1. Background: Trinidad and Tobago faces a number of persistent problems and constraints that must be addressed by any strategy to achieve sustainable economic growth and increased welfare of its people. These include: persistently low levels of both public and private investment; excessive levels of public employment; persistently weak management capacity within the public sector; thin human capital resources and a pattern of decreasing capacity to recruit and retain qualified managerial and professional staff to positions within the public sector; a highly detailed central control regime over finance, personnel, procurement, information systems and other matters; manual processing of information in many subsystems, despite the availability of adequate technology; a pattern of poorly targeted, and therefore costly, subsidies for many public services; and persistently high unemployment. In addition, the Government faces a very tight fiscal situation which requires it to leverage whatever own-source current revenues it devotes to addressing these problems as much as possible, as well as to increase the efficiency of its own operations.

2. During the years of decline in the standard of living since the end of the oil boom the public sector was relatively protected at the expense of investments for the future and by comparison with those in the private sector who did not enjoy the same employment guarantees or, at the lower ranks, the same income levels. The Government now faces the following compelling pressures to make substantial improvements in its public management: (i) fiscal pressure coupled with stagnant economic growth is making it imperative that the Government get more value from the human and capital resources it controls -- better public services, a more effective social safety net, and greater stimulative effect upon the economy; (ii) the highly centralized, excessively bureaucratic, unaccountable, slow moving government machinery drives up the costs of doing business in Trinidad, thereby undermining economic growth; (iii) the concentration of decisions taken to Cabinet is roughly nine times as great as in Jamaica and more than one hundred times as great as in the UK; and (iv) waste and under-utilization of those human and capital resources controlled by the public sector contributes to the
pressure to reform the public sector. Examples include the 40% - 50% of the water supply that is lost through the porous WASA water distribution system and the fact that the Public Transit Service Corporation (PTSC) covers less than 20% of its operating costs from the fare box and none of its capital costs.

3. This constellation of problems requires an in-depth reform to reduce the size and participation of the Government in the economy while increasing its efficiency. It is expected that the proposed Public Sector Reform project would build on the existing Government public administration reform (PSR) program and strengthen it. The PSR has been underway for at least two years under the leadership of the Minister for Public Administration. While important advances have been made in certain sectors, such as privatization of the Public Transit Service Corporation (PTSC), the Government needs to continue to build a base of support for its reform program by undertaking sector-specific reforms consistent with the overall program, which promise to provide immediate, clear and tangible improvements in specific public services. A reform of the postal service provides precisely the sort of vehicle needed to maintain and build momentum for its overall reform program. Other sector-specific reforms that could also be employed to advance the Government's overall reform program include strengthening of the licensing function within the Transport Division of the Ministry of Works and Transport, and, possibly, review of the administration of justice and means of modernizing and strengthening that function.

4. The Government has prioritized the postal service sector for immediate reformation for the following reasons:

   a) The postal service is being subsidized heavily
   b) The quality of service has been declining sharply over the past years and recent studies have shown that there are considerable inefficiencies in collection, sorting and delivery.
   c) The state of the assets, such as sorting facilities, delivery vehicles and counter service facilities, are deteriorating sharply.
   d) Despite a fair rate of growth of the drivers of demand, the mail volume has remained unchanged over the past five years.

5. The Government has targeted the Licensing Board within the Transport Division of the Ministry of Works and Transport for modernization because the recent privatization of the PTSC has increased the importance of establishing a smoothly functioning and efficient regulatory arm for ensuring adequate competitive forces within that important sector. Finally, the Government is targeting judicial administration because of the pivotal influence that justice administration has on the cost of doing business in Trinidad and Tobago.

6. Project Objectives: The objectives of the proposed project are (i) to achieve tangible improvements in the quality and efficiency with which postal services are delivered and strengthen the capacity of the postal service to continuously and sustainably improve its performance into the foreseeable future; (ii) to strengthen the capacity of the public sector to support and regulate the recently enhanced private
sector role in the delivery of transit services; and (iii) to develop a strategy and action plan for modernizing and strengthening the administration of justice in order to enhance the competitiveness of Trinidad and Tobago’s private sector.

7. Project Description: Improvements in postal service performance would be achieved through technical assistance, declining financing of a management contract for a private operator, financing of capital improvements, and training. Technical assistance would address corporatization, logistics, postal counters, operations, management, revenue enhancement and information technology systems. Financing of the management contract would be on a declining basis, to reflect the expected growing capacity of the postal service to self-finance its management and improvements. Capital investments would address three weaknesses in the existing postal service capital stock: sorting offices, distribution fleet and computer systems. Training would address skill needs in financial planning, business planning and marketing. The Licensing Board within the Transport Division of the Ministry of Works and Transport would be strengthened through technical assistance designed to improve work flow and streamline and modernize procedures and administrative systems and training required to complement these improvements. Efforts aimed at strengthening the administration of justice would include technical assistance for developing a strategy and action plan for future modernization and strengthening of that sector.

8. Project Financing: Total project costs remain to be determined, but are estimated to be around US$22.5 million, US$15 million of which would be financed by the IBRD and the remainder of which would be financed by the Government.

9. Project Implementation: Implementation arrangements remain to be determined although the Office of the Minister for Public Administration was identified as the likely coordinating agency. A separate project executing unit would be created within the Ministry of Public Utilities to administer the postal service component. It may also prove advisable to locate small project executing units within the Ministry of Works and Transport to administer the Licensing Board strengthening component and within the Judiciary to administer the Judicial Administration component.

10. Project Sustainability. Sustainability of the postal service reforms will be ensured by designing the reforms specifically to make the postal service self-financing. Sustainability of the Licensing Board reforms will be ensured by establishing a management framework focused on results and accountable for meeting performance targets. Judicial administration reforms to be planned and proposed under this project are expected to be a candidate for implementation support under an already programmed future Public Services Strengthening Loan, which will enable implementation of remaining elements of the Government’s public sector reform strategy.

11. Lessons from Previous Bank Involvement: The proposed project design will reflect lessons learned from related Regional and Bank experience, including the need for: (i) strong commitment at all levels
(political, managerial and technical); (ii) strong commitment and well-defined counterpart responsibilities of the beneficiary agencies and, in particular, staffing of key positions; (iii) a clear focus and scope appropriate to the problem being addressed; (iv) detailed project preparation with small proportions of unallocated funds; (v) detailed but adaptable action plans and annual work programs for each component with focused outputs and evaluation criteria to judge project progress, and identification of preconditions for successful implementation; (vi) transparency in funding and selection of personnel during implementation with emphasis on individuals being hired only where they represent the most suitable option; and (vii) creation of a sense of ownership in the project by all actors responsible for implementation. Considerable effort will be devoted to assuring adequate and sustainable borrower commitment throughout project preparation and execution. Components have been limited to those required to achieve project aims. The project will be carefully prepared in the next months. Performance indicators will be included for all major project components. Carefully structured Terms of Reference (TORs) for all consultancies will ensure that their services contribute materially to project execution. Unallocated funds will be kept to a minimum. Furthermore, project activities that introduce routinized methodologies and systems will ensure sustainability of borrower commitment even beyond the duration of the project. A full-time Project Coordinator is intended to ensure adequate borrower capacity to execute the project. Monitoring of performance indicators, inclusion of a mid-term review, and devotion of adequate Bank resources to supervision will ensure effective supervision.

12. Poverty Category: None

13. Environmental Aspects: As this project has no direct environmental impacts, it is recommended that it be classified as Type C.

14. Program Objective Categories: Public Sector Management (EA/BB) is the primary program objective category applicable to this project.

Timetable

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<thead>
<tr>
<th>Task Manager</th>
<th>Gary J. Reid</th>
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<tbody>
<tr>
<td>Peer Reviewers</td>
<td>To be determined</td>
</tr>
<tr>
<td>Division Chief</td>
<td>Krishna Challa</td>
</tr>
<tr>
<td>Projects Advisor</td>
<td>Robert Crown</td>
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<tr>
<td>Director</td>
<td>Yoshiaki Abe</td>
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</tbody>
</table>

Contact Point: Public Information Center
The World Bank
Note: This is information on an evolving project. Certain components may not necessarily be included in the final project.