Government of the Republic of Trinidad and Tobago

MINISTRY OF FINANCE

CORPORATE COMMUNICATIONS UNIT

<u>For immediate release</u>

March 17th 2017

PRESS RELEASE

DRAWDOWN FROM THE HERITAGE AND STABILISATION FUND

In the interest of full public disclosure, the Ministry of Finance wishes to advise that the Cabinet, on Thursday 16th March, 2017 approved a drawdown from the Heritage and Stabilisation Fund (HSF) in the amount of the US equivalent of TT$1,712,200,000.00 (US$251 million). This drawdown will be used for the financing of the 2017 Budget, in particular, the Development Programme, also known as the Public Sector Investment Programme (PSIP).

By way of reference, on May 13th 2016 the Government of Trinidad and Tobago made its first drawdown of US$375.05 million from the Fund. At that time, the balance in the Fund was US$5.796 Billion, and, after the withdrawal, the balance was US$5.420 Billion.

Since then the Fund has been able to recover through good management and good returns on investments.

In fact, the balance in the HSF increased from US$5.420 Billion in May 2016 to US$5.695 Billion in March 2017. In other words, between May 2016 and March 2017, the HSF recovered US$274 Million. After this latest drawdown, the balance in the Fund will be of the order of US$5.44 Billion, which is the same level that it was after the first drawdown last year

…/2

For clarity, in the 2016 mid-year review, it was stated that any Budget deficit would be financed through a combination of borrowing and a drawdown from the HSF.

Further, in the 2017 Budget Statement it was stated that 'in 2017, core revenue, defined essentially as revenue from taxation, royalties and customs duties is only projected to be of the order of $37 billion, $20 billion less than just two years ago [2015]. This leaves a fiscal gap in 2017 of over $16 billion, which must be financed by a combination of borrowings, ***and drawdowns from the Heritage and Stabilisation Fund***, and one-off sources of income, such as the sale of assets, dividends from state enterprises, repayment of past lending and so on'.

It must be reiterated that the HSF which was established by Act No. 6 of 2007 and provides that the savings and investments from surplus petroleum revenues be used where necessary to:

a. cushion the impact on or sustain public expenditure capacity during periods of revenue downturn whether caused by a fall in prices of crude oil or natural gas;
b. generate an alternate stream of income so as to support public expenditure capacity as a result of revenue downturn caused by the depletion of non-renewable petroleum resources; and
c. provide a heritage for future generations, of citizens of Trinidad and Tobago, from savings and investment income derived from the excess petroleum revenues.

As the country continues to experience severe revenue shortfalls as a result of depressed petroleum prices, the HSF will be carefully used by the Government to ensure the country's financial stability.

Both drawdowns from the HSF were done in accordance with the HSF legislation, in particular, Section 15 of the HSF Act which states:

> "(1) Subject to subsections (2) and (3), where the petroleum revenues collected in any financial year fall below the estimated petroleum revenues for that financial year by at least ten per cent, withdrawals may be made from the Fund as follows, whichever is the lesser amount:

(a) either sixty percent of the amount of the shortfall of petroleum revenues for that year; or

(b) twenty-five percent of the balance standing to the credit of the Fund at the beginning of that year.

(2) Notwithstanding subsection (1), no withdrawal may be made from the Fund in any financial year, where the balance standing to the credit of the Fund would fall below one billion dollars in the currency of the United States of America, if such withdrawal were to be made.

- END -