



GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO

BUDGET SPEECH 2016

**PRESENTED BY THE HONOURABLE COLM IMBERT,
MINISTER OF FINANCE
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INTRODUCTION

Madam Speaker, the people have spoken. On **September 7, 2015** the people of Trinidad and Tobago rejected the politics of deception, betrayal, greed, arrogance, waste and mismanagement. They rejected officially-sanctioned corruption. They rejected squandermania. They rejected discrimination. They rejected immorality. They rejected inequality. They rejected nepotism and cronyism.

At the same time, Madame Speaker, the electorate embraced the values of honesty, integrity in public life, and value for money in public expenditure. They asked for impartiality, transparency, and sincerity in government. They asked for equity and prosperity for all. They asked for growth, progress, harmony and social peace. The people thus voted emphatically and unequivocally for a new Government, giving the People's National Movement both a majority in Parliament and the popular vote.

Madam Speaker, it is an honour to present the first Budget of the new PNM Government led by our Prime Minister, Dr. the Honourable Keith Christopher Rowley.

For this honour and privilege I must thank God, who is responsible for all things, the people of Trinidad and Tobago, who placed their confidence in us, and our Prime Minister who had sufficient confidence in me to give me the serious responsibility of managing the nation's finances.

In fashioning the **2016** Budget, we have relied heavily on the policies and programmes in our **2015** Election Manifesto, which is now official Government Policy, and was a team effort that was several years in the making. We also took careful note of the many helpful suggestions and recommendations made by concerned citizens, industry experts, sectoral interest

groups, economists, the business community, the labour movement and the population at large.

Madam Speaker, I also wish to take this opportunity to convey my heartfelt appreciation and gratitude to the many public officers for their assistance and support in the preparation of the **eleven** documents laid before this Honourable House today.

Because of the confidence that the population has reposed in us and because of the comprehensive manner in which the previous administration was rejected at the polls, I had **two** options available to me with respect to the form and tenor of this Budget Statement.

I could easily have resorted to political bacchanal, picong and rhetoric, and the Statement could have taken the form of a fiery campaign speech on a political platform. In fact, there are sections of the society who would wish me to do so, so angry are they at the travesty that has passed for Government in the last 5 years and 3 months.

However, Madame Speaker, the time for that sort of behaviour is long gone. The majority of the population is exhausted with the politics of "*mamaguy*". Rather than descending into the political "*gayelle*", therefore, this Budget Statement will instead, in a clear and sober manner, give a professional, honest and transparent analysis of the true state of the nation. In this way, all of our citizens will understand the situation in which we have found ourselves, and what we must do to get out of the dangerous trap of spending more than we earn.

Madam Speaker, my pre-Budget consultations allowed me to establish the underlying principles of programmes and policies for restoring confidence and for rebuilding the economy of Trinidad and Tobago - an exercise which will require collective

effort by every citizen. This will involve not only the full engagement by the Government but also those on the other side. I now wish to make a clarion call to all to rally around our programmes and policies and our Budget theme reflects this vision: **Restoring Confidence and Rebuilding Trust: Let's Do This Together.**

Madam Speaker, we must start this new journey with a commitment to fiscal prudence anchored in a medium-term fiscal consolidation framework. This is a strategic necessity. Macroeconomic stability with fiscal discipline at its core will generate a revival in growth and more resources which would all redound to the benefit of our children and future generations. We will restore our international reputation - especially with investors, multilateral institutions and credit rating agencies.

GLOBAL CONTEXT

Madam Speaker, this country has long been integrated into the international economic and financial system. We are not isolated from events taking place in the rest of the world and those events today have a direct impact on Trinidad and Tobago. The **2016** Budget is being presented at a time of great uncertainty in the global economy.

While economic growth is expected to be satisfactory in the United States and the United Kingdom at around **2.0 – 2.5 percent** of GDP in both **2015** and **2016**, there are concerns about some of the other major economies. China's economy has continued to slow to about **6.4 percent** in **2015** compared to an average rate of over **10.0 percent** for more than a decade. In addition, growth in the European Union has been disappointing at less than **2.0 percent**, notwithstanding low oil prices and a series of economic stimulus measures.

The deceleration of China's economy is having a major impact on emerging and developing economies, especially raw material producers. Given their extensive trade links with China, many Latin American countries have been hit very hard. Brazil which has benefited the most from trade links with China now finds itself in a severe recession.

Madam Speaker, concern about the slow growth in the global economy has been cited as one of the principal reasons for the US Federal Reserve's delay in commencing the long-expected rise in interest rates. This upward trend in US interest rates, now projected before year-end could lead to a reversal in capital flows and higher borrowing costs for emerging and developing countries like Trinidad and Tobago, further complicating their growth prospects. We in Trinidad and Tobago must therefore be ever mindful of developments in the rest of the world and prepare ourselves accordingly.

STATE OF THE LOCAL ECONOMY

Madam Speaker, all incoming Governments have the unenviable task of assessing the true state of the national economy, before they can begin formulating and implementing their plans and policies. This Government placed high priority on the conduct of a rigorous and unbiased assessment of the state of the economy. This was done with a view to devising appropriate solutions to confront our immediate and developmental challenges.

Officials at the Ministry of Finance had been undertaking their own economic assessments and had identified a range of solutions for addressing these challenges.

Several previous missions from the International Monetary Fund (IMF) have conducted their own in-depth review of our economy in their annual Article IV Consultation Reports. I have reviewed these Reports and I have also met with major stakeholder groups since assuming office who have provided me with their own assessments of the economy as well as their own solutions. We have also benefited from the findings of an IMF team, who came at our request, just after the Election.

Many of the proposals from the various interest groups, organisations and experts have a common theme, and include:

- Implementing a property taxation system;
- Broadening the VAT base;
- Increasing excise taxes;
- Increasing personal income tax;
- Increasing corporation tax;
- Eliminating the fuel subsidies;
- Reducing other subsidies and transfers; and
- Introducing wage and hiring restraint mechanisms.

We at the Ministry of Finance have reviewed all of these proposals. Some, but not all of them, were found to be appropriate, fair and equitable, and are included in the fiscal package for **2016**.

Madam Speaker, I am now better informed as to the true state of the economy. In fact, our economy is in an even more perilous state than we, the new Administration, had first envisaged.

Even before the elections, we had reason to believe that our economy had deteriorated significantly over the past year. Indeed, several independent commentators, including Moody's Investors Service supported our view. However, the previous Administration doubted our analysis, insisting that "*our economy was strong*" and that "*everything was fine*".

However, here are some of the stark facts:

- Far from being strong or on a growth path, the economy remained stagnant for the last five years;
- Real output in the energy sector declined again in **2015**, making this the fourth annual decline in the past five years;
- Activity in the non-energy sector has also weakened, with a loss of momentum in construction, distribution and manufacturing;
- Total energy exports are estimated at only **US\$7.5 billion** in **2015**, a significant decline when compared with an annual average of **US\$12.7 billion** in the period **2010-2014**;
- The sharp decline in export receipts will mean that Trinidad and Tobago's trade balance will be reduced by more than half from **US\$4.6 billion** in **2014** to **US\$1.7 billion** in **2015**. Conversely, in the five years prior to **2010**, there were current

account surpluses averaging over **20 percent** of Gross Domestic Product; and

- In **2015**, because of the reduction in our export receipts and continued private capital outflows, there was an overall balance of payments deficit and a loss in official foreign reserves of **US\$720 million**.

Further, Madam Speaker, international oil and gas prices have been on the decline throughout fiscal year **2015**. However, notwithstanding their public declaration to the contrary, the previous Government took virtually no action to stabilise the public finances. Thus, for the fiscal year **2015**, while government revenues from petroleum fell by **\$8.0 billion**, compared with the Budgeted estimates, government expenditures were only reduced by a mere **\$3.0 billion**. As a result, the fiscal deficit ballooned to **\$7.0 billion**, or roughly **4.2 percent** of GDP; compared to the budgeted deficit of **\$4.3 billion** or **2.7 percent** of GDP.

But even this preliminary fiscal outturn may be underestimating the real deterioration of the central government finances, for **two** main reasons:

Firstly, these estimates are on a cash basis, which means that they do not include certain sizable commitments made in the fiscal year **2015** which now need to form part of the **2016** budget. Information is available on some of these outstanding arrears, such as the unpaid balance of some public sector wage settlements and payments arrears accumulated by some state agencies, such as the Housing Development Corporation (HDC), the Urban Development Corporation of Trinidad and Tobago (UDeCOTT), the National Infrastructure Development Company (NIDCO), Education Facilities Company Limited (EFCL) and the Estate Management and Business Development Company (EMBD).

It should be noted that the Ministry of Finance is still gathering comprehensive data on outstanding arrears due to contractors and other suppliers of goods and services.

Further, despite our best efforts to conserve and maintain expenditure in 2016 at the revised 2015

level, the previous administration has encumbered the new Government with \$5.0 billion in arrears of salaries based on the conclusion of collective agreements with a number of trade unions in the frenzied run-up to the 2015 Election.

However, we have managed, through prudent fiscal discipline, to contain most of this extraordinary expenditure in **2016**, but regrettably, because of this unprecedented **\$5.0 billion** liability on the personnel expenditure side, our expenditure level for **2016** has of necessity increased by **\$1.2 billion** over the **2015** level. We saved **\$3.8 billion**.

To have done otherwise would have risked crashing the economy, with attendant job losses and economic decline. Fortunately, we do not anticipate another **\$5.0 billion** hit on expenditure in **2017**.

Secondly, the estimated fiscal deficit comes after counting as revenue, receipts from asset sales, repayment of loans from the Central Government to state enterprises and extra-ordinary dividends from the National Gas Company. Without these non-recurrent revenue items, the fiscal deficit would have been that much higher.

Madam Speaker, permit me to touch on some of the main highlights of the fiscal year **2015** outturn.

- Revenue collections from the oil companies in fiscal year **2015** amounted to **\$13.0 billion**, **\$8.0 billion** less than the budgeted estimate, reflecting both price and volume setbacks. I wish to underscore this is the lowest level of revenue collected from the energy sector since fiscal year **2011**;
- There was also a shortfall of **\$1.0 billion** on income taxes and VAT collections combined, reflecting the stagnation in the non-energy sector;
- On the expenditure side, current expenditure was **\$3.1 billion** lower than projected, primarily because of the significant reduction of **\$1.2 billion** in the petroleum subsidy due to the decline in oil prices. However, the public sector wage bill exceeded budget estimates because of part-payment of the back-pay from the wage settlements with civil servants;

- Some other significant items of expenditure in **2015** were; the Government Assistance for Tuition Expenses (GATE) programme in an amount of **\$712.0 million**; short-term employment programmes, such as CEPEP at **\$606.0 million** and URP at **\$717.0 million** and social sector programmes in the sum of **\$7.5 billion**. The need to maintain these programmes at current levels, in the face of sharply declining revenues, contributed to serious fiscal pressures in **2015**;
 - Another point of interest is the behavior of capital expenditure during the last fiscal year. Up to the end of the third quarter, capital expenditure was lagging way behind budget allocations due to a low rate of implementation. However, after the announcement of the Election in **June 2015**, all caution was thrown to the wind and capital spending was ramped up significantly in the fourth quarter such that, for the first time in several years, capital expenditure for the year as a whole is estimated to have exceeded the budget allocation by over **\$225.0 million**;
 - The inordinate haste to ramp up expenditure in the last quarter of the fiscal year, which happened to coincide with the pre-election period, created a serious cash flow challenge for the Government. This was facilitated, in part, by increased access to Central Bank overdraft facilities which almost reached the legal limit by hurried central government borrowing and by an accumulation of payments arrears; in fact, Madam Speaker, at one point in **September 2015**, just after the Election, with no new contractual obligations on the part of the incoming Government or new items of expenditure, **the overdraft at the Central Bank reached 98.0 percent of the legal limit, with barely enough funds available to service the country for a few days**. Fortunately, this financial crisis was averted by prudent fiscal management, targeted budgetary support and timely intervention on the part the new PNM Government;
 - Further, the evolution of our public finances over the past **five** years has seriously undermined our once comfortable net public sector debt position. At the end of **2010**, our net public sector debt stood at **32.2 percent** of GDP. By the end of fiscal year **2014** this ratio had risen to **40.2 percent** of GDP. With the explosion in government borrowing combined with a decline in nominal GDP, the net public sector debt to GDP ratio has surged to **46.3 percent** of GDP in September **2015**; and
 - Within our public debt profile, external public sector debt increased from **8.0 percent** of GDP in **2010** to **9.2 percent** of GDP in **2015**.
- Madam Speaker, in summary, after the spending of over **\$300.0 billion** in five years and three months by the previous Administration, can the average citizen conclude:
- that they are living in a safe and sound environment without criminal activity?
 - that they are being provided with better medical and healthcare services?
 - that they are exposed to a modern and efficient transportation system without traffic gridlock?
 - that they are being provided with a reliable source of public utility services?
 - that they have access to an effective educational system?
 - that they are benefiting from an agricultural sector geared towards achieving food security?
 - that the vulnerable and disadvantaged are being better protected?
- The results of the General Election show that the answer to these questions is a resounding **NO**. Further, this unprecedented level of expenditure was financed by a mix of mechanisms – all of which are unsustainable.
- These included:
- a higher average budgeted crude oil price of **US\$76.0** over the **2010 to 2015** period – an average increase of **US\$24.0** per barrel when compared with **2009**;

- increased dividends from State Enterprises, including significant amounts from the National Gas Company;
- tax amnesties;
- proceeds from the sale of assets;
- borrowing from the international and domestic markets which increased our public sector debt; and
- usage of not only the built-up balances in the Treasury but also the full annual overdraft facility of approximately \$9.0 billion in the Central Bank.

Madam Speaker, notwithstanding billions of dollars in borrowings, tax amnesties, extraordinary dividends, sale of assets, and high oil and gas prices, our cash balances at the Treasury moved from a positive **\$6.5 billion** on **May 24, 2010** we were in credit then, to a negative of **\$8.5 billion** in the middle of **September 2015**, a reversal of **\$15.0 billion**. What this means is that we are unable to use the resources of our surplus funds, including the Green Fund or the Unemployment Fund since they are pledged against the overdraft and are unavailable for drawdown.

To put it simply, in order to maintain its inordinate and unsustainable levels of expenditure, the previous Government maxed out our overdraft at the Central Bank, taking us from a positive cash position in **2010** to a perilous situation in **2015**, where we were running on *fumes*, to use the local parlance, dangerously close to the legal overdraft limit.

Madam Speaker, we will no doubt appreciate that the extraordinary sources of one-off financing, such as the sale of assets, used by the previous Administration to maintain its profligate spending were, and are, unsustainable, given that such quality, non-strategic assets will not be available beyond **2017**.

Conversely, generating sustainable non-energy revenue in a predominantly oil and gas economy is a necessary requirement for ensuring that public services and development expenditure are met in a competitive environment. We had initiated that process when we demitted office in **May 2010**, but it was recklessly abandoned by the previous Administration.

MEDIUM-TERM OUTLOOK

Madam Speaker, as if our current economic problems are not serious enough, indications are that we face a most challenging medium-term outlook. Unless oil and gas prices and output recover dramatically, projections show that our real GDP growth will continue to be no more than **1.0 - 1.4 percent** per year. The projections are based on the uncertain outlook for the energy sector and increasing public sector financing constraints. These factors will limit government's capacity to drive the non-energy sector which will now depend on the private sector's willingness to expand investment and production for export markets.

Madam Speaker, this Government is committed to taking measures to reverse the decline in oil and gas production and to boost exploration activity. However, there is the harsh reality that even if exploration leads to sizable new discoveries, production from these new wells will take another five years or so to be realised. In the interim, the budget will need to bear the cost of the fiscal incentives, including incentives for capital allowances needed to spur exploration activity. This is another aspect of the fiscal challenge we face.

Indeed, before oil prices collapsed in **2015**, the previous Administration had made generous adjustments to the oil and gas fiscal regime, allowing substantial early write-offs of capital expenditure, which are now constraining our country's ability to generate tax revenue from the energy sector. If oil prices had remained at **US\$80.00** per barrel, these incentives might have borne fruit. However, with oil price averaging **US\$45.00** per barrel, revenue from energy companies is now being seriously depressed. In fact, due to capital expenditure write-offs and the

low oil prices, it is expected that corporation tax payments from the oil companies in **2016** will be nominal, compared to **two** years ago, when income from this sector exceeded **\$18.0 billion**.

Accordingly, it needs emphasizing that in the absence of a well-thought out adjustment strategy, let me repeat – in the absence of a well-thought out adjustment strategy - our fiscal projections will definitely show continued and sizable deficits over the next **three years**, a substantial reduction in our official foreign reserves and a rise beyond **60.0 percent** of GDP in our net public sector debt. This will be an untenable situation, which we must avoid at all costs, through prudent fiscal management.

Madam Speaker, there is no denying the need for fiscal stabilisation in order to facilitate faster economic growth over the medium term. However, it must be an adjustment strategy based on consultation with the public and one that protects those most in need in which the costs are shared proportionately by all.

Madam Speaker, the one month period since the general election has not been sufficient time to conduct full consultations with our various stakeholders. Accordingly, over the next **six** months, we plan to hold a series of consultations with **all** main stakeholders and with the country at large on the state of the economy and on the financial challenges and opportunities we face, as a country. Coming out of these consultations, we shall make appropriate budgetary adjustments, if required, at the time of the normal mid-year Review, which is carded for the end of **March 2016**.

SECTORAL POLICIES

Madam Speaker, let me emphasize that this Budget Statement covers only some key policy areas and are in summary form. During the debate, my colleagues will present in greater detail the plans and policies in the areas under their remit.

ENERGY

Madam Speaker, the energy sector has always been the main driver of economic growth in this country contributing on the average approximately **40.0 percent** of GDP.

Since **2008** when its contribution to GDP achieved a high of **50.8 percent**, the sector's contribution to growth has been on the decline, reaching a low of **37.2 percent** in **2014**. This decline can be attributed to a number of factors such as the reduction in the production of oil and gas and lower energy prices.

As one of several hydrocarbon resource-rich countries vying for capital investment we are mindful of the significant developments taking place in the production of unconventional energy resources such as shale oil and gas production in many parts of the world, including in **one** of our markets: the United States of America.

Madam Speaker, we will be guided by a framework of general principles as we seek to arrest the decline in the sector. Stakeholder consultation will be essential.

During the last **five years**, fiscal incentives were provided for the energy sector; however, there were no specific incentives that targeted the development of small and marginal gas fields.

These are important resources which can make a significant contribution to addressing the current supply/demand imbalance. Accordingly we will

commence discussions with all stakeholders on the adoption of appropriate strategies and incentives that would result in new production in these fields.

We will also move forward with a comprehensive review of existing arrangements along the natural gas value chain and where necessary implement appropriate measures on key aspects of the oil and gas sector. These measures will include modifications to the methodology for natural gas and product pricing, the adoption of transfer pricing principles and application of fair and transparent taxation regimes.

Madam Speaker, the stark reality is that oil and gas production has been on a steady decline since **2010**. Specifically, oil and condensate production has fallen from **100,000 barrels a day in 2010** to **80,000 barrels a day in 2015**, a decrease of **20.0 percent**.

The **August 2015** production low of **75,238 barrels** is of particular concern. This is in stark contrast to the glowing picture of the energy sector painted by the previous Administration. Natural rates of decline and the absence of new discoveries are impacting on the major economic growth driver and our revenues. **We must, therefore, take decisive action in our energy sector, to reverse the stagnation and decline of the last 5 years.**

Accordingly, in the shortest time possible, after consultation with the industry, we will introduce a new and appropriate fiscal regime designed to encourage further exploration in fields on land, and in shallow and deep water acreage. We cannot sit idly by and allow production to decline and revenues to fall, and in finding a solution to the difficulties that we now face as a country, we must all work together.

We will engage all energy sector stakeholders, upstream, midstream and downstream, in meaningful consultation to arrive at consensus on the way forward. We have already received a request to re-examine the current levels of Supplementary Petroleum Tax (SPT), and to create better incentives for production from small and medium-sized fields, which we are carefully considering, with the assistance of energy experts. We will make a formal **Call for Submissions** from all energy players in the near future, so that we can resolve the issues facing the industry as quickly and efficiently as possible.

The pursuit of a focused renewable energy programme is also high on our agenda. In particular, the practical use of solar and wind energy within the domestic and commercial sectors will be fostered and promoted. Promotion of energy efficiency and energy conservation across all sectors will be important strategies in extending the life of our invaluable petroleum resources and reducing our “Carbon Footprint”. Our target is that by the year **2021**, at least **10.0 percent** of the energy generated in this country should be from the renewable sources.

In addition we will support the present move to Compressed Natural Gas in light of its environmental benefits and the positive impact on reducing the subsidy on transportation fuels.

▪ **MANUFACTURING AND SPECIAL ECONOMIC ZONES**

Madam Speaker, in Trinidad and Tobago with a natural resource sector, the manufacturing sector has stagnated. The sector is now accounting for less than **10.0 percent of GDP**. We will accord high prominence to this sector in our efforts to strengthen and diversify the economic base of the economy.

Madam Speaker, manufacturers and exporters will be linked on a new export platform. They will take advantage of the emerging opportunities in the

Caribbean Single Market and Economy, a traditional market for our exporters. In collaboration with our manufacturers and exporters, we will intensify efforts to penetrate new markets, in particular, in South and Central America as well as in our diaspora in Canada, the United States of America and the United Kingdom. Trade facilitation and market access agreements as well as investment treaties will facilitate this new export thrust into all extra-regional markets.

We will complete and fully operationalise the Tamana Intech Park and the Piarco Aero Park. Through public-private-partnerships we will upgrade all existing industrial estates and create new ones, thereby generating new growth areas with high-quality jobs. These Special Economic Zones will become effective instruments for industrial production, economic growth, export promotion and employment creation.

Our embassies and consulates will be strengthened to promote our economic and commercial interests.. They will promote the local private sector and state enterprises in the marketing of their products and services.

Madam Speaker, investors expect that doing business is easily facilitated with regulations and laws being enforced in a predictable manner.

In this environment with cost and uncertainty reduced, the quality of the business environment will be improved and private investment facilitated. While there has been some improvement in recent times, we need to improve the timeframe for paying taxes, dealing with construction permits, registering property, and for enforcing contracts

▪ **AGRICULTURE**

Madam Speaker, food security has been an elusive policy objective since we in Trinidad and Tobago assumed management of our economy in **1962**. In recent years, agricultural production has been averaging just about **0.5 percent** of GDP. Compare this to energy at **40 percent** of GDP. We must do all that we can to expand agricultural production

to reduce our reliance on imported food products. Food production must be made affordable and competitive. We must reverse the decline in agricultural production and create a strong, modern, prosperous and competitive agriculture sector.

We will do so by enhancing public sector investment and encouraging private investment in agriculture, in particular agro-technology and the creation and modernisation of agri-business infrastructure.

We are now directing agriculture development under one unified structure - the Ministry of Agriculture, Land and Fisheries.

Security of land tenure is now being accorded high priority and such lands will now be delivered with access roads, drainage and irrigation systems. The Agricultural Development Bank will be adequately resourced to allow farmers readily-accessible credit. Through the Agricultural Development Bank we will reintroduce the Prime Minister's award for the best kitchen garden in schools and also introduce a number of national competitions and awards, aimed at motivating farmers to strive for excellence in agricultural production.

• TOURISM

Madam Speaker, tourism can unleash vast opportunities which will play a critical role in driving economic diversification in the country. We will collaborate with all stakeholders both in Trinidad and in Tobago to place this country in an indomitable position within the region.

We are now formulating a Tourism Growth Strategy and reconvening the Trinidad Tourism Standing Committee. The Strategy will inform the direction of the industry, tackling major issues impacting upon tourism development, such as airlift, marketing, product development and destination management. We will create an enabling investment climate and commit to better infrastructure, improved signage, cleaner streets, communities and beaches, safer towns and villages, quality service and more value for money.

• SPORT

Madam Speaker, we are committed to the development of sport and youth. Sport plays an integral part in developing personal and collective responsibility, especially for our young people. Unfortunately, in our country sport has not been mainstreamed. We will put in place plans and programmes to encourage as many citizens as possible to become involved in sport and in recreational activity.

We will aim to be a world-class sporting nation. We will do so by establishing an all-encompassing policy to increase the pool of talent from which more world champions will emerge and gain international recognition.

We will foster and develop involvement in sports in all schools at an early age. Inter-school competitions across Trinidad and Tobago will be an important event in our calendar. We will improve the quality of community sporting programmes and sporting infrastructure and facilities across the country, utilising the international best standards and practices.

We will establish a *Sports Institute of Trinidad and Tobago* mandated to modernise the sports industry with the ultimate objective of developing and promoting sports tourism.

We will upgrade our existing facilities and make full use of our new infrastructure in cycling, tennis and swimming. In the coming years we will have created a *Sporting Brand* for Trinidad and Tobago with international recognition.

• SMALL AND MEDIUM-SIZED BUSINESSES

Madam Speaker, small and medium-sized businesses have been generating a significant proportion of the employment creation in Trinidad and Tobago. Our youth have been actively involved in this particular area of business. They are empowered as we build small and medium-sized businesses increasingly utilizing information and communication technology; however, adequate

financing, a pre-requisite for success is not easily available at the domestic financial institutions. We will strengthen and resource appropriately all state institutions which play roles in funding, training and developing markets for the small and medium enterprise sector.

Madam Speaker, current programs will be reviewed. If required, we will strengthen them to ensure efficient development of small businesses. State institutions, such as National Enterprise Development Company Limited (NEDCO) will be resourced adequately to

promote an entrepreneurial culture among the youth of our nation who have been traditionally denied access to funding. The Fair Share Programme will continue as an avenue for qualifying small and micro-enterprises and co-operatives to access public procurement opportunities.

We will encourage all public financial institutions to create small business windows to enable greater ease for SME entrepreneurs to access their facilities. We will engage private financial institutions to do the same.

DIVERSIFICATION

Madam Speaker, we have to face the fact that there has been limited success in our efforts to diversify our economy. There is also widespread agreement that, with the uncertainties and challenges facing our energy sector, diversification has become an urgent priority. Indeed, in explaining the downgrade of Trinidad and Tobago's credit rating, under the previous government, Moody's Investor Services cited among the most important factors, "our limited economic diversification, which weighs heavily on economic growth prospects".

Madam Speaker, in **2008**, a previous PNM administration had begun the process to establish a Trinidad and Tobago International Financial Centre as an integral part of its diversification strategy. The underlying rationale was that, given Trinidad and Tobago's geographical location and its considerable strengths, the creation of an international financial centre linking North and South America was a desirable undertaking. Much progress was made in the establishment of such a Centre, including the construction of a Waterfront Tower to house the Centre. Unfortunately, the international financial crisis of 2008 put international banking in retreat and momentum on the TTIFC project was slowed.

To make matters worse, the previous Administration paid virtually only lip service to the TTIFC project, and changed its mandate. As a result, little or no progress was made on this project in the 2010 to 2015 period.

China's increasing engagement in Latin America and the Caribbean presents a unique opportunity which can be leveraged in the creation of an international financial centre. As has happened in Mauritius, Singapore and a few other countries a thriving international financial centre would

provide synergies for the expansion of free zone manufacturing and trans-shipment activities and for tourism. The Government plans to initiate early discussions with the relevant stakeholders with a view to reaching early consensus and beginning the implementation of an IFC strategy.

• MARITIME

Madam Speaker, given our location outside the hurricane belt, we are well placed to establish a viable and robust maritime economy. An initial step will be a *Maritime Maintenance Facility* to meet the maintenance requirements for the existing fleet of government-owned naval and maritime assets. Such a maintenance facility will catalyze the development of a ship-repair and ship-building industry beginning in the North-West peninsula.

The maintenance support will emerge as a hub for major ship-repair and ship-building within the CARICOM region, thereby creating a *New Maritime Economy*. At present, the Chaguaramas heliport accommodates a maintenance facility with a capability to dry-dock vessels below **200** tonnes.

Those owner-furnished facilities are used to maintain the **6** fast patrol craft of the Trinidad and Tobago Coast Guard. In addition, CL Marine, a subsidiary of CL Financial Limited, possesses the capacity to dry dock large vessels in excess of **200** tonnes. The availability of these two facilities, together with the existing large inventory of naval and maritime assets, represent an important opportunity with the critical infrastructure to develop a ship-repair industry. We will utilise a Public-Private Partnership to make the necessary investments to create a ship-building and ship-repair industry with the potential to generate high-skilled quality jobs.

▪ **INFORMATION
AND COMMUNICATION
TECHNOLOGY**

Madam Speaker, a first-world information technology network will need to be a critical part of the Trinidad and Tobago International Financial Centre. We will commence the process through the implementation of a national broadband network which will represent a central pillar for driving economic and social development.

We cannot improve our productive capacity and create a vibrant and competitive economy without a nationwide high-speed broadband network - the centerpiece for creating a knowledge-based and

innovative society. This country has in place a fibre optic broadband network; but we are suffering from inadequate broadband service coverage in many areas which remain unserved and underserved. We will continue to collaborate with the World Bank Group to widen our broadband infrastructure as well as to eliminate the risk of having international connection in only **one** station.

All schools will now be equipped with a technological capability with adequate training for our teachers. We will ensure that all students have free and easy access in all schools to fast broadband internet and not just laptops. This early use of technology will underpin an expanding knowledge-based society. The Government will foster usage by providing a free national public broadband wireless network beginning with free hotspots in popular areas.

CRIME AND NATIONAL SECURITY

Madam Speaker, reduction in crime represents the foremost demand by our citizenry. Violent crime and criminality have hampered our economic progress. Our institutions have been weakened. Our citizens have become disillusioned and our business sector has developed an unhealthy malaise with respect to new investments and confidence in the economy. Our foreign direct investment flows have been affected.

Our first priority is to establish an optimal security apparatus, the broad elements of which the previous PNM Administration had put in place to bolster the nation's external and internal defences. A review of the systems, equipment and processes in place is now underway.

Madam Speaker, as a general principle, safe and secure borders are central for containing crime and violence brought about by our location as a major transshipment channel for illegal drugs and weapons.

By **2003**, our security agencies had become convinced that the increasing domestic crime rate was associated with the incidence of threats to national security. Illegal activities through the smuggling of drugs, arms and ammunition within the territorial and extra-territorial waters of Trinidad and Tobago had become prevalent.

The insulation of Trinidad and Tobago from those threats was central to stemming and containing the domestic crime rate. The then PNM Administration moved quickly to procure such assets that were adequate to the requirements of the very challenging situation.

Madam Speaker, you will recall three Offshore Patrol Vessels (OPVs) with Interceptor-Craft and helicopter-launching capabilities and six Fast-Patrol Craft were ordered.

The final component in our architecture for combating the incidence of crime in this country was now in place; but in **September 2010**, the previous administration unceremoniously terminated the contract with the supplier of the **three** Offshore Patrol Vessels (OPVs) and the **six** Interceptor craft. This resulted in a heavy cost to taxpayers, with over **\$500.0** million in lost costs. The so-called arbitration victory was merely illusory, since Trinidad and Tobago spent close to **\$2.0 billion** on the OPV contract but only recovered **\$1.3 billion**, while the allegedly unsuitable Trinidad Class OPVs are now the pride of the Brazilian Navy.

Further, when we came into office last month, we met a mix of naval assets hastily ordered and delivered for public relations purposes just before the **2015** Election – not fully outfitted, without armaments, and without proper financial arrangements in place. In local parlance, we purchased these new vessels "on trust".

Madam Speaker, we will rebuild the security architecture which will be adequate to the requirements of our country. We will move swiftly to establish a *Joint Border Patrol Agency* to manage the security and integrity of our open and vulnerable borders.

Madam Speaker, the Trinidad and Tobago Police Service will be modernised. We will establish a *Police Management Agency* with a mandate to develop the necessary leadership expertise, skills and professionalism.

The Agency will set and maintain the ethics and values which will underpin the professional culture of the police service. It will also deploy strategic and scientific resources in all areas. Within this framework, the leadership of the Police Service will be secured. We will introduce early legislation to

amend the present procedures for the appointment of a Police Commissioner and his deputies. .

Regional Corporations will develop partnerships with the Police Service through an inter-agency approach to combat crime. This mechanism will be anchored on community safety partnerships within the local government arena and in particular, Local Constabularies will be introduced in each local government region.

Madam Speaker, our citizens will develop trust and confidence in the Police Service. To advance this objective, we will establish a *Police Service Inspectorate* to treat with potential abuse of state

power and any overreach by the Police Service in the discharge of their duties. Quality assurance and oversight of police operations will be subject to annual reporting by the Inspectorate to the Parliament.

Madam Speaker, we will re-engineer the criminal justice system. We will provide an efficient and legitimate foundation for crime prevention, law enforcement and the reduction of repeat offenders.

Prison management will be strengthened with focus on prison officer security, security management, health services and the rehabilitation of offenders.

SOCIAL SECTOR POLICIES

• EDUCATION

Madam Speaker, our intervention in early life through large scale investments in Early Childhood Care and Education Centres and through primary and secondary schools represent a first step in climbing the ladder of social mobility. From free primary and secondary education, we moved to free tertiary education at our two universities: the University of the West Indies and the University of Trinidad and Tobago. Human capital development has been at the heart of the preparation of our young people for the challenging world of science, technology and industry.

Madam Speaker, the Government Assistance for Tuition Expenses Programme (GATE) and the Higher Education Loan Programme (HELP), all People's National Movement innovations, have ensured that our disadvantaged, vulnerable and low-income groups were able to participate in this life-long learning experience. We will continue to preserve, maintain and expand where necessary, our free system of education at all levels.

We will hold extensive consultations with the national community on the most efficient manner for administering an effective education programme, including the GATE programme, with the primary objective being to ensure that assistance with education expenses is given to **those most in need of it**.

Madam Speaker, we will fully integrate sports, culture, language arts and physical education into the education system. The curriculum of our schools will be modernised with a view to generating among our young people an adequate appreciation and understanding for the history of Trinidad and Tobago, especially our history since independence in **1962**. We will develop a broader culture of col-

lective and personal responsibility as well as volunteerism in our society.

• HEATH AND HEALTHCARE

Madam Speaker, the delivery of healthcare to the national community represents a critical element in the building of a fair and inclusive society. Our public health facilities, with deteriorating infrastructure, are not patient-friendly and with acute shortages of medical personnel the patient experience leaves much to be desired. We will review the existing hospital strategy through a scientific evidence-driven *Hospital Construction and Refurbishment Plan* and where necessary, we will refurbish and modernise our existing ageing plant and will construct new health facilities where they are required.

Madam Speaker, **we will address the shortage of medical personnel immediately**. You will already have observed our recent decision to ensure that all medical students at the Mona and Cave Hill campuses of the University of the West Indies receive GATE funding, and rather than wasting money on expensive white elephants and vanity projects, we will expend substantial resources on training opportunities in all areas of health care, including support staff in professions allied to medicine, particularly in the field of nursing. Our goal is to establish universal health coverage for the national community.

Our citizens will receive in Trinidad and Tobago, as other citizens in advanced countries, the best standards of care and accountability by medical professionals.

Madam Speaker, we will continue to strengthen and build programmes to meet the diverse medical needs of the national community. We will expedite surgeries and expand and improve the *Chronic Disease Assistance Programme (CDAP)*. We will continue

with our medical aid programmes for patients in need and we will review and audit the *Children's Life Fund* so as to restore its mandate of saving the lives of children.

Madam Speaker, the *Universal Health Insurance Programme* has been an elusive goal. We will place universal health insurance high on our agenda and ensure that by **December 31, 2018**, a National Health Insurance System will be in place and operational, thus bringing much-needed relief to all our citizens.

▪ HOUSING

Madam Speaker, during previous PNM Administrations, we housed thousands of our citizens in quality homes across Trinidad and Tobago. We will continue to do so as we expand and strengthen the programmes which we had established and which still exist. At the centre of our policy framework and in order to facilitate purchase of homes we will continue to subsidize mortgage loans at the low interest rates. The poor and indigent will be facilitated with targeted home repair and home improvement grants and conditional cash supports.

We will reintroduce the Rent-to-Own programme to assist low-income households to start with rental property which will be converted to home ownership as their circumstances improve. We will review and strengthen the administration of the Home Improvement Grant and the Home Improvement Subsidy programmes to assist families experiencing financial difficulties.

Madam Speaker, our major cities and towns, especially those in the East-West Corridor are decaying. We will restore those towns and cities and create new ones through targeted housing construction, in particular in the urban areas. Port of Spain, Arima and Point Fortin will be targeted as well as new growth areas such as Wallerfield, La Brea, Princes Town, Rio Claro and Chaguanas, among others.

▪ ARTS AND CULTURE

Madam Speaker, we will leverage our rich cultural, historical, religious and natural heritage for develop-

ing tourism with associated job creation activity. We will encourage all local cultures. We will create a national local enterprise with the support of the entire country which will identify the benefits: value creation, income and employment generation, goods and services production, innovation and creativity.

Artistes, media operators, film-makers and other participants in the creative industries will access first-class facilities to showcase their talent with world-class standards. Arts, fashion design, culture and tourism will become major drivers of productivity and growth in our country.

▪ SOCIAL SAFETY NET

Madam Speaker, our pursuit of a fair and inclusive society with social mobility and personal responsibility has long been an objective of various PNM Administrations.

By international standards, we have had outstanding success with our programmes and policies designed to protect the disadvantaged and the most vulnerable in our society. We wish to ensure that these programmes remain effective and relevant. We will review our social sector programmes in consultation with civil society to ensure that they are channeled to those who need them the most.

▪ PEOPLE WITH DISABILITIES

Madam Speaker, people with disabilities are consistently constrained from participating in and benefiting from our growing economy. We will create a more inclusive society for persons with disabilities. They will enjoy equal opportunities through an empowered life with dignity. We will undertake substantive action to meet our obligations under the relevant conventions approved by the United Nations. In consultation with people with disabilities, we will immediately undertake a review of all projects and services directed to the community.

INSTITUTIONAL STRENGTHENING

REVENUE AUTHORITY AND PROPERTY TAXES

Madam Speaker, revenue administrations must be effective and fair in the collection of taxes. They build trust between Government and the citizens. Revenue administrations through which the tax collection activities of both the Customs and Excise and the Inland Revenue are merged, are well-established in advanced, emerging and developing countries. The previous PNM Administration had established the machinery for establishing a Revenue Authority for mobilizing fair and equitable non-energy taxes for a modern economy. The Revenue Authority would have enhanced tax administration and generate additional revenue and jobs estimated at **5.0 percent** of GDP, or an additional **\$8.0 billion**. In addition, an equitable, fair and transparent property tax regime was at an advanced stage of implementation. We were putting our revenue collection on a stable basis including building into the revenue system a resilience to counter the volatile nature of our energy revenues.

Madam Speaker, the previous Administration not only abandoned the Revenue Authority but also deferred the payment of all property taxes resulting in a loss in revenue to Trinidad and Tobago of at least **\$1.0 billion** during their tenure. Yet again, another important source for revenue enhancement was completely lost.

STATISTICAL INSTITUTE

Madam Speaker, it cannot be disputed that our Central Statistical Office has been severely neglected for decades and even more so in the last five years.

The international rating agencies and the multilateral lending institutions have all commented on the paucity of accurate statistical data in Trinidad and Tobago. In fact, Moody's Investor Services cited poor statistical data as one of the reasons for the downgrade of our country's credit rating under the previous Government. It goes without saying that it is virtually impossible to derive informed policy decisions without accurate statistical data. In recent years there has been a lot of skepticism on the authenticity of the statistics produced. This has led to a loss of confidence both domestically and internationally in the analyses and issuance of various social and economic data.

As a result I wish to assure this Honourable House that we will take the necessary steps to correct this travesty. We will bring to the Parliament in the new fiscal year, legislation to establish an independent Statistical Institute. The Board of this Institute will comprise persons drawn from the public sector, the Central Bank, the universities, and private sector organisations. We expect this Institute to restore the confidence of all stakeholders involved in decision-making processes.

GENERAL ACCOUNTING OFFICE

Madam Speaker, with constrained revenues accruing to the country over the medium-term, our expenditure must be focused to achieve maximum efficiency. For this reason, we propose to institute a *General Accounting Office* which will be an independent office of Parliament. This Office will maintain a continuous real-time assessment of actual budget performance identifying in the process, divergences which require public attention.

• PROCUREMENT

Madam Speaker, allegations of corruption, theft, waste and squandermania in the award of public sector contracts reached a crescendo in Trinidad and Tobago in 2015. This contributed in no small way to the downfall of the last Government. The previous Administration in its supreme arrogance spent 5 years talking loudly about procurement; but true to form, they ended their tenure without putting new and modern systems of procurement into place. This PNM Administration will cut out this cancer of corruption and waste as we fulfill our commitment to the people of Trinidad and Tobago to implement a modern, transparent and fair public procurement system in **2016**. We are already in the process of conducting a review of the existing legislation, and we will table the appropriate amendments and operationalise the new procurement agency in the shortest possible time.

• ECONOMIC AND FINANCIAL MANAGEMENT

Madam Speaker, as we move to restore morality and ethical behavior in public affairs, we will at the same time create the conditions for reviving growth and putting the economy on a sustainable and higher growth path. To facilitate this process in a long-term framework we will re-task the *Economic Development Board* with key mandates:

- to develop and maintain dialogue with Government, the private sector and the labour movement with a view to establishing long-term economic and social goals for the economy; and
- to develop and maintain an *economic and financial plan* with alternative financial and investment scenarios in a long-term framework.

• PUBLIC SECTOR INVESTMENT PROGRAMME

Madam Speaker, our capital investment programme for fiscal **2016** has been reduced to **\$7.0 billion** or by **14.2 percent** from fiscal **2015** in the exercise of our commitment to fiscal prudence.

We have re-prioritised, refocused and, where necessary, consolidated public investment expenditures towards those areas and activities which will begin to reverse the conditions of economic stagnation experienced over the past five years. We will build on the intrinsic strengths of the economy; we will create the most value in terms of benefits for the population; we will lay a solid foundation for achieving economic and social transformation.

In particular we will prioritise:

- ongoing projects which are expected to be completed or significantly advanced in **2015**; and
- loan-funded projects and projects with contractual obligations.

• PUBLIC-PRIVATE-PARTNERSHIPS

Madam Speaker, Public-Private-Partnerships have evolved in both advanced and developing countries as a robust approach for the delivery of infrastructure services and for catalyzing growth and development. Trinidad and Tobago is already utilising public-private-partnerships to deliver public infrastructure services in some areas of the economy, including health, education and ICT.

Technical capabilities are being built in the Ministry of Finance and in a number of other Ministries. We will continue to use this model of development as we establish long-term contracts with investors to deliver much-needed infrastructure.

TRANSPORTATION

Madam Speaker, modern and strategically-planned transportation is essential for the future of Trinidad and Tobago. Traffic gridlock is one of the most serious problems in Trinidad and Tobago today, and among other things, in order to resolve this problem, we plan to remove all traffic lights from Port-of-Spain to Sangre Grande by constructing overpasses and interchanges at strategic locations along the East-West corridor. We will also construct ring roads and implement other traffic solutions in built-up areas such as Chaguanas, and Sangre Grande in Trinidad and Scarborough in Tobago. We believe that transit times in Trinidad and Tobago should be reasonable, comfortable and safe. Our infrastructure development projects over the next few years will be wide-ranging and will include:

- a national highways grid to improve the connectivity among the communities of Trinidad and Tobago, thereby opening economic space to generate economic opportunities including:
 - the completion of the San Fernando to Point Fortin Highway;
 - the construction of the San Fernando to Mayaro freeway;
 - the construction of the Wallerfield to Manzanilla Highway; and
 - the construction of the Port-of-Spain to Chaguaramas Highway/Causeway
- a Mass Transit System as a high priority which will dramatically improve the quality of life of the travelling public. Discussions have already commenced with the IDB to explore affordable options for a Mass Transit System. We expect that before the end of the fiscal year, we would have taken the investment decision on this project;
- a new first-class road between Valencia and Toco will link the new fast ferry port in Toco with the rest of Trinidad. Subsequently, the entire Northeast region of Trinidad will become available for new industrial, residential and commercial development;
- we will construct a first-class road from Princes Town to Moruga where we will build a new and modern fishing port;
- a modern Motor Vehicle Authority will facilitate effective and safe usage of the nation's roadways and highways;
- sea and air transport facilities, including the modernisation of the Piarco International Airport and in collaboration with the Tobago House of Assembly, the construction a new modern Airport Terminal at Crown Point in Tobago;
- new fast ferries providing adequate levels of service between Trinidad and Tobago;
- a new ferry port in Toco providing a faster alternative sea route from East Trinidad to Tobago; and
- a new container Port in Port of Spain.

RURAL DEVELOPMENT AND LOCAL GOVERNMENT

Madam Speaker, our road network will open economic space in Trinidad and Tobago providing in the process much-needed connectivity among communities, in particular rural communities. We will set in motion the economic and social forces to build those communities. Policy formulation and direction will be unified under one Ministry to ensure that there is co-ordination of plans, programmes and infrastructure within our rural communities.

Work has already commenced on the design of the new Local Government framework. In this

framework, regional and municipal corporations with appropriate autonomy through the amendment of the Municipal Corporation Act will develop and implement their own regional plans. They will do so in a similar manner as the Tobago House of Assembly. These initiatives will be implemented within the framework of national policy. These bodies will have a dedicated source of funding, provided by the Government. We plan to complete this reform process by **October 2016**.

ENVIRONMENT

Madam Speaker, our nation's natural resources must be conserved for our generation, as well as for future generations. It is imperative that we conserve our land and sea areas, our wildlife and marine species, and our green public spaces places. Our natural resources provide great pleasure for our citizens and visitors and represent a unique opportunity to contribute meaningfully to the development of our country.

Madam Speaker, we will partner with various stakeholders to promote environmental awareness throughout the nation, particularly among our young people, especially in rural communities. We will bring to this Parliament legislation relating to the preservation and the enhancement of the environment, in particular initiatives which will reduce the carbon footprint in Trinidad and Tobago .

LABOUR

Madam Speaker, we have had a long and proud history of collaboration with the labour movement. We have fostered their active participation in Parliament and we have placed labour representatives on the Boards of State Enterprises. In this confidence- building exercise, the Government, employers and the private sector, will co-ordinate their efforts for adopting common approaches for reviving our economy.

A peaceful competitive and productive industrial relations climate is the prerequisite for this country to improve its efficiency and effectiveness. We have been deepening and strengthening our relationship with labour and we will undertake a comprehensive

review of all labour legislation, including the Industrial Relations Act and the Retrenchment and Separation Benefits Act. This review will be coordinated with the trade union movement and the business community.

Madam Speaker, following our budget theme we will establish a line of communication with the labour movement with a view to regular dialogue, consultation and interaction on all areas of policy, plans, projects and programmes affecting the rights of workers and labour in general. We will strengthen this collaboration through a tripartite engagement between the Government, labour and the employer.

FOREIGN EXCHANGE MARKET

Madam Speaker, rebuilding confidence in the management of the foreign exchange market represents a central thrust as we revitalise our national economy. The current situation is untenable and has contributed to great uncertainty and capital flight. We have been in discussions with the Central Bank of Trinidad and Tobago which has agreed on a collaborative effort for restoring confidence in the national economy.

As an initial step, the Central Bank in the discharge of its mandate for the management of the foreign exchange market, will be requested to re-establish

the foreign exchange distribution system which existed prior to **2014**. The Central Bank will also be requested to clear the backlog of arrears of foreign exchange demand and ensure that legitimate demands for foreign exchange are met, as well as ensure the stability of the exchange rate. As a Government, we are committed to ensuring an adequate and efficient supply of foreign exchange to our manufacturers and importers and to the citizenry at large and we also intend to take the necessary steps to protect our exchange rate from external pressures.

CLICO RESOLUTION

Madam Speaker, on demitting office in **2010**, the previous PNM Administration had finalized a structured CLICO resolution payment plan which had the support of all stakeholders. The previous Administration abandoned this plan, and the matter subsequently became embroiled in controversy. By **2015**, the CLICO plan had mutated through a number of complex mechanisms, including legislation which

has been challenged in the High Court, with the final settlement to several policyholders still largely undetermined and litigation by some of the affected groups reaching all the way to the Privy Council. This PNM Administration will make our best effort to bring this matter to an amicable conclusion, in the interest of all concerned and the country at large.

LEGISLATION

Madam Speaker, many of our financial institutions are still governed by pieces of legislation which are inadequate to our contemporary needs.

To date, many pieces of legislation in the financial sector in particular, have not been reviewed with a view to updating the regulations governing the sector. This presents considerable risks to participants in the sector and we consider this to be unacceptable. We will correct this anomaly as a matter of priority.

This will include the Insurance Bill and the Credit Union Bill which are vital to promoting good governance in the financial sector and will be laid in Parliament shortly. We will also review other pieces of legislation, including the Securities Exchange Commission, the Financial Intelligence Unit and the Central Bank Act to align them with international best practice. We will bring to Parliament this fiscal year our full legislative agenda.

TOBAGO

Madam Speaker, I wish to address matters relating to Tobago, at this time. Consistent with the provisions of the Tobago House of Assembly Act, the required budget documentation was transmitted by the Assembly. The proposals contained in the documentation, in particular the developmental needs of Tobago were further advanced and clarified by the Chief Secretary, the Honourable Orville London, during the course of a very purposeful meeting which I had with him and his colleagues.

I am also grateful for the thoughtful and valuable views expressed by the Secretary of Finance and Enterprise Development, the Honourable Joel Jack.

The development needs of Tobago will be guided by the *Tobago Comprehensive Development Plan*, developed by the Assembly, which sets out a road map for the development of the island.

Among other things, the Plan will ensure that:

- the tourism sector becomes an important driver in the engine of growth in the national economy. Strong and effective public private sector partnerships will be encouraged to deliver infrastructure and infrastructure services, with a view in particular of expanding the stock of hotel rooms in Tobago;
- with tourism and transportation being closely linked, the A.N.R. Robinson International Airport will be modernised with the construction of a new terminal. The air and sea transport system will be upgraded and rationalised to facilitate greater alignment between demand and supply and to ensure that congestion, delays and inadequate space and capacity at our air and sea ports that serve Tobago are things of the past;

- economic diversification continues with the securing of additional anchor tenants at the Cove Eco-Industrial and Business Park; industrial activities at the Cove and other parts of Tobago will be supported by a new cargo port;
- the housing needs of Tobago will be met through an accelerated and adequately funded housing programme to bridge the gap between demand and supply
- land titles in Tobago are regularized;
- an integrated water security and solid waste management programme is developed and implemented;
- educational infrastructure will be upgraded at all levels; and most importantly; and
- Tobago's security apparatus is strengthened with the construction of new police stations at: Old Grange and Roxborough, a new fire station headquarters in Roxborough and new a fire station in Courland. Further, an appropriate local Police Unit within the Tobago House of Assembly will ensure that Tobago remains the safe place that it is for the well-being of citizens and visitors alike.

Madam Speaker, for fiscal year **2016** the budgetary allocation for the Tobago House of Assembly is **\$2.772 billion**, of which **\$2.345 billion** will be for the recurrent expenditure, **\$404.0 million** for capital expenditure and **\$23.0 million** for the Unemployment Relief Programme.

Madam Speaker, this budgetary allocation of **\$2.772 billion** is equivalent to **4.4 percent** of the National Budget. This is significantly above the minimum legal level established by the Dispute Resolution

Commission and more in percentage terms than Tobago received under the previous administration. We do not believe in slavish adherence to the minimum possible allocation to Tobago, or to any part of the country for that matter. We believe instead that each area of the country deserves to be treated on its own merit and given the resources

it requires and deserves, based on its needs; hence our increased percentage allocation to Tobago in **2016**. Other areas in the country will receive similar attention in the future as and when required. In addition, Tobago will receive a further **\$1.13 billion** in direct expenditure through the Central Government.

ESTIMATES OF REVENUE AND EXPENDITURE 2015-2016

Madam Speaker, there is no doubt that the Trinidad and Tobago economy needs to embark on a programme of economic adjustment so as to set the stage for sustained growth over the medium-term.

We also recognize that given economic stagnation over the past few years (5 years actually), which seems to have carried over into 2015, too large a withdrawal of fiscal stimulus could aggravate the current slowdown in the economy.

Madam Speaker we will bring the government finances into approximate balance by fiscal year 2018. For 2016, the Government is aiming to reduce the deficit from **\$7.0 billion** or **4.2 percent** of GDP to **\$2.8 billion** or an estimated **1.7 percent** of GDP. The adjustment incorporates a mix of revenue measures of **\$5.2 billion** or **3.2 percent of GDP** and access to **\$13.4 billion** or **8.2 percent of GDP** in one-time resources including asset sales. To ease the adjustment burden on the most vulnerable groups, the budget includes an increase in the personal income tax deductions, adjustments to pensions and other benefits for new entrants into the labor market as well as retirees.

The recovery of the economy will depend critically on the reaction of the private sector to the improved business environment and other measures being introduced to ease the labor shortage and improve productivity, and we ask the private sector to partner with the Government to make its share of the required investment to bring about economic revival.

Madam Speaker, it must be emphasized that public expenditure rose considerably over the last five years from **\$46.7 billion** in 2010 to **\$62.0 billion** for fiscal year 2015, an increase of **33.0 percent**. The majority of this expenditure was accounted for by increased

personnel expenditure, unsustainable transfers and subsidies and unbridled capital expenditure.

Madam Speaker, for fiscal year 2016, after careful screening and review, we attempted to contain expenditure to **\$61.8 billion**, the equivalent of the revised estimates for 2015. However, faced with the obligation of payment in 2016 of public sector arrears of **\$5.0 billion**, we adjusted expenditure downwards by **\$3.7 billion**, bringing total expenditure for 2016 to **\$63.0 billion**, inclusive of the **\$5.0 billion** in arrears. This notwithstanding, the estimated current revenue in 2016 has contracted sharply to **\$41.6 billion** based on current oil and gas price estimates, or **\$18.7 billion** less than the original estimate of revenue in the 2015 Budget.

In these circumstances with a pre-adjustment deficit of **\$21.4 billion** or **13.0 percent** of GDP it was incumbent on this Administration to initiate the process for re-establishing fiscal discipline.

Madam Speaker, we propose in **March 2016** to review the budgetary measures, as part of the normal Mid-Year Review, to ensure that we have put in place a comprehensive regime for restoring long-term fiscal discipline. In the interim, to ensure that the appropriate fiscal stimulus is maintained, the Government proposes to undertake the necessary adjustments to achieve at minimum a fiscal balance by fiscal year 2018. In so doing, we have sought to balance the burden of adjustment across all sectors, in order to close the **\$21.4 billion** gap between current revenue and expenditure in 2016.

Madam Speaker, in the coming fiscal year we plan to generate a deficit of **\$2.8 billion** or **1.7 percent** of GDP, significantly lower than the budgeted deficit for the last five years. To bring our accounts into balance, we will mobilise additional revenue equivalent to **\$18.6 billion** or **11.4 percent** of GDP.

Madam Speaker, to achieve this we will:

- initiate a reform of the Value Added Tax system;
- enhance tax collection and compliance;
- commence the process for reforming the fuel subsidy;
- increase the Business Levy;
- increase the Green Fund Levy;
- phase in a Property Tax regime; and
- introduce a tax regime for the gaming industry.

Madam Speaker, these taxation measures are estimated to yield an additional **\$5.2 billion** and reduce expenditure by **\$340.0 million** by commencing the process for reforming the fuel subsidy. They will be supplemented by a *sale of assets programme* and the receipt of extra-ordinary dividends projected to yield a further **\$13.4 billion**, including:

- partial repayment by CLICO relating to the Government's financial support;
- proceeds from the Initial Public Offer of Trinidad and Tobago NGL Limited;
- capital repayment from Trinidad Generation Unlimited; and
- dividends from the National Gas Company

Madam Speaker, these revenue mobilisation measures will be supported by a prudent and realistic oil price assumption of **US\$45.00** per barrel and a mix of gas prices properly properly to reflect our markets, including Henry Hub of **US\$2.75** per mmBtu and Indonesia of **US\$8.00** per mmBtu.

It should be noted that the Government is utilising an oil price assumption of **US\$45** per barrel for **2016** for West Texas Intermediate (WTI), which is our reference crude, in the context of recent projections by the International Monetary Fund (IMF) and the Energy Information Administration (EIA) of the USA of annual prices of oil per barrel for 2016 between **US\$50.40** and **US\$53.57** per barrel respectively.

We have thus factored in what we consider to be a reasonable cushion of US\$5.00 to US\$8.00 per barrel, to cover us in the event of another oil price shock.

Madam Speaker, based on those assumptions, we are projecting:

- Total revenue : \$60.287 billion
- Oil revenue : \$5.449 billion
- Non-oil revenue : \$54.838 billion
- Total expenditure net of capital repayments and sinking fund contributions : \$63.048 billion

Madam Speaker, we are balancing the need to ensure that the economy has sufficient stimulus for revival with the need for restoring discipline in the medium-term fiscal framework. This is a challenge in the context of the relatively low oil and gas prices as well as the current stagnation in our economic growth.

I propose to set in motion the achievement of a sustainable fiscal balance. I will commence this process in **fiscal year 2016** with a moderate budget deficit equivalent of **1.7 percent** of GDP and continue the fiscal consolidation process to achieve a broadly balanced budget by fiscal year 2018. It is noteworthy that in the last fiscal year, the revised deficit was **\$7.0 billion** or **4.2 percent** of GDP.

Consistent with our policies, I have made appropriate allocations to the various sectors which are now not fully comparable to the allocations in fiscal 2015 in the light of the realignment of Ministerial portfolios:

- National Security : \$0.810 billion
- Education and Training : \$9.763 billion
- Health : \$6.088 billion
- Public Utilities : \$4.452 billion
- Local Government : \$2.272 billion
- Works and Infrastructure : \$1.915 billion
- Housing : \$1.663 billion
- Transport : \$1.563 billion
- Agriculture : \$0.831 billion

FISCAL AND OTHER MEASURES

Madam Speaker, I shall now present the budget proposals for fiscal year 2016.

PERSONAL DEDUCTIONS FROM ANNUAL EMOLUMENT INCOME

Madam Speaker, consistent with our 2015 Election Manifesto Promise, I propose to provide relief to working families by increasing the personal income tax exemption limit from **\$60,000** to **\$72,000**. All taxpayers earning \$6,000 a month or less will now be exempt from tax and will not be required to file tax returns. This will put additional income into the pockets of these individuals by reducing personal tax revenue by **\$250.0 million**. This measure will take effect on **January 1, 2016**.

BUSINESS FUND LEVY

Madam Speaker, in order to spread the burden of adjustment across the society, I propose to increase the Business Levy from **0.2 percent** per quarter to **0.6 percent** per quarter. This measure will increase revenue by **\$327.5 million** and will take effect from **January 1, 2016**.

GREEN FUND LEVY

Madam Speaker, for similar reasons, I propose to increase the rate of contribution to the Green Fund from **0.1 percent** per quarter to **0.3 percent** per quarter. This measure will increase revenue by **\$544.5 million** and will take effect on **January 1, 2016**.

VALUE ADDED TAXES

Madam Speaker, the base and efficiency of the Value Added Tax regime have been consistently eroded since its establishment in **1990**. I propose to improve efficiency in collection and to broaden the base by reviewing and adjusting exemptions and zero-rated items which are associated with non-essential or luxury items, and which are not critically important to the livelihoods and basic cost of living of our citizens. And consistent with our 2015 Election Manifesto Promise, I propose to reduce the Value Added Tax rate from **15.0 percent** to **12.5 percent**. The combination of widening the base, increasing collection and compliance, and reducing the rate is expected to yield approximately **\$4.0 billion**. Further, for better administrative efficiency, I also propose to increase the threshold for Value Added Tax registration from **\$360,000** to **\$500,000**. These measures will take effect on January 1, 2016.

THE TRINIDAD AND TOBAGO REVENUE AUTHORITY

Madam Speaker, revenue authorities have been proven to be extremely efficient in the collection of public revenue; but it was unfortunate in **2010** when the then Administration had decided to put an end to the *Trinidad and Tobago Revenue Authority* although technical and administrative work was at an advanced stage of finalisation. We will restart the process for re-establishing the platform for a Revenue Authority in the country. It is expected that the Authority will be in place by the end of the new fiscal year. Coincidentally, the pre-budget bulletin issued by the local office of one of the leading international accounting firms has identified the

improvement in tax administration as having the potential to yield additional revenue in excess of **\$5.0 billion**.

▪ **PROPERTY TAX**

Madam Speaker, we remain convinced that property tax is a modern and fair tax which is generally paid in all advanced, emerging and developing countries. The pre-budget bulletin issued by the local office of one of the leading international accounting firms points to two studies undertaken by the OECD in 2008 and 2010 which concluded that recurrent property tax had *"the least harmful effect on the economy...and was the least distortive tax of all taxes including consumption taxes, personal income tax and corporation tax."*

We will take steps to amend certain legislative provisions, including the determination of rates, and implement the existing **Property Tax Act 2009** with a view to having a fair and equitable property tax regime in place by **January 1, 2016**, using the old levels and old rates as a starting point. To ensure that no-one in need is adversely affected, there will be special provisions to ensure that the elderly and indigent with low fixed incomes are not disadvantaged, wherever they may reside.

▪ **TRANSFER PRICING**

Madam Speaker, we intend to secure our revenue base. A significant leakage in our revenue stream is our inability to capture the full potential of the tax liability of foreign branches of multinational corporations operating in Trinidad and Tobago.

A majority of the volume and value of global trade in goods and services is transacted through branches and subsidiaries of multinational corporations. Intra-group trade poses significant challenges to taxing authorities as the multinational corporations seek to minimise their global tax liabilities.

Transfer pricing rules with the application of the principle of *arms-length transactions* represent modern, fair and transparent practices utilised by taxing authorities. These rules will determine

the tax liabilities of branches and subsidiaries of multinational corporations thereby constraining multinational corporations to utilise tax mitigating structures, including moving transactions to lower tax jurisdictions with lower tax rates.

Almost one hundred advanced, emerging and developing countries have adopted transfer pricing rules based on a model pioneered by the Organisation of Economic Cooperation and Development (OECD). We are advancing work on the introduction of transfer pricing legislation which will represent another mechanism in our thrust to optimise our tax revenue.

▪ **GAMING**

Madam Speaker, the Government does not receive its fair share of taxes from the gaming sector, despite the size of the industry, the number of people employed, and the amount of revenue generated.

I propose to fast-track the passage of the Gambling (Gaming and Betting) Control Bill 2015, with appropriate amendments arising from consultation with all stakeholders. These consultations will include the people involved in the industry, the law enforcement agencies, faith-based organisations and other non-governmental organisations who deal with gambling addictions and other negative issues associated with gambling. Following these consultations, we will put in place in 2016 a suitable regulatory system with appropriate controls to address chronic gamblers and other negative issues which affect families and the society at large.

▪ **HOME AND BUSINESS SECURITY**

Madam Speaker, we believe that every citizen and every business should be encouraged to take an active part in enhancing their own security. Unfortunately, the existing incentives for CCTV and alarm systems have proven to be highly ineffective with many technical loopholes. I propose to revise immediately the existing technical specifications for these systems to make them practical and workable,

so that we can implement an appropriate suite of incentives and concessions to encourage actively citizens to install suitable CCTV and alarm systems in their homes and businesses in **2016**.

· FUEL SUBSIDY

Madam Speaker, the fuel subsidy represented a public policy agenda which passes through only partially the price of petroleum products to the national economy. This arrangement has raised a number of economic concerns. It has distorted relative prices, fostered over-consumption and in turn reduced oil exports. It has also spawned smuggling and black-market activities, and expanded a source of pollutants with climate change implications. Very importantly, the subsidies benefit the higher income groups and it is felt that the money spent on fuel subsidies will be better targeted towards specific measures aimed at helping the poor and the indigent.

The annual subsidy payments have been placing consistent and adverse pressures on the fiscal accounts of the country. In the four year period **2011-2015** the fuel subsidy amounted to a total charge on the public purse of **\$19.0 billion** of taxpayers' money.

In consultation with all affected stakeholders we are reforming the fuel subsidy regime. We will to embark on a national dialogue on this issue in the near future.

Madam Speaker, at the present time, even with very low oil prices, the price of super gasoline at the pump in Trinidad and Tobago is currently subsidised by almost **100 percent**. Further, the price of diesel is subsidised by over **200 percent**. In order to initiate the process for a national dialogue on fuel prices, therefore, and to reduce the multi-billion dollar fuel subsidy, I propose to increase the price of super gasoline by **15 percent** from **\$2.70 per litre** to **\$3.11 per litre** and similarly, to increase the price of diesel by approximately **15 percent** from **\$1.50 per litre to \$1.72 per litre**. These new prices will take effect immediately and reduce the annual

fuel subsidy by **\$340.0 million**. Even with these increased fuel prices, the fuel subsidy in **2016** is still expected to exceed **\$1.0 billion**.

· NIS AND OLD AGE PENSIONS

Madam Speaker, our present public sector pension system is outdated. Before demitting office in 2010, the previous PNM Administration had made considerable progress, with the assistance of international consultants, in developing a new system of pensions for public servants which took into account the effects of inflation. However, this project was abandoned by the previous Administration.

We will revisit this matter as a priority and with the assistance of all stakeholders including the Trade Union Movement and the financial community, we will develop a fair, equitable, modern and sustainable pension system for the public sector. Retirees will no longer have to live on meagre pensions.

Madam Speaker, in the interim I propose to strengthen and extend the viability of the national insurance system to **2036**. If this is not done immediately, the National Insurance System will be unable to pay future pensions as was determined by the 9th Actuarial Review of the National Insurance Fund. This Review was completed some time ago, but was not laid in this Honourable House.

In keeping with our statutory obligation, we will lay in the shortest possible time this Review in this Honourable House, so that all concerned can appreciate and understand the current situation with respect to the sustainability of our National Insurance System. Consistent with the 9th Actuarial Review, I will introduce legislation to increase all earnings class limits by **13.5 percent** with the maximum insurable earnings class limit increasing from **\$12,000 to \$13,600**. The contribution rates will also be increased from **12.0 percent to 13.2 percent**. These adjustments will take effect on **July 4, 2016**.

In addition, consistent with our 2015 Election Manifesto promise, I propose to increase the cap on joint incomes received by retirees in respect of National Insurance and Old Age pensions. The new cap will now be **\$5,000**, or an additional **\$500.00** per month, which will cost **\$160.0 million** and will put more money in the pockets of **88,000** senior citizens. This measure will take effect on **December 1, 2015**.

• RETIREES' PROGRAMME

Madam Speaker, consistent with our 2015 Election Manifesto promise, we will initiate the process for the creation of a Retirees' Benefits Programme that will in the first instance provide free drivers' permits and passports for retirees over the age of **60**. This measure will take effect on **January 1, 2016**.

Additionally, later in **2016**, we will introduce a system of discounts on utility bills for other categories of retirees, among other things.

• PUBLIC SERVICES

Madam Speaker, we are improving and facilitating the delivery of public services, commencing with the reintroduction of a 10-year validity period for passports, for adults over the age of 18, as well as removing the requirement for our citizens to complete immigration forms at all official ports of entry. This measure will take effect on **January 1, 2016**.

• ON THE JOB TRAINING PROGRAMME

Madam Speaker, we are ensuring that our young people entering the job market are appropriately compensated. To assist our youth, I propose to increase by **20 percent** the stipends now paid under the On the Job Training (OJT) Programme. This measure will cost an additional **\$62.0 million** and will take effect on **December 1, 2015**.

• GRADUATE RECRUITMENT PROGRAMME

Madam Speaker, in view of the fact that we have so many unemployed and/or underemployed university graduates in our country today, we are introducing a Graduate Recruitment Programme in 2016 in all twenty three Ministries and Tobago. In the first instance, I propose to provide **\$55.0 million** for the employment of at least twenty such university graduates in each Ministry and a suitable amount in Tobago, or a total of 500 graduates. The programme will be designed to utilize the core competencies of these graduates in their various areas of study.

• INFRASTRUCTURE: INCENTIVES

Madam Speaker, the present tax incentive framework for the construction of facilities necessary for national development such as affordable housing, recreational, sporting and community facilities and multi-storey car parks has proven to be largely ineffective. We need to motivate the private sector to invest in the construction of public facilities, in particular car parks in urban areas, in order to generate employment and economic activity and to provide much needed public amenities. After consultation with all of the major stakeholders and in particular the construction industry, I propose to introduce a comprehensive and workable tax incentive framework for such facilities at the time of the mid-year review of the **fiscal year 2016** Budget.

• AGRICULTURE: INCENTIVES

Madam Speaker, consistent with our 2015 Election Manifesto promise, in pursuit of our objective for achieving food security, we will exempt from **all** duties and taxes, inputs into the agricultural sector, including approved chemicals, pest control, approved vehicles, approved fishing vessels and equipment. These measures will take effect from **January 1, 2016**.

▪ **JUDICIAL SERVICES**

Madam Speaker, in consultation with the Judiciary, we intend to assist the Judicial system, initially by providing for the introduction in **2016** of a video conferencing system at the Remand Yard as well as by implementing a pilot project in **2016** under which lay magistrates will address minor offences, such as minor traffic offences, thus reducing the burden on the magistrates' court.

Most importantly, consistent with our 2015 Election Manifesto promise, to improve the efficiency of the administration of justice, we intend to give the Judiciary the financial autonomy that it has asked for, for so many years, coupled with the ability to manage its own resources, projects and programmes, including the responsibility for procurement and construction of judicial facilities.

To achieve this, we intend to engage in detailed consultation with the Judiciary early in **2016**, to achieve consensus on practical and workable mechanisms to facilitate this paradigm shift by the end of 2016.

▪ **PUBLIC-PRIVATE PARTNERSHIPS**

Madam Speaker, public-private partnerships will facilitate the roll out of infrastructure. I have made a provision of **\$20.0 million** to support the growth and development of the technical and operational aspects of PPP arrangements.

▪ **TRADE UNIONS**

Madam Speaker, Government will allocate **\$15.0 million** in 2016 to assist the Labour Movement in building capacity and for providing technical and training support. This assistance will be divided between the Joint Trade Union Movement and the National Trade Union Centre.

CONCLUSION

Madam Speaker, this **2016** Budget represents a radical change in the way our national budgets are presented. In previous years, the fiscal measures, the process of formulating the Budget and its underlying assumptions, such as the basis for the estimated price of oil, were shrouded in secrecy.

The language of the Budget Statements was couched in a way that made it difficult for the ordinary man to understand. The estimates of revenue and expenditure were presented without proper explanation. The true state of the economy, the extent of borrowings, the real deficit between current revenue and expenditure, our actual cash balances, the extent of the overdraft at the Central Bank, and the fact that we were spending as a country far more than we earned, were kept hidden from the population.

In this Budget, we have put an end to that ill-advised approach. We have laid bare the true state of the country's finances and we have taken the population

into our confidence. We firmly believe that in order to pull ourselves out of the difficulties which the previous Administration has put this country in through corruption and rampant squandermania, we require the collective efforts of **all** citizens.

In particular, I call on the **private sector** and the **labour movement** to work with the Government to find innovative solutions to our current financial situation and we will welcome all and any suggestions and recommendations to revive our economy and put us on a sustainable growth path.

As a Government, in the spirit of restoring confidence and rebuilding trust, we pledge to continue to consult with the population at large, civil society and sectoral interest groups, on all matters of national interest, as we move forward.

As we said in our recent election campaign, ***Let's Do This Together.***

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

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Eric Williams Finance Building
Independence Square
Port of Spain

Tel: (868) 627-9700 ext. 2801-9
www.finance.gov.tt

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