

Address by  
The Honourable Karen Nunez- Tesheira  
Minister of Finance

To

Institute of Chartered Accountants of Trinidad and  
Tobago

Speech  
Honourable Karen Nunez- Tesheira  
Minister of Finance  
Republic of Trinidad and Tobago

ICATT  
Crowne Plaza Hotel  
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“Accountability by Public Interest Entities”

President of the Institute of Chartered Accountants of  
Trinidad and Tobago, Mr. Sean Ramirez;  
Vice President, Mr. Anthony Pierre;  
Immediate Past President, Ms. Angela Lee Loy;  
Mrs. Sharman Ottley, Auditor General of Trinidad and  
Tobago;  
Members of the Head Table;  
Other executive Members of the Institute of Chartered  
Accountants of Trinidad and Tobago;

Specially invited guests;  
Members of the Media;  
Ladies and Gentlemen;  
Good morning.

I am especially pleased to have been invited to address you at this Seminar organised by the Institute of Chartered Accountants of Trinidad and Tobago on the occasion of Accountants' Week. Indeed Mr. President, I take this opportunity to congratulate you and your Institute for hosting this seminar which is yet another demonstration of your on-going commitment to policy dialogue on matters that affect our society.

I also congratulate all the panellists and other participants who have made the effort to attend this Seminar and to share their expertise and knowledge with us today. It is

only with their involvement that we will benefit from the very rich discussions that this occasion will engender.

Mr. President, it is my understanding that over the years, ICATT has provided many opportunities for the distillation of critical issues relating to Proposed government policy and its implementation. Certainly, the selection of ‘Accountability by Public Interest Entities’ as today’s theme is an obvious reflection of the quality of engagement that we have come to expect from ICATT.

Indeed, by encouraging well informed discussion on issues such as- “accountability” within your profession, organisations like the Institute of Chartered Accountants of Trinidad and Tobago play a key role in building dynamic and vibrant democracies based on a system of effective governance.

My address this morning will take advantage of the spirit of open dialogue and debate which you have promoted in the past so as to engage in some reflection on government’s policy directions and on the accountability arrangements relating, in particular, to two of the more significant public policy initiatives that have impacted and will continue to impact on our development, inflation and non-energy fiscal deficit.

It is a matter of public record that T& T’s economy has been and continues to be among the top global performers. This is the direct result of the application of sound and consistent macro-economic policies.

Our overall macro-economic performance in areas of growth averaging 7% well above the global average of 3-4% , our unemployment rate hovering between 5-6 % ; balance of payments surpluses; foreign exchange reserves of USD 6.1 billion representing 10 months of import cover, well above the international benchmark of 3 months fiscal balances; reduction in public sector debt from 58.3 % of GDP in fiscal year 2002 to 28.3% of GDP in fiscal year 2007 well below the international benchmark of 50% - all these macro-economic indicators are truly impressive BUT more particularly they have consistently met and in many instances surpassed the established benchmarks applied by multilateral institutions and rating agencies.

We can all recall the heady days of October 2006 when headline inflation peaked at 10 percent mainly driven by food prices. However, with a strong **collaborative** response on the demand side involving both the Central Bank and the Ministry of Finance, supported by policy initiatives on the supply side involving the co-operation of the Ministerial Committee established to deal with the issue, we were successful in turning back this trend.

Ladies and Gentlemen, as we all know these initiatives have led to the reduction in headline inflation to 7.3% at the end of October 2007. Improved economic circumstances have translated into investment grade ratings being assigned to Trinidad and Tobago by both Moody's Investor Services BAA1 and Standard and Poor's A. These ratings have undoubtedly improved Trinidad and Tobago's access

to international capital markets and have helped to maintain Trinidad and Tobago as an attractive destination for robust foreign investment inflows.

While the Performance of the Trinidad and Tobago economy can speak to many success stories, there remain some important issues that demand our diligent attention. It is the view of our government that most important of these is the need to accelerate the diversification of our economy away from its dependence on oil and natural gas. The achievement of our Vision 2020 aspirations is, in fact, predicated on establishing a vibrant non-energy sector that will represent a sustainable source of growth.

As Trinidad and Tobago approaches fifteen consecutive years of above-trend, energy-sector-led economic expansion capacity constraints are feeding through to greater inflation pressures. Controlling the growth of prices over the coming years will be a crucial factor in preserving a stable macroeconomic climate as the high levels of growth of the recent past ameliorate somewhat in response to global developments. These developments include the convulsions in international financial markets associated with the fall out from the sub-prime market in the United States not the least of which is the prospect of slower growth in the United States.

We are cognizant, that even in this circumstance, there are likely to be a number of opportunities for Trinidad and Tobago. Certainly, lower interest rates in the United States could well work in favour of our domestic capital market.

As such, this Government's anti-inflation strategy involving a series of supply side interventionist measures designed to prevent market forces pushing prices too high will continue to be at the top of the Government's policy agenda. These measures included the introduction of Farmers' Markets; the creation of large scale farms for the large scale production of food under the National Agribusiness Development Programme; the use of the mass media to empower consumers with the best information on prices of fresh produce and the introduction of a food importation programme.

We will continue to put pressure at all points on the supply chain but especially on producers and retailers to keep prices from getting out of control. Our on-going programmes of information dissemination regarding food prices are intended to and have empowered consumers by providing them with expanded choice.

From the demand side, the Ministry of Finance will continue to work very closely with the Central Bank of Trinidad And Tobago to reduce liquidity in the financial system by continuing to make government securities available for complementing the open market operations and foreign exchange actions, of the Central Bank. We fully expect that these actions coupled with the planned supply side interventions I have mentioned, will represent as it is already demonstrating an effective toolbox for managing inflation.

Many commentators have expressed concerns regarding government's fiscal stance and in particular, the trajectory of the country's non-energy deficit. With respect to concerns regarding the growing size of the non-energy deficit, I would wish to point out that we do not expect the current level of the non-energy deficit to be sustained. Rather, in deciding how to use the country's revenues, we took into consideration the country's requirements over the medium-term, its urgent short term needs and the particular characteristics of our economy.

We consider that the most pressing priority is to invest the country's energy wealth into creating a dynamic and diversified economy capable of generating income well into the future.

The temporary growth in the non-energy deficit reflects Government's prioritization of its investments in education, infrastructure and health. We recognise that these investments have strong associated positive production externalities and therefore provide considerable impetus for the expansion of the non-energy sector.

We envisage, therefore, that as growth accelerates in the agricultural, tourism and financial services sectors, as well as in those industries identified for special government support, the non-energy deficit will moderate substantially to more sustainable levels over the medium-term.

For Trinidad and Tobago, the central policy objective remains that of achieving high levels of broad-based economic growth, in the circumstance, Government's policy agenda necessarily seeks to maximize the growth impact of fiscal policy. In this regard, the Heritage and Stabilisation Fund is, perhaps, one of the most important instruments of fiscal policy for Trinidad and Tobago at this time and a diversification mechanism. Our Heritage and Stabilisation Fund was established by an Act of Parliament and assented to on March 15<sup>th</sup> 2007. This fund represents national savings and is held in US Dollars. These savings are exclusive of Foreign Reserves. In 2002 this fund was TT 400 million and projected to be TT12.6 Billion as at the end of December 2007.

In the past few years in main as a result of our strong and consistent macroeconomic performance, the focus of the fund has shifted from stabilisation to wealth generation and of taking advantage of the considerable opportunity that it provides for an enterprising government in pursuit of economic diversification, much in the same way as other oil producing countries have done such as Norway, Qatar and Oman.

The independence of the management of the Fund and the clear statutory guidelines for deposits, withdrawals, auditing and reporting has made our Heritage and

Stabilisation Fund an example of good governance among developing states. Indeed, it is one of the factors responsible for the high ratings given by international ratings agencies to our nation.

A significant portion of our national assets reside in the state enterprise sector. From a commercial perspective, the state's role will be essentially as a facilitator but it will continue to spearhead commercial activity in areas of strategic importance.

In addition, the Government has recognised the need for effective implementation and the need to establish an appropriate mechanism to accomplish this.

Therefore, government has Special Purpose State Enterprises commonly referred to Special Purpose Vehicles (SPVs) which are essentially project management companies to ensure efficient implementation of Government's projects and programmes. To this end fifteen SPVs have been established with a view to increasing public sector investment execution.

These SPVs are being monitored and managed on the same basis as the other state enterprises in the government's portfolio.

As Minister of Finance and Corporation Sole, I can assure that the enterprises under my remit will be subject to the highest standards of corporate governance and transparency and I will insist on directors discharging their fiduciary

responsibilities to their respective companies in the most transparent manner.

There will not be any relaxation of the governance arrangements for these enterprises. In the first instance, all SPVs fall within the ambit of the Companies Ordinance, and therefore, must comply with the provisions of this Act.

The Central Audit Committee of the Ministry of Finance is specifically mandated to ensure that the internal control processes of these enterprises comply with the policy guidelines of the Ministry, international standards and applicable laws.

I am, therefore, very confident that the Special Purpose State Enterprises which have been accorded a key role in addressing the implementation imperative would satisfy fully the corporate and transparency best practices demanded of them.

Ladies and gentlemen, as we embed greater accountability into our public institutions, we are pursuing an equally important efficiency-enhancing agenda which will ultimately provide a supportive environment for the expansion of the non-energy sector. These initiatives are based on the application of new technologies to provide transformational solutions in order to improve administrative efficiency and productivity.

Our public institutions must be transparent and free from corruption. Trinidad and Tobago must be highly ranked on

the international effective governance ratings. State contracts must be awarded in an open and fair manner. Incidences of insider trading and nepotism, over-invoicing and fraud must be dealt with swiftly and decisively. It is also important to ensure that there is timely and full financial disclosure by State companies and adherence to international standard accounting principles.

The establishment of the Revenue Authority and the planned implementation of the Integrated Tax Payer System (which would be fully implemented by next year), the reforms to the new payment and settlements system for the financial sector, and the entire spectrum of e-Governance initiatives represent critical technology-driven change with positive impacts for productivity.

In addition, the widespread use of technology will underpin the planned reforms relating to financial and budgetary management in the Ministry of Finance.

The Ministry of Finance also has a very aggressive agenda for strengthening the regulatory framework for the financial sector. We propose to fast track critical amendments to the Financial Institutions Act 1993, The Securities Industries Act, The Insurance Act, and the Central Bank Act as well as create a new enabling environment for the continued development of credit unions. We also recognise the opportunity that this project represents for leveraging the resources of the Heritage and Stabilisation Fund to competitively position the Trinidad and Tobago International Financial Centre in what is currently a very challenging marketplace.

We anticipate that the implementation of the Trinidad and Tobago International Financial Centre will consolidate Trinidad and Tobago's position as the financial centre for the pan Caribbean region, as well as promote economic diversification by establishing the financial sector as another pillar for growth. Moreover, this project will not only foster further domestic growth but will also have a broad positive economic impact on the entire CARICOM region.

In closing, ladies and gentlemen, as we continue to pursue our policy agenda based on collaborative effort, I look forward to the continued interaction between the Ministry of Finance and ICATT as well as with other stakeholders in the national interest. Surely, we are rapidly closing in on our Vision 2020 aspirations.

Thank you.