



Government of the Republic of Trinidad and Tobago

2018 MID YEAR BUDGET REVIEW

**PRESENTED BY THE HONOURABLE
COLM IMBERT,
MINISTER OF FINANCE
IN THE HOUSE OF REPRESENTATIVES
ON
THURSDAY MAY 10th, 2018**

Madam Speaker, upon our assumption of Office in **September 2015** – some 2 and ½ years ago - this Administration, led by Dr. the Honourable Keith Rowley, committed itself to resolve **two (2)** serious challenges facing the country, namely:

- (1) ***Repairing the damage to our fiscal accounts*** which had deteriorated significantly after the drastic fall in oil and gas prices in mid-2014, from US\$108 per barrel in 2014 to US\$26 per barrel in 2016, coupled with declines in crude and gas production. It is worth repeating that revenue from petroleum fell from over **\$20 billion** in 2014 to less than **\$1 billion** in 2016, after the Government changed, a 90% decline. At one point in 2016, gas production dropped to below 3 billion cubic feet per day, down from over 4 billion cubic feet per day in 2015, a 25% drop. The process of adjustment to the global oil shock of 2014 and production declines in oil and gas has thus been a very challenging experience. It has not been easy dealing with a \$20 billion loss in annual Government revenue and the adverse effects of the extravagance of the former administration; and
- (2) ***reversing the persistent decline in the economy*** which has been with us for several years.

In the face of these two challenges, it was imperative that the economy be reinvigorated and put on a self-sustaining basis to ensure that the welfare and standard of living of our citizens was not unduly impaired.

Madam Speaker, I propose to present the ***Report of the Standing Finance Committee and the Finance (Supplementation and Variation of Appropriation) (Financial Year 2018) Bill 2018*** in the context of these public policy objectives and I would also provide this Honourable House with an update on some of the public policy initiatives being implemented by this Administration to facilitate the fiscal consolidation process and the turnaround in the economy which is underway.

The Economy

Madam Speaker, after a long and discouraging period of economic decline, we are now witnessing a welcome upturn. Early estimates are indicative of a growth forecast of **2.0 percent** in **2018** and **2.2 percent** in **2019**, rising to **2.5 percent** in **2020**. And contrary to the negative commentary of uniformed spokespersons, who speak without having any facts, the turnaround is being driven by economic expansion ***in both the energy and non-energy sectors.***

Within the energy sector, the full impact of the Trinidad Region Onshore Compression (TROC) project – on-stream in **April 2017** and the Juniper Platform- on-stream in **August 2017** is now materializing. Beginning in the fourth quarter of **2018** a number of new gas fields would begin

production which would boost gas production levels over the medium-term rising from **3.37 billion** cubic feet per day in **2017** to an average of:

- **3.80 billion** cubic feet per day in **2018**;
- **3.94 billion** cubic feet per day in **2019**;
- **4.05 billion** cubic feet per day in **2020**; and
- **4.14 billion** cubic feet per day in **2021**.

These production volumes are being driven by enhanced activities among our major oil and gas upstream producers:

- Under BP Trinidad and Tobago (BPTT)
 - Juniper is fully on production;
 - Angelin is to come on production in 4th quarter **2019**;
 - Cassia gas compression project will be in operation in **2020**;
 - TROC project would come to an end in **2021**;
 - exploration drilling would be taking place in the period **2019-2021**; and
 - future field developments would be taking place from **2023** and beyond.
- Under EOG Resources Inc (EOGR)
 - exploration and Development drilling would begin in **2019**
- Under Shell Trinidad & Tobago Limited (SHELL)
 - drilling in Starfish is in progress with expected first gas in **3rd** quarter **2018**;
 - development drilling in Dolphin field will commence in **2nd** quarter **2018**; and
 - Block 5c (Bounty and Endeavour) development would commence in **2022**
- Under BHP Billiton Ltd. (BHP)
 - gas supply would be maintained to NGC at 340 mmscf/d for next **two (2) years**; and
 - development of Block 3a is expected in **2023**
- Under DE NOVO
 - production is expected to continue at current levels

Madam Speaker, with average gas production at significantly higher levels, up 20% from the 2016 levels, we have revitalized the energy sector. This boost in production is due to the hard work of a dedicated team led by the Honorable Prime Minister and including the Minister in the Office of the Attorney General and Office of the Prime Minister and the Minister of Energy and Energy Industries. This team has worked unwaveringly in complex negotiations and discussions with the oil and gas companies, and the downstream companies, both here and abroad, to secure this country's future, in stark contrast to the empty posturing and grandstanding of the past. And this effort, coupled with appropriate adjustments by the Ministry of Finance to our oil and gas taxation regime, after detailed study and analysis, is already bearing fruit, from a revenue outlook.

Accordingly, the energy sector is well poised to meet the demands of the downstream sector over the near-term horizon thereby supporting our medium-term growth recovery. Further ahead, access to additional gas from Venezuela will generate substantial opportunities for strengthening and supporting our economy.

Madam Speaker, the pick-up in the energy sector is having a knock-on effect on growth in the non-energy sector where that sector is projected to break even in 2018, after years of decline, with growth estimates (for the non-oil sector) in 2019 of 1.2 percent rising to 2.9 percent in 2020.

These improving growth forecasts are welcome in the context of the lackluster performance of the economy over the 2013 to 2017 period.

Allow me to share with you some **actual** figures for revenue collection in the non-oil sector.

Our projection for the collection of taxes on income and profits in this fiscal year, up to April 2018, for "Other Companies", which excludes oil and gas companies, was \$3.8 billion. **The actual collection was \$4.9 billion, an increase of \$1.1 billion.**

Drilling deeper into the figures, in the petrochemical sector, collection of corporation tax has moved from \$371 million in the period October 2016 to April 2017 to \$1.2 billion in the period October 2017 to April 2018, an increase year-on-year of \$835 million.

Very importantly, in the non-energy sector, which excludes oil, gas and petrochemical companies, collection of corporation tax has moved from \$1.8 billion in the period October 2016 to April 2017 to \$2.3 billion in the period October 2017 to April 2018, an overall increase of \$500 million year-on-year, with revenue for assembly type industries increasing by \$146 million and revenue from the financial services sector increasing by \$153 million year-on-year from October to April.

It is clear, therefore, that not just the oil sector, but the non-oil sector is finally recovering.

Total net collections of corporation tax in all sectors is up year-on-year for the period October to April by \$1.3 billion.

In the energy sector in particular, despite Petrotrin's recalcitrance, actual collection of petroleum profits tax and supplemental petroleum tax, excluding royalties, is up by \$500 million year-on-year for the first 7 months of fiscal 2018. Royalties, excluding Petrotrin, are also on target to reach \$2 billion in this year.

Further, because of the better than expected increases in natural gas production in the second half of 2017, the GDP figures for 2017 are being revised upwards and we expect that instead of negative growth of minus 2.6 percent in 2017, the actual growth figure will be closer to minus 1 percent.

This improved outturn for 2017 and the expected growth in 2018 will have a substantial effect on our nominal GDP, which is expected to increase by 9% to TT\$168 billion in 2018. This will also have a direct positive effect on our debt to GDP ratio, which is now estimated to drop to well below 60%, even with the planned borrowing programme in 2018.

Our inflation rate has hit record lows. As reported by the Central Bank in its March 2018 economic bulletin, headline inflation dropped to 1.3% by the end of 2017, the lowest level in many years. This low inflation rate is a direct result of this Government's macroeconomic and monetary policies and is intended to cushion the effect of the recession on the population. It is to be noted that our inflation rate is currently well below the global average of 3.5% and way below other oil producing countries, such as Nigeria, now at 14%, and Egypt and Libya, each at 32% inflation for this year. Our economic recovery is thus taking place in an environment of price stability, and as a result of our policies, we expect growth without high inflation, which is the most desirable outcome.

- Basic Framework for FY 2018 Budget

Madam Speaker, in **October 2017**, we formulated our FY 2018 Budget on price assumptions for oil at **US\$52.00** per barrel and gas at **US\$2.75** per mmbtu. Since that time, crude oil prices have been strengthening and have averaged **US\$59** over the first 6 months of the fiscal year.

WTI crossed US\$71 per barrel yesterday.

A word of caution, however, to those who think that high oil prices automatically translate into higher revenues. Regrettably, at the current fixed prices for gasoline and auto diesel, a high oil price creates a requirement for a high fuel subsidy. Indeed, if oil remains at US\$70 a barrel, the fuel subsidy could reach as high as \$900 million in 2018, which was not budgeted for. Additionally, our national oil company Petrotrin, which produces almost 60% of the country's oil, is not paying its taxes and royalties. At current prices, this translates into \$1 billion in lost revenue in 2018, which is untenable. It is imperative, therefore, that in addition to transforming Petrotrin into a viable and profitable organization, we must also complete the work on an appropriate formula that allows the price of fuel at the pump to move up and down with the movement of the price of refined petroleum products. As stated previously, it is our intention to have this mechanism in place by the end of 2018.

As to the future, based on the best advice available, we do not envisage oil or gas prices to deviate significantly from their current trends, particularly in the context of the pick-up in global growth now being forecast for **2017** and **2018** of **3.6 percent** and **3.7 percent** respectively.

- Revenue and Expenditure: **October 2017-March/April 2018**

Madam Speaker, since our assumption of Office, this Administration has been rebalancing the economy to cater for lower oil and gas prices and lower production volumes. In October 2017, this House adopted the FY 18 Budget which established expenditure of **\$50.50 billion**, including a capital expenditure programme of **\$5.1 billion** and revenue of **\$45.74 billion**, including capital revenue of **\$6.42 billion**. A fiscal deficit of **\$4.76 billion** or **3.0 percent** of GDP was projected to be financed through net external borrowing of **\$3.69 billion** and net domestic borrowing of **\$1.07 billion**.

I can now report that our revenue projections for 2018 are on-track. When deposits in the suspense account at the Treasury are taken into account, we have collected in excess of **\$19.5 billion** in current revenue up to the end of March 2018, as compared to the projected collections of \$18.7 billion.

Our projected capital revenue, largely due to come from the recovery of debt from CL Financial and its subsidiaries, has not yet fully materialized, but we are making significant progress towards the launch of the National Investment Fund which is intended to monetize the assets transferred to the Government from Clico and CIB. I will deal with this project later in my presentation.

Madam Speaker, in keeping with our programme of fiscal consolidation, the expenditure by the end of March 2018 is estimated to be **\$21.69 billion**- some **15 percent** lower than the originally projected mid-year expenditure of **\$25.03 billion**. The lower-than programmed expenditure arises from reductions in the purchase of goods and services, capital expenditure and transfers and subsidies. ***However, and significantly, expenditure on wages and salaries has remained as budgeted.***

Expenditure on the capital programme reached \$1.54 billion by April 2018, and we expect to close out the year at close to \$4 billion in PSIP expenditure. Delays in project implementation and the careful processing of claims for payment in the context of our focus on prudent cash flow management are contributing factors to this reduced level of programmed expenditure.

Madam Speaker, the rebalancing of the economy from the unsustainable and profligate expenditure of **\$62 billion in 2014** to a more realistic, but still difficult, level of **\$50 billion in 2018** is taking place within a structured and well-planned framework. Despite the difficulty, the adjustment process is moving steadily in the right direction:

- the monetization of the CLICO assets is in progress, and, nearly **seven (7)** years after it was placed in compulsory liquidation, CLICO Investment Bank (CIB) has made its first dividend distribution to its creditors, including the Government of Trinidad and Tobago;
- the Ministry of Finance has been reviewing the evolution of budgeted revenue and expenditure and has determined at this **2018** Mid-Year Review that while expenditure should continue to be constrained, it should be reprioritized. Accordingly, although Government expenditure for the year as a whole has been revised downwards by **\$1.62 billion** or **3.3 percent** to **\$48.88 billion** from **\$50.50 billion**, we are providing through *supplementation and variation* an additional **\$213.0 million** for much needed expenditure in key areas, such as, but not limited to:
 - the *Tobago House of Assembly* is receiving **\$20.0 million** to fund the expansion of the agricultural access roads programme and **\$100.0 million** in reimbursement for backpay for TRHA workers;
 - the *Ministry of the Attorney General and Legal Affairs* is receiving **\$30.0 million** to meet the cost of legal and other fees arising from matters raised in the

Commission of Enquiry into CL Financial Limited and Colonial Life Insurance (Trinidad) Company Limited;

- the *Ministry of Community Development, Culture and Arts* is receiving **\$2.0 million** to enable the National Commission for Self Help to assist individuals in Tobago whose homes have been affected by flooding and other damages;
- the *Ministry of Agriculture, Land and Fisheries* is receiving **\$38.0 million** of which **\$31.0 million** would fund the cost of the subsidy due to farmers under the Agriculture Incentive Programme and \$7.0 million to meet the cost of claims submitted by farmers for the loss of crops as a result of excessive rainfall and consequential flooding during the month of **October 2017**;
- the *Ministry of Social Development and Family Services* is being provided with the sum of **\$23.0 million** to meet expenditure for the Senior Citizens Grant to **September 30th, 2018**; and
- the *Ministry of Works and Transport* is receiving the sum of **\$62.5 million** to continue and expand its infrastructure works programme.
- The *Ministry of Health* is receiving the sum of **\$121.0 million** to assist with payments to trade creditors, inter alia
- The *Ministry of Education* is receiving the sum of **\$159.0 million** to pay for security and janitorial services at schools, inter alia

Madam Speaker, the Ministry of Finance has determined that the oil and gas price assumptions and other assumptions which informed the revenue projections for the FY 2018 Budget should remain as is for the time being.

Notably, in stark contrast to 2016 and 2017, we expect to generally meet our fiscal targets for FY 2018.

However, the actual fiscal outturn for FY 2018 will depend heavily on the soon to be launched National Investment Fund

Madam Speaker, as a result of these revenue and expenditure adjustments the overall deficit for **FY 2018** is now being projected at approximately **\$4.2 billion** or over **\$500 million** lower than the original **FY 2018** budgeted amount of **\$4.76 billion**. Relative to GDP, the budget deficit is now projected at **2.5 percent** of GDP. Compare this to last year's deficit of **8 percent** of GDP. Progress is indeed being made!

We are moving into a period of long-term fiscal health and we are doing so at reasonable unemployment levels. In **2017** unemployment was on average in the vicinity of **5 percent** compared with an average of **4 percent** in the time of plenty from **2011-2015**.

The economic adjustment is also taking place with stabilization of the public debt. As at **March 2018**, our net public sector debt to GDP ratio was **55 percent**, down from 62 percent in 2017, well within international benchmarks and well below our planned limit of **65 percent**. Furthermore, our external financial savings or financial buffers are at healthy levels. At the end of **April 2018**, notwithstanding injection by the Central Bank of the Government's foreign reserves into the banking sector of **US\$6 billion** over the last 3 years, our net official reserves were **US\$8.11 billion** - or import cover of over **nine (9)** months. Indeed, for the first time in years, we actually saw a small increase in foreign reserves between March and April 2018! This careful management of our foreign reserves and our exchange rate since 2015 flies in the face of the predictions of the prophets of doom and gloom who told us that our foreign reserves would "evaporate" in 6 months unless we devalued the dollar to 10 to 1. How wrong these "experts" were.

Further, the Net Asset Value of the Heritage and Stabilization Fund was **US\$5.87 billion** at the end of April 2018. ***This was over US\$200 million higher than the US\$5.65 billion in the HSF at the end of September 2015, despite withdrawals totaling US\$637 million between 2016 and 2017.*** Clearly, therefore, all of the old talk from members opposite and uniformed commentators about the Government "raiding" and "destroying" the HSF was unfounded foolishness. The truth is that we have managed the HSF prudently, resulting in income of over US\$850 million from the Fund since we took office.

Madam Speaker, it was those considerations which led *S&P Global Ratings* to confirm the recovery which is now taking place in Trinidad and Tobago and informed the S&P **affirmation** of the Trinidad and Tobago ratings with the retention of investment grade status of its long-term sovereign rating at BBB+.

Further, Madam Speaker, we are in no doubt that had the most up-to-date gas production data been available to S&P in a timely manner, not only our credit rating but our outlook might have been retained.

However, most importantly, this is the first time in three (3) years that the credit rating of Trinidad and Tobago has not been downgraded.

As our economy continues to improve, we expect a ratings improvement over the medium-term in the context of our improving internal and external balances and the increasing likelihood that our gas supply would meet the demands of our downstream sectors on a sustainable basis and the pick-up in the non-energy sector would be strengthened.

- Financing

Madam Speaker, in the period **October 2017-March 2018** our internal financing operations generated an excess of resources which was utilized to cover the short-fall in the external financing requirements; but we are now filling that gap with the recently executed **US\$300 million** or **TT\$2 billion** loan agreement with the Andean Development Corporation - Development Bank of Latin America or CAF.

As the economy adjusts to lower levels of revenue and expenditure, we are ensuring that the adjustment would take place in a growth-oriented environment with appropriate and adequate facilitating mechanisms. Let me share with you some of those activities.

Infrastructure

Madam Speaker, we are safe-guarding the gains which are emerging in domestic economic activity. We are tackling the most binding impediments to growth. Our priorities include improving the quality of infrastructure, strengthening governance and institutions and enhancing the business climate. Some examples are:

- Highways

Madam Speaker, our new road network is at various stages of implementation. Some are still at the conceptual design framework for instance the *Valencia - Toco Road* and others like the *Churchill-Roosevelt Highway Extension to Manzanilla* (temporarily suspended) and the *Solomon Hochoy Highway to Point Fortin* are in execution with completion dates in **2019/2020**. The *Curepe Flyover* which would improve significantly traffic in the East-West Corridor is scheduled for completion by the end of **2019**.

- Airport Terminal in Tobago

Madam Speaker, in order to meet the demands of a tourism-driven economy, the ANR Robinson International Airport is being modernized at a cost of **\$500.0 million**, excluding land acquisition. A public-private-partnership, utilizing a Build-Own-Lease-Transfer (BOLT) mechanism, would establish in **2020** the new terminal and associated works. At present, the Development Bank of Latin America (CAF) is supporting the project with technical advisory services.

- Beach Facilities

Madam Speaker, visitors to Maracas beach would soon have an engaging and exciting experience with the modernization of facilities. Maracas beach would now become an important visitor point in the itinerary of international visitors. Other major beaches are being upgraded: Manzanilla and Las Cuevas Beach Facilities would be completed in **2018** and rehabilitation works are far advanced at the Vessigny Beach Facility.

- Hospitals

Madam Speaker, our hospital programme is well underway, including our drive to enter the area of health tourism. To that end, and in collaboration with the Government of Canada, we are rebranding the *Couva Medical and Multi-Training Facility* as a first world hospital and medical training facility. We have now secured an international operator for the Facility: *Interhealth Canada*. The facility would be jointly-owned by the Government of the Republic of Trinidad and Tobago and the University of the West Indies. In the interim, the Government of India is offering opportunities to healthcare professionals to contribute to training at the facility by teaching traditional Indian medicine.

Madam Speaker, this hospital, like the others which we are now establishing, would offer state-of-the-art healthcare to our citizens and simultaneously promote health tourism:

- the Point Fortin Hospital is expected to be completed in **2019**. It would make available **100** beds to service up to **100,000** of our citizens in the south-west peninsula;
- the Arima Hospital is expected to be completed in **2019**. It would make available **150** beds to service up to **150,000** of our citizens in the north eastern district including D'abadie, La Horquetta, Malabar and Arouca. and
- the Port of Spain Central Block should begin construction as in **2018** and on completion provide **540** beds to service up to **500,000** of our citizens in North Trinidad.

Institutional Arrangements

- The National Investment Fund

Madam Speaker, the debt owed by CLICO to the Government of the Republic of Trinidad and Tobago (Government) is *finally* being settled. As an initial step, we are monetizing approximately **\$4.0 billion** of that debt with an Initial Public Offering (IPO) of **49.9 percent** of the shareholding of a newly-incorporated company: the *National Investment Fund Holding Company* into which will be transferred the selected assets of Colonial Life Insurance Company (Trinidad) Limited (CLICO) and CLICO Investment Bank (CIB) in liquidation as well as an appropriate shareholding of Trinidad Generation Unlimited (TGU) owned by GORTT, inter alia.

Madam Speaker, we propose that the initial public offering would take place in **June 2018** thereby serving to widen and deepen the domestic capital market and at the same time ensuring that ALL of our citizens, large and small, participate in the benefits, regular dividends and

shareholding growth, flowing from the quality of the companies in the National Investment Fund Holding Company.

In particular, in contrast to those naysayers who said it couldn't be done, let me give some details of what this Government has achieved so far in terms of the recovery of the \$23 billion pumped into the Clico Bailout.

To date, as part of the first distribution of assets from Clico Investment Bank, a total of **42,475,362 shares of Republic Bank**, valued at \$4.3 billion have been transferred directly to the Corporation Sole and/or to State Enterprises and Clico, for onward transfer to the Government. This represents 26% of Republic Bank. It is to be noted that a further 25% of Republic Bank was already held by the Clico Investment Fund.

In addition, 23% of One Caribbean Media valued at \$200 million has been transferred to the Corporation Sole and/or State Enterprises and Clico for onward transfer to the Government, as well as 29.9% of Angostura, valued at \$1.07 billion, 5.4% of WITCO valued at \$402 million and 19.5 million shares of Home Construction, valued at \$476 million.

This Government has also recovered TT\$3.8 billion in cash so far from Clico since September 2015 and lands in Tobago valued at \$186 million for the site of the proposed Sandals Resort. The Government is also actively pursuing the sale or acquisition of shares held in Methanol Holdings International Limited, valued at over \$2 billion, as well as the recovery of \$500 million in bonds.

And this is not all, Madam Speaker, since there remains a further approximately 40% of Angostura held by CL Financial and/or Clico, among other assets to be recovered.

A selected portfolio of these assets will thus be placed in the National Investment Fund for offer for sale to the public in 2018. We anticipate that in the first instance, the value of the shares that will underwrite the Fund will be between \$8 billion and \$10 billion, of which we plan to offer up to 49.9% in this year 2018. Our target date for the launch of the National Investment Fund Prospectus and offer for sale of shares or units to the public in the NIF is June 2018, and our objective is to monetize the assets of the Fund and realize our projected capital revenue by the end of July 2018.

At this juncture, let me point out that with respect to the recovery of billions of dollars of taxpayers' dollars that has been spent on the Clico bailout, this Government and this Minister of Finance have achieved what our predecessors failed to achieve. ***Without any ballyhoo, since we took office in September 2015, we have so far recovered from Clico and CIB, 26% of Republic Bank valued at over \$4 billion for the benefit of ALL our citizens and \$6 billion in cash and other assets.***

Madam Speaker, before I continue, allow me to say that details of the performance at mid-year of various Ministries and State Enterprises and specific variations of appropriation will be dealt with by the respective Ministers. My statement today is primarily intended to report on the fiscal outturn for 2018 thus far and to give an insight into how we plan to finance the service of Republic

of Trinidad and Tobago for this fiscal year, and how we plan to achieve the variations of appropriation and supplementary funding that we are discussing in this debate.

Please also note that because of time constraints, this statement is not exhaustive. It is simply not possible in 55 minutes to report on everything that we are doing and achieving. We are doing so much.

However, I can give some brief details of specific projects, as follows:

- *the industrial estates and business parks* of Evolving Technologies and Enterprise Development Companies Limited (eTeCK) are being modernized and expanded with the aim to assist in the diversification of the economy. **Twenty-nine (29)** bids have been received for **one (1)** existing commercial building: the Duncan Street Complex and **five (5)** underdeveloped land areas: Reform, Preysal, Connector Road, Frederick Settlement and Tarouba. Evaluation of bids is now in process;
 - *the sale of the Rice Mill* owned by National Flour Mills to a preferred investor is at an advanced stage of conclusion; and
 - *the securing of an investor to partner* with the Government of Trinidad and Tobago in the management of *The Vehicle Management Corporation of Trinidad and Tobago Limited* is also advancing to the Request for Proposal Stage.
- Property Tax

Madam Speaker, we are making progress in establishing the long-envisaged Property Tax Regime. In early **February 2018** we introduced in the House of Representatives **two (2)** pieces of legislation: the Property Tax (Amendment) Bill, **2018** and the Valuation of Land (Amendment) Bill, **2018** which seek mainly to correct anomalies which exist with these two (2) pieces of legislation. I wish to make it clear that contrary to rumor, there is no plan for retroactive application of this tax. Accordingly, the waiver with respect to the payment of property tax would be extended **at this time** to the end of December 2017, since it is our policy to collect the tax in the year that all of the required administrative work is completed, such as, for example, the valuation of 50% of properties in Trinidad and Tobago in various categories.

- Trinidad and Tobago Revenue Authority

Madam Speaker, like the Property Tax Regime, we have made progress in finalizing the proposed structure of the Trinidad and Tobago Revenue Authority, which is absolutely essential to stop the billion-dollar leakage of tax revenue and tax avoidance that is prevalent in Trinidad and Tobago today. I wish to put Honorable members on notice that we will be bringing the required legislation for the Revenue Authority for the consideration of this Honorable House in the near future and that after seeking advice from eminent senior counsel, we are of the view that the legislation is best passed with a special majority. It is thus our intention to send the Revenue

Authority Bill to a Joint Select Committee of Parliament and we look forward to the comments contributions and recommendations of the Independents and the Opposition in this Committee. This major institutional reform would underpin our efforts to stem the revenue collection leakages now inherent at the levels of the Board of Inland Revenue and the Customs and Excise Division and also to strengthen our compliance risk management methodologies.

Honourable members would recall that on **March 16th, 2018**, I shared with this House the Tax Administration Diagnostic Assessment Tool (TADAT) Performance Report on Trinidad and Tobago, *which was not very complimentary about our local tax authority*. The recommendations from this Report are guiding our tax reform and modernization agenda with its emphasis on improving business processes and automation. These skills would be enhanced as the staff transitions to the Trinidad and Tobago Revenue Authority (TTRA) which, now embracing best practice standards in domestic tax administration, would improve efficiency and domestic tax mobilization. We would witness the full benefits of this reform in the next fiscal year in the context of the functioning of the Trinidad and Tobago Revenue Authority.

- The Gambling Industry

Madam Speaker, the Joint Select Committee (JSC) of Parliament is also hard at work on the review of the Gambling (Gaming and Betting) Control Bill and we expect that if all goes well, this legislation will be finalized for the approval of this House by the end of this year 2018. In **2019**, therefore, we should have in place a well-structured and regulated gambling environment, generating good quality jobs and making its rightful contribution to public revenue.

- Procurement

Madam Speaker, we now have in place a procurement regulator who is Chairman of the Procurement Board. With staffing and training in progress, the new procurement regime utilizing best practice among all our institutions would be operational shortly

Business Climate

- Foreign Exchange Facility

Madam Speaker, the **US\$100.0 million** Eximbank Foreign Exchange Facility is now operational with the grant to the Eximbank of a license by the Central Bank to trade in foreign exchange. Eligible established and fledgling small and medium-sized manufacturers would now be able to access the facility to finance material inputs for their export operations. This strategic initiative is geared to promote the expansion of our local export sector while at the same time creating a new financial model to improve our foreign exchange earnings.

- Business Development Fund

Madam Speaker, our **\$50.0 million** business development incentive programme is at an advanced stage of implementation. The facility would finance through grants the working and seed capital

for small and medium-sized businesses which we envisage to become key drivers of economic progress in this country.

- *Border Control.*

With respect to Border Control, I am pleased to report that at long last, the recently-installed mobile scanning technology at Point Lisas is strengthening our border security with modernized customs functions and would add another dimension to the security of our environment. Port of Spain will follow shortly. Importation of contraband specifically narcotics, illegal firearm and ammunition will now be detected with modern technology and interdicted while at the same time trade would be facilitated through easier inspection and faster delivery times.

Conclusion

Madam Speaker, we are moving into an era of macro-economic stability which is now underpinning our recovery. We are very much aware that the continuing consolidation of our fiscal finances is an essential condition for achieving this objective. Our tax and expenditure adjustments and broad-based reforms are contributing towards the establishment of this foundation.

Over the medium-term we are improving tax administrations and our budget procedures; and we are seeking, with World Bank Technical Assistance, to eliminate waste and duplication in large areas of expenditure, such as education, health, national security and social programmes. We recognize that this process is of a long-term nature and is painstaking; but it is essential for growth to be placed on a self-sustaining and long-term basis. As a Government, we would always ensure that the benefits from our economic development are shared equitably among the members of our national community. And all shall be treated equally and fairly. ***We are not out of the woods yet***, but after the sacrifices and prudent fiscal management of the last 2 ½ years, our economy is turning around.

In particular, our core revenues from taxation are still fragile and still below \$40 billion, while we are running a \$50 billion economy, ***but we are finally experiencing growth and recovery in 2018.***

I am convinced that as long as we as a people are disciplined and productive, our country will recover, grow and prosper. And from all indicators, we are on the road to economic revival.

In the words of Johnny Nash: - *"I can see clearly now, the rain is gone"*. And if I am allowed some artistic license - *"Under this PNM Government, it's going to be a bright sun-shining day"*

Madam Speaker, I wish now to commend to this House the Report of the Standing Finance Committee and the Finance (Supplementation and Variation of Appropriation) (Financial Year 2018) Bill, 2018. The object of this Bill is to supplement and vary the appropriation provided for by the Appropriation (Financial Year 2018) Act, 2017 and to authorize the utilization of any sum accruing from a reduction of expenditure under a Head of Expenditure for the purpose of meeting any liability incurred through the increase in expenditure under other Heads.

I thank you and I beg to move.