



GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO

APPROPRIATION BILL 2012

From Steady Foundation to Economic Transformation

SAFETY · JOBS · INVESTMENT

APPROPRIATION (FINANCIAL YEAR 2012) BILL

Delivered by the Minister of Finance, the Honourable Winston Dookeran in the Senate on **Wednesday 19th October, 2011**

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Introduction

Mr. President, I beg to move, that a Bill entitled An Act to Provide for the Service of Trinidad and Tobago for the Financial Year ending on the 30th day of September, 2012 be now read a second time.

Mr. President, this is a money Bill, and it was approved in the other place on October 18th, 2011. The Bill provides for the appropriation from the Consolidated Fund the sum of \$47.130 billion under the various heads as indicated in the Schedule to the Bill.

Mr. President may I, at the beginning, give a brief synopsis as to the outcome of the fiscal operations during the year ending September 30, 2011. You will recollect, Mr. President that this honourable House did approve an Appropriation Bill for 2011 with an estimated revenue of \$41.2 billion, and later it was revised to \$45.067 billion in the supplemental Appropriation Order.

At that time the honourable members of both houses did approve an expenditure of \$49 billion for 2011 which was then revised to \$53 billion in the Appropriation Supplemental Order.

You will note, Mr. President, that the outturn from the original estimates was, indeed, much better than we had first forecasted, more so in terms of revenue but also with respect to expenditure.

At that time it was estimated that the deficit in order to meet different between expenditure and revenue was in the vicinity, in the revised estimates of \$7.9 billion. That, I must say, Mr. President included a transfer to the Heritage Stabilization Fund of \$2.89 billion. The financial outturn for 2010- 2011, Mr. President, with some modifications, as I have mentioned, on the revenue side, and a smaller modification on the expenditure side, have been within expectations, certainly in the context of our revised estimate.

I wish to also indicate in so doing that we had proposed that these fiscal operations, coupled with the fiscal incentives that we had promoted and approved in this House on the budget of 2011 would provide the necessary impetus for the growth of the economy to reflect what I had hoped would have been a real growth rate of 2 per cent.

There has been some variation with respect to the outturn in terms of the growth rate. But that has to be looked at in the context Mr. President of the increased performance of the economy with respect to expenditure and revenue, and at the same time, to acknowledge that there has been a smaller outturn with respect to investment, both private sector, public sector and energy sector.

In recognition of that Mr. President, and the fact that we had accommodated many revenue items, or rather, many expenditure items in 2011, some of which were due to the fact that we had completed wage negotiations in a large number of collective agreements and incorporated into our provision the cost of such arrangements.

We had also appropriated in our measures certain commitments to meet what was then described as the outstanding arrears of the contractors in the society, all of which, or most of which were due to part of our inheritance as we assumed responsibility for fixing the finances of the country.

In addition we had on the slate of our expenditure during the course of the year to meet the commitments on VAT refunds which were increasing from previous years and are not yet being settled. You will recollect, Mr. President, in meeting these and other commitments, we were very careful that we also had to deal with the vexing and difficult problems that inflicted our country and economy with respect to the CLICO situation, the HCU situation and commitments made to the financial institutions through letters of comfort, which had to be converted into guarantees.

I am pleased to indicate to this honourable House that in the discharge of our fiscal responsible to the nation through the Parliament to the citizens of country, that we have met all the commitments that we inherited as far as it was possible during this fiscal year, and at the end of it our fiscal position remains what it was at the beginning.

Mr. President, at that time we predicated our revenue on the basis of an oil price and a natural gas price. With respect to fiscal 2011 we, at first, project an oil price of U.S. \$65 per barrel and a price of \$2.75 per unit of gas. We subsequently revised that figure, and we, for the latter part of the year, changed our projection to a figure for US \$75 per barrel of gas, but maintained to \$2.75 per unit of gas.

Because there has been some variation with respect to our intake on these issues, we are able to reflect a higher than expected income. Based on the first three quarters and the final quarter is yet to be determined for fiscal 2010 and 2011. The actual price that was received for gas was in the order of \$92 per barrel, and with respect to gas, it is in the order of \$3 per unit of gas. I say this for two reasons because in the other place it was requested to provide that information for the general population, and also to indicate that that as well as further intelligence on our part, based on what we have been able to arrive at from the local energy sector and indeed the international intelligence available to us, we have based the new provisions for the 2012 Budget on the budgeted price of gas being \$75 per barrel oil and \$2.75 per unit of gas.

We believe that these judgment and indeed it is a judgment, for it is at the beginning of the year we have to take into consideration what we anticipate is likely to happen. And we believe that this judgment that we have made with respect to the basis of our Appropriation Bill is likely to be achievable. Notwithstanding the fact that in today's

world there is now extreme volatility on issues of commodity prices. There are also issues with respect to the possibilities that financial contagion could, one day, affect even countries like ours; also, with respect to the fact that the volatility that I referred to has created some uncertainty to the growth rate in the world economy and also in the larger economies of the world.

Managing the Fiscal Deficit

We have entered, in the preparation of our 2012 budget, in an era in which that uncertainty has caused us to be cautionary with respect to growth rate projection, with respect to revenue projections and, certainly, we have to maintain levels of expenditure in order to do the service of the people of Trinidad and Tobago as they so wish and desire.

Against that assumption, Mr. President, the 2012 estimates are now calculated to arrive at a revenue position for 2012 above what we had projected for 2011, and it amounts to \$46.992 billion, roughly speaking \$47 billion, and our projected expenditure has increased to \$54.6 billion. This represents, Mr. President, a fiscal deficit of \$7.6 billion. We are very careful in curtailing or expenditure levels and in arriving at that deficit we had to take two things into consideration; one of which has to do with the deficit as a percent of our gross domestic product, and for yet another year, in spite of the fact that we have had to succumb to deficit financing over the last three years, we are able to maintain this at a level of 4.89 per cent of the GDP, well below the figure of 5 per cent, which we were subscribing to and we believe it is within the realms of prudent management.

The level of fiscal deficit that a country can support is also determined by the level of debt in the country, both in terms of internal and external. On that score, Mr. President, we are very careful to keep the levels of public sector debt under 40 per cent, and it had been so for the last two years. But I hasten to add that some of the contingencies remain to be accounted for, for non-guaranteed debt remains a matter of concern.

Given the two considerations of ensuring that the debt as a percentage of GDP is well below the 5 per cent level, and that the debt in total, internal and external, as a percentage of our GDP is well below 40 per cent, I feel confident in saying that we have managed our affairs, both in terms of the last fiscal year, and we intend to manage our affairs with respect to the next fiscal year within the acceptable norms of fiscal sustainability and It is against those fiscal issues of arithmetic that the budget proposal is before us for the consideration of this honourable House.

Fiscal Framework for 2012

What, therefore, were some of our concerns in trying to arrive at the fiscal package? There is no doubt that the Government was, indeed, elected, and a new page was turned in the history book of Trinidad and Tobago based on a sense of dismay that things would not go right if the country had not put different people in charge of our financial affairs. But with that sense of dismay, there was a level of expectation; a level of expectation throughout the year and continuing that things must be put right, and put right as of yesterday.

We recognize, Mr. President, that the mandate of the people must always be paramount in terms of our own discharge of our public responsibility. And, therefore, meeting the expectations of the society has to be paramount factor in determining our financial management. But we also recognize that we must set in place a framework so that today's budget must set the framework for tomorrow's outcome. We recognize a large part of fixing the foundation had to do with the question of the fiscal side.

We acknowledge that in starting this new journey there are other aspects of our economic management that are worthy of commendation, and we acknowledge that our foreign reserves were adequate and comfortable. But we also acknowledge that had we not reversed the trend with respect to the fiscal equation, we would have ended up in a situation of financial collapse.

Such a financial collapse would have meant that we may be in a position to find it difficult to meet our wage bill. Such a collapse would have meant that we would not have had the room to deal with the problem that would have derailed the economy and the Caribbean economy for some time for example the CLICO situation. And on that score, I wish to remind this honourable House that in every commentary on the issue of the fiscal situation in Trinidad and Tobago, mention was made by all the different agencies as to the capacity of this Government to handle a problem that could have derailed our financial situation.

Whether it was the Moody's Report, the Standard and Poor's Report, the IMF Report or the Latin American Monetary Report, all of whom look at countries throughout the world, they all indicated that Trinidad and Tobago fiscal performance will be judged on how we manage that situation, and I am pleased to indicate to you here today, Mr. President, the worst is behind us.

You will recollect that in this very Chamber, in the other place we debate at length, the legislative framework to make that economic solution real. And today we move on with the full knowledge that we have escaped the possibility of that situation derailing us, especially since when we came into office it remained a problem that could not be touched by the previous regime. Not only had they not diagnosed the situation

correctly, but they did not have the courage to take the hard decisions that we had to take in this Government on that issue.

Mr. President, it is against that background that we have now put forth, as I indicated, our estimates for 2012, and we do so with the full knowledge that we must now shape the behaviour of this economy in a different ways; one which require us to do many things. In the first instance, to acknowledge that, we must search for new space. To some extent, the entire presentation, which I am making here today, is really building a new frontier. We recognize that the old frontier had it limitation, and notwithstanding all the protestations that we can change it, it will only change if we change the frontier.

That is why today the budget statement, which I gave in the other House, was entitled "From Steady Foundation to Economic Transformation. We had to fix the foundation, for if we were to build on that foundation which was shaky then, Mr. President, we would not have been doing service to the people of this country, and as we govern for the next generation, we would have been condemned for not taking the right approach.

So, fixing the foundation was our immediate task, and while that will continue to be matters of policy initiatives, we said it is time to embark on the issue of searching for new space. Some of this was already identified in the budget statement of 2011, when we introduced the development objectives of that Budget. We recognized that as a small economy we are limited physically, we are limited by our population, and we are limited by our exposure to external shocks. And in order the handle that we had to adopt a position that will widen our space.

In that respect, Mr. President, the budget proposals are aiming at creating that new space, both in terms of our geography as well as in terms of our sectorial situation. We talk about entering into new spaces in the economy that have been hidden in terms of development for some time. Whether it is the south-west peninsula, where we have taken the major step, even in in a fiscally challenged time, to introduce a new highway into the south-west peninsula to open that part of the economy, and in years to come, we will see the economic activity emerging from that investment.

Tobago Development

We recognize that in our sister island of Tobago, they have been experiencing, perhaps a more difficult time in light of their dependence and our dependence on the tourism sector, and in this budget proposal, we decided to deal with that problem by offering a way forward. One of the many proposals, apart from the allocations which I shall mention later, is to introduce a fund of up to \$100 million, in order to give support to the Tobago economy, a special support to the Tobago economy in these trying times.

This is after, Mr. President, we are able to inform this country that the long awaited Scarborough Hospital will be opened during this calendar year. This is after we have acknowledged the real heritage of Tobago by beginning works for the new airport, the Arthur Napoleon Ray Robinson Airport in Scarborough. We have also attempted to put sufficient funds in the coffers, not only with respect to the Tobago House of Assembly, in which we have maintained our Constitutional requirements and spending, but we have added additional funds in every ministry.

As of now, we have allocated somewhere in the order of \$2.1 billion for the Tobago House of Assembly and a further \$548 million in the different ministries, in addition to which, we have placed a further \$100 million at the disposal of the Tobago economy for this year.

Opening New Spaces

Opening up new the spaces has been the underlying theme of our wider development strategy, and in other areas we have begun to do work. We had recognized that east Port of Spain is in need of a new injection. For too long there have been voices of despair, discontent and voices in the wilderness.

On the basis of the political philosophy of the People's Partnership we recognize that our commitment to every part of this country is equal. The history of the people of east Port of Spain is the history of the people of Trinidad and Tobago. And that is why we began to pursue, with the Inter-American Development Bank access to a new facility. They had identified a hemispheric programme for what they call the development of sustainable cities. And we immediately offered ourselves to be a candidate to be so selected.

Mr. President, I am pleased to let you know, and the Senators know that we were one of the four cities that were selected in the hemisphere for a sustainable development path to be funded by the Inter-American Development Bank. And already we have had consultants who have come and spoken to all the different actors in designing the approach; but in this Budget Statement, we have isolated one specific measure, which we hope will be put into place during the course of this year of which I will make mention of further. But it is not a project out of thin air. It is not the project in response to an immediate populace demand. It is a project that is responding to the development of the future and the future generations of Trinidad and Tobago.

There is still more work to be done with respect to the Northern Coast of Trinidad and Tobago. There is some work to be done with respect to the Northwestern Peninsula, which remains a potential, always a potential for some 20, 30 years, and we have introduced measures in this budget to improve access to the Southwest Peninsula so that that potential. This potential remained an open dream, but it shall now one day become a closed reality for the people of Chaguaramas and surrounding areas.

Mr. President, it is in that context that this budget development strategy is anchored and rooted, including developments in Central Trinidad, including developments with respect to port capacity and expansion in Port of Spain and in Central Trinidad. I say that, if only to put in context the framework which allowed us to derive our figures.

Revenue Generation

The second aspect of this budget had to deal with the very specific and immediate challenge of addressing the revenue taxation and expenditure challenge. This is in the heart of any budget. I outlined earlier what were the figures, what was the arithmetic. But now I wish to merely put into place some of the challenges with respect to addressing the issue of revenue, the issue of taxation and the issue of expenditure.

It has been pointed out that this budget envisage an increased revenue from last year's budget of somewhere in the order of \$2 billion. Some wondered openly as to whether that is something that we can realize or not. Mr. President, perhaps what is bothering those who have raised that issue is that they have moved from the paradigm that when you want to increase revenue of the Government you have to increase the taxation on the people and put the pain on the people. We decided not to put the pain on the people, but put the pain where it ought to be in the method of collection of taxes. Therefore, we introduce new measures like transfer pricing and other such measures, accelerating the process of revenue correction through oil audits that have been lingering for some time, improving the capacity to raise funds from the VAT intake. May I point out that during the course of 2011 we had to make do \$3 billion to deal with the arrears of tax refunds; so that we end this year with a clean slate, starting next year with a current situation.

So we were able, therefore, Mr. President, in designing the revenue side of this budget to take these things into consideration. We have also opened up new areas for regulation. We have decided to strengthen the regulation in the entertainment industry with respect to the betting industry, and we have decided to begin to put in place the correct procedures for enforcing to legal requirements of the private members clubs.

You will see here again dependency to make the economy one in which we were will all contribute to it, not one that will be so heavily dependent on the price of gas and oil in the future, as indeed—and important as it is, but one that has a wider base from which you can derive your revenue.

Enforcement measures have been increased and in many cases, licences for businesses have been at very low levels. We have increased, and as I go through the specifics, we have increased the licence in many areas, in both the energy and non-energy sectors. We have also introduced measures aimed at improving deterrence to

evasion of tax by introducing measures that hopefully will be able to provide a deterrent having large penalties.

Managing the Fuel Subsidy

In one specific matter, we are very careful to announce a strategy to deal with the so-called fuel subsidy. The fuel subsidy has risen to the level of near to \$4 billion. It was the accumulation of what was happening in previous, plus what happened in the last year, and we had to deal with this problem. Many have said that we should, in fact, tackle that problem by removing the fuel subsidy. We decided that we shall not impose the pain on the ordinary citizens of our country; we will deal with that in a manner that is structurally sustainable. The first place, the illegal bunkering of fuel will no longer have a free hand in Trinidad and Tobago, as we introduce administrative measures to curtail that, and at the same time, we promote long term measures for use of CNG as an alternative fuel in Trinidad and Tobago.

It is true that it has been on the agenda for some time, and it is true that it has been a call that has been made but during the course of last year we had begun to aggressively pursue this matter, and I have no doubt that later on the Minister of Energy and Energy Affairs will be able to give us the details of what has happened on this particular matter during this year, and the expectations for next year. What I can say, in my discussions with the Ministry of Energy and Energy Affairs, is that we have worked out an ambitious and an aggressive programme that will be supported by fiscal incentives to encourage the use of CNG as a fuel in Trinidad and Tobago.

We are looking for long-term solutions to the problems of today. We are not simply putting palliatives based on politics of the day. That is why I made the point about fuel subsidy. Others have said, remove it, and I say that we shall find other ways without incurring the pain on the people, and the consequent impact of that on the rest of the economy as we handle the situation at all times, knowing that our balance sheet will be in order, but it will remain in order without putting pain on the people.

The days in which every time you have to budget deficit and then go and you tax the people is the easy way out. It is the way out of the last regime. In our regime, we explore every possible opportunity to deal with the problem without having to put the pain on the people themselves.

New Legislation for LPG

Mr. President, there are many measures, both in terms of administrative licence fees, one of which I had not mentioned in the Lower House for those who were following the debate there, it has to do with LPG. I was informed that it was never on the list of entities that require even an air licence, much less to increase it. Since then we have rectified that situation, and when we come to the Finance Bill we will be introducing that in addition to those that I had mentioned earlier on.

Liquefied petroleum gas is a cooking fuel of choice, and it is used in the majority of homes, and the Ministry has recognized that it is necessary to ensure safety in the use of that gas, and they have taken steps to ensure that. But the LPG regulations, which have been deficient, will now become of the Petroleum Act and the laws of Trinidad and Tobago and the draft LPG regulations, which are now in the final stages of preparation, will now become part of the regime; the regime of which I spoke, and which I explained earlier in the other House, how we will bring under some kind of public influence, even the actors in the energy sector.

Sectoral Diversification of the Economy

Mr. President, I said earlier that we are looking for wider spaces, but we are not only looking for wider spaces in a geographical sense we are in search of wider spaces from the point of view of our sectoral diversification in the economy. Our economy remains narrowly defined by energy, manufacturing, services, but we felt that the time has come for us now to open up possibilities for a new kind of relationship between the private and public sector.

We know that the public sector has always been the driver of economic change and growth in our country, and there is nothing wrong with that, but there is a limit to which it can go. That is why every year we talk about diversification. From the time we began to look at public management in this country, we had been searching for diversification. However, if the base is so narrow, there is a very limited diversification possibility, and we have had some diversification with respect to energy, natural gas usage in the petrochemical sector, an important initiative that must be furthered. We have had some diversification with respect to our financial services sector, which now has moved beyond our borders, but we need to have more areas for diversification, as it is called, new sectors.

That is why the budget is based not only on the fancies of our wishes but on the basis of the intelligence available to us, have pointed out that there is room for the development of the solar energy usage in Trinidad and Tobago, not only for Trinidad

and Tobago, as some had wrongly interpreted, but to produce solar panels for export to growing markets worldwide.

So we are not restricting our expansion on the basis of our local market because we recognize it is small, that whatever expansion we take must be intensive in terms of skills, like in the Maritime industry, intensive in terms of export earnings like in the solar development energy and many others. And to that end we have said that we must look now at the CARICOM region for yet another time.

The early promise of CARICOM of the 1960s has reached its limits and the time has come for us to renew our efforts in this regard and the full integration of the mineral rich economies in CARICOM with what is available to us here in Trinidad and Tobago in terms of financing and natural gas will form the basis of new discussions with our sister countries of the Caribbean from Jamaica to Suriname to Guyana to Barbados and others. This is looking down the road, but we have taken specific steps with respect to solar energy and a Memorandum of Understanding, which was in train when we came into office between the Department of Energy in the US and our Ministry of Energy and Energy Affairs, we have taken much further.

We will provide the necessary technical support to allow developments in a number of different renewable energy areas to be encouraged. Some of them have been identified in that memorandum, not only solar energy, tidal and wave energy, energy efficiency, biomass, wind energy, biofuels, et cetera; but they will be provided in an agreement to establish a centre that has been referred to as a renewable energy research centre, in conjunction with the Department of Energy in the US and another area in which we shall provide support to institutions like the Caribbean Industrial Research Institute; and in so doing, Mr. President, we will have recognized the need to move beyond the frontiers and to start building that foundation for the future. Building that foundation, I have also indicated that we want to introduce an innovative financing scheme and the Ministry of Planning, Economic and Social Restructuring is about to finalize the operations and the modalities with respect to the establishment of a financing facility to convert research into commercial opportunities supporting what has been done in the first generation with respect to this area.

Promoting Entrepreneurship

Mr. President, all that I have said has been done in the context of ensuring that the people of the country are also protected and we have placed a lot of emphasis on revitalizing the NGOs and small business sector and microbusiness sector. It is astonishingly difficult for us to accept that almost 50 per cent of our unemployed are classified as young people. While we have taken certain steps historically to deal with that problem, we believe there is need for a new focus.

That new focus has been reflected partly in the announcement a week ago by the Minister of Labour and Small and Micro Enterprise Development in a function for the reenactment of the business incubator system in Trinidad and Tobago. At one time it was an idea but it did not materialize during the period after that idea. It was very difficult to convert new ideas into new realities under the past regime. Our challenge now is to do that for the people of Trinidad and Tobago.

So in our proposal we have announced those measures from micro financing of enterprises in the environmental area, opening up the Green Fund to those activities, in addition to what we currently have and inherited with respect to the CEPEP and other programmes. So we are advancing the cause of building microenterprises in Trinidad and Tobago and in so doing, Mr. President, we have also indicated an endorsement of an idea with respect to small- and medium-sized enterprises having access to the capital market of Trinidad and Tobago. We know that there will be some resistance. In fact, one of the hallmarks of this Government, and this is perhaps an indication of what we are doing, is that we do get resistance but the hallmark of this Government is that we overcome the resistance and eventually get where we are going.

So Mr. President, we have said that we will provide a special window for small- and medium-sized businesses to enter into the capital market to raise funds, hoping that this will encourage more efficient funding and at the same time encourage the development of the capital market; and in so doing we shall provide a tax incentive by reducing the tax rate for five years to 10 per cent for those small enterprises, all aimed at developing opportunities for the building of entrepreneurship, thereby creating an opportunity for which the small and medium-sized businesses of Trinidad and Tobago will have for growth prospect. That measure was outlined as a special venue, an SME window, in the stock market and we would obviously want to encourage small businesses to embark on that, and from the point of view of public policy we have, as I indicated, reduced the tax level for five years to 10 per cent from the normal figure of 25 per cent.

Public Offerings

Mr. President, in furtherance of the development of a vibrant capital market, we have begun the process of public offerings in some of the state enterprises. We have already done so with respect to the Development Finance Corporation which at one time was fully owned by the State, no longer so, but it went into major difficulties for yet another time. We began to look at that problem. They had to finance medium-sized businesses in Trinidad and Tobago and they were also faced with the prospect of having to close their doors. We decided to get involved as a Government since we had previously been involved and do have shareholding in that company.

Conclusion

In my conclusion let me merely indicate that with respect to small business and micro-enterprises we are creating these new opportunities. We did so, as I said, with respect to the Development Finance Corporation and we announced our intention to further that public offerings with respect to the Pt. Lisas Development Company; with respect to First Citizens Bank and to one other one which will come to me in a minute, as a step in that direction, but this is only the beginning of a very dynamic plan to bring about the sharing of the wealth. The Trinidad and Tobago Mortgage Bank was the third one in the sharing of the wealth, so that the people will now become part of the ownership and in so doing introduce new measures for performance and efficiency.

Therefore, the sharing of the wealth is an important underlying theme of the budget, reflected in that and in some other measures, specifically the measure which I wish do bring to the attention of this honourable Senate, that is to allow individuals and businesses to qualify for tax deduction if they support the NGOs in further employment in their communities. There is some lack of clarity on that issue and we indicated the need to do that. But all that, Mr. President, to which I have referred, is within the context of developing a new dynamism in the small and business sector.

- **Addressing the Socially Challenged in our Society**

At the same time, Mr. President, we were very conscious about protecting the incomes of the vast majority of citizens of our country and on the last occasion we talked about increasing the old age pension which we had put into effect. This time, we had detailed discussions with respect to widening that. The senior citizens of our country who, in the latter years, have had to face the onslaught of living with incomes that had been determined 10 and 15 years before on their pensions. But you know, Mr. President, we recognize that we must develop a society in which we may provide pensions for all but such a goal will not be achieved by relying on the Treasury to do it, for all times.

So we embraced a new programme where we will have a funded programme for pension support, and that is why I was able to announce in the other House that we will, and in discussions with the NIB, introduce in 2012 a new minimum guaranteed national insurance pension from \$2,000 to \$3,000 for our citizens.

There are two things about that I want to emphasize, that it is the step now in devising fundable and sustainable pension programmes. For too long we have lived under a situation where, every time you need to give support to pensioners, you have to come to the Treasury. There's a limit to that in any country. While we are not in any way giving up that responsibility that exists, for the future we are creating new ways. You see, when

people voted for change that is the change they wanted, change in policies, change in elections, change in performance, and change in seeing a different future.

Mr. President, I would not go into the details on that particular issue but let me just conclude by raising one other issue to which I made reference which has to do with the private/public partnership. We recognize that the State would have to play a driving role and many of our measures have made that assumption. We recognize that the energy sector will continue to be an anchor of this economy, certainly in the short and medium term, but we recognize the competitiveness of that sector must remain intact and that is why we introduced in this budget a specific measure to improve the competitiveness of the energy sector by removing the necessity for them to pay VAT and have it refunded when they bring vessels and rigs to do their work.

This will be a tremendous benefit to those companies, it does not cost the nation anything because the VAT is refunded anyhow and, therefore, we have decided to improve the competitiveness by providing that particular importation for the purposes of exploration and production of oil by vessels and rigs to be zero-rated in this budget.

- **New Pillars of Financing**

We recognize that private/public partnership must now be given a form, it must no longer be words and therefore, we began to look at giving it a financing mechanism. You see, in the final analysis, what you say always ends up depending on whether you have the funds to do it. So it is easy to say what you want to see happen. It is easy to respond to the populist demands but the population must judge you on whether you have taken the next step to make it happen.

That is one of the underlying thoughts of the budget and that is why we propose that the public/private partnership programme will now be a further pillar upon which we should try to engage the society and the public and private sectors. But to do that we began discussions on the establishment of an Infrastructure Development Bank and we have included that here, but in order for us to ensure that we do this with the highest level of professional inputs, I propose that we shall engage the International Financial Corporation, which is the private sector arm of the World Bank, to work with us in the governance and in the operations of that new institution, adding new pillars of financing.

If you rely on the old pillars of financing, you are limited in the prospects for the future, and that is why we have indicated our attempt to move in that direction. Already some work has been done but, we will during the course of this year, further this work and introduce new pillars of financing which will include, the Public Sector Investment Programme, the State Enterprise Investment Programme, the Energy Investment

Programme and the Private Sector Investment Programme. All of these pillars we will now try to engineer a private/public sector investment pillar.

At the end of it all, Mr. President, we hope to see the investment which we are focused on, and we are focused three things in this budget , Safety which I did not speak much on but my Honourable Senator here, am sure, will deal with that; and also Jobs and Investment and we anticipate that during the year 2012, based on the information before us, we will be able to invest somewhere in the order of TT \$26 billion in this economy which is 18 per cent of the GDP.

I end by saying that this plan that we have put forward, Mr. President, has been well structured in terms of it is moving step by step, block by block to giving the people of this country the change they voted for.

Mr. President, I beg to move.