Statement by: Jan Piercy  
Date of Meeting: April 13, 1999

Trinidad and Tobago – CAS and Postal Service Reform Project

1. I am pleased to have the opportunity to discuss the CAS and Postal Service Reform Project, although we would have preferred to avoid the last minute change from Thursday to Tuesday of the discussion.

2. We support a number of key aspects of this CAS. First, we agree that the low success rate of the Bank’s existing project portfolio in Trinidad and Tobago justifies caution in programming new resources. We support the Bank’s intention not to seek approval of additional new projects unless the Government’s implementation of Bank-funded projects becomes satisfactory. With substantial improvements in implementation, we could support the recommended “base case” scenario of not more than about two projects a year. This modest approach appears entirely consistent with the significant involvement of the Inter-American Development Bank, Caribbean Development Bank, and bilateral donors such as the EU, as well as the Government’s own lack of clarity about its own reform strategies and policies to which the CAS refers.

3. Second, given that weak institutional capacity -- particularly procurement practices -- account for the unsatisfactory performance of much of the Bank’s project portfolio in Trinidad and Tobago, we strongly support early completion of a Country Procurement Assessment Report. The planned Governance Assessment and Public Expenditure Review may also contribute to necessary institutional strengthening and clarification of the Government’s reform strategies and policies.

4. Third, we welcome the Government’s intention to continue its efforts to consolidate macroeconomic stability with the support of an IMF Staff Monitoring Program. We agree with the Bank’s advice to the Government that it should limit the role of the state in the economy and create a legal and regulatory framework for private sector economic activity rather than seek to promote diversification and employment generation through its own participation in “strategic industries.”
5. While we concur with these fundamental elements of the CAS, in several other respects we have serious reservations. Paragraph 35 characterizes the Bank’s program as “highly selective”, “focused on improving education and effectiveness of social programs, modernizing the core public sector . . . and safeguarding the environment.” This claim of selectivity seems overstated. I would like to describe in some detail our concerns in this regard.

6. While paragraph 35 outlines three areas of emphasis for the Bank’s activity, paragraph 37 adds a fourth, “strengthening the financial system”. These four areas are very broadly drawn. For example, in describing the Bank’s strategy for “modernizing core public services”, which is only one of the four central thrusts of the Bank’s proposed program, staff have grouped an ambitious menu of loans and other activities. This buffet includes loans and activities to support private participation in utilities; strengthened regulation of the postal, water, energy, power, and telecommunications sectors; judicial reform; tourism; agricultural sector and land tenure reform; oil and gas sector reform; and steps to strengthen procurement and financial management practices.

7. The Country Program Matrix does not give us any greater assurance that selectivity is being exercised. For FY 2000 alone, the matrix suggests that the Bank may intend to prepare at least four lending projects to support judicial reform, drainage and flood control, social development, and national parks development. In addition, the matrix refers to additional undefined water projects for FY 1999-2001, to a watershed management project for FY 2001, and to an early childhood development project for FY 2002. Further, the matrix indicates that two LILs are possible in FY 2000, one for the financial sector and one for the tourism sector.

8. Annex B3 provides yet another description of the “base case” lending program for FY 1999-2001. While this Annex also shows four projects for FY 2000, it is not clear that they are the same four projects mentioned in the Country Program Matrix. Also, this Annex does not list the LILs to which the Country Program Matrix refers. In contrast, however, this Annex does list a $30 million secondary education project for FY 2001 to which there is no specific reference in either the text of the CAS or the Country Program Matrix. While improvements in the secondary education system appear vital to remove one of the key constraints on the educational system's capacity to produce a skilled workforce, we note from Box 2 that the IDB is also planning a secondary education loan. We question, therefore, why the Bank is needed in this sub-sector.

9. This same lack of selectivity applies to the non-lending services, which are summarized in Annex B4. Far from one to two pieces of ESW per year suggested in the Executive Summary, this Annex seems to envision as many as seven studies in FY 2000 alone. We believe that the Country Procurement Assessment Report, the Public Expenditure Review, and the Governance Assessment are clear priorities. Given the track record of the Bank’s ESW in Trinidad and Tobago to date, however, we question how likely the other planned non-lending products are to have a significant effect on the pace or direction of the Government’s reform efforts.
10. In sum, this CAS seems to be unfocused and unclear as to its core priorities. Despite its reference to selectivity, it reflects significant over programming of lending and non-lending services, which can only add unnecessarily to stress on over-stretched staff and to waste of resources. The four key elements of the Bank’s proposed strategy are so broadly drawn that they could encompass any of a multitude of activities. This lack of selectivity is all the more disturbing given the large and comprehensive program of the Inter-American Development Bank and the fact that the Caribbean Development Bank and bilateral donors such as the European Union also have larger programs in Trinidad and Tobago than the Bank. We would welcome additional information on how the Bank intends to work with these other development institutions to define its own comparative advantage and avoid overlap. With these considerations in mind, and given the unsatisfactory performance of half of the on-going projects, we request that any future lending operations be brought to the Board for full scrutiny and discussion rather than under any streamlined procedure.

11. Turning now to the proposed Postal Service Reform Project, we are pleased to support this project, which seems likely to achieve significant improvements in efficiency and cost effectiveness in the provision of postal services within a framework of greater competition. We were somewhat puzzled, however, not to see any discussion of this project in the CAS to put it in the broader context of priorities for modernizing the core public sector. We note that the CAS does not envision follow-on support for phase two of the Government’s postal services reform program. Given the CAS’s many references to the Government’s weak institutional capacities, including in areas of procurement and project management, strong performance of the Project Implementation Unit seems essential if this project is to avoid an unsatisfactory evaluation. We understand that staff of the Project Implementation Unit have now received two weeks of training in LACI. We trust that Bank staff will continue to work closely with this unit to ensure that it is implementing LACI, providing timely and accurate Project Management Reports, and identifying and resolving implementation problems.