management systems (recruitment, promotion, career path definition, succession planning, etc.) at senior levels in the public service. The work proposed under the present programme will build upon the work currently being undertaken by the UNDP.

Environmental/ social Classification:	<p>This operation will not have direct environmental or social impacts. The essence of this project is to precisely mitigate any potential socio-economic and political risks during the implementation of future Public Sector reform. To make sure that any potential group at risk, especially the poor and disadvantaged, are duly taken into account, the project includes several reinforcing mechanisms.</p>
Potential Benefits:	<p>The project will improve the quality of public and policy debate for public sector reform and lay the basis for future reforms that will eventually lead to a more effective, efficient and transparent Public Sector. By removing rigidities, rationalizing expenditures, and improving service delivery, the Public Sector will generate savings that could be applied to higher and more effective levels of investments in economic and social infrastructure in support of an accelerated development in order to achieve the goals of Vision 2020.</p>
Potential Risks:	<p>This operation has been designed to mitigate the potential risk that would affect an eventual Public Sector Reform Program. These risks stem from the problem of “collective action” associated with most reform programs. The Government, being aware of these potential risks, is specifically proposing this operation to study the political economy of the reform strategy and to gradually and realistically plan for it. In so doing, the Government hopes to increase the chances of sustainability and success of the future reform.</p> <p>Among the potential risks affecting the achievement of the goals of this operation, perhaps the most important are: (i) the lack of active and meaningful participation of the key stakeholders in the policy debate to be supported under Component 1, and (ii) an inadequate coordination of the different activities. Both these potential risks have been taken into account in the project design. In order to promote active and meaningful participation of the key stakeholders, the project will be closely coordinated with the Vision 2020 Core Group. Furthermore, Cabinet will create, under its purview, an interagency Steering Committee to facilitate an adequate coordination of the different activities to be undertaken under this operation. Finally, the MPAI has been recently strengthening its technical capacity to support project implementation and coordination. This capacity will be complemented with the creation of the PIU.</p>
Poverty-Targeting and Social Equity Classification	<p>This operation does not qualify as a social equity-enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation does not qualify as a poverty targeted investment (PTI).</p>

**Procurement Plan
& Timeframe,
threshold amounts
for ICB:**

All selection and contracting of services and acquisition of goods will be carried out in accordance with Bank procurement policies and procedures. International public bidding is mandatory for the acquisition of goods that exceed US\$350,000 and US\$200,000 in the case of consulting firms. All procurement under said limits will be carried out according to national legislation. Annex II presents a draft Procurement Plan (PP).

**Key Performance
Indicators &
Monitoring
Benchmarks:**

At the end of the program the following key performance indicators will be used to measure the achievement of program outputs and outcomes:

- a. Outcomes:
 - (i) The quality of public dialogue on Public Sector Reform has been enhanced;
 - (ii) The rigidities that hinder the efficiency and, effectiveness and transparency of the Public Sector have been duly identified and a socially and politically sensitive strategy for the removal / mitigation of the cited structural rigidities of the Public Sector has been defined; and
 - (iii) The Capacity of the GOTT to successfully conduct the reform process has been substantially enhanced.
- b. Outputs:
 - (i) Cabinets approves a technically sound reform strategy for the Public Sector that is supported by key stakeholder by 12/05;
 - (ii) The GOTT has developed specific plans to strengthen its capacity to manage its key core administrative functions such as financial, procurement, human resources and information management by 12/05;
 - (iii) The GOTT has enhanced its capacity to simplify bureaucratic procedures and effectively train staff; and
 - (iv) Cabinet members have received training on policy development and monitoring and evaluation by 07/05.

**Reporting
Arrangements
jointly with Bank
and Executing
Agency:**

Review of Annual Implementation Plans. The Project Implementation Unit (PIU) will prepare Annual Implementation Plans (AIP). The Programme Steering Committee (PSC) shall approve each AIP. The second AIP should present an evaluation of the first AIP and a justification for the modifications with respect to the originally envisioned goals.

Establishment of the Evaluation Framework. In order to carry out the mid-term and final evaluations, the PIU will hire a consultant to, establish an evaluation framework after the approval of the loan, based primarily on the indicators and goals established on the Logical framework (Annex I) and Chapter II of the Project Document.

Mid-term and Final Evaluations. On the basis of the Evaluation Framework, a mid-term review and a Final Evaluation of the project

will be carried out; the first shall be completed within 13 months from contract signature and the second within three months after project completion.

Bi-annual reports. The PIU will present to the Bank Progress Reports within 30 days following the end of each semester. These reports will be prepared in accordance with Bank rules and will assess the degree of implementation of the AIP.

Final Assessment. The EA will collect, store and retain all necessary information, indicators and parameters, including the AIPs, the mid-term review, and final evaluation, to enable: (i) the Bank to prepare the Project Completion Report (PCR); and (ii) the Bank's Oversight and Evaluation Office (OVE) to evaluate the impact of this operation, if so wishes, in accordance to GN-2254-5.