

Government of the Republic of Trinidad and Tobago

Ministry of Finance

Budget Statement 2023

***Tenacity and Stability in the Face of Global Challenges***

Presented by the Honourable Colm Imbert, MP, Minister of Finance

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## Introduction

Madam Speaker, it is a privilege for me to present to this Honourable House and to the citizens of our country the National Budget for Fiscal 2023, the eighth (8<sup>th</sup>) budget of this PNM Administration. Let me state at the outset that it is my intention to focus in this Budget Statement on matters of a fiscal nature and selected areas of Government activity, in particular the productive sector.

In areas where I do not go into detail, my ministerial colleagues will elaborate in their contributions.

No reasonable person would dispute the fact that the last **7 years** have been particularly challenging for us, financially, as a country. This Government has been confronted by many difficult financial shocks since 2015. In our first year, we were faced with the adverse macroeconomic impact of an extraordinary collapse in oil and gas prices which began in 2014 and accelerated in 2016.

To illustrate what we were faced with, in January 2016, the daily spot price of West Texas Intermediate (WTI) crude oil reached its lowest point in 13 years of **US\$26** per barrel after averaging over **US\$95** per barrel during the period 2011 to 2014. In that year, because of that oil price collapse, we lost **\$12 billion** in energy sector revenue, or **21 percent** of the annual revenue earned in the previous year. By the following year, because of depressed oil and gas prices and the effect of tax concessions given to oil companies in the 2010 to 2015 period, we had lost **\$21 billion** in annual revenue or **37 percent** of the revenue in 2015. By then, annual revenue had shrunk from **\$57.3 billion** in 2015 to **\$36.2 billion** in 2017.

Expenditure, on the other hand, had grown from **\$46.7 billion** in 2010 to **\$61.9 billion** in 2014, or by **34 percent**. Expenditure in 2015 was similar at **\$60 billion**.

So, we were faced with a previous national expenditure pattern of **\$60 billion** a year, with revenue of **\$36 billion**, a difference of **\$24 billion**.

We were given a lot of advice by local professionals when we first came in, much of which was unrealistic, such as the recommendation that we immediately devalue the TT dollar by **33 percent**, making our currency **10 to 1** to the US dollar.

We were told if we did not do this, our foreign reserves would evaporate in less than **2 years**. However, we did not follow that advice and **7 years** later we still have **US\$6.8 billion** in reserves or over **8 months** of import cover.

For us, in the PNM Administration, all a devaluation would have done is to make windfall profits for those who hoard US dollars overseas, create industrial strife with demands for huge wage increases to match the extent of the devaluation and create hardship for ordinary citizens. It would not have magically created a new source of additional foreign exchange, as some would have us believe.

Another impractical recommendation was that we should cut expenditure to match revenue, i.e. to **\$36 billion**, and we were told that if we did not do this, we would have to go cap in hand to the IMF as the lender of last resort.

We did not follow that advice either and unlike some of our Caribbean neighbours, we are not, and will not be, under this Government, in an IMF programme.

Indeed, if we had followed those two recommendations, the cost of living would have risen astronomically and we would have had to retrench thousands of public servants and remove subsidies from all public goods and services, thus putting severe pressure on our citizens and destabilizing our economy. It is important for me to remind people that these were the alternatives to what we have done, so when you judge us, just remember what we chose to do, compared to the other options that were available.

In Fiscal 2016, therefore, we prepared our own path. Instead of the **40 percent** cut in expenditure we were told to make, we reduced expenditure by as much as was feasible, by **\$7 billion**, or **13.4 percent**, and then carefully managed the allocation of resources.

To protect our population and economy, we adopted a firm policy **to keep public servants in jobs** and to maintain the stability of our currency.

Subsequently, in March 2020, just as our economy was recovering from the external oil price shock, we were confronted by the global health and economic crises arising from the Covid-19 virus. In 2020, the price of oil had plummeted from **US\$64** a barrel in January 2020 to **US\$18** per barrel at the beginning of April 2020. And then, on April 20, 2020, as governments around the world closed businesses and suspended air travel due to the Covid-19 pandemic, the price of the main U.S. oil benchmark WTI fell from **US\$18** a barrel, past zero, to end the day at **minus US\$37**, the first time oil prices had ever turned negative. Oil prices remained in the doldrums for months after that, requiring our national oil production company, Heritage Petroleum, to store the oil it produced, until oil prices recovered, otherwise Heritage would have lost money on every barrel it sold. Those were challenging times.

However, we persevered, and despite these serious financial and economic challenges, we have ensured that for the last **7 years**, even in the darkest days of the Covid-19 pandemic, that over **90,000** persons in the public service have kept their jobs and **have been paid their salaries on time every month** and over **50,000** more workers in the wider state sector have been kept whole.

Madam Speaker, I wish to express my deep appreciation to all those who have invested their time and efforts to share their ideas and views on the macro-economic and social agenda required over the past **7** years, including for this 2023 Budget. I have valued those representations, many of which have informed our budget policies over the years.

Our 2023 Budget is designed to build on our resilience and facilitate a broad-based revival of the economy. It will encompass all sectors and all segments of the economy. It will strengthen business continuity and growth and drive our digitization programme, while assisting the poor and vulnerable. We have been steadfast and resolute in adhering to the principles set out in our public policy agenda. My Fiscal 2023 Budget Theme therefore is: ***Tenacity and Stability in the Face of Global Challenges.***

At this time, I wish to acknowledge the outstanding performance of the staff at the Ministry of Finance. They have always risen to the challenges, including those posed by many external shocks to our economy. They have worked beyond the call of duty as they formulated the public policy responses to the Covid-19 Pandemic.

On many occasions over the last **7 years**, we did not know where to find the money to pay salaries at the end of the month, but unlike other countries in the Caribbean, we have managed to do so every single month for the last **84 months** without having to retrench public servants. To be able to do this, the Government had to engage in significant borrowings of more than **\$30 billion**.

Even now, there are experts who advise that the nation's biggest problem is our public debt and debt profile. Some even speak gloomily of us entering the "debt trap," meaning that we need to be mindful, all along, of our ability or inability to repay debt. As a competent and responsible Government, we do not dismiss or disregard these warnings, but we use borrowings judiciously as a tool to preserve the gains that we have made and the jobs that we have, while at the same time supporting a Development Programme.

This Budget 2023 has been prepared in the context of the continuing presence of Covid-19 and its many variants, within which lives and livelihoods are being rebalanced in an uncertain global economy.

Two and a half years have now elapsed since COVID-19 was declared a pandemic by the World Health Organization. All countries, advanced, emerging and developing were forced to face two adverse challenges simultaneously: saving lives and protecting livelihoods.

Madam Speaker, as of last week, the total number of confirmed cases of Covid-19 worldwide was more than **600 million**, with global deaths in excess of **6 ½ million**. In Trinidad and Tobago, as of last week, the total number of confirmed cases had just crossed **182,000**, of which over **173,000** had recovered, with **4,195** deaths and approximately **4,300** active cases. That is almost **200,000** people who have had a confirmed experience of the infection with several thousand families facing the ultimate loss through death.

Over the last **3 months** we have recognized an upward trend in the number of confirmed COVID-19 cases, but we have not seen any significant increase in the vaccine uptake which remains at **51 percent** of the population. This notwithstanding, over **716,000** persons in Trinidad and Tobago have been fully vaccinated.

I wish to take this opportunity to extend my condolences to all the families who have lost their loved ones to the virus. I wish also to acknowledge the sacrifices of health sector workers whose call to public duty ensured that proper and adequate care was always given to all those who fell under their charge and responsibility, although they worked in direct contact with the virus. Accordingly, it is a fitting tribute to their exemplary and heroic performance that I have acted on the instructions of the Prime Minister, Dr the Honourable, Keith Rowley, to allocate the sum of **\$210 million** in the Estimates of Expenditure for Fiscal 2023 as a special payment to be distributed to health workers in Trinidad and Tobago. This will involve ex-gratia payments to over **20,000** health workers.

Madam Speaker, while highly transmissible, the latest sub-variant of the virus is not leading to a drastic spike in hospitalizations and deaths. The good news based on the science is that the virus is evolving and losing its virulence, as predicted. Our citizens are now adjusting and learning to live with Covid-19, similar to other countries. Most Covid-19 restrictions and protocols have now been lifted with a few remaining restrictions within the health sector, among others.

As we adapt to the new environment, I wish to renew our call to citizens to continue to take the necessary precautions: those vaccinated should access the boosters as required and those unvaccinated, including those who have had infections should also take immediate steps to become vaccinated. Increasing the fully vaccinated ratio above the current **51 percent** is a collective responsibility and will greatly assist in securing a lasting recovery from Covid-19. On our part, the Government will continue to make vaccines available at health centres throughout the country to all those who wish to get them.

Madam Speaker, we recognized very early that the pandemic would seriously disrupt economic activity with sharp declines in growth and the possible emergence of a financial crisis. We needed to act decisively. If we had not done so, the disruption in credit flows from the financial system would have left households and businesses in dire straits with associated production and labour losses. A package of fiscal stimulus programmes, supported by monetary accommodation was therefore quickly implemented, which enabled us to protect the most vulnerable and to keep the economy running.

This targeted support and the stabilization of the financial system served to mitigate the social impact of the crisis and laid the foundation for economic recovery.

The 2022 Budget Statement gave details of our fiscal stimulus package, including social grants and business support measures. That Statement also itemized the series of measures adopted by the Central Bank aimed at providing stability to the financial system and supporting the flow of credit to the economy, which achieved the desired result. There is thus no need for me to repeat those details in this Statement.

The Covid-19 relief and support measures we implemented from 2020 to 2022, combined with the phased and eventual resumption of business activity and the global economic recovery paved the way for a recovery in all economic sectors. Indeed, the economy, which had contracted sharply by **7.4 percent** in 2020, because of Covid-19, stabilized in 2021 with a marginal contraction of **1.0 percent**.

In the first quarter of 2022, after the usual post-Christmas decline in consumption and without a boost from full-scale Carnival activities, there was nominal contraction in real terms of **0.1 percent**. But the preliminary second quarter data is very encouraging, and our economy is projected to recover with real GDP growth of **2.0 percent** for the full year. And within this growth, real progress is being observed in several non-energy areas of the economy, such as Trade and Repairs, Food and Beverages, Information and Communication, Financial Services and Real Estate, among others. Specifically, we are seeing growth of **18 percent** in Food and Beverages, **15 percent** in Transportation and Storage, **9 percent** in Trade and Repairs, and overall increases in Accommodation and Food Services and the wider Services Sector.

In addition, it is noteworthy that our nominal GDP has grown by **34 percent** since 2020, from **\$142 billion** in 2020 to an estimated **\$190 billion** in 2022, which will have a very positive effect on our debt to GDP ratio and our per capita GDP. Our per capita GDP has increased from **US\$15,000** in September 2020 to **US\$19,500** in September 2022 and is now among the highest in the Region. It is expected to reach **US\$20,000** by the end of 2022.

And it should be noted that our per capita GDP is *higher now* than it was in 2015, **7 years** ago. Our nominal GDP is *the highest* it has been since we became an independent country in 1962, **60 years** ago. The Adjusted General Government Debt to GDP ratio has decreased from **81 percent** in 2020 to a projected **70 percent** in 2022, now among the lowest in the region.

## **The Global Economy**

Madam Speaker, notwithstanding the positive developments in the local economy, the recovery of the global economy in 2021 has been followed by negative developments in 2022 with the global economic outlook becoming increasingly uncertain. As stated by the Conference Board, a leading global business association, headwinds to global growth are expected to increase in the coming quarters. Global leading indicators point to weakening momentum and global purchasing manager indices are sliding and nearing contractionary territory. Indeed, some analysts now expect mild recessions to occur in the US and Europe later in 2022 and into early 2023.

A US recession may be induced by aggressive monetary policy tightening in response to elevated inflation and a recession in Europe will reflect surging energy prices and rationing. China may escape recession but is expected to experience weaker than usual growth in 2022 due to repeated lockdowns, a housing correction and weakening external growth, and is expected to see only a modest recovery in 2023. The International Monetary Fund forecast for global growth is now **3.2 percent** in 2022 and **2.9 percent** in 2023, significantly less than the **6.1 percent** in 2021.

The consensus is that substantial risks to the global outlook remain; the war in Ukraine will continue to create instability in commodity markets; and

- inflation could prove much more difficult to reduce than originally thought;
- tighter global financial conditions could induce debt distress in emerging markets and developing economies; and
- geopolitical tensions and fragmentation could impede global trade and cooperation.

Consequently, ***we in Trinidad and Tobago need to continue to be careful***, since a global recession will lead to lower oil and gas prices, which means reduced revenue for Trinidad and Tobago, and will cause instability in financial markets, resulting in losses in equity holdings. Just the mere talk of a possible recession or a strong US dollar can cause oil prices to tumble, as we have seen within the last few days, in the same way that talk of war, economic growth or supply disruptions cause immediate spikes in oil prices.

## **The Domestic Economy**

Madam Speaker, as an oil and gas-based economy our fortunes have been impacted by the external shocks which have hit the world economy in recent years. While there can be no dispute that we must diversify, and we are doing so, as evidenced by the fact that the non-oil sector now contributes over **50 percent** of our GDP, it is a fallacy for people to insist that we should not focus on enhancing and strengthening our oil, gas, and petrochemical sectors. Those who say that we should abandon oil and gas are not living in the real world, since this has been the mainstay of our economy for the last **50 years** and will be a ***cornerstone*** of our economy for years to come.

Our economic development plans must take care of both the oil and non-oil sectors, therefore, and to maintain our revenue and growth we must make every effort to boost oil and gas production in the short to medium term.

To summarize our recent situation:

Firstly, in 2020 the oil industry was hammered, forcing oil prices to go negative for the first time on record. The value of our oil exports fell considerably; but by July 2020 oil prices began to rebound as countries emerged from lockdowns associated with the tight Covid-19 restrictions. The Organization of Petroleum Exporting Countries (OPEC) had also agreed to major cuts in oil production. By the end of 2020, optimism relating to the planned roll-out of multiple Covid-19 vaccines supported the oil market and oil prices recovered to **US\$50** per barrel. This low price, however, was insufficient to support our **\$50 billion** annual expenditure at the time, without significant deficit financing.

The second external shock – the invasion by Russia of Ukraine in February 2022, heightened the supply constraints already affecting the global economy because of Covid-19. Commodity prices escalated, but this time, this external shock was in our favour. Buoyant oil prices have since persisted throughout 2022. They have on average stood at **US\$100** per barrel, only recently dropping to the **US\$90** level. Petrochemical prices have also escalated in our favour, with the price of Ammonia increasing by **300 percent** in one year and the price of Urea increasing by **100 percent**. The price of Methanol has also increased significantly over the last 2 years. Henry Hub natural gas prices which had crashed and reached as low as **US\$1.63** per MMBtu in June 2020 at the start of the pandemic began an upward trend in 2021 and have remained at elevated levels following the Ukraine war – exceeding **US\$9.00** per MMBtu in early September 2022, and still close to **US\$7.00** per MMBtu today.

Madam Speaker, these elevated prices are coinciding with our efforts to increase oil and gas production through several major oil and gas projects. I am advised by the Ministry of Energy and Energy Industries that natural gas production has stabilized and the decline in production which began in **2020** has been reversed.

I am further advised that gas production has increased significantly since May 2022 and is now close to **2.9 mcf** per day. I am advised that we will end the year with an average production of **2.75 mcf** of gas per day, and, barring unforeseen circumstances, this is expected to increase to just under **3.0 mcf** per day in 2023.

Allow me to share with you some details of upstream projects, primarily gas projects, which came on stream in **2021** and brightened our production prospects:

- in **June 2021** bpTT announced the installation of the topsides of its Cassia C Project enabling the production of low-pressure gas and maximizing recovery from existing resources;
- in **July 2021** Shell announced the start of production in the Barracuda Field with **140 mcf** per day;
- in **August 2021**, the National Gas Company (NGC) signed a Consolidated Gas Contract with Methanol Holdings Trinidad Limited (MHTL) guaranteeing important domestic gas supply;

- in **August 2021** NGC and Evolving Tecknologies and Enterprise Development (eTeck) signed an Engineering, Procurement and Construction (EPC) Contract for the supply of natural gas pipeline infrastructure;
- in **September 2021** bpTT confirmed that its Matapal Project achieved first gas ahead of schedule and under budget;
- in **November 2021** Touchtone Exploration announced a new light oil discovery in its Royston – 1 Exploration Well;
- in **November 2021** Shell and the Government signed a 25-year Production Sharing Contract to develop and produce natural gas from the Manatee Field with expected production to begin in 2025 with **350 mcf** per day and a peak of **700 mcf** per day; and
- in **December 2021** Touchtone Exploration announced significant oil discoveries at its onshore Royston - 1 Exploration Well.

For 2022 and beyond, the story is also quite promising:

- **Shell** achieved first output from its Colibri project in early 2022 (the Cassra field (Block 22) at the end of March and the Orchid field (NCMA 4) in April). Peak production rates are approximately **250 mcf** per day.

- **DeNovo** with an investment of **US\$46 million** commenced production in its Zandolie field in July 2022.
- **Touchstone** with an investment of **US\$85 million** anticipates first output from the Coho and Cascadura fields in the Ortoire Block before the end of 2022. Development of the Royston field is now expected online by 2023. In addition, the company has further plans to drill 3 exploration wells in the Ortoire Block.
- **bpTT** expects to achieve maximum output rates from its Matapal project by 2023, after production came online ahead of schedule in September 2021. The company's Cassia C compression facility which is anticipated to increase the volume of recoverable natural gas reserves from the Cannonball, Immortelle, Mango, Serrette and Angelin fields, is expected online in the latter part of 2022. BPTT also has several projects scheduled to come onstream over the 2023 to 2024 period, including its Extended Field Development (EFD) and infill drilling programmes and its development projects.

- In addition, bpTT has just publicly confirmed that it will be proceeding with the development of its **Cypre** offshore gas project, which will be bpTT's third subsea development. It will include 7 wells and subsea trees tied back into bpTT's Juniper platform. Drilling is expected to commence in 2023, with gas coming onstream in 2025. It is expected to deliver **250-300 mcf** of gas per day. This decision, which followed the recent meetings of Prime Minister Dr Keith Rowley, bp CEO Bernard Looney and incoming President for bpTT David Campbell, in London, where they discussed accelerating the sanction for this project *is a very positive development* with far reaching consequences for Trinidad and Tobago.
- **bpTT** also signed a new gas supply contract last week with the National Gas Company, securing future gas supply for NGC for our important petrochemical sector.
- **EOG** anticipates first output from its Osprey West project at the end of 2022 and phase 1 of Osprey East in 2023. Production from phase 2 of Osprey East, projects in its South East Coast Consortium (SECC)

Block, and the Mento Block project - a joint venture with BPTT is projected to come onstream over the medium-term period.

The company also plans to drill a total of 6 wells (3 exploratory and 3 development wells) for the Osprey East and West projects within the next year. To execute works for the Osprey East development project, EOG plans to invest approximately **US\$234 million** between 2022 and 2023. Moreover, an investment of around **US\$555 million** is expected to be made for the Mento field development project during 2023 to 2026.

The Ministry of Energy and Energy Industries has also instituted a series of Competitive Bidding Rounds over the 2021 to 2022 period:

- the **2021 Deep Water Competitive Bid Round** was launched on **December 3, 2021**. At the close of the Bid Round on **June 2, 2022**, 4 bids were received for blocks 23b, 25a, 25b and 27 from a Consortium comprising BP Exploration Operating Company and BG International Limited, which is a subsidiary of Shell;
- the **2022 Onshore and Nearshore Competitive Bid Round** followed the Deep Water Bid Round. The Round with **11** onshore

and nearshore blocks was launched in **July 2022**, and will close in **January 2023**; and

- the **2022 Shallow Water Competitive Bid Round** will be launched before the end of **2022**. At least **20** open shallow water blocks are being considered for inclusion in this Bid Round.

The Government is also advancing its policy goal for including renewable energy in the electricity supply mix. The development of a **112-Megawatt Solar Photovoltaic project** at a cost of **US\$124 million** is at an advanced stage of negotiation with a consortium of Lightsource Renewable Global Development Limited, Shell Trinidad and Tobago Limited, and BP Alternative Energy Trinidad and Tobago Limited. I am advised that construction of this solar energy plant is expected to begin in early 2023.

We are also pursuing a broad mix of projects in our energy transition strategy:

- a **Feed-in Tariff (FIT) Policy** is being developed to facilitate residential and commercial renewable energy generation and contribute to the reduction of greenhouse gas emissions;

- a **Renewable Energy Policy** is being developed for Trinidad and Tobago, bearing in mind our carbon emissions commitment and the target of **30 percent** renewable energy by 2030;
- a low carbon **hydrogen industry** is being developed with green (or blue) hydrogen being a carbon neutral alternative, which can be used as feedstock for petrochemical production. Phase 1 of this project involves National Energy establishing a pilot facility. National Energy partnered with the Inter-American Development Bank (IDB) and KBR in 2021/2022 to complete a feasibility study on the establishment of a green hydrogen industry in Trinidad and Tobago; and
- the *Piarco International Airport Solar* grant-funded project will generate 800 kilowatts; solar energy systems are also being installed in remote communities and solar LED lights in play parks and basketball courts.

Madam Speaker, we are continuing to pursue diversification within the local energy sector itself with several future projects now under active consideration, such as:

- **the Methanol to Polyolefins Project** by the Alkene Development Company of Trinidad and Tobago (ADCOTT) – This project, with expected overall capital expenditure of **US\$1.5 billion**, aims to establish facilities to produce polyethylene and polypropylene resins.
- **the Aluminium Ingot Processing project** – is intended to create a new energy-based manufacturing industry, without significant gas requirements. Products would include electrical cables and cold rolled sheets made from aluminium. Capital expenditure on this project will be approximately **US\$685 million**.
- **the Alternative Marine Fuels Project** – will establish bunkering facilities to provide alternative fuels, namely methanol and LNG, to vessels at Point Lisas Industrial Estate and Brighton Ports. The proposal involves three phases; Phase I starting with the implementation of bunkering facilities at either Chaguaramas or Brighton, Phase II at Point Lisas or Port-of-Spain and Phase III, which is an expansion to Phase II. Phase I is estimated to cost **US\$3.5 million**, while Phase II is expected to cost **US\$7 to US\$13 million**.

Currently, a technical and pre-feasibility study is being performed with Methanex to explore the viability of using methanol as an alternative fuel for marine and road transport in Trinidad and Tobago.

Madam Speaker, we are taking a balanced approach in determining possible changes to the country's oil and gas tax regime, as it pertains to the upstream energy sector. To incentivize new production, particularly new oil production we have decided in the first instance to adjust our Supplemental Petroleum Tax Regime to motivate oil companies to produce more oil. Over the next **3 months**, we will also be looking at adjustments to other energy taxes, again to motivate the oil companies to increase production. I will provide further details in the Fiscal Measures.

I now wish to share with this Honourable House some of the key economic and financial data emerging in 2022:

- *Our Real Gross Domestic product (GDP)* is expected to grow by **2.0 percent** in 2022. This should be compared to the estimated real GDP growth for the United States for 2022, which is now estimated to come in at **1.4 percent**, with real growth in the US slowing to **0.3 percent** in 2023. In fact, the GDP data for the United States for the first half of 2022 suggests that the U.S. economy was either in, or on the cusp of, a recession.
- Nominal GDP (NGDP) is expected to grow to **\$190.7 billion** in 2022, or **\$25.4 billion** more than the latest revised GDP figure of **\$165.3 billion** for 2021 using the most recent data published by the Central Statistical Office, an increase of **15.3 percent** in 1 year. The GDP in 2022 is also **\$48.5 billion** more than the GDP for 2020, an increase of **34 percent** in 2 years. It is noteworthy that our conservative Ministry of Finance estimate of GDP for 2021 in our last Budget was **\$151 billion** but is now confirmed using the CSO's recently published data to actually be **\$165.3 billion**. The economic performance in 2021 was therefore better than we had previously assumed.

- the fiscal deficit for 2022 has been reduced to **\$2.43 billion** or **1.3 percent** of GDP in 2022, down from the originally expected deficit of **\$9.10 billion** or **5.8 percent** of GDP at the time the 2022 Budget was read in October 2021. Expenditure in Fiscal 2022 is now estimated at **\$54.07 billion** and revenue at **\$51.64 billion**. This represents an increase of **\$8.31 billion** in revenue in 2022 over the original estimates. I must stress, however, because it appears that some commentators either do not understand or they pretend not to understand, that despite our significantly improved revenue in 2022, **we will still have a fiscal deficit in 2022 and 2023** and we must still contend with a high level of debt servicing. So, there is **no great amount of surplus money in 2022 or 2023 to throw around**, as some would have us believe. With better revenues, we are simply able to better manage our debt financing and overdraft, reduce our fiscal deficit, improve our cash flow and address long outstanding arrears of payments to suppliers of goods and services. By way of example, we were able to pay out **\$4 billion** in VAT refunds in 2022, significantly more than originally planned.

- However, it is noteworthy that if we did not have to cater for spending well over a billion dollars in subsidizing fuel in Fiscal 2022 or make a deposit into the Heritage and Stabilization Fund of another billion dollars (which is counted as expenditure), revenue and expenditure would have been in balance in 2022. Compare this performance to India, which is expected to record a fiscal deficit of **6.5 percent** of GDP in 2022, or Italy, with an estimated budget deficit of **5.6 percent** of GDP in 2022. Closer to home, Colombia is expecting a budget deficit in excess of **5 percent** of GDP in 2022 and Panama has an estimated deficit of **4 percent** of GDP. Indeed, our deficit of **1.3 percent** of GDP in 2022 is a far cry from 2021 when we recorded a fiscal deficit of **\$13.7 billion**, or **9.1 percent** of GDP.
- As a result of global events, and the fact that much of our food and manufactured goods are imported, inflation which was kept at bay during the pre-Covid years at the very low level of **1 percent**, has been trending upwards to **4.7 percent** in **2022**.

However, this rate is significantly *below* the rate of inflation of **9.8 percent** in emerging and developing countries, the **8.6 percent** inflation rate in the Euro area, the **8.3 percent** rate in the United States and the **9.8 percent** rate in the United Kingdom. And at a subregional level, as of June 2022, the economies of South America had an inflation rate of **8.8 percent**, inflation in Central America and Mexico was **7.5 percent** and the rest of the English-speaking Caribbean averaged **7.3 percent**. Notably, the inflation rate in Barbados in July 2022 was **11.2 percent**.

- Although we continue to be engaged in financing important programmes such as road repairs and the purchase of pharmaceuticals through state enterprises, at the level of the Central Government, we have not had the need to engage in new direct borrowing since December 2021. This aside, we have more than adequate access, if the need arises, to preferentially priced loans from the Development Bank of Latin America (CAF), the IDB, the CDB, the international capital market and the domestic banking market, among other sources of financing.

- *Our Debt to GDP ratio* has been reduced from over **80 percent** in September 2021 to **70 percent** in September 2022, to the surprise of the prophets of doom and gloom. In fact, based on our current borrowing and repayment schedule, we expect **no significant increase** in our total Government debt in the 12-month period between December 2021 and December 2022, or in our debt to GDP ratio, the first time this will have occurred in many years.
- To stimulate growth and maintain economic momentum by increasing expenditure on our Public Sector Investment Programme, now at **\$6.2 billion in 2023**, which is where it counts, we have set a new soft debt-to-GDP limit of **75 percent** for the next 2 years, which is well below the ratio of most countries in the world.
- Our premier record as a country which has never defaulted on its public debt remains intact, in contrast to other countries in the region who have found it impossible to honour their debts over the years.

- The current account of the balance of payments is anticipated to record a surplus of more than **\$4 billion** in 2022.
- Net official foreign reserves as of August 2022 stood at **US\$6.8 billion**, representing **8.5 months** of import cover, well above the international benchmark of **3 months**.
- As a result of higher-than-expected oil and gas prices, we have deposited **US\$163 million** or **\$1.11 billion** into the Heritage and Stabilization Fund (HSF) for intergenerational benefit.
- Inflows of foreign exchange from the oil and gas sector for the first 8 months of calendar 2022 were **US\$1.90 billion**, or **US\$1.33 billion** more than the same period in 2021.

Madam Speaker, we are encouraged by the **July 2022**, decision of the international credit rating agency - *S&P Global Ratings* – to revise our outlook from negative to *stable and to maintain* our credit rating at investment grade BBB-.

We understand this credit rating is reflective of the basic strength of the country's economy as well as its prospective developments and its resiliency from multiple shocks. We recognize that ***this is the first time over the last 15 years*** that S&P Global Ratings has taken a positive rating action on Trinidad and Tobago. In the current situation facing the world economy with multiple cases of economic and financial distress, negative outlooks and credit rating downgrades are the norm rather than the exception, and as such, we are now recognized as being in a favourable position.

We remain an attractive location for investors, hence the ready availability of credit from international banks and multilateral institutions.

Madam Speaker, as S&P puts it:

- higher prices for oil, gas and petrochemicals will spur an economic recovery in Trinidad and Tobago and strengthen economic resilience;
- the recovery is expected to lead to strong government revenue growth and more rapid fiscal consolidation;

- the outlook on Trinidad and Tobago is revised to stable from negative and its ratings are affirmed, including the BBB- long-term sovereign credit rating on the country; and
- the stable outlook reflects their expectations that high prices of key exports will more than offset the impact of lower-than expected energy production, returning the economy to growth after **6 years** of contraction and helping to stabilize debt-to-GDP metrics.

## **Institutional Building**

Madam Speaker, building and strengthening a mix of institutions has always been a policy objective of all PNM Administrations, given the importance of their impact on growth, development, and prosperity. Indeed, the first institution established shortly after achieving independence status in 1962 was the Central Bank of Trinidad and Tobago. Its strong governance and technocratic structure has provided this country with almost 6 decades of financial and currency stability. Thereafter, we established among others in 1981 the Trinidad and Tobago Stock Exchange; in 1982 the Trinidad and Tobago Unit Trust Corporation; and in 1995 the Trinidad and Tobago Securities and Exchange Commission.

The trust and confidence of our citizens in these institutions has ensured increasing levels of savings and investments which are important for our growth and development.

We have now embarked on the formation of new public institutions, such as:

### **The Trinidad and Tobago Revenue Authority**

Madam Speaker, after more than a decade of technical work and stakeholder consultations, the Trinidad and Tobago Revenue Authority (TTRA) was finally established with the passage of the Trinidad and Tobago Revenue Authority Act in 2021. The TTRA has begun to build out its governance structure following the partial proclamation of certain sections of the Act in March 2022. We appointed a strong Board of Management in June 2022, and we envisage that the ***TTRA will be operational in 2023*** with an improved revenue administration combining the operations of the Inland Revenue and the Custom and Excise Divisions.

One of the Board's priorities will be fulfilment of the legislative requirement to submit to the Minister of Finance within 6 months of appointment a Strategic Plan and Operational Plan for moving the TTRA forward. The Board has engaged a Strategic Adviser and is working assiduously towards this objective, and I fully expect to have the Strategic and Operational Plans in hand within the stipulated timeframe. Once received and approved the Board will have a clear roadmap for effecting the long-awaited operationalization of the TTRA.

Another key initiative of the Board that is ongoing, is the recruitment of a Director General who would lead the merged entity and be integral to the smooth transition to the TTRA. We expect that this key corporate officer will be selected by the end of 2022.

The Board is also working on establishing the information technology and communication systems that will form the operational platform for the Authority and is working with other State agencies to create the infrastructure and systems needed to maximize the collection of taxes in a fair manner for the benefit of the entire country.

Further, in preparation for meeting the revenue collection standards of the TTRA, the Inland Revenue Division has been implementing several agreed-upon solutions to address a range of weaknesses identified in a Tax Administrative Diagnostic Tool Assessment (TADAT) Report undertaken by the International Monetary Fund some years ago. We are heartened to learn that the efficiency gains in tax collections driven by the TADAT-derived solutions could amount to additional revenue of at least **1 percent** of GDP or **\$2 billion** in its first year of operation.

### **Gambling Control Commission**

Madam Speaker, following the partial proclamation in **June 2021** of sections of the Gambling (Gaming and Betting) Control Act, we took steps to operationalize the Gambling Control Commission. We have appointed the Board of Commissioners who have begun their work to recruit staff, procure information technology to support compliance and tax collection, procure and outfit physical accommodation, design business processes, commence specialized training of staff and develop their strategic plan.

The Commission is also in the process of finalizing the draft Regulations for the Gaming and Gambling Industry to provide the required oversight and define the policy for the regulation of the gaming and betting sector. We will undertake relevant consultations and public sensitization on these Regulations before enactment.

***Accordingly, revenue collection by the Gambling Control Commission is expected to commence in 2023.***

### **Trinidad and Tobago Mortgage Bank**

Madam Speaker, we are far advanced on completing the technical work for the establishment of the Trinidad and Tobago Mortgage Bank. The protocols and legal requirements for merging the operations of the Trinidad and Tobago Mortgage Finance Company Limited and the Home Mortgage Bank have been finalized by the Boards of the National Insurance Board, the majority owner of the **2** institutions being merged. We envisage by early **2023**, the full operationalization of the ***Trinidad and Tobago Mortgage Bank*** which is expected to be a much more efficient and streamlined organisation, with improved financial strength, better equipped to assist the delivery of affordable houses by the Housing Development Corporation.

We expect to have the new Mortgage Bank operational in 2023 with an enhanced presence in the capital market, appropriately branded for eliciting public trust and confidence in its dual functions of mobilizing resources and channelling those resources into mortgage portfolios.

Madam Speaker, this merger will remove inefficiencies in mortgage financing and create a sustainable flow of finance to support the low to middle income housing market.

### **Special Economic Zones Authority**

Madam Speaker, in **February 2022** we established the *Trinidad and Tobago Special Economic Zones Authority (TTSEZA)*. In the process we dissolved the Trinidad and Tobago Free Zones Company Limited which was a condition precedent for achieving compliance with the requirements of the OECD, Global Forum, and EU. The new agency will seek to establish an attractive and competitive framework in the country through reviewing and assessing the performance of all Special Economic Zones; formulating

standards and prescribing codes of practice to be observed by operators in these Zones; thus facilitating an enabling environment in designated areas.

Madam Speaker, the newly appointed Board of Directors is now developing the organizational structure of the TTSEZA as well as the regulations which would underpin its operations. It is expected to be fully operational in **2023**.

### **Trinidad and Tobago Trade and Investment Promotion Agency**

Madam Speaker, we are advancing the modernization of our institutional arrangements for promoting export and investments. To this end, we are in the process of establishing a single trade and investment promotion entity: *the Trinidad and Tobago Trade and Investment Promotion Agency* (TTTIPA). To avoid duplication of efforts and to focus on a targeted approach to trade and investment promotion, the new entity is based on a merger of several other agencies: ExporTT, InvesTT, CreativeTT and elements of the Trinidad and Tobago Coalition of Services Industries (TTCSI).

Madam Speaker, the recently appointed Board of Directors is spearheading the work to operationalize the agency with a mandate to develop a diversified, resilient, and sustainable economy through the international promotion of Trinidad and Tobago.

To that end, I expect the TTTIPA to be operational in early **2023** and to take steps immediately to enable Trinidad and Tobago to become a premier destination for non-energy business and investment and create a competitive non-energy export sector with high foreign exchange earning capabilities. We have ensured that this new agency will be properly funded in 2023, especially in the area of export promotion and overseas market penetration.

### **Phoenix Park Industrial Estate**

Madam Speaker, the Evolving Technologies and Enterprise Development Company Limited (eTeck) has been advancing the development of the *Phoenix Park Industrial Estate* with financing in the sum of **\$690 million** from the China Export-Import Bank, and counterpart funds. Upon completion in

early **2023**, **78** lots with all required infrastructure and services as well as **5** modern factory shells will be leased by eTeck to investors and businesses with a focus on the non-energy sector.

InvesTT and eTeck have been promoting the *Phoenix Park Industrial Estate* as a prime investment opportunity in the field of high-value manufacturing, logistics, distribution, and warehousing. We have already on board **11** investors who have committed to being a part of the state-of-the-art facility and negotiations are in progress with another **9** investors for business operations at this Park.

Just last month, a fourth Chinese investor had executed a *Letter of Offer* with eTeck to construct a bonded warehouse in the first phase. A trade and exhibition centre would be established in the second phase. This centre would generate over **500** manufacturers' displays where buyers and sellers can transact in a technology-driven environment utilizing 5G technology at the industrial park.

Madam Speaker, when fully operational we expect the Phoenix Park Industrial Estate to generate approximately **4,500** jobs.

## Property Tax

Madam Speaker, we are on track to commence collection of property tax in Fiscal 2023. The legal structure is already in place, but we intend to make some simple amendments before the end of the year to the Valuation of Land Act, to tighten and clarify the procedures for the gathering and processing of information and valuation of properties.

Let me share with you some aspects of the work in progress:

- upon population of the Valuation Rolls, the Board of Inland Revenue will commence the assessment and collection of property tax, starting with residential properties, using the formula in the Property Tax Act. ***You should note that as part of our Local Government Reform Exercise these residential property taxes are allocated by law for use by the 14 Local Government Corporations for the development and maintenance of their respective Regions.*** After residential properties, the assessment of commercial, industrial, and agricultural properties will follow;

- the first Valuation Roll when fully completed should contain an estimated **400,000** residential properties; however, collection of taxes will commence when the threshold of valuation of **50 percent** of residential properties, or **200,000** such properties, is achieved;
- to facilitate the completion of this first Valuation Roll, among others, the Commissioner of Valuations published on **September 6, 2021**, a notice for mandatory submission of returns by property owners or occupiers or agents, to obtain the required property data pursuant to Section 29 of the Valuation of Land Act;
- on **February 28, 2022**, the Commissioner of Valuations concluded her request for submission of returns of property after having implemented a number of enabling activities, such as official launch of a website for online submission of returns; publication of a notice in the local newspapers informing property owners of the need to submit returns with accompanying documents; and physical distribution to **408,453** property owners or occupiers of returns via direct delivery through TTPost;

- *by **August 2022**, the Valuation Division* had received **325,296** returns of property data. The Annual Rental Values (ARVs) of these properties are currently being assessed for insertion in the valuation roll. Within these **325,296** returns, the Division has in its possession information on over **200,000** residential properties, and is moving to complete the valuation of same in the first instance;
- *the Valuation Tribunal* is being finalised as required by the Valuation of Land Act to handle disputes over the valuation of properties and will be in place when the first Valuation Roll is completed. Members of the Tribunal have been appointed, with the recruitment of the Chairman in progress.

## **Local Government Reform**

Madam Speaker, the process of Local Government Reform under this PNM Administration represents a very important change in the way people's needs in local communities will be addressed; in essence a paradigm shift. It has been on the political agenda for over **30 years** and its time has come.

We envision that Local Government Bodies in the proposed new system will be highly accountable and responsive organisations, grounded in the business, environmental, cultural, educational, and social fabric of their communities.

We are firm in our belief that Local Government should be given more, rather than less, responsibility and authority, and as such, a platform for meaningful reform of Local Government has been formulated with the objective of creating a modern, efficient, properly resourced, and proactive Local Government system.

Indeed, the present reform agenda has been on the cards since August 2016 when Cabinet under this Administration approved the ***Draft Policy on Local Government Reform.***

Since that time, there has been extensive consultation and discussion on the proposed new system. Following this, the required legislation, the Miscellaneous Provisions (Local Government Reform) Bill, was examined and reviewed by Parliament and passed in both Houses in **June 2022.**

The Government is now ready to move forward with this Programme of Reform and to start the process of building out the required new systems, practices and procedures and creating the required improved capacity and enhanced capability in Local Government Corporations.

In particular, as mentioned before, the ongoing Valuation of Properties exercise being conducted by the Valuations Division of the Ministry of Finance is specifically designed to address the problem of inadequate funding for the maintenance and development of infrastructure in local government districts, by reserving and allocating Residential Property Taxes for the exclusive use of Local Government Bodies, thus providing them with a reliable and regular dedicated stream of income.

## **Statistics**

Madam Speaker, *Household Budget Surveys* are a critical link in the statistical infrastructure. It is the only truly reliable source of household income and expenditure data, which when combined with other information produces a rich source of socio-economic data – an important and critical ingredient in our economic and social policy analyses and development planning.

This undertaking will become a central and strategic component in the work programme of the proposed National Statistical Institute.

The Government intends to bring the ***National Statistical Institute of Trinidad and Tobago Bill*** before the Parliament for a vote at earliest opportunity. It requires a 3/5 majority to be enacted into law and we hope that Members of the Opposition will review their approach to this critical matter and find it within their duty to support this key piece of legislation in order to have the country establish this very important Institution in the shortest possible time.

Madam Speaker, the next *Household Budget Survey* is scheduled to take place before the end of 2022. For the first time, the *Household Budget Survey* would be combined with *the Survey of Living Conditions*. Both surveys are being merged to yield better quality expenditure data, while also providing detailed information on health, education, labour, and other characteristics of living conditions.

***Madam Speaker, a National Population Census is also planned for 2023.***

As we have been modernizing our economy and placing greater use on digital technology, the CSO has been overhauling the gathering and dissemination of data, ***utilizing the wide powers under the existing Statistics Act.*** We have been reducing lag times in accordance with our commitments under the ***IMF Enhanced General Data Dissemination System***, since 2021.

It should be noted that in 2021, Trinidad and Tobago implemented the recommendations of the IMF's Enhanced General Data Dissemination System (e-GDDS) by publishing essential data through the National Summary Data Page (NSDP).

The Enhanced General Data Dissemination System was established by the IMF in 2015 to support improved data transparency, encourage statistical development, and help create synergies between data dissemination and policymaking.

The NSDP is a national “data portal” that serves as a one-stop publication vehicle for essential macroeconomic data on the national accounts, government operations and debt, monetary and financial sector, and balance of payments.

The NSDP is hosted by the Central Bank of Trinidad and Tobago, utilizing the Statistical Data and Metadata Exchange. A link to Trinidad and Tobago’s NSDP is available on the IMF’s Dissemination Standards Bulletin Board and contains links to statistics published by the Central Bank of Trinidad and Tobago, the Ministry of Finance and the Central Statistical Office.

Indeed, consistent with our commitment to ensure public access to national statistics, up to **1<sup>st</sup> Quarter 2022** labour force data has been published by the CSO and disseminated, as well as up to **1<sup>st</sup> Quarter 2022** GDP data. This is a significant improvement from previous years where national statistics were as much as 2 years out of date.

The retail price index is also now up to date to **July 2022**.

## Fuel Prices

Madam Speaker, the unexpected **100 percent** increase in oil prices from 2021 to 2022 frustrated our policy objective to liberalize in 2022 the fuel market within which a standardised pricing system for motor fuels could have been established. In 2021, we had deferred to the **1<sup>st</sup> Quarter 2022** the proclamation of the legislative amendments to effect liberalization of the fuels market, leaving the retail prices of motor fuels per litre as:

- **Premium gasoline**                      **\$5.75**
- **Super gasoline**                         **\$4.97**
- **Diesel**                                        **\$3.41**

Madam Speaker, the oil and fuel price scenario changed suddenly at the beginning of 2022. Rapidly increasing oil prices as high as **US\$120** per barrel would have required a huge amount of government subsidy in 2022, up to as much as **\$3 billion**, if left untouched.

We sought to deal with this issue earlier this year, in April, on the assumption that oil prices would come down from their extreme highs. However, oil prices continued to exceed **US\$100** per barrel for months.

At that time, we proposed to share the burden of adjustment equally with the population by absorbing half the cost of the annual fuel subsidy. At that time, by increasing the prices of gasoline by **\$1** per litre and diesel by **50 cents** per litre, we had estimated that we could limit our expenditure on the fuel subsidy to **\$900 million** a year.

Although oil prices have subsided somewhat and are currently in the vicinity of **US\$90** per barrel, the US Energy Information Administration in its most recent September 2022 short term energy outlook has estimated the price of oil in 2023 to average **US\$96.91** per barrel, which means that if this forecast is correct, we will be facing a fuel subsidy in 2022 of over **\$2 billion**.

Allow me to explain how the fuel subsidy works, since it is not fully understood by all concerned and some commentators also confuse the issues.

As a processed product, motor fuels such as premium and super gasoline and diesel must be purchased from a Petroleum Refinery at what is termed an Ex-Refinery price. This is the case whether the refinery is located here in Trinidad and Tobago or overseas. If our Refinery were still in operation, the Ex-Refinery price for fuel at Point-a-Pierre would have to be used to determine the amount of the fuel subsidy. To illustrate this, in 2014, when the Refinery was in full operation, the Government was required to find **\$7 billion** to subsidise fuel.

You wouldn't think so, when you hear voices saying that if our Refinery was still in operation, we would not have been facing increases in the price of fuel. Maybe they are right, and instead of fuel price increases, we would be facing bankruptcy as a country instead.

The Ex-Refinery price for fuel is directly proportional to the market price of oil and is derived from the cost of purchasing crude oil at world market prices plus the cost of processing this oil into fuel. To this price must be added the cost of shipping, handling, storage, marketing, transport, and distribution to get the retail price of fuel at gas stations.

I am advised by the Ministry of Energy and Energy Industries that at a price of **US\$95** per barrel for oil, the unsubsidised prices of premium and super gasoline and diesel per litre, before any mark-up, are as follows:

**Premium gasoline:   \$7.66**

**Super gasoline:       \$7.59**

**Diesel:                 \$7.75**

It should be noted that in this scenario the true price of diesel is currently subsidised by almost **100 percent**. In other words, when oil is **US\$95** a barrel, the price at which diesel is sold to consumers in Trinidad and Tobago, at **\$3.91** per litre is almost half the actual cost that the Government pays to purchase and supply this fuel.

Compare this to Barbados where diesel is sold at **BDS\$4.00** per litre which is equivalent to **TT\$13.60** per litre. This is over 3 times the price for diesel in Trinidad and Tobago. And gasoline is sold at even higher prices there.

In fact, unlike Trinidad and Tobago, fuel is a **revenue earner** in Barbados, because the Barbados Government imposes taxes on gasoline and diesel in that country. So, they add taxes to the cost price of fuel to increase the final prices to motorists at the gas station. In that country, therefore, as is the case in most other Caribbean countries, fuel is not subsidised, it is taxed.

By contrast, in Trinidad and Tobago, the Government pays the difference between the actual cost of fuel and the subsidised cost and if we do not act to deal with this issue in 2023, this could cost taxpayers **\$2.2 billion** in the coming year, much of which will have to be taken from other areas of critical expenditure, such as health care, social grants or education.

Even at an oil price of **US\$90** per barrel, the unsubsidized prices of fuel would be **\$7.30 per litre** for premium gasoline, **\$7.23 per litre** for super gasoline and **\$7.38 per litre** for diesel, and at that oil price, the cost to Government if the current prices are left unchanged would be **\$1.9 billion**.

We are firm in our view that this level of expenditure on fuel is not productive, and that taxpayers' money could be better spent elsewhere.

We believe therefore that it is only reasonable that the money spent on subsidising fuel is capped at **\$1 billion** per year.

Some areas where we believe that this money is better spent are:

- social grants, where we spend **\$5.4 billion** per year, including senior citizens pension at **\$4.3 billion**, food support at **\$175 million**, disability grants at **\$630 million** and social assistance grants at **\$355 million**;
- water supply, which costs us over **\$2 billion** a year to subsidise;
- electricity supply, which costs **\$700 million** a year to subsidise, because T&TEC has not been meeting its payment obligations to the NGC for the gas used to generate electricity, which we must purchase at market prices from oil companies like bpTT;
- electricity rebates for low-income families, which costs **\$60 million** per year;
- the air bridge, which costs over **\$100 million** per year to subsidise;
- the inter-island ferry service which costs **\$200 million** per year to subsidise, not including the capital cost of the two new fast ferries, which cost us close to **\$1 billion** to acquire;
- free transportation for senior citizens and students, which costs **\$220 million** per year;

- free tertiary education (GATE), which costs **\$400 million** per year;
- free healthcare, including CDAP, which costs **\$6 billion** per year; and
- subsidy of Caribbean Airlines, to keep the airline flying to maintain our connectivity with the rest of the world, at a cost of **\$700 million** per year. It is noteworthy that when the pandemic struck in 2020, even though Caribbean Airlines reduced its operating costs as best as it could and rationalised its staff to the bare minimum, just to keep the airline in the air, the Ministry of Finance was still asked to subsidize the operations of Caribbean Airlines for a 3-year period, until it got back on its feet, by arranging financing to the tune of up to **US\$300 million** or **TT\$2 billion**. So far, we have provided the required support.

To stay within a cap of **\$1 billion** for the fuel subsidy, and ensure that money is available for essential services, therefore, a further adjustment in fuel prices is required and I will say more about this when I come to the Fiscal Measures at the end of my Statement.

Madam Speaker, cognisant of increased operating costs with the increased prices of fuel, we have also adjusted the gross margins for wholesalers and retailers of motor fuel.

Effective **August 1, 2022**, wholesalers and retailers were able to benefit from an adjustment of **5 cents** per litre for premium, super, diesel and kerosene. This has cost the Government **\$50 million**.

## **National Insurance Fund**

Madam Speaker, we have been keeping under review the sustainability of the National Insurance Fund in the context of the most recent actuarial reviews which have identified our changing demographics as impacting negatively on the long-term sustainability of the Fund. Although the fund has sufficient money to last for the next 20 years if no changes are made, an increase in the compulsory age of retirement from **60** to **65** years is being advanced as one of the solutions for reversing the Fund's declining viability. An increase in contribution rates is a last resort.

And there is nothing unique about this since an increase in the retirement age is being implemented across the board in virtually all Caribbean countries with similar issues with their National Insurance Funds.

The Prime Minister of Grenada recently announced plans to increase their retirement age from **60** to **65** as a solution to save their National Insurance System from insolvency. In Barbados, the compulsory age of retirement is already **67** and in Jamaica, it is **65**.

We in the Ministry of Finance have recently completed our consultations on the retirement age, held by Minister Manning with key stakeholders, including trade unions and business organizations. These discussions would inform our policy agenda for putting the National Insurance Fund of the NIB on a long-term sustainable basis.

## **Capital Markets**

Madam Speaker, we have continued the process for deepening and widening our capital market as a major source for the funding of private and public activities. The **July 2022** Additional Public Offering (APO) of First Citizens Bank placed **10,869,565** shares of FCB at a price of **\$50** per share into the hands of private and institutional investors.

As a result of this APO, we have reduced the State's shareholding in First Citizens from **64 percent** to **60 percent** of the Bank.

The public response to the FCB APO has been an outstanding success, similar to National Investment Fund (NIF) public offering in 2018. The APO was heavily over-subscribed by **55 percent** attracting applications for **16,865,007** ordinary shares with a value of **\$843 million**, of which **\$543 million** was transferred to Corporation Sole as owner of the shares.

***It is noteworthy that while corporations were given a percentage of the shares they requested, all individuals received 100 percent of the shares for which they applied. This is consistent with our policy of the widest possible public participation in the divestment of profitable state enterprises.***

We are also heartened by the decision of First Citizens to immediately include the new shareholders in its **August 2022** dividend distribution.

## Cashless Transactions

Madam Speaker, with the support and hard work of the Trinidad and Tobago International Financial Centre (TTIFC), we have made considerable progress in the introduction of cashless transactions in the public sector:

- under the Office of the Attorney General and Ministry of Legal Affairs, payments can now be made by LINX and online credit cards for services at the Civil Registry, Companies Registry, and Intellectual Property Office;
- At the Immigration Division payments for passports, work permits, and visas can be made by LINX, with online debit and credit cards targeted for December 2022;
- At the Trinidad and Tobago Bureau of Standards, payments for customs import declarations can be paid for by LINX, online debit and credit cards;

- At the Judiciary, payments for fixed penalties and court ordered maintenance can be made by online debit and credit cards and payments using a voucher system managed by Payment Service Provider Agents is targeted for December 2022;
- At the Inland Revenue Division, payments by Automated Clearing House (ACH) and Real-time Gross Settlement (RTGS) Direct Deposit can be made directly to the Treasury suspense account at the Central Bank; online payments by debit and credit card are targeted for 2023;
- At the Treasury Division, payments of public service wages and salaries are being made through bank transfers;
- At the Ministry of Trade and Industry, online payments for Single Electronic Window transactions by debit card and credit card are targeted for December 2022;

- At the Ministry of Works and Transport, payments of fixed fine and penalties can be made by LINX; online debit and credit cards are targeted for December 2022. Workers in the Unemployment Relief Programme and being paid through debit cards; and
- At the Ministry of Social Development and Family Services, payment of food support is being made through debit cards and public assistance by bank transfers. The use of bank transfers for other social grants or payments cards, and/or a voucher system using payment service providers or mobile wallets are being developed for implementation in 2023.

We are also working actively on the implementation of financial instructions to leverage the platforms of Payment Service Providers (PSPs) to provide services for the underbanked and unbanked to be able to do business with the Government via a combined agent network of over **1,500 agents** across Trinidad and Tobago.

This will allow for greater reach to citizens and offer a convenient approach for persons who still transact in cash and who do not have a bank account, reducing the hassle for citizens in rural communities who must commute to Government offices to make payments for various services. This method of payment, through payment service providers, is expected to be implemented early in 2023.

To facilitate the business community, the Ministry of Trade and Industry's Single Electronic Window is also being updated to offer online payment options to provide a seamless experience to over **300,000 annual transactions** for a wide range of services, including import/export licenses, various health, and agriculture certificates and permits, and business-related services such as company registration and incorporation.

Another area of the "cashless" agenda will be the promotion of the use of Financial Technology (FinTech). **The region's first FinTech Innovation Hub** will be implemented by the TTIFC in 2023 as a collaborative environment with an onsite ecosystem, whereby the Regulators, Financial Sector actors, Ministries, Departments and Agencies, Fintech start-ups and

Innovators both local and foreign can connect and collaborate to achieve the goal of a “cashless” society in Trinidad and Tobago.

Madam Speaker, I am pleased to note that in furtherance of the cashless agenda, the Central Bank in **September 2022** registered ***PayWise Limited*** as Trinidad and Tobago’s ***first*** e-money issuer.

This new e-money issuer will provide more access to financial services to unbanked and underbanked citizens across the country and I anticipate an increased number of approvals of additional e-money issuers in the following months in the context of our robust ICT infrastructure, the abundance of skillsets across technology, finance, and the digital world as well as the proximity to their clients in the Americas. The TTIFC has already been receiving interest from other international financial technology firms such as Valenta International, MasterCard, Visa, and many others in terms of facilitating our drive to create a FinTech-enabled ecosystem.

We are also seeking to identify the payment needs of our citizens through the conduct by the TTIFC of the country’s first national ***financial inclusion***

**survey**, intended to identify barriers impacting financially underserved adults.

## **Digital Transformation**

Madam Speaker, technology affects almost every aspect of our 21<sup>st</sup> century life – from transport efficiency to food and healthcare as well as productivity. The internet has enabled ideas and resources to be shared.

We have identified in our post pandemic revitalization programmes the emergence of a *Digital Society* as our foremost priority. Our digital policy is citizen-centric and in all our activities we must ensure that no one is left behind. The policy also focuses on a *Digital Economy*, given the critical role of the ICT sector for our future prosperity. We are also focusing on *Digital Government* which would improve the delivery of services to our citizens while at the same time reducing the cost of those services to the State.

Some of the key initiatives to drive our digital transformation agenda include:

- the *Developer's Hub* which will create an ecosystem which will grow our domestic developer's community through partnerships between the Government and small emerging local software developers and entrepreneurs.

The Hub will facilitate the development of considerable expertise in creating software solutions for the public sector where there is substantial opportunity for regional and international support. It will be the centre for collaboration and the crafting of such software for beneficial use by our citizens, residents, visitors, and public officers to meet their general needs. The Hub will focus on open source and open standard solutions to build mobile and web-based applications for the delivery of e-services. We expect an increasing contribution of the ICT sector to gross domestic product from the current level of **3.2 percent** as we market a brand, *Made by Trinidad and Tobago for Trinidad and Tobago and the World*. We are providing significant support for this initiative: an online training platform for skills development and expansion for all members and cloud-based software development and sandboxes;

- the *National E-Identify and Interoperability Solutions* will enable Government Ministries, Departments and Agencies to collaborate on improving the delivery and personalization of services to citizens.

These solutions will result in easier integrated access to government services across Ministries and Agencies using a single point of entry such as their phone or tablet or even from a Community Access Centre;

- *Connected Communities* will bring together industry and community stakeholders in Government, the private sector and civil society to develop technology solutions which will benefit all aspects of economic and community life in selected communities. We have already launched in **March 2022** a pilot project in Arima which would commence with the establishment of *Smart Poles* to facilitate Wi-Fi connectivity and device-charging within the Borough;
- *the Community ICT Access Programme* was expanded during 2022 from the original **6** public access centres to **32** centres. We are well underway to achieving our target of **100** public access ICT centres;

- *the ICT Infrastructure: The Government Data Centre and Government Cloud* will house Government data on-island so that information and services would continue to be available to citizens should we be cut off from the outside world in the future;
- *the Open Data Initiative* allows for the availability and sharing of reliable data and caters to the digitalization of systems and business processes of Ministries, Departments and Agencies which create the enabling environment in which digital transformation can occur; and
- the recently-launched **PARLOUR** e-commerce platform is providing local and regional artisans and makers of craft with a larger market for their products using technology into its operations – a process which is already globally utilized by craft-based businesses. Developed and designed by the Telecommunication Services of Trinidad and Tobago (TSTT), the online platform would be used for the buying and selling of local and regional products. The platform is more efficient and more responsive to customers and the goal is for TSTT to partner with **100,000** sellers and enable them to attract consumers towards their products.

TSTT is now putting in place a digital payment e-money solution which will provide users of **PARLOUR** with simple, safe, and affordable ways to complete transactions and penetrate the global market.

## **Public Sector Wage Negotiations**

Madam Speaker, central to the efficient functioning of the public service is the establishment of a fair and equitable compensation system for our public sector employees; but the approach to achieving this objective must be careful and consistent with the known availability of resources. No responsible Government can contemplate bankrupting the entire country, simply to appease a portion of the labour force.

We are firm in our view that our current offer of **4.0 percent** over the period **2014-2019** for the mainstream public service, although it will be a challenge to raise the required funds, is **practical** and **equitable**. One trade union has already accepted our offer and we hope that others will soon follow suit.

It must be emphasized that the additional annual recurrent cost of our offer is approximately **\$500 million**, and it should be noted that if this offer is extended to the wider state sector, the additional cost will almost double to approximately **\$1 billion** per year. The backpay that will accrue to June 2023 from our offer for just the mainstream public service is **\$2.4 billion**. This will increase to **\$4.6 billion** when the entire state sector is included.

As difficult as these amounts will be to accommodate, we will find the money and make the required payments promptly. But any more than this will wreck the economy, not only for the same public servants but for everyone else.

By way of example, the counteroffer made by the Public Services Association (PSA) is unsustainable. The PSA has countered our offer of **4 percent** with a demand for a **19 percent** increase in salaries for the 3-year period **2014-2016**, which is only one-half of the period of our offer. If accepted, this would cost **\$15.8 billion** in arrears up to **June 2023**. The additional annual recurrent cost would be **\$1.8 billion**. If the PSA offer was extended to the wider state sector **\$30.3 billion** in back pay would be

required up to **June 2023**. The additional annual recurrent cost would be **\$3.4 billion**.

And these calculations do not cater for a similar increase in the second 3-year period **2017-2019**, which if agreed to, could create a backpay requirement of **\$50 billion**, equivalent to the total national expenditure in previous years.

Clearly these are not serious counterproposals. They may sound good to encourage marches or threats, but I am certain that the leaders know the facts, the reality and what is doable.

It should be obvious that demands of this nature cannot be met. Anyone who believes that the country can afford this level of public expenditure (**\$50 billion**) is simply not being realistic. I wish to make it clear that our offer of a **4 percent** increase over the period **2014-2019** is the best we can do, and even at this level, we will have to dig deep to find the **\$4.6 billion** in backpay that will flow from this.

Madam Speaker, I wish to confirm that the Government stands ready to make good on our offer as soon as it accepted. We are prepared to raise the required funding for backpay quickly and to make these payments promptly, as well as appropriate adjustments to the budgetary appropriation to cater for the recurrent increases in salaries and wages.

On the other hand, if trade unions choose to send these negotiations to the Industrial Court, we would ask that these matters be expedited, so that we can act swiftly in accordance with the Court's decision.

## **Enabling Sectors**

### **Infrastructure**

Madam Speaker, our infrastructure investments have been playing a substantial role in the structural transformation of our country.

Some major projects include:

- *the Solomon Hochoy Highway Extension to Point Fortin* which is almost complete will ease traffic between San Fernando and Point Fortin with the construction of **30 kilometres** of dual carriageways from La Romain to Point Fortin. We expect that this highway will be opened in early 2023 to create an efficient road connection for communities such as Debe, Mon Desir, Fyzabad, La Brea and Point Fortin;
- *the Churchill Roosevelt Highway Extension to Manzanilla*, which is in the initial stages of construction with the Cumuto Junction to Guaico packages;
- *the Valencia to Toco Road*, which will open up our northeastern communities for business and residential opportunities. Upgrade work being undertaken by PURE is well underway with a further section to be implemented by National Infrastructure Development Company (NIDCO) in due course;

- our Road Infrastructure which had deteriorated during the pandemic when resources were redirected to the health sector would see now a major repair and rehabilitation exercise. A new state company: ***Secondary Road Rehabilitation and Improvement Company Limited*** has been capitalized with an initial **\$100 million** and a Board appointed. A further **\$100 million** has been allocated for this company in 2023, making a total of **\$200 million** immediately available for repair of secondary roads. We expect the company to use these funds proactively to carry out much-needed secondary road repairs throughout the country; Additional allocations have also been provided for the 14 Municipal Corporations.

We have also just raised a further **\$250 million** in loan financing for the Programme for Road Upgrade and Enhancement (PURE) in the Ministry of Works and Transport for use in Fiscal 2023. The Ministry of Works and Transport has also been allocated a further **\$1 billion** for its Development Programme in 2023, as well as increased allocations in other line items for road repairs at the district level. This enhanced level of funding will ensure that proper attention can now be paid to road repairs and rehabilitation in 2023.

- the *Diego Martin Vehicular and Pedestrian Bridge Overpass* is at an advanced stage of completion. We expect this overpass to be commissioned in 2023 thereby improving connectivity for the commuters from the Diego Martin valley into the western peninsula;
- the *ANR International Airport Terminal Building Project* is being constructed on a phased basis with the initial phase being the upgrading of the existing terminal which was completed in **March 2022**. Design and planning activities for the new main terminal building are in progress with initial construction work having commenced. Upon completion in **2024**, Tobago will benefit from a state-of-the-art modern international airport with sufficient capacity and level of service which would catalyse the expansion of the hotel room stock and serve as a booster for revitalizing and expanding the tourism industry;
- the *Integrated Fishing Port and Facilities at Gran Chemin in Moruga* will enhance the fishing industry in Moruga, bringing economic opportunities to the surrounding communities of Gran Chemin, La Ruffin and Marac.

The initial phase, the Landside Facility as well as the Environmental Impact Assessment (EIA) for the second phase, the Marine Facility are expected to be completed by early 2023;

- *the Toco Ferry Port* is at an advanced stage of the Environmental Impact Assessment; and

*The San Fernando Waterfront Redevelopment will* modernize the city of San Fernando and the surrounding communities. The project is being advanced in phases with phase 1 being constructed at a cost **\$247 million** involving **8** projects:

- **3.8 hectares of land at King's Wharf North are being reclaimed at a cost of \$78 million:** construction has begun with completion in **2023;**

- *a New Fishing Facility is being constructed at a cost of **\$38 million**, again with completion in **2023**. The new facility and jetty will accommodate seventy-two (72) fishermen and fifty (50) fishing vessels;*
- *a New Coastal Protection System is being constructed at a cost of **\$67 million** along the Lady Hailes Avenue between Hatter's Bay to the south and the existing Water Taxi Terminal to the North: on completion in 2024, the frequency and severity of coastal erosion and coastal flooding to the area will be reduced;*
- *Lady Hailes Avenue will be widened into a Dual Carriageway at a cost of **\$136 million**, with completion in 2023. This will alleviate traffic congestion when the full implementation of the Redevelopment Project is completed;*
- *Commercial and Residential Squatters are being relocated from the redevelopment area through a collaborative effort between the Land Settlement Agency and UDeCOTT at a cost of **\$43 million**;*

- *the Public Transport Service Corporation Maintenance Facility has been relocated from Lady Hailes Avenue to Golconda at a cost of **\$15 million** and the Mixed-Use Development on the site is being advanced through a PPP arrangement at a cost of **\$207 million** for completion in **2024**; and*
- *Plaza San Carlos is being upgraded at a cost of **\$61 million**: the project will assess, refurbish where practical or possible, reconstruct, reconfigure, and retrofit the existing, pre-determined structures of the Plaza San Carlos to their original lustre. These buildings would be repurposed for commercial use.*

*The Public Utilities System* involving water production and transmission, electricity generation and transmission and telecommunications, in particular internet broadband, has been a critical element in our development experience. The current tariff reviews being undertaken by the Regulatory Industries Commission (RIC) will ensure, with the adoption of a new pricing system for water and electricity, that the utilities are able to undertake the appropriate investments to meet the demands of the national community.

Utility rebates would be made available to low income and vulnerable groups to access subsidies for electricity and water, once those prices have been regularized.

In the interim:

- we are focusing on our mandate to deliver to our citizens an adequate and reliable supply of water. As an initial step we are undertaking the transformation and restructuring of the Water and Sewerage Authority. During the transition period, we are seeking to improve delivery of water to all our communities. We are undertaking projects to identify new water sources through the drilling and equipping of additional wells. We are reducing non-revenue water by installing new transmission and distribution pipelines. We are refurbishing and upgrading our water treatment plants. We are increasing the reliability of water supply by desilting reservoirs, in particular in Tobago. We are improving water distribution through the construction of booster stations and expanding and rehabilitating our wastewater infrastructure; and

- we are expanding through the Telecommunication Services of Trinidad and Tobago (TSTT) the digital access network infrastructure to facilitate the connectivity needed to transform our country digitally. We already have with **1.9 million** mobile subscribers, a penetration of **146 percent** of the population; significantly **1.1 million** of those subscribers have an internet plan. On the fixed internet side, the penetration is **87.5 percent** which means that a very high percentage of our households have high-speed broadband connection. For people on the go, TSTT will provide Mobile Broadband Data Connectivity and for government agencies and enterprise businesses the company is expanding its digital infrastructure to provide connectivity to facilitate e-government services. We are ensuring that the economy becomes quickly digitally enabled.

## **Agriculture**

Madam Speaker, in relation to Agriculture, I now speak in the context of the impact of COVID-19 and the renewed energy within CARICOM to give life to long-discussed Agriculture initiatives.

The recently held Agri-Investment Forum and Expo II was a resounding success. It followed the inaugural event held in Guyana and will be followed by others in the region.

Our Expo saw over **30,000** participants from a broad cross-section of Trinidad and Tobago. It brought together for three days regional leaders, including business leaders and investors; farmers and future farmers; and agro-processors and investors in agro-processing. Our Expo and Forum also brought together vendors, and people in the business of food as well as commercial entities which support the business of agriculture.

CARICOM is once again focused on the need for member states to have a greater level of self- sufficiency in our food supply. COVID-19 and the unexpected events in Ukraine have been wake up calls which have put pressure on both the access to food and the cost of food.

Madam Speaker, in 2021 Trinidad and Tobago heeded the call of the Secretary General of the United Nations, Antonio Guterres, to host a National Dialogue on food systems. We were very happy to have among other facilitators in Trinidad and Tobago, Dr. Shakuntala Haraksingh Thilsted, the Trinidad and Tobago born global nutrition expert who won the prestigious 2021 World Food Prize for her groundbreaking research in developing holistic, nutrition-sensitive approaches to aquaculture and food systems. Inevitably, those discussions and much of the discussions since late 2019 have been in the context of COVID-19 and the high food import bill, lack of cohesive regional policies and legislation, turf wars among our manufacturers and insurmountable red tape.

Madam Speaker, a larger issue given greater prominence by COVID- 19 is the way our diets have changed to our detriment. It is an uphill battle for all of us to reverse the trends. Healthcare costs are ballooning. Productivity is being impacted. Longevity is at risk. Our labour pool is at risk.

Madam Speaker, the Russia/Ukraine conflict, though concentrated in the **630,000** square kilometers covered by Ukraine, impacts the ability of the world's most powerful economies to feed their citizens and fuel their nations. We are under even greater pressure.

Let us use grain as an example. The well-organized, very successful poultry industry in Trinidad and Tobago has had to compete for over a decade with low priced, low-quality imported poultry parts. Now, with over millions of tonnes of grain stuck in warehouses and silos in Ukraine, our poultry industry grapples with severe supply chain issues as the larger nations virtually commandeer vessels and global trading terminals. Delays, lack of availability and ever-increasing shipping costs add millions to the normal costs of shipping. Inevitably, importers, even State-owned importers must pass increased costs on to the consumer. The domino-effect can be devastating if the situation is prolonged.

Madam Speaker, for a country which depends heavily on annual food imports averaging more than **\$5 billion**, the inability to import food can significantly affect food and nutrition security of the nation. Consequently,

after broad-based consultations, we developed a Roadmap to Recovery to address the pandemic-induced economic decline.

We remain committed to the CARICOM Agenda as well as to our Roadmap for Agriculture. This work focuses on the following:

- boosting local production geared towards agro-processing to reduce our reliance on highly processed imported food;
- building a more effective agricultural sector based on sustainable value chains using innovation, digitization and technology, engagement of private sector, including small farmers, youth, and women. There is a direct correlation between food consumption and food systems; and
- addressing nutrition and non-communicable diseases and a persistent increase and worrying trend in obesity among children and adults. We are committed to policies via the Ministries responsible for Health, Education, Trade and Industry, Community Development, Sport, Youth and Agriculture to reverse these alarming trends.

Soaring commodity prices on the global market are impacting increases in wholesale and retail flour prices in the domestic market. Wheat supply has been derailed by the Russia-Ukraine war which countries combined generate **27 percent** of global wheat exports. We have already experienced increases in prices for flour and associated products. To this end, we are taking advantage of this opportunity by focusing on root-crop flour as a cheaper alternative to wheat flour. This product is already available in existing farmers' markets. We will therefore expand the enterprise base to produce alternatives to wheat flour; we will do so by extending the financial coverage of the Grant Fund Facility from **50 percent** to **75 percent**; and we will also increase the maximum funding amount from **\$250,000** to **\$340,000** for all producers of alternatives to wheat flour.

I now take the opportunity to express my sincere gratitude to our farmers for the excellent work that they have been doing, despite the challenges, and I wish to confirm that we have once again allocated the additional sum of **\$300 million** for agricultural incentives, infrastructure and programmes in this year's Budget.

Our new approach is facilitating the re-engagement of youth in the agriculture sector since the aging of our farmers makes imperative the increasing involvement of youth in the sector.

The recently-established, *Youth Agricultural Homestead Programme* in collaboration with the Metal Industries Company Institute of Technology (MIC-IT) is developing part-time – 18-35 years and retraining – 36-50 years modules for their programmes. The areas which are slated to accommodate these programmes are Fyzabad, Field Road, at the Chatham Dairy Farm and the Kendall Dairy Farm in Palo Seco, in Valencia, Gran Couva, Point-a-Pierre, Todd's Road, Lopinot and Santa Cruz. The programme is targeting young nationals who will be provided access to land and the necessary financial and technical support to become successful entrepreneurs.

The Youth Agricultural Shade House Project administered by the University of the West Indies and the Agricultural Research and Extension Unit in the Co-operative Republic of Guyana is a 1-year programme focusing on specialized hands-on training in intensive farming on small portions of land with very high yield. The programme is encouraging young people between

the ages of 16-35 to participate in the 12-month training period for which **100** participants would be selected. The project is anchored on a Memorandum of Understanding executed by the Prime Minister in May 2022 to cooperate with other Caribbean countries to achieve food security in the region.

## **Manufacturing**

Madam Speaker, we have worked assiduously at creating the environment within which competitive businesses can grow and become locally and globally competitive. During the pandemic, our non-energy sector has risen to the occasion and is expected to grow by **2.5 percent** in 2022.

Within the non-energy sector, manufacturing remains an important and dynamic catalyst in our economy. It is a major contributor to our gross domestic product – at approximately **20 percent**. It generates significant foreign exchange and as a major employer it employs over **52,000** persons. This sector has exported **\$7.4 billion** in 2020 and this amount rose to **\$10.8 billion** in 2021. Preliminary data for the first half of 2022 demonstrates a continuation of this trend.

For the first half of 2022, Trinidad and Tobago's non-energy manufacturing sector exports valued **\$6.0 billion** which was **17 percent** higher than the same period the previous year. The industry's sub sectors have been increasing when January to June 2021 is compared to January to June 2022:

- Food and Beverage Industry increased by **28 percent** from **\$1.13 billion** to **\$1.44 billion**;
- Chemicals and Fertilizers increased by **103 percent** from **\$186 million** to **\$379 million**;
- Paper and Paper Related products increased by **29 percent** from **\$215 million** to **\$278 million**;
- Tobacco Manufacturing increased by **31 percent** from **\$84 million** to **\$110 million**;
- Glass and Glass products increased by **45 percent** from **\$70 million** to **\$102 million**;
- Furniture and Lighting Fittings increased by **12 percent** from **\$42 million** to **\$47 million**; and
- Wood and Wood Related increased by **55 percent** from **\$9 million** to **\$14 million**.

We are also enhancing the human resource capacity in the manufacturing sector to address the existing gaps in labour skills:

- *the Apprenticeship Programme for the Non-Energy Manufacturing Sector* was launched in **May 2022** and the **3-year** programme is expected to train over **300** apprentices in the industrial areas of: mechanical engineering technology, electrical/ electronic technology, industrial maintenance technology and mechatronics; and
- *the Apprenticeship Programme for Wood and Wood-Products Manufacturing* was launched just recently in **August 2022**, and it will transform and expand the industry to produce higher value-added products using modern technology. Wood and wood-products manufacturing has become a dynamic and competitive sub-sector. It employs approximately **4000** persons and is playing a key role in our diversification strategy. The programme with an initial enrolment of **50** apprentices will address the shortage of skilled labour in the sub-sector. Apprentices will receive a monthly stipend for the **2-year** duration of the programme which will be delivered at the St. Bede Technology and Pleasantville Technology Centres.

The *Export Booster Initiative* is complementing and ramping-up existing initiatives and is supporting with **3** broad initiatives of the manufacturing export strategy of the Trinidad and Tobago Manufacturers' Association (TTMA).

### **The Eximbank Forex Window Facilities**

Madam Speaker, as part of our overall strategy, we have established 2 financing arrangements for the manufacturers and importers of essential goods at the Eximbank.

As the global economy continues to show signs of economic improvement demand for raw-material inputs will continue to be elevated. The effective management of the country's foreign exchange resources by the Eximbank, has not only facilitated the commercial resilience of the manufacturing sector but ensured the maintenance of international supplier relationships which remain critical to the sectors' development and the overall stability of the domestic market.

The Eximbank's Forex Facility has proven its importance to the industrial ecosystem by having clear and measurable success across 16 sectors, with significant absorption capacity being felt within Food and Beverages, Building and Construction, and Plastic and Packaging.

Forex sales for the period remained elevated with total disbursements of **US\$285 million**, ensuring the sectors' operational integrity, and reinforcing its economic importance.

The Facility sustained international exports, as mentioned previously, data shows a ***17 percent increase in non-oil exports for the period June to July 2022, when compared to the same period in 2021.***

The integrity of the Eximbank's system for distribution of foreign exchange was influenced by company and market analysis with the input of key stakeholder agencies, i.e. the Trinidad and Tobago Manufacturers' Association (TTMA), the Trinidad and Tobago Chamber of Industry and Commerce (TT Chamber) and the Ministry of Trade and Industry.

The Eximbank ensured Forex distributions to small, medium, and large enterprises solidifying our commitment to sectoral development while enabling companies of varied sizes to access the facility based on their needs and impact both the domestic and export markets.

Madam Speaker, the business community can rest assured that in 2023, we will **expand** this forex facility and provide even greater access to this targeted foreign exchange. The benefits are clear and have significant domestic and global impact. International supplier relationships have contributed to this positive development, facilitating the smooth flow of inputs for the manufacturing sector as a vibrant generator of sustainable employment.

To summarise:

- **136** manufacturers with **114** or **84 percent** of these falling into the small and medium sized categories, have accessed a total of **US\$395 million** under the Eximbank Forex Manufacturing Facility.
- **87** importers have accessed a total of **US\$488 million** to supply the nation with food, pharmaceuticals, sanitary products, personal

protective equipment, and other essential supplies through the Essential Supplies Forex Window.

Madam Speaker, ExporTT is supporting the private sector by strengthening supply chains via the implementation of the International Certification Fund – a facility under the Export Booster Initiative. The thrust of this initiative is to facilitate the evolution of the manufacturing sector to become globally competitive, productive, and innovative. The Fund assists exporters to achieve international certification in food and beverage, to meet the quality and safety standards of international markets and franchises, to boost non-energy exports as well as substitute imported goods with locally produced goods. **Eleven** manufacturing companies have so far benefitted from the Fund.

We are also according high priority to improving the ease of doing business:

- *the Trade and Business Information Portal*, launched in **May 2022** is providing access to multiple tools and resources to allow users to seek guidance on regulatory requirements for starting a new business or

expanding an existing business as well as requirements when undertaking an investment. Guidelines on importing and exporting are available; and

- *the Single Electronic Window Platform* is now undergoing a comprehensive upgrade. When completed in early **2023** this trade and business information portal which is an integral component of the TTBizLink platform and is already utilized by all companies, will provide users with faster, more user-friendly software as well as a range of new e-services. Businesses will be able to make electronic payments to over **46** e-services which are already being administered on the platform.

### **Small and Medium Enterprises (SMEs)**

Madam Speaker, our small and medium enterprises have long been playing a critical role in our development thrust. Generally employing a limited number of individuals, they have been sustaining livelihoods, especially among women, youth, and groups in vulnerable situations. We have been focusing on lowering and eliminating barriers faced by these enterprises.

We have increased their access to finance through the several facilities pioneered by the National Entrepreneurial Development Company Limited (NEDCO). A consortium of commercial banks has partnered with Government in administering a loan guarantee scheme for small and medium enterprises. We have recently put in place certain mechanisms to unlock their full potential.

A key component of our COVID-19 relief measures for the banking sector was a Central Bank initiative in **2021**, to allow commercial banks to restructure commercial loans more than twice over the life of the original loan and mortgages more than twice over a **5-year** period, without a downgrade in their asset classification to non-performing status.

The COVID relief programme saw the Central Bank agreeing to suspend the calculation of the mortgage market reference rate for a **2-year** period commencing in **October 2021**. This policy allowed banks greater flexibility in lowering their mortgage rates outside their anniversary dates and more than once a year. Both individuals and small and medium enterprises benefited from this policy.

Madam Speaker, we are also funding in the amount of **\$500 million** and in partnership with the commercial banks a new ***Long-Term Loan Guarantee Scheme for Small and Medium enterprises***. First Citizens Bank will manage this project in collaboration with other commercial banks. The Government loan guarantees will be for up to **80 percent** of the value of the loans, for a term of up to **10** years, inclusive of a **2-year** moratorium on repayments and will focus on the ***non-energy sector***.

We have also been providing support to small and medium enterprises through a number of facilities:

- *the Gateway to Trade Programme* is spearheaded by the Ministry of Trade and Industry in collaboration with the Trinidad and Tobago Coalition of Services Industries. This is a **9-month** market readiness accelerated programme targeted to assist small and medium enterprises in **4** service sectors: *business and professional services, information and communication technology, energy services and tourism*, especially in the areas of meetings, incentives, conferences, and exhibitions;

- *the Export Booster Initiative* is being advanced by the Ministry of Trade and Industry in collaboration with the Trinidad and Tobago Manufacturers Association with the aim of enhancing market access for small and medium enterprises. We are envisaging that the export value of manufactured goods will double by 2024;
- the *Grant Fund Facility* is administered by ExporTT whereby business can access individual grants from the Fund up to a maximum of **\$250,000** per beneficiary to finance **50 percent** of the cost of acquisition. The Facility focuses on **8** designated sectors whereby new opportunities become available for the small and medium enterprises to engage in the production and export of high value-added products; and
- *the SME Mentorship Programme* which is a collaboration between the Trinidad and Tobago Stock Exchange, the Central Bank of Trinidad and Tobago and the Ministry of Finance is providing small and medium enterprises with the guidance required to transition successfully and grow their businesses while practising good corporate governance.

The small and medium enterprises will be assisted with accessing financing via tax incentives for listing on the Trinidad and Tobago Stock Exchange: *a full tax holiday for the first 5 years, that is, exemption from the payment of corporation tax (now to be changed to 6), - business levy and green fund levy; and a 50 percent reduction in taxes for the second 5-year period.*

Madam Speaker, I am convinced that the programme of action to support the small and medium enterprises sector will strengthen their governance structure, sharpen their competitiveness, and continue to contribute to the expansion of the non-energy sector.

## **Tourism and Cultural Industries**

Madam Speaker, our tourism industry was shuttered early in 2020 in the face of the COVID-19 Pandemic. While our fiscal and monetary support programmes kept the industry afloat, the reopening of the economy is reshaping and revitalizing the tourism sector. Following the trends in the global industry, a key enabler is the adoption of modern technology and

investment in the tourism and creative industries – given their intrinsic relationships. Encouraging innovation, entrepreneurship, and diversification within this combined sector: tourism and creative industries – is undoubtedly enhancing productivity levels and making significant contributions to our growth and development.

We are supporting the digitalization of the tourism and creative sectors, in particular small and micro enterprises; but given the cost, we are assisting them to become digitally ready to be partakers of the technological revolution and the growth anticipated from this change.

We are therefore providing assistance to those small and micro enterprises in the tourism and creative sectors to digitize the provision of their services. Their integration in the global marketplace would thus be assured. We are providing innovators and entrepreneurs in the digital evolution with a reimbursement of **50 percent** of their investment up to a maximum of **\$50,000**. We already envisage approximately **60** participants to benefit from this facility.

Madam Speaker, **3** new hotel brands with the addition of **312** rooms with an investment of **\$600 million** are consolidating the impact of the reopening of the economy. I look forward to the envisaged high occupancy levels and the positive image of destination Trinidad and Tobago:

- *the Comfort Inn and Suites at Orange Hill Tobago* was opened in August 2022 and has added **74** guestrooms to the hotel stock. This hotel under the Choice Hotels International Inc. brand is a welcomed addition to the more than **7000** franchised Comfort Inn properties located around the globe;
- *the Brix by Marriott is a boutique hotel in Cascade, Port of Spain*, it was opened in February 2022 and has added **161** rooms to the hotel room stock. To facilitate this construction, it qualified for **\$8.76 million** in incentives under the Tourism Development Act; and
- *the Radisson Blu Port of Spain* which will open in the second quarter of 2023 will add **79** guest rooms in the form of **1-** and **2-**bedroom suites and **2** presidential-style suites. The rooftop of the hotel boasts an infinity pool with a spectacular view of Port of Spain and the Gulf of Paria.

We are also actively marketing and promoting cruise tourism. Our rich indigenous heritage and compelling national stories are drawing cruise visitors to our country; but the cruise lines are also attracted by access to a quality pool of skilled and unskilled labour in the hospitality and cruise industry. Through a recent memorandum of understanding with the Royal Caribbean Group employment of nationals is ongoing. The Royal Caribbean Cruise Line, together with other cruise lines will be making increased calls to Trinidad and Tobago upon the full reopening of the cruise sector for the 2022-2023 season.

Madam Speaker, we are also upgrading our tourism sites and attractions. The new *La Vigie Paramin Lookout Facility* is now open and is providing relaxing and historic informational spaces for local and foreign visitors.

The *Desperadoes Pan Theatre* is the new home of the Desperadoes Steel Orchestra and will provide at a cost of **\$14 million** an enhanced performance space which will facilitate the activities of the Band.

Madam Speaker, our national airline – Caribbean Airlines Limited (CAL) is supporting our tourism thrust. Its recently acquired fleet of 9 new 737-8 aircraft – with its lower operating and maintenance cost – has been promoting airlift to Trinidad and Tobago. With its competitive fares the airline is generating increased tourism traffic not only to participate in our tourism activities but also to visit our historical and cultural attractions.

## **Social Development**

### **Health**

Madam Speaker, we have been strengthening our health system aimed at ensuring that our citizens have equitable access to quality healthcare thereby improving their quality of life. The COVID-19 Pandemic – a potentially deadly and highly transmissible virus - tested the strength and resilience of the system, including our parallel healthcare facilities and from all assessments our combined health system successfully navigated the challenges.

The dismantling of the protocols and restrictive conditions on **July 17, 2022** – except for mask wearing in limited circumstances – reflected reductions in positive cases over the period **May 2021 – April 2022**. As it pertains to hospital occupancy levels:

- the lowest total hospital occupancy level was recorded at **19 percent** in **April 2022** compared with **62 percent** in **May 2021**, a decline of **43 percent**;
- the lowest hospital occupancy in the Intensive Care Unit (ICU) was recorded at **17 percent** in **April 2022** compared with **70 percent** in **May 2021**, a decline of **53 percent**; and
- the lowest hospital occupancy in the High Dependency Unit (HDU) was recorded at **8 percent** in **April 2022** compared with **64 percent** in **May 2021**, a decline of **56 percent**.

Madam Speaker, we have been improving our vaccination rates. The milestone of **50 percent** of the population being fully vaccinated was achieved by **April 2022** and since that time, it has stabilized at about **51.2 percent**.

This notwithstanding, the recent uptick in infections, hospitalizations and deaths is a stark reminder of the requirements for caution in all our activities.

Madam Speaker, leaving aside our management of the COVID-19 virus since **March 2020**, we have been making significant strides in the achievement of the Sustainable Development Goals (SDGs) agenda. We have achieved both the global and regional 2030 targets for maternal, child health and neonatal mortality.

Madam Speaker, we are ensuring that our citizens have equitable access to quality healthcare through our network of modern health facilities which are either in place or in advanced stages of being rolled out:

- *the 150-bed Arima and 100-bed Point Fortin Hospitals* are already providing a suite of world-class services;
- *the new 106-bed Sangre Grande Hospital* will be completed in **2023** and will provide a range of services including medical, surgical, trauma and orthopaedic;

- *the 504-bed Central Block of the Port of Spain General Hospital* will be commissioned in **2024** and will provide acute care services, including surgical, pharmaceutical and laboratory, diagnostic and treatment as well as ophthalmology and paediatrics;
- *the San Fernando General Hospital* is being refurbished to provide cardiac surgeries and an upgraded Catheterization Laboratory (Cath Lab); and
- *The new Ministry of Health Administration Building* which is expected to be completed in **2023** would bring all of the Ministry's services, units and departments and affiliated organisations, such as the Pan American Health Organisations, into one building. Once the new building is occupied, this will result in a savings in rent of over **\$12 million** per year.

Madam Speaker, we have always considered health and its positive outcomes to have a central function in our development agenda.

We will continue to invest and take a leadership role in health development to ensure fairness, to protect social values of equity and secure access to healthcare for low-income and vulnerable groups.

## **Housing**

Madam Speaker, we in the PNM have long understood the relationship between a housing programme and economic development. We recognized early in the administration of the affairs of this country that comprehensive public policies, and large-scale investments will be necessary, not only for expanding growth and development; but also, in ensuring access to quality housing for our citizens, in particular the low-income and the vulnerable. Very early we established public institutions: the *National Housing Authority* followed by the *Housing Development Corporation* to build and to finance the purchase of units. The expanding network of communities throughout the country was anchored on this policy agenda.

We also established public financial institutions to assist in the financing of the purchase of units. The Home Mortgage Bank and the Trinidad and Tobago Mortgage Finance Company Limited, now being merged will more effectively provide resources for financing the stock of housing units as well as facilitate better access to mortgages.

In fiscal year 2022, the Housing Development Corporation (HDC) under its financed projects programme had under construction **1366** housing units in **10** communities:

- Pierre Road, La Brea;
- Bon Air North, Arouca;
- Carlsen Field, Chaguanas;
- Carlton Lane, San Fernando;
- Cypress Hill, San Fernando;
- Lake View, Point Fortin;
- Malabar;
- Oasis, Chaguanas;
- Real Springs, Valsayn South; and
- Edinburgh Towers, Chaguanas.

The HDC has also been utilizing public-private-partnerships (PPPs) to construct housing units in appropriate areas. During fiscal 2022, the PPP programme envisaged the construction of **339** units, and we have begun the process of delivering **239** completed units. The programme is generating housing units in the following areas:

- Mahogany Court, Mount Hope;
- Malabar;
- Riverside East and South, San Fernando;
- Trestrail, D'Abadie; and
- Eden Gardens, Freeport.

Madam Speaker, the HDC in collaboration with small and medium sized contractors is also constructing basic 3-bedroom single family units ranging in cost from **\$250,000- \$500,000** per unit. They are being built in batches of **10**. During fiscal 2022, **86** additional units were planned for construction, bringing to **174** the number of units under this programme. Small and medium contractors have completed **108** housing units.

The HDC is also advancing its programme on a number of green field and brown field sites. **Two thousand, five hundred and sixty-three** housing units on **13** sites are being built for **784** low-income citizens and **1779** for middle-income citizens.

Over the last **5** years, the HDC has allocated a total of **3620** units to the citizens of Trinidad and Tobago; but its delivery capacity has been severely constrained by inadequate funding to complete stalled and existing housing units as well as to keep its payments current to contractors and suppliers for maintenance, landscaping, and garbage removal.

Accordingly, we are providing in 2023 significant financial resources to the HDC to refocus on its mandate to construct affordable housing units. We are arranging 3 Government-guaranteed loans totalling **\$1.5 billion**: of which **\$500 million** will fund the completion of stalled or existing housing projects; another **\$500 million** will be used for the payments of debts owed to contractors and suppliers and a further **\$500 million** will be used for the construction of new housing units.

Madam Speaker, the Land Settlement Agency (LSA) has been complementing the work being undertaken by the HDC. It brings much needed relief to the poorest and most vulnerable families in the society. It has been spearheading the regularization of squatter communities. The LSA is engaged in:

- upgrade works on **14** sites with a lot yield of close to **4000** lots;
- pre-construction statutory approvals' activities on **10** sites yielding **2148** lots;
- infrastructure works on **12** sites yielding **1263** lots; and
- land use planning on **13** sites.

Our innovative Housing and Village Improvement Programme (HVIP) continues to improve infrastructure and poor-quality housing in targeted villages, including Matura, Valencia, Cumuto and Talparo, especially for people in the lowest income groups. This programme has been highly successful. In **December 2018** it won the Inter-American Development Bank President's Award for service excellence and innovation in the public sector. In fiscal year 2022, **145** construction and/or repair projects had already been approved as at **June 2022**. This follows **160** approvals in fiscal 2021.

Madam Speaker, we have reviewed the HVIP and are aware that at current prices, there is a difficulty of executing on challenging land topography. We have agreed to increase the maximum subsidy applicable for the construction of a housing unit from the presently available **\$145,000** and we are putting in place a **3**-tiered subsidy structure based on land topography. I will provide the details of the increases in subsidy in the Fiscal Measures.

The Land Settlement Agency (LSA) is also spearheading infrastructure development of all residential lands with pre-approved house plans to be distributed to former employees of PETROTRIN. **Eight** sites are now being developed:

- La Savanne, Guayaguayare;
- Nurse Trace, Guayaguayare;
- Glenroy, Princes Town;
- Woodford Lodge;
- La Romain;
- Poderosa, Golconda;
- La Phillipine, Gran Couva; and
- Guapo, Point Fortin.

Madam Speaker, there is no doubt that the pace of public housing construction is insufficient to reduce the size of our application base which has been increasing. I am told that we now have **191,000** applicants for HDC houses.

However, the HDC as presently organized, managed, and financed has built-in inefficiencies and it cannot continue with business as usual. It is distracted by having to deal with the many demands for maintenance of rental properties and the difficulties in collecting money owed by occupiers of HDC properties, as well as the urgent need for new housing construction.

We are therefore putting in place a new structure for the HDC which envisages a holding company with **3** subsidiaries:

- *the Trinidad and Tobago Housing Development Corporation Construction Company* will manage all elements of property development, including land acquisition, urban planning, project and construction management and the provision of financing solutions to undertake construction projects;

- *the Trinidad and Tobago Housing Corporation Facilities Management Company Limited* will focus on property management, including the maintenance of rental housing units, the maintenance of the management company portfolio and partnering with regional corporations and other external entities to upkeep communities and promote sustainable community development; and
- *the Trinidad and Tobago Housing Development Corporation Asset Management Company Limited* will complete the sales of the finished housing units and will continue to manage and provide administrative support for housing development under its purview until handed over to purchasers.

To summarize:

- we are creating a company that will focus on construction of housing units;
- another company that will focus on maintenance and management of existing rental housing units; and
- a third company that will focus on completing the sales of finished housing units.

Madam Speaker, we anticipate that the HDC as reorganized will now have greater financial flexibility, greater efficiency, better focus, and the ability to quickly monetize housing assets which cannot be easily completed in their present form.

## **Education**

Madam Speaker, we have long recognized that developing and promoting human capital is a driver of sustainable growth and development. Our continuing and high levels of investment in the education sector has been a major element in our human capital development agenda. We have built Early Childhood Care and Education Centres, and primary and secondary schools; we have built technical and vocational and tertiary institutions. Our education system is now modern, inclusive, accessible, and relevant and broadly meets the development needs of our country.

The quality of our human capital is comparable with many advanced and emerging developing countries; in fact the 2020 World Bank Ranking of **157** countries in respect of its human capital index, which measures the countries

which are best in mobilizing the economic and professional potential of its citizens, places Trinidad and Tobago at **67** – with only **7** countries in the western hemisphere above us: the advanced countries: Canada and the United States, and the emerging and developing countries: Mexico, Costa Rica, Chile, Peru and Colombia.

Madam Speaker, we were clearly concerned with the performance of our students in the *2022 Secondary Entrance Assessment Examination (SEA)*. These students had spent most of the previous **2** years away from the physical classroom. The COVID-19 pandemic had confined them to online classes and their performance in SEA reflected this absence from the classroom. There was a reduction in the pupils who scored above **50 percent** in **2022** when compared with previous years. In **2022** the percentage was **37.1 percent**; in 2021 the percentage was **52.5 percent** and in 2020 **63.0 percent**.

Madam Speaker, these statistics show a clear reduction of achievement which can certainly be linked to the learning loss which had been predicted globally and locally due to the lack of face-to-face learning. Over **9000**

students had scored less than **50 percent** in the 2022 Secondary Entrance Assessment Examination.

Madam Speaker, we embarked on an exercise to assist students in recovering learning lost.

During the period **July 18 – August 12, 2022**, we administered a vacation revision programme in a face-to-face format at **26** secondary schools which treated with remedial work for learning lost in the short-term. We allocated **\$10 million** to facilitate this programme, including the training of **600** teachers. We have given these students the best chance at educational success by their return to the physical classroom. This notwithstanding, I am deeply concerned about the less than adequate participation in the programme. We are taking steps to address this challenge to ensure that academic performance returns to pre-pandemic levels:

- firstly, we are implementing after **2** years in secondary school and being enrolled in form 2, the Lower Secondary Proficiency Examination for which students would be required to be certified to ensure that they

have basic numeracy and literacy skills needed to continue their education;

- secondly, we have distributed **7,000** laptops to means-tested students and teachers which brings to **63,410** devices distributed between 2018 and 2022; and
- thirdly, as announced by the Honourable Prime Minister, we are introducing a structured ***remedial education programme*** to assist those students who have fallen behind because of Covid-19, to recover and catch up with their learning. An allocation of **\$50 million** for this purpose has been made in this Budget.

Madam Speaker, the *Government Assisted Tuition Expenses Programme (GATE)* has been providing significant financial assistance to widen access to tertiary education thus supporting economic development and promoting social equity. This notwithstanding, to ensure that GATE expenditure would be spread as widely and equitably as possible, we amended the policy guidelines in **August 2020** to restrict funding to no more than **1** programme at the undergraduate level. However, the implementation of this new rule has

been problematic for students who were endeavouring to complete their bachelor's degree through a progressive matriculation from a non-degree programme.

Many of these students who are seeking to improve themselves are from underprivileged or low-income backgrounds.

After careful consideration, therefore, we have decided to adjust the criteria for accessing GATE, to permit students in good standing enrolled in institutions and programmes accredited by the Accreditation Council of Trinidad and Tobago to qualify for GATE if they have completed an initial programme of study, such as a diploma or associate degree or the N1 level at UWI and they wish to upgrade to a bachelor's degree.

Similarly, students pursuing Technical and Vocational Education Training (TVET) programmes who have already accessed GATE for lower level TVET qualifications will now qualify for GATE for level 4 and level 5 programmes that lead to an advanced diploma or bachelor's degree.

Madam Speaker, in this new arrangement, the national priority needs will be a determining factor and students in the first instance will be required to register for the higher certification within 2 years of completion of the initial course of study, and of course, successfully complete their bachelor's degree or advanced diplomas, within the prescribed timeframes. We are now ensuring that GATE remains as inclusive and all-encompassing as it was originally designed, within the constraints of expenditure.

This adjusted approach is estimated to cost the Government an additional **\$50 million** a year in GATE funding, but we believe it is necessary

### **Safety and Security**

Madam Speaker, we have been consistently refining the national security policy as we seek to address the multi-faceted needs for managing the security of our citizens. In this regard, we have found inclusive and participatory processes to be extremely useful.

We have been enhancing resource capacity and capability with the requisite infrastructure and apparatus. We have improved our offshore capabilities

with the procurement of 2 *Cape Class Control Vessels*, and we are now concentrating on building onshore capabilities with an electrical upgrade for a continuous power supply to our Coast Guard facilities to provide a more efficient and safe working environment for personnel, especially in the event of natural disasters.

We are also upgrading the shore power supply system at the Coast Guard Base in Tobago. On completion, it will facilitate the berthing of our Cape Class Vessels which will now utilize the onshore power supply instead of the vessels' generators, which will allow for less downtime and a greater Coast Guard presence in the maritime domain.

In terms of new and improved technology throughout the national security services:

- we are improving decision-making and productivity by computerising the National Security Head Office thereby increasing information collaboration, data availability and data analysis;

- we are installing ICT infrastructure across all camps of the Trinidad and Tobago Regiment thereby securing connectivity between sites; and
- we are computerizing and improving governance in the Trinidad and Tobago Forensic Sciences Centre and upgrading the Integrated Ballistics Identification System with a view towards improving examination of all firearms-related evidence linked to firearms-related crimes.

Madam Speaker, we have made significant strides towards the establishment of purpose-built facilities for the protective services to place personnel in a better state of readiness.

We are improving the base infrastructure of several camps at La Romain, Felicity and Forres Park. A fully functioning military base will enhance the capacity of the military to address efficiently its core mandate of the defence of the State and protection of critical infrastructure. The La Romain Camp will secure our national energy assets in the south of Trinidad and safeguard the country against threats to our southern border.

Additionally, we are purchasing specialized equipment for the Trinidad and Tobago Coast Guard and vehicles and equipment for the Defence Force to allow for multi-front operations to be executed simultaneously.

We are also advancing the computerization of the Defence Force to ensure the effective governance and management of data, security, and human resources and upgrading the Automated Fingerprint Identification System for the Immigration Division which will improve the border management system as a monitoring solution which limits the entry of undocumented immigrants.

Madam Speaker, improving service to our citizens and solving serious crime, in particular murders and violent crimes is central to the mandate of the Trinidad and Tobago Police Service which is at the frontline of our crime fighting agenda.

In 2023 the Trinidad and Tobago Police Service will be properly resourced, and provided with the necessary funding, equipment, and support, so that it

can focus on the rationalization, upgrade, and expansion of facilities to meet existing and new operational requirements.

Priority remains with the establishment and rationalization of Divisional Property rooms, in particular in Sangre Grande and Siparia, the upgrade of Command Centres as well as the construction of a new Command Centre in Siparia. The system of Divisional Property rooms will enhance the logistics of securing exhibits while the Command Centres will coordinate and centralize CCTV coverage and other relevant communications data for informed command decision making in the divisions.

The TTPS will continue to improve its ICT capabilities. With the Government's support, the automated fingerprint system, and its expansion to a biometric system by the TTPS will be an immediate milestone. Identifications will be quickly processed and be made available in real time to officers while mobile. Certificates of Character will also be speedily and accurately processed. The body and vehicle camera project is ongoing.

Further, a land use development plan has been completed for the expansion of the Police Academy which would allow for a larger intake of recruits, new dormitories, and accommodations for trainers, as well as additional facilities for delivery of an adaptive and modern policing curriculum.

In 2023, the TTPS intends to maximize the use of existing resources. The construction of a facility at the St Madeleine Police Station site will house elements of the Homicide Division and the Fraud Squad. The Coastal and Riverine Unit Jetty and maintenance facility will be constructed at the recently completed Carenage Police Station. The programme of asset acquisitions will bring the TTPS vehicle fleet to optimum operating and response capability. The Special Victims Department at Serpentine Road, St. Clair and the networks of victim support units and child protection units throughout service will receive renewed focus.

## **Sport and Youth**

Madam Speaker, we are ensuring that our youth population, particularly in the age group of **15-34** years, which accounts for **25 percent** of the

population, achieve their full potential, and become productive members of society.

Madam Speaker, while our comprehensive network of schools is driving the achievement of a modern education system, our proposed new specialist facilities are designed to address the needs of our less fortunate and vulnerable youth.

We are refurbishing **6** youth development centres in St. James, Babilon Street, Laventille, Malick, California and Los Bajos where the training and certification of youth take place in the areas of trade, arts, and life skills. Further, we are refurbishing and upgrading **2** residential *Youth Development and Apprentice Centres* in Persto Praesto and Chatham to accommodate vulnerable youth who had not completed traditional schooling and are now taking advantage of remedial courses from recognized institutions. We are empowering young farmers to utilize modernized farming techniques in our *Youth Agricultural Homestead Programme*; and we have in place a range of training programmes, including music production, life skills, heavy machinery

operations, mobile application development, web design, social media, management skills and leadership.

A national youth survey conducted recently by an inter-agency team revealed that our society will derive maximum benefits from eventually providing opportunities for all citizens who might wish to participate in a *National Service Programme*. We are now putting in place through legislation a voluntary *National Service Programme of Trinidad and Tobago* which will be managed and coordinated by the National Youth Development Agency of Trinidad and Tobago. We are currently upgrading and constructing buildings for this National Service Programme at Mausica, and the successful completion of the core training and service will lead to an award of a proposed Trinidad and Tobago National Service Certificate which would be recognized by employers and training providers.

Madam Speaker, I envisage that the National Service Programme will facilitate volunteerism, service learning and nation building, developing in the process young people who exemplify good citizenship and patriotism.

At this stage, I wish to take this opportunity to convey our congratulations to the members of our sporting team which recently participated in the 2022 Commonwealth Games in Birmingham, England. We all applauded with pride the achievements of our medallists:

- **Nicholas Paul** who was awarded gold in the keirin motor-paced cycle race, silver in the sprint and bronze in the kilometre time trial;
- **Jereem Richards** who was awarded gold in the 200m and another gold in the 4x400m relay alongside **Dwight St. Hillaire, Asa Guevara, Machel Cedenio, Kashief King and Che Lara**; and
- **Jared Elcock, Eric Harrison Jr., Kion Benjamin, Kyle Greaux and Akani Hislop** who won silver in the men's 4x100m relay.

Madam Speaker, this performance, added to that of the other athletes who also worked tirelessly, represented a fitting tribute to the achievement of our **60 years** of Independence on **August 31, 2022**. Indeed, we were rightfully proud when our athletes stood on the podium with the national anthem being played on the steelpan.

Our 2022 sporting contingent managed our second-best performance at a Commonwealth Games. For those who are old enough to remember, our best performance came at the **1966** edition in Kingston, Jamaica when our team won **5** gold, **2** silver and **2** bronze medals.

Madam Speaker, these achievements were based on the extensive foundation which we have laid for more than **4** decades. We have the facilities: the **5** stadia: the Hasley Crawford in Port of Spain, the Larry Gomes in Arima, the Ato Boldon in Couva, the Mannie Ramjohn in Marabella and the Dwight Yorke in Tobago; the Cycling Velodrome and Aquatic Centre in Couva and the Racquet Centre in Tacarigua. We have the funding, and we have the policies and programmes, including the Elite Athlete Assistance Programme of **\$250,000** per athlete.

We look forward therefore to the youth of the country being inspired by our successes at Birmingham and I have no doubt that in future international games we would be able to expand our performance from cycling and athletics to the several other sporting disciplines.

I can also now announce that in 2023 we intend to showcase our youth on the occasion of the hosting by Trinidad and Tobago of the **7<sup>th</sup> Commonwealth Youth Games**.

## **Water Resources**

Madam Speaker, a reliable supply of potable water is crucial to all aspects of socio-economic activity, and we are convinced that the effective management of our water resources requires the adoption and implementation of an Integrated Water Resource Management System.

To achieve this objective, we are separating the Water Resources Agency – which has regulatory functions – from the Water and Sewerage Authority – which is responsible for service delivery and distribution.

We are also in the process of restructuring and reforming the Water and Sewerage Authority (WASA).

We have given to the Board of Commissioners a Cabinet-approved Transformation Plan which will transition WASA to a new and high-level state of performance and is anchored on three Strategic Priorities:

1. Organizational Transformation;
2. Network Optimization and Automation; and
3. Increased Water Production.

The new entity will be consistent with a water management facility anchored along the water value chain and be customer centric, with a strategic focus on providing clean safe water to residential and commercial customers, in the context of new leadership and purpose.

In the interim we are improving the efficiency of service delivery, focusing on unserved and underserved areas across the country, where we have identified simple and strategic low-cost projects with high impact.

For example, under the *National Water Sector Improvement Programme*, we are providing over **6,000** households in Arima and environs with an improved water supply; we are also providing under the same programme an improved water supply to over **12,000** other households by way of installing **pipelines**, repairs to pumps, valves, and booster stations in several areas such as:

- Kernahan Trace;
- Penal;
- Quarry Road;
- Burney Street;
- Calvary Hill; and
- French Fort, Tobago.

Madam Speaker, under our *Community Water Improvement Programme* we are providing close to **100,000** citizens across the country with an improved water supply; we have been rehabilitating, refurbishing, and upgrading existing wells; constructing booster stations; installing pipelines to provide accessibility of pipe borne water and more; and constructing new intakes and water treatment plants. We have been able to do so through a vastly improved project management system supported by an efficient procurement and project financing system.

Madam Speaker, **27** communities have benefitted from this programme. The programme continues and it will provide more reliable access to water in other communities, additional to the existing ones, such as:

- Manodath Road Extension, Las Lomas;
- Bocas Avenue, Chase Village;
- Howell Drive, Five Rivers;
- La Laja, Blanchisseuse;
- Thomas Trace, Los Iros;
- Lopinot;
- Brasso Seco Village, Blanchisseuse;
- Leotaud Trace, Talparo;
- La Romain;
- Picton;
- San Raphael;
- Petit Trou Road and Morne Cabrite Road, Toco; and
- Cameron Hill, Maraval.

Madam Speaker, the proposed new *Office of Water Resources Management* will be responsible for:

- coordinating and collaborating with all agencies responsible for implementing various aspects of our new water supply Policy;

- administering the abstraction and licensing system for surface, ground, and coastal waters;
- monitoring, analysing, and assessing the national water resources;
- enforcing authority for water quantity violations;
- collecting and maintaining a national water resources information system;
- developing and publishing reports on the country's water resources, policies and plans for water resources management;
- exercising planning and research functions for water resources management;
- engaging and partnering with stakeholders in water resources management; and
- carrying out an education and public awareness programme.

Madam Speaker, in addition, the Ministry of Public Utilities in partnership with the Water and Sewage Authority, has completed a Strategic Action Plan for Water Supply Improvement in Trinidad and Tobago along with Regional Water Improvement Plans for North West, North East, Central, South Trinidad and in Tobago within the context of the Strategic Action Plan and Capital Investment Programme. These programmes have the clear aim of

eradicating water schedules below 24/3 and further expanding 24/7 levels of service across the country. The Plan will also usher in robust automation of plants through Supervisory Control and Data Acquisition (SCADA) Systems, data loggers and other telemetry systems for monitoring of schedules and valving operations.

Madam Speaker, these initiatives will improve the production and distribution of water around the country and will ensure water security for all our citizens.

## **Tobago**

Madam Speaker, I will now turn my attention to Tobago.

Madam Speaker, in **December 2021** the people of Tobago elected a new administration to manage the affairs of the Tobago House of Assembly (THA). As a responsible Government we welcomed the New Administration in Tobago and, very early in its term, we convened several meetings with the Chief Secretary and his colleagues.

In January 2022, the Prime Minister, Dr. the Honourable Keith Rowley, led a team of Cabinet Ministers including the two Parliamentary Representatives from Tobago, the Attorney General, the Minister of National Security, the Minister of Public Administration, the Minister of Tourism, Culture and the Arts and the Minister of Digital Transformation, to meet with the new THA Administration.

We wished to facilitate a smooth transition to minimize any disruption to the lives and livelihoods of the people of Tobago and the operations of the Assembly.

This Administration, therefore, reaffirms its commitment to work in concert with the Tobago House of Assembly towards the continued advancement and development of Tobago.

Madam Speaker, I am in broad agreement with the socio-economic agenda advanced by the new administration by the THA in its June 2022 Budget Statement for Fiscal 2023. The policies, programmes and activities that have been announced, if implemented properly, will improve the economic wellbeing and quality of life of the people of Tobago. We anticipate the

creation of more jobs in the private sector as well as the maintenance or preservation of existing businesses and the generation of new ones.

Madam Speaker, the policy agenda is being further advanced through economic momentum in the Tobago economy.

The gradual relaxation of public health restrictions and the increase in Government expenditure to meet the basic needs of the community, in the face of the damage done to the tourism sector by the Covid-19 pandemic, facilitate this process.

It is expected that

- Further capacity will be developed to address Covid-related issues, focusing on an uptake in vaccinations, with a strengthening of medical care capabilities at the Scarborough General Hospital and a parallel system for Covid-19 patients at the old hospital;
- Significant social programme are available in Tobago and we expect that these will be maintained, particularly in the areas of medical care, home improvement and school transport;

- Physical in-school teaching and learning has been reinstated in all schools in Tobago; and
- Funding has been allocated for substantial school repairs.

These measures are generally aligned with the national fiscal agenda for 2023 and the core development framework and the strategic priority areas for growth development and transformation in Tobago, once properly implemented, would ensure the transition to a new paradigm.

Madam Speaker, however, it must be emphasized that businesses resident in Tobago and/or owned and operated by Tobagonians have the same access to all the Government's SME support programmes as businesses in Trinidad.

Madam Speaker, you may recall that it was the intention of this PNM Administration to grant greater autonomy to the people of Tobago through the passage of two pieces of legislation, which have been the subject of extensive and extended Parliamentary attention.

However, this required the bipartisan support of members opposite; which support we did not receive. The Bills were also rejected in the PDP election campaign of 2022.

These two Bills will provide the people of Tobago with a greater say and determination in their affairs and I encourage Members Opposite to facilitate the passage of these Bills and place Tobago in a better position to advance its development mandate and to increase its contribution to national economic activity;

- economic transformation and business development initiatives will be anchored on productivity growth, support for innovation, mobilization of foreign direct investment and support for businesses: the Cove Eco-Industrial and Business Park is marketing its factory spaces; the Studley Park Quarry, if properly managed, could make an immediate and sustained contribution to construction in Tobago and in Trinidad.
- the tourism sector is poised to expand with new hotel investors aiming to contribute to meet a shortfall of **2,500** rooms.

- The Government fully supports and continues to encourage private sector investment in the proposed new Marriot Hotel at Rocky Point, alongside the new Terminal Building at the ANR International Airport and a new Marina Facility in Southwest Tobago.

When all these initiatives come together with their projects and programmes, we envisage good outcomes for the tourism sector in Tobago. This is a major part of the national diversification effort.

- I am advised that the Manta Lodge and Sanctuary Resort are slated for privatisation.
- Air and sea transport are required to be reliable especially for the proposed Tobago Carnival in October 2022; the Central Government will ensure that this is achieved.
- Food security in Tobago will be enhanced through the revitalization of the agricultural sector; continuous training especially for young people will build a cadre of skilled young agri-entrepreneurs.

Madam Speaker, I wish to record that during the height of the pandemic we were pleased to provide Tobago with additional financial support and in my 2022 Statement, I announced several of these initiatives including: -

- **\$50 million** Tobago Hospitality & Tourism Sector Support Programme to provide working capital to the tourism sector;
- **\$30 million** for Farmland Development;
- **\$50 million** for the Tobago Hotel Industry for financial grant support and to facilitate maintenance and upgrade works via the Tobago Tourism Accommodation Relief; and
- **\$4 million** Tourism COVID Relief Grant allocated to render greater support to the ancillary service providers in the industry.

Madam Speaker, I will now outline the allocation for Tobago in Fiscal 2023.

In the absence of the passage of the proposed Tobago Internal Self Government legislation, which would have given the THA significantly greater responsibilities in Tobago, including the responsibility for the work now done and services provided by national agencies and authorities, which

continue to be implemented and financed by the Central Government, and consistent with what we provided the PNM-led Administration in the THA between 2016 and 2021, we are allocating the new PDP-led THA **4.3 percent** of the total national budget in 2023.

The allocation to the THA for fiscal year 2023 thus totals **\$2.521 billion**.

When disaggregated, **\$2.194 billion** is allocated for Recurrent Expenditure, **\$300 million** for the THA Development Programme, **\$18 million** for URP and **\$9.2 million** for CEPEP in Tobago.

The 2023 allocation to the THA thus represents an increase of **\$185 million** over last year's allocation of **\$2.336 billion**.

It should be noted that the THA also has access another **\$135 million** in loan financing for its development projects, from a loan finalized in previous years, and at the level of the Central Government, we have also arranged a further **US\$15 million** or approximately **TT\$100 million** in loan financing from CAF for coastal protection works in Tobago.

Madam Speaker, I am pleased to inform this House that as of last week, the Assembly was in receipt of **96.9%** of its fiscal 2022 allocation of **\$2.336 billion**; and with just a few days remaining in this fiscal year, the THA will be in receipt of its full allocation for this fiscal year.

Madam Speaker, you may also recall that at midterm the Assembly was allocated an additional sum of **\$60 million**, to supplement its allocation, thus, again, reaffirming our commitment to support the work of this new THA Administration.

Madam Speaker, beyond the allocation to the THA, an additional **\$731.5 million** is allocated to various Ministries and State Agencies to undertake and execute major projects and programmes in Tobago in keeping with their responsibility under the Sixth Schedule of the THA Act 40 of 1996. This means that the overall allocation for expenditure in Tobago in 2023 exceeds **\$3 billion** and this does not take into account additional expenditure in the **hundreds of millions of dollars** by the Central Government on the Airbridge, Seabridge and National security.

## **Medium-Term Policy Framework**

Madam Speaker, we have been using a medium-term transparent planning and budget formulation process as we seek to allocate public resources to their strategic priorities while ensuring overall fiscal discipline.

This medium-term economic framework allows us to focus on the reliability and precision of the economic and fiscal outlook while recognizing the economic uncertainty which underpins any forecast. Indeed, we are aware of several downside risks which could derail our economic recovery.

Production and project delays could be impacted if new virus strains become increasingly transmissible. Adverse global developments could add more volatility to crude oil, gas, and petrochemical prices. Conversely, stronger-than-projected global recovery could result in higher energy prices thereby improving fiscal and external positions. So, although we have it more or less under control, we must keep an ever-watchful eye on the evolution and mutation of the Covid-19 virus.

Madam Speaker, we have set in motion the major elements of our development strategy as outlined in the ***Roadmap to Recovery for Trinidad and Tobago***: Post COVID-19 Pandemic as well as in my 2021 Budget Statement. We have been refining our projections in the context of the risks in the global economy and the domestic implications of the prolonged recent wave of COVID-19 and its successive variants. Our **3-year** medium-term economic programme: 2022-2024 is building on the current momentum in the domestic economy.

We expect that our economy will continue to generate growth after 2022. We are forecasting growth of **3 percent** in 2023 and 2024. This growth dynamic is supported by an expansion in the energy sector over the period 2023-2024, with growth of **5 percent** per year. The non-energy sector is also expected to grow over the same period by rates of **2 percent** per year.

We are consolidating our fiscal accounts. Higher energy revenues from the expected higher energy production and prices are paving the way to put our accounts on a sustainable basis.

We are anticipating increasing levels of revenue from the implementation of the property and gaming taxes and the new revenue authority.

At the same time, we are screening and rationalizing public expenditure while reshaping the structure of Government expenditure to target social, educational, and health-care programmes. The pace of consolidation is providing space for growth-friendly expenditure, such as on our Development Programme, while protecting essential expenditure.

Accordingly, we have been putting our fiscal accounts on a sustainable basis; moving our accounts from negative to positive. We have stabilized our fiscal balance putting it on an improving trajectory and we are targeting positive fiscal balances in the coming years.

Our fiscal consolidation process – revenue enhancement and expenditure restraint – is bringing our debt back on a downward trajectory; from a high of over **80 percent** of GDP in 2021 to **70 percent** in 2022.

Our current account balance is strengthening under the impact of the significant recovery in the energy sector with the increase in domestic production coinciding with the buoyant international commodity prices. The combination of these external and internal factors augers well for export earnings throughout the forecast period. The current account balance is projected to reach **US\$4.5 billion** in 2022 and remain in surplus, while net official reserves are expected to remain robust and healthy throughout 2023, projected to reach over **US\$7 billion** in 2024, if all goes well.

Madam Speaker, we have laid the right foundation to anchor our development journey to achieve our economic and social objectives. We are building on the current momentum. We are taking advantage of the current buoyancy in oil and gas prices, temporary as it might be. While strengthening our production capability and output in the oil and gas sector, we are focusing on building our non-oil sector, which now makes up over 50 percent of our GDP, to ensure that we can quickly adjust to wild swings in commodity prices.

## Estimates of Revenue and Expenditure 2022-2023

Madam Speaker, as an oil and gas producing country, we only too well understand that crude oil prices fluctuate in the context of seasonal demand, world events, global growth and supply conditions. Most recently, the COVID-19 pandemic caused crude price declines through constrained demand conditions which were aggravated further by fears of a global recession. On the other hand, extended sanctions against Russian oil exports have increased uncertainty about supply from the world's second largest oil producer. Indeed, these conflicting supply and demand conditions are increasing the uncertainty in the oil price forecast.

Madam Speaker, I have kept under review the changing oil prices in 2022:

- **US\$100** per barrel in February 2022 following the invasion of Ukraine by Russia;
- **US\$125** per barrel in March 2022, in response to the ban by the United States on Russian fuel exports;
- **US \$125** per barrel in June 2022 as concerns about supply emerged again;

- **US \$99** per barrel in August 2022, as fears returned about a global recession; and
- **US\$87** on September 23, 2022, and **US\$85** today, again on fears of a global recession, a decline in world stock markets and an overvalued US dollar.

Madam Speaker, current events present new challenges to forecasting of the oil market. I am advised that supply and demand conditions are offsetting one another and therefore could remain in broad balance over the course of 2023. I have now reviewed the forecast produced by several international organizations:

- the US Energy Information Association is projecting a price of **US\$98.07** per barrel for WTI crude oil in 2022 and **US\$104.21** for Brent crude. For 2023, the relevant prices are **US\$90.91** and **US\$96.91**;
- the IMF is projecting for **US\$103.88** per barrel for a basket of crude oils in 2022 and **US\$91.07** in 2023;

- the World Bank is projecting Brent Crude oil to average **US\$100** per barrel in 2022 and **US\$92** per barrel in 2023; and
- Fitch Solutions sees the Brent oil price averaging **US\$105** per barrel in 2022, and **US\$100** per barrel in 2023, before dropping to **US\$88** per barrel in 2024.

Further, Madam Speaker, according to the US Energy Information Association natural gas prices averaged **US\$8.80** per MMBtu in August 2022. The USEIA expects natural gas prices to remain elevated for the rest of 2022 and to average **\$6.00** per MMBtu in 2023.

Madam Speaker, we will continue to utilize the best available estimates for our oil and gas prices for our Budget 2023. Based on consideration of all forecasts by credible international organisations, our oil price assumption for 2023 will therefore be **US\$92.50** per barrel and our natural gas price assumption will be **US\$6.00** per MMBtu.

As a result of these assumptions, for Fiscal 2023:

- **Total Revenue** is estimated at **\$56.175 billion**;
- **Total Expenditure** is estimated at **\$57.685 billion**; and

Based on these assumptions and estimates we are projecting out of our total revenue estimate of **\$56.175 billion** for 2023:

<b>Oil revenue</b>	<b>\$25.019 billion</b>
<b>Non-oil revenue</b>	<b>\$30.150 billion.</b>
<b>Capital revenue</b>	<b>\$ 1.006 billion</b>

Madam Speaker, with revenues of **\$56.175 billion** and expenditure of **\$57.685 billion**, if all goes according to plan, our fiscal accounts in 2023 will be close to balance with a deficit of **\$1.510 billion** or **0.8 percent** of GDP.

Without taking account of loan financing through State Enterprises, such as the **\$250 million** for road repairs and rehabilitation to be done by PURE, **\$1.5 billion** for the HDC, and special allocations such as the **\$300 million** stimulus package for Agriculture, which are placed in the Ministry of Finance for disbursement, the major Fiscal 2023 allocations will be:

- **Education and Training** **\$7.453 billion**
- **Health** **\$6.892 billion**
- **National Security** **\$5.798 billion**
- **Social Grants** **\$5.453 billion**
- **Works and Transport** **\$3.748 billion**
- **Public Utilities** **\$2.823 billion**
- **Rural Development and Local Government** **\$1.887 billion**
- **Agriculture** **\$1.330 billion.**
- **Housing** **\$0.974 billion**

Further, to create employment, drive development and stimulate economic activity, the **Public Sector Investment Programme** in Fiscal 2023 has been **increased to \$6.2 billion, \$2.0 billion** more than Fiscal 2022 and while increasing investment in the Development Programme in 2023, we will continue to pursue our fiscal consolidation objective which would ultimately lead to reasonable fiscal and debt sustainability.

## Fiscal and Other Measures

Madam Speaker, I turn now to the Fiscal Measures for 2023.

### 1. Personal Income Tax Allowance

Madam Speaker, as a fiscal stimulus to the economy and a fillip to the retail sector we are providing relief to working families by increasing the personal income tax exemption limit from **\$84,000.00** to **\$90,000.00** per year. All individuals earning **\$7,500.00** a month or less will now be exempt from income tax. This marks the third time this PNM Administration has increased the Personal Allowance and will put additional disposable income of **\$1,500.00** per year into the pockets of over **300,000** individual taxpayers. This bold measure will cost **\$450 million** per year in individual income tax revenue but we firmly believe that in this difficult COVID-19 period it will stimulate the demand side of the economy, economic activity, consumption, sales, and growth by putting more money in the hands of consumers. We believe that through the multiplier effect the net effect of this increased allowance on our GDP will be more than **\$450 million**.

This measure will require amendments to the Income Tax Act Chap 75:01 and will take effect on **January 1, 2023**.

## **2. Vat Registration Threshold**

Madam Speaker, I propose to increase the VAT registration threshold from **\$500,000.00 to \$600,000.00** to provide relief and support in the payment of VAT. This measure will positively impact the growth and development of the small and medium enterprises sector.

The measure will cost **\$12.5 million**. It will require amendment to the VAT Act Chap 75:06 and will take effect on **January 1, 2023**.

## **3. Renewable Energy/Business Rebate for Agriculture**

Madam Speaker, this Government recognizes the importance of blending renewable energy with agricultural production. As such, for approved agricultural holdings, I will offer rebates of up to **\$25,000.00** for the implementation of renewable energy, such as solar and wind energy.

This measure will take effect on **January 1, 2023**, and will be administered by the Minister responsible for Agriculture.

#### **4. Subsidy for Housing and Village Improvement Programme**

Madam Speaker, in recognition of the outstanding success of the Housing and Village Improvement Programme (HVIP), I propose to introduce a three-tiered subsidy structure under that Programme based on the land topography and increasing in the maximum subsidy (Government construction) applicable for the construction of a basic two-bedroom housing unit from **\$145,000.00** to the following levels:

- **\$165,000.00** for construction on flat lands;
- **\$170,000.00** for construction on undulating lands; and
- **\$175,000.00** for construction on hilly lands.

This measure will take effect on **January 1, 2023**.

## 5. Manufacturing Tax Credit

Madam Speaker, to incentivize further and create a more agile and robust manufacturing sector, I propose to introduce a **one-time** manufacturing tax credit for companies which make an investment in **new machinery, production lines and equipment**. This manufacturing tax credit can be utilised against the corporation tax liability of the approved manufacturing company certified by the Minister with the responsibility for Trade and Industry, up to a maximum of **\$50,000.00**. This measure is estimated to cost **\$50 million** if **1,000** companies utilize this tax credit.

This measure will require amendments to the Corporation Tax Act Chap 75:02 and take effect on **January 1, 2023**.

## 6. Energy: Investment Tax Credit

Madam Speaker, I propose to increase the Investment Tax Credit for energy companies from **25 percent** to **30 percent** to stimulate exploration and development-related investments in the energy sector. The total tax loss is estimated at **\$20 million** annually.

This measure will require amendments to the Petroleum Taxes Act Chap 62:01 and will take effect on **January 1, 2023**.

## **7. Supplemental Petroleum Tax**

After careful analysis of the competitiveness of Trinidad and Tobago as an oil province for investment, I propose to enhance the current SPT concession for small onshore oil producers and introduce in 2023 a tiered system of Supplemental Petroleum Tax (SPT) at lower rates for shallow water marine operators, as opposed to the current fixed rates of SPT of **18 percent, 25 percent** and **33 percent** that kick in as soon as the price of oil crosses **US\$50** per barrel, as follows:

1. Firstly, the production limit for small producers of oil on land to benefit from the previously increased threshold price of **US\$75** per barrel for oil before SPT is applicable will be increased to **4,000** barrels a day and the sunset clause will be repealed.

2. Secondly, for new oil wells in shallow water marine areas, whether in existing fields or new fields, the following rates of SPT will now apply:

<b>Oil Price (P)</b>	<b>Rate of SPT</b>
<b>\$0.00 to \$50.00</b>	<b>0%</b>
<b>\$50.01 to \$70.00</b>	<b>15%</b>
<b>\$70.01 to \$90.00</b>	<b>20%</b>
<b>\$90.01 to \$200.00</b>	<b>SPT rate = 20% + 0.2% (P - 90.00)</b>
<b>\$201.00 and over</b>	<b>42%</b>

These measures will require amendments to the Petroleum Taxes Act Chap 62:01 and will take effect on **January 1, 2023**

We believe that these reduced rates of SPT for new oil production in the marine areas will allow companies to access the required financing to increase their drilling and get approval for new exploration and production programmes thus increasing the production of much needed oil. The methodology for determining what will be defined as a “new” well will be discussed with the oil companies before implementation of the new SPT rates in January 2023.

We are also looking at adjustment of other oil and gas taxes and other innovative fiscal incentives to encourage new investment in the sector.

We will advise on these and other adjustments to the energy tax regime in due course after consultation with the oil and gas companies.

## **8. Electronic Payment Providers and e-Money Issuers**

Madam Speaker, I propose to offer a one-time tax credit to approved electronic payment providers and/or e-money issuers up to a maximum of **\$50,000.00** to encourage the growth of online financial transactions and aid in the development of a digital economy. This measure will require amendments to the Corporation Tax Act Chap 75:02 and is estimated to cost **\$4 million.**

It will take effect on **January 1, 2023.**

## **9. Petroleum Profits Tax**

Madam Speaker, I intend to incentivize crude oil production and to sustain the current level of hydrocarbon reserves. Deep water exploration costs are significant and to increase and stimulate production, I propose to decrease the rate of the Petroleum Profit Tax (PPT) from the current **35 percent** to **30 percent** for companies engaged in deep water exploration.

This measure will require amendments to the Petroleum Taxes Act Chap 62:01 and is estimated to cost **\$50 million** and will take effect on **January 1, 2023**.

## **10. Illegal State Timbering**

Madam Speaker, Illegal Timbering remains a serious issue across state forests as individuals continue to cut down trees, transport them, and use their products such as timber for economic gains. Illegal timbering also provides the trigger for environmental risks, including flooding and disruptions to the ecological cycle.

I propose to increase the fine for illegal timbering from **\$20,000.00** to **\$100,000.00**.

This measure will require amendments to the Forests Act Chap 66:01 and will take effect on **January 1, 2023**.

#### **11. Illegal quarrying**

Illegal quarrying not only cheats the State of revenue, but it encourages criminal activity and poses a clear and present danger to the environment.

The Government therefore intends to impose heavy penalties for such environmentally dangerous and illicit activities. In particular, legislative amendments will be introduced to allow the State to levy on, seize and forfeit equipment found on site at illegal quarries, in an effort to eradicate this pernicious scourge. These legislative amendments will be introduced in Parliament early in **2023**.

## **12. Scrap Iron Penalties**

Madam Speaker, I propose to contain the theft of scrap iron by increasing fines for stealing or illegally obtaining old metal, selling, purchasing, trading, receiving and dealing in stolen old metal, *inter alia*.

I propose to increase the fines for these offences from **\$15,000.00** to **\$100,000.00**.

This measure will require amendments to the Old Metal and Marine Store Act Chap 84:07 and will take effect on **January 1, 2023**.

## **13. Approved Small Company: Exemption from Corporation Taxation**

Madam Speaker, I am amending Section 16A of the Corporation Tax Act, Chapter 75:02 to expand the exemption of approved small companies from the payment of corporation tax from a period of **five years to six years**. The measure will facilitate further relief to the small and medium enterprise sector.

This measure will take effect on **January 1, 2023**.

## **14. Renewable Energy**

Madam Speaker, I am waiving VAT on new equipment for manufacturing companies utilizing alternate energy technologies; renewable energy options, such as gasifiers to use biomass and harnessing renewable energy through wind, solar and water. The certification of documents for this renewable energy will be a collaborative effort between the Ministers responsible for Trade and for Energy.

The measure will last for 1 year, effective on **January 1, 2023**, and will terminate on **December 31, 2023**, in the first instance. It is expected to support the national agenda of increasing our renewable energy output by **10 percent** by **2023**.

## **15. School to Work Apprenticeship Allowance**

Madam Speaker, I am implementing an Apprenticeship Allowance to encourage more businesses to hire persons aged 16 to 25 for short-term apprenticeship to provide them with relevant experience and exposure to the world of work.

Companies will be eligible for an allowance of **150 percent** for all remuneration paid under such an allowance, up to a maximum of **5 percent** of the company's total wages and salaries bill for 1 year. To qualify for this allowance, the training programme instituted by the company must be registered with the National Training Agency and the expenditure certified by the company's auditors. The period of the apprenticeship will be limited to a maximum of 1 year, in the first instance.

This measure will require amendments to the Corporation Tax Act Chap 75:02 and will take effect on **January 1, 2023**.

## **16. Fees Chargeable for Commissioners of Affidavits**

Madam Speaker, I propose to increase the fees payable under the Commissioners of Affidavit Act Chapter 6:52.

- The Commissioners' payment to the Registrar General under Section 3(2) of the Act will be increased from **\$200.00** to **\$400.00**;
- The Commissioner of Affidavits fees will be increased from **\$2.50** to **\$10.00** for each affidavit sworn before him and from **\$0.50** to

**\$2.50** for each exhibit attached thereto under Section 5(1) of the Act; and

- The fee the Commissioner shall pay to the Comptroller of Accounts under Section 5(4) of the Act will be increased from **\$100.00** to **\$200.00**

This measure will take effect on **January 1, 2023**.

## **17. Firearm Users Licence Fees**

Madam Speaker, I propose to increase by **100 percent** all firearm license fees (FULs) under the Third Schedule of the Firearms Act Chapter 16:01, with the exception of assault weapons, which will have now significantly higher license fees than other types of firearms.

The Government also intends to restrict the ownership of assault weapons and associated ammunition by private citizens.

In the meantime, while legislative amendments are being prepared to achieve this, the licence fees for ownership of assault weapons in private hands will be increased to **\$5,000.00** per year, while the annual license fee

for ownership of an assault weapon for use a firing range with be increased to **\$1,000.00**.

These measures will require amendments to the Firearms Act Chap 16:01 and will take effect on **January 1, 2023**.

### **18. Tax Amnesty**

Madam Speaker, we recognise that because of the public health restrictions and adverse economic effects of the Covid-19 pandemic, many businesses, especially small businesses, suffered such severe loss of income in 2020 and 2021 that they fell behind in their taxes. Although we introduced an amnesty in 2021, many businesses were still struggling to keep afloat and were unable to take advantage of the amnesty at that time. Accordingly, I propose to introduce an amnesty on penalties and interest on taxes owed up to and including the year ending December 31, 2021. The amnesty will run from **November 14, 2022, to February 17, 2023**.

This measure will require amendments to the various tax laws and is expected to raise **\$300 million** to **\$500 million** in 2023.

## **19. Oil Pollution**

Oil pollution presents a threat to the environment as well the socio-economic welfare of our citizens. I propose to increase the penalty from **\$10,000.00** to **\$100,000.00** for oil pollution and this will require amendments to the Oil Pollution of Territorial Waters Act Chap 37:03.

This measure will take effect on **January 1, 2023**.

## **20. Threat of Giant African Snail and other Agricultural Pests**

Madam Speaker, food security remains a priority of this Government. The Giant African Snail is one of the world's most destructive land snails. It is classified as a fast-growing pest that feeds primarily, but not exclusively on many plants including vegetables, leguminous crops, citrus, papaya, cacao, and ornamentals. This alien invasive species of quarantine importance was first reported in Trinidad in October 2008 and is now present in many areas of Trinidad, including the Diego Martin Valley, Maraval Valley, Invaders Bay, Mt. Lambert, Aranguez North and South, Barataria, Couva, Chaguanas and Point Fortin.

Other invasive threats identified include the Moruga Locusts affecting the southern parts of the country which also pose a risk to food security.

To complement the existing mitigation strategies, I propose to allocate an additional **\$3.0 million** to the Ministry of Agriculture, Land and Fisheries in our fight against these destructive pests for marketing and awareness campaigns, training of staff and agricultural supply materials.

## **21. Inter-Island Air bridge and Sea bridge Travel**

Madam Speaker, we have recently procured two modern fast sea ferries: the APT James and the Buccoo Reef and their performance has been excellent in passenger and cargo service delivery. Similarly, we have also procured nine (9) Boeing 737-8 aircrafts to complement the aircraft fleet at Caribbean Airlines. Revenues from international travel are used to subsidise the inter-island air bridge. Additionally, the rise in global energy commodity prices has resulted in higher operational costs for both the Inter-Island Air Bridge and Sea Bridge. In this regard and consistent with our overall policy of sharing the burden of the cost of transport, I propose to increase the cost of inter-island air travel for all tickets by **\$50.00 as follows:**

<b>Airbridge</b>	<b>Current (One-way)</b>	<b>Proposed (One Way)</b>
<b>All Citizens</b>	<b>\$150.00</b>	<b>\$200.00</b>

The estimated increase in annual revenue to Caribbean Airlines for the operation of the Airbridge will be **\$50 million**, which, with this increased price will still require subsidy of the Airbridge of over **\$50 million** per year.

<b>Sea Bridge</b>	<b>Current (One-way)</b>	<b>Proposed (One Way)</b>
<b>Over 60</b>	<b>\$0.00</b>	<b>\$25.00</b>
<b>Standard Class</b>	<b>\$50.00</b>	<b>\$75.00</b>
<b>Premium</b>	<b>\$100.00</b>	<b>\$150.00</b>

The estimated increase in annual revenue for the Sea Bridge will be **\$30 million**, which will still operate at a loss, and would be supported by a subsidy in the amount of **\$170 million** a year.

These measures will take effect on **January 1, 2023**.

## **22. Government assistance for Tuition Expenses (GATE)**

Madam Speaker, we recognise that many students, especially those from underprivileged backgrounds need to work and study at the same time or simply can't afford to study full time to pursue a pathway to a bachelor's degree or advanced technical diploma. In addition, some of these students are unable to qualify to enter a bachelor's degree programme, such as medicine or engineering, at their first attempt.

Such students quite often have no choice but to access GATE to complete an intermediate programme such as N1 at UWI, an associate degree or a diploma level programme of study, and then seek to move on to a baccalaureate level degree programme.

However, they are currently debarred from accessing GATE twice.

In recognition of the hardships that these students face, we will relax these restrictions and provide tuition assistance for those students, who have already accessed GATE at the diploma, associate degree, or lower TVET level, to pursue baccalaureate level degree programmes consistent with the country's development needs.

### 23. Fuel Prices

Madam Speaker, as indicated previously, the Government is of the view that it is unproductive to spend more than **\$2 billion** per year subsidising fuel and that this money could be better spent elsewhere. I have listed the areas where the Government is already committed to spending billions of dollars on social grants, education, health, and transportation among many other areas. Spending billions of dollars subsidising fuel, when this money could be directed to creating jobs and assisting the poor and vulnerable makes no sense, in our view.

Accordingly, with oil prices still in the **US\$90** range, we are of the firm view that another increase in fuel prices is regrettably required.

We have therefore decided to increase, as of today, the prices of premium and super gasoline, and kerosene by **\$1.00** per litre and diesel by **50 cents** a litre.

The new prices will be:

- **Premium gasoline**                      **\$7.75**
- **Super gasoline**                            **\$6.97**
- **Diesel**                                        **\$4.41**
- **Kerosene**                                    **\$4.50**

The cost of LPG will remain fixed at **\$21.00** for a **20lb** cylinder of cooking gas for domestic customers, which will require the Government to pay an annual subsidy for cooking gas of **\$300 million**.

It should be noted that at these new fuel prices, if oil prices average **US\$95** per barrel for Fiscal 2023, the Government will still be required to spend **\$1.45 billion** to subsidise the price of fuel. And if oil prices average **US\$90** per barrel in 2023, we will still have to spend **\$1.2 billion** subsidising fuel.

In treating with this matter, we had lengthy discussions on how we should approach the question of fuel price increase. We thought of fully liberalising fuel prices and allowing prices to be set by the market, as occurs in almost every other Caribbean country and most of the world but that would have caused a huge increase in the price of diesel, the main fuel for public transport and the transport of goods. The price of diesel would have to be doubled to almost **\$8.00** per litre.

We considered increasing the price of all fuels, including diesel, by **\$1.00** per litre, which would still require the Government to find **\$1.25 billion** to subsidise the price of fuel in **2023** at an oil price of **US\$95** per barrel or **\$1 billion** at an oil price of **US\$90** per barrel, but we felt that any drastic increase in the price of diesel would affect those least able to afford it.

Cognisant of the effect on the cost of living, therefore, while increasing the price of gasoline and kerosene by **\$1.00** per litre, we have decided instead to increase the price of diesel by only **50 cents** a litre from **\$3.91** per litre to **\$4.41 a litre**.

This lower level of increase in the price of diesel, compared to the other motor fuels, is being implemented to reduce the impact of an increase in price of this very important fuel, which would have wider effect, especially on the most disadvantaged groups in the country.

It should be noted that the consumption of diesel accounts for **40 percent** of all fuel consumed in Trinidad and Tobago or approximately **400,000 litres** per year.

As mentioned above, this will require us to spend **\$1.45 billion** in 2023 subsidising fuel if oil averages **US\$95** per barrel or **\$1.25 billion** per year if oil averages **US\$90** per barrel.

Therefore, to alleviate the effect of these increases in the price of fuel on the most vulnerable in our society, we shall in 2023 give all recipients of social grants, namely recipients of public assistance, disability, food support and senior citizens pension, a one-time transport grant of **\$1,000.00**.

***It should be noted that this transport grant facility is temporary and shall remain in place only in so far as the price of oil remains at elevated levels.***

This measure will assist **175,000 persons** and will cost **\$175 million** and be implemented on or before the end of **January 2023**.

## **Conclusion**

Madam Speaker, we have always placed the national interest at the centre of our developmental agenda. We have sought to foster a unity of purpose and the well-being of our citizens in our Roadmap to Recovery programme.

- we will achieve macro-economic sustainability over the medium-term with an emphasis on fiscal and debt consolidation, with a social conscience, while at the same time creating the fiscal space to address critical challenges. The resulting stability conditions of low inflation and interest rates as well as a competitive exchange rate will engender increasing savings and investments to finance growth and development;
- we are building strong public institutions to underpin our growth and development;

- we are consolidating gains as we invest heavily in national infrastructure projects, including projects involving roads, drainage, schools, hospitals, public buildings and facilities, tourism sites, ICT, water supply and electrification, among other development projects and programmes, to create employment and stimulate economic activity;
- we are supporting our youth in national development, in particular their digital skills and attracting them to the agricultural sector in light of our aging farmers;
- we are continuing to improve the health of our citizens, including raising the COVID-19 vaccination rates;
- we are enhancing investments in digital technology which will underpin the modern and diversified economy;
- we are continuing to ensure a supportive business environment within which the private sector can strive, grow, and facilitate a buoyant non-energy sector;
- we are improving the investment climate as well as the ease of doing business;

- we are deepening human capital development through multi-faceted education and training programmes; and
- we are strengthening our security systems to adapt and respond to external and internal threats, thereby ensuring that investors and citizens can participate in ordinary life activities in a safe and secure environment.

Madam Speaker, despite the enormous difficulties and challenges that we face, I am confident that the resilience and support of our citizens, combined with the wide range of policies, projects and programmes which we have put in place will sustain the momentum of the economic recovery. Having faced and overcome the many financial and economic challenges of the last 7 years, ***we will make a positive difference in the lives of our citizens*** and leave no one behind.

Madam Speaker, I thank you and I beg to move.