



Government of the Republic  
of Trinidad and Tobago

# APPROPRIATION BILL 2014

**Sustaining Growth,  
Securing Prosperity**

Ministry of Finance  
and the Economy







**Government of the Republic of Trinidad and Tobago**

**BUDGET STATEMENT 2014 - SENATE**

*Sustaining Growth, Securing Prosperity*

**SEPTEMBER 20<sup>TH</sup> 2013**

Mr. President, I beg to move:

That a Bill – entitled An Act to provide for the Service of Trinidad and Tobago for the Financial Year October 1, 2013 to September 30, 2014 – be now read a second time.

Mr. President, this is a money Bill and it was approved in the other place on [September 18<sup>th</sup> 2013](#). The Bill provides for the issue from the Consolidated Fund of the sum of \$56,441 million under various Heads as indicated in the schedule of the Bill.

## **INTRODUCTION**

Mr. President, as I rise to begin debate on the 2014 Appropriation Bill, I wish to convey profound gratitude to you and to Honourable Senators of the Government, Opposition and Independent benches for the opportunity to discuss our nation's fiscal plans and economic direction. The Bill has been formulated within the wider context of Government's strategic plans and achievements for the betterment of our citizens, and it represents another chapter in this Administration's stewardship of our nation's economy towards our mission of 'Prosperity for All.' "*Sustaining Growth, Securing Prosperity*," the theme of this year's Budget, reinforces our

commitment to economic growth, job creation, fiscal responsibility and the socio economic betterment of the citizens of Trinidad and Tobago.

To facilitate a full understanding of Government's expenditures and social and economic priorities, I have laid 11 documents in the Parliament.

Mr. President, Trinidad and Tobago is a small, open commodity based economy and we must implement measures to transform it into a dynamic and diversified entity. We must also continue to invest in creating the financial buffers to counter the cyclical movements that occur in commodity prices while we continue to work on economic transformation.

Our economic action plan involves:

1. Initiatives to ensure a return to growth so as to maintain stability and increase job creation
2. The implementation of reform measures to address intrinsic inefficiencies in the way we do business and to build capacity.
3. Initiatives to diversify and transform our economy.

Overlaying this action plan are out five priority areas for strategic focus which are:

- Poverty eradication
- Education

- Food Security
- Crime Reduction
- Health

These are the markers in our roadmap to development, and with determined leadership and a great sense of assuredness and national commitment, we are guided to ensure no citizen is left behind.

## **ECONOMIC CONTEXT**

Mr. President, it is almost six years since the onset of the global financial crisis, and the world continues to grapple to restore buoyant economic conditions. Dampened growth prospects, heightened uncertainty, and weakened confidence continue to represent significant challenges to these restoration efforts. Among the risks to the global economic outlook include concerns regarding financial stability, the possibility of a longer growth slowdown in emerging market economies, a deeper-than-anticipated recession in the euro area, and a strong fiscal consolidation effort in the advanced economies, especially the United States.

According to IMF estimates, global growth will remain subdued as was the case in 2012. In 2013, growth is projected to be 1.7 percent in the United States and Canada, 0.9 percent in the United Kingdom, and negligible in the European Union. For 2012, growth in tourism-dependent economies of the Caribbean region was less than 0.5 percent.

Mr. President, while these economic conditions overseas undoubtedly impact our local economic performance, Trinidad and Tobago's economy continues to move in the right direction. Our economy has recorded positive year on year economic growth in the last four consecutive quarters; inflation is 5.6 percent; unemployment is near full employment; and our gross official reserves are estimated to be US\$9.4 billion in 2013, representing 12 months of import cover. But even as our economic fundamentals consolidate, considerable effort is required to protect the economy against downside risks and existing vulnerabilities in some sectors.

In respect of the local financial sector, Government has been able to strengthen regulation to ensure the sector remains stable and accommodative of growth and economic activity. This year saw the implementation of the Securities Act 2012

and the Financial Intelligence Unit Act, as well as the laying of the Insurance Bill. Government will advance work next year on the Credit Union Bill and the Occupational Pension Bill. Government is committed to building a strong regulatory environment to prevent crises in the financial services sector as occurred with the CLICO meltdown.

## **FISCAL OPERATIONS**

Mr. President, the 2014 Budget is predicated on conservative price assumptions of US \$80 per barrel of oil, and US\$2.75 per mmBtu for natural gas. Total revenue is forecast at \$55.041 billion, and total expenditure net of capital repayments and sinking fund contribution is forecast at \$61.398 billion. For fiscal 2014, the budget deficit is projected to be \$6.357 billion or 3.6 percent of GDP, down 1 percent from last fiscal year.

Mr. President, the budget for fiscal 2013 was based on an average crude oil price of US\$80.00 per barrel and a natural gas price of \$2.75 per metric cubic feet, resulting in a budgeted overall fiscal deficit of \$7.669 billion, or 4.6 percent of GDP. The revised outturn for Central Government's fiscal operations, however, is expected to result in a much lower deficit, largely associated with the higher than

anticipated oil prices that materialized over the period and the higher tax revenues from the non-energy sector.

Total expenditure and net lending for fiscal 2013 amounted to \$59.50 billion or 36.0 percent of GDP, representing an increase of 1.6 percent over fiscal 2012. Of that amount, recurrent expenditure amounted to \$51.2 billion, and capital expenditure amounted to \$8.3 billion.

The Net Asset Value of the Heritage and Stabilization Fund (HSF) stood at approximately US\$5.0 billion at the end of fiscal 2013 while Transfers to the Fund over the period amounted to US\$42.0 million.

## **FISCAL ADJUSTMENT**

Mr. President, Trinidad and Tobago has been able to withstand some of the major headwinds of the global financial crisis. Going forward however, it is critical that Government continues to manage its debt and rebuild its fiscal buffers which have

afforded our economy the fiscal space to manoeuvre thus far during the global economic downturn. In the last fiscal year, Government signalled its intention to review all expenditure items, including subsidies and transfers, within the context of achieving a balanced budget in the medium term by establishing a reduction of 1 percent of GDP per year. While this fiscal adjustment exercise is necessary to rebuild our economy's fiscal accounts, it is being conducted without compromising Government's economic growth initiatives, employment generation and social equity.

Mr. President, the reintroduction of the land and building tax regime is one component of Government's broader fiscal strategy to strengthen revenue generation via various tax policy and revenue reform measures, and to improve the design of the local tax system. Among the major priority areas include Value Added Tax; transfer pricing; enforcement and compliance, business taxation and institutional strengthening at the Inland Revenue Division and the Customs & Excise Division. These measures will be conducted to boost revenue without stymieing new sources of growth.

Government must also simultaneously move to prevent tax leakages - the primary rationale for formalising the treatment of assets transferred between related parties, and enumerating the capital allowance to be granted by companies using transferred assets.

Mr. President, on the expenditure side, over the medium term, Government will review all transfers and subsidies. These currently account for more than 50 percent of Central Government's expenditure. The fuel subsidy has also been the centre of much debate in the public domain. Given high oil prices and steadily increasing volumes of transportation, the subsidy on gasoline and diesel fuels was \$4.3 billion in the last fiscal year. In this context, Government proposes to encourage greater use of compressed natural gas as an alternative transportation fuel. Infrastructure and appropriate incentives are currently being implemented to encourage the transition by motorists and fleet owners to CNG usage. This is a necessary precursor to an eventual systematic gradual reduction of the subsidy.

## **GROWTH INITIATIVES**

Mr. President, our economic growth in the last four consecutive quarters is particularly encouraging. In addition to achieving a balanced budget by 2016, an

essential component of Government's fiscal framework over the medium term is building sustainable economic growth momentum. In keeping with our focus for this year's fiscal package, Government intends to sustain and build this growth momentum during the next fiscal year and beyond. This is critical if we are to succeed in expanding our economy's productive capacity, providing sustainable job opportunities for our citizens, and increasing incomes for the State and the private sector.

Mr. President, we intend to achieve this via the following mechanisms:

1. Public Sector Investment Programme (PSIP);
2. Public Private Partnerships;
3. Upstream Energy Sector incentives;
4. Downstream activities in the energy sector;
5. Enabling business activity; and
6. Building growth in the non-energy sector.

Firstly Mr. President, Government has committed approximately \$8.0 billion or 4.5 percent of GDP to the PSIP for the new fiscal year. Formulation of the PSIP 2013-2015 was based on an evaluation and prioritization of projects against key

policy measures and strategies as outlined in the medium term policy framework, which articulates Government's commitment to socio-economic transformation for a secure, prosperous and sustainable nation, and for which five (5) Strategic Priorities have been Crime and Law and Order; Agriculture and Food Security; Health Care Services and Hospitals; Economic Growth, Job Creation, Competitiveness and Innovation; and Poverty Reduction and Human Capital Development. Our principal focus of the PSIP is to ensure that capital investment significantly and positively impacts national development.

Secondly, is Government's thrust towards Public Private Partnerships. This is aimed at redefining the modalities with which public services are delivered and managed, and strengthening the role of the private sector in local development. This arrangement uniquely blends social priorities with the managerial skills of the private sector, and relieves the State of the burden of large capital expenditure. Public Private Partnerships have become an attractive option globally to improve project delivery and expedite the delivery of infrastructure and services. Mr. President, going forward, two projects have been selected as pilot projects for the Public Private Partnership programme. The first being the provision of early childhood education and primary schools infrastructure, and the second, imaging and diagnostic services for outpatients of the public health system. In the coming

months, these pilot project efforts will be supported by the Inter-American Development Bank and the International Finance Corporation and be guided by Government's policy on Public Private Partnerships.

Thirdly, is the energy sector. As the mainstay of the local economy, the energy sector must be given special focus in the medium term. The global energy situation is changing given the resurgence in oil and gas production in some of the major fuel importing countries, continued growth in renewable energy technologies, and by the global spread of unconventional gas production. In the next fiscal year, Government will complete the development of the Natural Gas Master Plan to guide the development of the natural gas sub-sector, which includes the production of liquefied natural gas, ammonia, methanol, urea and melamine, and the utilization of gas as a fuel in metal industries and power generation.

Mr. President, the Natural Gas Master Plan will guide the development of the sector through 2014 to 2025 to address the current local and global risks to ensure that Trinidad and Tobago remains competitive in the energy business.

Mr. President, to add to the growth momentum, Government's energy policy has two primary foci in the medium term – to make more acreage available for

upstream exploration and development, and to boost the attractiveness of the fiscal regime governing energy sector activity. Trinidad and Tobago must remain competitive if we are to be successful in attracting investment. Our upstream energy sector companies must be sustainably encouraged to explore, appraise and develop our country's hydrocarbon reserves. Earlier this year, Government launched the 2013 Onshore Bid Round for 3 blocks in south Trinidad to generate exploratory activity on land needed to arrest declining oil production and in the short term to medium term. With respect to the energy sector fiscal regime, Government recently implemented an incentive for wells greater than 8000 feet - a capital allowance of 140 percent of expenditure can be claimed with respect to Petroleum Profits Tax. This change in the fiscal regime was designed to incentivise exploratory drilling on land for small oil accumulations. Moreover, Government has appointed a Committee to provide recommendations on improving the existing fiscal regime, and these recommendations will be finalized in the upcoming fiscal year.

Mr. President, apart from these efforts upstream, the fourth area focuses on the downstream energy sector. Government's plan to construct a methanol to dimethyl ether petrochemical plant in La Brea fits strategically into our vision for the development of the Southwestern peninsula, and our natural gas policy to diversify

the energy sector by going further downstream. The development of dimethyl ether, or DME as it is commonly known, is a commercially lucrative project given its applications as a transport replacement fuel for diesel, and for power generation. This project is a collaborative one mainly between the State, Mitsubishi and Neal and Massy, and will generate US\$850million in foreign direct investment, and create approximately 3,000 jobs during construction and 180 jobs thereafter.

## **DOING BUSINESS**

Fifthly Mr. President, to support our growth and economic transformation efforts are the initiatives to create the enabling climate to enhance confidence, investment and growth. Government's Enabling Competitive Business Strategy encompasses 4 key objectives:

1. Strengthening the non-energy manufacturing and services sectors;
2. Creation of an enabling environment supportive of growth and development;
3. Expanding the diversification programme; and
4. Supporting the medium and small enterprises sector and strengthening their capacity to compete locally and abroad.

In the World Bank's 2013 Report, Trinidad and Tobago is ranked 69<sup>th</sup> out of 185 countries in the overall ease of doing business, improving one spot from the previous year. During the last fiscal year, Government undertook a number of initiatives aimed at reforming business processes to remove unattractive hindrances to both local and foreign investors in the areas of Trade Facilitation, Company Registration and Construction Permits just to name a few. Our overall aim is to improve the ease of doing business in Trinidad and Tobago, expand economic activity and investments, and position this country as an attractive destination for trade and investment. The Government will remain committed to being the enabler of private sector growth.

## **BEYOND ENERGY**

Mr. President, Government has also invested focus beyond the energy sector as part of a broader long-term strategy to generate non-oil private sector growth, create opportunities for the private sector, and reduce the country's over-reliance on the energy sector for our economic wellbeing. In the last fiscal year, Government signalled its intention to increase the non-energy share of GDP to 60 percent over the next five years. To this end, investments will be made in financial services, creative arts, the maritime sectors, tourism, information and communication technology, downstream energy industries, and agriculture.

Government re-launched the International Financial Centre by creating a Financial Institutions Support Services Industry. This involves the consolidation of national and regional back-office operations by financial institutions in Trinidad and Tobago, which will provide services to local and regional customers. Apart from positioning this country as an attractive destination for financial companies, the creation of a Financial Institution Support Services industry is expected to generate approximately 3,000 jobs for knowledge workers over a five year period, and 6,000 – 12,000 in total on a multiplier effect basis. It is also expected to have a positive impact on GDP with an expected expansion of 1 percent over the five year period with the associated generation of additional revenue through the payment of income and corporation taxes. In the past year two shared services centres were created by Royal Bank of Canada and Scotia Bank and these created 1000 jobs at an investment of close to \$250 billion. Just recently, the Trinidad and Tobago International Financial Centre has partnered with the University of Trinidad and Tobago to guide the knowledge, skills and expertise required to satisfy the needs of the Financial Institution Support Services industry in the areas of finance, banking, accounting, financial services and insurance. Similarly, in the area of capital markets, the Trinidad and Tobago International Financial Centre, in collaboration

with industry associations, will inform the University of its training requirements in wealth management, fund management, global securities operations, risk management, investment management and global securities operations. This therefore represents a very significant collaborative exercise between Government, academia and industry.

Next is the creative industry. The Trinidad and Tobago Creative Industries Company, CreativeTT, is mandated to stimulate and facilitate the business development and export activities of the creative industries in Trinidad and Tobago to generate national wealth. Festivals; heritage; dance and theatre (including visual and performing arts); film; music; fashion; literature and publishing; and broadcasting have been identified as 8 niche areas under the creative industries cluster. Going forward, each niche area will be developed in a manner that allows its sub-sectors to support the “Trinidad and Tobago” brand.

With respect to the maritime initiatives, Government has identified four sub-sectors within the maritime industry, to support the country’s diversification thrust:

- Port Operations; Ship Building and Ship Repair; Ship Ownership/Ship Registry, and Maritime services. Government has identified facilities in Chaguaramas,

together with the existing inventory of approximately 94 naval and maritime assets, for the critical start-up infrastructure for ship repair. The University of Trinidad and Tobago has also developed a maritime training facility based in Chaguaramas with a staff complement that includes experienced maritime professionals and specialists in various academic fields including maritime law, social sciences and environmental management. Additionally, the Metal Industries Company Limited and the National Energy Skills Centre currently produces a range of graduates with the technical skills sets required to develop the maritime ship-repair sub-sector for small vessels.

Mr. President, with respect to the ICT industry, our vision is to create a dynamic knowledge-based society, driven by the innovative use of ICTs to enhance the social, economic and cultural development of the people of Trinidad & Tobago. Government's national ICT policy, SmarTT, focuses on 5 key themes: Human Capital Development; Access and Digital Inclusion; e-Business; ICT Sector Development; and e-Government. The overall priority is for Trinidad and Tobago to be equipped to use ICT to adapt to new ways of learning, living, doing business, delivering public services and advancing our national development agenda.

Mr. President, in tourism, Government will continue its efforts to develop and expand the local tourism industry, especially its contribution to GDP, job creation, investment, and linkages among the various sectors. The way forward involves repositioning Trinidad and Tobago in the global tourism market. To support this effort, Government is currently focused on 2 main priorities – airlift development and enhancing local accommodation.

In agriculture, our overarching goal for the sector is to create a food secure nation. Increased food production and food security will decrease the country's food import bill and lower the price of food. Our National Food Action Plan 2012 – 2015 articulates Government's objectives and initiatives for this sector, including supporting infrastructure, incentives, water resources management, and institutional arrangements.

## **HUMAN CAPITAL**

Mr. President, human capital development is the single most critical success factor for transforming the economy and our society. Growth stimulation and economic transformation initiatives rely heavily on the skills and talents of our people since

human resources are at the core of our nation's economy. The creation of a knowledge economy includes:

1. transforming the structure of our economy;
2. boosting levels of innovation, productivity and competitiveness;
3. fostering closer links between science and technology;
4. facilitating a greater focus on information and communications technologies (ICT) to enable increased connectivity locally and overseas; and
5. making our economic well-being less reliant on the energy sector.

As Government focuses on people-centred development, Government's vision for education is premised on:

- The belief that curriculum reform must address the needs of 21st century development and the labour market needs of the society, as well as build the foundation for responsible citizenship and ensure the optimisation of multiple talents, including the arts and sports;
- The creation of self-confident, creative, enterprising children as the goal at the preschool level;

- The creation of a learning system that accommodates all types of learners, not limited to the academically gifted; and
- The strengthening and enhancement of the cognitive, social and psycho-motor skills learnt at the primary level for a seamless transition to the secondary level.

Mr. President, Government has given financial support to the education sector from Early Childhood, primary, secondary, post-secondary and tertiary levels. Approximately 20 percent of our expenditure is allocated to education, roughly 6 percent of GDP - more than many developed countries including the United States, Canada, Great Britain and Australia provide for their respective education sectors. In particular, Universal Early Childhood Care and Education is vital in ensuring that all children are given the opportunity to commence effective learning and development from an early age. The expansion of Information and Communications Technology (ICT) in schools will enhance student performance, create a dynamic teaching and learning environment and ensure that all students are capable of functioning in a technology-driven, knowledge-based society. Over the next fiscal year, we will continue to infuse ICT in our Secondary Schools curriculum and train teachers in varying levels of ICT.

Government will also continue to assist in providing support for our citizens desirous of pursuing tertiary education. Our investment in skills training will be targeted towards improving and implementing programmes to provide a cadre of skilled workers relevant to our objective of economic transformation. However, we are mindful of the need to streamline the Government Assistance for Tuition Expenses (GATE) programme to prevent waste and abuse of Government funding, and as such, we will continue to move towards strengthening the monitoring, compliance and auditing of GATE.

## **NATIONAL SECURITY**

Mr. President, this Government places the greatest premium on human safety and security. We will not ignore crime's threat to the well-being of our citizens, and its potential hindrance to our nation's prosperity. We have a zero tolerance policy for crime and criminal activity, and as such, no resource will be spared to arrest the culture of criminality. Government continues to focus on strengthening our national security arrangements to address this scourge on all fronts with a range of short, medium and long term interventions. Government has allocated \$6.5 billion for national security in the coming fiscal year, up from \$5.5 billion in fiscal 2013. Mr. President, we will win the war against crime!

In respect of the gambling and gaming industry, specific mention was made in the 2013 Budget Statement of measures that will be implemented to govern the local gaming industry, with specific reference to the longer term objective of introducing a comprehensive framework for the governance of the industry. This industry has the potential to fuel crime and other social ills, and to avoid this, Government will be instituting a governance structure for this industry which will include a governing body and appropriate legislation. However, we propose to adopt a participatory approach to regulating the industry to ensure a mutually beneficial outcome for all relevant stakeholders.

Mr. President, our fight against crime must include anti money laundering initiatives, including strong law enforcement and vigilance in our national security efforts. The abuse of our businesses and financial institutions for the purpose of money laundering and financing of terrorism has adverse effects on our economy and wider society. In July this year, Trinidad and Tobago gained endorsement and recognition for its fight against money laundering and the financing of terrorism by its entry into the Egmont Group of Financial Intelligence Units, FIUs. Our country's admission into the Egmont Group gives international recognition to the Financial Intelligence Unit of Trinidad and Tobago, FIUTT, and will facilitate the exchange of information among 138 international FIUs, as well as provide training opportunities and support for our local FIU. We will therefore continue to build on

our efforts to strengthen our legislative and surveillance capabilities to eliminate money laundering, and strengthen our nation's financial integrity in the local and international arena.

## **CONCLUSION**

Mr. President, in closing I am confident that Trinidad and Tobago is moving in the right direction. We can be proud of the progress made over the past year and we can look forward to further progress ahead. Our plans embrace all sections of our population, from our young people and civil society, to labour and the business community.

Despite challenges overseas and the uncertainties that distort the economic horizon, we in Trinidad and Tobago can be proud of the indications that our economy is emerging from the dark shadow of the global recession, with growth slowly building momentum, and the groundwork being laid for economic transformation. To achieve our national mission of prosperity for all, we must therefore work diligently together to embrace our opportunities for development, and confront our challenges with resolve and determination. It is imperative that

all national stakeholders respond without conflict and confrontation, but with collaboration and conviction, to continue working towards making Trinidad and Tobago a socially cohesive globally competitive nation.

Mr. President, I beg to move.

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