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# Role of Strong, Transparent and Accountable Institutions in the Competitiveness of Small Open Hydrocarbon Economies

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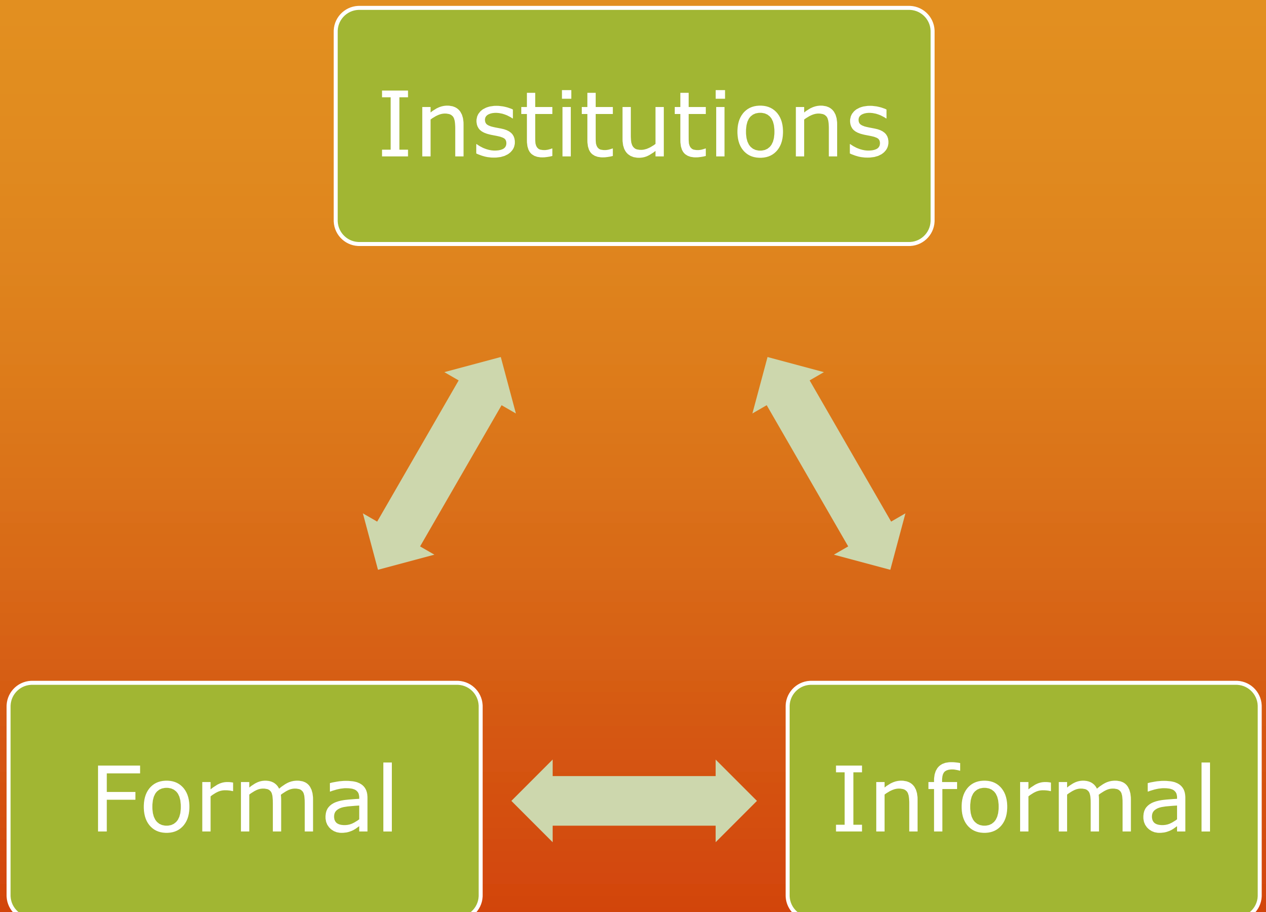
# Overview

- **What are Institutions?**
- **What is Competitiveness?**
- **Role of Institutions in Competitiveness**
- **Assessment of Institutional performance in T&T**
- **Recommendations**

Strong, Stable, Transparent and (Accountable) institutions are a necessary feature of the enabling environment within which firms develop competitiveness and nation states develop competitive advantage towards sustained growth and development

(Maskell, Krugman, Kuran, Hämäläin, Porter)

# What are Institutions?



# Formal Institutions

Legal, regulatory and administrative frameworks within which production and trade occur

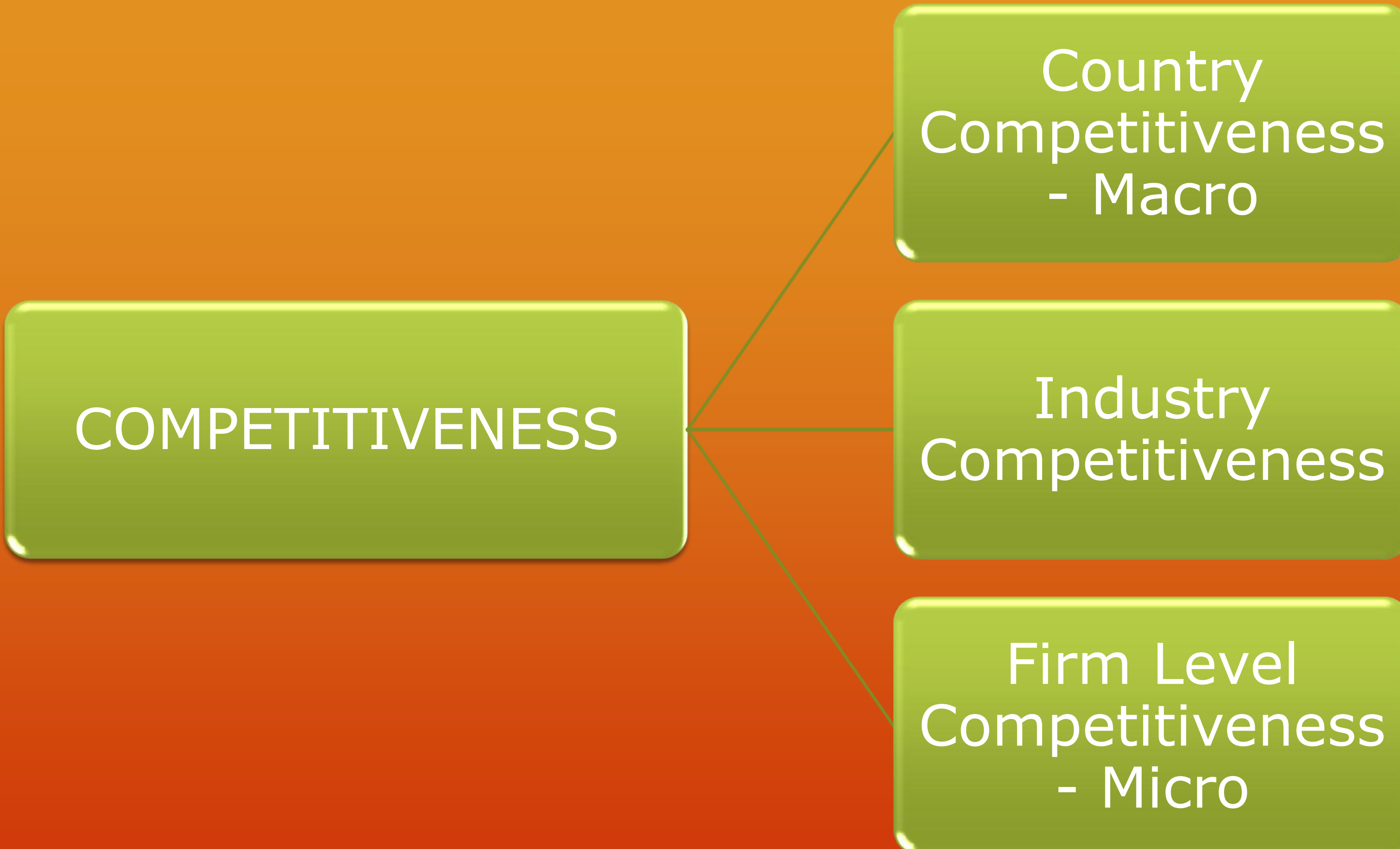
- public/private
- support growth of productive sectors
- support social goods/service delivery

# Informal Institutions

Moral conventions and norms of behaviour based on culture, ethnicity and history

"Asian advantage"

# What is Competitiveness?


COMPETITIVENESS
Country Competitiveness - Macro
Industry Competitiveness
Firm Level Competitiveness - Micro

# Country Competitiveness

When the policy, institutional and regulatory environment facilitate the production of internationally competitive goods and services with increasing real incomes on a sustained basis

(GCI; Porter 1990; Scott 1985; President's Commission on Industrial Competitiveness 1985;Starr and Ullmann 1988; Fagerberg 1988; The OECD Programme on Technology and the Economy 1992; Waheeduzzaman 1996; Agrawal 1999; Ezeala-Harrison 1999; The European Competitiveness Report 2000; Garelli 2002; Ali 1992; Chikán 2008)

# Industry Competitiveness

geographically concentrated groups of interconnected companies, universities and related institutions that generate competitive advantage for long term sustainability

Porter 1990

# Firm Level Competitiveness

Satisfying
consumer expectations
at a
profit
on a
sustained basis

# GENERAL ROLE OF INSTITUTIONS IN COMPETITIVENESS

Lowers transaction costs and risks of doing business
(Ortmann, 2000)

Incentivises productive efficiency, income and economic growth and minimises adverse effects of shocks
(The World Bank, 2005)

Encourages technological change and human capital development

# Role of Institutions in Small Open Oil Economies

**To transparently/efficiently manage oil revenues**

(UNDP, 2009)

**To Circumvent Dutch Disease Phenomena**

(upward pressure on exchange rate, imports cheaper than locally produced goods, fall in domestic production, employment, competitiveness, growth)

**To constrain "Patronage"**

(temptation by politicians to misappropriate income from energy for political gain rather than economic development) (Robinson et al)

# Role of Institutions in Small Open Oil Economies

**To manage the "Paradoxy of Plenty"**

(conspicuous spending parallel with rising poverty, inequality, corruption and conflicts)

(Nigeria-> $300 billion oil revenue (25 yrs), av. per capita income < $1 a day, social indicators lower than in sub-Saharan Africa)

**To foster balanced growth patterns**

- Prepare economy for future resource depletion
- Diversify the economy's non-energy sectors to reduce vulnerability to price fluctuations/strenthen resilience against external shocks) (Farrugia, 2007; Gomez 2004)
- Productive investments in physical and human capital

# The Trinidad and Tobago Experience

# Institutions and Competitiveness

Is it a Numbers Game?

Is it a Financing Game?

# Sector Institutions & Boards T & T

## ENERGY

- NP
- PETROTRIN
- NQC
- Lake Asphalt
- NGC
- NEC
- PPGPL
- NESC
- PLIPDECO

## EDUCATION, SCIENCE, TECH

- UWI
- ACTT
- NTA
- YTEPP
- NIHERST
- UTT
- NALIS
- TTHTI
- COSTATT
- CLC
- MIC
- SATD
- CLE
- GATE
- NESC
- NALIS
- NTA
- SATD

## AGRICULTURE, FOOD PRODUCTION

- TTABA
- ASTT
- IICA
- CARDI
- CCBTT
- NAMDEVCO
- ADB
- NFM
- SIDC

## TRADE & INDUSTRY

- CARIRI
- TTBS
- NEDCO
- BDC
- EXIM
- TTFC
- TTEnt
- eTecK
- CLCL
- B2B
- GTT
- ITT
- TTBS

## TOURISM

- TDC
- THADT

Source: Ministry of Finance, Investments Division Company Listing 12-Apr-11

# Sector Institutions & Boards T & T

## FINANCE

- CBTT
- IRD
- NIB
- EXB
- OAG

## ENVIRONMENT

- ECTT
- EMA

## LEGAL

- ICourtTT
- IntegrityCTT
- IPO
- JRTT
- RIC

## CROSS CUTTING

- UDeCOTT
- EMBD
- NEDCO
- GHRS
- FCB
- RIC
- GISL
- VMCOTT
- MTS
- RDC
- DFL
- VCIP
- CDA
- THA
- NIDCO
- NIPDEC
- TATT
- THA
- VCIP

Source: Ministry of Finance, Investments Division Company Listing 12-Apr-11

# T & T State Enterprises Investment Programme 2012

| Sector | Institutions (No.) | Estimated Expenditure[1] (TT$) | | |
|---|---|---|---|---|
| | | 2010 | 2011 | 2012 |
| ENERGY | 10 | **983,890,270** | **1,188,321,034** | **1,520,005,400** |
| EDUCATION, SCIENCE, TECHNOLOGY | 18 | **440,958,385** | **502,357,045** | **4,546,668,798** |
| AGRICULTURE, FOOD PROD'N | 9 | **103,675,360** | **176,488,880** | **205,562,585** |
| TRADE & INDUSTRY | 13 | **46,911,834** | **68,885,250** | **75,750,000** |
| TOURISM | 2 | **20,090,935** | **19,548,573** | **25,298,600** |

Source: Ministry of Finance Government T&T

132 State Enterprises and Boards

[1] Current Transfers to Statutory Bodies & Similar Bodies; Development Programme

# The Result?

# DEPENDENCE ON ENERGY SECTORS

| | | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|
| GDP | T&T | 45.0 | 50.8 | 37.1 | 43.9 | 45.3 |
| | Qatar | 56.5 | 54.9 | 44.8 | 51.7 | 57.7 |
| | Oman | 44.3 | 50.6 | 40.6 | 46.4 | |
| | Mexico | 7.8 | 8.6 | 7.3 | 7.4 | |
| Exports | T&T | 87.0 | 88.2 | 85.4 | 82.8 | 82.3 |
| | Qatar | 89.7 | 98.4 | 88.8 | 90.1 | |
| | Oman | 75.8 | 76.0 | 65.34 | 68.9 | |
| | Mexico | 15.8 | 17.4 | 13.5 | 14.0 | |
| Gov't Revenue | T&T | 55.5 | 57.1 | 49.5 | 51.8 | 57.5 |
| | Qatar | 64.6 | 60.0 | 56.7 | 49.0 | 62.1 |
| | Oman | 75.8 | 78.6 | 77.4 | 80.8 | |
| | Mexico | 35.4 | 36.8 | 31.0 | 32.9 | |

Source: Central Banks of T&T, Oman, Qatar, Mexico

# DIVERSIFICATION WITHIN THE ENERGY SECTOR

| | Petroleum | Natural Gas | Ammonia | Methanol | Urea | Ammonium Nitrate | Nitric Acid | Melamine |
|---|---|---|---|---|---|---|---|---|
| Trinidad and Tobago | X | X | X | X | X | X | X | X |
| Qatar | X | X | X | X | X | X | | X |
| Oman | X | X | X | X | | X | X | X |
| Mexico | X | X | X | | X | X | X | |

# CONTRIBUTION TO GDP DIVERSIFICATION AMONGST SELECTED PRODUCTIVE SECTORS (2007-2010)

| | Hydrocarbons (% of GDP) | Manufacturing (% of GDP) | Tourism (% of GDP) | Agriculture (% of GDP) |
|---|---|---|---|---|
| T&T | 44.42 | 9.6 | 4.0 | 0.6 |
| Qatar | 53.12 | 10.84 | 0.74 | 0.1 |
| Oman | 45.5 | 10.43 | 3.24 | 0.7* |
| Mexico | 7.8 | 17.3 | 6.28 | 4.0 |

Source: Central Banks of T&T, Oman, Qatar, Mexico

* Most recent data point: 2007

# Institutions of Non-Energy Diversification (New Growth Sectors)

- Ministry of Planning and development
- Ministry of Finance
- Ministry of Trade
- Ministry of Agriculture
- Ministry of Tourism
- Ministry of Multiculturalism
- Ministry of Sports
- Ministry of Science and Technology
- Economic development Board
- Competitiveness and Innovation Council
- eTeck
- Invest TT
- International Financial Centre
- Special Purpose Companies

# Human Capital Development

# Education/Human Capital Development

| UWI | 2001 | 2008 | 2009 | 2010 | % Δ |
|---|---|---|---|---|---|
| *UNDERGRADUATE* | | 2588 | 2823 | 2710 | |
| *HIGHER DEGREE* | | 765 | 863 | 848 | |
| TOTAL | 1286 | 3353 | 3686 | 3558 | 63.9 |

# *UNDERGRADUATE/CERTIFICATES/DIPLOMAS*

| DISCIPLINE | '08 | '09 | '10 |
|---|---|---|---|
| AGRICULTURE | 159 | 219 | 203 |
| SCIENCE | 315 | 414 | 341 |
| ENGINEERING | 373 | 355 | 358 |
| HUMANITIES | 358 | 375 | 333 |
| EDUCATION | 162 | 141 | 174 |
| MEDICAL SCIENCES | 352 | 431 | 373 |
| SOCIAL SCIENCES | 869 | 888 | 928 |
| **SUB-TOTAL** | **2588** | **2823** | **2710** |

# *HIGHER DEGREE /ADVANCED DIPLOMAS*

| DISCIPLINE | 2008 | 2009 | 2010 |
|---|---|---|---|
| AGRICULTURE | 7 | 7 | 24 |
| SCIENCE | 18 | 24 | 27 |
| ENGINEERING | 122 | 133 | 172 |
| HUMANITIES | 28 | 19 | 18 |
| EDUCATION | 243 | 172 | 197 |
| LAW | 0 | 0 | 0 |
| MEDICAL SCIENCES | 24 | 60 | 34 |
| SOCIAL SCIENCES | 323 | 446 | 373 |
| GENDER & DEV'T STUDIES | 0 | 2 | 3 |
| **SUB-TOTAL** | **765** | **863** | **848** |

# Institutional Competitiveness in Trinidad and Tobago

- Global Competitiveness Index
- World Bank doing Business Report

# GCI INSTITUTIONAL SUB-PILLARS (2011)

| | |
|---|---|
| PROPERTY RIGHTS (83) | TRANSPARENCY OF GOV POLICYMAKING (94) |
| INTELL. PROPERTY PROTECTION (67) | BUSINESS COSTS OF TERRORISM (91) |
| DIVERSION OF PUBLIC FUNDS (85) | BUS COSTS CRIME/VIOLENCE (135) |
| PUBLIC TRUST OF POLITICIANS (98) | ORGANIZED CRIME (117) |
| IRREGULAR PAYMENTS AND BRIBES (77) | RELIABILITY OF POLICE SERVICES (119) |
| JUDICIAL INDEPENDENCE (47) | ETHICAL BEHAVIOR OF FIRMS (72) |
| FAVORITISM IN DECISIONS OF GOV. OFFICIALS (103) | STRENGTH OF AUDITING & REPORTING STDS (58) |
| WASTEFULNESS OF GOV SPENDING (70) | EFFICACY OF CORPORATE BOARDS (90) |
| BURDEN OF GOV REGULATION (56) | PROTECTION OF MIN SHAREHOLDERS’ INT (107) |
| EFFI. OF LEGAL FR IN SETTLING DISPUTES (71) | STRENGTH OF INVESTOR PROTECTION (20) |
| EFFICIENCY OF LEGAL FRAMEWORK IN CHALLENGING REGS. (75) | |

# Global Competitiveness Index Institutional Ranking

| | T & T | | | | B'DOS | Best |
|---|---|---|---|---|---|---|
| | '08 [1] | '09 [2] | '10 [3] | '11 [4] | '08 -'11 | '11 |
| **Institutions** | **104** | **80** | **68** | **82** | **20-18** | **Singapore** |
| **Property Rights** | **68** | **62** | **75** | **83** | **24-17** | **Finland** |
| **Intellectual P Protection** | **85** | **80** | **73** | **67** | **31-24** | **Finland** |
| **Public trust politicians** | **116** | **100** | **103** | **98** | **18-16** | **Singapore** |

[1] 2008 (134) [2] 2009 (133) [3] 2010 (139) [4] 2011 (142)

Source: World Economic Forum: Global Competitiveness Report

# Global Competitiveness Index
# Institutional Ranking

| | T & T | | | | B'DOS | Best |
|---|---|---|---|---|---|---|
| | '08 [1] | '09 [2] | '10 [3] | '11 [4] | '08 -'11 | '11 |
| **Irreg. payments and bribes** | **n/a** | **n/a** | **65** | **77** | **29 ('11)** | **New Zealand** |
| **Favouritism gov officials** | **120** | **107** | **77** | **103** | **29-34** | **Sweden** |
| **Wasteful gov spend** | **121** | **89** | **75** | **70** | **24-19** | **Singapore** |
| **Burden gov regulation** | **88** | **56** | **51** | **56** | **29-6** | **Singapore** |

[1] 2008 (134) [2] 2009 (133) [3] 2010 (139) [4] 2011 (142)

Source: World Economic Forum: Global Competitiveness Report

# Global Competitiveness Index Institutional Ranking

| | T & T | | | | B'DOS | Best |
|---|---|---|---|---|---|---|
| | '08 [1] | '09 [2] | '10 [3] | '11 [4] | '08 -'11 | '11 |
| **Transparency gov policy** | **62** | **66** | **81** | **94** | **10-12** | **Singapore** |
| **Busi costs Crime/Vi'lenc** | **130** | **128** | **131** | **135** | **68-57** | **Syria** |
| **Reliability of police serv** | **125** | **117** | **107** | **119** | **21-15** | **Finland** |
| **Protection minority share interest** | **83** | **76** | **76** | **107** | **51-34** | **Sweden** |

[1] 2008 (134) [2] 2009 (133) [3] 2010 (139) [4] 2011 (142)

Source: World Economic Forum: Global Competitiveness Report

# Starting a Business

| Countries | Procedures (number) | Time (days) | Institutions Involved |
|---|---|---|---|
| **T & T** | 9 | 43 | 5 |
| **Jamaica** | 6 | 7 | 5 |
| **Barbados** [1] | 4 | 5 | 3 |
| **Comparator Countries** | | | |
| **Mauritius** | 5 | 6 | 2 |
| **Singapore** | 3 | 3 | 2 |

Source:

World Bank/International Finance Corporation, Doing Business: Measuring Business Regulations 2012

[1] How to Open a Business in Barbados. www.ehow.com/how_6749847_open-business-barbados

# RECOMMENDATIONS FOR T & T

- Confront Structural Barriers and Impediments
- Institutional Rationalisation for greater efficiency and results
- Use prudent fiscal measures to target and stimulate productive investment
- Address issues of Patronage vs. sustainable Economic Development
- Redirect human capital investment to new growth demands
- Define success by measureable movement in diversified productive structure
- Building enabling informal institutions

# Thank You

**Mrs. Indera Sagewan-Alli**
(Executive Director)