Oil and Gas
People and Government: Trinidad and Tobago’s Experience

MINISTRY OF PLANNING AND THE ECONOMY

Presenter: Shakira Mustapha
Introduction

• Trinidad and Tobago is one of the richest and most industrialized countries in the Caribbean with a GDP per capita of roughly **$23,088 in 2010**.

• Between 1999 and 2010, GDP per capita **increased by 76%**.

• *Extraordinary economic performance* is closely tied to the exploitation of its *significant oil and gas* reserves.

• However, Trinidad and Tobago *has not escaped unscathed from the curse* that typically plague resource rich countries.
Introduction

• *Resource-rich countries tend to:*
  - develop more slowly
  - are less diversified
  - greater economic volatility
  - poorer social welfare performance
  - higher levels of poverty and inequality
  - less transparent and more corrupt
Question In a Nutshell

• To what extent has oil and gas rich T&T suffered from the socio-political challenges that typically plague hydrocarbon economies and why?
Outline

1. Comparative Analysis
2. Linking the Social and Political
3. Moving Forward
1. COMPARATIVE ANALYSIS
Comparative Analysis

Aim

• Examine T&T’s performance in several indicators that measure citizens’ well-being as well as quality of institutional strength over the period 1999-2010 and in comparison to two groups of countries to gauge the extent to which social and political risks associated with the resource curse are present in T&T.
Methodology: Country Groups

• **Group 1: Similar degree of economic development, but not oil and/or gas based.**
  - Barbados
  - Chile
  - Costa Rica
  - Mauritius

• **Group 2: Oil and/or Gas Dependent Economies**
  - Ecuador
  - Nigeria
  - Norway
  - Venezuela
Methodology: Social Development Indicators

• Indicators
  i. Mortality rate, under-5
  ii. Life expectancy at birth
  iii. Prevalence of HIV
  iv. Health Expenditure
Mortality Rate, Under-5, Average 1999-2010

Source: WDI
Mortality Rate, Under-5, Average 1999-2010* (Excluding Nigeria)

Source: WDI
Mortality Rate, Under-5, Change 1999-2010 (%)
Life Expectancy At Birth (Years), Average 1999-2010

Source: WDI
Life Expectancy At Birth, 
Change 1999-2010 (%)

Source: WDI
### Prevalence of HIV, Average 1999-2009 (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>1999-2009 (%</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trinidad and Tobago</td>
<td>1.4</td>
<td>WDI</td>
</tr>
<tr>
<td>Barbados</td>
<td>1.0</td>
<td>WDI</td>
</tr>
<tr>
<td>Chile</td>
<td>0.5</td>
<td>WDI</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>0.5</td>
<td>WDI</td>
</tr>
<tr>
<td>Mauritius</td>
<td>0.5</td>
<td>WDI</td>
</tr>
<tr>
<td>Comparator Avg</td>
<td>0.5</td>
<td>WDI</td>
</tr>
<tr>
<td>Ecuador</td>
<td>0.5</td>
<td>WDI</td>
</tr>
<tr>
<td>Nigeria</td>
<td>3.7</td>
<td>WDI</td>
</tr>
<tr>
<td>Norway</td>
<td>0.1</td>
<td>WDI</td>
</tr>
<tr>
<td>Oil and Gas Avg</td>
<td>0.2</td>
<td>WDI</td>
</tr>
</tbody>
</table>

Source: WDI
Prevalence of HIV, Absolute Change 1999-2009

Source: WDI
Health Expenditure Per Capita, PPP
Average 1999-2010

Source: WDI
Health Expenditure Per Capita, PPP
Average 1999-2010* (Excluding Norway)

Source: WDI
Health Expenditure Per Capita, PPP 1999* (Excluding Norway)

Source: WDI
Methodology: Quality of Institutional Strength Indicators

- **Worldwide Governance Indicators**
  i. Voice and Accountability,
  ii. Political stability and Absence of violence,
  iii. Government effectiveness,
  iv. Regulatory quality, and
  v. Control of corruption

- **Global Competitiveness Reports**
  i. Diversion of public funds,
  ii. Favouritism in decisions of government officials
  iii. Transparency of government policymaking
  iv. Wastefulness of government spending
Worldwide Governance Indicators (WGI)
WGI: Government Effectiveness
WGI: Control of Corruption
Global Competitiveness Report (GCR)
Summary of Key Findings

• T&T’s *poorer social outcomes* despite relatively high levels of spending.
• T&T’s institutions generally stronger than those of other oil and gas countries, BUT falls behind comparator countries.
• T&T’s *control of corruption*, and *government effectiveness* have deteriorated drastically.
• Institutional Gap between T&T and Norway is widening.
2. LINKING THE SOCIAL AND POLITICAL
Linking the Social and Political Challenges

• **Major question:**
Why has T&T’s social developmental progress been disappointing given the high levels of expenditure and robust economic growth rates that it has enjoyed for majority of the 1999-2010 period?

• **Two channels** through which *institutional weaknesses* have undermined policy making process in T&T, and thereby impeded its achievement of key social development goals.
Channel 1: The Power Of Scarcity And Poor Planning

• Resource-poor countries, driven by scarcity, tend to engender a more developmental (political) state - one which pursues coherent and prudent economic policies.

• Less tolerant of government’s inefficiencies and ineffectiveness.

• In contrast, in resource-rich countries, “brake of scarcity” is relatively weak (Karl, 2007).

Is this the case for T&T?
Channel 1: The Power Of Scarcity And Poor Planning

• Energy revenues account for a bulk of fiscal revenues (44% over the last 12 years).
• Historically, revenue outlays during previous oil booms led to politically motivated expansion of the public sector into new areas without the necessary capacity being built.
• Over the period 1999-2010, GOTT dramatically increased its spending (See GRAPHS).
Central Gov’t Capital Expenditure, 1999-2010

Source: Central Bank
Central Gov't Expenditure on Transfers & Subsidies, 1999-2010

Source: Central Bank
Channel 1: 
The Power Of Scarcity And Poor Planning

- Lack of a results-based Monitoring and Evaluation (M&E) capacity. Historically, T&T adhered to a traditional implementation-focused management strategy that focused on inputs and outputs rather than outcomes and impacts (MPHE, 2009).
- Ongoing performance monitoring and periodic evaluation studies and report on ‘results’ have been the exception, rather than the norm.
- In the absence of proper measuring, monitoring and critical evaluation of results, however, we are unlikely to correct policy/project weaknesses in a timely and cost effective manner.
Channel 2: Social Capital and Citizen Participation

• “An unusual combination of dependence, passivity, and entitlement marks the political culture of petroleum exporters”. ..With basic needs met by an often generous welfare state, with the absence of taxation,... populations tend to be politically inactive, at least as long as the oil state can deliver.” (Karl, 2007)

Rent seeking → “Honey Pot State” → Citizens Attitudes

Is this the case for T&T?
Channel 2: Social Capital and Citizen Participation

- T&T has a vibrant civil society & long history of consulting with citizens and CS.

**BUT**

1. Organisations have tended to operate in silos.
2. Lack a mechanism for facilitating continuous dialogue, feedback, and consensus building.

**THUS the benefits arising from engaging citizens’ in consultations and utilizing the country’s social capital are unlikely to be fully realized.**
Channel 2: 
Social Capital and Citizen Participation

• GOTT has distributed oil revenues to the population through *generous levels of social spending*.

- More than **120 social programmes** (IDB, 2006).
- Between 1999 and 2010, Central Gov’t Expenditure on *Transfers and Subsidies* increased by *roughly 560%.*
Channel 2: Social Capital and Citizen Participation

**BUT**

1. Several programmes address *proximate causes, NOT underlying causes.*

Eg. Community-Based Environmental Protection and Enhancement Programme (CEPEP)

2. *Adversely affect the attitudes and values* of citizens, especially the poor and vulnerable.
3. MOVING FORWARD
Moving Forward

Scarcity and Poor Planning

• National Performance Framework & National Transformation Unit
• Rationalisation of Social Programmes

Social Capital and Citizen Participation

• Rationalisation of Social Programmes
• Civil Society Board and Economic Development Board
a) National Performance Framework (NPF)

- New approach to assess government’s performance.
- To measure, monitor, and report on progress against the Medium Term Policy Framework (MTPF), 2011-2014 goals and objectives, and to use results based performance information in a strategic way as a normal part of doing business.
- Commits GOTT to higher standards of public accountability, transparency and good governance.
b) Rationalisation of Social Programmes

- *Extensive social protection system*
  
  **BUT duplication of efforts and missed opportunities for economies of scale.**

- Currently reviewing all poverty eradication and social support programmes run by the Government.

- Seeking to increase the effectiveness and efficiency of its cash grants.
c) Civil Society Board and the Economic Development Board

• Several *new institutional arrangements* that will permit *greater and sustained collaboration* amongst social partners in the State’s decision-making process.

- Civil Society Board (CSB)
- Stakeholder Advisory Councils (SAC)
- Economic Development Board (EDB)
Concluding Remarks

- Increased our per-capita income while simultaneously maintaining a sound macroeconomic framework and a long tradition of political stability.
- Less successful in managing public resources and problems efficiently.
- Through better designed social programmes, widespread adoption of M&E and more participatory processes, the Government shall strive to create a more prosperous and equitable Trinidad and Tobago.
REFERENCES


• Government of the Republic of Trinidad and Tobago (GORTT). Budget Statement 2011 “Facing the Issues: Turning the Economy Around”.


• Inter-American Development Bank (IDB). (2011). Trinidad and Tobago to improve its social safety net programs with IDB support. IDB News Release.

REFERENCES