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ANNEX

**INTRODUCTION OF THE APPROPRIATION BILL 2004-2005
IN THE SENATE ON THURSDAY OCTOBER 21, 2004
BY SENATOR, THE HONOURABLE CONRAD ENILL
MINISTER IN THE MINISTRY OF FINANCE**

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 2004 to September 30 2005, be now read a second time.

Mr. Vice President, this is a money bill and was approved in the other place on October 19 2004. The Bill provides for the issue from the Consolidated Fund of the sum of \$20.769 billion under the various Heads as indicated in the Schedule of the Bill.

I. BUDGET PRINCIPLES

Mr. Vice President, good governance requires that members of the national community participate effectively in the key economic decisions that affect them directly. For this reason, as in previous years, we have consulted with the members of the national community in developing our social and economic agenda. Their contributions have been valuable and productive. We wish to place on record our gratitude for the pride which they have shown in their country and above all in their hope that Trinidad and Tobago will remain a society that is strong and responsive to our changing circumstances. The involvement of our Ministers of Government, Parliamentary Secretaries and other members of Government in the process has been no less dynamic and helpful.

Mr. Vice President, in the main, their views reflected a strong concern for intergenerational equity. They insisted on a high quality socioeconomic agenda which would meet the needs of future generations. They wished to see their children inherit an even better Trinidad and Tobago and indeed a better world. Indeed, our Vision for achieving developed country status in the shortest possible timeframe coincided with their own ideas.

Mr. Vice President, we would also like to express our gratitude to the technical officers in the Public Service, in particular, those in the Ministry of Finance who worked assiduously to generate the comprehensive Budget documentation which represents an account of our stewardship for the period just ended and our plans for the future. These documents have been laid in this Parliament and include:

- the *Review of the Economy: 2004* which provides an assessment of conditions in the domestic and international economy; in particular, it analyses developments in public debt and debt servicing as well as in the productive sectors and in certain other key areas – fiscal, monetary, financial and trade;

- the *Social Sector Investment Programme 2005* which provides a comprehensive overview of our interventions to alleviate poverty and to improve the delivery of services in the areas of human and social development;
- the *Public Sector Investment Programme, 2005* which details allocations for Government's two billion dollar investments in economic and social infrastructure;
- the *Social and Economic Policy Framework 2005-2007* which charts the course in the medium-term for the achievement of our social and economic agenda on our way towards Vision 2020; and
- the draft estimates consisting of the details of revenue and expenditure and the development programme for the financial year 2005.

Mr. Vice President, since our assumption of office in December 2001, this Government has been laying the foundation for transforming and modernizing the economy of Trinidad and Tobago. Our aim is to promote a balanced and equitable development within which:

- our most vulnerable and disadvantaged groups would be able to share in the fruits of our growth and development; and
- the lifetime concerns of our citizens are addressed through adequate housing, through affordable and accessible quality health care, through comprehensive education and training and through the provision of good quality jobs.

Accordingly Mr. Vice President, the FY05 Budget maintains the Government's unwavering focus on the objective of transforming Trinidad and Tobago into a developed country by the year 2020 or before. At the core of our economic endeavour and management of the country's finances is the welfare of our citizens. Our central objective is their well-being and this budget represents another building block towards the social and economic development of the country which makes our theme for this year's budget – *Ensuring our Future Survival* – relevant and appropriate.

Mr. Vice President, our development agenda rests on three (3) principal pillars:

- *First*, our policies and programmes are directed at maximizing returns from the energy sector through increasing our participation in the value chain and raising the Government's tax take in a manner that is consistent with promoting a high level of investment in the sector. Transparency and good governance would be at the core of our involvement in this most important sector. Usage of excess oil and gas revenues will be multi-faceted – for stabilizing the economy, for ensuring intergenerational equity and for undertaking strategic high quality investments;
- *Secondly*, our programmes and policies are geared at diversifying the economy through a strategy based on strengthening six (6) key sectors:

- Manufacturing;
 - Tourism;
 - Financial Services;
 - Agriculture
 - Small Business; and
 - A new technologically-based industrial sector; and
- *Thirdly*, our programmes and policies would ensure that the benefits of economic growth and development are shared by all segments of the population.(equity)

II. REVIEW OF GOVERNMENT PERFORMANCE

(i) *International Economic Developments*

Mr. Vice President, the consistent application of sound socio-economic policies since our assumption of office in December 2001 has resulted in positive developments for our economy. These policies have facilitated our integration into the international trading and financial system. In most basic terms, we are being integrated into the world economy through trade, financial flows, the exchange of technology and the movement of people. New opportunities are being offered in the form of higher productivity, improved living standards as well as access to a wide range of goods and services at lower costs. We also have access to the pool of international savings which have allowed us to speed up economic growth and development and to alleviate the conditions of our disadvantaged and vulnerable.

This process of globalisation is irreversible as it is beneficial.

Mr. Vice President, the continued achievement of our economic and social agenda will depend critically on our ability firstly to take advantage of the process of globalisation as well as to improve our implementation capacity for planned policies, programmes and projects. There is increasing world competition for foreign direct investment, for export markets, for skilled employees and for financial resources which are now more mobile than perhaps at any time in recent history. Our future prosperity as a nation depends crucially on the manner in which we are engaging the international economy.

Mr. Vice President, over the last year, the global recovery has become increasingly well-established. Global GDP growth in 2004 – at 4.9 percent – is projected by the International Monetary Fund (IMF) to remain strong in 2005. In financial markets, the start of the transition to higher interest rates has been successfully managed by most countries. In short, the world economy has mounted a rigorous recovery from the slow-down of 2001 and Trinidad and Tobago has played a positive role in that recovery.

Unfortunately Mr. Vice President, the onslaught wrought by the recent hurricanes has set back the recovery in certain Caribbean Community (CARICOM) countries and has created major challenges of rehabilitation and reconstruction. We are playing our role in the efforts to finance the reconstruction efforts and we expect the international community to do likewise.

Mr. Vice President, as for the medium-term global outlook, we do hope that the major risks are addressed efficiently and effectively. We are in no doubt that the orderly transition to higher interest rates would be continued. We are also likely to witness a reduction in volatility in the oil markets as oil consumers and oil producers expand their collaboration; and finally, we expect that the global current account imbalances would be adjusted by co-operative international action. The medium-term outlook is therefore for a continuation of the present solid growth performance and Trinidad and Tobago will continue to ensure that its participation in the world economy will be beneficial and effective.

(ii) *Domestic Economic Developments*

Mr. Vice President, we must be justifiably proud as we review our own domestic economic performance:

- economic growth was recorded at 13.2 percent in 2003: our tenth consecutive year of economic growth
- *economic growth* was largely driven by the energy sector, in particular the expanded activity in the petrochemical sub-sector and the commissioning of the third LNG Plant;
- *economic growth* is taking place in a stable and low inflationary environment as headline inflation was 3.8 percent in 2003 and 3.3 percent in the twelve (12) months to August 2004; but of substantial concern to us is the fact that food prices have been rising rapidly. In 2003 food prices rose by 13.8 percent and in the twelve (12) months to 2004 by 10.5 percent;
- *economic growth* is generating jobs at a rapid pace so that the unemployment rate in June 2004 reached 7.8 percent the lowest rate since the People's National Movement came into power in 1956;
- *economic growth* is generating healthy trade surpluses with our major trading partners, including our CARICOM neighbours. In 2003 the external trade surplus was US\$1.6 billion of which US\$952.0 million was with CARICOM countries;
- *economic growth and healthy trade surpluses* have been contributing to a build-up of our external reserves which now stand at a healthy US\$2.7 billion the equivalent of 6.2 months of imports;
- the fiscal situation remains sound and sustainable as a year end overall surplus of \$437.1million or 0.6 percent of GDP was realized in FY04. Accommodated in this balance is capital expenditure of \$1.716 billion or 2.4 percent –and a transfer of \$1.263 billion or 1.8 percent of GDP to the Interim Revenue Stabilisation Fund;

- gross public sector debt remains sustained, falling to 52.7 percent in September 2004, down from 59.3 percent in September 2002. The external public debt in the same period moved similarly – falling to 13.8 percent of GDP, from 16.2 percent;
- But, Mr. President we have also been a government that is concerned about the social issues in our society.

In FY04 we spent \$2.6 billion or 13.2 percent of the national budget for developmental programmes to empower our citizens, remedial programmes to alleviate social problems; and preventative programmes to prevent problems from arising.

Additionally, we have targeted for special attention: The special needs of certain of our children, Our Communities , counseling and support interventions, entrepreneurial development of those in need, Health and Wellness, Older Persons support, Persons with disabilities, Poverty Alleviation, Socially displaced members of our society, Substance Abusers, Victims of Domestic Violence and Unemployed Relief.

Mr. Vice President, our Government has been an effective one. We have delivered sound public finances. We have put in place responsible fiscal policies that stabilised the economy as well as good financial practices that ensured value for money in public spending.

III. AGENDA 2005-2007

Mr. Vice President, how do we see the medium-term outlook? Our economic projections for 2005-2007 have just been endorsed by the IMF during their annual Article IV Consultation exercise. The country is entering an even more dynamic growth period:

- in 2005 we expect to see real growth at 6.7 percent rising sharply to about 8.9 percent in 2006 and stabilizing at around 5.0-6.0 percent thereafter;
- growth is being driven by:
 - the commissioning of the LNG Train IV and several new projects at Pt. Lisas and the La Brea Industrial Estate;
 - construction activity associated with the ongoing house construction programme;
 - intensified infrastructural development;
 - high-tech growth and other industries on light manufacturing estates; and
 - the expansion of the financial services sector.

- *but* inflationary pressures would be contained through disciplined fiscal and monetary policies so as to maintain the targeted inflation rate of about 4.0 percent;
- the policy framework would facilitate a continued low interest rate environment, a steady reduction in the public sector debt relative to GDP and a continued build-up in foreign reserves;
- the solid projected growth rate would continue to generate good quality jobs – 34,000 in the three (3) year period - thereby pushing the economy to full employment levels which means an unemployment rate of no more than 5.0 percent;

IV. STIMULATING THE PRODUCTIVE SECTORS

Mr. Vice President, Trinidad and Tobago must remain a productive and competitive economy if it is to take advantage of the globalisation process. For this reason, we are promoting competition in all sectors of the economy. Competition has been encouraging our firms to be more efficient and innovative and more responsive to customer needs. Many of them are already holding their own internationally, in particular in the regional arena. Consumers enjoy wider choices and better products and services and very often, lower prices. However, Mr. Vice President, fostering competition is not always the same as taking a passive approach. We need on many occasions, to intervene in markets.

(i) *Energy and Energy Industries*

Mr. Vice President, our first pillar is directed at the energy sector. This sector is being geared to attain its fullest potential in its contribution to sustainable economic growth and development. While remaining the main engine of growth in the foreseeable future, it will continue to forge greater linkages with the rest of the economy, so that, the non-energy sector would make a greater contribution to total output.

Mr. Vice President, to achieve these objectives we have put in place a policy agenda which is three-pronged:

- (a) the attraction of foreign investment in exploration activities so as to increase hydro-carbon reserves;
- (b) the increase in the value added from natural gas production capability by participation at other stages of the value chain, including shipping, regasification terminals, the pipeline system and even the marketplace; and
- (c) the increase in the revenue take through the introduction of the new energy tax regime for oil and gas.

Mr. Vice President, our energy policy is already paying rich dividends in terms of creating new activity, including down-stream, as well as of generating good quality jobs. The immediate concern to us is the tax regimes which apply to oil and gas. We have been giving substantial consideration to putting in place a tax regime for the energy sector which balances the interests of the State which should derive optimal tax revenues with those of investors who require an adequate rate of return on their *investments which need to be sustained*.

(ii) *Non-Energy Sector*

Mr. Vice President, I now turn to our second pillar – the diversification imperative, our diversification thrust would continue to focus on six (6) main areas.

(a) *Manufacturing*

Firstly Mr. Vice President, Trinidad and Tobago is the *manufacturing leader* in the Caribbean and the country is quickly becoming a major manufacturing and commercial center in Latin America and the Caribbean. Our economic reform agenda has ensured that the long-term fundamentals of the economy remain sound and the cost of doing business broadly appropriate. Within this framework, we have secured our external competitiveness.

Mr. Vice President, we would continue to assist our domestic manufacturers in their efforts to export to regional and non-regional markets:

- the Trade Sector Support Programme (TSSP) is geared at supporting the external competitiveness of our manufacturers;
- we are focusing on the expansion of a number of specific areas including yachting, fish and fish processing, merchant marine, music and entertainment, the film industry, printing and packaging and food and beverage;
- we are providing infrastructure and incentives to both domestic and foreign investors through:
 - the continuing development of the Industrial Technology Park at Wallerfield;
 - the development of an investment policy and a services trade policy for Trinidad and Tobago;
 - a revised Foreign Investment Act;
 - the establishment of a Research and Development Fund to finance the development of unique products; and
 - the promotion of trade and investment activities between Trinidad and Tobago and Cuba.

(b) Tourism

Secondly Mr. Vice President, *the tourism sector* is becoming a major contributor in our economic diversification drive. There is need therefore, for expanded infrastructure. For this reason we have created a new company – the Tourism Development Corporation (TDC) – with the responsibility for tourism investment promotion, product development and marketing.

(c) Financial Services

Thirdly Mr. Vice President, Trinidad and Tobago has now emerged as the financial centre of the region. In 2003, bond issues for regional governments and corporations amounted to over US\$500.0 million. On the other hand, investments by our financial institutions in the region amounted to approximately US\$250.0 million. The financial sector now accounts for 12.5 percent of GDP and employs 7.5 percent of the labour force. We propose to build on this excellent base to become the Pan Caribbean Financial Centre. Accordingly, we propose to update our financial legislation to establish the best practices in financial intermediation.

(d) Agriculture

Fourthly Mr. Vice President, agriculture continues to remain the life-blood of a large segment of our population. The modernisation of the sector is central to enhancing that sector's contribution to the economic and social development of the country while ensuring the country's food security. Our facilitation role would create new opportunities and attract new entrepreneurs and investors and we will do so through a number of initiatives, including amongst others.

- accelerating the distribution of agricultural state lands, giving consideration in the process to those investors who may wish to establish modern agro-processing facilities; and
- the delivery of approximately 7,000 two-acre sized agricultural plots in seventeen (17) locations to former employees of Caroni over the next two (2) years. This is expected to boost agricultural production and in the process provide a secure and sustainable livelihood for the former employees of Caroni.

(e) Technologically-based Industrial Sector

Fifthly Mr. Vice President, a modern state-of-the-art information and telecommunications infrastructure is indispensable for our future competitiveness:

- we are promoting a technologically-based industrial sector centered at Wallerfield with four (4) zones of activity:
 - technology and software development and incubation facilities;
 - light manufacturing and down-stream manufacturing from the energy sector;

- the University of Trinidad and Tobago with significant online distance learning capabilities; and
 - a commercial and services centre.
- the Telecommunications Authority of Trinidad and Tobago will be awarding in the first quarter of 2005, concessions to provide public mobile communication services. It is also now taking steps to introduce competition in the provision of international telecommunication services. We expect to see significant rate reductions, improvements in service delivery and a wider access to the services; and
- the Authority intends to award additional concessions for television and multi-channel video broadcasting providing a wider range of choices to our consumers.

V. INVESTMENT IN HUMAN CAPITAL

Mr. Vice President, while investment expenditures are essential for raising the levels of economic growth, it is well-established that human capital development is necessary for maintaining and increasing further those levels of economic growth. I refer here to those investment expenditures that are best undertaken by the public sector, in particular investment in human capital through expenditures on education, training, health and infrastructure. This expenditure is essential for not only improving the living conditions of our citizens, but also for giving them the opportunity to contribute fully to the country's growth and development.

(i) *Education and Training*

Mr. Vice President, our education system is being revamped to deliver total quality education – from early childhood care and education to adult literacy:

(ii) *Tertiary Education and Training*

We are also rapidly advancing the agenda to reshape tertiary education. In just one (1) year the University of Trinidad and Tobago has admitted almost 2,000 students pursuing programmes in engineering and technology, research, innovation, entrepreneurship and the humanities.

In FY05, the expansion of the University of Trinidad and Tobago will continue as we consolidate and establish a networked multi-campus institution which would include an upgraded COSTAATT, CARIRI, the Institute of Marine Affairs, Metal Industries Company, San Fernando Technical Institute and John Donaldson Technical Institute. To support our thrust into these engineering and technological disciplines:

- the Accreditation Council of Trinidad and Tobago which has already prepared a national policy on distance learning will foster and maintain quality in national tertiary education;
- the Government Assistance for Tuition Expenses Programme (GATE) will increase enrolment in tertiary education; in fact, enrolment has risen by 40.0 percent from 17,000 in 2003 to 24,000 in 2004; in FY05 the GATE programme is being expanded by increasing the number of approved programmes and approved financial institutions as well as increasing the scope and quantum of the GATE grant to cater for additional categories of expenses; and
- the Higher Education Loan Plan (HELP) will be launched to provide low-interest loans to students attending local and approved overseas institutions;

(iii) Skills Development

Mr. Vice President, our skills development programmes are ensuring that our citizens can take advantage of the employment opportunities being provided by a vibrant and growing economy:

- the Multi-Sector Skills Programme (MUST) is addressing training for employment for some 10,000 persons in the construction sector. The programme is being expanded to include training in other sectors – agriculture, tourism and process manufacturing.

Mr. Vice President, by 2015 we intend to achieve a participation rate of 60.0 percent in post secondary and tertiary education. In other words, within the next ten (10) years 60.0 percent of our secondary school graduates will proceed to attend university level or post secondary institution education; this is five (5) times the current level of participation in tertiary education and will place Trinidad and Tobago on par with countries in Europe, North America and the Far East.

Finally Mr. Vice President, in order to achieve that participation rate the Government intends to ensure that by 2008 all nationals will have access to tertiary education in Trinidad and Tobago free of charge.

(iv) Health

Mr. Vice President, we are embarking on a programme of action to enhance the delivery of quality health care to our nationals. By 2006, the country would enjoy a health care system that will set new standards of quality and accessibility. The main elements of this programme, both qualitative and capacity expansion, will be executed in our front-line health institutions in San Fernando, Scarborough, Sangre Grande, Point Fortin and Mount Hope. These initiatives are to be supported by efforts to increase the availability of trained personnel in all of the critical areas, including doctors, nurses, oncologists, and pathologists.

We are providing free medication under our universal Chronic Disease Assistance Programme (CDAP), and we are establishing two (2) renal dialysis treatment centers – one (1) in the North and one (1) in the South each providing treatment for 200 persons. The Charitable Cataract Surgery Programme is being expanded so as to completely eliminate the waiting-list for this procedure and we are expanding the Eric Williams Medical Sciences Complex (EWMSC) to include services for the treatment of cataract, glaucoma, all types of eye surgery and heart surgery.

Mr. Vice President, in a revolutionary initiative, effective January 1 2005 all medical services including the use of medical facilities offered at the EWMSC will be free to all nationals of Trinidad and Tobago.

(v) ***Infrastructure***

Mr. Vice President, investment in our infrastructure is an essential requirement for establishing a modern and globally competitive economy. As we move predictably to achieving developed country status by the year 2020 we cannot escape having an adequate infrastructure providing an extensive and efficient transport network system, efficient ports and airports as well as adequate drainage and irrigation:

In order to begin this process we are procuring

- a comprehensive national transportation study prepared by a firm of international consultants to address the sea, air and land transportation needs over the next thirty (30) years to be completed in eighteen (18) months;
- in the interim, a feasibility study of a light rail mass transit system from Arima to Diego Martin and from Port of Spain to San Fernando is being undertaken. If feasible, an investment decision could be made on the completion of the study in July 2005 with some segments becoming operational by 2008 and the full system in place by 2012;

VI. NATIONAL SECURITY

Mr. Vice President, our national security response to the unprecedented level of criminal activity plaguing the country has been both efficient and effective. We could have done better through more effective systems of management and accountability in the police service. Unfortunately, narrow political preoccupations were placed before the welfare of the national community when the other side did not support our legislative efforts to achieve those objectives.

Mr. Vice President, this notwithstanding, we have put in place a broad set of policies aimed at securing the safety of our communities and citizens: We wish to advise that:

- the special Anti-Crime Unit is now fully operational and is performing an increasingly important role in the country's fight against crime;

- the police vehicle fleet has been expanded with the acquisition of **100** new vehicles;
- training has been enhanced to improve management standards, in particular in forensic investigations, criminal justice, behavioural science, information technology and human resource management;
- partnerships with our communities have been strengthened through training in community policing;
- the size of the police service has been increased;
- police stations are being refurbished and several others are being built;
- the prisons service is being transformed with rehabilitative and restorative programmes; and
- the Ministry of National Security is collaborating with the Ministry of Education with respect to developing a joint action for school discipline.

Finally Mr. Vice President, we have recently witnessed the benefits which can emanate from exposure to military discipline. The professionalism and grit of the members of the Defence Force were on display as they sought to bring some order and to provide relief to the people of Grenada after being besieged by Hurricane Ivan.

But Mr. Vice President, the Grenada experience has left with us the need for *disaster preparedness*. In that regard, Mr. Vice President, we are transferring the National Emergency Management Agency (NEMA) and creating a new *Office of Disaster Preparedness and Management*. This new agency will be responsible for all disaster responses – natural or otherwise – and will co-ordinate the efforts of the private sector in any disaster.

VII. SOCIAL AGENDA

Mr. Vice President, our country has achieved macro-economic stability and this has created the conditions for a stable and low rate of inflation, a competitive and realistic exchange rate and declining interest rates. We have strengthened Government revenues and we are in the process of making our public sector much more efficient and effective.

We have therefore put ourselves in a position to scale-up expenditures to address the concerns of the vulnerable and defenseless groups in our society. Economic progress must be reflected in social progress. The equitable distribution of the fruits of economic progress will make economic changes much more acceptable, in particular at this time when this country is effectively engaging the globalisation process. We are of the view that if the period of expansion that we are now experiencing is to be maintained, it is vital that our development strategy should reduce the incidence of exclusions – the vulnerable and the defenseless.

Mr. Vice President, this Government remains committed to the social progress of the population by fostering an environment that promotes the continuous improvement of all our citizens.

(i) *Housing*

Mr. Vice President, access to adequate and affordable shelter is the right of every citizen. To this end, Government anticipates the construction of approximately 100,000 homes over a ten (10) year period with an average of 10,000 homes per year. Our national housing policy places particular emphasis on meeting the needs of the low and middle - income families in our society.

Mr. Vice President, several programmes have been developed to deliver the various aspects of housing needs. These include the Accelerated Housing Programme, through which 3,249 housing units have already been constructed; the Infill Lots programme, which is expected to provide 2000 housing units and a further 6,336 low-cost and middle-income units at fourteen (14) locations would be completed by September 30 2005 under the joint venture programme between the National Housing Authority (NHA) and certain private contractors/developers.

In addition, Mr. Vice President, these efforts are supported by the Urban Renewal and Development Programme, and the Sites and Services Programme; the Rent-to-Own-Programme, which will be implemented in the current fiscal year will all contribute to providing housing solutions for low- and middle-income citizens.

Moreover, Mr. Vice President, Caroni would distribute over the next two (2) years, approximately 6,131 residential lots to its former employees in accordance with the conditions of their Voluntary Separation of Employment Plan.

Mr. Vice President, access to financial resources is a key component of our housing strategy. Financing is available via the Joint Venture Arrangements (JVA) involving a consortium of local banks which have pledged an initial \$1.2 billion towards the construction phase and a further \$700.0 million as take-out mortgage financing, and the Approved Mortgage Programme under which a number of financial institutions provide mortgage loans at preferential rates between 6.0 and 8.0 percent to persons purchasing houses under the housing programmes.

Moreover Mr. Vice President, our approach also caters for grants for home improvements.

(ii) *Poverty Alleviation*

Mr. Vice President, in our programmes and policies to alleviate poverty and improve opportunities, we would continue to identify those citizens who can be rehabilitated and retrained to allow them to participate effectively in the national economy. We are focusing on life skills development, literacy, training and skills upgrade and access to credit. The shift in emphasis is being managed through a collaborative effort among Ministries and Departments of Government, the SHARE Secretariat and the newly established Development Support Unit.

Mr. Vice President, we are concerned that the rising food prices are impacting negatively on the poor and more vulnerable groups, including our retired public officers. There are 98,065 individuals who receive Old Age Pension, Public Assistance and Disability Grants. There are now also 27,565 retired public officers of whom 23,657 or 85.0 percent are in receipt of a public service pension of \$3,000 or less. It is the Government's intention to introduce measures to mitigate the impact of rising prices on the needy and the vulnerable.

VIII. REFORM AGENDA

Mr. Vice President, we are embarking on a well-focused structural reform agenda aimed at increasing economic efficiency, boosting national competitiveness, and promoting economic resilience. The major elements of the reform programme include; reform of the pension system, establishing a non-energy tax regime, transforming the public sector into an efficient and effective service provider, procurement reform, state enterprise reform and improving the efficiency of local government.

IX. TOBAGO

Mr. Vice President, the Tobago House of Assembly (THA) needs to be commended for the genuine partnership that they have forged with the central government.

The FY05 budget includes an allocation to the THA of \$822.9 million for the recurrent expenditures and \$200.9 million for the development programme expenditures. Additionally, to further facilitate the development of Tobago, the Minister of Finance will assist the THA in accessing by way of borrowings additional funding up to a maximum of \$500.0 million. This translates to resources amounting to \$1.5 billion for Tobago to be used for its economic and social transformation agenda.

X. CARICOM

Mr. Vice President, Trinidad and Tobago has been generating substantial trade surpluses with the CARICOM area for more than a decade and those surpluses are expected to remain substantial over the coming years. In fact, CARICOM is our second largest export market after the United States and is therefore a significant contributor to employment levels and the economic strength of our country. By the same token, Trinidad and Tobago is the largest market for regional CARICOM exports.

Mr. Vice President, the economies of our CARICOM partners are now at substantial risks – the impact of the high prices of crude products and the substantial cost of the reconstruction efforts arising out of the devastation by Hurricane Ivan. As a result:

- we have established the CARICOM Trade Support Programme which is designed to help CARICOM member states build capacity and expand their export capability. Funding for that programme will be in the form of a Revolving Loan Fund in the sum of \$100.0 million to be disbursed on an interest-free basis to firms in CARICOM, excluding Trinidad and Tobago; and
- the company which is developing the Caribbean Gas Pipeline is prepared to deliver gas to CARICOM countries at stable and predictable prices.

XI. ENHANCING TRANSPARENCY, ACCOUNTABILITY AND GOVERNANCE

Mr. Vice President, this Government is committed to good governance. By this I mean publicly accountable and participatory Government that serves the whole of society rather than sectional interests and legal and regulatory frameworks that are transparent, fair and credible. The effective utilization and management of our oil and gas resources which are non-renewable assets, is an important aspect in our framework of good governance.

For this reason, the Government will formalize the Interim Revenue Stabilisation Fund (RSF) with a broader and more comprehensive mandate.

Mr. Vice President, the proposed design of the governance structure and the investment criteria governing the resources earmarked for strategic investments will be articulated at the time when the appropriate legislation is laid in parliament.

XII. FISCAL OPERATIONS 2005

Mr. Vice President, the fiscal operations for 2005 provides for the total estimates of expenditure for FY05 to be \$27.918 billion; of which the sum of \$20.769 billion is to be appropriated. The sum of \$6.798 billion represents a direct charge on the Consolidated Fund while \$350.0 million represents expenditure from the Unemployment Fund and the Road Improvement Fund.

Mr. Vice President, total revenues are based on an average oil price of US\$32.80 per barrel (Galeota mix) and a net-back gas price of US\$1.50 per cubic foot, expenditure is based on oil and gas prices of US\$25.00 per barrel and US\$1.50 per cubic foot respectively.

Accordingly, the difference between the estimates, that is, the estimates based on an oil price of US\$32.80 per barrel and a gas price US\$1.50 per cubic foot and the estimates based on an oil price of US\$25.00 per barrel and a gas price of US\$1.50 per cubic foot is \$1.357.0 billion.

That amount Mr. Vice President, that is, 100.0 percent of estimated excess oil and gas revenues will be appropriated for transfer to the Interim Revenue Stabilisation Fund. This will bring the balance of the Fund to \$4.209 million or approximately US\$670.0 million.

Revenue	-	\$24,015.5 million
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Expenditure	-	\$22,650.9 million
Surplus	-	\$1,364.6 million
Transfer to RSF	-	\$1,356.9 million
Balance	-	\$7.7 million

Included in our expenditure is an amount of \$3.910 million which represents Capital Repayments and Sinking Fund allocations and is normally treated as financing. As well as the amount of \$2.075 million for the Capital Programme for 05.

XIII. FISCAL MEASURES 2005

Mr. Vice President the fiscal measures of the Budget for FY04/05 provides for the following:

- (i) Relief to Recipients of Pensions and Public Assistance;
- (ii) Measures to Address the rise in Prices;
- (iii) Poverty Alleviation;
- (iv) Relief to Low Income Wage Earners;
- (v) Relief to Retired Public Service Pensioners;
- (vi) Duty Free Allowance;
- (vii) Tax Administration;
 - (a) Set-Off of Losses;
 - (b) Taxation of Benefits in Kind;
 - (c) Deed of Covenant;
 - (d) Application of VAT Refunds to Other Tax Liabilities;
 - (e) Waiver of Penalties under the Stamp Duty Act;

The details of these measures are provided in the Annex to this Statement.

XIV. CONCLUDING REMARKS

Mr. Vice, President, with this Budget, we take the country forward into a future of continued prosperity and stability, greater equity and enhanced opportunity. Yes there are other challenges and we intend to continue to work to achieve a society that we can all be proud to have made a contribution towards. We invite all to join in creating a better future for all our people.

Mr. Vice, President, I beg to move.

ANNEX

INTRODUCTION OF THE APPROPRIATION BILL 2004-2005 IN THE SENATE ON THURSDAY OCTOBER 21, 2004 BY SENATOR, THE HONOURABLE CONRAD ENILL MINISTER IN THE MINISTRY OF FINANCE

Fiscal Measures

(i) Relief to Recipients of Pensions and Public Assistance

- We propose to increase the maximum old age pension from \$1,000 to \$1,150 per month. This measure will take effect from October 1 2004;
- We propose to recommend to the Public Assistance Board that payments of public assistance be increased by \$150 per month and that this increase takes effect from October 1 2004;
- We propose to increase the level of disability assistance grants from \$650 to \$800 per month and that this increase takes effect from October 1 2004;

These measures relating to the increase in Old Age Pension, Public Assistance and Disability Assistance Grants will benefit 98,065 individuals and will cost approximately an additional \$177.0 million per annum.

(ii) Measures to Address the Rise in Prices

- We propose to reduce the surcharge on the importation of chicken and turkey parts from 86.0 percent to 40.0 percent. This measure is expected to reduce the price on these specific products, improve the level of competition in the market, and hopefully lower chicken prices in general. This measure will take effect from November 1 2004. If this measure does not generate an appropriate reduction in poultry prices, the surcharge will be reduced further until the expected benefits to the consumer are realised. Madam President, we should note that under the Seventh Schedule to the Miscellaneous Tax Order of 1997 this surcharge would come to an end on December 31 2004, unless renewed;
- We propose to remove the Common External Tariff (CET), subject to the approval of the CARICOM Secretariat, on:
 - Powered Milk;
 - Split Peas;

- Black eye Beans; and
 - Cheese.
- We propose to Zero-rate for VAT purposes and with immediate effect:
 - Brown Sugar;
 - Cocoa Powder;
 - Coffee;
 - Mauby; and
 - Orange Juice.

(iii) Poverty Alleviation

- We propose to expand the *SHARE Programme* from 15,000 Food Hampers per month to 20,000 per month, as well as to increase the value of each hamper from \$200 to \$250 per Hamper. This measure will take effect from November 1 2004 and will now cost \$60.0 million on an annual basis;

(iv) Relief to Low Income Wage Earners

- we propose to recommend to the Minimum Wages Board that the minimum wage be increased from \$8.00 per hour to \$9.00 per hour with effect from January 1 2005 so as to assist the lowest paid of the labour force deal with recent price increases;
- we propose to remove the Business Levy from registered small businesses to help these businesses to cope with the increase in the minimum wage. This measure will take effect from January 1 2005.
- we propose to increase the personal allowance for tax purposes to provide relief to low income taxpayers, as follows:
 - (i) for individuals with a gross income not exceeding \$30,000 per annum, the personal allowance will be increased by \$5,000 from \$25,000 to \$30,000 per annum;
 - (ii) for individuals with a gross income exceeding \$30,000 per annum, the personal allowance will be increased by \$5,000 less \$1 for every dollar of gross income above \$30,000.

(v) Public Service Pensions

- we propose to grant an *ex-gratia* award to retired Officers to address the plight of retired Public Service Officers, effective October 1 2004. The measure will cost an additional \$62.0 million and will apply to the following categories of retired officers:
- Public Service Officers who retire on or before December 31 1984 will receive an *ex-gratia* payment of \$400.00 per month;
- Public Service Officers who retire between January 1 1985 and December 31 1994 will receive an *ex-gratia* payment of \$300 per month;
- Public Service Officers who retire between January 1 1995 and December 31 1999 will receive an *ex-gratia* payment of \$150.00 per month;
- Widows of Public Service Officers will receive an *ex-gratia* payment of \$150 per month.

(vi) Duty Free Allowance

Madam President, we propose to increase the duty-free allowance for individuals traveling abroad from \$1,200 to \$3,000 per annum effective (January 1 2005.).

(vii) Tax Administration

Madam President, we propose to put into effect a number of measures designed to close some of the loopholes in the tax regime in order to improve the efficiency of the Tax Administration.

(a) Set-Off of Losses

We propose to amend section 16(3) of the Income Tax Act to prohibit the set-off against employment or professional income of losses from any other source of income specified in Section 3 of the Act.

(b) Taxation of Benefits in Kind

We propose to delete Sections 136(5) and 139 of the Income Tax Act with effect from the coming into operation of the new Finance Act to provide for the taxation of benefits in kind received by employees of schools or other educational establishments as well as by employees of charities and municipalities.

(c) Deed of Covenant

We propose to amend the Corporation Tax Act to include a provision similar to the former Section 21 of the Income Tax Act which provided for one-year deeds of covenant and that this amendment be made retroactive to January 1 1997 to validate the one-year deeds of covenant already approved.

(d) Application of VAT Refunds to Other Tax Liabilities

We propose to amend Section 35 of the Value Added Tax Act, 1989 to provide for the application of VAT refunds to outstanding taxes under any other Act administered by the Board of Inland Revenue effective January 1 2004.

(e) Waiver of Penalties Under the Stamp Duty Act

We propose to amend Section 87(2) of the Stamp Duty Act to confer on the Board of Inland Revenue the power to waive stamp duty penalties effective January 1 2005.

(f) Energy Tax Regime

We propose to review the current petroleum tax regime which was established in 1992 at a time when the energy sector was considerably different from what obtains today. We have already begun discussions with the oil producing companies. Given the highly complex and technical issues that need to be resolved, we expect that these discussions will take upwards of six (6) months before a new tax regime is hammered out.

In the interim, we propose to:

- review and re-negotiate all existing Production Sharing Contracts (PSCs);
- re-activate the Petroleum Crude Oil Pricing Committee;
- monitor exports of crude oil on a destination basis;
- review the tax liability of the oil companies over the last six (6) years as provided for in the current tax laws;

(g) Application of Sport Allowance to Petroleum Companies

We propose to extend the 150.0 percent sport allowance to petroleum companies with effect from January 1 2003 when the incentives extended to petroleum companies under the Finance Act, 2004 took effect.