



GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO

BUDGET STATEMENT 2012

*From Steady Foundation to
Economic Transformation*

SAFETY · JOBS · INVESTMENT

PRESENTED BY
MINISTER OF FINANCE, WINSTON DOOKERAN
10TH OCTOBER, 2011



Government of the Republic of Trinidad and Tobago

BUDGET STATEMENT 2012

*From Steady Foundation to
Economic Transformation*

S A F E T Y • J O B S • I N V E S T M E N T

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INTRODUCTION

Honourable Mr. Speaker, it is my privilege to deliver the second Budget of the Peoples' Partnership Government. I would like to start by quoting a statement made to this Honourable House on September 4 this year. The statement is as follows:

"A failed state is where crime and violence becomes the norm. A lawless society takes over driving law abiding people out. The state of emergency is not something we picked out of the sky to break the rule of law in Trinidad and Tobago. It is enshrined in our Constitution. The Constitution framers have given us this weapon in order to protect the people of our land and to protect our country."

These are the inspirational words of the Honourable Prime Minister, Kamla Persad-Bissessar, as she justified the need for the current state of emergency in our country. This was indeed a decisive and dramatic intervention – a trait that has come to characterise the leadership of our Prime Minister, who has quickly established her credentials in the international arena.

Mr. Speaker, these inspirational words have set the stage for today's discourse, disclosures and decisions. They will inform our Budget Statement for the fiscal year 2012.

Indeed, it is the Government's duty to protect our citizens and our country. In discharging this duty, there was and there is a high level of expectancy by our citizens as they turned the political page and elected the Peoples' Partnership Government some eighteen (18) months ago.

At that time, as we stood on the cliff – looking down and looking up. We knew that we had to fix the economic foundation, get the arithmetic right and set the path for the turn-around of the economy. In accepting this task, we had to muster the courage, a courage that reflected both resolve and vision.

Mr. Speaker, no one can doubt the resolve of this Government to grasp the difficult issues of the day. Many are complex matters and the decisions are never easy. It is very difficult to overcome some of these issues while pleasing everyone at the same time. This Government

recognises that an integral part of success in doing difficult things is the resistance one encounters and the courage one requires in the face of adversity.

Mr. Speaker, we knew as a people we must ready ourselves for change, confront the issues that lie at our door-step and mitigate the risk facing us both globally and locally. Some of our behavioural patterns nurtured over the past must shift. Unsatisfactory levels of productivity, insensitive customer care, lack of competitiveness, social inequity and lack of transparency must be left behind.

- We must hold ourselves accountable as individuals, as families, as institutions, as civil society and as a Government.
- People must be held accountable for the past recklessness in our financial sector and the harm they have caused to many vulnerable people.
- People must take responsibility for their personal investments.
- People must comply with regulations and tax laws.
- We must exercise fiscal responsibility.
- It is time to take responsibility for adhering to the rule of law.

During the last year, we were never cowed by the size of the challenge nor did we shirk our responsibilities to the population. We did not seek an easy way out and neither did we skimp on our efforts. We met the challenges head on.

We began carefully to design the architectural plans for the national economy, step by step, block by block, as we fixed the arithmetic of our finances and set the base for a steady foundation.

Mr. Speaker, as we approached this national task, we were aware that development cannot be proclaimed, imitated or imported; it had to be achieved by "drilling down" within ourselves. It must be inwardly driven from the strength of the country itself, by unearthing our people's entrepreneurship, talent, and capabilities. It is time for our nation to take responsibility for its destiny.

Before I proceed, Mr. Speaker, I wish to extend my appreciation for the collective effort of my Cabinet colleagues, who have provided analytical perspectives and policy prescriptions on the various issues. To my team at the Ministry of Finance, my sincere thanks for the hours of hard work, meticulous research and analytical depth. To those individuals and agencies in the private sector, the labour movement, and civil society whose contributions have informed this Budget, I also express my gratitude.

Mr. Speaker, as we look ahead, the policy platform will focus on three priorities:

- Job creation: with projects for poverty reduction and a range of measures to close the equity gap;
- Investment: which will include creation of entrepreneurial opportunities and an innovation-driven economy to stimulate growth and competitiveness through public/private investment; and
- Security: which will involve the continued implementation of strategies for crime reduction, effective containment, and a climate of law and order. It also will involve food security with clear production targets and infrastructural support.

Mr. Speaker, at the time I presented the first Budget of the Peoples' Partnership entitled: "Facing the Issues: Turning

the Economy Around", confidence in the world economic recovery had begun to re-surface, and by the first quarter of 2011, we envisaged a somewhat smooth sailing, with a certain gentle economic wind on our backs.

Then, the sovereign debt issue currently engaging Greece and Ireland erupted creating contagion risks in the larger countries of Europe which eroded confidence in the European fiscal system. Coming on the heels of the political stalemate in the United States Congress and the subsequent downgrading of credit ratings of nations including the United States, new uncertainties have arisen, particularly with respect to jobs and growth at the global level.

Mr. Speaker, these uncertainties were transmitted to our economy through the impact on oil and gas and other commodity prices, the performance of the Caribbean region and the falling markets for our exports.

The conversation has now changed to market volatility, contagion of financial markets, lowering of growth rates, austerity and even recession. Trinidad and Tobago must not remain an "innocent bystander" to these new dynamics. We must develop a credible response to reignite growth within our economy and search for new buffers to insulate us against external shocks.

I. THE INTERNATIONAL CONTEXT

NAVIGATING THE INTERNATIONAL TROUBLED WATERS

Mr. Speaker, the world economy has emerged from a recession considerably weakened and still fraught with uncertainty. The geopolitical tensions in the Middle East and North Africa, the waning of US dominance, the debt dilemma that sprawls across the Euro zone, and the furore about currency wars have shaken economies to their core. Mr. Speaker, crises are no longer being considered aberrations of financial history.

Recent events in Europe seem to replicate the crisis that rocked Wall Street and felled several financial giants in 2008 and 2009. When the US recently lifted its debt ceiling, it occasioned another bout of heightened anxiety. The gravity of the US condition is far-reaching and may multiply in the months ahead. In August this year stock markets tumbled, some recording their biggest decline since 2008, generating statistical revisions, a realignment of currencies and fluctuations in commodity prices. With these new qualms, the odds of a global recession over the coming year have strengthened.

The Greek debt crisis, resulting in the Euro area's current quagmire, has laid bare the flaws in the European welfare model, where questionable accounting disguised the true size of the debt over several years. Similar conditions exist in Portugal, Ireland, Italy and Spain.

Regionally, uneven recoveries will persist. External current account deficits are widening and rising global prices threaten the most vulnerable groups, requiring large adjustments in national budgets. The recent slowdown in the US economy will have adverse effects on overseas remittances and tourist arrivals, putting additional pressure on already fragile economies.

Mr. Speaker, against this backdrop, Trinidad and Tobago's stable economic outlook arises from stringent measures exercised to ensure that fiscal and external debt burdens are on a more responsible path. Our international credit rating

has not faltered; most of our liabilities to the contractors have been met; some wage-negotiations with the public service unions have been settled; most VAT refunds to the business sector have been paid. The debt-to-GDP ratio remains relatively low and inflation fell to its lowest level in forty-two years.

Moreover, the near-devastating financial impact of the CL Financial/CLICO and the Hindu Credit Union (HCU) crises has been contained and trade unions and credit unions will be paid in full in two installments.

CONFRONTING THE UNCERTAINTIES

• CLICO Trust Fund

In addition Mr. Speaker, the Government intends to establish a new entity which will issue an instrument to holders of Short Term Investment Products issued by CLICO and BAT and mutual fund investors with CLICO, who have exercised the option to exchange their Bonds with maturities of years 11-20. This instrument will be equal to the face value of their Bonds at the date of exchange and would be significantly greater in value than the value of the Bonds in the open market. This means of exchange of the Bonds and any potential risks associated with this market based instrument will be properly explained to investors through a sustained communication plan.

Upon completion of the process of exchanging the bonds for units, the Trust would be listed on the Trinidad and Tobago Stock Exchange and units in the Trust can be traded within the trading structure of the domestic capital market, similar to the other closed end trusts or funds which are currently listed on the Exchange. The potential risk associated with this market-based instrument would be properly explained to investors through a sustained communication plan.

Mr. Speaker, I propose to make the necessary adjustments to the Corporation Tax Act to permit the Trust to have its income and dividends exempt from Tax.

• **Public Service Negotiations**

Mr. Speaker, negotiations for revised salaries and other terms and conditions of employment for monthly-paid employees in the Public Service, including the Police and Teaching Services, and daily rated employees of the Central Government, Tobago House of Assembly and Municipal Corporations for the period 2008 to 2010/2011, began in 2010 and continued against the background of a slowdown in recovery efforts, and fiscal and financial uncertainty.

Notwithstanding these difficulties, settlements have been reached with the Associations and Unions representing employees in the Civil Service and certain Statutory Authorities, the Second Division officers of the Prison Service, and the Sugarcane Feeds Centre.

Not only have we reached agreement on wages, but in the case of the Civil Service we reached agreement on the following two benefits:

- A commitment to extend their health Insurance Plan to include coverage for the family of the Civil Servant, while striving to lessen the relative burden of the cost of the Plan to the employee;
- A commitment to undertake a Job Evaluation Exercise which will bring Civil Servants compensations packages more in line with their market values.

Negotiations are still continuing between the Chief Personnel Officer and Associations and Unions representing officers in the Police, Prison - First Division, Fire and Teaching Services and daily-rated workers.

In the wider public sector, negotiations have also been concluded with a number of organisations including the Airports Authority, University of the West Indies for Academic Staff, the Water and Sewerage Authority and the Chaguaramas Development Authority. Approval has also been granted for similar payments to be made to employees in the Regional Health Authorities and other organisations.

For those negotiations which are yet to be concluded for the period 2008 to 2010, it is our hope that they will be finalised shortly, given that the negotiations are in respect of a past period. We have already entered the 2011 to 2013 bargaining period and a new approach involving social dialoguing will be required if the parties are to arrive at mutually acceptable settlements within the economic realities.

• **Domestic Financial Buffers**

Mr. Speaker, our ability to withstand the impact of recession in our major trading partners stem in large part from the presence of our financial buffers: the adequacy of our international reserves, the relatively low levels of public debt that provide capacity to borrow in an emergency, and the resources in our Heritage and Stabilisation Fund. These buffers have protected our nation's credit rating while others, far mightier than ourselves, have fallen prey to the weak global economy.

We maintained and strengthened these buffers in the face of significant domestic pressures from many quarters, to put at risk the benefits from our disciplined and prudent approach.

As a result, Mr. Speaker, I am pleased to report that at the end of September this year Gross Official Reserves stood at US\$9.7 billion, the equivalent of thirteen months of imports. As a result of its conservative investment stance, the Heritage and Stabilisation Fund was less affected by the turmoil in global markets than the average international fund. This fund, as at September 30th 2011, amounted to US\$ 4.1 billion.

Mr. Speaker, Trinidad and Tobago has made significant proposals to the International Financial Institutions for a review of existing windows for insulating small economies from external shocks. I am pleased to inform this Honourable House that this matter is currently being considered and an international committee is being established to further this proposal.

II. NATIONAL SECURITY

AN INTEGRATED APPROACH TO CRIME

Mr. Speaker, crime continues to be one of our country's formidable challenges.

This Government was elected on the trust and hopes of citizens that we will bring change to this situation and we are resolute with respect to that objective. Our Minister of National Security has displayed a purposeful approach to tackling this situation and he is deserving of our commendation.

Mr. Speaker, the Government's approach to crime containment and reduction is multi-pronged and involves:

- more effective law enforcement and policing
- social interventions aimed at discouraging a lifestyle of crime and violence
- reform of the justice system and the legal framework; and
- rehabilitation of offenders.

As crime and criminal activity become more complex, priority is being given to increasing the sophistication of the resources and systems utilised and to the effective management of Law Enforcement Agencies. As such, emphasis is being placed on:

- expanding the use of modern technology for tracking crime and ensuring connectivity between law enforcement agencies
- capacity building and training of law enforcement officers
- modernisation of physical infrastructure and information management systems
- initiating a street and community patrol in partnership with the private security sector beginning with 250 new motorcycle patrol officers; and
- in partnership with the municipal police a City Surveillance Network Programme is to be initiated in the city of San Fernando expanding thereafter.

The 21st Century Policing Project is a major initiative which introduces a new delivery system for policing that builds partnerships with communities and provides a high level of customer service. It effectively blends intelligence led proactive initiatives together with community policing strategies.

Mr. Speaker, in recognition of the transnational and perverse financing of crime, the Financial Intelligence Act (2009) has been amended to improve the effectiveness of the Financial Intelligence Unit in combating money laundering as well as the financing of terrorist activities in Trinidad and Tobago.

Additionally, legislation would be brought to Parliament to strengthen the capability of the Private Security Industry, and the Prison Rule, the Defence Act and the Evidence Act will be modified to strengthen enforcement measures.

Mr Speaker, initiatives to stem illegal activity domestically must be complemented by actions that reduce security threats in our airspace and maritime domains. To effectively safeguard the nation's maritime borders, greater scrutiny will be placed on containers, cruise ships and ferries as part of a comprehensive, systematic approach to border security.

Mr. Speaker, you will recall that in the last budget we had introduced a special allowance of \$1,000 per month for officers of the Police Service in recognition of the special circumstances they face due to the severity of our crime situation. This allowance will now be extended to other members of the Protective Services including the Fire and Prison Services, and the Defence Force.

Mr Speaker, these are only some of the highlights of a comprehensive national security plan and reflect the priorities the Prime Minister and the Minister of National Security and the Government have placed on confronting this challenge head-on.

III. STRATEGY FOR ECONOMIC TRANSFORMATION

CLAIMING NEW ECONOMIC SPACE

Mr. Speaker, I turn now to the strategy for economic transformation. Over the years, a consensus has emerged among economic analysts and practitioners that there are limits to the expansion of economic activities, in a small open economy such as ours, largely due to the constraints of limited physical space, small population, and few natural resources.

There are new areas of economic potential that remain undeveloped across the landmass of Trinidad and Tobago, places like the North Coast, South-Western Peninsula and North-East of Tobago as well as in the missing sectors that must be developed in areas like shipbuilding and repair, information and communication technology, sports and medical tourism.

Here at home we have eternally spoken about diversification of the economy; yet other than the transition from an oil-based to a gas-based economy, the structure of the economy has not changed. In essence Government revenue and GDP growth are highly linked to developments in the energy sector, our manufacturing sector remains constrained by the limitations of the CARICOM market and economic activity in non-energy sector remains dependent on Government's ability to transfer the energy sector revenue to domestic expenditure.

This year we will find or explore new physical, financial and investment spaces within which we would like to see responses from the private sector, the labour movement and the state enterprises. Mr. Speaker, as noted, the structure of the economy has not fundamentally changed despite the emergence of the dynamic petrochemical and gas sector, what has changed however, is the skill set of this country. Trinidad and Tobago now has more human resource capabilities in areas such as public administration, education, health, business, financial services and information and communication technology.

In the Budget Statement of 2011, we began to spell out the specifics of "opening new economic spaces" in our quest to

develop five poles of expansion in the medium term. It is in this context that the Budget Statement sets three strategic imperatives for the transformation framework:

1. Start the programme for change in the structure of the economy
2. Embrace the challenge to enhance our institutional capability to deliver
3. Alter the priorities of our expenditure to meet the basic needs of our people – jobs, healthcare, home ownership, security and education.

Mr. Speaker,

- We are implementing a series of structural reforms aimed directly at the modernisation of the State, particularly in the areas of public administration and public financial management.
- We shall strengthen Governance and Human Resource Management in the Civil Service. This will require a sustained effort at developing a culture of efficiency in customer service in all Ministries, Departments and Agencies.
- We will accelerate the use of Information and Communications Technology across the Public Service to improve decision making and to deliver quality service to the citizens of Trinidad and Tobago.
- We intend to reform the management and preparation systems of the Public Sector Investment Programme. The PSIP has been redesigned to improve efficiency and accountability of public expenditure, the alignment between resource allocation, the Government's growth objectives and the quality of service delivery to the population.
- We will establish in 2012 a Public Financial Management Modernisation Unit, to manage the project development activities associated with the implementation of new financial management systems. The implementation of the programme covers a range of activities, including

strengthening the budgeting process, treasury management, and the creation of an Integrated Financial Management Information System, with an aim towards the introduction of results based budgeting by 2013/14.

- We will strengthen the capabilities of the Central Statistical Office to ensure that it meets international standards and can provide almost real time statistics.
- We will improve and strengthen public debt and cash flow management within the Ministry of Finance with the technical assistance of the World Bank.
- During 2012 we will enhance our consultations with all stakeholders with a view to ensuring that our Medium-Term Economic Plan has broad national support.
- The 1984 National Physical Development Plan will be revised and updated to accommodate current and future challenges.
- We will complete a land use policy during the course of this fiscal year which would include allocation of lands to support business growth in areas targeted for strategic development.
- Mr. Speaker, we will intensify our efforts to improve the regulatory and administrative framework to encourage private sector investment, to promote growth and to enhance employment.

IMPROVING THE REGULATORY ENVIRONMENT FOR PRIVATE SECTOR ACTIVITY

Mr. Speaker, the Computerised Customs Management System, ASYCUDA system will come into effect in fiscal 2012. This will be integrated with the Single Electronic Window which will improve the ease of doing business in Trinidad and Tobago and our competitiveness.

The Government, having recently paid off most of the arrears outstanding to VAT claimants, will put measures in place for VAT refunds to be paid on a timely basis. We will also take measures to alleviate the burden imposed on offshore activities in the oil sector by the current VAT arrangements.

The Government will introduce in fiscal 2012 an e-payment system for the payment of taxes and duties on both incomes and goods.

The Joint Select Committee of Parliament will report on the Procurement Act, and appropriate legislation will be laid in

Parliament. Within 3 months of the passage of the legislation the regulations and guideline will be approved and the new structure will be geared to encourage e-tendering and web site availability for the processing and awarding of tenders.

The Government intends to modify the Insurance Act to strengthen the regulatory environment in the sector. This will ensure that high-risk leveraging will not be repeated and public confidence in the stability of the financial sector and in the strength of its regulatory framework will be increased.

Mr. Speaker, we envisage that the above measures will enable greater efficiency in the operations of the private sector and urge them to seize the opportunity to broaden the economic space in which they now operate. The World Economic Forum's Global Competitiveness Report, 2010/11, ranks Trinidad and Tobago at 81 out of 141 countries. As a country we have to do better. We are doing our part to remove any administrative and institutional handicaps that contribute to this outcome; we expect the private sector to do the same.

LOOKING OUTWARD

Mr. Speaker, in our strategy for economic transformation we must look outward to the region and Latin American economies for access to their markets and for the use of our local services in their own development thrust. Already, we have secured healthy positions with respect to our financial service sector, for our presence in the region has been well established, but we intend to go further to seek opportunities in the capital market of the region and so provide financial returns to the country. To this end, we have challenged the International Finance and Business Company to promote Trinidad and Tobago as a place for financial activities as well as investment design and construction services and investment and trade.

As an incentive Mr. Speaker, we in the Government will seek to offer our services with respect to facilitating market penetration and market access for our private sector to sell and market its skills abroad. Wherever we can, we shall open doors, bring parties together, facilitate communication, and initiate any activity that we deem both prudent and possible, to promote the exports of the skills of our citizens.

Mr. Speaker, notwithstanding the emphasis on changing the direction of the economy we must as a priority address

the basic needs of our people –in health, education and housing. We must encourage productive activity in the areas of agriculture, tourism, sports and culture. We need to undertake these activities while protecting our environment and the safety of our citizens. I shall now turn my attention to these matters.

MEETING THE BASIC NEEDS OF OUR PEOPLE

• Health Services

With respect to health services Mr. Speaker, we intend to continue expanding our healthcare to all areas of Trinidad and Tobago. A new programme for developing of our hospitals is being finalised, which will include the new Children's Hospital and repair and upgrading of our current health and hospital facilities. The San Fernando Medical Complex, which has already begun, with the conversion of the Chancery Lane Building into a medical facility, will be expanded to include the Naparima Medical Academy.

Mr. Speaker, the accountability and quality of healthcare will be further enhanced with the soon-to-be established Accreditation Council to certify best practice standards. We will also implement the Health Information Management System throughout the health sector to ensure the rapid transmission of patient information while preserving confidentiality.

We will continue to support access of our most vulnerable patients to medical procedures and medication under the Financial Assistance to Necessitous Patients Programme and the Adult Cardiac Surgery Programme.

• Education and GATE

Mr. Speaker, a high-quality education for our citizens is critical to our economic future. The GATE programme was expanded in 2011 to include technical and vocational training. A further review will be informed by the findings of studies undertaken by the Centre for Workforce Research and Development funded through the European Development Fund under the aegis of the University of the West Indies. The study will identify the skills gaps within the local economy, thereby guiding education and training needs that are aligned with labour market information.

Mr. Speaker, the GATE programme will now be subject to more rigorous pay-for-performance rules with respect

to students to ensure value for money spent and greater accountability will be required from the institutions that are registered in this programme.

The Seamless Education System

Mr. Speaker, the Seamless Education System is a multi-phase project. The first phase of this project will improve equity, quality and relevance of educational services provided to all children in Early Childhood Care and Education, and in primary education.

Partnership with Higher Education

Mr. Speaker, the public and private partnership in education would include our higher educational institutions as a source of valuable expertise and competencies. Mr. Speaker, as a start, we endorse the collaboration by University of the West Indies, the Arthur Lok Jack Graduate School of Business, and their proposed collaborative effort for a growth initiative with private enterprises to help expand to new markets outside of the CARICOM and develop new products.

• Housing and Home Ownership

Mr. Speaker, there is no doubt that housing is a critical component to the quality of life for our citizenry, and as such, the Government remains fully committed to the provision of quality housing to our citizens. At present, there are 129,000 applicants on the waiting list of the Housing Development Corporation database. Approximately 80 percent of the empty housing units are currently under repair because of questionable work done by contractors. In fiscal 2012 we have targeted 4,450 housing units for completion.

Mr. Speaker, in order to encourage home ownership, in particular for first time owners, the Government had reintroduced last year a tax allowance of \$18,000.

In January this year, the Government extended the subsidised interest rate of 2% to be accessible through all financial institutions for the purchase of HDC houses, thereby increasing the number of persons using that facility.

Mr. Speaker, we are also making home ownership more affordable to the middle income groups. Government has decided through the Trinidad and Tobago Mortgage

Finance Company Limited to provide mortgages at reduced interest rates. Mortgage rates which are currently at 6 to 8 percent will be reduced to 5 to 7 percent. This will benefit over 13,000 homeowners and will become effective during 2012. This mechanism will be reviewed annually.

Mr. Speaker, with respect to delivery of housing units, we have acknowledged the concerns and anxiety of citizens whose applications for housing under the Government's housing programme have been at the HDC for more than ten years. To alleviate this situation, long standing applications are given priority for housing distribution.

The Government is currently exploring the introduction of a new programme entitled Land for the Landless to provide greater opportunities for home ownership. The Government will give successful applicants a foundation base and the opportunity to construct a 2 or 3 bedroom unit. We believe as many as 10,000 applicants will benefit from the programme annually thereby allowing successful citizens to ease the 25 to 30 year debt burden associated with home ownership.

Mr. Speaker, our Neighborhood Upgrading programme is designed to improve the living conditions of low- and middle-income groups by regularising tenure in squatter settlements across the country. The main components include Squatters' Regularisation, a new housing and home improvements subsidy and Sector and Institutional Strengthening. In addition, we will finalise the title regularisation for approximately 3,000 beneficiary families and relocate families where regularisation is not feasible.

Mr. Speaker, the home improvement subsidy was raised last year from \$10,000 to \$20,000 per beneficiary household, to be used for home repairs, expansion and renovation, with the emphasis being on improving family health and safety.

The new home purchase or construction subsidy will be up to a maximum of \$50,000 per eligible household for homes costing \$200,000 in Trinidad and \$220,000 in Tobago.

IMPROVING PHYSICAL INFRASTRUCTURE

• Transportation

Mr. Speaker, during the course of this year we will unveil an alternative transportation system. Feasibility and design studies will commence shortly to establish a modern system of urban transportation involving a system of park and ride facilities, inner city bus service, and a Bus Rapid Transit System. The Bus Rapid Transit will service routes along the East-West Corridor and from the East-West Corridor to San Fernando.

In addition Mr. Speaker, in addition to the ongoing construction of the highway from San Fernando to Point Fortin the following new projects are proposed:

- The construction of the San Fernando to Princes Town Highway,
- Commencement of designs aimed at improving the major intersections at the University of the West Indies, Pasea, Macoya, Piarco, Monroe Road, Endeavour and Couva.

Mr. Speaker, we also intend to complete a comprehensive reform of the existing institutional and regulatory structures that pertain to road sector governance, aimed at improving our efficiency in the maintenance and construction of our road systems.

• Water

Mr. Speaker, the country's water supply system suffers from major deficiencies related to high overhead, inadequate tariffs, aging infrastructure, and a lack of adequate maintenance.

Mr. Speaker, the Government will focus on improving the operational efficiency and financial sustainability of WASA on rehabilitating and expanding the wastewater system, and on improving the sustainability of the wastewater and water systems.

EXPANDING AGRICULTURE AND TOURISM

• Agricultural Initiatives

Mr. Speaker, boosting agricultural output is a central plank in the efforts of the Government to improve employment, keep inflation low and stable, and grow the economy.

Mr. Speaker, this year the Government initiated the Agricultural Incentive Programme aimed at assisting local farmers in overcoming the major challenges faced in the sector. The Programme provides support to farmers in the form of percentage rebates on the cost associated with the purchase of irrigation equipment, land preparation, pest management, and post-harvest marketing. There are also incentives to encourage youth in agriculture, for fisheries, the provision of security in the agricultural sector, and for agro-processing.

Mr. Speaker, the Agricultural Development Bank is playing a role in this initiative. The interest rates at the ADB have been reduced to between 3 to 5 percent

down from 5 to 8 percent and this has resulted in an increase in credit demand of approximately 50 percent. These interest rates will be further reviewed in the new fiscal year.

Mr. Speaker, the Government is also encouraging the use of greenhouse technology. The Trinidad and Tobago Agri-Business Association has been charged with increasing greenhouse agricultural production and marketing and will include greenhouse vegetables in its contract production programmes.

• **Tourism Action Plan**

Mr. Speaker, the Government's Tourism Action Plan highlights five key focus areas:

- product development,
- marketing and public awareness,
- competitiveness and investment
- safety, security and access, and
- quality assurance.

Mr. Speaker, this comprehensive tourism thrust will generate high quality jobs in the industry. It will also encourage investments from internationally branded hotel chains that have proven track records, and will also facilitate the participation of owners of small accommodation properties in the development of the tourism sector.

Mr. Speaker, sustainable tourism requires adequate infrastructure for not just accessibility to tourism sites and attractions but systems to protect the fragile environment of many of the attractions, such as nesting sites of turtles and coral at the Buccoo Reef. As we seek to revise and update our investment incentive packages in the sector we shall concentrate on those incentives best suited to encourage sustainable development of both the product and the environment.

RESPECTING OUR ENVIRONMENT

Mr. Speaker, sustainable economic and human development is not possible without respect for the environment.

We will continue to work towards finalising the Beverage Containers Bill to give effect to the reuse and/or recycling of waste containers, and to discourage the unsanitary and environmentally degrading practice of disposing of empty beverage containers in the environment. The Beverage

Containers Bill will assist in the establishment of a Recycling Industry in our nation.

Mr. Speaker, the Government has recognised Environmental Education as one of the core tenets in achieving sustainable development and this is entrenched in the National Environment Policy of Trinidad and Tobago. We propose to make resources available for environmental education from primary school age to adulthood as well as public awareness on environmental issues.

In this regard, following upon my last Budget Statement, in order to optimise the objectives of the Green Fund, the legislation governing the Fund was amended to allow Non-Governmental Organisations incorporated under the Companies Act, to be included as Non Profit Companies to be eligible to access the Fund.

In addition, the Green Fund legislation provided for organisations and community groups which include remediation, reforestation and conservation of the environment in their portfolio of projects, to qualify for assistance from the Green Fund.

This fiscal year, Government proposes that the categories of activities eligible for access to the Green Fund will be broadened to include environmental education and public awareness on environmental issues.

This would require a simple amendment to Section 64 of the Miscellaneous Taxes Act, Chap. 77:01.

ADDRESSING YOUTH, SPORTS, CULTURE AND GENDER ISSUES

Mr. Speaker, youth unemployment is distressingly high, exceeding fifty-five percent at June 2010. We are actively addressing this issue. We will upgrade the Youth Development and Apprenticeship Centres to increase the intake of students as well as to further engender the shift from welfare practices to one of self-reliance and empowerment. Three centres will benefit from this ongoing initiative in the coming year—Persto Presto, Chatham and El Dorado.

Sport

We will continue to maintain and improve the sporting infrastructure in our nation. In addition, three state-of-the-art mega sport facilities will be constructed in compliance with international standards – the national cycle track, the national aquatic centre and the national tennis centre.

The Government has developed a 2-year programme which will engage young people in full-time sport training programmes. This programme, called LIFE-Sport, is intended to train persons in sport and social skills, as well as in life skills through occupational skill training. This programme will be piloted in ten different communities throughout Trinidad and Tobago.

Culture

Mr. Speaker, the Government initiated a number of projects to reflect our nation's rich heritage, to support and promote our multicultural society, and to celebrate our diversity.

Mr. Speaker, the Government, through the National Museum, has made significant progress on the establishment of a National Hall of Fame. The Museum is currently working towards the development of a Portrait Gallery which will be the foundation for the Hall of Fame. The establishment of the Remember When Institute will facilitate and manage the House of Music among other heritage related projects such as the Evolution of the Steel Pan Exhibition and the recreation of Port of Spain as a Museum City.

We are confident that these projects will safeguard our traditional knowledge and facilitate meaningful contribution to an archive of indigenous culture and folklore for our citizens.

Mr. Speaker, we will further develop our human capital in the arts and culture by developing projects that enhance the link between our pan yards and local communities. These include:

- The "Music School in the Pan Yard" project, which trains participants in music literacy and a mix of steel pan and two other musical instruments
- The "Art of Success" project, which is a mentorship workshop series that will facilitate knowledge transfer from esteemed professionals and
- The establishment of the high level panel for culture and arts to make recommendations.

Gender

Mr. Speaker, gender inequities can severely impede the social and economic transformation of an economy and we shall seek to redress all forms of gender discrimination in this society. The Trafficking in Persons Act (2011) was assented to in June this year; and gives effect to the United Nations

Protocol to prevent, suppress and punish Trafficking in Persons, especially women and children.

Mr. Speaker, to support women's participation at the leadership level in the country, we have ensured that women are adequately represented on state boards and statutory authorities. To date thirty-one percent of directors of state boards are women, compared to twenty-six percent of the previous administration, and our target is forty percent.

MANAGING OUR SOCIAL SAFETY NET

Mr. Speaker, in Trinidad and Tobago poverty is estimated at 17 percent of the population with the level rising to 30 percent in some geographic areas. These are totally unacceptable figures and the Government has targeted a reduction in poverty by a minimum of 2 percent annually through rehabilitative and skill enhancement initiatives.

The Poverty Reduction Programme has allowed persons-at-risk to undertake micro projects; this is facilitated by providing financial support to community-based and non-governmental organisations as well as private sector entities for the purpose of supporting micro credit and entrepreneurship to small entrepreneurs.

Mr. Speaker, the Targeted Conditional Cash Transfer Programme provides social protection to our citizens by promoting nutrition and food security while spearheading developmental activities through the provision of training assistance in finding employment, budgetary planning, family planning and career guidance. Additional focus will be placed on ensuring that individuals and families living in poverty or who are vulnerable to falling below the poverty line are provided with the necessary support towards attaining self-sustainability.

Mr. Speaker, we have expanded the Utilities Assistance Programme through which financial assistance is provided to lower income customers of WASA and T&TEC by way of subsidies, in order to ensure their continued access to basic utilities, water and electricity. In 2012, the Utilities Assistance Programme intends to reach a total population of 11,268 householders who are customers of WASA and TTEC. We will ensure that those persons who are most in need have access to this subsidy.

Mr. Speaker, the first ever World Report on disability produced jointly by WHO and the World Bank this year, contends that differently-abled persons experience worse socioeconomic outcomes and poverty than persons without a disability.

Here in Trinidad and Tobago, equal rights of all persons with disabilities must be respected.

Government will continue to take special care of our differently-abled citizens so that they could live independently and participate fully in all aspects of life. We intend to add the following measures to the current programme:

- Grants will be paid to single mothers who are the sole caregivers of a special child and where the household income is inadequate to support the family
- Individuals who are differently-abled will automatically qualify for food support under the Food Card Programme
- All persons with a disability will be able to access free transportation on the Public Transportation System. Specially designed buses for the differently-abled will be made available
- Families with a child who is disabled will automatically receive food support via the TT Food Card and
- All disabled persons who wish to further their education or wish to enter the labour market via business development training will benefit from a scholarship of \$5,000.00 under the RISE UP Programme.

Mr. Speaker, Government recognises the critical role of Non- Governmental Organisations in our society. For years, NGOs have been executing grass roots initiatives that respond effectively to the realities of local communities.

The State as well as kind individuals and corporate entities have been providing financial and other support for the excellent work carried out by these NGOs. However, in order to encourage the corporate sector and individuals to substantially increase their contribution to NGOs, appropriate legislation will be amended, in line with international standards and introduced for such contributions to be clarified as tax deductible expenses.

TOBAGO DEVELOPMENT

Mr. Speaker, the Government is committed to working with the Tobago House of Assembly and other stakeholders in the development of the future of Tobago paying due regard to the operation of Act No. 40 of 1996. In addition, the new Ministry of Tobago Development has added new opportunities as part of its imaginative thrust for securing the future of the people of Tobago.

Mr. Speaker, the slowdown in the global economy has significantly affected the Tobago Tourism Sector and its capacity to continue to be the primary private sector driver of development on the isle.

The People's Partnership Government understands the consequences of seeing a 60 percent decline in Tourist arrivals to Tobago between 2005 and 2010. Those effects would be felt almost in every facet of the island's economy, from the fishermen in Charlotteville, to the taxi drivers in Crown Point and to the businessmen in Scarborough.

The Government will work with the THA to ensure that Tobago's tourism product is appropriately positioned for growth. Key to this repositioning is the roll out of the stakeholder developed Tourism Action Plan to be implanted over a 15 months period which will provide financial incentives for investors in the industry.

Mr. Speaker, the Tourism Development Fund is now set at \$100 million. This Fund will also contribute significantly to the sustainability and quality of the Tourism product in Tobago. The Fund is designed to provide a Government guarantee to be accessed by both existing hotel properties as well as new property developers. Similar consideration is also being given to our private business sector partners in Tobago, on the advice of the Tobago House of Assembly, as we consider a range of initiatives to support the Tobago Economy through this period.

Mr. Speaker, the Magdalena Grand Beach Resort, formerly the Hilton Hotel, has been mandated to work with Tobagonian farmers and fishermen to provide the food needs of the Hotel. This will be the recommended innovative model for all of Trinidad and Tobago with respect to greater purchase by hotels and restaurants of locally produced food.

Mr. Speaker, primary to the development of a stable, private sector driven, economic base for Tobago is the transformation of many of the necessary institutions and approaches that impinge on the island's human capital. The Government in conjunction with its Tobagonian partners will construct the integrated University Campus in East Tobago. This campus will integrate the campuses of UWI, UTT and COSTATT in Tobago. The location of this campus in East Tobago will signal the end to the need for Tobagonian students to travel to Trinidad in search of tertiary education opportunities.

In the West of Tobago the Government intends to conclude the acquisition of the Friendship Estate in order to pursue the development of an energy bridge between Tobago and Trinidad with all the related economic advantages of such a project redounding to the benefit of the all Tobagonians.

We are also supporting Tobago's need to enjoy the benefit of a free zone, and will shortly bring enabling legislation to this House.

An initiative which began in 2001, the Scarborough General Hospital is finally to be delivered to the people of Tobago in time for Christmas this year.

Mr. Speaker, the total budgetary allocation for the Tobago House of Assembly for fiscal 2012 is \$2,199 million dollars, of which \$1,861 million for recurrent expenditure and \$319 million for capital expenditures.

Mr. Speaker, Tobago will also receive an additional \$510 million under various other Heads of Expenditure.

Mr. Speaker, the Government will honour its pledge for constitutional reform leading to full internal self-government for Tobago. Most of the ground work has already been laid and a frame work that will allow this period of consultation to culminate in real legislative action is now being worked on at the level of the offices of the Prime Minister and the Chief Secretary. Mr. Speaker, the Budget has sought to respond positively to the Tobago House of Assembly's request as well as the Ministry of Tobago Development. In this regard, we will make every effort to ensure that monies allocated are spent expeditiously and for the purposes so identified.

IV. STRATEGY FOR GROWTH, TRADE AND INVESTMENT

OUR INVESTMENT PLATFORM

Mr. Speaker, growth is at the heart of our economic development and the State has a pivotal role to play in building partnerships in new growth initiatives. Our goals are to expand the economy and change the direction of economic growth.

Last year's projection of positive economic growth did not materialise. The Central Statistical Office anticipates for calendar 2011 a 1.4% contraction in the economy. However, the GDP per capita at current prices increased from US\$16,016 in 2010 and is estimated to be US\$17,231 in 2011.

Mr. Speaker, our growth initiatives are expected to increase output, incomes and employment. Our strategy is to generate new investments, re-energise the energy sector, facilitate private sector investments and encourage new financing for private/public sector initiatives.

Mr. Speaker, the 2012/2014 Investment Platform for Trinidad and Tobago is predicated on new investments in:

- Traditional energy
- Downstream industries
- Alternative and Renewable Energy
- Maritime Economy
- Urban development
- Infrastructure
- ICT Platforms
- Environments promoting business competitiveness
- Capital Market Development and
- Creative Industries

NEW INVESTMENT IN ENERGY

Mr. Speaker, since 2006, this country has incurred a loss of approximately 30.0 percent in crude output and condensate as well as more recently, the plateauing of gas output. We are seeking to attract investments to make up the gap and to expand our industrial base. We would nurture new industries and extend our economic reach

beyond the CARICOM Single Market Economy to the rest of the world. We are concentrating on the generation of high-value output to replace similarly-lost crude output and we are focusing on the several integrated energy-based manufacturing industries.

Mr. Speaker, Government has also embarked upon renewable energy and energy efficiency initiatives aimed at climate change mitigation and the enhancement of national development. We have begun work on the National Energy Policy, with the development of a Green Paper based on local consultations held earlier this year which would govern renewable energy and energy efficient practices, and the utilisation of compressed natural gas in the transportation sector.

The Government will also develop a local Sustainable Energy Programme, establish an energy regulatory framework to promote sustainable energy, maximise the efficient production and use of fossil fuels, and mobilise investment in renewable energy and energy efficiency.

Mr. Speaker, the Government anticipates that in 2012 some US\$2.5 billion would be spent in the energy sector on ongoing and new projects. Additionally, petrochemical companies would add another US\$1.4 billion in new downstream projects in 2012.

First is the AUM 2 project, which would produce melamine. We anticipate that the domestic production of melamine will provide the basis for melamine derived industries including those producing plastics, adhesives and laminates. This facility has an estimated capital cost of US\$1.9 billion and will create more than 3,000 jobs during the construction period and 450 permanent jobs on completion.

Secondly, there is the CariSal project. Government in conjunction with the US firm CariSal will construct a plant to produce calcium chloride, caustic soda and other related products for the domestic market as well as markets in the Caribbean, North America, West Africa and Latin America. Construction of the CariSal plant would begin in 2012, at an estimated cost of US\$430 million, with the potential to create more than 200 jobs during construction and operation.

Mr. Speaker, as we look to the period 2012 – 2015 and beyond, we see the prospects of developing a number of new projects in the energy sector. Significant interests have been expressed by investors in these projects and negotiations are taking place. If they were to materialise, we would anticipate a further injection of investments of approximately US\$5 billion during this period. These projects are:

1. The Reliance Bitumen Upgrader project;
2. Methanol to Polypropylene project;
3. Methanol to Acetic Acid project;
4. Maleic Anhydride project; and
5. Melamine derivatives projects.

Mr. Speaker, by the end of this decade, our country would have in place a well-established and high-value manufacturing sector generating good quality jobs and providing our citizens with a good standard of living and general prosperity. Moreover, we would have taken substantial steps in replacing our lost output of crude and ensuring that our economic growth remains stable and sound.

ALTERNATIVE ENERGY DEVELOPMENT

- Solar Manufacturing Complex

Mr. Speaker, the Government proposes to seriously commence work on a Solar Industrial Development Plan, building commercial possibilities based on solar energy namely silicone, glass and integrated photovoltaic manufacturing industries. Based on preliminary assessment, there appears to be great commercial potential in developing such a cluster.

- National Wind Resource Assessment Programme

Mr. Speaker, the Government will commission a national energy efficiency study and pilot project and a National Wind Resource Assessment Programme.

NEW MARITIME ECONOMY

Mr. Speaker, there is an opportunity for the Government to play a catalytic role in the development of Trinidad and Tobago as the regional ship building and ship repair centre. We are today considering ways in which we can attract joint ventures with the requisite finance, skill and experience to make the necessary investments to create a ship building and repair industry, with the potential to generate high skilled quality jobs.

Regional Fast Ferry Service

Mr. Speaker, the Government has recognised the need to introduce a Regional service, between Trinidad & Tobago, Grenada, St. Vincent, St. Lucia and Barbados to improve the movement of persons and cargo. It is anticipated that these will be private sector initiatives and the Government will encourage proposals to make this happen.

URBAN DEVELOPMENT

Invaders Bay

Mr. Speaker, significant interest has been expressed in the transformation of the waterfront along Invader's Bay. This development has great potential for promoting commercial activities in the services sector and will benefit the country significantly. Such projects are meant to be private sector initiatives utilising green building technologies and will assist in making Trinidad and Tobago an attractive destination for new investments.

Sustainable City Project – East Port of Spain

Over the years, numerous development initiatives in East Port of Spain have not achieved their goals and the community has grown wary of these efforts, particularly those which do not involve the community in decision making.

This is the reason why in last year's Budget, we announced the Heritage City Initiative as a mechanism to leverage the cultural and built heritage assets in East Port of Spain to improve the economic health of the area. The history of East Port of Spain, Mr. Speaker is the history of Trinidad and Tobago.

This project is being developed in partnership with the East Port of Spain Council of Community Organisations, the Caribbean Network for Urban and Land Management at UWI, the East Port of Spain Development Company, and other key stakeholders. This exercise has also engaged the Making Life Important Initiative of the Ministry of National Security.

The Mayor of Port of Spain is an essential sponsor to this project and has been involved with the ongoing negotiations with the Inter-American Development Bank through the Ministry of Finance.

This initiative, is part of a wider "Emerging and Sustainable Cities Initiative" supported by the Inter-American

Development Bank of which Port of Spain has been chosen as one of the five pilot cities from 170 eligible cities in the hemisphere.

The project involves the Restoration of Fort Picton in Laventille which is in close proximity to the Lady of Fatima Church, Desperadoes Panyard and Churucca's Observatory. It was at the Observatory that the first accurate meridian in the New World was fixed. These represent heritage sites, which will attract local and foreign visitors and would facilitate employment creation. Support will also be provided to community theatre groups for historical re-enactments.

Chaguaramas

Mr. Speaker, the Chaguaramas Development Authority is spearheading development in the North-Western region and a master plan detailing land use proposals for that region will soon be subject to public discussion. This will include capital development projects in the areas eco-tourism, park and recreation development, the development of a cruise ship complex, and resort facilities.

NEW INFRASTRUCTURE -PUBLIC AND PRIVATE PARTNERSHIPS

In the Global Competitiveness report 2010, the quality of our overall infrastructure was ranked 53rd out of 134 countries and within Trinidad and Tobago, our inadequate infrastructure was ranked the 6th most problematic factor out of the fifteen identified criteria for ease of doing business.

Mr. Speaker, in order to increase our capacity to develop additional infrastructure, our Government has established a Public Private Partnership Unit in the Ministry of Finance. The general model is that the Government will establish relationships with private sector entities which would introduce resources and expertise into infrastructure projects. This development of Public Private Partnership will be done in collaboration with the Ministry of Trade and Industry.

Mr. Speaker, in addition we will partner with local businesses to ensure that we buy a larger percentage of goods and services locally.

• CNG Infrastructure

Mr. Speaker, Government will embark on an ambitious

programme for expanding the use of Compressed Natural Gas as an alternative vehicular fuel. This is part of our overall strategy to reduce the use of petroleum products and so reduce the size of the fuel subsidy. We are also implementing special measures to encourage the construction of multi-fuel stations to dispense Gasoline, Diesel and Natural Gas. Already, seven new sites have been approved for the construction of such stations. This is in addition to the existing 9 CNG station that are in operation. Applications for stand-alone CNG retail stations in other parts of the country are currently being reviewed.

Mr. Speaker, in order to encourage the use of CNG, Government is exploring the conversion of the PTSC fleet to use CNG and certainly, with respect to new purchases of buses to insist that this facility be put into place. Interest has been expressed by private enterprises to explore this conversion.

NIDCO and the Port Authority are being encouraged to convert existing vessels to use CNG as a fuel for the water taxis and ferries respectively. This programme would not only have an impact on the fuel subsidy but would also be environmentally friendly and cost effective. During this year, the Ministry of Energy will embark on a communication plan to explain the benefits of such a programme to the citizens of Trinidad and Tobago.

• National Infrastructure Bank

Mr. Speaker, the proposed establishment of the National Infrastructure Bank will be one of the most significant economic initiatives of this Government. It would be a long-term financing institution, providing financing for capital expenditure for sound business projects that support the public sector's wider aims in health, housing, transport, the environment, the knowledge economy and small and medium-enterprises. The ultimate aim is to have a positive impact on the growth potential of the Trinidad and Tobago economy. The Bank would borrow on the capital markets to finance these projects, thereby freeing up public sector resources.

The Government will engage the services of the Washington-based World Bank affiliated International Finance Corporation to assist in the development of a business plan for the governance and operations of the National Infrastructure Bank.

In addition we will review the operations of the Export-Import Bank of Trinidad and Tobago with a view to

providing additional resources to make the institution more effective in the growth of the export sector.

Business Competitiveness/Ease of Doing Business

Mr. Speaker, the Ministry of Planning and the Economy is working out the technical details for establishing an Innovation Financing Facility to assist in creating opportunities for research to be converted into commercial activity. This effort will be complementary to the work currently being done by the Caribbean Industrial Research Institute.

- **Broadband Infrastructure**

Mr. Speaker, the country wide deployment of Information and Communications Technology is a key enabler of sustainable economic and social development in Trinidad and Tobago. This has been identified in two of our seven pillars proposed for sustainable development, namely the quest for a knowledge intensive economy and access to Information and Communication Technology.

Mr. Speaker, the Government will ensure that the un-served and under-served communities in Trinidad and Tobago get the required access to the Internet. For this reason, citizens of Trinidad and Tobago need a modern, accessible and affordable broadband platform to facilitate the use of ICT Services such as e-Government, e-Health and e-Commerce.

Mr. Speaker, the Government in collaboration with the World Bank is preparing a strategic map to roll out a nationwide high speed broadband network within two years. This project would require a financing plan for the backbone infrastructure, the details of which are still being negotiated.

- **Communications Infrastructure**

Evolving Technologies and Enterprise Development Company has completed the construction of the communications infrastructure for a modern data centre which will serve Trinidad and Tobago and the South-Eastern Caribbean. A strategic foreign investor is expected to commence construction on these high-tech facilities within a month.

CAPITAL MARKET DEVELOPMENT

Mr. Speaker, in our last Budget Statement, we announced plans to rationalise various State-owned assets. This programme has commenced. During the last year, a strategic local private sector investor joined with the Development Finance Limited to float a new capital structure for that company and so encourage financing of Small and Medium Enterprises. In addition, the state owned Vanguard Hotel Limited in Tobago identified an operator for the Hotel, who immediately unveiled a new brand: Magdalena Grand Beach Resort which would reposition the hotel to support development of air links to Tobago and to introduce modern operational and management capacity.

Mr. Speaker, the Government will expand these public offerings in its continuing effort to improve the efficiency of the state enterprise sector and enhance the domestic capital market. The first phase of the programme would involve the securing of strategic investors for a numbers of state enterprises. In parallel, further public offerings will be made on the Trinidad and Tobago Stock Exchange. We would offer to the national community further tranches of the shareholding of Government in:

- Point Lisas Industrial Port Development Corporation Limited since this company is already listed on the Trinidad and Tobago Stock Exchange
- Trinidad and Tobago Mortgage Bank - a merger between Trinidad and Tobago Mortgage Finance Company and the Home Mortgage Bank for which an Initial Public Offer (IPO) by the Government will be made and
- First Citizens Bank, for which an initial public offering will be made, but which offering will not affect Government ownership of the Bank. It will assist the Bank in widening its capital base and so facilitate its expansion programme in which the Bank is currently engaged.

Mr. Speaker, the Government is continuing with the technical work and due diligence exercises in the remaining state enterprises. We envisage a second phase of the programme which would involve, where appropriate, the implementation of further public offerings or the securing of strategic investors for some of those enterprises.

Mr. Speaker, in the final analysis, all state enterprises would be modernised with best practice corporate governance structures in their administration. We are ensuring through the modernisation of our state enterprises that the citizens

of this country are provided with affordable, transparent and customer-focused services and an opportunity to share in the ownership of these enterprises.

- ♦ **Small and Medium Enterprises Market**

While the public offerings programme would seek to revitalise capital market activity, our small and medium enterprises continue to be over-reliant on bank financing. As a result we will work with the Trinidad and Tobago Stock Exchange to create a third tier on the Exchange to provide Small and Medium Enterprises with access to the capital market. The Trinidad and Tobago Stock Exchange would expand its scope of operations as it establishes a SME Market. The recent Jamaican experience has shown what can be achieved in countries where the circumstances for investing are even tougher. Participating voting shares and other securities of eligible small and medium sized companies may now be listed for trading purposes.

Mr. Speaker, for the first 5 years SMEs whose capital is greater than \$5 million but less than \$50 million and listed on the SME Market for trading purposes would be allowed a 10 percent corporation tax rate. The SMEs would be required to raise capital on the stock exchange through an initial public offering with a minimum of 25 shareholders holding at least 30 percent of the company's share capital. This initiative will be reviewed every five years. We expect this tax incentive regime to encourage small and medium-term enterprises to access resources from the capital market.

- ♦ **Regional Stock Exchange**

Mr. Speaker, the Government will take a fresh initiative to encourage the development of a regional stock market going beyond the arrangement that has been arrived at by the Barbados Securities Exchange, the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange. The Regional Stock Market will provide important opportunities for the integration of the region and private returns and investment opportunities for our citizens. This is consistent with our attempt to build regional buffers and will become an important institution for the integration model for the Caribbean in the future.

Mr. Speaker, it is now necessary to review the architecture of the Caribbean Integration Process and to seek to build new projects integrating the natural mineral resources of the region. The Government will initiate discussion with Caribbean countries to identify a new integration framework to facilitate this process and to include the larger countries of the Hemisphere.

In Summary, Mr. Speaker, for fiscal 2012, in this budget statement we have identified a national investment programme for which there are commitments from the public sector, the private sector and the energy sector. This amounts to approximately TT\$26 billion or 18% of the GDP and which will contribute to the renewal of growth in the economy.

V. FISCAL MEASURES

Mr. Speaker, I now come to the fiscal measures to support the broad and specific policies that have been identified.

1. JOB CREATION AND INVESTMENT

Incentives for Small and Medium sized businesses to access the Stock exchange.

Mr. Speaker, small and medium enterprises are better served by raising capital on the domestic capital market. For too long they have been relying on high cost commercial finance which has limited their viability and expansion. In our efforts to assist the SME sector and at the same time strengthen the domestic capital market we are proposing to encourage them to access the facilities provided by the Trinidad and Tobago Stock Exchange.

SMEs with a minimum capital of \$5 Million will be able to list on the TTSE provided that they have at least 25 shareholders, holding at least 30% of the Share capital which must not exceed TT\$50 Million.

To encourage this activity, the Corporation Tax Act, Chap. 75:-2 shall be amended to provide for a reduced Corporation Tax at a rate of 10% on taxable profits, for the first 5 years of operations.

2. STRENGTHENING AND IMPROVING THE FINANCIAL SECTOR

• Expansion of Deposit Insurance coverage.

Mr. Speaker, a deposit insurance system is an important component in the financial system for protecting depositors. Since the establishment of the Deposit Insurance Corporation in September 1986, the deposit insurance coverage limit has been adjusted only once, in October 2007 when it was raised from \$50,000.00 to \$ 75,000.00.

Consistent with international best practice banking standards the Deposit Insurance Corporation will

increase its deposit insurance coverage limit from \$75,000 to \$125,000 for deposit holders of commercial banks and non-banks licensed under the Financial Institutions Act 2008.

• Amendments to the Central Bank Act, Chap. 79:02.

Mr. Speaker, the recent amendment to the Central Bank (Amendment) Act No.18 of 2011 (“Amendment Act”) provided a means of augmenting the emergency powers of the Central Bank of Trinidad and Tobago (“the Bank”) under its enabling legislation, by the creation of a stay of proceedings in instances where the Bank’s emergency powers had been invoked.

In an attempt to preserve the rights of persons who may have a cause of action against an institution which is under the emergency control of the Bank, the Central Bank Act, Chap. 79:02 will be amended as follows:

- To provide that, where an institution has been brought under the emergency control of the Bank under section 44D, time shall cease to run in respect of any limitation period provided under the Limitation of Certain Actions Act Chap 7:09 and
- To stipulate that the running of time would resume upon the lifting of the stay of proceedings in accordance with section 44E5(a) and (b) of the Central Bank Act, as amended by the Central Bank Act No. 18 of 2011.

3. BROADENING THE SOCIAL SECURITY NET

• Amendments of the National Insurance Scheme

Mr. Speaker, we seek to introduce changes to the National Insurance System that will broaden the country’s social security net, particularly for the elderly, and at the same time contain the rate of growth in expenditure for retirement income in our fiscal accounts. We seek to accomplish these goals by the provision of the following:

Minimum guarantee monthly retirement pension

The minimum pension benefit was increased to \$3,000 for a vast cross section of persons in the Finance Bill 2010. However, despite persons insured under the National Insurance System making contributions via monthly deductions from their salaries, the minimum National Insurance retirement benefit remained unchanged from the sum of \$2,000. In order to bring equity to the system, the minimum National Insurance retirement pension will be increased to \$3,000 per month during fiscal year 2012.

Increase in the insurable monthly income under the National Insurance

We shall increase the insurable monthly income ceiling from \$8,300 to \$10,000. This will help to fund the increase in the minimum guaranteed pension indicated above. This measure will take effect during fiscal 2012.

Simplify National Insurance Benefits

Mr. Speaker, we intend to eliminate the complicated and time-consuming benefit structure for retirement benefits by moving from a fixed earning class and dollar figure to a percentage of salary. This will be 1 percent of salary, up to a maximum of \$10,000, for each of the insured's years of contribution. A worker earning \$10,000 per month, having contributed for thirty-one years, will simply be entitled to 1 percent of \$10,000 multiplied by the total years of contribution, in this case 31, which will give him a pension of \$3,100 per month. This measure will come into effect during fiscal 2012.

Incorporate the Self-Employer into the National Insurance System

Mr. Speaker, in an effort to spread the coverage of our social safety net, we are seeking to include the self-employed in the benefits under the National Insurance System.

Although self-employed persons fall within the National Insurance legislation, there are no arrangements in place to govern the payment of contributions or benefits to be paid to such persons. Consequently, there are approximately 115,000 persons who currently do not make any contributions to the National Insurance Board and so cannot access any benefits under that system.

The Government will engage in discussions with the National Insurance Board to ensure provision of support to those persons who may encounter challenges in complying with the requirements of the National Insurance System by virtue of their age or income.

Mr. Speaker, it is time to ensure that those persons who provide a significant contribution to the development of our country and the welfare of our people, through their entrepreneurial activities and artistry, are adequately taken care of in their later years.

Waiver on Interest and Penalties

Mr. Speaker, we are proposing a waiver on the payment of penalties and interest on outstanding contributions to the National Insurance Board. The proposed waiver is to be applicable until June 30th, 2012, provided always that:

- all outstanding contribution payable by the employer to the board are paid before the expiry of June 30, 2012
- the waiver shall only be available to employers, who are registered with the Board before October 10, 2011, in respect of penalties and interest on contributions for insured persons registered as their employees prior to October 10, 2011 and
- the waiver only applies to penalties and interest payments which accrued before October 10, 2011.

4. ENERGY SECTOR MEASURES

New Petroleum Licences

Mr. Speaker, the Energy Sector continues to be the main driver of Government revenues and exports. The expansion of this sector remains critical for ensuring the long-term growth of the economy. However the administration of this industry must be efficient and effective if our citizenry is to obtain the maximum benefit from the sector.

The licensing regime is the legal framework for administering and regulating petroleum operations. The licences are issued under Regulation 3 of the Petroleum Act, Chap. 62:01. With the exception of amendments introduced in 2009—specifically for bunkering operations—the licence fee structure has remained unchanged since 1969.

Accordingly, Mr. Speaker we shall raise from \$4,000 to \$40,000, the fees for the following series of licences in order to reflect a more reasonable cost of regulating the industry. The eight licenses are as follows:

- an Exploration Licence
- an Exploration and Production (Public Petroleum Rights) Licence
- an Exploration and Production (Private Petroleum Rights) Licence
- a Refining Licence
- a Liquefaction of Natural Gas Licence
- Transportation (other than by pipeline) Licence
- Marketing Licence
 - With respect to wholesale operations
 - With respect to bunkering operations
- a Petrochemical Licence

Marketing licences for retail transactions

Mr. Speaker retail transactions at petrol filling stations have been increasing at a rapid rate. Accordingly, we are proposing that the annual licence fee for each gas station be now based on the annual total sales of all grades of gasoline and diesel for the immediate preceding year. There would be three categories as follows:

- \$1,000 for gas stations with annual sales of gasoline and diesel of less than 1,000,000 litres
- \$2,000 for gas stations with annual sales of gasoline and diesel in excess of 1,000,000 litres but less than 5,000,000 litres
- \$4,000 for gas stations with annual sales of gasoline and diesel in excess of 5,000,000 litres
- Marketing licences for peddling operations.

Mr. Speaker, peddling operations refers to small wholesale transactions of less than 600 Imperial gallons of refined petroleum products other than gasoline. This type of operation was prevalent in the past when kerosene was used as the primary household fuel. Today, most peddlers operate road tank wagons in excess of 10,000 Imperial gallons. We propose that peddling operations shall be renamed Authorised Distributors and the current \$50 licence fee for peddling operators be raised to \$1,000.

Transport of gasoline and fuel other than by pipeline

Mr. Speaker, road tank wagons are also engaged in the transport of liquid petroleum products. We propose to institute an annual licence fee of \$500.00 on those engaged in the transport of liquid petroleum products by road

tank wagons and that licence will be granted subject to the inspection of the road tank wagon.

Licences for pipelines for natural gas transmission

Mr. Speaker, we intend to introduce a new licence for the transmission of natural gas, which will be based on the carrying capacity of the pipeline, in the following manner:

- Line capacity greater than 100 MMcf/d \$40,000
- Line capacity between 2 and 100 MMcf/d \$10,000
- Line capacity less than 2 MMcf/d \$5,000

Compressed Natural Gas Licence

We shall also adjust the fees with respect to licences in respect of servicing, marketing or consumer refueling of compressed natural gas. The annual fees will be adjusted in the following manner:

- CNG Service licence \$2,000, currently \$1,000,
- CNG Marketing Licence \$2,000, currently \$1,000
- CNG Consumer Refueling Licence \$10,000, currently \$5,000

Mr. Speaker, the increased fees relating to Marketing Licences for gas stations, peddling operations and CNG service, marketing and consumer refueling operations, licences for transportation of liquid petroleum product and pipeline licences will take effect from January 1st, 2012.

Changes in Penalties under the Petroleum Production Levy and Subsidy Act

Mr. Speaker, we propose to increase the penalties for breaches committed under two provisions of the Petroleum Act as follows:

1. Any person who contravenes section 6 (2) of the Petroleum Act shall be liable to a fine, on summary conviction, of \$300,000 – up from \$30,000, and in the case of a continuing offense, a further \$5,000 per day – up from \$1,500 while the offense continues.
2. Any person who contravenes the rules or regulations under section 29 (7) of the Petroleum Act shall be liable to a fine, on summary conviction, of \$150,000 up from \$15,000, and in the case of a continuing offense, a further \$3,000 per day up from \$300 while the offense continues.

Mr. Speaker, the provision of subsidies is an important

strategy for containing transportation and energy costs of the industrial and agricultural sectors. The cost to the country could be as much as \$3.5 billion per annum - depending on oil prices. Mr. Speaker this subsidy has been subject to abuse. We propose the following as a deterrent to this practice.

Mr. Speaker, a person caught in such illegal activity at present pays a fine of \$10,000. Therefore in an attempt to curtail such practice, we propose to increase, this fine in respect of any person caught exporting or attempting to export for sale by retail petroleum products as follows:

- \$150,000.00 for volumes under 40,000 litres
- \$600,000.00 for volumes greater than 40,000 but less than 160,000 litres
- \$3,000,000.00 for volumes in excess of 160,000 litres

Mr. Speaker, we also propose to raise the fine for persons who fail to pay the levy for the purpose of subsidising the product prices from \$10,000.00 to \$100,000.00 and in the case of a continuing offence from \$200.00 to 2,000.00 for each day the offence continues. In addition, the fine for a person who contravenes the Act or Regulations in general will increase from \$1,000.00 to \$10,000.00. These fines under the Petroleum Levy and Subsidy Act will be effective at the coming into operation of the Finance Act 2012.

5. ALTERNATIVE ENERGY

Tax allowances with respect to the use of Alternative Energy sources such as Compressed Natural Gas, solar powered water heaters and photovoltaic systems and wind energy systems

Mr. Speaker, we have been seeking to optimise the benefits which accrue from our energy resources. To this end we have been encouraging investment in the provision of retail dispensing of compressed and liquefied natural gas as the basis for reducing the use gasoline fuel and by extension fuel subsidy payments. An additional benefit is the lowering of our carbon footprint in the hemisphere. We propose to intensify this investment effort by strengthening the incentive framework by amendments to the relevant tax legislation to provide for:

- A tax allowance of 50% of the expenditure incurred in the purchase of retail dispensing of compressed and liquefied natural gas up to a maximum of \$2million per station excluding installation costs. This expenditure will not be entitled to capital allowances and will cover the

period from January 1st 2011 to December 31st 2015.

- A reduction in import duty by 50% on vehicles which are manufactured to use natural gas, and have an engine capacity smaller than 2300 cc. This reduction in duty will cover the period from January 1st 2011 to December 31st 2015.
- With effect from January 1st 2012 a wear and tear allowance of 130% of expenditure incurred on
 - the acquisition of plant, machinery and equipment excluding installation costs, for the purpose of providing a compressed natural gas kit and cylinder installation service or
 - the acquisition and installation, in a motor vehicle, of a compressed natural gas kit and cylinder
- Wear and tear allowances of 150 percent of expenditure incurred with respect to;
 - Plant, machinery, parts and materials for use in the manufacture of solar water heaters;
 - Wind turbines and supporting equipment;
 - Solar photovoltaic systems and supporting equipment; or solar water heaters.

This requires an amendment to the Income Tax Act which will take effect from January 1st, 2012.

6. TAX ADMINISTRATION

Changes in online filing and the payment of Taxes

Mr. Speaker, the Value Added Tax remains a strong source of our non-oil revenue and we will preserve its importance by increasing the ease of filing and reporting, and also by monitoring VAT receipts.

Given advances in the field of technology, the Board of Inland Revenue will be given the legal authority to issue and utilise electronic invoicing, subject to the proclamation of the Electronic Transactions Act, 2010.

Changes in the threshold for Value Added Tax

Mr. Speaker, inflation has eroded the value of the threshold for qualification for VAT registration. Accordingly, we will raise the threshold for qualification for VAT registration, from \$200,000 to \$360,000 – effectively \$30,000 per month.

- Provision for VAT exemption for offshore drilling rigs and drill ships and other vessels associated with offshore

activity in the energy sector.

Mr. Speaker, in the energy sector, development and exploratory work requires the use of large and costly capital equipment, many of which are imported for specific short term operations. Currently these operators must pay considerable VAT on their equipment, at times a significant financial outlay. While this VAT is refundable, the refund is only given when companies file their returns with the Board of Inland Revenue.

Mr. Speaker, to maintain energy sector competitiveness, we are adding the following items to Schedule 2 of the Value Added Tax Act Chap. 75:06

- Drilling Rigs
- Drill Ships
- Pipelay vessels and barges
- Anchor Handling Tugs in excess of 35 meters in length
- Geophysical Survey Vessels
- Heavy Lift Installation Crane Barges
- Oil Skimming Vessels
- Rig and Platform Supply Vessels in excess of 60 meters in length
- Vessels used in bunkering in excess of 65,000 barrels (7,500 G.T.W. (Gross Ton Weight))
- Floating Dry Dock in excess of 1000 DWT for repair of Anchor Handling Tugs and Platform Supply Vessels

Changes in penalties under VAT legislation

Mr. Speaker, efforts to evade payment of VAT has continued unabated. We propose to take deliberate steps to deter this action by increasing the penalties for breaches of the VAT legislation.

Transfer Pricing

Mr. Speaker, transfer pricing regimes are becoming common features of tax legislation in developing, emerging and advanced countries. The issue of being able to verify revenue has become increasingly critical in jurisdictions where large multinational corporations operate. Most countries have adopted the principles of "The Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations" developed by countries of the Economic Co-operation and Development group.

Recently Trinidad and Tobago became the 102nd member of the OECD Global Forum on Transparency

and Exchange of Information for Tax Purposes. In order to converge to best practice, Trinidad and Tobago proposes to include a transfer pricing regime based on the principles embodied in the OECD guidelines.

7. AMENDMENT TO THE BETTING LEVY BOARD ACT

Mr. Speaker, our research shows that levies collected from betting establishments do not reflect accurately the earnings generated by pool betting offices in Trinidad and Tobago. The financial support and funding provided by the Betting Levy Board for the development and improvement of the local horse racing industry is therefore severely compromised. We propose to establish a robust monitoring system to determine accurately the earnings of these operations.

We therefore propose to increase the penalty for contravention of the licence requirement from \$50,000 to \$250,000.

Further instances, where the licensee of a licensed betting office fails to pay the levy, the fine payable on summary conviction will be increased from \$50,000 to \$250,000.

In addition, Mr. Speaker we will be bringing to Parliament the long pending regulations to the Betting Levy Board Act which will provide the necessary legislative muscle to ensure effective compliance.

Mr. Speaker, these are interim measures pending the comprehensive modernisation of the regulatory arrangements governing the gaming industry.

Gaming Industry

Mr. Speaker, the gaming industry in Trinidad and Tobago has evolved into a large, unregulated and no doubt, very profitable industry for the operators and owners of these establishments.

Under the Registration of Clubs Act, Private Members Clubs are required to pay an annual tax on gambling tables and other devices, including slot machines. Even though registered clubs can legitimately carry on gambling as part of their club activities, it is not intended that these clubs should be carrying on business for gain or profit.

Mr. Speaker, what has transpired over the past decade or more, is that the operations of some of these business places have never complied fully with the legislation and regulatory requirements that were established for games

among members of a Private Members Club. We recognise that thousands of persons are employed in this industry.

In these circumstances, Mr. Speaker, Government signals its intention to enforce the provisions of the law relating to Private Members Clubs to ensure that they comply with regulatory standards. In addition, it should be noted that Private Members Clubs are currently under the supervisory authority of the Financial Intelligence Unit and are subject to the guidelines issued by the FIU.

8. PENALTY FOR LATE FILING OF ANNUAL RETURNS BY COMPANIES

Mr. Speaker, all corporations are required to file several documents with the Registrar of companies and failure to do so, attracts a penalty of one hundred dollars for every month, or part thereof, that the person or company fails to

deliver or file within the time specified for so doing.

Many small and medium companies have failed to comply with these requirements and have accumulated penalties which have attained levels which are now prohibitive.

To facilitate companies which have not complied with filing obligations, and for whom the cost of accumulated penalties may be a deterrent to filing, it is proposed that a waiver be granted in respect of all penalties outstanding or chargeable.

The proposed waiver is to be applicable until 30 June 2012, provided always that: (1) companies are not absolved of the obligation to file and deliver any forms or documents to the Registrar of Companies; and

(2) the relevant filing fees, as they currently apply, in respect of each form or document, are paid.

Section 516 will also be amended to provide for an increase in the penalty from \$100.00 per month to \$500.00 per

VI. BUDGET ARITHMETIC

annum.

Mr. Speaker, I wish to make a short statement on the state of our finances and the arithmetic of our budget.

Mr. Speaker, our national economy is still at risk and remains vulnerable to external shocks. Notwithstanding, our economy remains resilient and our financial system is strong. We must stay on course in this time of uncertainty.

Mr. Speaker, our fiscal 2012 budget calculation was based on an oil price of US \$75 per barrel and a gas price of US \$2.75 per mmbtu. We have estimated a real GDP growth of 1.7 percent and an average inflation rate of 7 percent.

The total revenue is projected at \$47 billion comprising \$18.1 billion from the energy sector and \$28.9 billion from the non energy sector. Total expenditure is projected at \$54.6 billion resulting in a fiscal deficit of \$7.6 billion or 4.89 percent of our GDP. The debt to GDP ratio remains sustainable and well within international benchmarks.

Of total expenditure:

- Education and Training will receive \$8,717.8 million
- Infrastructure: including Works, Public Utilities and Transport will receive \$6,995.4 million
- Health: \$4,724.9 million
- National Security: \$5,170.5 million
- Agriculture: \$1,954.3 million and

- Housing: \$1,970.0 million

The unemployment rate as estimated by the Central Statistical Office as of December 2010, stood at 6.3 percent. We anticipate that there has been an upward movement in this figure since then, but it remains lower than our foreign trading partners. The thrust of our investment programme and our policy initiatives outlined in this budget statement are designed to reverse this trend.

To summarise Mr. Speaker:

- **Total Revenue is estimated to be \$47.0 billion**
- **Total Expenditure net of Capital Repayments and Sinking Fund Contribution is estimated to be \$54.6 billion**
- **For an overall fiscal deficit of \$7.6 billion**

With regard to the financing of the deficit, we estimate that 52.7 percent of the financing requirement will be met from domestic sources, while the remainder will be sourced from external sources including multilateral financial institutions.

Mr. Speaker, our Government and leadership shall remain firm in our resolve to transform the economy, and in concert with the people of our nation, we have the confidence to create more jobs, achieve a safer environment and increase our investment for the development and benefit of all our citizens.

VII. CONCLUSION

Mr. Speaker, in the preparation of this budget, we consulted widely in keeping with our commitments for social dialogue to be part of our policy process.

In developing the package of policies, strategies and fiscal measures for Fiscal Year 2012, the Government very carefully reviewed all the numerous submissions and proposals made by individuals, government agencies, representatives of private sector organisations, the labour movement and non-governmental agencies.

I was heartened by the interest shown by all these individuals and interests groups and the genuine demonstration of eagerness to assist in the rebuilding of the economy and the nation. I take this opportunity to express my appreciation to everyone.

We intend to build on this process and social dialogue will play a critical role in advancing opportunities for women and men to obtain decent and productive work, in conditions of freedom, equality, security and human dignity.

Our adoption and execution of prudent policies and measures has contained the impact of external adversities. In the period ahead we will strengthen our macro-economic policies and will stimulate our economy. This is the cornerstone of our development strategy. It will be anchored in a multi-year framework which will serve as a high performance platform not only for ensuring future progress but also for providing strength to cope with the challenges of an uncertain global economy.

Mr. Speaker, we believe firmly that despite these uncertainties and weaknesses in the international and domestic arenas, we possess the sincerity, humility and constancy of purpose to continue along this arc of a remarkable journey – one that brings about the security, opportunity and welfare of

all citizens.

Mr. Speaker, I have come to the end of the Budget Statement for 2012. The measures, the performance and the directions formed the basis of what I have presented to this Honourable House. Directions for change are clear and a multitude of new measures has been enunciated in this statement.

This budget builds on the measures enunciated in the 2011 budget and makes a quantum leap once again in confronting the challenges for transformation and change.

Mr. Speaker, we have kept faith with the mandate of the Peoples' Partnership Government, as articulated in the seven inter-connected pillars.

Mr. Speaker, in keeping with the title of this budget statement **“From Steady Foundation to Economic Transformation”** we now move boldly forward to set the mechanism in place to open up new spaces in the economy, ignite growth, and start the journey to economic transformation. It is an ambitious goal but a do-able one, focusing today on the key issues of jobs, investment and safety.

There is much work to be done, more troubled waters ahead, more strategies to be articulated, more issues to confront, more targets to be achieved and more citizens to benefit. And to do all this, we are comforted that we have a Government that reflects the various interests of our society, a Parliament that is ready to work, and a population eager to spur on the Peoples Partnership Government.

And finally, as I reflect on the lessons learnt from public life, as our nation shapes its future, we must always strive to get the link between power and purpose correct, get the performance and strategy aligned and get the practice and politics right.

Mr. Speaker, I beg to move.

