

Speech by Minister of Finance, the Honourable Winston Dookeran on Public Private Partnership (P3) at the Hyatt on Tuesday November 1st, 2011

Good morning to everyone and thank you very much Ray, Your Excellency, the High Commissioner of Canada to Trinidad and Tobago Karen Mc Donald and other distinguished visitors who are here with us from Canada today, colleagues and friends.

It is indeed a great opportunity at this time that I can be here with you today in a seminar organized on this very important topic by the High Commission office in Port of Spain and the International Financial Corporation (IFC). Both of these institutions have had remarkable experience in trying to forge a new approach to financing and development in their own jurisdiction. The IFC operating worldwide. The experience in Canada has already been anchored in the public arena with some success.

I was particularly interested in her calculation of the infrastructure deficit measured in terms of dollars. Since my good friend and colleague Minister Devant Maharaj is here we will take note to quantify our infrastructure deficit as one of targets we must move toward. Many things in his Ministry would lend themselves to consideration of this new model for financing and development. I thank her Excellency and the IFC for this opportunity. This is an appropriate time because we are in search of new space. For those who have been following our public pronouncements recently you will see that one of the fundamental premises is being built on the search for new space. What we are about to discuss here is essentially engagement of private partners for delivery of public benefits. It may sound as though this is something we have stumbled upon but for many years this has been a method of collaboration especially as we search for partnership in development, partnership in development is an important aspect. Engagement of private partnerships for public benefits has brought new challenges and opportunities.

Today I want to share some thought of myself and colleagues at the Ministry of Finance on this particular set of challenges we have to confront. For those of us who have been looking at deeper challenges of financing development we recognize that the private sector has a key role to play not only the private sector but civil society including the labour movement. It is in that context that I believe that if we look at the vocabulary and conversation sometime in 1990 certain concepts which appeared relevant are in need of change. For instance in business curriculum we have had reference to strategic planning, reform, systems reengineering and reference sometimes to the issue of management of change. How quickly has the world changed as ideas began to be reformulated in a different context. And what appeared to be issues which were dealt with as new issues in the 1990 need for redefinition of issues. Issues of strategic planning have given way to corporate governance, as question of corporate governance is perhaps more important to make things happen than the issues of static models. The issues of reform which essentially attempted to restructure the basis of old premises have now given way to issues of reengineering which is attempting to build on the basis of new premises a new architecture. On issues with respect to system restructuring we have seen a shift from systems approach to process management. And finally in reference to issues with respect to dealing with delivery and in so doing dealing with the notion of change management as the requirement for better

delivery has given way to the search for new space. What is common in the shift of concepts and thinking is the fact that we have now moved from a static structure into a dynamic changing the environment where the expectations of the society are now demanding change not only in political actors but change in the method by which political actors discharge their public responsibility. And it is in this context that I believe this seminar is positioned as we attempt to look at new areas for a change in approach in the development of new areas. For some time now the debate on development has been one in which much attention has been given to the question of capital requirements, human resource requirements, technology requirements but the evidence not only here but in other parts of the world have suggested that those requirements are in fact small in context of the requirements that must now close the gap between people's expectations and government performance, that is the central issue that we are now facing How do you close the gap? Clearly the gap can't be closed by rhetoric nor indeed can it be closed by re-labouring the issues of yesterday. It must be closed by embracing a new methodology and a new approach as to how we engage opportunities for drilling down for development. For execution now has come to the forefront. Many plans have been articulated over time, many perspectives have been put forward but sadly the execution of those plans and the , articulation of those perspectives in reality have left a lot to be desired. So we must now focus clearly on the science of execution as perhaps the missing link in drilling down for development. In order to be able to focus on the science of execution in the development context there are many old notions that must be revisited.

As indeed in the many areas that I have mentioned. There is also the question of the role of the State and we have had a very long and fertile debate here and internationally. At one time it was felt that the state is the only institution that can effectively direct public goods delivery in terms of employment, distribution of income and social equity. The paramouncy of state is where we have come from and it has resulted in the creation of many state institutions with the expectation that such institutions would in fact deliver the products. Then there was a school of thought especially in the international financial institutions that what is required is to put the state in a secondary role and design a regulatory mechanism s to allow it to be incentivized and to allow it to be regulated in the public interest.

The role of the State clearly is not one or the other. In small countries like ours, there is no doubt that the state has an important diverse role in economic development and one must not mistake the need for the state to play such a role. But at the same time especially in light of what has happened in the financial world in the last few years markets do not regulate themselves in the public interest, and therefore regulations themselves have been found lacking and we have seen the evidence of that globally then and even today as we look at the problems we face in the global economy. As a result of that discussion we began to locate a role of the state in Trinidad and Tobago which would be one that has a more catalytic role in the sense that it has to provide the seed on which development must be built but at the same time it must engage the different partners in building the structures for that development. Being a catalyst for development is therefore, where we are heading in terms of defining a very dynamic role for the state one which will continue to be a driver for economic change and economic development in Trinidad and Tobago. It is therefore in that context that I believe we can discuss a few of the issues that are before us in this seminar.

We are searching therefore for new space and in my last budget I articulated a clear direction for the search for that new space not only in terms of geography, or in terms of sectors but also in terms of going beyond our borders. Economic space in which we operate here in Trinidad and Tobago must no longer be defined by our national borders or indeed by the areas in which this country we have had tremendous development in the energy sector and elsewhere or indeed in the sectors that we are accustomed to. There must be a search for new sectors. There must be a search for areas of economic activity in which we have not yet embraced and therefore there must be a search for exploring new geographical areas in our country for that development.

It is setting the base for the transformation of an economy like ours. But in so doing as we search for that space even within the region, even in terms of the new definition of the Caribbean integration movement that will exploit the synergies of the many economies of the region with the global markets of the world. We must therefore find methods to handle these new challenges and it is in that context that we go back to the old view that institutions matter. But institutions don't matter by themselves.

Institutions matter if they make money talk and that really is where we are how do we regenerate our institutions approach to financing to make money talk. I use that in a local sense to suggest that there can be no real execution plan without a fundamental financing plan. For too often ideas are really in the realm of rhetoric but to convert those ideas into delivery is what the science of government is all about. It has been said politics is about making promises governance is about keeping promises. And to do so we must change our approach as we hasten to add new focus and momentum to some aspects of that approach. Institutions particularly with respect to financing institutions must know become a more important area in order to focus on the challenge of execution. Here in Trinidad and Tobago it may be said that many of our institutions are somewhat imprisoned by the behavior of the past and that our banking institutions are in need of a review their development role and indeed their role in meeting the infrastructure deficit of which the honourable High Commissioner spoke. But beyond the banking institution, the state has been one of the key pillars for financing whether it is through what has commonly been called the public sector investment programme or the state enterprise investment programme it has been a source of funding and you are well aware of the current debate that took place on the need for deficit financing as part of the requirement for the building and expansionist approach in our strategy. But today we go beyond the issues of what has traditionally been called the private sector, financial institutions or indeed the public sector to see what kind of synergies we can develop in order to have private partners deliver public benefits. It is an area that we have begun to explore but it is an area that has great potential and the experience of other countries will clearly be experiences that we can share and learn from.

What are some of the focus on which we can search for the use of such new partnerships - private partners delivering public benefits. There is need for a change therefore in finding the right mechanisms to have such a relationship. For Trinidad and Tobago I have identified three broad areas:

- 1) **Infrastructure Areas** - the question of financing infrastructure needs a new approach. We have been too limited relying only on the private sector capacity to finance our infrastructure needs of the future. There is a missing link and that missing link is how can we find the right model?

The right models to find a new focus on financing of that infrastructure. Infrastructure not only brick and mortar but also infrastructure for building the knowledge based economy, for building the broadband infrastructure requirements. We have engaged in serious discussion with the Ministry of finance, Public Administration, science tertiary education for broadband expansion. Recently in meeting with World Bank on this, we recognize that this is key for competitiveness of economy. But it is also key for closing the gap of the information opportunities between rich and poor. For it is argued that the real gap in poverty is the information available to the rich and the information available to the poor. If we can close that gap overtime we will have contributed to the challenge of closing the poverty gap. So not only important for competitiveness of the economy but also reducing social inequities. These are perhaps long term goals and some may argue that it does not look as though these things can happen. But if we are prepared for the future we must embark on these challenges and we are very conscious in our deliberations on this issue to have it done in the shortest possible time.

- 2) **The other area is Public Utilities:** Public utilities with respect to ports, airports and public utility itself. We know institutional change is a matter of politics as well as a matter of technical concerns and in that sense we must ensure the political logic and economic logic work hand in hand. We are not in any way daunted by the challenge of making that happen. Unless we change some of the methods by which we finance whether in terms of construction or in terms of operation of our airport, our ports, our utilities we will not be providing space we are searching for the new development of the future. That remains an area which has only just entered into our dialogue in earnest but it is an area I can assure you we will pursue with greater speed as we begin to equip our self with the new models for such kinds of relationship.

- 3) **Third area for PPP is Social Good,** one aspect health. No country has been able to claim public resources sufficient resources for health, by not acknowledging this we are denying opportunities for health care provision for the wider society. Some market forces have provided opportunity for private sector involvement in health care provision but not done in context of social requirements and therefore perhaps not affordable to all citizens. It is in that context new emphasis in health sector on PPP. As we look ahead we will never be able to provide resources unless we change method of financing. Next area is pensions, looking for a plan to provide funding for pensions so pension can be sustainable. In order to have long term sustainability looking for a fundable program. In association with the NIB we have recently announced two new initiatives which will be funded by mechanisms involving the private sector in NIS. One involves the increase in minimum level of pension, the other involves the expansion of reach. The importance here is trying to shift thinking from pensions being dependent on treasury and must be funded for sustainability. Those are some of the areas which have engaged our attention I recent times as we attempt to search for the new models .But on what basis will these models be anchored remains a challenge. Professionals who will be engaged in this exercise will have to be informed of some of the issues that will anchor the building of these models. There is no doubt that projects which evolve out of this scenario, are projects will be

technically sound, financially correct, must be based on solid legal principles this is a fundamental requirement.

To professionals here today this is an enormous professional challenge and those institutions and enterprises that offer that service may wish to direct their own reengineering to accommodate the requirement of models that are anchored on such sound terms.

Key issues risk sharing an important concept—requires us to identify what is risk that can be borne by different partners. Catalytic role of State is important here to funding risk which cannot be funded by the market itself. There is also the need to look at state institution where state can be purchaser of public benefits to ensure better distribution of welfare. Third area has to do with leveraging as in this professional environment we must leverage the strength of one sector and combine with new strategic partnerships. In addition to that we have now the emergence of optimal transactional structures, for now the world not going to be moved by targets as much as by transactions and therefore the transaction that has to take place will require a substantial amount of new modeling.

We believe there is a great opportunity to search for model of finance in public private partnership. We may need to give it a Caribbean name. To that end we have begun the preparation by establishing the unit in the Ministry of Finance to undertake what is required to promote this new area of opportunity. We went further we put into place in the last budget the proposal for the establishment of the Tourism development fund with particular reference to Tobago to encourage greater resilience to the Tobago part of the economy to the onslaught they face as a result of the global situation. We embarked on innovative ways for capital market development by encouraging smes. We have begun work on public offerings of state enterprises. During the course of this year we have identified a further seven enterprises to list on stock exchange. This will help to encourage ownership by citizens, build capital market allow ownership and build efficiency.

Finally, in terms of initiatives taken announcement to establish Infrastructure development Bank essentially a financing facility and one of the sponsors of the conference will be engaged in this. IFC will engage with us to work out modalities of this. This will go beyond the provision of loans and equity into the question of guarantees, capital mobilization and building new buffers through interest rate subsidies and insurance products. This is at early stage of design we hope to be able to bring to the fore in the course of the new fiscal year.

These are some of specific initiatives the Government of Trinidad and Tobago have embarked upon. It is done with the firm belief that public private partnership can allow drilling down for development in the development process to bring about the change that the people want. The change that is demanded of this government, change demanded in actors, methods, targets, change in which we are searching for the right formula. This cannot be done without professional input; it cannot be done without a new horizon by the financial institution in this country. And it is in that context I look forward to deliberations of this seminar. For it is out of these kinds of deliberations we can search and get one step closer to ensuring that steps we intend to take can be realized in the shortest possible time. I sincerely

thank the High Commissioner of Canada and the IFC for making this opportunity possible as we move forward in changing the way we view development in our country. Thank you!