



The Senate of
the Republic of Trinidad and Tobago

Introduction of the **APPROPRIATION BILL** 2002 - 2003

*VISION 2020:
People . . . Our Priority*



Presented by
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Minister in the Ministry of Finance
October 28 2002

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**INTRODUCTION
OF THE APPROPRIATION BILL 2002-2003
IN THE SENATE ON MONDAY 28 OCTOBER 2002
BY
SENATOR, THE HONOURABLE CONRAD ENILL
MINISTER IN THE MINISTRY OF FINANCE**

Introduction

Mr. Vice 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 2002 to September 30 2003, be now read a second time”.

Mr. Vice President, this is a money bill and was approved in the other place on **October 26 2002**. The Bill provides for the issue from the Consolidated Fund of the sum of **\$13,396,416,175** under the various Heads as indicated in the Schedule of the Bill.

Mr. Vice President, as my Government embarks on its second consecutive term in office it would be remiss of me if I do not express our appreciation for the deep sense of public purpose and character which the national community demonstrated over the past two (2) years as we sought to establish once again an effective governmental administration. Now that we have done so, Mr. Vice President, we must put our political differences behind us and continue the journey forward as a united country – one people with one goal - the development of our beloved Trinidad and Tobago.

Mr. Vice President, one of the founding principles of the PNM is the protection of the welfare of every citizen of Trinidad and Tobago. It is within this context that the theme for this Budget is: **“Vision 2020: People, Our Priority”**.

For us, Mr. Vice President, making **“People our Priority”** means eliminating poverty; providing adequate support systems for our youth, senior citizens and less fortunate; re-establishing standards of transparency, accountability and governance to ensure that the country’s resources are employed efficiently for the benefit and welfare of all citizens; and nurturing our core values of equality, tolerance and mutual respect.

Making **“People our Priority”**, reflects a strongly held belief of the People’s National Movement that development is about people and improvement on the quality of their lives and the potential for their children to enjoy a higher standard of living than their parents.

Mr. Vice President, when we demitted office in the latter part of 1995, **we left the economy on a sound footing with all the economic indicators pointing in the right direction.**

Mr. Vice President, since our assumption of office in December 2001 we had begun to address the needs of the most vulnerable in our society and to provide those

seeking to enter the mainstream of economic activity with the appropriate support to make the transition in an effective and enduring manner.

Moreover, as an immediate priority, Mr. Vice President, we appointed a Committee in **January 3 2002** “to determine the current state of the public finances of Trinidad and Tobago”. The Committee reported that the forecast for current revenue should be set at **\$14.128 billion** compared with the original estimate of **\$15.802 billion**. With total expenditure budgeted at **\$15.799 billion**, there would be an overall deficit of **\$1.671 billion** or **2.9 percent of our GDP**.

Mr. Vice President, faced with this serious analytical review of the state of the country’s finances, this Government developed a number of fiscal planning scenarios, the objective of which was to protect the long-term financial, economic and social stability of our nation. To the extent that reduced revenues were being envisaged, we had to evaluate and screen the domestic expenditure profile with a view to ensuring that expenditures were prioritised so that the required reductions did not impair the economic and social viability of the country.

Mr. Vice President, this was not an easy achievement. On the one hand we had to protect the available resources while on the other hand we had to address the many social concerns which had emerged within the society. It was in the context of this proactive planning process that in the fiscal year ending **September 30 2002** expenditure amounted to **\$14,196.3 million**. Mr. Vice President, let me emphasise that expenditure was **\$14,196.3 million** in the last fiscal year. With revenue at **\$14,265.2 million** a surplus of **\$68.9 million** was achieved.

Mr. Vice President, I wish to advise this Honourable House that in the last fiscal year, that is 2001/2002, while oil and gas revenues were lower than projected, withdrawals were not made from the Interim Revenue Stabilisation Fund. Let me emphasise Mr. Vice President, that the trigger for depositing in or withdrawing from the Stabilisation Fund is not based on changes in oil prices. It is based on whether or not oil and gas revenues exceed or are lower than budgeted. Accordingly, the balance in the Fund remains at **\$1,015 million**.

Let me deal now, Mr. Vice President, with an important aspect of public economic policy – debt management. This Government views debt management as a key element in its goal for generating macroeconomic stability and for strengthening our public finances. As an emerging market developing country we must always be appropriately concerned with our creditworthiness given our need to access international capital markets.

It came as no surprise to us, Mr. Vice President, when earlier this year Standard and Poor’s upgraded our economic outlook from stable to positive and maintained our investment grade rating. Moody’s Investors Service confirmed this outlook just two (2) months ago. This standing will allow us to take advantage of the current low international rates of interest to source our budgeted **\$930 million** on the international capital markets in the current fiscal year.

Mr. Vice President, I think the time is opportune to provide this Honourable House with an inventory of the country’s overall public sector debt.

At the end of September 2002, Mr. Vice President, our public sector external debt amounted to **\$9,400 million** or **16.2 percent of GDP**. One year earlier, in September 2001 external debt amounted to **\$9,729 million** or **18.5 percent of GDP**.

Let me first deal with the external debt. Mr. Vice President, we are reasonably assured that our external debt is viable and sustainable and this country can withstand any assessment of its external vulnerability. This is of substantial comfort to all those investors who hold our external debt.

Mr. Vice President, it is more than appropriate that we should now focus on the management of our domestic debt. I say so because this source of debt had risen over the last two (2) years. Let us review the internal debt operations of the Central Government through its normal issuance of bonds, notes and treasury bills. This direct debt amounted to **\$10,890 million** in **September 2002** or **18.8 percent of GDP**. Compared with **September 2001** internal debt was **\$10,387 million** or **19.8 percent of GDP**.

Mr. Vice President, this Honourable House would have no doubt taken due note that both our *external and internal debt* did not change materially since **September 2001**. The cause for the country's concern however, is the fact that contingent debt has risen dramatically since **September 2001**.

In fact, Mr. Vice President, contingent debt which arises from the issuance of government guarantees and letters of comfort to state enterprises and statutory boards rose from **\$9,471 million** to **\$11,672 million** or at the end of **September 2002** – an increase of **\$2,201 million** over the course of one (1) year. The principal reason for this increase is the expanded use of letters of comfort which rose from **\$717 million** to **\$2,139 million** - an increase of **\$1,422 million**. Mr. Vice President, in **December 2001** when this Government took office, contingent debt amounted to **\$11,407 million**. Nine (9) months later, contingent debt remained almost unchanged at **\$11,672 million** or **22.2 percent of GDP**.

Mr. Vice President, as at **September 30 2002** the public sector debt pertaining to the Central Government, that is, internal and external debt, and to the state enterprises and statutory authorities, that is, guaranteed debt, amounted to **\$29,823 million** or **51.5 percent of GDP**. When we add letters of comfort of **\$2,139 million**, the outstanding public sector debt as at **September 30 2002** is **\$31,962 million** or **55.2 percent of GDP**.

In summary, Mr. Vice President, when we assumed office in December 2001, the outstanding public sector debt was **\$31,516 million** or **60 percent** of GDP. Nine (9) months later at September 30 2002 that same stock of debt was relatively unchanged at **\$31,962 million** or **55.2 percent** of GDP. But as this Honourable House would note in the three (3) month period **September 2001 – December 2001** that stock of debt rose by **\$1,930 million** or **6.5 percent**.

Mr. Vice President, it is our intention that our public sector debt remains at a viable and sustainable level.

The Trinidad and Tobago Economy

Mr. Vice President, I turn now to the performance of our economy. In 2002 our economy would have had nine (9) years of uninterrupted growth rates brought about by sound economic and structural policies. Let me provide you with a short summary of economic developments for **2002**:

- the economy grew by **2.7 percent** in real terms;
- job creation has continued as the unemployment rate fell to **10.1 percent** in **June 2002**.
- foreign direct investment continues to be buoyant, particularly in the energy sector, and remains an important pillar in the financing of the balance of payments;
- gross official reserves reached **US\$2,005 million** in **September 2002** and covered six (6) months of imports;
- the exchange rate is realistic, stable and competitive;
- interest rates began to fall as monetary conditions eased ; and
- the external debt remains sustainable at **16 percent of GDP**.

The Medium-Term Strategy

Mr. Vice President, the Government's medium-term economic framework agenda targets real GDP growth to be between **4 percent** and **6 percent** over the years **2003-2005**. While the main engine of growth will continue to be the energy sector, the Government will intensify efforts to create a globally competitive and knowledge-based economy. The expansion of the non-energy sectors, the boom in construction activity coming from on-going and planned investments in the energy sector and the housing programme, as well as a concentrated thrust on small business development, are expected to result in the creation of over **30,000** new productive job opportunities.

The medium-term plan emphasizes the importance of maintaining low inflation and exchange rate stability as major planks in a comprehensive incentive framework, designed to attract both domestic and external private sector investment and safeguard real incomes. Our medium-term plan underscores the importance of fiscal discipline which when combined with prudent monetary policies should contribute to lowering domestic interest rates which would help stimulate domestic private investment.

Mr. Vice President, we cannot over-emphasise the fact that the success of our medium-term strategy hinges critically on the development of our human capital. If we are to advance rapidly towards developed country status, we need, with utmost urgency, to accelerate reforms in our education and health sectors.

Vision 2020 – The Road Ahead

Mr. Vice President, the vision of the Government is rooted in upholding and advancing the human dignity of every individual. We will ensure that all persons are self-reliant and possess the confidence to promote their own self-development and that of their communities and the nation at large. All citizens will be given equal opportunity for personal growth, self-expression and active participation in their own development.

Mr. Vice President, by 2020 we expect Trinidad and Tobago to be a prosperous and progressive society catering to the needs of our citizens. Our vision is that economic growth will be based on the full participation of the population, socially responsive to the needs of all segments of the society, thereby promoting wealth-creation among all income groups.

Mr. Vice President, the Government envisions that in the society of 2020, poverty and unemployment will have been significantly reduced to minimal levels.

I wish now to focus on the strategic investments and reforms which would lay the foundation for transforming Trinidad and Tobago into a developed country by 2020.

Mr. Vice President, our social and economic policy framework identifies a strong, resilient and highly diversified economic base as a starting point in moving us towards our vision for the development of our nation. In this framework, we will draw on the buoyancy of the energy sector to expand the non-energy sector primarily agriculture, manufacturing, tourism and services.

Energy

Mr. Vice President, Trinidad and Tobago has emerged as a significant energy player on the global stage over the last two (2) decades. We will improve the infrastructure by way of completing the development of the Industrial Estate and a Deep-water Harbour Facility at La Brea; we will deepen our market-leader position in LNG to take advantage of the growing US market for natural gas; we will consolidate our

position as the leading exporter of methanol and ammonia; and we will build the technical capability and skills in energy-related professions.

Mr. Vice President, we are currently exploring new initiatives for the energy sector. These include:

- the direct sale of natural gas to downstream industries so as to encourage additional competition in the gas industry;
- options for supplying natural gas to our CARICOM partners; and
- a new taxation regime for natural gas.

Agriculture

Mr. Vice President, the development of the agricultural sector is critical for sustainable development and important in terms of food security. This sector is an integral component of our social and economic policy framework to drive the diversification of the economy. We will focus on revitalising and modernising the agricultural sector. Accordingly, we have allocated approximately **\$416 million** for the agricultural sector in fiscal year **2003**.

Mr. Vice President, this allocation will allow for improvements in the infrastructure to support the expansion of the agricultural sector. We will address the issue of water management, flood control, irrigation, agricultural access roads and land settlement. For the fishing industry the infrastructural improvements will involve the upgrading of the wholesale fish markets around the country; the refurbishment of the San Fernando and Claxton Bay fishing centres as well as the construction of a fishing port at Moruga. We will improve the operations of the Agricultural Development Bank with a view to ensuring that it becomes a more efficient and effective supplier of credit to the agricultural sector.

Manufacturing

Mr. Vice President, on the basis of our diversification agenda set out in our Social and Economic Policy Framework, the Government has targeted the manufacturing sector to play a key role in the thrust towards a more diversified and resilient economy. We recognize that the retooling of the manufacturing sector is essential for maintaining and improving its competitiveness. The Government considers that the reduction of the corporation tax will free up significant resources for new investment in technology, plant and equipment.

Mr. Vice President, we are also strengthening the institutional arrangements to support the expansion of the manufacturing sector. This includes the establishment of a

light manufacturing estate at Wallerfield. We estimate that this estate will generate **40,000** jobs over the next **10 years**.

We have put in place a Trade Assistance Programme that would be geared towards enhancing private sector competitiveness. We are supplementing this programme by appropriate business-facilitating measures which include the recapitalisation of the Export-Import Bank of Trinidad and Tobago; the restructuring of the Small Business Development Company; the refocusing of the Tourism and Industrial Development Company; the establishment of the National Enterprise Development Company Limited (NEDCO); and the establishment of a Credit Union Development Bank.

Mr. Vice President, as we intensify our investment promotion efforts, we must recognize that the provision of the export allowance is inconsistent with the rules and procedures of the World Trade Organisation (WTO). The continuation of this allowance would pose a substantial risk to our manufacturing sector, the exports of which could attract countervailing duties. As a consequence, we propose to remove the export allowance and this measure will take effect from **January 1 2003**.

Mr. Vice President, these initiatives will create opportunities to creativity, innovation and entrepreneurship.

Tourism

Mr. Vice President, the tourism sector is yet another plank in our strategy for achieving our targets for economic growth and diversification. We recognize the tremendous potential of the sector for harnessing the skills and talents of our people and in generating foreign exchange. More importantly, Mr. Vice President, we envision that there will be substantial job creation, opportunities for entrepreneurship and the creation of wealth.

Mr. Vice President, our Tourism Development Plan provides for a total of **\$305 million** to be injected into the tourism industry over the next three (3) years.

A revised **Tourism Development Act 2000** which will improve the legislative and regulatory framework is being finalised.

We are negotiating mutually acceptable arrangements with international airlines with the aim of boosting our visitor arrivals.

Mr. Vice President, in order to promote incremental investment in the small scale segment of the industry, we propose a capital allowance in respect of approved capital expenditure incurred by the owner or operator in the conversion of homes to approved guest houses. This measure would take effect upon coming into operation of the **Finance Act 2003**.

In addition, revised policy guidelines for Integrated Resort Development are being finalised to cover projects with a minimum capital investment of **\$350 million**.

The expansion of the terminal building of the Crown Point Airport will also add considerable value to our tourism product.

Financial Sector

Let me focus now on the development of the financial sector.

Mr. Vice President, the financial sector must always be able to mobilise and allocate savings in an efficient and effective manner if we are to achieve the goals that we have established in our social and economic policy framework. We are improving the supervisory oversight of the financial system. We will introduce legislation that would integrate the supervision of insurance companies and pension funds with that of the financial system under the authority of the Central Bank. This initiative will serve to strengthen the financial sector and in so doing will improve the attractiveness of Trinidad and Tobago as a preferred destination for capital.

We are rationalising the government bond market as part of our broader programme to develop our capital market structure and also to help reduce the financial cost of government borrowing. The Ministry of Finance in collaboration with the Central Bank, is well advanced on a project that seeks to:

- (i) organise and structure government's borrowing plans across a range of maturities in order to establish a yield curve;
- (ii) expand the list of primary dealers and facilitate the development of a liquid secondary market in government debt; and
- (iii) assure transparency in government bond markets.

The Government is finalising legislation for the establishment of a Financial Services Ombudsman.

Mr. Vice President, the Government recognizes that national savings are an important aspect of a country's future development as a source of investment funds as well as a source of future income.

We propose to grant individuals a deduction of up to **\$10,000 per annum** in respect of shares bought in a society registered under the Co-operative Societies Act. This measure will take effect from **January 1 2003**.

In addition, the Government proposes to reduce the individual income tax rate bands from **28 percent to 25 percent** and **35 percent to 30 percent**. This measure will take effect from **January 1 2003**. The revenue foregone as a result of this measure is approximately **\$289 million**.

The Government will reduce the corporation tax rate of **35 percent** to **30 percent** except in the petrochemical and related sectors. This measure, which will take effect from **January 1 2003** will require amendments to the Corporation Tax Act.

Mr. Vice President, we intend to increase the minimum wage to **\$10 per hour** within the next five (5) years. We will engage in tripartite discussions with labour and employer representatives with respect to the timing and method of its implementation.

State Enterprises

Mr. Vice President, as a general philosophy, the Government will seek to enhance market efficiency and promote competitiveness on an economy-wide basis for sustained economic growth. We recognize that the state enterprise sector has been largely inefficient and many enterprises have been a drain on the state resources. We have instituted an extensive reform agenda to ensure that the sector makes a contribution to the growth process. This process will continue in the context of the overriding strategy to divest those enterprises where continued ownership by the State cannot be justified on strategic grounds. We will also improve the operating efficiency of those enterprises that remain in the purview of the State. Accordingly, Government is currently reviewing its involvement in a number of state enterprises including First Citizens Bank Limited and National Broadcasting Network.

We have agreed to consider the introduction of private sector into the operations of the Port Authority of Trinidad and Tobago and we intend to conclude the sale of the assets of Trinidad and Tobago Forest Products Limited.

In order to facilitate the further growth of the Trinidad and Tobago Unit Trust Corporation (UTC) in the delivery of financial services, the Government will take steps to have the UTC make an early Initial Public Offering.

Mr. Vice President, the programme of action for modernising Caroni (1975) Limited has already begun. This programme of action involves:

- the downsizing of Caroni to focus on its core business – sugar manufacturing; and
- the establishment of the Estate Management and Business Development Company Limited to drive the diversification of the lands at Caroni into higher productivity activities such as heavy and light manufacturing, agriculture, housing and commercial complexes.

These initiatives will be supported by the introduction of the private sector into the rum, rice, citrus, dairy and cattle activities of Caroni.

Mr. Vice President, the modernisation of Caroni, together with the orderly transformation of its lands into growth poles, would provide a range of alternative industrial and commercial activities to allow for a re-absorption of the unemployed labour resulting from the rationalization.

Social Sector

Mr. Vice President, our comprehensive development framework provides the design and implementation of effective measures to achieve simultaneous and significant advances in social development. These developments will be consistent with our vision of a society which caters to the needs of our citizens and provides a preferred place to live, to raise children, to do business, to work and to go to school. We will be a society that will look after our elderly and our less fortunate.

Mr. Vice President, our social policy is based on a two-pronged approach. One approach recognises the importance of providing direct and immediate relief to the impoverished and vulnerable groups in the society. The other approach seeks to equip our population, particularly our youth, with the skills necessary to become gainfully employed and in so doing improve their economic and social conditions.

Let me state categorically, Mr. Vice President, that our social programmes do not create conditions of dependency but rather are aimed at alleviating the sense of hopelessness of many in the society, to allow them access to the basic 'toolkit' to afford them a comfortable standard of living. The current mix of social programmes has emerged from a rationalization to make those programmes much more manageable, targeted and effective.

We are strengthening some of the existing programmes:

Social Help and Rehabilitation Efforts

The Social Help and Rehabilitation Effort, that is the SHARE Programme will target needy persons between the ages of eighteen (18) and sixty-five (65) who do not receive Public Assistance or Old Age Pension. We have allocated **\$22.7 million** for this programme.

Transformation and Development Centres

The Transformation and Development Centres Programme will provide more meals and training for needy citizens.

Public Assistance Programme

Mr. Vice President, we are increasing the public assistance grants which are paid monthly to needy individuals and families. We are raising the minimum from **\$222 to \$320 per month** and the maximum from **\$720 to \$940 per month**. We have allocated **\$94 million** for this programme.

Hearing Aids Grant

Mr. Vice President, the special needs of the physically challenged are not being overlooked. Any member of the public who wishes to be tested and fitted with hearing

aids may do so, and we intend to expand this facility to allow for the testing of every school child for hearing and sight problems. We have allocated **\$3 million** for this programme.

Adolescent Mothers

Mr. Vice President, we are expanding our CHOICES Programmes which provide counselling services, personal development and pre-vocational training to adolescent and at-risk teenaged mothers. We have allocated **\$4.2 million** for this programme.

Export Centres

Mr. Vice President, our Export Centres Programme will provide training in the niche industry of specialised handicraft. This programme will also serve as a business incubator programme for its graduates. We have allocated **\$5 million** for this programme.

Community Enhancement and Regeneration Programme

The Community Enhancement and Regeneration Programme that is the CERP, which is a new programme and will integrate a number of existing projects and priorities. These include the Depressed Communities Programme, the Integrated Projects Initiatives (IPI) Programme being run by the Community Development Fund (CDF) and the Adopt a Community Programme. The CERP targets the poorest communities in Trinidad and Tobago.

Community Education and Support Programme

The Community Education and Support Programme will focus on skills training, group leadership development, management skills, community awareness and entrepreneurial development.

Birth Certificates

From FY 2003, birth certificates will be provided free of charge to the general public.

Mr. Vice President, Government has established a number of programmes geared specifically towards the transformation and development of our nation's youth.

Youth Training and Employment Partnership Programme

Mr. Vice President, the Youth Training and Employment Partnership Programme has now been broadened to capture a wider range of participants. We have allocated **\$11 million** for this programme.

Civilian Conservation Corps

The Civilian Conservation Corps has been re-instituted and will be expanded to other regions of the country. A total of **\$25 million** has been allocated to this programme.

On the Job Training

Mr. Vice President, we have also re-instituted the On the Job Training programme to facilitate a smooth transition between the school and work environments. We have allocated **\$18 million** for this programme.

Geriatric Adolescent Partnership Programme

Mr. Vice President, the Geriatric Adolescent Partnership Programme is aimed at fostering stronger intergenerational relationships between older persons and adolescents between the ages of seventeen (17) and twenty-five (25). The programme has been restructured and expanded. We have allocated **\$3 million** to this programme.

Youth in Agriculture

Mr. Vice President, we have implemented a Youth Apprenticeship Programme in Agriculture aimed at attracting our youth to be apprenticed to specially selected farms to allow them to gain first hand knowledge and experience in farming. A total of **\$33.5 million** has been allocated to this programme.

Information Made Easy Through Technology Centres

The Information Made Easy Through Technology Centres are being introduced in communities throughout the country to facilitate training, distance learning, and Internet access.

Community Development Scholarships Programme

Mr. Vice President, we will establish a Community Development Scholarships Programme under which bursaries would be awarded to young persons to undertake programmes of training and/or study in traditional and non-traditional areas. The awards will be tenable at local as well as overseas institutions. We have allocated **\$5 million** for this programme.

Specialised Youth Programmes

Mr. Vice President, we are introducing Specialised Youth Programmes on a voluntary basis aimed at furthering the education of the youth. This programme will be managed by the Defence Force. We have allocated **\$3 million** for this programme.

National Social Development Programme

Mr. Vice President, the National Social Development Programme is aimed at improving living conditions in many of our communities. We have allocated **\$4 million** for this programme.

Pensions

Mr. Vice President, we will continue to provide the present **\$12,000** per annum in old age pensions to all **63,000** beneficiaries. This annual amount will be kept under review to enable the elderly to always maintain a reasonable standard of living. We expect that the results of the actuarial evaluation of the NIS pension system will allow for the rationalization of payments under both the NIS Pension Scheme and the Old Age Pension Scheme.

Education

Mr. Vice President, this Government recognizes the importance of developing human capital to achieve economic growth. It is for this reason that we have increased the allocation for education by **12.3 percent**. This provides for an increase in the number of secondary schools and the rehabilitation and upgrading of Primary Schools. In addition to the expansion of physical capacity, Junior Secondary Schools will be de-shifted and Early Childhood Care and Education Centres will be increased. The Secondary School Curriculum will be modernised and the Professional Teacher and Administrator Development Programme will be intensified.

Mr. Vice President, with particular reference to Tertiary Education, existing obligations under the Dollar-for-Dollar Plan will be honoured but a more suitable and sustainable alternative will be soon announced. Additional Bursaries and Scholarships for tertiary education will also be provided and a new Tertiary Institution – the Trinidad and Tobago University of Science and Technology - will be established.

Health

Mr. Vice President, our comprehensive development framework establishes a health policy which is geared towards improving the health status of the population by promoting wellness and healthy lifestyle and ensuring the availability of and access to efficient, affordable and quality health care services for all citizens.

Mr. Vice President, we envision a society which enjoys a quality of life which is based on health services which are delivered by a first world society. The increased **10 percent** allocation for the health sector will also cater for:

- the acquisition of new and technologically advanced equipment including haemodialysis and mammography machines;
- the expansion of physical facilities;
- the construction and refurbishing of primary and secondary health care facilities; and
- the construction of the Scarborough Regional Hospital.

The National Oncology Centre for cancer patients will expand its capacity for cancer treatment.

Mr. Vice President, emphasis is also being placed on upgrading the skills and competencies of personnel involved in the delivery of health care. Training will be provided for **300 nurses per year** over the next three (3) years. A Bachelor of Science Nursing Degree at The University of the West Indies will be introduced.

Mr. Vice President, starting this fiscal year and continuing for the next five years, the Government will spend **\$500 million** on all aspects of the campaign against

HIV/AIDS. As part of this financing, we are in the process of concluding negotiations with the World Bank for a loan of **US\$25 million**.

Access to comprehensive HIV/AIDS care and treatment will be significantly expanded. The cost of HIV/AIDS drugs will be reduced through appropriate subsidisation.

Housing

Mr. Vice President, our policy agenda for housing is an essential element of our human development strategy and is based on the core principle that adequate housing is a fundamental right of every citizen. We are ensuring that appropriate conditions and opportunities are created for all segments of the population to acquire adequate housing as a means to improving their quality of life.

Mr. Vice President, our “The Keys to Your Dreams” Accelerated Housing Programme has already started and will provide **2,925** new two (2) and three (3) bedroom single-family detached homes as well as apartments in high-rise buildings in **30 sites** across the country. We have targeted **10,000 housing units** per year for the next five (5) years.

Mr. Vice President, we will implement a subsidy/grant system for the acquisition of the new housing units and for home improvement. This will be reinforced by a reduction in the lending rates of the Trinidad and Tobago Mortgage Finance Company from **8 percent** to **6 percent** and a reduction of the required down payment from **10 percent** to **5 percent**.

We will provide even greater relief to the lowest income families through grants to defray part of the cost of the housing units purchased. For privately owned dwellings, we will provide direct grants to an estimated **1,100 families** for home improvement.

We have already begun our Squatter Regularisation Programme which involves the upgrading of physical facilities and regularisation of tenure for about **5,400 families** at **17 squatter settlements** throughout Trinidad and Tobago.

Mr. Vice President, these programmes will be funded by the Inter-American Development Bank at a cost of **US\$132 million**.

We will also introduce a tax deduction of **\$10,000 per year**, per house, for five years against the purchase price of a first home. This measure will take effect from **January 1 2003**.

National Security

Mr. Vice President, a critical element of achieving Vision 2020 is the creation of a society in which all persons can live in a state of safety and security, free from fear and

the risk of criminal victimisation. Our crime policy is directed towards significantly reducing the incidence of crime in the country.

Mr. Vice President, the allocation of **\$1,831 million** to the Ministry of National Security reflects the priority attached to ensuring the safety and security of our individuals, communities, enterprises and other interests.

Mr. Vice President, our programmes for reducing crime include:

- strengthening our intelligence operations and pursuing strong tactical police actions;
- continuing Operation Anaconda on a strategic and on an as needed basis;
- building and upgrading new facilities for our protective services;
- strengthening the bond between the community and the protective services; and
- establishing a rehabilitation action programme.

But Mr. Vice President, we are not ignoring the importance of sanctions.

- we are placing before Parliament within ninety (90) days, a Kidnapping Prevention Act with stiff penalties; and
- we are introducing a Terrorism Prevention Bill to deal with the threat of terrorism.

Mr. Vice President, corruption in public life is another area of serious concern for the people and Government of Trinidad and Tobago as it undermines the core values on which our society is built. As we have emphasised in our vision, we will establish strong standards for transparency, accountability and governance to ensure that the country's resources are employed efficiently for the benefit and welfare of all citizens.

We will amend the relevant legislation to increase substantially the penalties for offences involving corruption by persons in public life.

Arts, Culture and Entertainment

Again our social and economic policy agenda is directed towards preserving and celebrating our unique culture. We cannot overemphasise its social cohesive nature and its potential to play a major role in the tourism sector and to become a productive economic industry with significant opportunities for employment and income generation.

We propose that companies involved in sponsoring local cultural, educational and entertainment productions that are broadcast to local, regional and international audiences, be given a tax deduction of **150 percent** of the actual expenditure in respect of those productions, up to a maximum allowance of **\$450,000**.

We also propose that production companies which produce local cultural, educational or entertainment productions that are broadcast to local, regional and international audiences, be given a tax deduction of **150 percent** of the actual expenditure incurred in making such productions, up to a maximum allowance of **\$450,000**.

These increases will take effect from **January 1 2003**.

Additionally, at the community level:

- we have re-instituted the Prime Minister's Best Village Trophy Competition, including Village Olympics, Folk Fair, La Reine Rive and the Community Concerts Programme which will expose the talents and skills of all communities. We have allocated **\$4.7 million** for these programmes;
- In terms of building for the future, Mr. Vice President, our Pan in the Classroom Programme as well as the introduction of the Harmonium in schools will serve as nurseries for creating new standards of excellence in our cultural product.

Sport

Mr. Vice President, our National Sports Policy is focused on promoting social integration, leadership qualities, personal development, self reliance, healthy lifestyles and greater national consciousness. A critical component in this policy is the proposed establishment of a National Sports Institute which will be complemented by an Academy of Sport.

Mr. Vice President, the Government recognizes that the private sector has a major role to play in the development of sport. Our view is that the business community stands to gain considerable benefits from the use of sport as an integrating factor in society and as a mechanism for dealing with the problems of the youth.

In order to encourage greater private sector involvement in sporting activities, we propose that a tax allowance of **150 percent** of the actual expenditure incurred, up to a maximum allowance of **\$450,000** be granted to companies promoting/sponsoring sporting activities and sportsmen.

This measure will take place effective **January 1 2003**.

Mr. Vice President, it should be noted that with respect to the incentives for sport and culture, the aggregate allowance that may be claimed by the company promoting or sponsoring sporting activities, artistic works and promoting audio and video productions of local culture, shall not exceed the sum of **\$450,000**.

Infrastructure

Mr. Vice President, our 2020 Vision demands superior performance in all sectors of the economy. Consequently our economic and social policy places priority on the implementation of a planned programme of infrastructure works. We must provide our productive sectors with every advantage possible and this includes the provision of a modern infrastructure base. This will involve a programme of rehabilitation and construction of public buildings including:

- the Invaders Bay Project;
- the Harris Promenade Project;
- the construction of a new Customs and Excise Head Office and a new Board of Inland Revenue building;
- the Siparia Administrative Complex;

Work is programmed to begin on the rehabilitation of the runways at both airports, the Taxiway at Piarco and the South Terminal and the Electrical Sub-Station at Piarco.

Mr. Vice President, we will restore our historical buildings: the Parliament Building; Queen's Royal College, the President's Residence and Office, and Stollmeyer's Castle.

The Environment

Mr. Vice President, our social and economic agenda advances the human development and growth processes yet we recognize that development must be ecologically sustainable and balanced. We will adopt prudent, cost effective management approaches to ensure that development is sustainable and resilient.

Mr. Vice President, this Government recently initiated a Community Based Environmental Protection and Enhancement Programme which mobilised communities working in tandem with the Solid Waste Management Company to undertake the preservation and upgrading of the environment. A total of **5,400 jobs** have been created under this programme.

We are providing the Environmental Management Authority with the resource requirement to enable it to implement the various environmental regulations in a timely manner. We are seeking finance from the World Bank's Global Environment Facility to finance a National Park and Wildlife Conservation Project.

The Green Fund

Mr. Vice President, the governance structure of the Green Fund is being made consistent with that of the Environmental Trust Fund. This measure will not only assure co-ordination of projects within the framework of the national environmental plans and policy but will minimize administrative costs.

Importation of Used Vehicles

Mr. Vice President, we propose to remove from the negative list the importation of fully assembled right hand drive foreign-used vehicles by registered foreign used car dealers. This measure will take effect with the coming into operation of the **Finance Act 2003**.

Mr. Vice President, motor vehicle tax payable on the registration of completely built up foreign used vehicles shall, regardless of the age of the vehicle, be at the rate of **75 percent** of the motor vehicle tax payable on the registration of a new vehicle.

Mr. Vice President, we also propose to discontinue the registration by the Licensing Authority of vehicles that are reassembled from imported new and used components. We will give a grace period until **December 31 2002** before this measure is implemented. This measure will accordingly take effect from **January 1 2003**.

Mr. Vice President, we intend to further simplify the regime for the import of vehicles, including left-hand drive vehicles by returning nationals. In the interim, we will grant an amnesty to those persons whose vehicles have been impounded provided that such action is not inimical to the interest of the State.

Gaming Tax

Mr. Vice President, Government proposes to increase the rate at which gaming taxes are payable by **200 percent**.

Public Sector Administration

Mr. Vice President, our social and economic policy agenda highlights the need for the efficient and effective delivery of public services. We will focus on improving service delivery to ensure that our citizens are provided with high quality, modern and responsive service. A number of our public sector institutions are being restructured. A new Human Resource Management system is being implemented and so are job classification and compensation plans.

Mr. Vice President, Government has allocated **\$600 million** to settle finally the **15-year-old debt** to public servants. Payment will be made at the end of **November 2002**. This follows on the down payment of one month's salary made in **February 2002**.

Tobago

Mr. Vice President, we recognize that Tobago's needs are urgent and critical.

Consequently, we have made an overall allocation of **\$742.9 million** to the Tobago House of Assembly for the fiscal year.

We are currently reviewing the capital programme proposed by the THA and will be looking at the possibility of appropriate financing arrangements for the funding of certain critical development projects.

Mr. Vice President, some of the major projects earmarked for Tobago include:

- a new Scarborough Library;
- new Health Centres;
- the construction of the Scarborough Hospital;
- housing programmes at Roxborough, at Blenheim, and at Castara;
- a new Mason Hall Government Primary School;
- a new Scarborough Methodist School;
- commencement of Phase II of the Tobago Technology Centre at Goldsborough;

- Youth-Empowerment Centres in Castara and Charlotteville; and
- the restoration of the Mt. St. George Youth Camp.

Moreover:

- we are reviewing plans for the construction of a new airport in Tobago;
- we will also ease the burden of air travel between the islands by reducing the cost of an airline ticket from \$300 to \$200 during the fiscal year; and
- we will purchase a passenger ferry to service the inter-island sea route between Scarborough and Port of Spain.

Fiscal Operations

Mr. Vice President, let me now summarize the Government's operations for the next fiscal year.

Total Estimated Expenditure for fiscal 2003 amounts to **\$20,000,507,153**. **\$236,000,000** of this expenditure will come from the Unemployment Fund, the Dollar-for-Dollar Fund and the Road Improvement Fund. **\$6,368,090,978** is a direct charge on the Consolidated Fund. Therefore, the remaining **\$13,396,416,175** will have to be appropriated by Parliament from the Consolidated Fund by way of the Appropriation Act.

Let me spell out the principal components of our fiscal operations:

Total Recurrent Expenditure including capital repayment and interest expenses amount to **\$18,882 million**
of which:

Personnel Expenditure	\$4,764 mn
Goods and Services	\$1,990 mn
Minor Equipment Purchases	\$ 114 mn
Current Transfers and Subsidies	\$3,900 mn
Transfers to Tobago House of Assembly	\$ 639 mn
Transfers to Statutory Boards and Similar Bodies	\$1,291 mn
Debt Servicing of which:	\$6,184 mn
Interest and Expenses	\$2,532 mn
Principal Repayment/Sinking Fund	\$3,652 mn
Total Development Expenditure	\$882 million
Total Draft Estimates of Expenditure	\$19,764 mn
Total Road Improvement Fund Expenditure (of which \$25 million has been allocated to the Development Programme)	\$ 50 mn
Total Unemployment Fund Expenditure	\$ 136 mn
Total Dollar For Dollar Fund Expenditure	\$ 50 mn
Grand Total	\$20,000 mn

Mr. Vice President, we think that it is only appropriate that we clarify for the national community the financial data upon which I have just elaborated. I think that it is important that the national community should have a sound understanding of the economic and technical implications posed by the Appropriation Act.

Mr. Vice President, we have just indicated that **\$13,396 million** is needed to be appropriated by Parliament from the Consolidated Fund. There is other expenditure which do not require such appropriation. The first such expenditure which does not

require appropriation is the direct charges of **\$6,368 million** on the Consolidated Fund which are the capital repayments and the expenditure associated with independent bodies under the Constitution. Secondly, there is the expenditure of **\$236 million** from the Unemployment Fund, the Dollar-for-Dollar Fund and the Road Improvement Fund. In this formulation Mr. Vice President, the total expenditure for fiscal 2003 amounts to **\$20,000 million**.

But Mr. Vice President, this Honourable House would no doubt appreciate that the expenditure of **\$20,000 million** should be adjusted for principal repayments and sinking fund contributions of **\$3,652 million** since this latter amount represents financing operations and is excluded from total expenditure.

Accordingly Mr. Vice President, the budgeted expenditure for fiscal year **2002-2003** is **\$16,348 million**. With revenue of **\$15,725 million** we are realizing a fiscal deficit of **\$623 million** or a little less than **1 percent of GDP**.

Mr. Vice President, the revenue estimates are predicated on an oil price of **US\$22 per barrel** and are based on the existing energy tax regime. The revenue estimates take into account the tax relief and the measures that we announced earlier.

The current expenditure estimates include a one-time payment of **\$600 million** to cover salary arrears. In fact, it is this one-time payment that leads to the overall deficit of **\$623 million**. Excluding this payment, the budget would show a deficit of a mere **\$23 million**.

Mr. Vice President, total amortization payments in respect of both foreign and domestic debt will amount to **\$3,377 million**. Planned borrowing on the domestic market will amount to **\$2,989 million** of which **\$1,989 million** is the refinancing of Government's high cost debt; contractual external borrowings from the multilateral lending institutions will amount to **\$248 million**; and **\$930 million** has been programmed to be borrowed from the international commercial market.

Conclusion

Mr. Vice President, this budget statement represents the first phase of our action-oriented programme which is captured in our ***Social and Economic Policy Framework*** document and forms part of the budget documentation which has already been laid in this Honourable House. The comprehensive development framework provides a starting point as it articulates our vision for the transformation of Trinidad and Tobago into a developed country by the year 2020.

Mr. Vice President, we have addressed the challenges posed by the global economy and the implications for domestic economic conditions. We have defined in clear and precise terms a medium-term policy agenda and in particular, the areas of social and economic policy. We have taken steps to facilitate the achievement of that agenda by putting in place the mechanism to create a knowledge-based society to improve service delivery in the public sector, to enhance the infrastructure base and to strengthen law and justice.

Mr. Vice President, at the heart of our policy agenda is the issue of human development. We recognize that while economic growth is an indispensable requirement for improving our standards of living and general welfare, we cannot escape a **human approach to development**. Our people have a right to a process of development that entitles them to education and training, health, housing, basic amenities such as water and electricity, employment, equity ownership and personal safety and security.

Mr. Vice President, we are placing high priority on poverty alleviation, the generation of sustainable employment opportunities and the creation of a harmonious society; and we must also be reasonably assured that our protective services are always adequately prepared to meet the challenges posed by the criminal element in our society. Yet we must be ever mindful that a just and fair society must accept responsibility for creating the scope for rehabilitation.

Mr. Vice President, our vision provides the road map by which the country's economic base will become increasingly diversified. This is a prerequisite for achieving developed country status by 2020. We have targeted as the key sectors to drive the growth process – energy, manufacturing including small business and micro-enterprise, tourism and agriculture.

Mr. Vice President, as elaborated upon in the framework document, our thrust towards achieving a higher level of growth and human development must be consistent with the preservation and conservation of the environment.

Let me assure you Mr. Vice President, that this clearly defined policy agenda would be subject to consistent monitoring and management. For this reason the framework document has a critical policy management tool – an implementation matrix for the period 2003-2005. We have set out in that matrix our developmental objectives as well as our strategies and programmes. We intend to provide the national community on the occasion of our annual budget with a full accounting of our progress towards the attainment of developed country status by 2020.

We will proceed over the medium-term to deepen and strengthen our programmes and strategies to ensure that we achieve our vision of attaining developed country status by the year 2020, if not before. The consistent monitoring of the objectives established in our comprehensive development framework, and the evaluation of the results will ensure that the objectives that we set for ourselves are achieved in a timely and effective manner.

Mr. Vice President, I beg to move.