

Creating a Culture of Transparency-Revenue Reporting.

- ▶ The Economics of Resource Economies
- ▶ ...by
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- ▶ *Former Minister in the Ministry of Finance and Minister of Energy and Energy Industries of Trinidad and Tobago.*

Agenda

- Energy or HydrocarbonsRevenue Discussion
- FinanceOur efforts at Accountability and the process that results in our Annual Budgeting .
- The Heritage and stabilization Fund as a tool to aid communication of our diversification efforts.
- Some concluding thoughts .

Introduction

- ▶ How did Trinidad and Tobago with less than 0.5 per cent of the worlds natural gas reserves ,establish itself as a world class gas export hub driving at one time in its history GDP growth of over eight percent per annum.
- ▶ How did this tiny country become the worlds largest exporter of the commodity chemicals methanol and ammonia ?
- ▶ How has the resulting revenue from these investments' affected the social and economic policy of Trinidad and Tobago ?
- ▶ Transparency suggests that we must understand what we are engaged in and what is required to continue to grow and develop the sector?

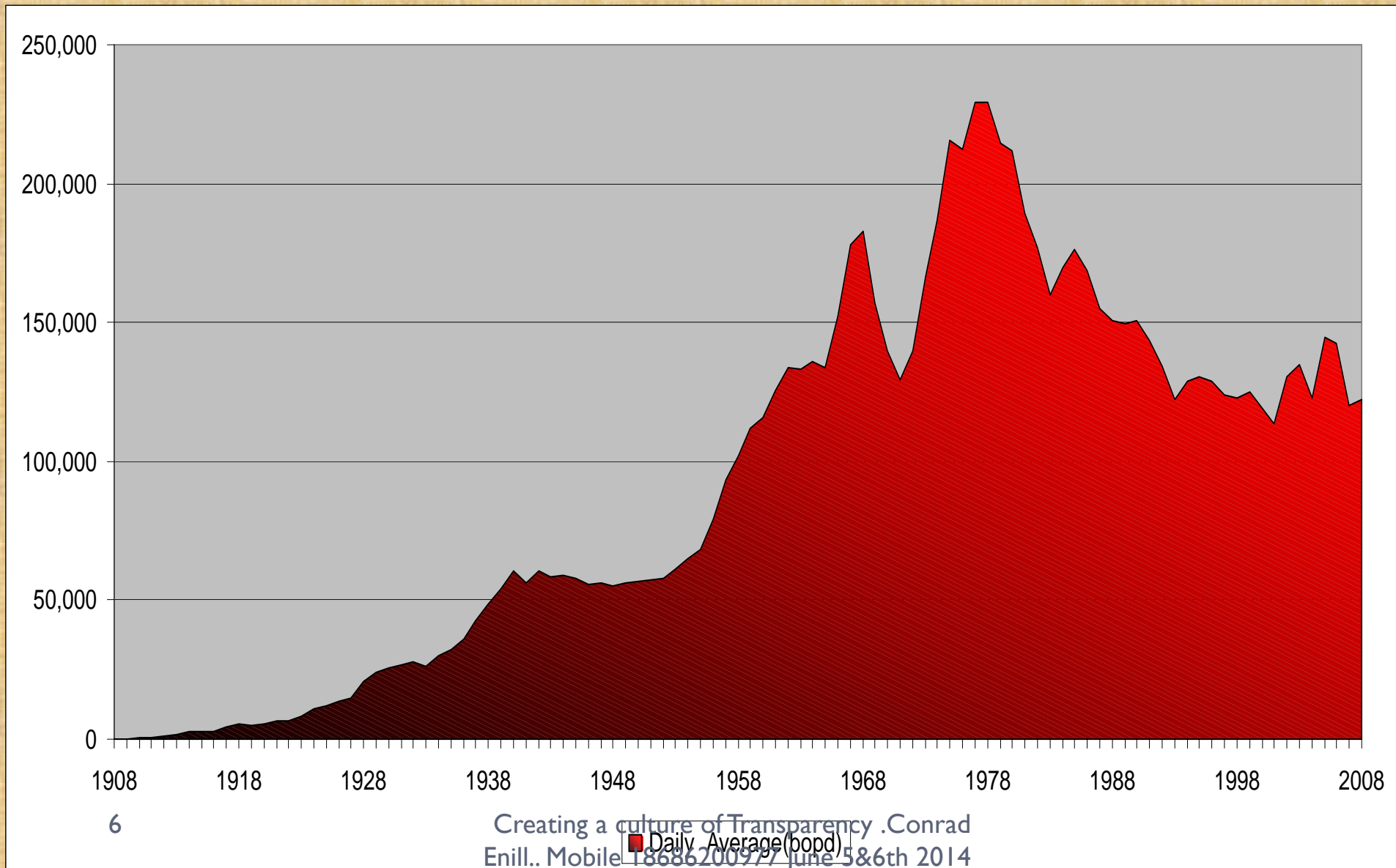
A resource based economy

- ▶ A resource-based economy is the economy of a country whose gross national product or gross domestic product to a large extent comes from natural resources.

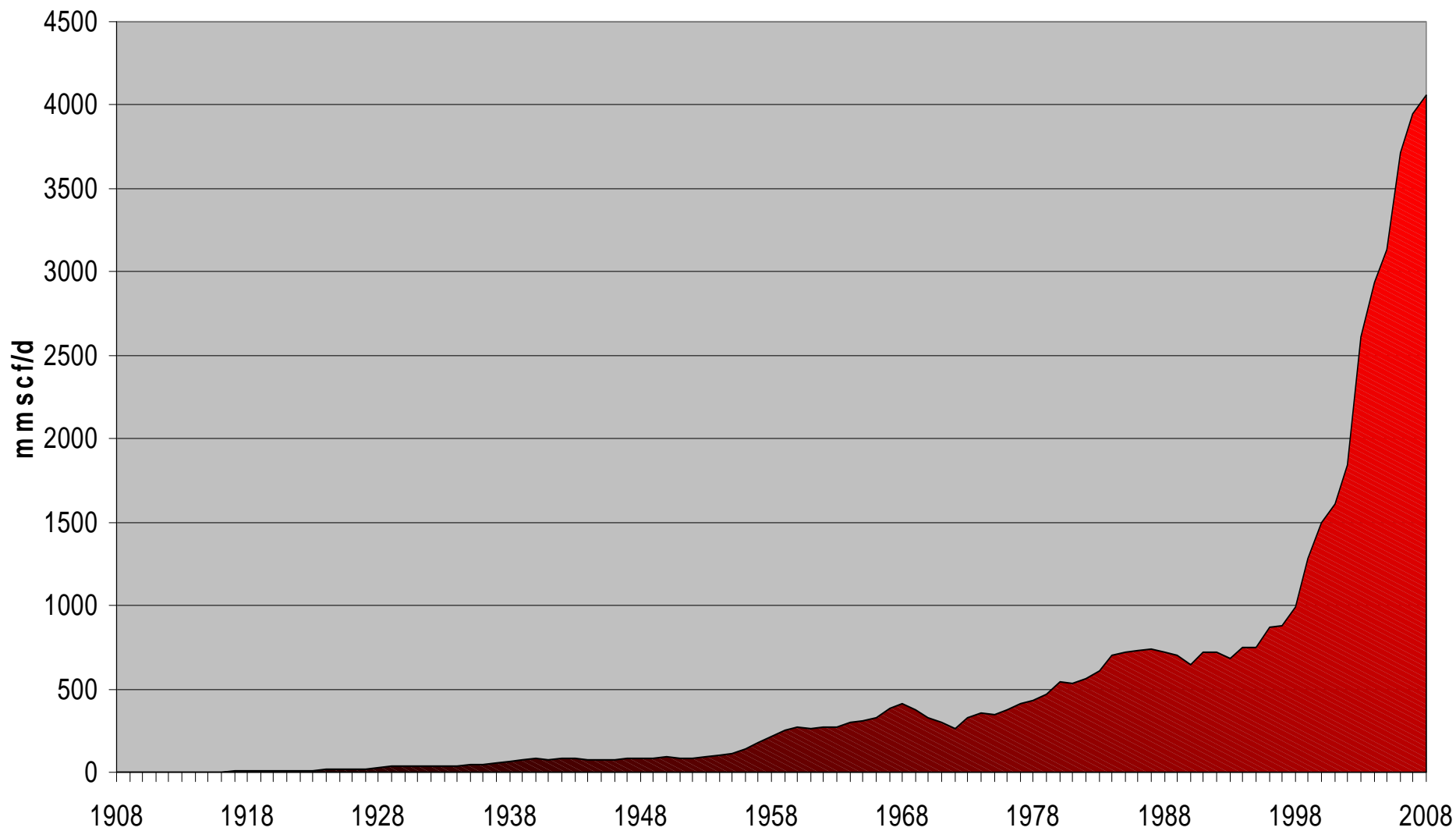
Energy Sector Contribution to GDP

	Petroleum GDP as a % of Total GDP
2000	31.29
2001	31.71
2002	33.34
2003	38.29
2004	38.08
2005	35.17
2006	40.21
2007	40.85
2008	39.64
2009	42.02
2010	41.60
2011	41.09
2012	40.10
2013	39.70

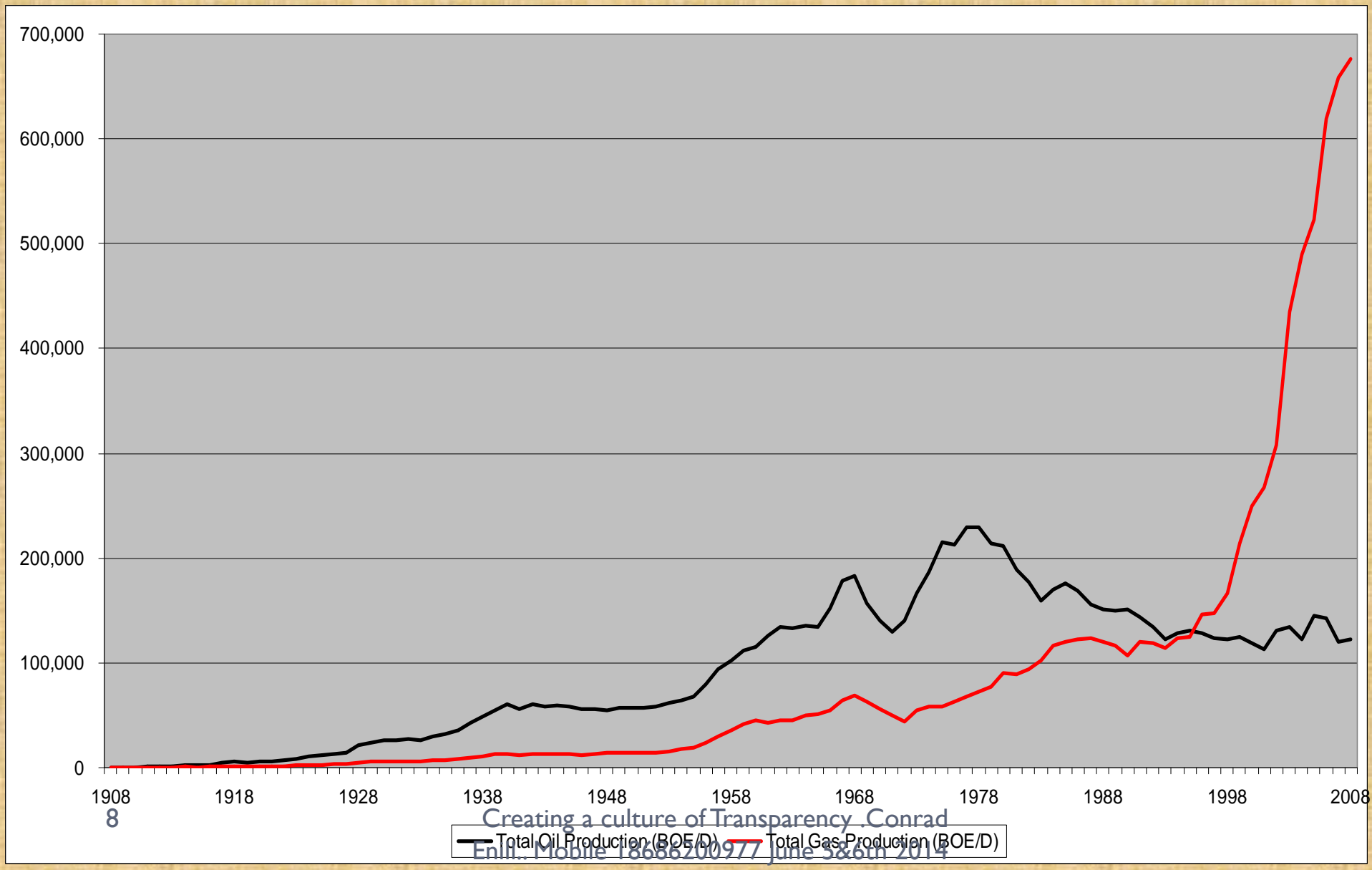
Crude Oil Production 1908 to the 2000



Natural Gas Production 1908 to the 2000



Oil and Natural Gas Production 1908 to the 2000



The Evolution of Trinidad and Tobago .

- ▶ Trinidad and Tobago Industrial policy
- ▶ Industrialization by Invitation
- ▶ Industrialization by Import Substitution
- ▶ Open Market ,competitive environment.

Taking Charge of Petroleum in TT



The Vision of Trinidad & Tobago Energy Development

“ There have been attempts to persuade us that the simplest and easiest thing to do would be to sit back, export our oil, export our gas, do nothing else and just receive the revenues derived from such exports and as it were, lead a life of luxury – at least for some limited period. This, the Government has completely rejected, for it amounts to putting the entire nation on the dole. **Instead, we have taken what may be the more difficult road and that is, accepting the challenge of entering the world of steel, aluminium, methanol, fertiliser, petrochemicals. We have accepted the challenge of using our hydrocarbon resources in a very definite industrialisation process**”.

- The Late Dr. the Right Honourable Eric E. Williams, 17th January 1976

Achievements over the years 1908-1938

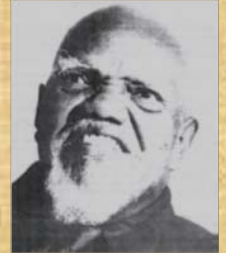
1908-

Commercial Production began

1913 – Shell Group Enters



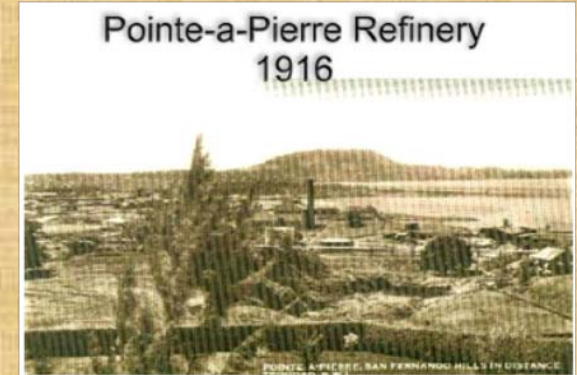
1937- Labour Unrest led by Tubal Uriah



Unrest led by Tubal Uriah

Butler

1926- Establish ment of refineries in Pointe-a-Pierre, Point Fortin and Tabaquite



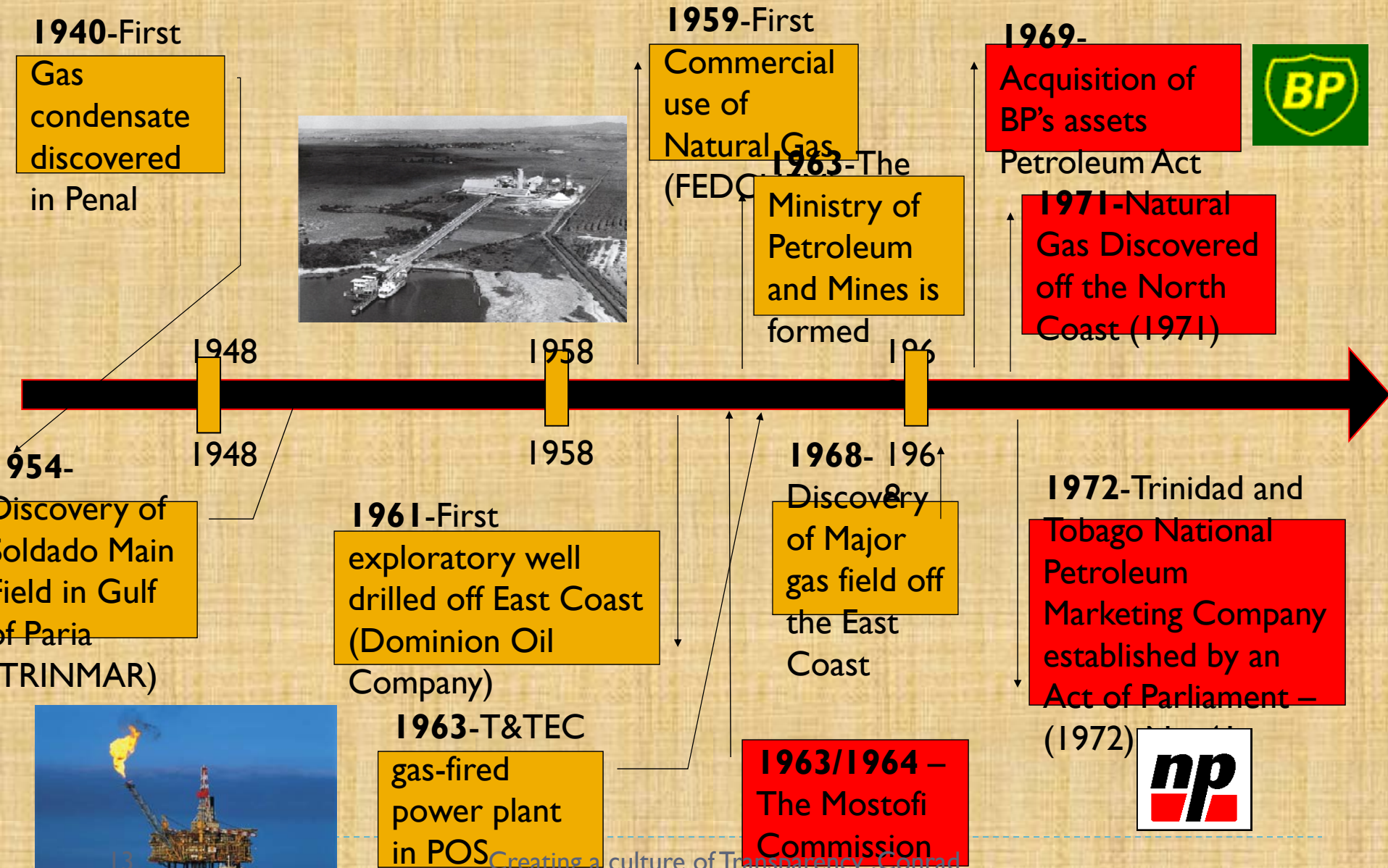
1911- First shipment of oil



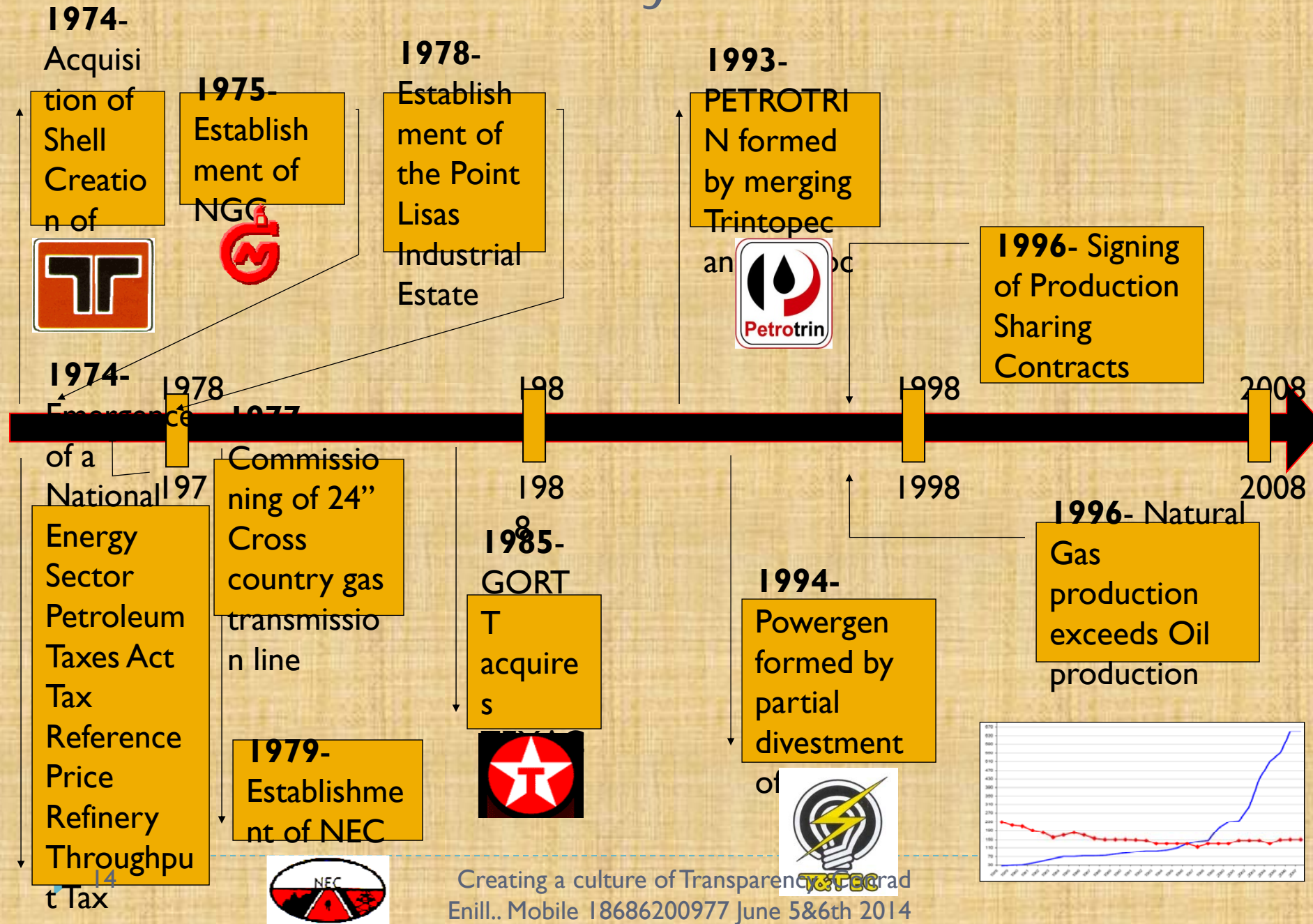
Brighton Jetty

- Photo: (J. Murray, 1940) – George E. Higgins: A History of Trinidad Oil, 1996

Achievements over the years 1948-1968



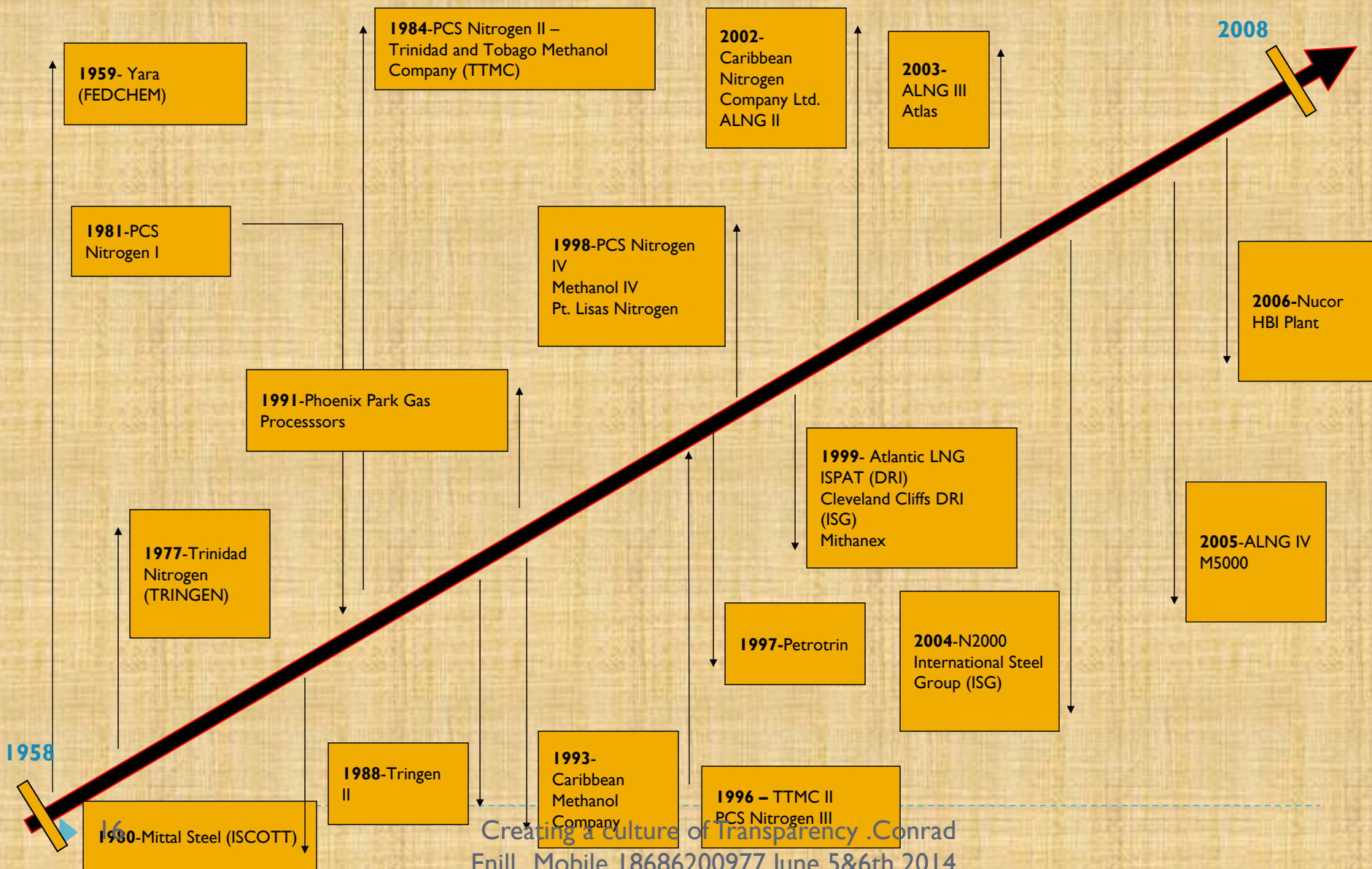
Achievements over the years 1978-2008



History of Gas Use

- ▶ First Industrial use - anhydrous Ammonia 1959
- ▶ Full utilisation for generation of Electricity
1963
- ▶ First manufacture of Iron and Steel 1980
- ▶ First manufacture of Methanol 1984
- ▶ First Manufacture of Urea 1984
- ▶ First removal of NGLS (PPGPL) 1991
- ▶ First Manufacture of LNG 1999

Energy-based Operating in Trinidad and Tobago

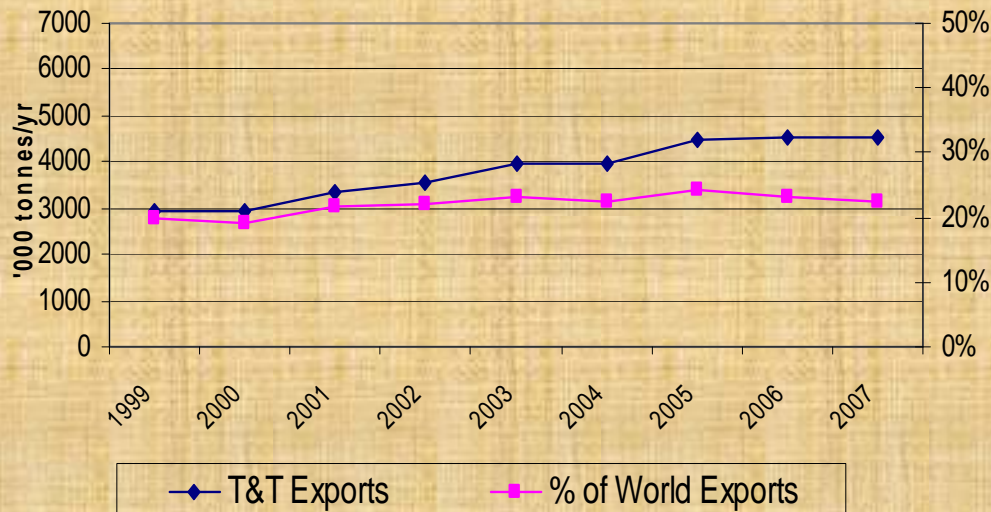




Global Position - Ammonia

**#1 in Export
from a Single Site**

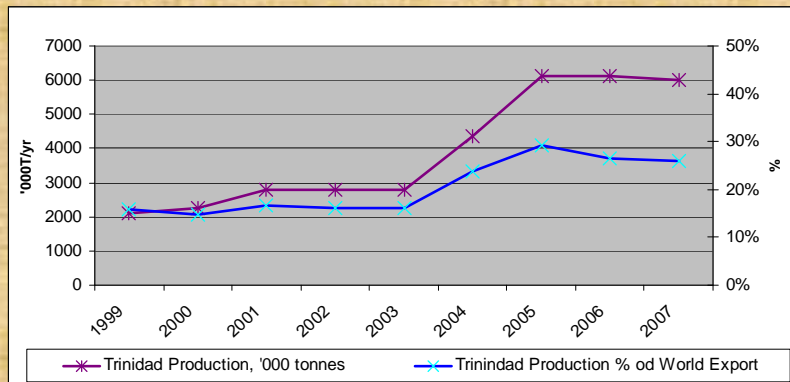
10 Plants (5.2 MTPA)



Global Position - Methanol

**#1 in Export
from a Single Site**

7 Plants (6.5 MTPA)



Global Position - LNG

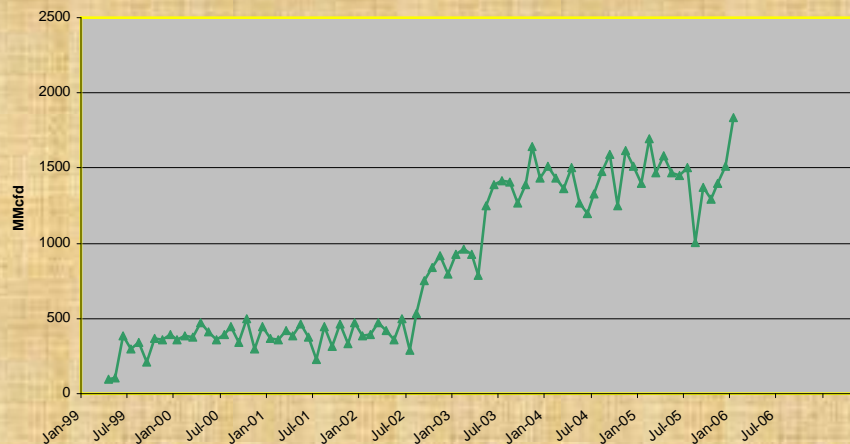
**#1 Exporter to
North America**

4 LNG Trains 15.1 MTPA

#6 LNG Exporter in the World



LNG production in Trinidad and Tobago



Estimates of Revenue and Expenditure & Public Accounts



The revenue stream

- ▶ Interestingly the results of all this activity is reported primarily as Oil Companies within the context of Chapter 75:04.
- ▶ Petrochemical trading companies are classified as other companies and therefore contribute to revenues under other companies.

Estimates of Revenue

► Heads of Revenue

1. Taxes on Income and Profits
2. Taxes on Property
3. Taxes on Good and Services
4. Taxes on International Trade
5. Other Taxes
6. Property Income

► Heads of Revenue –contd

1. Other Non-Tax Revenue
2. Repayment of Past Lending
3. Capital revenue
4. Borrowing

✓ Energy Taxation Review

- The establishment of new regimes for the taxation of income from oil and gas production including a work programme for new exploration activities .(completed)
- Supplemental Petroleum Tax review. (completed)
- Fair Market Value for Gas contracts as opposed to contract price (completed)
- Review of Production sharing Contracts (under consideration)
- **Resulting in more equitable distribution to the population of Trinidad and Tobago. (Internationally Competitive)**

Central Government Fiscal Operations

Allocated Expenditure

Expenditure \$Billion TT

✓ 2000	-	12.5
✓ 2001	-	14.0
✓ 2002	-	14.2
✓ 2003	-	16.6
✓ 2004	-	20.7
✓ 2005	-	27.3
✓ 2006	-	37.0

Expenditure \$Billion TT

✓ 2007	-	39.8
✓ 2008	-	53.8
✓ 2009	-	45.7
✓ 2010	-	46.7
✓ 2011	-	52.9
✓ 2012	-	54.6
✓ 2013	-	56.1

Revenue stream

Date	Central Gov't Current Revenue Non Oil (TT\$000s)	Central Gov't Current Revenue - Oil (TT\$000s)
2000	8,811,090.0000	4,403,650.0000
2001	9,871,380.0000	3,508,520.0000
2002	10,827,000.0000	3,668,750.0000
2003	10,948,000.0000	6,904,640.0000
2004	13,860,800.0000	8,159,370.0000
2005	16,058,600.0000	15,851,800.0000
2006	17,442,000.0000	21,111,500.0000
2007	20,841,000.0000	19,365,900.0000
2008	26,684,000.0000	31,100,500.0000
2009	22,299,600.0000	15,330,400.0000
2010	25,220,100.0000	19,123,200.0000
2011	25,946,800.0000	23,292,800.0000
2012	29,413,200.0000	17,258,100.0000
2013	30,648,600.0000	16,649,800.0000

Finance

- Our current reporting regime as evidenced through the Annual Budgeting Parliamentary Exercise.
- Estimates of Revenue and Expenditure and Public accounts .
- The preparation of the National Budget
- The Call Circular
- The Budget process
- The Budget Documents
- The Review of the Economy
- The Expenditure build up
- Estimates of Revenue

Estimates of Revenue and Expenditure & Public Accounts



The Preparation of a National Budget.

- ▶ The Call Circular.
- ▶ The Consultations.
- ▶ The Role of the Budget division of the Ministry of Finance.
- ▶ The Stakeholder Consultations
- ▶ The Hard Choices
- ▶ The Budget Delivery
- ▶ The Parliament
- ▶ Implementation

The Call Circular.

Where does its authority come from?

- ▶ This is required under Section 113(1) of the Constitution :
- ▶ 113(1).The Minister responsible for finance shall cause to be prepared and laid before the House of representatives before or not later than thirty days after the commencement of each financial year estimates of the revenue and expenditure of Trinidad and Tobago for that year.

The Call Circular

Appendices required for submission.

- ▶ A. Strategic Plans and Objectives.
- ▶ B .Revenue (including Capital Receipts).
- ▶ C.Recurrent Expenditure-Ministries and Departments.
- ▶ D.Recurrent Expenditure-Statutory Boards and Similar Bodies and the Tobago House of Assembly.
- ▶ E. Capital Expenditure Programme.
- ▶ F. Directory of Services

The Call Circular

Documents required for submission.

- ▶ Governments Policy Framework for Sustainable Development.
- ▶ Medium Term Policy Framework
- ▶ National Performance Framework
- ▶ Customer Service Delivery Plan
- ▶ Corporate and Business Plans

The Budget Process.

- ▶ Consultations with interest groups and stakeholders who have special needs.
- ▶ Review of concerns expressed in the IMF Article Four Consultations.
- ▶ Review of the Auditor General's Report on the Accounts.

The Budget Documents

- ▶ Budget Statement _Presented by MOFE
- ▶ Review of the Economy
- ▶ State Enterprises Investment Programme.
- ▶ Social Sector Investment Programme.
- ▶ Public Sector Investment Programme.
- ▶ Public Sector Investment Programme-Tobago.
- ▶ Estimates of Expenditure
- ▶ Estimates of Revenue

✓ The Budget

- ▶ Eleven documents accompany the budget speech.
- ▶ Estimates of Expenditure deals with the numbers – Estimated vs. Actual by line item.
- ▶ Review of the Economy tells you what happened over the last twelve months and deals with the following :

Taxes on Income and Profits

Details

- ▶ Oil Companies
- ▶ Other Companies
- ▶ Individuals
- ▶ Withholding Tax
- ▶ Insurance Surrender Tax
- ▶ Business Levy
- ▶ Health Surcharge

Details

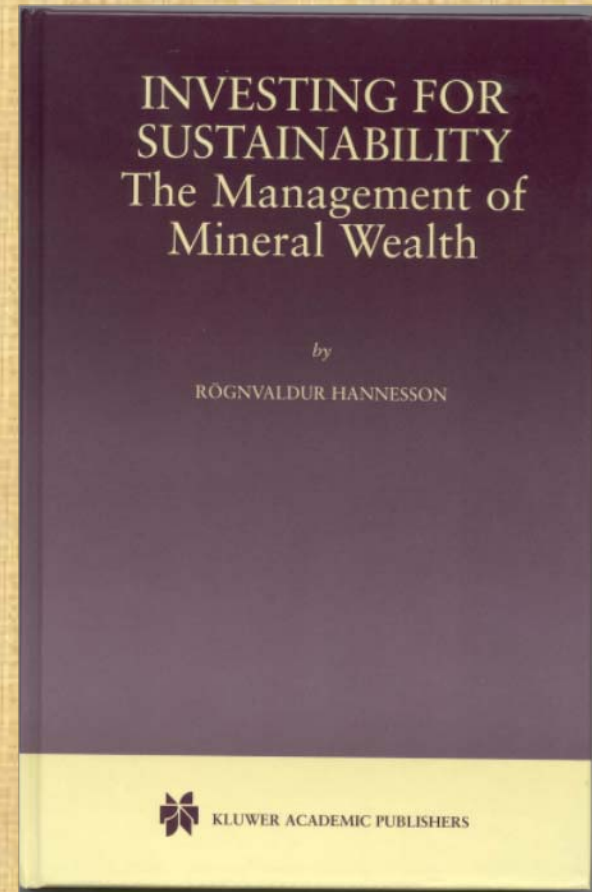
- ▶ Actual Collected for previous year
- ▶ Estimates for previous year
- ▶ Revised Estimates (if any) for previous year
- ▶ Estimates in respect of year being considered.

Diversification requirement..non oil deficit

- ▶ The non oil deficit is the excess of government spending over revenue when petroleum revenues are excluded,
- ▶ Economists believe that it is prudent for a petro state to maintain a Fuel Wealth .Fuel Wealth is the present discounted value of governments future petroleum revenues. Our response has been the HSF Fund.
- ▶ This fund simply accumulates excess revenues beyond targeted expenditure .
- ▶ Since we are into deficit spending now may be an opportunity to change how this fund is used in Financial Economic Management.

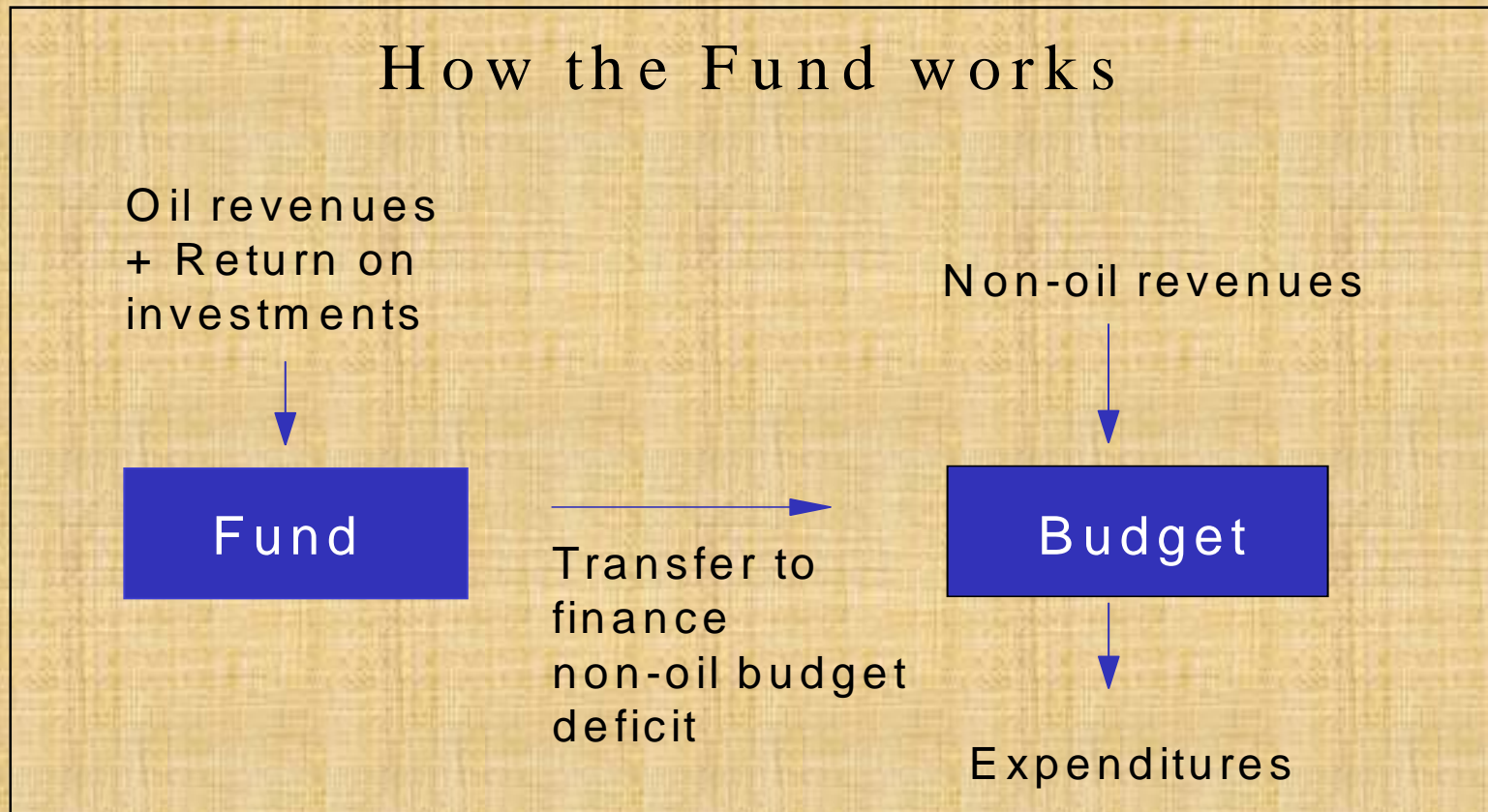
Oil stabilisation funds

- ▶ Abu Dhabi
- ▶ Alaska
- ▶ Alberta
- ▶ Azerbaijan
- ▶ Kazakhstan
- ▶ Kuwait
- ▶ Norway
- ▶ Oman





The Fund should be integrated in fiscal policy



Concluding thoughts

- ▶ The discussion needs to be continued.
- ▶ The communication must begin from the ground up and it must involve more voices
- ▶ There must be some clear objectives that can be agreed between government and the population.
- ▶ There must be a review of government expenditure with particular reference to the distribution between investment expenditure and welfare expenditures and a realignment based on sustainability.
- ▶ More discussion on the choices that we are making and the future demands on our resources.



Concluding thoughts

- ▶ More discussion on the choices that we are making and the future demands on our resources.
- ▶ We also need to learn from our successes to date and anchor our future in an understanding of what policy instruments served us well. These are :
 - ▶ Fiscal management
 - ▶ Resource management
 - ▶ Implementing Institutions
 - ▶ Investment
 - ▶ Education
 - ▶ Governance
 - ▶ Transparency is an integral part of our governance agenda.
 - ▶

Definition – T&T Position

Trinidad & Tobago is classified as a ' Non OECD High Income' Country.

INCOME GROUP	CLASSIFICATION (GNP per capita income)*
Low Income	\$905 or less
Middle Income	Lower: \$905 - \$3595
	Upper: \$3596 - \$11,115
High Income	\$11,116 or more

Trinidad & Tobago

- **GNP per capita at PPP is US\$13,340**
- Life expectancy at birth is 70 years
- Adult illiteracy rate is 98.6%
- Average annual growth (GNP) rate is 4.5%
- GDP is US\$19.9 billion

Trinidad & Tobago